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Photo: @NateInTheWild

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Inovo.u

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KeefBrands.com

Dino H. Carter

CannaRegs.com



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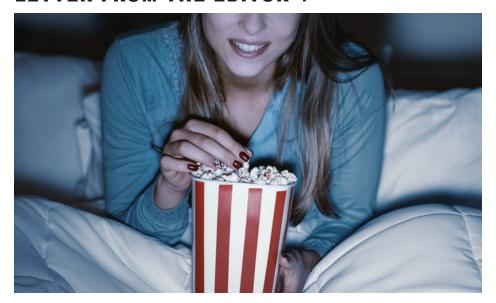
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LETTER FROM THE EDITOR



Enjoy the Sideshow

IT HAD TO HAPPEN SOONER OR LATER: The cannabis industry has been swept up in a national scandal. Not just any scandal, mind you, but a political morass that began in the hallowed halls of the White House and Congress and rapidly is oozing down the food chain.

At least it's not some petty little gossip nobody cares about. No, by god, we're smack-dab in the middle of something impressive!

Here are the basics: Three American citizens, one of whom was born in Ukraine, and a Ukrainian national living legally in the U.S. are under federal indictment for conspiracy to funnel foreign money into U.S. elections. The Ukraine connection is important, because two of the alleged conspirators—the Ukrainian-American and a naturalized American born in Belarus—are associates of the U.S. President's personal attorney and are suspected of assisting in covert political shenanigans in that country. Those shenanigans are at the center of a congressional impeachment inquiry.

Here's where the cannabis industry comes in: The federal indictment charges all four men with making illegal political contributions to state and federal officials in an attempt to influence retail cannabis licensing. Allegedly, they acted on behalf of a Russian who sought dispensary licenses in Nevada, New York, and several other states. (In this political climate, the very word "Russian" evokes the specter of evil.)

The swamp gets even murkier: The Ukrainian national reportedly has a significant financial stake in as many as nine of the thirty dispensaries in Sacramento, California. Unsurprisingly, the city, state, and FBI are investigating whether any corruption was involved in obtaining those licenses. (It's important to note no accusations have been leveled at the dispensaries or the company that owns them.)

The industry has known for months the FBI was looking for corruption in our midst. The feds believe they've found some. Have they found it all, or are more shoes just waiting for an opportunity to drop?

This is trouble we don't need. Not that we need trouble of any kind when we've finally overcome much of the federal opposition to plant medicine, but this case may draw significant negative attention because of its tangential connection to the possibility of presidential misbehavior.

Journalists say this kind of story "has legs," meaning there's more to unravel and the public will be subjected to lurid details for some time to come. Investigative reporters live for stories like this. They "follow the money" and turn up all kinds of interesting things hiding under rocks.

There's lots of money to follow in this story, so don't expect it to go away soon.

In the meantime, enjoy the sideshow. It's not every day an entire industry gets to bask in the salacious glory of an accidental encounter with infamy.

Kathee Brewer

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NEWS BRIEFING



Businesses Swept Up in National Political Scandal

SACRAMENTO, Calif. — Several licensed businesses and the city's licensing process are under investigation by the City of Sacramento, the California Bureau of Cannabis Control, and the Federal Bureau of Investigation as part of a burgeoning politicalinfluence-peddling scandal that germinated in Washington, D.C.

Sacramento began investigating after federal authorities indicted Ukraine-born businessman Andrey Kukushkin alongside Rudolph Giuliani associates Lev Parnas and Igor Fruman. Giuliani is President Donald Trump's personal attorney and implicated in an alleged quid pro quo arrangement between the U.S. and Ukrainian presidents that is now the subject of a congressional impeachment inquiry.

Kukushkin, Parnas, and Fruman are accused of attempting to funnel foreign money into U.S. elections—specifically, by making illegal contributions to politicians in Nevada, New York, and other states in order to gain influence over cannabis licensing decisions.

Kukushkin is an investor in Sacramento-based Capitol Compliance Management, which owns eight of the city's thirty licensed dispensaries. California Secretary of State records list Kukushkin and CCM Chief Executive Officer Garib Karapetyan as officers of at least two other cannabis-related corporations: the dispensary Twelve Hour Care, or THC, and the defunct management and consulting firm Legacy Botanical Company LLC.

City and state authorities and the FBI are investigating whether corruption was involved in issuing any of CCM's licenses or THC's.

