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FEATURE

The Perfect Vape

Rapidly evolving technology and savvy designs are shaping a brave, new world for vaporizers.



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Storming The Capitol

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Photo: Bogdan Serjuchnyj / Shutterstock

Memento Progressus

I REMEMBER WHEN California legalized medical marijuana in 1996—a lifetime ago, it seems. The rest of the country was aghast, but for the most part we chalked up the mystifying—and at the time, risky—move as just another idiosyncrasy of those wacky tree-huggers on the Left Coast. (As my Texan grandmother was fond of saying, “Bless their hearts. They’re a mite tetchy.”)

My, how things have changed. Emboldened by California’s audacity, forty-six other states and the District of Columbia, plus four of the five U.S. territories—Guam, the U.S. Virgin Islands, Puerto Rico, and the Northern Mariana Islands—have legalized at least rudimentary medical cannabis programs. (Note to Idaho, Nebraska, and South Dakota: Conservatism is one thing. Moving to the right of Utah and Alabama is just embarrassing.)

Now it looks as though the U.S. Congress may embrace some kind of reform this year. The SAFE Banking Act, which passed the House Financial Services Committee in late March and now is headed for floor debate, would prohibit charging or threatening to charge banks, credit unions, insurers, property owners, and others with federal financial crimes simply because they provide services to cannabis companies.

Also enjoying good momentum: the bipartisan, bicameral STATES Act, which would codify essentially the same terms outlined in the now-rescinded Cole memo. (Former U.S. Attorney General Jeff Sessions will never live that down.) But the STATES Act goes even further, amending the Controlled Substances Act to exempt from federal prosecution businesses and individuals acting in compliance with state law.

Perhaps the most exciting bills are the two least likely to advance: the Ending Federal Marijuana Prohibition Act in the House and the Marijuana Justice Act in the Senate. Both would remove cannabis from the federal list of controlled substances. While the House bill may see some action, the Senate version likely will languish in committee, if it makes it that far. (Now, now. Let’s not be too hard on the upper chamber. In addition to legislating, senators have many other important jobs to do—like character assassination and grandstanding.)

Despite the potential for disappointing outcomes, the industry should take heart. At least the voice of the people seems to have reached the ears of federal legislators. In an echo chamber like the national capital, that’s no small feat.

Kathee Brewer



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NEWS BRIEFING



Utah, New Jersey, Virginia Face Legislative Challenges

SALT LAKE CITY; TRENTON, NJ; and RICHMOND, Va. — Cannabis advocates in Utah, New Jersey, and Virginia may be disgruntled, but they're not disheartened after facing setbacks in their respective states.

In Utah, voters await a state supreme court decision about whether the legislature can overrule the will of the electorate. At issue are rollbacks state lawmakers made to a voter-approved measure known as Proposition 2, which expanded existing law by approving the sale of edibles, allowing patients who live far from a dispensary to grow their own medicine, and increasing the number of eligible medical conditions.

In New Jersey, General Assembly and Senate leaders at the eleventh hour cancelled a vote on bills that would have legalized

recreational cannabis, instituted criminal justice reforms, and expanded the state's medical marijuana program. Although the recreational bill was unpopular in the legislature, the medical measures were expected to pass easily. Currently, the state hosts six dispensaries serving 43,000 registered patients.

In Virginia, advocates dealt with both victory and defeat. House of Delegates members shot down bills proposing recreational legalization and decriminalization of simple possession. At the same time, the legislature almost unanimously approved a bill allowing school nurses to administer authorized cannabis medication on campus and protecting students from disciplinary action for possessing THC-A or CBD oil.



Insurance for Colorado Cannabis Businesses

LISLE, III. — Following a successful pilot program in California, the American Association of Insurance Services has expanded its Cannabis Businessowners Policy (CannaBOP) program to Colorado.

CannaBOP provides a package policy containing both property and liability coverage for qualifying dispensaries, storage facilities, distributors, processors, manufacturers, and private cannabis testing facilities and laboratories. The CannaBOP program comes fully supported with rules and loss costs. During development, AAIS partnered with Merlinos & Associates Inc., an actuarial consulting group, to help analyze market exposures and develop rating guidelines specific to the cannabis industry.

AAIS, a not-for-profit insurance advisory organization governed by its member companies, is developing several program enhancements, including the addition of equipment breakdown, product recall, open use, special event, errors and omissions, motor truck cargo, warehouse liability, and commercial auto coverage endorsements.



CVS Selling CBD

Flouting Food and Drug Administration guidance, the venerable drugstore chain has rolled out a variety of topical products, but no supplements or food additives, in 800 stores across eight states. The company operates more than 9,800 stores nationwide.

BDS, FLOWHUB PARTNER

Data and market intelligence analyst BDS Analytics partnered with point-of-sale and retail-management software developer Flowhub to provide a greater breadth of intel to both their markets. BDS will gain data from Flowhub's retail installations, and Flowhub clients will gain deeper insight into market trends, consumer behavior, and competition.

HEADSET TEAMS WITH NIELSEN

Cannabis analytics company Headset and international consumer research services provider Nielsen Holdings Plc teamed on a project designed to help mainstream consumer packaged goods companies understand the American cannabis market. The pair plan to release a report containing historical data through 2018.

CANNABIS ETIQUETTE

Manners maven Emily Post reportedly was an outspoken anti-prohibitionist in her day, and now her great-great-granddaughter, Lizzie Post, has taken up the banner with a new book, *Higher Etiquette: A Guide to the World of Cannabis, from Dispensaries to Dinner Parties*.



New Products:



MEDICAL CANNABIS INFO CARDS

Goldleaf's new info cards demystify dosing, delivery methods, phytocannabinoids, terpenes, and other topics in a visually appealing way. Each illustrates concepts like the entourage effect, potency and duration of consumption methods, common terms, and the endocannabinoid system. Created in collaboration with Haiikuu Design and printed on durable, coated stock. MSRP from \$8.99.

ShopGoldleaf.com



ARIO VAPE SIMPLE2 SQUARED

A simple concept inspired the Simple Squared vape pen: frustration with round pen-style vapes rolling off flat surfaces. In addition to staying put, the product also fits more securely in users' hands. Consistent voltage, a twenty-second draw time, and two-click on and off are top features. In black and gunmetal. MSRP \$20.

ArioVape.com

MCBA Develops Model Social Equity Ordinance



PORTLAND, Ore. — The Minority Cannabis Business Association (MCBA) unveiled a model social equity ordinance to help local lawmakers and regulators develop legislation of their own. The group hopes the model, drafted by a team of attorneys and drug policy reform advocates, will serve as a resource for cities and counties nationwide.

With a stated goal of maximizing industry participation by communities of color that were disproportionately impacted by prohibition, the policy model includes provisions for priority licensing, access to capital, and technical assistance for confirmed equity applicants and general applicants incubating a business partially owned by an equity applicant. The model also recommends social impact studies to calculate the total cost of the war on drugs in order to inform community reinvestment decisions.



NEW-AGE RESPONSE TO AN AGES-OLD PROBLEM

New Orleans-based ECLOS LLC launched what the company believes is the first CBD-specific hangover remedy in the United States. The company claims CBDOX's blend of hemp extract with vitamins, electrolytes, and other elements combats alcohol toxicity.

7.1B

Potential value of the African cannabis market by 2023.

(Source: Prohibition Partners)

47%

Increase in women's spending on topicals from 2017 to 2018.

(Source: Headset)

573%

Increase in the # of sublingual products on the market, Jan. 2018-2019.

(Source: Leaflink)

25%

of the men's market comprises vaporizer sales.

(Source: Headset)



Committee OKs SAFE Banking Act

WASHINGTON, D.C. — On a vote of 45-15, the House Financial Services Committee in late March passed the Secure and Fair Enforcement (SAFE) Banking Act of 2019, sending the bill to the House floor and a ripple of excitement through the banking and cannabis industries. The bill is expected to pass, as it has 152 cosponsors in the House at large.

The bipartisan bill, written by Democrats Ed Perlmutter (D-CO) and Denny Heck (D-WA) and cosponsored by Republicans Warren Davidson (R-OH) and Steve Stivers (R-OH), would allow cannabis-related businesses in states with existing regulatory structures to access the banking system. Perlmutter repeatedly has introduced similar legislation since 2013.

As passed, the SAFE Banking Act protects financial institutions, real estate owners, accountants, insurance providers, and other vendors from money-laundering and other criminal prosecution that might arise from transacting with purveyors of a federally illegal substance. The bill also includes provisions designed to expand access to financial services for minority- and women-owned businesses.

AVERAGE PER-VISIT SPEND AT DISPENSARIES



PopCom Pops

Columbus-Ohio-based, woman-founded PopCom, a manufacturer of vending kiosks that employ blockchain and facial recognition technology, raised \$1 million in equity crowdfunding in four months. The average investment was \$500. Previously, the company raised \$1 million in private investment through two accelerator programs, one mainstream and one cannabis-focused.

Cresco Labs Buys Origin House

CHICAGO and OTTAWA, Ont. — In what the companies called “the largest public company acquisition in the history of the U.S. cannabis industry,” Cresco Labs Inc. in March acquired Origin House, formerly known as CannaRoyalty Corp., in an all-stock transaction valued at U.S. \$823 million. Based in Ottawa, Ontario, Origin House trades on the Canadian Stock Exchange and the American over-the-counter exchange OTCQX.

Cresco operates grows, manufacturing facilities, distributors, and more than 700 dispensaries in eleven states. According to Chief Executive Officer Charlie Bachtell, the company intends to focus the majority of its future efforts on cultivation and retail, which he described as “the most disruptable” cannabis verticals.

Origin House distributes to more than 450 retail locations in the United States, representing more than fifty brands including Bhang, Chong’s Choice, Défoncé, Lowell Herb Company, and Humboldt’s Finest.



Harvest Buys Verano

Vertically integrated Harvest Health & Recreation Inc. acquired Verano Holdings LLC, a multi-state manufacturer and retail operator, for an estimated \$850 million in an all-stock transaction. The combined entity holds licenses that will allow it to operate up to 200 facilities in sixteen states and territories across the U.S., including 123 dispensaries.

KUSHCO UPS ENVIRONMENTAL ANTE

As part of a continuing sustainability initiative, KushCo Holdings Inc. entered a long-term development and distribution agreement with IEKO Corporation to produce compostable and biodegradable packaging solutions. The new products will feature proprietary materials made from renewable resources.





What Do You Mean We're Out of Beer?

Four hours after its debut in Colorado dispensaries, Ceria Brewing Co.'s non-alcoholic, cannabis-infused, Belgian-style ale sold out. Ceria founder Keith Villa's previous creation was a smash hit, too: Blue Moon, developed for Molson Coors.

NELSON PELTZ JOINS AURORA

Aurora Cannabis Inc. in March named hedge fund billionaire Nelson Peltz a strategic advisor. The company expects Peltz to steer a search for potential strategic partnerships and provide advice about refining the company's global business expansion strategy.

FLOWER PRICES FALL ON RISE OF 1/8s

Eighths (3.5 grams) now make up more than 80 percent of flower sales in California, compared to less than 50 percent at the same point in 2018, driving flower prices down 15 percent from just under \$13 per ounce to \$10.33. (Source: Flowhub)

PER-TRANSACTION SPEND HIGHER IN MEDICAL-ONLY MARKETS

From January through March 2019, consumers spent an average of 38 percent more per transaction in medical-only markets than in medical-and-adult-use markets, according to compliance and point-of-sale platform Flowhub.



FOR BUDTENDERS, KNOWLEDGE IS POWER

The three co-founders of Grassworks Digital have flexed their entrepreneurial muscles and launched a platform designed to "educate and empower" budtenders. Toptender aims not only to help cannabis retail employees define a career path but also to assist in growing sales for stores and brands by creating a more knowledgeable workforce.



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What's Hot in Pot Retail

Ingestibles

INSIGHTS BY  **BDS Analytics**

From naming and branding to product development, cannabis ingestibles companies are leading the industry out of the prohibition era. They are gaining a share of the consumer dollar, to be sure, but more importantly, they are becoming the public face of cannabis in dispensary display cases and “normalizing” cannabis in the public eye.

1

Consumers in front-running adult-use markets in the U.S. have significantly shifted their spending over recent years to other categories of cannabis consumables, especially into concentrates and ingestibles.



Packaging is an essential component of ingestibles manufacturing. Compliant child-resistant packaging can account for as much as a third of the total bill for materials of the final product.

2

3

Total ingestibles category sales in retail for Jan. 2019 was \$76.8M, with 3.88M units sold (sales data for AZ, CA, CO and OR markets).*



In Jan. 2019 the average retail price per ingestible unit sold was \$19.65, with sublinguals products averaging \$45.14 and edibles products \$17.36 per unit, respectively.*

4

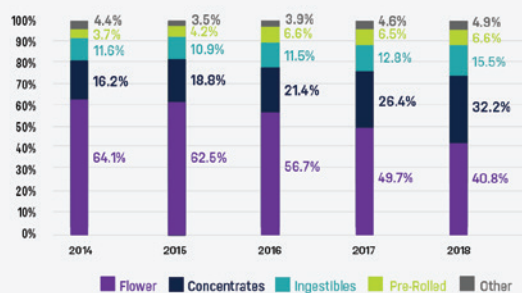
5

Watermelon, mixed fruit, strawberry, blueberry, and chocolate – in descending order based on % of all ingestibles purchased – were the favorite flavors for consumers in Jan.*



Share of Products Sold at Cannabis Retail

*Data Powered by BDS Analytics' GreenEdge™ Platform



This infographic was created exclusively for **mg** Magazine readers



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EVENTS

MAY 2019 EVENTS SCHEDULE

The following is a list of select industry events taking place this month.



THE HALL OF FLOWERS APRIL 30 - MAY 1

Santa Rosa, California

A licensed, industry-only, highly curated B2B trade show specifically designed to facilitate the trade of premium licensed cannabis products across flowers, concentrate, edible, topical, and accessory categories.
THEHEMPBIZCONFERENCE.COM

THE HEMP BIZ CONFERENCE MAY 1-2

Denver

With a focus on education, The Hemp Biz Conference's traveling show includes stops in several major cities. Panel discussions and workshops address both beginners and established professionals in agriculture, processing, manufacturing, extraction, textiles, biofuels, and plastics.

THEHEMPBIZCONFERENCE.COM

EUROPEAN CANNABIS SYMPOSIUM MAY 6

Scandic Copenhagen, Copenhagen, Denmark

A one-day event covering topics including technology, blockchain, pharmaceuticals, investment trends, and the industry's potential impact on global markets. The conference provides an overview of industry structures and standards as well as insight into emerging opportunities.

MJBIZCONFERENCE.COM/EUROPE

EXPOCANNABIZ MAY 9-11

Hotel Capellán de Getsemaní, Cartagena, Colombia

The first business expo in Colombia focuses on business opportunities in Latin America, particularly investment opportunities, legislation, medicinal and industrial use, and marketing. More than 150 exhibitors are expected to occupy 36,500 square feet of indoor and outdoor space.

EXPO-COLOMBIA.COM

UTAH CANN MAY 10-11

Utah State Fair Park, Salt Lake City

This second annual cannabis business conference and expo presents educational sessions about a range of topics including medical benefits, shifting political and regulatory landscapes, business opportunities, scientific and financial trends, marketing, and branding.

UTAHCANN.COM

INTERNATIONAL CANNABIS BUS. CONFERENCE MAY 15-16

Atlantis Hotel, Zurich

Switzerland's first cannabis conference brings together medical and therapeutic professionals, policymakers and law enforcement, investment and business strategists, innovation, technology, and community leaders for two days of exhibits and educational opportunities.

INTERNATIONALCBC.COM/ZURICH-HOME

CANNATRADE MAY 17-19

Halle 622, Zurich

The oldest hemp fair in Europe addresses cultivation, CBD, and medicine. May 17 is exclusively for business attendees; the other two days mix business and consumer components. Exhibits include merchandise across the spectrum, including not only cultivation and retail items but also clothes, building materials, and cannabis art.

CANNATRADE.CH

VERMONT HEMP & CANNABIS CONVENTION MAY 18-19

CV Expo, Burlington, Vermont

Organized by New England Cannabis Network, this conference and exhibition invites medical marijuana, cannabis, and hemp entrepreneurs, advocates, patients, and caregivers to learn from dozens of speakers. More than 100 exhibitors will offer demos, soil and growing samples, and an array of smoking, vaping, storage, and accessory products for sale.

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The Messy State of Financial Regulation

An accountant weighs in on federal legislation, the IRS, and policy issues.

BY JORDAN ZOOT



BECAUSE OF §280E,
CANNABIS BUSINESSES
SUFFER AN EFFECTIVE
FEDERAL TAX RATE
OF 70 PERCENT.

BECAUSE STATE-LEGAL cannabis businesses operate in violation of the federal Controlled Substances Act (CSA), they face several significant challenges other legal businesses do not. Of course, even those in compliance with state law risk prosecution under the CSA, although the risk is relatively low. Operationally, though, these businesses run into myriad problems, including confiscatory taxes that constrain them in ways not faced by any other commercial sector.

THE STATES ACT, TAXES, AND BANKING

Those who are pushing for federal action always should keep in mind the maxim “Be careful what you ask for. You may get it.” Everything that comes from the federal government comes with a price, and if the full price were known, those who push for change might reconsider. Consider this: The Internal Revenue Service may not agree the STATES Act’s proposed changes to federal criminal law eliminate the impact of Internal Revenue Code §280E, which disallows a deduction that is not dependent upon determination the conduct is criminal. Because of §280E, cannabis businesses complying with federal law suffer an effective federal tax rate of 70 percent. Some believe in order to make IRC §280E inapplicable, either marijuana must no longer be classified as a controlled substance, or IRC §280E must be amended.

In the 115th session of Congress, S. 3032 and H.R. 6043 are identical bills with the short title “Strengthening the Tenth Amendment Through Entrusting States Act” or the STATES Act. Effectively, and with some exemptions delineated in the act, “any person acting in compliance with state law relating to the manufacture, production, possession, distribution, dispensation, administration, or delivery of marihuana” shall not be in violation

of the CSA or “any other provision of [federal] law.” Consequently, such activity can’t serve as a predicate for offenses under other laws; therefore, §280E of the federal tax code would not apply to such businesses.

Moreover, the STATES Act would allow banks and other financial services entities to transact business with cannabis companies without fear of violating money-laundering statutes.

Understanding financial institutions might want additional language to ensure there is absolutely no confusion about the operation of the STATES Act, the drafters included a “Rule of Construction” that provides conduct in compliance with the act. Manufacturing, selling, transporting, possessing, etc., within state-legal frameworks:

- (1) shall not be unlawful;
- (2) shall not constitute trafficking in a controlled substance under section 401 of the Controlled Substances Act (21 U.S.C. 841) or any other provision of law; and
- (3) shall not constitute the basis for forfeiture of property under section 511 of the Controlled Substances Act (21 U.S.C. 881) or section 981 of title 18, United States Code.

If the foregoing is not enough for skeptics, the STATES Act contains one final provision specifically addressing interaction of the act with principal money-laundering statutes by providing:

The proceeds from any transaction in compliance with this Act and the amendments made by this Act shall not be deemed to be the proceeds of an unlawful transaction under section 1956 or 1957 of title 18, United States Code, or any other provision of law.



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If the conduct in question is not unlawful, is not trafficking in a controlled substance, and cannot form the basis for civil asset forfeiture, any financial services entity should feel comfortable doing business with state-compliant cannabis companies.

SOLVING THE CONFISCATORY TAX PROBLEM

The STATES Act insulates state-compliant cannabis businesses from §280E of the tax code, which provides that:

No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.

Since business conducted in compliance with the STATES Act would not violate federal drug laws, such activity would not constitute “trafficking in a controlled substance” and would not trigger IRC §280E. However, if that was not clear from the substantive provisions of the STATES Act, the Rule of Construction makes it unambiguous by adopting language that parallels the language in §280E and provides conduct in compliance with the act “shall not constitute trafficking in a controlled substance.” If the activity in question does not constitute trafficking in a controlled substance, then §280E does not apply.

STATE TAXES AND POLICY

The simplistic answer given by many is cannabis taxes are too high and California’s cannabis regulations are too onerous. Failure of the California Department of Tax and Fee Administration (CDTFA) to require financial record-keeping and tax return reporting that ties into such financial record-keeping is a far more significant cause of the failure of CDTFA to collect taxes from licensed businesses. California cannot reasonably expect to collect the taxes it should if it does not require California cannabis businesses to

keep accurate and complete financial records. California also has made it unnecessarily difficult to become a licensed and regulated cannabis business. No state can expect cannabis businesses to become taxpayers if the state does not simplify the process for becoming a regulated cannabis business.

Most of the policymakers who are molding California’s cannabis industry at present have forgotten, or never knew, that former Governor Jerry Brown very likely did more to shape California’s cannabis industry with his 2008 memorandum when he was the state’s attorney general than any other single policymaker. The principles expressed in that memorandum remain valid today. The rights Proposition 215 granted Californians were preserved in Proposition 64. Medical cannabis distribution will begin making a comeback in California as soon as the financial advantages of medical cannabis over adult-use cannabis again come to the forefront.

California should have adopted two principles. First, California’s cannabis regulatory agencies should have deferred all issues relating to land use and public health and safety to local jurisdictions to the maximum extent possible. Second, California’s cannabis regulatory agencies should have made it as easy as possible for California’s existing cannabis businesses that were locally acceptable to become state-licensed.

TRIBAL LANDS


Can Native American tribes legalize cannabis on their lands? In March, a Republican congressman from Alaska submitted a bill that would protect tribes who legalize cannabis from discrimination in matters of federal funding.

Generally, federal law applies on tribal lands because tribes are treated somewhat like independent nations but the land is “held in trust” by the United States government. Depending on the state in which tribal lands are located, state criminal law also may apply, thanks to Public Law 83-280 (PL-280), which to date has transferred federal law enforcement authority on tribal lands to the states of Alaska, Arizona, California, Florida, Idaho, Iowa, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, and Wisconsin. However, even in states that have PL-280 jurisdiction, some tribes remain exempt. Additionally, tribal lands have their own version of the Cole memo,

known as the Wilkinson memo. (The Cole memo essentially stated Department of Justice personnel would not interfere with state-legal cannabis businesses.) The Wilkinson memo adopts eight policy goals from Cole—including keeping cannabis away from minors, cracking down on organized crime, and prohibiting interstate commerce—the DOJ wanted states to enforce in order to keep the federal government from intervening. The Wilkinson memo also contains a caveat: The feds will consult with tribal leaders before acting.

But Jeff Sessions repealed those memos while he served as U.S. Attorney General, right? Sort of. Although the memos no longer dictate which policies every U.S. Attorney must consider, Sessions, in his own memo, said each attorney should use his or her own judgment to balance enforcement priorities. In response, many attorneys said, “Okay, if I can choose my own policies, I’m just going to choose the policies outlined in the Cole and Wilkinson memos.”

While every tribe still must adhere to federal drug laws, some U.S. Attorneys choose not to enforce cannabis laws against those that maintain a well-regulated market within their territory. State criminal law applies to reservations within PL-280-regulated states *unless* the subject tribe is among those specifically excluded from PL-280. Those three, in Minnesota, Oregon, and Wisconsin, fall entirely under federal jurisdiction.

But yet another layer further complicates things. Because PL-280 gives states only *criminal* jurisdiction over reservations, the only state marijuana law that legally can be enforced is a law that makes it a crime to deal with marijuana. So, tribes in PL-280 states *are exempt* from any regulations or taxes that legalized states have put in place, but *not exempt* from a full-on ban. This also has the strange logical result that tribes inside *non*-PL-280 states that prohibit cannabis could *legalize* marijuana within tribal boundaries. 

JORDAN ZOOT is a licensed certified public accountant in California, Florida, Illinois, New York, and Texas. He is known for his work with technical and transactional taxation of pass-thru entities, private equity and alternative asset funds, professional services, real estate, venture-funded tech start-ups, and the commercial cannabis industry in California. DopeCPA.cool

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Taking an Approachable Approach

Euflora 3D offers more than standard dispensary fare.

UNIQUE among Colorado dispensaries—and even within its own six-location chain—Euflora 3D is a sensory experience, not just a destination. And that’s exactly how Pepe Breton, owner of the Euflora chain, wants it. He designed Euflora 3D based upon experiences he’d had at competing dispensaries. “He didn’t like the layout of other locations, as they were intimidating,” said Marketing Director Lindsay Hanna. “[He felt] it was a bit threatening to approach the budtender not knowing what you want.”

In response to this perceived discomfort, Breton set out to “create a space that allowed visitors to browse, touch, and smell the products to better understand what they were getting,” Hanna said. “Intimidating is the last thing we want [customers] to think of when thinking of Euflora. We want to be less threatening for first-time visitors who are wanting to learn more about cannabis.”

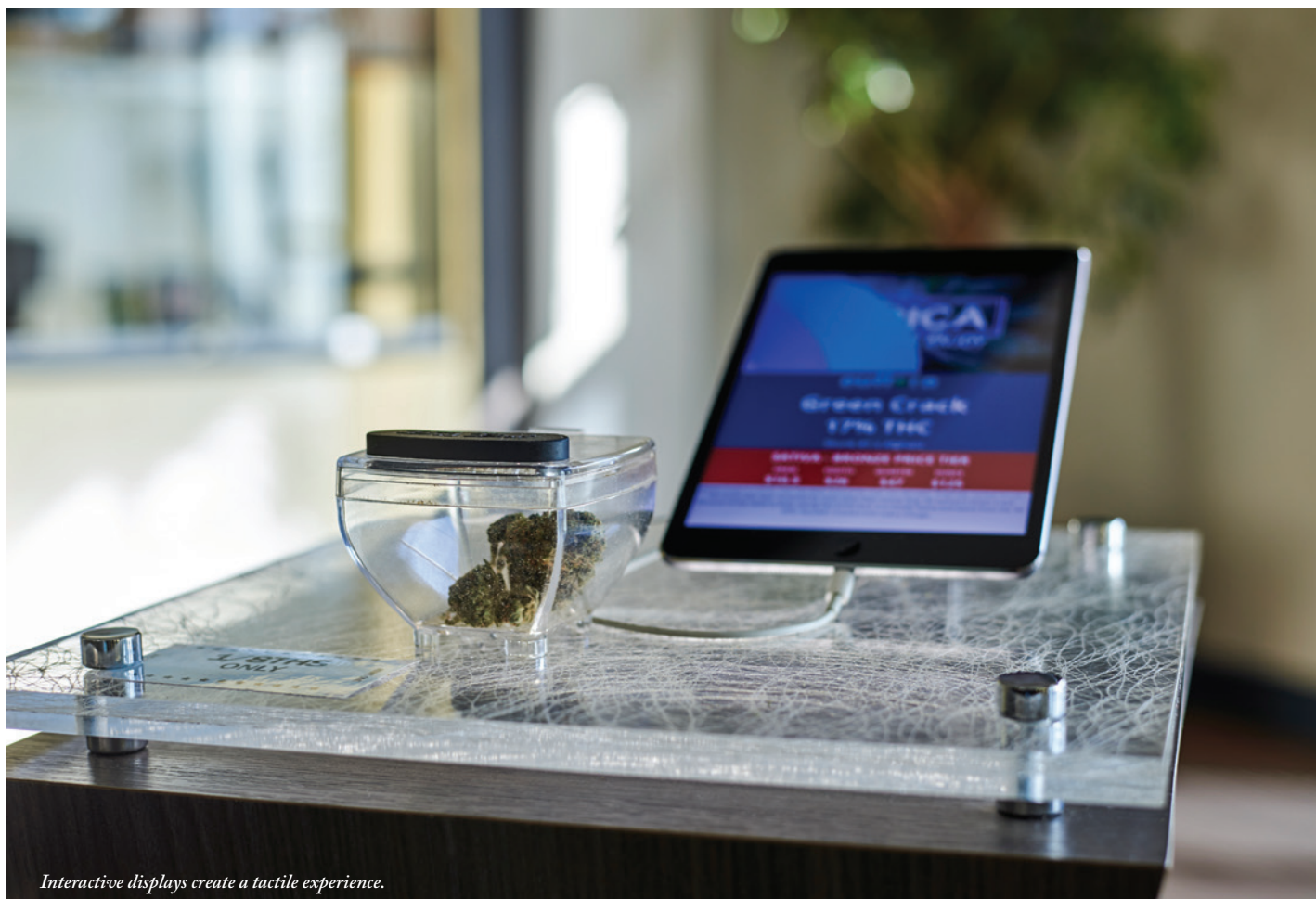
To achieve his vision of approachability, Breton “eliminated the need for a waiting room and created an open space where [customers could] browse just like they would at any [mainstream retail] store,” said Hanna. “We do not have a lobby, and that has been done specifically. We want everyone to feel welcome and to browse at their own pace rather than being put on the spot by a budtender before [they] have had the opportunity to look around. We want everyone from the first-time buyer to the daily consumer to feel comfortable [enough to] ask questions in our space.”

HIGH ON DESIGN

The shopping experience is as much a part of the design as the store itself. Lacking a traditional waiting room or lobby, Euflora 3D customers walk directly onto the sales floor as soon as they have passed a mandatory ID check. Upon age verification, customers find themselves surrounded by sleek, wooden, glass-topped podiums, each showcasing one of the shop’s available strains with not only an iPad full of information but also a physical sample to touch and smell.







Interactive displays create a tactile experience.

Glass, wood-framed cases line the shop's two side walls, displaying products grouped by type and ranging from concentrates to vape pens, edibles, tinctures, tablets, and topicals. Completing the open-floor space, a large horseshoe-shaped checkout counter rests at the center of the room.

According to Hanna, Euflora 3D offers a “unique, comfortable shopping experience, free from the confinements of a traditional dispensary. Everyone [over 21 years old] is welcome to browse the product sections as well as see and smell all the strains available for purchase. Questions are highly encouraged, as everyone’s cannabis experience can be different.”

Technology also plays a big role in the sales process. “Informally dubbed ‘the Apple Store of cannabis,’ Euflora is heavily tech-based and provides iPads containing information about each strain available for purchase,” said Hanna. “Online ordering is offered at the 3D location, allowing guests to browse the product menu and reserve their items before entering the store. Euflora works using a cloud-based [point



EUFLORA 3D NOT ONLY
IS A SITE OF HISTORICAL
SIGNIFICANCE BUT ALSO
HOME TO ONE OF THE CITY'S
ONLY GRANDFATHERED
GROW ROOMS.



of sale] system, allowing budtenders to have real-time inventory numbers.”

LOCATION, LOCATION, LOCATION

Located in the RiNo art district in Denver, aka Mile High City, Euflora 3D not only is a site of historical significance but also home to one of the city’s only grandfathered grow rooms. Previously known as the 3D Cannabis Center, the dispensary was purchased by Breton in 2015. With its auspicious history as the first location to sell recreational cannabis in the U.S., the “establishment holds a lot of sentimental value in the cannabis community,” said Hanna. “Euflora has since done some serious renovations to improve the efficiency of the space to use some of the space for cultivation.”

That cultivation operation, known as “the Viewing Room,” is one thing that sets the dispensary apart. “We are one of only a few viewing rooms still in operation, as we were grandfathered in after our purchase of the facility,” said Hanna. “Guests can see the plants in several stages of their

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Photo: @NateInTheWild



growth while browsing our showroom. Several strains are showcased at a time to display the differences in their leaves and bud structure. Most of the time [customers] are able to view a strain growing and can then purchase the same strain that had been grown previously. New dispensaries in Denver are not allowed to have a viewable growing room.”

BEYOND THE SHOP

Giving back to the community is a high priority for the entire Euflora chain. “On Saturdays, Euflora donates a percentage of the profits to a chosen non-profit for the month,” said Hanna. “In the past, we’ve donated to PETA, Denver Gives, Animal Rescue of the Rockies, Impact Network, and The Doing Good Foundation.” Euflora also works with several entities in Colorado to help enrich the cannabis culture and provide education to the community. Some of its educational partners include the Sixteenth Street Mall, Aurora Chamber of Commerce, Marijuana Industry Group, and the Cannabis Industry Association.

Under a partnership with My 420 Tours, both tourists and locals can gain direct access to Euflora’s greenhouse facility, located ten minutes from the 3D shop. “Guests board a cannabis-friendly bus where they can partake in cannabis consumption as well as hear more about the cannabis-growing process at Euflora,” Hanna said. “Once visitors arrive at the greenhouse, one of our growers gives them an in-depth tour of the facility. Guests can see the plants up close and pose for pictures.

“The growing, cultivation, and curing process are all laid out by the tour guide, and guests can smell the latest strain that has been harvested,” she continued. “Tour guests are then loaded back onto the cannabis-friendly bus and driven to the Euflora 3D location. There, guests are able to view more cultivation efforts as well as purchase products at a discounted price. After guests have made their purchases, they are loaded back onto the bus and driven back to the My 420 Tour headquarters, as that is the conclusion of the tour.”

—Erica Heathman



ADVERTISING, MARKETING, AND SOCIAL MEDIA

“All Euflora locations are listed on cannabis search engines such as Weedmaps, Leafly, and PotGuide. This allows consumers to browse deals and pricing from dispensaries in their immediate area. Euflora also utilizes search engine optimization (SEO) to attract both tourists and locals using specific keywords and phrases.”

—Lindsay Hanna, marketing director

Facebook.com/Euflora3D

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Instagram @EufloraCO

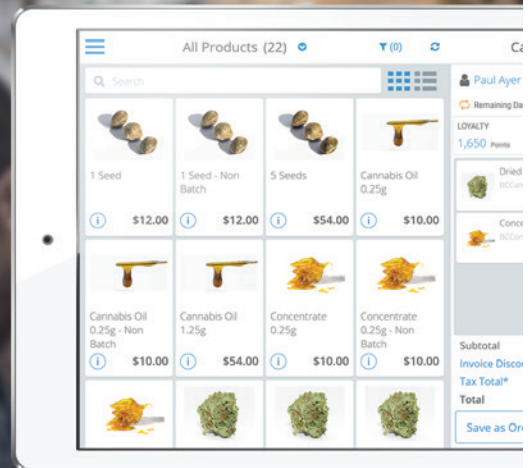
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VAPE TECHNOLOGY



A person's legs, wearing black boots, are visible on the left side of the frame, resting on a dark brown leather couch. The background is a wall with a pattern of large, dark green polka dots on a lighter green background. The title 'TOWARD THE PERFECT VAPE' is written in large, white, sans-serif capital letters across the top half of the image.

TOWARD THE PERFECT VAPE

CAN ONE SIZE FIT ALL WHEN IT COMES TO THE IDEAL VAPING EXPERIENCE? PROBABLY NOT. NEVERTHELESS, MANUFACTURERS ARE TRYING TO CREATE THE PERFECT VAPORIZER.

BY TOM HYMES

AS HAS BEEN widely reported, sales of cannabis concentrates are hot and only getting hotter. Late last year, cannabis market intelligence firms BDS Analytics and Arcview Market Research jointly released a report titled "Concentrates: The Hottest Product Category in Cannabis," which found concentrate sales in the United States reached nearly \$3 billion in 2018 and may reach \$8.4 billion by 2022. Yet paradox lives in the heart of the cannabis vaping sector. Companies enjoy enviable annual growth but do not appear to be thrilled with the hardware they have to work with, even though hardware improves every year. One could call the situation a convergence of insecurity and opportunity, with the average consumer ravenous, consuming everything in their path, and asking just two main things of their cannabis vape: Work and don't leak too much.

GHOST MV1
GhostVapes.com

Medical-grade materials meet an uncommon form factor, creating an innovative dry herb infuser with even, on-demand heat distribution. The high-capacity battery pack has a dedicated circuit board.

WHAT DO CONSUMERS WANT?

Goals for technology development vary based on perceived consumer desires, and eagerness to meet the variety of demand has led to stratification in the commercial market. The resulting categories include weed pens, portable vaporizers, desktop models, and e-rigs and e-nails. Each has a specific purpose.

The lion's share of the market wants convenience in the form of cartridge or disposable pens serving up distillate-derived cannabis oil. A far smaller share of the market remains devoted to consuming extracts and flower in raw form via a growing number of convection or conduction devices, though those consumers more than make up for their numbers through sheer passion for the product. That passion extends to the rather sophisticated and expensive rigs required to turn a prized gram of lovingly produced live resin into plumes of thick vapor that faithfully renders the flavor of the underlying cannabis.

"We've approached the market by identifying problems consumers are experiencing and the gaps or shortcomings of the competition," said Aric Jennings, chief operating officer for Ghost Vapes, which makes the MV1 portable electronic vaporizer. Some of those problems, he noted, include "quality, performance, value, and harshness of vapor in the throat, as well as the inefficiency and waste of material without delivering a true reflection of a chosen herb."

The company's solution is tech-based. "We can precisely control exaction temperature profiles to deliver full and efficient extraction—including customizable settings via our app with a temp range from 284 to 428 degrees Fahrenheit," said Jennings, who noted the MV1 is built to medical device standards to ensure safety and reliability.

The marketplace for feature-rich rigs is becoming crowded and includes devices of all sizes and shapes. In addition to the MV1, an impressive array of very different devices includes Dr. Dabber's Switch, PAX's PAX 3, Firefly's Firefly 2, DaVinci's Ascent, Storz & Bickel's Mighty (for dry herb only), and the Loto Legend, to name a few. No matter their size, these vapes all share certain features, including, most importantly, temperature control. The Pax 3, for instance, offers more than sixty temperature settings. The Mighty allows users to select any temperature from 105 to 410 degrees Fahrenheit at any point during a session. "It's nice to have that precise control for different types of herbs or just vaping at different points in the day," the company's website boasts. "Different temps, different effects."

“

CONCENTRATE SALES IN THE UNITED STATES REACHED NEARLY \$3 BILLION IN 2018 AND MAY REACH \$8.4 BILLION BY 2022.



GHOST VAPE MV1

IONIC DISPOSABLE PEN

ionic.social

Known primarily for its small-batch oils and concentrates, Ionic also offers single-use pens. Each black or white device is filled with 0.5mg of single-strain oil.



The price tag for the latest devices is not cheap, because the technology behind them is difficult to perfect. Most cost \$400 or more and often come with a steep learning curve, but the upside is the ability to enjoy a range of cannabis-derived products currently unavailable to users of the far more ubiquitous cartridges, disposables, and rechargeable pens.

A trio of new vaporizers for extracts are about to hit the market, according to distributor Greenlane. They include the Yocan UNI, which features an adjustable atomizer holder that's compatible with 510 atomizers of any size, eliminating the need for multiple mod batteries. Up next is Grenco Science's G Pen Nova LXE, an upgrade of the original that features a 650mAh battery to double the original's output. Finally, the Firefly 2+ builds on the success of its namesake predecessor. A borosilicate glass vapor path keeps unwanted flavors from infiltrating material and helps cool the vapor. The bowl, also made of borosilicate glass, contains fifty-five air holes for easy draws, even heating, and no combustion.

MEETING DEMAND

Billy Oh is manufacturing manager for The Reefinery in Van Nuys, California, a vertically integrated business that includes retail, distribution, delivery, and manufacturing arms. The Reefinery is preparing to open a separate facility near the company's retail headquarters that will facilitate expanded cultivation and manufacturing capabilities, including development of the company's own branded vapes.

Like other small businesses preparing to scale their operations, The Reefinery faces a universe of options when it comes to choosing hardware. Oh looks to consumer behavior for guidance. "People are vaping now because it is convenient for them," he said. "They also don't have the smell issue, which is the main reason why people are going for vapes."

Most people also are opting for the easiest and least expensive method of consumption, which often means a 510-threaded cartridge or disposable pen, both of which are readily available containing a variety of strains and flavors. The problem is choosing among the wide range of brands and quality levels.

"The number one issue people have with [510 models] is the cartridge always leaks," said Oh. "This is the weakest point of it. You get oil right there, it gets dirty, you don't have a clean connection, and the vaporizer ends up not working after a bit. It happens with every cart."

"I like the disposable model, because you wouldn't believe how many people come in with battery issues with their cart," he added. "And the price point is



YOCAN UNI BOX MOD

YocanOnline.com

This width- and height-adjustable mod with variable voltage and a magnetic pod grip works with almost all 510 oil atomizers. Pushbutton operation; window for watching oil levels.



FIREFLY 2+ TheFirefly.com

The Firefly 2+'s convection chamber slowly increases temperature during draws for a consistent experience. Bluetooth app allows fine-tuned control. For dry herb or concentrates.

falling. Before, disposables were expensive, but not anymore.”

The Reefinery plans to invest about \$1.2 million in machinery to process, fill, and cap its vape products. “You can go cheaper with machinery, but in the long run you’re paying more for labor and you don’t have as much output,” said Oh.

Oh said he’s working with San-Diego-based Convectionium, whose products he called state-of-the-art. “It’s all food-grade, so there’s no leaching of heavy metals,” he said, referring to the issue of cartridges failing California’s heavy metals testing mandate, which went into effect January 1.

RELIABILITY COUNTS

West Coast Distributors is another cannabis company that had to make some serious decisions after deciding to venture into vaporizer production. Makers of the Ario line of vape pens, including the just-released Simple Squared and Contour 3, the Ario team took a look at the market and quickly realized a hands-on approach was required in order to maintain quality control from start to finish.

“Reliability is the most important thing right now, because there are so many unreliable products,” said Ben Bartell, who cofounded the company four years ago with his wife, Jenna. “I’ve been in dozens of factories in China that make all sorts of vaporizer





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products, and the breadth of incompetence in these factories is incredible. Unless you go and put your foot in them, you'd never know. It is totally the Wild West in Shenzhen. I mean, anybody can start a factory with zero expertise and just get online and sell knockoff products to an unsuspecting buyer.

"I will not tell you who," he added, "but I've seen national brands in shops in factories over there that I would never ever consider doing business with. The problem is that if you don't know anything about factory standards you wouldn't know what to look for, so you can be impressed by the guys in the garage who have no clue there are factory standards that should be followed."

It's no wonder defective products find their way into the market. "What we saw just a few years ago, and it still happens today depending on the manufacturer, is you can get 20- to 25-percent failure rates on these vape pens," said Bartell. "That's why, when I got into this business, I posed a question to my engineers: Why



DOSIST DOSE PEN dosist.com

In 50-dose and 200-dose sizes and six formulas, this pen vibrates and illuminates when users have inhaled 2.25mg. Returning the empty pen for recycling earns a \$5 discount.

VAPE CATEGORIES

WEED PENS utilize a stainless steel or ceramic chamber to heat dry herb and usually employ LCD screens to assist with temperature adjustment. Pens use either convection or conduction heating, whereby dry herb either comes into direct contact with the heat source (conduction) or the apparatus blows hot air through the herb (convection).

Portable vaporizers are handheld devices for vaping herbs and concentrates. Their heating chambers are manufactured of high-quality materials like quartz, stainless steel, and ceramic. Portables generally are easy to use and moderately priced, and sometimes they include bells and whistles like temperature control.

Desktop vaporizers are a more traditional way of consuming dry herb and concentrates. They include many parts and are more expensive than portable vapes, but they produce more high-quality vapor. They also typically aren't updated as often as their less-stationary kin. Storz & Bickel's Volcano, for example, first hit the market in 2000 and hasn't been tinkered with since 2006, when the company introduced the Volcano Digital. Nevertheless, the Volcano products remain popular with consumers despite their hefty price tags: The Classic will set buyers back about \$450, while the digital version demands a cool \$750.

—Tom Hymes



BAE VAPES



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VAPE TECHNOLOGY



DAVINCI IQ

DavinciVaporizer.com

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is the industry having so much trouble with such a simple device?”

For Bartell, the answer was to take control. “About a year and a half ago we started designing our own proprietary products, because we wanted to reduce the confusion in the marketplace,” he said. Though designed in-house, everything, including electronic components, is made overseas. That means maintaining long-distance quality control. “We have people in China who oversee the factories and make sure they’re manufacturing to our standards,” he said. Even so, the logistics are daunting.

“The problem they have in China is they don’t have cannabis oil because it’s illegal,” said Bartell. “So, the way [manufacturing is] done is you have them ship samples, which you test and then send them feedback they use to send you more samples, and this process goes back and forth.”

Managing all that has been a challenge, but in doing so the Bartells have carved out a successful niche for their pens in a very crowded market. “We can barely keep them in stock,” he said. “We’re manufacturing them as fast as we can.”

FINDING SOLUTIONS

Convectium founder and chairman Danny Davis met the hardware challenge head-on by essentially bringing operations home to San Diego. His rationale is brutally direct. “Every single piece of the machine is drastically improved by making it domestically,” he said. “Americans are very good at building machines. We just are. The Industrial Revolution was not an accident. We’re just not great at mass-assembly for low cost.”

Founded five and a half years ago as a product company, Convectium morphed into a manufacturer of proprietary machinery for filling and capping cartridges, pods, batteries, tinctures, capsules, and disposables after Davis realized the need for such equipment and then experienced firsthand the inconsistent quality of machinery made overseas. “They are just not great at building equipment over and over,” he said. The answer, he realized, was to do everything himself. “We rolled out the world’s first automated capper, and with our filling and capping machines you can fill and cap 6,000 cartridges per hour, which is unprecedented. Nobody is even close to us.”

The company also began manufacturing hardware such as cartridges and batteries and has expanded into sealing machines, disposable pens and syringes, and now pods. “We’re trying to drive products the market is demanding,” said Davis, “and what we’re hearing from the individual is, ‘I want something that every time I pick it up, it works and that’s it. I don’t have to



CONVECTIUM Convectium.com

Convectium not only manufactures carts, batteries, disposables and syringes, and accessories for companies that want to brand their own products, but also custom-engineers lines for clients including Canndescent. In addition, Convectium manufactures equipment for companies that want to automate filling and capping in-house.

preheat it, I don't have to turn it on its side or upside down or cool it down. I just want to pick it up to use it.'

"The challenge for us as manufacturers is that we never know what's going in that cartridge," he added. "Every customer's oil is different; every terpene mix is different. Consumers are expecting hardware manufacturers to make a one-size-fits-all cartridge. The problem is none of our customers use one-size-fits-all oil. We have customers that have very thin oil, customers with very thick oil, customers with very thick oil cut with thin terpenes, and customers with thick oil cut with thick terpenes."

In a sense, Convectium serves two customer bases. "Not only are we trying to create a positive fill experience for a non-contaminated product for the [business-to-business] side, but we understand they are not the end user," he said. "The consumer takes and uses whatever we've built. That means we're constantly trying to figure out how to appease the end user by giving them the simplest, easiest, sexiest device that works every time, and also offset that with something that is heavy-metals-tested, easy to fill and cap, doesn't



BLOOM DART POD TheBloomBrand.com

The palm-sized Dart Pod offers a powerful experience with a battery life 35 percent longer than a standard 510 and a universal charger.

SMART VAPES

ARTIFICIAL INTELLIGENCE. Depending on one's fondness for science fiction, level of tech geekhood, and tolerance for abuse by Facebook and Google, the term may engender excitement, curiosity, or outright dread. Nevertheless, most of us interact daily with some form of AI without realizing it. Even in a natural-products industry like cannabis, smart machines and software are on the rise.

Consider, for example, Motorleaf. Though its primary role is for greenhouse automation, Motorleaf's system uses AI to help growers project harvest volume and obtain yield forecasts. Leaf works in a similar manner on a smaller scale, employing a proprietary wardrobe-sized cabinet instead of a greenhouse.

Potbotics's Potbot app uses AI to help patients, doctors, and budtenders identify potentially beneficial strains and make personal recommendations. Namaste Technologies is investigating new ways to incorporate machine learning from its recent acquisition, Findify, to match consumers' wants and needs with products CannMart offers.

Most point-of-sale and track-and-trace systems incorporate AI components. Chatbots are starting to show up on dispensary websites as virtual customer service assistants,

and AI helps sales representatives with cold calls by sifting through prospects to find the most and least likely buyers.

Can vapes withstand the pressure to merge, Borg-like, with AI much longer?

In a word: No. Tobacco platforms like IJOY's Avenger and SMOK's I-Priv already respond to voice commands. Medical cannabis company Lifespot Health has received approval from Australian regulators for its AI-enabled Medihale system that integrates monitoring software and biometric scanning with a vaporizer that provides feedback to patients and medical professionals.

"AI has potential in nearly all aspects of a consumer's life," said Ghost Vapes Chief Operating Officer Aric Jennings. "We feel that in time, once mass adoption of herbal vaporizers is widespread, there is the potential to use AI to spread the benefits and temperature profiles of specific herbs as they relate to ailments." —Sue Dehnam

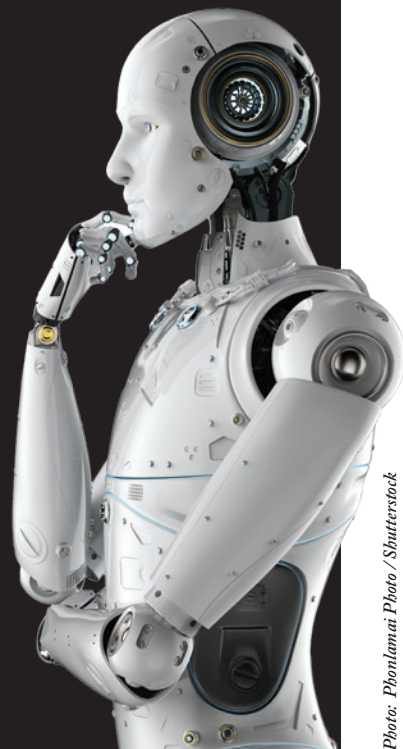


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leak or clog, and uses one-size-fits-all oil. It's a constant push and pull between us and the consumer—not in a bad way, but because we're trying to understand the medium, which is the oil itself."

Convectium, which joined the list of publicly traded cannabis companies in November, focuses on scale, which is why the company does not manufacture rigs. "If, as a company, you came to us and wanted us to build you a rig, we would do it—and have done it—but we wouldn't be building it for the mass market, and it wouldn't go up on the website," Davis said. But he does believe someday the different types of vaporizers could merge into one device.

"I think the convergence of systems that look amazing but still have functionality is key," he said. "The way a dab rig looks today, where you open up the briefcase and there are cords and nails everywhere... Now, imagine a rig that looks more like a PlayStation 4. That doesn't seem as taboo, does it? Discretion is still a huge part of the cannabis industry, so we're

“

I THINK WE WILL SEE A MOVE TO PODS...INTO WHICH YOU CAN PUT CBD OIL, THIN OIL, THICK OIL, WHATEVER YOU WANT, BECAUSE THEY'RE SELF-CONTAINED.

—Danny Davis, founder and chairman, Convectium



HANU STONE

HanuLabs.com

A pre-filled, pod-based system inspired by the natural form and feel of river rocks, the Hanu Stone was designed for extracts and simplicity by the Vapexhale team.



G PEN NOVA LXE GPen.com

A patented reverse airflow and ‘check’ ball valve system, coupled with a full-ceramic atomizer, generate balanced heat for concentrates. Three variable voltage outputs; 510 compatible.

building devices for reality and trying to conform into the future. In the meantime, you have to have a hybrid of both.”

Davis mentioned four technology innovations the company has brought to market: An all-ceramic cartridge called The Reef that passes heavy-metals testing and locks shut; a bottom-airflow, bottom-absorption cartridge called the Riptide that doesn’t allow any oil to sit in the reservoir at the end of smoking; a new top-airflow, top-fill pod that is fully customizable to look like a key fob, a surfboard, or even an Apple remote; and the first all-quartz cartridge, which is about to be released.

MARKET DYNAMICS

The future of vaping is tied up in technology, market forces, and politics. Scott Gottlieb, the outgoing chairman of the Food and Drug Administration, in March told National Public Radio the agency may act to curtail the rate of teen e-cigarette use if the rate continues to climb. “If we see the number of kids using these e-cigarettes go up again in 2019 in the National Youth Tobacco Survey [due this summer]... If we see a big increase again, year over year, like we saw last year, I think the FDA is going to have to contemplate whether they ban the pod-based products [like JUUL] as a category” he said. “And the ban would be to require the companies to come in with applications to get these products on the market.”

Whether such a ban would extend to cannabis products is unclear, but the current debate surrounding devices that are multipurpose and increasingly discreet clearly is relevant.

In the meantime, the relationship between users and suppliers of vaporizers is and will remain the determining factor in how hardware evolves. “What does the consumer want? They want the easiest thing they can possibly use,” explained Davis. “What do businesses want? We want the best thing we could possibly give the consumer, but sometimes they don’t want to pay an extra forty cents for it because they don’t understand the value.”

The dynamic snakes its way throughout the vaporizer food chain. “Sixty percent of our customers buy stuff we are already selling and put their name on it,” Davis said. “The rest are looking at custom development, by which I mean [a device] that looks completely different from what’s on the market.”

He added an important caveat to that last data point. “Only 20 percent of them actually end up doing custom development, because of the cost.”

The percentage breakdown likely is consistent throughout the industry, where prices appear somewhat stable in an unstable environment. “A knockoff CCELL runs about \$1.50 or so, and an authentic CCELL cartridge costs about \$2.95,” said Davis. “Our cartridges and pods are all priced at \$1.99.

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“It’s about a 20-percent increase to work with a company that’s doing authentic things, but not as expensive as using authentic CCELL technology,” he continued, noting Convectium’s average customer buys about 20,000 cartridges or disposables a month. “Most order cartridges on a five-to-one basis—meaning 5,000 cartridges and 1,000 batteries—because they assume the customer already has batteries and all that sort of stuff.”

“Demand for disposables is skyrocketing right now,” he added, “but it may not be a long-term solution, because some of the states are considering outlawing throwaway batteries.”

Some brands wanting to stand out from the crowd are willing to absorb the cost of custom development. “Right now, we are developing [for clients] two disposables that look like nothing you’ve ever seen before,” said Davis.

It is unclear if The Refinery is one of those clients, but Oh indicated the company is investing in Convectium’s filling and capping machines, a system that runs about \$35,000 for just the equipment. Those are starting costs. “We have so much to pay for besides the machines and the labor [to run the machines],” he said. “Lab testing, the cost of biomass, the cost of solvent, equipment maintenance... A lot of things go into maintaining a cannabis lab.”

Canndescent fully committed itself to the Convectium ecosystem, according to Davis. “Their pen was custom-manufactured by us from start to finish,” he said. “They helped design it. We built it based on our underlying technology, and we built it to work with our entire platform. They can use our filling system to fill the cartridges, our capping system to cap the cartridges, and they can basically put [the pens] into their packaging and ship them out to the marketplace. Those are the types of projects we do. We have several custom projects like Canndescent, but very different.”

An admitted small fish next to the CCELL whale, Davis nonetheless sees a future ripe for innovation. “Look, CCELL is not having a hard time selling cartridges,” he said. “I don’t even know what their numbers are; I do know we are not even close. But this system of an enclosed closed-loop control system will be the future. If a standardized battery was released today that controlled temperature no matter what pod or cartridge is put on it, things could change. But right now the consumer is easy. They just want it to work and not leak. They’re not asking for much—but they are, because they’re asking for uniformity in a product with so many variables.”



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"I think having a 'long-stick thing' in your hand that you push a button to hit and it shows the oil is going to be outdated soon," he added. "I think we will see a move to pods that are a little bit more discreet and hide what's inside, and into which you can put CBD oil, thin oil, thick oil, whatever you want, because they're self-contained."

That will allow the market to become less taboo and more standardized. "As that happens we'll see the true innovation, because we're not seeing much now," he added. "A 510 cartridge is not innovative in the sense that it's widely demanded, and it's only demanded because we don't know any better. Once the consumer knows there are better devices out there, that is when the real revolution will come."

Until then, manufacturers that desire to market cartridges, pods, pens, or more sophisticated vaping devices have a feast of available hardware from which to choose, ranging from the basically worthless to what might be called engineering wonders. In today's world, you can pay hundreds for a sophisticated rig or grab a disposable pen for \$1 from dispensaries practically giving them away in order to sell margin-rich oil. Knowing the market, the limitations, and your capabilities, and then approaching a highly unregulated hardware environment with no illusions will help any business figure out where it wants to be within a vast range of possibilities. 



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PRESENTATION. Performance. Portability. Price. Those four factors drive the vaporizer market, and manufacturer CCELL strives to meet them all.

An independent operating unit of Shenzhen Smoore Technology Co. Ltd., CCELL is part of a global giant specializing in electronic cigarette research, production, development, sales, and service. Founded in 2006 in Shenzhen, “China’s Silicon Valley,” the parent company employs a total of 260 engineers and 10,000 workers across its divisions, up from a 2009 total of fewer than 1,000 people. Smoore operates eight facilities covering more than 100,000 square meters of floorspace (up from 3,000 square meters in 2009), and its various divisions serve commercial customers in more than thirty countries. In 2018, Smoore became the first tenbagger stock on the National Equities Exchange and Quotations Co. Ltd., or NEEQ, China’s over-the-counter market, where its market cap stood at U.S. \$1.3 billion in March.

Launched in 2016, CCELL’s original products employed then-industry-standard wick-based coils. By the summer of the same year, the company had developed and patented a revolutionary ceramic heating chamber. The development “attracted a lot of attention and positive response from the market in a short time,” said the marketing manager. So much attention, she noted, the company had to build more factory space. The newest facility is expected to open in May.





CCELL parent company Shenzhen Smoore Technology Co. Ltd. operates eight facilities comprising 24.7 acres of factory floorspace and a 1,000-square-meter research-and-development facility. The company's various divisions serve commercial customers in more than thirty countries.



“

Our mission is to take the cannabis industry's development as an opportunity to build superior products relying on core technology and excellent quality.

Today, the company devotes its formidable resources to “continuously exploring and creating value through innovative technologies and products in the field of medical atomization,” she said, adding the company is collaborating on a medical device project with a major American university. “Our mission is to take the cannabis industry's development as an opportunity to build superior products relying on core technology and excellent quality. This philosophy inspires us to continuously explore and create purer and more excellent user experiences for consumers and the whole industry.”

The company manufactures and markets every vaporizer part except the extracts with which the devices are filled. Although its customers are primarily in the United States, the division serves companies around the globe, the marketing manager said. No small part of the international appeal can be attributed to CCELL's devotion to research and development. “We spend an average of 6.5 percent of our annual revenue on R&D each year,” she revealed. “We have a fundamental research institute focusing on basic research of new technologies, new materials, and laboratory-stage research.” All that effort has resulted in 822 patents for design, utility, and inventions.

Terrapin Care Station is among the companies that rely on CCELL technology. According to Sales and Marketing Manager Kobi Waldfogel, “CCELL hardware gives us, our dispensary partners, and our patients peace of mind. Consistency is key for providing patients with the relief they are looking for, and the CCELL hardware allows us to stay consistent and showcase our high-quality extracts in the best way possible. We spend a lot of time and energy ensuring our vaporizer cartridges have great tasting oil in them, so it is really important for us to use hardware that will highlight those flavors. Flavor, vapor production, and cost all encourage us to use CCELL to differentiate ourselves.”

Rocky Huang, founder of Timeless Vapes, cited similar reasons for adopting CCELL products. “CCELL's hardware allows for a more consistent and reliable vaping experience,” he said. “I like the overall experience CCELL provides: smoothness, consistency, and reliability.” In fact, he noted, “The biggest difference [between CCELL's products and those manufactured by competitors] is the extremely low malfunction rate.”

CCELL executives are shy about personal publicity, and the company asked us not to identify anyone, including the marketing



Photos: CCELL

team, by name. Much of the interview was conducted in writing and with the assistance of translators to ensure nothing was lost in translation. The company's responses appear below, lightly edited for nuances of American English.

How does CCELL approach the market?

As a manufacturer, our goal is to achieve a win-win for our business partners. We are humble enough to know our position and path and wise enough to know our strength and expertise.

We are fully aware of our clients' concerns about quality level. In this industry, a manufacturer needs first-class quality to avoid return or replacement, which will damage our clients' cash flow.

In addition, our core competitive advantage also includes the CCELL brand. We have done a lot of branding activities both online and offline and have successfully set up a reputation for reliability in the business-to-business market. We are committed to being the Microsoft of vaporizers.

What are your best-selling and most successful products?

CCELL's best-selling product is the M6T cartridge. We believe our most successful products are PALM and DART.

PALM is CCELL's first handheld vaporizer. Its battery capacity can support more than 250 puffs. With a slim design, pocket-size portability, lustrous metallic finishing, and a powerful battery, users are able to enjoy vaping almost whenever and wherever they want.

DART is the first CCELL product to include a constant-voltage battery, which means it is able to perform with consistency no matter how much battery life remains. In addition, DART incorporates the first-ever CCELL magnetic pod system—no more screw-on cartridges or magnetic adapters. DART Pod goes full-on plug-and-play, saving time for more fun, not work.

When DART was launched, it drew people's attention immediately due to its futuristic look mixed with a touch of smoothness that the matte finishing provides and an ergonomic design. If you are looking for an amazing vaping experience with more consistency in a stylish, cool accessory, DART is your guy.









Quite a few of your customers have adopted DART. What analysis and process went into its development?

Vaping has become part of daily life for an increasing number of people. Rather than just relaxing at home, consumers want to be able to vape more conveniently. Different types of vaporizers have emerged and continue to emerge on the market, dramatically expanding consumers' choices.

In addition to eye-catching appearance, product performance is the biggest factor that will influence consumers' purchase. Based on these understandings, we decided to launch a product with excellent and stable performance, high portability, and attention-grabbing appearance. DART was born. Not only does it provide more powerful performance with 30 percent more vapor production compared to other brands, but it also has the highest level of consistency in the industry with just a tiny body.

CCELL constantly researches and develops new technology.

As companies research, sometimes they discover things they didn't expect. What developments over the years surprised you most?

Initially, our research and development direction was in the application field of e-cigarettes, but we found our products' performance in the field of high-viscosity

extracted oil was also very superior. That was a nice surprise we had not expected.

In any industry, patterns constantly shift in sales, consumer response, technology adoption, etc. This is particularly true in cannabis, which is a young, rapidly changing industry. What developments have you found most exciting?

The shift to concentrates. The segment started small and now accounts for 40 percent of the market. That's exciting.

What do you predict will be the next big developments in vape technology?

The direction of technology development in the near future will be toward interactive systems, safety, and dosage control. We believe the next generation of vaping technology will provide consumers with more effective and efficient experiences with safety borne in mind. Our fundamental research institute is currently doing some interesting research, such as air path simulation software, new heating materials development, human absorption efficiency tests for medical devices, strengthening product functional orientation, and so on. Meanwhile, vaping technology development will keep pace with the development of oil extraction technology.

Will any OTHER technology ever replace the vape? If so, what kind of technology will it be?

We don't think vapes will be replaced, because we believe the changes vaping technology brings to people's consumption and lifestyle are beneficial and sustainable.

Vaping consumption offers advantages of portability, odor-free use, discreetness, and dosage control. Other than that, vaping does not require the high-ignition temperature mandatory for smoking (above 2,000 degrees Fahrenheit) and therefore is less likely to produce carcinogens. Vapor also is absorbed more efficiently by the human body. Compared to tinctures, topicals, and edibles, vaping consumption takes only several minutes to take effect, which is the fastest. Those advantages won't be replaced by other technologies anytime soon.

CCELL has watched the cannabis industry grow and change for thirteen years. What changes have been the most positive?

From our observation, positive changes definitely include legalization and education. Almost every participant throughout the entire supply chain is becoming more and more knowledgeable about the industry. Everyone has started to pay more attention to quality, technology, and the brand behind the products. The industry stands only to gain from those factors.

On the other hand, we've noticed there are still a number of companies that are aggressively pursuing low cost, which causes inferior products being used by consumers without knowing it.

How does CCELL plan to expand its market in 2019?

Driven by [our quest for] optimum user experience, we have spent a lot of time and energy in vaping platform innovation. We plan to continue providing more desired and unique products to consumers. We will also cooperate with our local distributors to provide localization services this year. 

— Sue Dehnam

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Automating Fertigation

Regardless the size of your grow, adding automation makes economic and time-management sense.

BY CHRISTOPHER MACHNICH

IF YOU HAVEN'T ALREADY, it's time to integrate an automated fertigation system into your operation. Whether you're a hydroponic grower or using an irrigation system to hydrate crops, an automated fertigation system will simplify nutrient delivery and give you peace of mind. No matter what size operation you manage, the goal is to lower operating costs while producing premium bud, and automated systems will make achieving that goal easier and more profitable.

BY DEFINITION

Let's start with the basics. Fertigation is simply the process of injecting nutrients directly into the water supply. By automating this process, growers can ensure precise nutrient delivery while reducing their operation's labor requirements. Instead of manually

monitoring nutrient delivery, an automated system uses electrical conductivity (EC) and pH sensors to constantly read the water and then make necessary adjustments. Automated systems take all the guesswork out of nutrient management and nearly eliminate human error.

The EC sensor measures nutrient levels and determines when to inject a grower's nutrient solution into the water. The sensor doesn't actually measure the amount of nutrients flowing through the water. The more fertilizer in the water supply, the more electricity the water conducts, and the sensor doses the nutrient solution based on that level.

EC sensors ensure the system constantly provides proper nutrient amounts. Obviously, not supplying enough fertilizer can lead to undernourished plants and less-than-ideal buds that won't sell for top

dollar. Providing nutrients at too high a level actually can hinder nutrient absorption or lead to nutrient burn. Nutrient burn is common among overzealous growers or beginners, and it stunts healthy growth and creates dry, brown edges along the leaves. It can quickly turn a beautiful, green crop into a dark-brown mess, and it's a real tell that a grower doesn't have a good nutrient management system in place. On top of this, dosing too much nutrient solution is a waste of resources. In an industry where getting the lowest cost per gram is essential, every penny counts.

So, it's clear why an automated fertigation system monitors EC levels, but what about pH levels? pH, a measurement of water's acidity, is directly related to nutrient absorption, so it's essential a fertigation system also monitor and address pH issues. It's a good idea for growers to research pH absorption charts to get a better feel for how pH directly affects nutrient absorption. When pH levels are too low, iron becomes more available to the crop, and when pH is too high potassium can be absorbed at high rates. For healthy cannabis growth, most growers want to keep pH between 5.5 and 7.0.

SETUP AND OPERATION

There are a few different setups for automated fertigation systems, but the one that will work best for most growers is a three-bucket setup. With this type of system, growers enter their settings in the fertigator, and the fertigator will pull from the three buckets to make adjustments to the nutrient levels and the pH. Of the three buckets, two will be used for nutrients, while the third will store an acid supplement.


It's important to dedicate two buckets to nutrients. One can store a solution that provides a wide range of nutrients, but it's essential to separate out the calcium. When calcium is stored in most nutrient solutions, it reacts with the sulfates and phosphates. This will cause the solution to precipitate out and inevitably damage or clog the system. So, the second nutrient bucket is used to store calcium separately from everything else.

Unfortunately, an automated fertigation system can't mix and prepare nutrient solutions or acid supplements autonomously, so that chore remains in the hands of the

grower. Since most nutrient solutions are highly concentrated, a good average nutrient-to-water ratio is 1-to-100. For the nutrient solution itself, the Hoagland solution is a good starting point for most operations. From there, growers can make the necessary adjustments to best suit their crop. D.R. Hoagland and W.C. Snyder developed the Hoagland formula in 1933 as a hydroponic nutrient solution. Subsequently refined several times, it remains the benchmark for science-based plant growth and is appropriate for a large variety of plant species. Growers may feel safe feeding the Hoagland solution to their plants, because it's an all-encompassing formula that includes the macro and micro nutrients upon which cannabis crops depend.

Growers have several options when choosing an acid supplement; they'll need to find the one that works best for them. Most growers opt for sulfuric acid. It's a good source of sulfur for crops and can address any pH issues within the system. Perhaps the most effective acid is nitric acid, because it allows growers to get the most out of their acid

supplement when utilized correctly. However, it is the most concentrated—and therefore hazardous—so it can be difficult to adjust properly. Citric acid is another option, but it probably would be the least desirable for most growers since it is available only in extremely diluted form.

Automated fertigation is massively appealing because it is versatile. A system may be used in operations of any size, on its own or incorporated into larger and more complete environmental control systems. For these reasons, there really is no excuse not to take advantage of the benefits of automated fertigation systems. They're a clear way to lower operating costs and ensure excellent volume of high-quality, top-shelf buds. 

CHRISTOPHER MACHNICH is a digital marketing manager for GrowSpan Greenhouse Structures. He is a cannabis industry enthusiast who focuses on greenhouse and hydroponic production, as well as the cultural and economic impact of cannabis legislation. GrowSpan.com



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CANNABIS TAKES THE CAPITOL BY STORM

Several comprehensive bills are
on the horizon for 2019.

BY CHRISTOPHER JONES



WHEN CANNABIS WAS *DE FACTO* outlawed in the United States in 1937 with the Marihuana Tax Act, reefer madness and racism were the primary motivations. But when the U.S. government doubled down in 1970 by passing the Controlled Substances Act, classifying the plant as a Schedule 1 substance having a high potential for abuse and no accepted medical use, cannabis became an even more controversial issue.

Today, the U.S. government and citizens at large embrace a more informed perspective on cannabis and the country finally appears to be at a tipping point, with a majority of Americans favoring federal legalization.

Thirty-three states and the District of Columbia have fairly broad medical cannabis programs, and ten of them also have legalized recreational use. Revenues from the booming industry have provided powerful incentive for politicians who now are proposing legislation at the federal level to protect and support cannabis companies and users. With Democrats setting the agenda in the House of Representatives and public support growing for legalization and/or liberalization of cannabis laws, lawmakers on both sides of the aisle have shown more urgency to make groundbreaking reforms in 2019.

“THE FEDERAL GOVERNMENT JUST NEEDS TO GET OUT OF THE WAY. RIGHT NOW, I THINK THE STATES ACT IS WHERE MOST OF THE MOMENTUM IS.

—John Boehner, former Speaker of the House and chairman of the National Cannabis Roundtable



Politicians opposed to cannabis reform no longer can point to some of the tired, debunked arguments they've used in the past to defend prohibition, as states with legal industries have experienced very few negative consequences of legalization. Moreover, as a growing number of red states pass medical cannabis laws—most recently Louisiana, West Virginia, Oklahoma, Arkansas, and Utah—it's clear the tide is turning, and cannabis-friendly ballot measures in the 2020 election are sure to put even more pressure on GOP candidates in key swing states.

So, what strides can politicians realistically make in 2019 to help cannabis businesses across the United States start to resemble other legal, commercialized industries?

CANNABIS ON THE CAMPAIGN TRAIL

When anti-cannabis Attorney General Jeff Sessions resigned in 2018, Democrats didn't take long to ramp up the conversation regarding sensible, progressive cannabis policies and introduce new bills to help the industry deal with some of its most pressing issues: lack of banking and payroll services, protection from federal prosecution in canna-legal states, tax codes that penalize retail operators by preventing expense deductions (Internal Revenue Code §280E), and veterans' access to medical cannabis.

Sixty-six senators represent constituents who support the cannabis cause on some level. In 2018, many of them were among the large majority who passed a criminal justice reform bill. They also voted to legalize hemp in the 2018 Farm Bill. While Democrats more or less are united in their support for reforms big and small, Republicans continue to drag their feet on cannabis, with the exception of representatives in canna-legal states. Because Republicans control the Senate, comprehensive cannabis bills are unlikely to pass in 2019, but cannabis advocates are optimistic issues such as banking and states' rights are within reach.

“Cory Gardner's evolution on cannabis policy is welcomed and we're glad to have him, but we need him to be more effective in influencing members of his caucus to advance reform,” said Justin Strekal, political

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“

THE STATES ACT IS A BEAUTIFUL PIECE OF LEGISLATION THAT WOULD VERY CLEARLY AND EFFICIENTLY TAKE CARE OF A LOT OF ISSUES IN THE INDUSTRY.

—Saphira Galoob, CEO,
The Liaison Group



director for the National Organization for the Reform of Marijuana Laws (NORML). “In the previous Senate, four GOP senators caucused to join him, and [Jeff] Flake did not return. So, we have yet to see if [Gardner] can grow that support.”

In 2018, support for federal legalization climbed to 61 percent—with Republicans chiming in at 54 percent—according to the General Social Survey, which has measured support on the issue since the 1970s. If this widespread support isn’t enough to convince politicians to get with the program, then the impressive growth of the industry and its tax contributions very well might. Cannabis sales are expected to hit \$23 billion by 2022, according to BDS Analytics, and state and local excise tax collections on retail cannabis sales surpassed \$1 billion for the first time in 2018, marking a 57-percent increase over 2017 levels.

The list of prominent Democrats who support some form of comprehensive legalization grows by the day. Declared 2020 presidential hopefuls who have taken the issue on the campaign trail include Elizabeth Warren, Bernie Sanders, Beto O’Rourke, Kamala Harris, Cory Booker, and Amy Klobuchar. Whether federal legalization becomes a major campaign issue in 2020 remains to be seen; regardless, 2019 is shaping up to be a breakthrough year for cannabis in the House.

PRESSURE BUILDING FOR MAJOR REFORMS

Three comprehensive reform bills calling for removal of cannabis from the Controlled Substances Act are pending before Congress: The Marijuana Justice Act, introduced by Booker; the Ending Federal Prohibition Act, sponsored by Representatives Tulsi Gabbard (D-HI) and Don Young (R-AK); and, the Marijuana Freedom and Opportunity Act, sponsored by Senator Chuck Schumer (D-NY).

“The main goal for 2019 is to get a hearing on at least one of the comprehensive bills,” said Morgan Fox, media relations director for the National Cannabis Industry Association (NCIA). “Sometimes a specific bill becomes a way

to air the issue on the House floor. So long as we get a hearing on a comprehensive bill, it would be a huge sign of progress. It’s questionable that anything would come to a vote, but it’s looking like there will be a whole House hearing.”

The Ending Federal Prohibition Act bill would end the prohibition of marijuana, as well as eliminate criminal penalties for those who import, export, manufacture, distribute, or possess cannabis products. When Gabbard and Young introduced the bill in March, they also presented the Marijuana Data Collection Act of 2019, which would study the effects of state-legal medicinal and non-medicinal marijuana programs from a variety of perspectives, including state revenues, public health, substance abuse and opioids, criminal justice, and employment.

Strekal said the Marijuana Justice Act had forty-four members of the House on board during the last session of Congress and predicts it should “far exceed that” in the new session, making the act the most widely supported single bill proposing to de-schedule in history. Similarly, the Ending Federal Prohibition Act had forty co-sponsors and was the first de-scheduling bill to attract significant bipartisan support.

“The reason why those bills received such support and over two dozen co-sponsors is the political pressure of the American people, which is starting to translate to the halls of Congress,” Strekal said. “And it’s in no small part due to the Congressional Cannabis Caucus. On the Democratic side, we’re seeing more and more senators jumping over themselves to talk about this issue, because they see incredibly strong support in the electorate at large.”

The Congressional Cannabis Caucus was formed in 2017 to help reconcile federal laws prohibiting medical and recreational cannabis use with state laws that are more permissive. In 2019, the caucus leadership team includes founder and co-chair Representative Earl Blumenauer (D-OR); Representative Barbara Lee (D-CA), who will become the first woman of color to co-chair the Caucus; Representative David Joyce (R-OH); and returning co-chair, Representative Don Young (R-AK).

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THE LIST OF PROMINENT DEMOCRATS WHO SUPPORT SOME FORM OF COMPREHENSIVE LEGALIZATION GROWS BY THE DAY.



Some other prominent bills that have been proposed include the CARERS Act, which would expand marijuana research and allow doctors to discuss cannabis with veterans, and H.R. 420 (the Regulate Marijuana Like Alcohol Act), which would de-schedule cannabis and shift regulatory authority to the Bureau of Alcohol, Tobacco, and Firearms.

Strekal explained these bills haven't gained as much support for various reasons, including being too narrow or too broad in scope. And therein lies one of the dilemmas for lawmakers looking to pass legislation in the political climate of 2019.

ONE BILL AT A TIME

If there are two issues most politicians in the House can get behind in the cannabis legislation debate, it's medical cannabis and states' rights.

At the SXSW conference in Austin, Texas, in March, former Speaker of the House John Boehner and Acreage Holdings Chairman and Chief Executive Officer Kevin Murphy discussed the state of affairs in D.C. Boehner predicted Congress will pass the STATES Act, which would represent a major breakthrough for the industry.

The Strengthening the Tenth Amendment Through Entrusting States (STATES) Act was introduced in 2017 by Cory Gardner (R-CO) and Elizabeth Warren (D-MA) and would allow states to legalize cannabis through their legislatures and then enforce state laws without federal interference. President Trump already has indicated he would be likely to sign such a bill, and this may account for the enthusiasm and support for this bipartisan legislation. "The federal government just needs to get out of the way," Boehner said. "Right now, I think the STATES Act is where most of the momentum is."

Saphira Galoob, chief executive officer for The Liaison Group in D.C., represents and lobbies on behalf of several of the largest cannabis operators in the U.S., including Acreage Holdings. She also consults with the California Cannabis Industry Association and the recently formed National Cannabis Roundtable.

"We believe a states' rights approach is the most expedient way to address the total

solution,” Galoob said. “The STATES Act is a beautiful piece of legislation that would very clearly and efficiently take care of a lot of issues in the industry. It isn’t perfect, and it doesn’t comprehensively address some of the concerns, but it does address the scheduling issue and the legality of cannabis, which solves tax and banking for most industry stakeholders.”

Strekal noted that in the previous session of Congress, sixty-three different bills addressed various aspects of regulation and de-scheduling, as well as what a regulated marketplace might look like. Most of the bills were designed to bring the cannabis industry into alignment with more traditional businesses with regard to banking, payroll, investment, employment, and research protections.

Boehner sits on Acreage’s board of directors and serves as the chairman of the National Cannabis Roundtable, which advocates for a “rational legal framework for cannabis reform.” Given the organization’s political connections, it’s worthwhile to note its current agenda priorities:

- Remove federal restrictions prohibiting medical research involving cannabis. Encourage the development of solutions that will improve the lives of veterans and patients and combat the opioid epidemic in the United States.
- Allow companies operating legally in the cannabis industry to utilize traditional institutions for transactions and access to financial markets.
- Correct flaws in the U.S. tax code that serve as barriers to legal commerce in the cannabis industry and prohibit the development of solutions that can improve Americans’ lives.
- Build support for, and secure enactment of, federal legislation allowing states to set and enforce their own laws governing cannabis.

“If our industry doesn’t get something major passed, it will be because we have not all aligned on what the priorities should be,” said Galoob. “That lack of alignment creates confusion on the Hill, and it also

dilutes our political strength by not all being behind one initiative.”

DOLLARS AND SENSE

If you talk to retail operators about their biggest headache, banking likely will top the list. Access to traditional banking services and investment opportunities has been a major impediment to growth, and the constant shuttling of cash in briefcases and duffle bags creates a public safety issue.

“Banking and unfair taxation are the issues that have hit the industry hardest,” said Fox. “280E is the biggest problem, because it doesn’t let them deduct business expenses, which is a huge tax burden. Meanwhile, the federal government has been happy to collect those taxes. We’ve been working on banking for a number of years and are starting to get good support in the House.”

Blumenauer is a longtime advocate for cannabis policy reform and was the founder of the Congressional Cannabis Caucus. In a memo last year to party



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leaders, he suggested Democrats pursue a more methodical approach in 2019 and recommended financial services and other committees start by holding hearings on incremental reforms like banking access, research expansion, and medical cannabis for military veterans. A House bill to prevent punishment of banks that work with state-legal marijuana businesses, introduced by Denny Heck (D-WA) and Ed Perlmutter (D-CO), garnered ninety-five co-sponsors in the last Congress and twenty senators signed onto a companion bill, but neither were given hearings or brought up for votes.

In late March, the SAFE Banking Act of 2019 cleared the House Financial Services Committee. It is cosponsored by 152 representatives, or one-third of the chamber.

Fox said he believes the SAFE Banking Act has a good chance of passing, along with some of the other focused bills that address veterans' access and cannabis data collection. NCIA tracks all the legislation that has been introduced and has been trying to get as many co-sponsors as possible for all the bills. "We're supporting the more narrowly focused bills like the banking act and taxation issues," said Fox. "But it's important to support them all, because it moves the conversation along."

While progress on banking, research, and other issues are important steps, many cannabis advocacy groups are concerned a piecemeal approach could take eyes off the ultimate goal of federal legalization and undermine progress on the important social equity and justice issues stemming from the decades-long war on drugs. Jason Ortiz, vice president of the Minority Cannabis Business Association, believes having African American politicians such as Booker and Lee address social justice issues bodes well for the cause.

"For us, the big piece is an office of justice reinvestment that would be a watchdog agency to make sure people are getting released from prisons, to make sure records are expunged properly, to make sure money goes to the communities where it's supposed to go," Ortiz explained. "We've been pushing that at every level of government. Of course we support de-scheduling cannabis, but that doesn't address the historical context we're in. We also have to address social justice, or we're going to continue to see those communities suffer."

At this point few, if any, good models for social justice programs exist, according to Ortiz. He did acknowledge California is leading the way in social equity policies and thought leadership, but up to this

point only a small number of social equity operators are licensed.

"Aside from trying to get more co-sponsors for all these bills, they've done a good job of shifting away from 'do we legalize' to 'how [do we legalize]' and bringing racial equity and social justice questions into the conversation, which is really important," Fox said.

WILL HEMP PAVE THE WAY?

The 2018 Farm Bill is one of the most important recent breakthroughs. The legislation removed hemp from the U.S. Controlled Substances Act and opened the door for investors to enter the U.S. cannabis industry. It also eliminated most of the barriers to growing, processing, transporting, and selling hemp. The way the hemp industry methodically approached—and eventually reached—its goal may provide a lesson and precursor for the larger cannabis industry.

"You have to understand how we've gotten to where we are on hemp," said Patrick Goggin, a senior attorney with Hoban Law Group who has worked on hemp and cannabis reform for two decades. "It's never been through standalone legislation, and we never had it pass at the federal level. It was always through spending provisions or the Farm Bill. So, we

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—Saphira Galoob, CEO,
The Liaison Group

could see something in additional provisions in budget and spending bills, or there may be something happening on the CBD side.”


Of course, the Food and Drug Administration still must weigh in on how THC levels will be regulated and how chemical compounds derived from hemp can be incorporated into products such as lotions, tinctures, and foods.

“The hemp industry has definitely spurred a lot of interest in state governments,” said Fox. “Now that companies are moving forward with applications for hemp programs, those will create business opportunities and new jobs, which will drive more discussion and pressure.”

While there's no denying cannabis bills have made major progress over the past few years—Strekal noted sixty-three pieces of legislation were introduced in one session, more than all previous sessions combined—concern exists that the corporate agenda will drown out important discussions about patients' rights and social equity.

“There is clearly momentum on our side,” Fox said. “And, as our political power progresses, we must shape the policy we want going forward to protect rights and freedoms of individual consumers and lay a stable foundation as this nascent economy matures.”

For old-school reform advocates like Goggin, watching the cannabis-policy merry-go-round at the federal level has not inspired much optimism, despite all the current activity.

“Frankly, I stopped paying attention to cannabis legislation at the federal level a long time ago, because it never goes anywhere. What's different now?” he asked. “It's all about Congress, and they have shown no appetite for pushing the ball down the road. Maybe we're getting closer, and this will actually happen sooner than later. That's what happened with hemp: We made zero progress, then really quick progress. We get used to waiting, and it comes when it comes.” 



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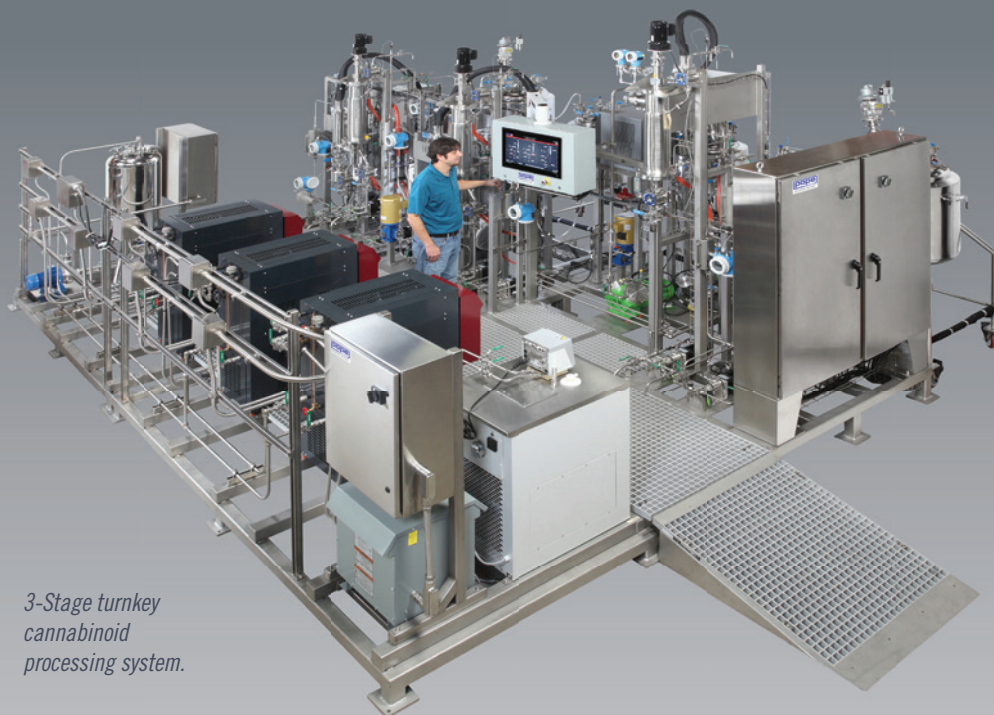
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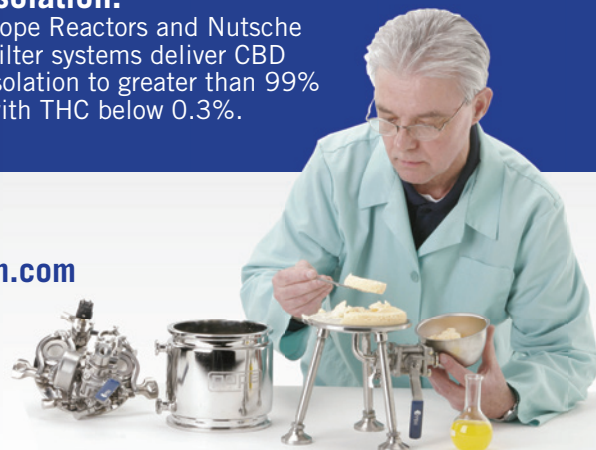
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Team Building

Look to consumer packaged goods as an example.

BY JOSH WAND



OVER THE NEXT FIVE TO SEVEN YEARS, cannabis will be the fastest growing category of trade in the U.S. with more employment opportunities than any other industry, including tech. While new brands are continually emerging and state laws are changing to accommodate marijuana usage on a wider level, perhaps one of the most exciting aspects is predicting who will be the big players and who will be responsible for powering them to scale.

In 2007, we set out to build a first-of-its-kind beverage-industry recruiting company that would meaningfully engage job seekers and employers, getting to know their strengths, weaknesses, and future goals. At the time, there weren't any recruiting firms for the beverage industry approaching hiring the way we did, but our system worked. Our founding division, BevForce, grew into the umbrella ForceBrands as we added divisions for several other consumer packaged goods (CPG) markets.

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There are a lot of synergies between CPG companies and the talent they require to succeed. The growth of the new cannabis vertical has revealed several similarities between this space and CPG, especially when it comes to building teams, hiring for certain skills, and attracting talent.

NATURAL SYNERGIES

One fundamental thing to consider when identifying talent for budding brands is that cannabis is a consumer product. The cannabis brands of today will be the retail brands of tomorrow. There are a lot of luxury lifestyle brands creating products we're used to consuming like bars, edibles or snacks, beverages, topicals, and skincare. Because the talent and skills required to drive consumer product brands to scale are highly transferable

to cannabis, it makes sense to take a hiring approach similar to that of CPG companies.

When it comes to building a team that will drive business, companies should consider the organizational design charts of businesses in other CPG sectors. The beverage alcohol industry is comparable to cannabis, as they're both highly regulated industries. Although alcohol is federally legal in the U.S., laws vary at state and local levels. Those who are familiar with working in a tightly regulated industry will understand the complexities and nuances of cooperating with legal restrictions as determined by federal, state, and local laws.

CPG professionals can bring a lot to the cannabis space. Whether they come from entrepreneurial startups or large corporations, their skills will prove valuable to cannabis businesses looking to scale. Since entering the

cannabis space four years ago, we at HerbForce have observed several hiring trends. On the candidate side, senior-level executives who possess brand-building experience are eager and interested in applying their skills and talents to cannabis startups. On the employer side, companies are thinking about their board of directors and advisors and looking at candidates who have experience in medical technology, beauty, and beverage.

TRANSFERABLE CPG SKILLS

Cannabis jobs are in high demand. The Bureau of Labor Statistics estimates the legal cannabis industry will create more than a quarter of a million jobs by 2020, and that doesn't take into account the potential addition of new states legalizing recreational or medical marijuana jobs in the next few months. But how do



Photos: Master1305 / Shutterstock; ForceBrands

candidates stand out in an industry that has never hired before, and what skills are most transferable? Although cannabis is a new business space, brands already are building teams based on proven, traditional CPG business models with an intense focus on strengthening main verticals and filling those verticals with experienced, knowledgeable professionals.

We've seen a high demand for sales and marketing professionals as companies compete to sell their product legally in as many places and ways as possible. Candidates who have marketing experience at a brand built from scratch will be especially valuable to growing cannabis brands. Brands are relying on unique marketing strategies to set themselves apart and to win over and inform newer consumers. On the sales and distribution side, brands are looking for candidates who have direct store delivery (DSD) experience. Marketing and sales professionals who effectively can assess target consumers and execute sales and marketing strategies around selling product will prove most valuable.

As cannabis companies compete for funding, a knowledgeable and experienced finance leadership team also is critical to a brand's success. Candidates with experience in financial forecasting and budgeting for shelf-life considerations are especially sought-after. There's an incredible demand for finance professionals who have worked in regulated industries such as beverage alcohol, tobacco, or pharmaceuticals. Finance professionals who are ready for a challenge will benefit from a burgeoning industry with high rewards.

On the operations and manufacturing side, cannabis brands have had success in hiring candidates who come from beverage, food, and beauty operations facilities who know what it takes to produce plants similar to cannabis—like hops for beer and anything grown hydroponically, such as tomatoes. Operations roles also are critical for building a successful cannabis business as more companies expand their production facilities. Companies are looking for people who have run a large floor with many employees.

ATTRACTING CPG TALENT

As the cannabis industry continues to gain momentum, employers must compete for talent across CPG. This is especially challenging in an intensely candidate-driven job market where it's become more difficult




Josh Wand, ForceBrands

to attract and retain top talent. According to ForceBrands' 2019 Talent Market Report, an extensive in-depth analysis of cross-industry hiring trends, the most effective tools for employee recruitment and retention are benefits and compensation packages. Insights from the report reveal cannabis companies offer more extensive leave policies than established businesses across other industries including wine, spirits, and beer; food and non-alcoholic beverages; and beauty, wellness, and personal care.

It goes without saying that compensation is critical for attracting and retaining top talent in a candidate-driven job market. Fortunately, the "green rush" is real. As the industry grows, so do wages for both hourly and salaried employees. Over the past year, the average salary for cannabis jobs has increased by 16 percent. While wages can vary based on employee qualifications, experience, and company funding, many positions offer comfortable salaries and opportunities for advancement.

THE OPPORTUNITY

With the global legal marijuana market estimated to reach \$146.4 billion by 2025, it's an incredible opportunity for professionals to make an impact at young, high-growth companies. Although a hiring playbook for cannabis does not exist yet, employers are looking to neighboring CPG verticals and taking notes. Generous salaries and benefits coupled with impressive career growth opportunities make cannabis not just the industry to watch, but one to be part of. 



JOSH WAND is founder and chief executive officer of ForceBrands and PINATA. ForceBrands' industry-specific divisions BevForce, FoodForce, BeautyForce, and HerbForce work with new and established brands and individuals at all stages of their careers. PINATA is an experiential marketing platform transforming the way brands create and measure activations. HerbForce.com



The Future of Cannabis Marketing

The industry is flush with data—but also data gaps.

BY KIRK GROGAN

NO OTHER INDUSTRY—outside of tech—began with such an abundance of, and requirement for, data. Every legal market requires some form of statewide traceability. If the tracking software worked perfectly, every single cannabis product bought by consumers could be tracked all the way back to its seed form. That is an incredible amount of data. Yet despite this, much of the data generally is unusable when it comes to marketing.

In terms of marketing, data becomes exponentially more valuable as you trace the full buying cycle and understand the attribution data. This means you can attribute where users were exposed to your brand and what steps they took leading up to purchasing your product. This attribution data allows for sales funnels to be created. If a consumer first sees an influencer's post, then goes to their blog, then to your website, and then subscribes to your newsletter before finally buying a product, you can track their buying cycle fairly cleanly and attribute their purchase accordingly.

But three major issues plague the cannabis industry regarding purchase cycle tracking: 1) digital purchases are not allowed, 2) the industry is almost exclusively cash-only, and 3) premier advertising channels do not allow cannabis advertisements. Without ability to track the final purchasing step, and without Google and Facebook allowing paid advertisements, an industry with so much required data still provides little for actionable execution on traditional digital marketing platforms.

Data services in the cannabis industry already are bringing in serious cash, and we expect that to rapidly accelerate. Since so many programs and methods from other industries cannot translate into this space, expect loyalty programs, smoking experience apps, and third-party data providers to continue to grow at pace with the industry.

EAGER TO ADOPT

Despite a plethora of marketing challenges, a redeeming quality is shared almost unanimously throughout the industry: Cannabis entrepreneurs are eager and willing to adopt new techniques, technologies, and tactics to find an advantage.

The most obvious adoption is a new style of naming and logo. As the industry grows, canna-based names and pot-leaf logos are being replaced by more modern techniques. This can and will need to continue for companies to stand out with their branding and marketing efforts. You never expect to see alcohol or tobacco companies named “Alco-light” for beer or “Tobacerette” for cigarettes.

Cannabis brands, and C-suite members in general, are willing to take risks and try new technologies that may give them an edge in the market. Extraction equipment, automated joint rolling, software tracking, and more are introduced and screened by potential customers every day. This willingness to adopt translates into marketing, with cannabis leading the way out of desire and necessity to attempt new marketing models. Cannabis companies consistently are working with cannabis-based web review services, new ad networks aimed at niche websites, lead targeting, and customer-relationship-management software created exclusively for the complexities of the cannabis industry. Don't be surprised to find another adopting industry make a big push into cannabis as well: Augmented reality and virtual reality may just find an early home in the cannabis market.

Of all the adoptions occurring and yet to come, I expect experiential marketing to be one of the most impactful. Cannabis is an interactive consumable, and brands are best served to create experiences in which customers can take part. Think smoking lounges at conferences and events, pop-up displays and budtender tours in dispensaries, and kiosks and interactive experiences at on-site locations. As we rapidly move toward federal legalization, cannabis soon will be purchased at everyday stores: pharmacies, convenience stores; in some

states perhaps even grocery stores. Creating engaging and memorable experiences for consumers at a brick-and-mortar store—or perhaps just wearing virtual reality goggles at home—will be one of the most impactful methods of marketing over the next decade.

MAKE IT COUNT

More than in most industries, cannabis marketing is truly about making your impressions count. Getting consumers to see your brand can be difficult and expensive all by itself, so when they do see your brand, make sure your company is memorable.

Great packaging, great websites, and overall great branding are the most impactful methods, as they are the most commonly seen aspects of your brand. Potential customers will be creating a mental story of who you are every time they are exposed to any aspect of your brand, so make sure the story is well-crafted and cohesive.

These are simply the basics to making a lasting impression, however. Don't be afraid to give things to your customers, and don't be afraid to ask in return. Promotional and swag-bag items are forever in style and soon will be a standard and regulated method of letting customers try your cannabis products. Capitalize on these opportunities and give customers reasons to remember you as well as ways to stay in touch. Ask for consumers to follow you on social media, offer educational materials, and give away items they'll carry farther than the nearest trashcan.

At a recent conference, we decided to announce our new services through handheld five-inch by seven-inch cards. On one side we announced what we would offer, but on the other side, the side we displayed from our booth, we featured an incredibly high-quality image from our local cannabis photographer. Some postcards had flower shots, some had grow rooms, etc. Our goal was that nobody wants to pick up an informational graphic with just our new services, but they do want beautiful, high-quality cannabis photography. When we combined the two, we had something that ideally created a memorable impression and will still be on our customers' office fridge or post board when the need for our services arises.

Don't be afraid to ask for customers' info, ask them to download an app, or visit a website. All of these are great methods to keep them around and make sure your marketing dollars weren't spent on a one-time exposure. Instead,



DON'T BE SURPRISED TO SEE AUGMENTED REALITY AND VIRTUAL REALITY FINDING AN EARLY HOME IN THE CANNABIS MARKET.



you create a way to keep the conversation flowing and, ideally, move the discussion to a free-to-use platform like Instagram where you no longer pay for them to be exposed.

When in doubt, capture their email. I cannot stress this enough. If you don't know what you need, you need their email and you can sort the rest out later.

THE RISE OF NEW ADVERTISING


Advertising is an ever-adapting and -adjusting industry. What started as boardroom meetings driven by a gut feeling now utilizes sophisticated hardware and software to track and engage consumers. The world of marketing constantly is changing, and cannabis marketing will be won by companies that think outside the box. With so many regulations and restrictions, creativity truly is the only effective tactic in the space.

Influencers already are a big trend for cannabis companies, but expect this to get more granular. Since most targeted digital marketing is unavailable from Google, Facebook, and Instagram, marketers must go to the next best thing: micro-influencers, or

influencers with a smaller but more focused group of followers, and they will be vital. In many ways, this is advanced targeting. If you find influencers with between 500 and 5,000 followers with solid engagement from the market you serve, congratulations! You now have a targeted digital campaign.

Similarly, you can expect to see cannabis marketing in non-digital ways more than in traditional industries. As mentioned earlier, experiential marketing will be vital. Sponsorships at local bars, music festivals, and even progressive farmers markets will become more commonplace. They are great options to expose consumers to your brand and let them build an emotional attachment to your products and services.

Expect education to be one of the best cannabis marketing avenues. Due to the product's federally illegal status, plenty of information gaps exist out there among the mass market, and consumers like to be knowledgeable. A great way to reach consumers online and offline is to offer trusted, reliable, and interesting information about your products, their effects, and the industry as a whole.

With these experiences and educational demands, you will find plenty of ancillary businesses hoping to fill the gap. Loyalty programs and educational apps already are becoming a big trend. Both help specify target audiences for companies to capture. If a consumer is collecting points or learning what strain is best for the upcoming camping trip this weekend, they obviously are interested in cannabis. While you used to be able to reach cannabis consumers only through one or two of the original cannabis publications and magazines, the new channels will dramatically help each company reach its precise target demographic. 



KIRK GROGAN oversees operations at Wick & Mortar, a cannabis branding and marketing agency. Prior to joining the cannabis industry and founding several hardware companies designed to improve the vaping and extraction market, he consulted with numerous Fortune 100 companies regarding business-to-business and business-to-consumer digital sales strategies. Grogan specializes in optimizing and refining automated sales growth and is an experienced public speaker. **WickAndMortar.com**



A Landmark Canna-patent Decision

The Patent Trial and Appeal Board treated a cannabis patent like it would have treated any other patent.

BY NICOLE GRIMM, ESQ.; GEORGE “TREY” LYONS III, ESQ.; AND BRETT SCOTT, ESQ.

IN A COLUMN published in *mg*'s February issue (“Challenging and Enforcing Canna-patents”), we discussed the current uncertainties related to challenging and enforcing cannabis patents. Since then, the Patent Trial and Appeal Board (PTAB) issued a landmark decision in *Insys Development Co. Inc. v. GW Pharma Ltd.* (IPR2017-00503), a case challenging the validity of one of GW Pharma's patents directed to the use of cannabinoids to treat epilepsy. The decision is important for canna-patent owners and third-party challengers alike in that it provides some clarity that *inter partes* review (IPR) proceedings (and likely other USPTO post-grant proceedings) are at least one option for challenging cannabis patents.

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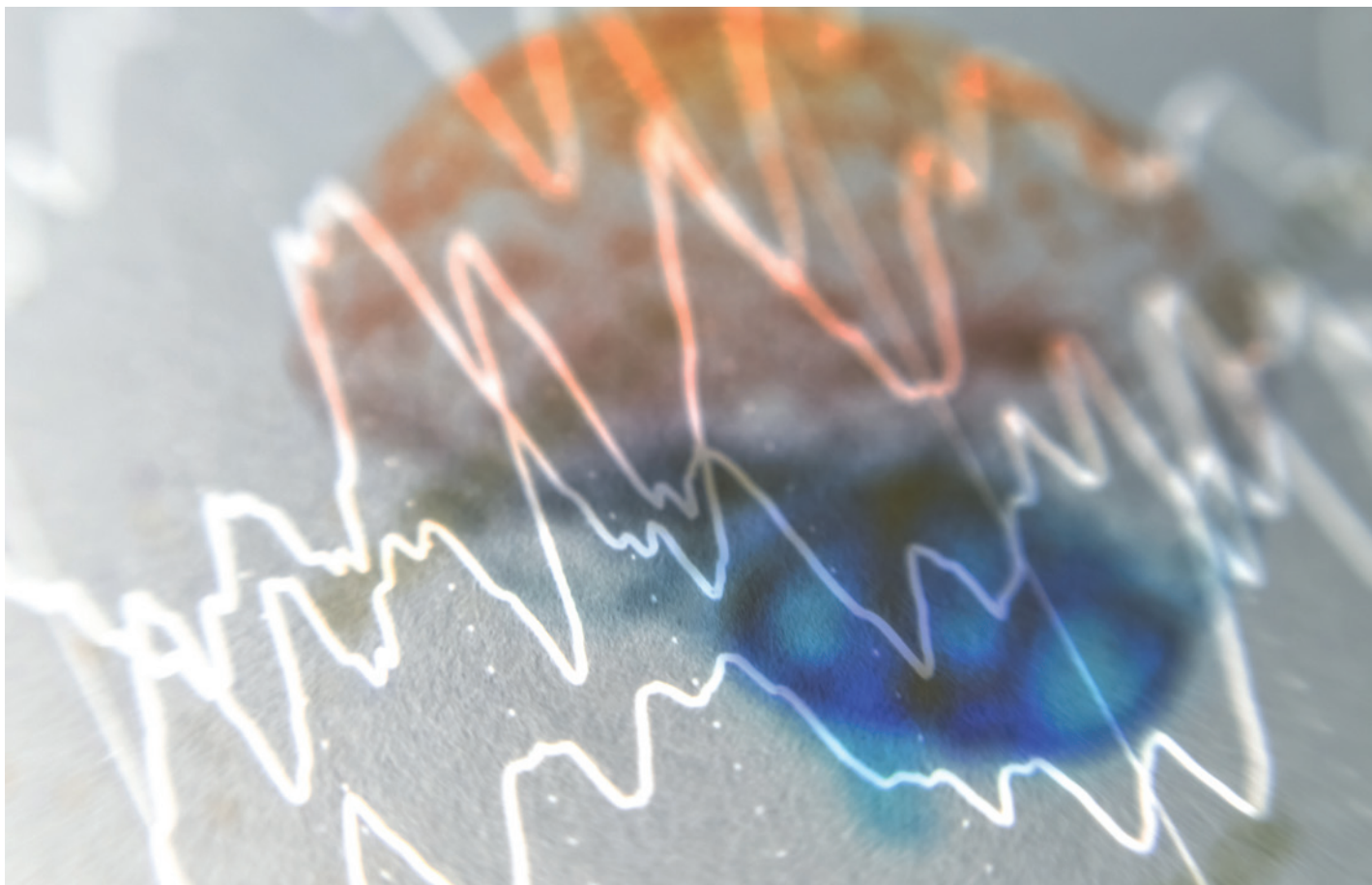
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U.S. PATENT NO. 9,066,920

The IPR involved U.S. Patent No. 9,066,920 (“the ‘920 Patent”), entitled “Use of one or a combination of phyto-cannabinoids in the treatment of epilepsy.” Insys Development Company Inc., a pharmaceutical company that focuses on cannabinoids and drug delivery systems, filed a petition seeking to cancel thirteen claims of the ‘920 Patent as obvious (and thus unpatentable) based on three different combinations of prior publications.

After considering arguments from both Insys and GW Pharma, including holding an oral hearing, the PTAB found the first two claims of the ‘920 Patent were unpatentable as obvious. However, the remaining eleven challenged claims survived and remain valid (and potentially enforceable).

Independent claim number one of the ‘920 Patent (which the other twelve claims directly or indirectly depend from) recited “A method of treating partial seizure comprising administering cannabidiol (CBD) to a patient wherein the CBD is present in an amount which provides a daily dose of at least 400 mg.”

Dependent claim number two of the ‘920 Patent recited “The method of claim 1,



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IN THAT IT PROVIDES
SOME CLARITY THAT
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ONE OPTION FOR CHALLENGING
CANNABIS PATENTS.

wherein CBD is present in an amount which provides a daily dose of from 400 to 800 mg.”

Before conducting the obviousness analysis, the PTAB considered the meaning of the claim term “partial seizure.” The claim construction analysis in IPR proceedings helps determine whether the claims read on prior art references. However, the PTAB found it was not necessary to construe “partial seizure” in order to determine the patentability of the challenged claims because GW Pharma did not dispute the asserted publications applied to the treatment of partial seizures.

The PTAB also determined the qualifications of a person of ordinary skill in the art (POSA) at the time of invention (the perspective from which the patentability of the claims is assessed during the proceeding). Insys and GW Pharma put forth different definitions of a POSA but the PTAB adopted Insys’s definition, which defined a POSA as a person with “an M.D. or a Ph.D. in pharmacology, chemistry, biochemistry, neurology, or in a related field in the biological or chemical sciences, is familiar with the 1981 International League Against Epilepsy (ILAE) classification of seizures,



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and is up-to-date on the developments in the field of treatment of seizures.” Notably, neither Insys nor GW Pharma (nor the PTAB) proposed a POSA should have any experience or familiarity with cannabis, further demonstrating this patent was treated like any other biopharma patent.

Regarding the obviousness challenge, Insys argued all claims of the ’920 Patent were obvious because the primary reference taught treatment of epilepsy with CBD, and a POSA “would have concluded that the claimed daily dosage of at least 400 mg of CBD is predictable, safe, and expected” in view of the combination of asserted references. In response, GW Pharma argued that, at the time of invention, CBD was “at best, a promising candidate for further study” and that a POSA would not have had a “reasonable expectation that CBD would treat partial seizures at all, let alone at doses of 400 mg or higher,” as claimed by the patent.

The PTAB found Insys met its burden to demonstrate claim number one (the broadest claim of the patent) and dependent claim number two were obvious over two of the three asserted combinations of references. Although the primary reference described administering a daily dose of CBD that was less than 400 mg to epileptic patients, the PTAB found the combination of asserted references, when read together, would have led a POSA to reasonably believe the amount of CBD could safely be increased to a dosage of at least 400 mg per day as recited in claim number one because, as of the time of invention, “CBD had been shown to be well tolerated in humans without any serious side effects or toxicities at doses up to 600 mg.”

Regarding claims number three to thirteen, Insys argued those claims were obvious over the asserted combinations of references for the same reasons that claims number one and two were obvious. GW Pharma argued Insys failed to identify where most of the elements of claims number three to thirteen were disclosed in the prior art and also did not present expert testimony to help explain why those dependent claims would be obvious. The PTAB agreed with GW Pharma on this point and found Insys failed to demonstrate claims number three to thirteen were unpatentable as obvious over any of the asserted combinations of references.

Although the PTAB deemed claims number one and two unpatentable, most of the ’920 Patent remained intact with claims

that are still fairly broad relative to claim number one. For example, dependent claims number six and nine remain valid and potentially enforceable following the PTAB's decision, and only further require beyond the limitations described in claim number one that "the CBD is present as a plant extract" and that "the CBD is present as a pure or isolated cannabinoid," respectively.

As with any IPRs, the parties had the option to appeal the PTAB's final written decision by either requesting a panel rehearing of the decision before the PTAB or appealing the decision directly to the U.S. Court of Appeals for the Federal Circuit. It appears neither party decided to appeal the decision.

QUESTIONS ANSWERED

One key takeaway for canna-patent owners: PTAB seemed to treat this cannabis patent just like it would any other patent subject to an IPR challenge. The Schedule I drug status of cannabis was never an issue in the case.


Furthermore, as canna-patents continue to be enforced in the federal court system (including, *e.g.*, one of the first cannabis patent infringement lawsuits underway in



PTAB SEEMED TO TREAT
THIS CANNABIS PATENT
JUST LIKE IT WOULD
ANY OTHER PATENT
SUBJECT TO AN
INTER PARTES
REVIEW CHALLENGE.

the U.S. District Court for the District of Colorado—*United Cannabis Corp. v. Pure Hemp Collective Inc.* (1:18-cv-01922)), the industry may expect to see even more IPR challenges of canna-patents, as well as increased patent application filings, following more clear direction about how canna-patent infringement cases will proceed in district courts.

With the decision issuance in *Insys v. GW Pharma*, the message to canna-patent owners and applicants seeking to protect their innovations continues to be the same: Obtaining canna-patents is highly valuable for companies in this industry and will serve as irreplaceable stakeholders as the market continues to normalize and expand.

And the stakes will continue to increase as federal courts and agencies weigh in. 

NICOLE E. GRIMM is a partner with McDonnell Boehnen Hulbert & Berghoff LLP. GEORGE "TREY" LYONS III AND BRETT W. SCOTT are associates with McDonnell Boehnen Hulbert & Berghoff LLP. MBHB.com



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Today's Bills, Tomorrow's Laws

WITH NEARLY 63 PERCENT of Americans supporting cannabis legalization, 2019 has seen a record number of federal bills introduced. From Cory Booker to Kamala Harris to Chris Murphy, every elected representative in Washington seems to be pushing his or her own version of federal reform, and the consensus is significant legislation could be enacted by the end of this year or early next.

Cannabis reform bills also are sweeping the states, from Tennessee's SB 257 to West Virginia's HB 2331, Minnesota's SB 619, and myriad other measures. New Mexico, Wyoming, Nebraska, South Carolina, and Kentucky all are looking at new bills, too.

We wondered what industry insiders think about the veritable legislation landslide, so we asked a few.



AS SOMEONE WHO WORKS WITH COMPANIES THAT ASPIRE TO GO PUBLIC, WHAT ARE YOU MOST CLOSELY WATCHING?

The STATES Act [which would allow states to determine the legal status of cannabis without fear of intervention from the federal government] is the most important piece of legislation everyone in the industry is watching. It's being sponsored by the Cannabis Trade Federation and would open lots of doors to the industry. The bill was created to act as a band-aid for Jeff Sessions' repeal of the Cole Memo and, surprisingly, it comes with bipartisan support. Senators Cory Gardner (R-CO) and Elizabeth Warren (D-MA) introduced it, and it seems that it has a shot.

I also have my eye on anything regarding consolidation and mergers, with big retail taking the spotlight. In 2019, we can expect an

increase in mega-mergers of large, multistate operators, and I think the speed and the pace of these deals will astound people. —*Sabas Carrillo, CEO, Adnant Consulting*



SOUTH CAROLINA IS A STATE TO WATCH THIS YEAR, NOT ONLY BECAUSE IT'S NOTORIOUSLY CONSERVATIVE BUT

ALSO BECAUSE IT PLANS AN EXPANSIVE HEMP PROGRAM. AS CO-FOUNDER OF A BUSINESS IN THE STATE, WHAT'S ON YOUR RADAR?

I am very closely involved with the South Carolina [medical marijuana] bill introduced by State Sen. Tom Davis and State Rep. Peter McCoy [both Republicans]. It's very important to me to work on helping patients get access to cannabis and ensure a good system is implemented. I also believe South Carolina can set an example for nearby states and potentially create a domino effect in the Southeast.

I am also, like everyone else, keeping a close eye on the STATES Act, as it would force the federal government to acknowledge and respect state-legal cannabis. The STATES Act has the potential to improve banking tremendously for cannabis businesses, and we also expect to see more investment dollars flood into the space upon its passing. —*Jeffrey Zucker, co-founder and president, Green Lion Partners*



HOW DOES THE LEGISLATIVE ENVIRONMENT LOOK FROM A FINANCIAL PERSPECTIVE?

I think everyone is watching the federal bills and laws, and we have hope for banking reform during 2019. Next year is a big election year, and we expect cannabis

to be a key issue in many states. Hopefully, legislators will move cannabis off Schedule I at the federal level.

As for accounting, [Internal Revenue Code §] 280E—which prevents cannabis producers, processors, and retailers from deducting expenses from their income except for those considered a “cost of goods sold”—is here for now. This means companies need rock-solid cannabis accounting and correct cost accounting and should not spend time trying to “beat 280E.” Be warned: The IRS is winning most of these cases. —*Andrew Hunzicker, co-founder and managing partner, DOPE CFO*



BECAUSE OF THE SIZE OF THE MARKET AND ITS STATUS AS THE FIRST TO LEGALIZE, CALIFORNIA SOMETIMES SETS AN EXAMPLE FOR

OTHER STATES. WHAT'S THE MOST IMPORTANT BILL PENDING NOW?

One of the most important is SB 51, which was authored by [Democratic State] Senator Robert M. Hertzberg. SB 51 is an attempt to address the fact cannabis businesses are unable to open and use checking accounts, make or receive electronic payments, or accept credit or debit cards because cannabis remains illegal under federal law. Currently, the bill is in hearings in the California Senate.

The truth is no one really knows when or if it might pass, but momentum is picking up. If California successfully creates a framework for opening up more banking, then other states will follow suit. Federal [banking] regulation change is anyone's guess. Major movement is very unlikely with the current administration and congress. However, some in the Republican party are beginning to change their beliefs about cannabis. —*Jordan Friedman, CEO, Zodaka*

—*Rob Hill*

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“I’ve lost over 100 pounds by trading in my wine and prescription pills for cannabis.”

—THE MOMMY JANE



1

How has cannabis helped you?

I’ve completely changed my life. How can you be the best mom you want to be if you’re not taking care of yourself, both mentally and physically? I meditate daily. I think combining consciousness and cannabis is a great way to find excellent homeostasis, beyond the plant. That’s what I like to preach. I don’t want us to just be consuming all day and not knowing why. It’s important for us to know why we were reaching for the bottle in the first place and why we are reaching for the plant. And how we can incorporate it safely into our lives and still get shit done.

2

What’s it like to be a mom influencer in a sea of millennials?

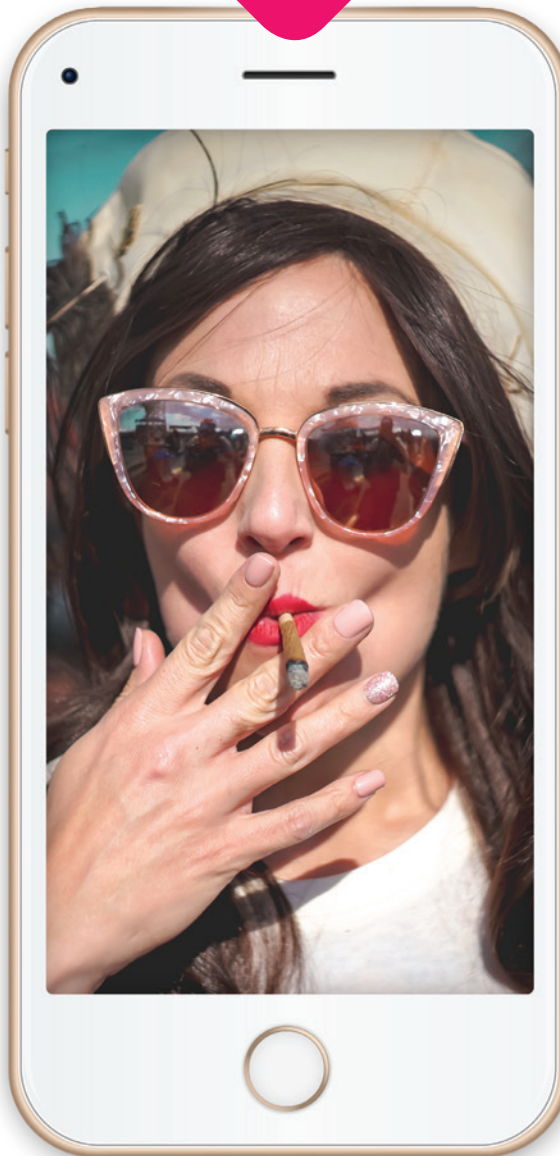
I really love the cannabis industry, because with age comes value. We don’t shun our elders. We put them on the pedestals they deserve to be on. The pioneers, they’re the ones that have the true influence. And because of them, I have a space. Cannabis isn’t just for one age group, and moms need it more than most if you ask me. Cannabis over wine any day of the week!



Mommy Knows Best

Jessica Gonzalez, aka The Mommy Jane, is a self-described “walking cannabis success story.” Now she’s helping her audience of more than 10,000 followers on Instagram become their best selves.

@THEMOMMYJANE



3

What can brands do to increase social media engagement?

They need to stop trying to be perfect and just really show who they are as a brand. Show the ins and outs of daily life; their business. People want to know about the brands they buy. They are nosy. They want to know who makes [the products]. They want to know how it’s made. You never know who’s watching. You never know who you’re inspiring and what kind of collaborations can come from it.

NETWORK STATS

21

Months as an influencer

11.5k

followers on Instagram

25-54

Age of her primary demographic

4

What’s next?

I’m going to be teaching a virtual social media course called Under the Influence, because everybody deserves to grow. We need the industry to thrive, and what better way than to help each other out?

—Linda Friedman

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