Cannabis and **Crime: Study Indicates No** Correlation

PULLMAN, Wash. — Research from a team at Washington State University suggests legalizing cannabis exerts no statistically significant positive or negative effect on crime.

The study, published in the National Institute of Justice's Justice Quarterly, analyzed crime statistics tracked by the Federal Bureau of Investigation from 1999 to 2016. Among the standout FBI statistics: Neither Colorado nor Washington saw significant increases or decreases in violence or theft after 2014, the first year of legal recreational sales in those states.

"In many ways, the legalization of cannabis constitutes a grand ongoing experiment into how a major public policy initiative does or does not accomplish its expected outcomes," Ruibin Lu, the study's lead author, said. "Given the likelihood of more states legalizing recreational marijuana, we felt it was important to apply robust empirical methods to parse out the effects of this action on crime in the first years after legalization."

Dale Willits, a co-author, cautioned the study examined only violent crime and theft. Statistics about other crimes, such as driving under the influence, could prove dramatically different if analyzed.

The study suffered other limitations. The FBI's uniform crime reporting system records only the most serious offense when multiple charges result from one arrest. In addition, researchers did not address crimes committed by minors.



MILE HIGH OPENS MEGA-FACILITY

Mile High Labs' 400,000-square-foot expansion in Broomfield, Colorado, made the company one of the largest extractors when it opened in October. The facility includes equipment and infrastructure for research and development, quality assurance, bottling, packaging, warehousing, labeling, shipping, and compliance monitoring. MileHighLabs.com



BLOOM FARMS HITS 2 MILLION MEALS

In September, Bloom Farms reached another milestone in its 1-for-1 program: 2 million meals across California and Nevada. Since 2015, the company has donated one healthy meal to a food-insecure individual or family for each product sold.

GetBloomFarms.com



CRESCO NABS N.Y. LICENSE

Multistate operator Cresco Labs Inc. acquired Gloucester Street Capital LLC and its license to operate a vertically integrated business in New York state. The license, one of only ten issued statewide, authorizes the holder to operate one cultivation facility and four dispensaries in a market projected to be worth \$500 million by 2022. **CrescoLabs.com**



EDUCATION ON THE FLY

Las Vegas-based Sierra Nevada Education launched the Can-Ed App for iOS and Android mobile devices. The app is designed to help potential cannabis workers "get educated, certified, and employed" in Nevada and California.

Can-Ed.com

PRODUCTS



PLATINUM CHOCOLATE BARS

Sophisticated chocolatiers and seasoned cultivators combined their expertise to create Platinum's premium chocolates. In exotic flavors including Sea Salt Dark Chocolate (75 percent cacao), Milk Chocolate Caramel, Thai Coffee Crunch, Cookies 'n Cream, and Raspberry Lemon Crunch, the lightly infused, 100mg bars are individually perforated to provide 5mg THC per piece.

HouseOfPlatinum.com



G PEN CONNECT

Powered by a ceramic heating element and featuring patented reverse airflow technology, the G Pen Connect vaporizes a variety of concentrates and pairs with any glass-on-glass water piece. Three temperature settings and an extended draw mode allow users to tailor the experience. **GPen.com**

Kraft Heinz Sinks Big Bucks into Cannabis Company

DENVER — More mainstream money flowed into the industry in October, when software developer Flowhub LLC completed an oversubscribed \$23-million Series A financing round led by the Kraft Heinz Co.-backed fund Evolv Ventures. Other contributors included former NBA commissioner David Stern and Iqram Magdon-Ismail, co-founder and former chief executive officer at Venmo. The fundraise, which brought the company's total funding to \$27 million, was one of the largest Series A rounds to date.

Flowhub creates software-as-a-service applications for cannabis retail operations. In 2019, the company increased revenue more than 200 percent over 2018 levels and doubled its customer base across eleven states, according to founder and Chief Executive Officer Kyle Sherman. Flowhub also increased its staff by 50 percent, including the addition of women to key roles in marketing, product management, and finance.

Flowhub.com







CannTrust to Destroy \$77 Million in Inventory

VAUGHAN, Ontario — In a bid to regain regulatory approval in Canada, CannTrust Holdings agreed to destroy U.S. \$65 million worth of manufactured products and another \$12 million in plant material. The company lost its licenses in September after Health Canada inspectors discovered unlicensed grow rooms and warehouses at two of its facilities.

CannTrust has had a bad year. A disappointing March earnings report sent the company's stock into a nosedive, for a loss of 80 percent in valuation. The Health Canada report in July sparked another plummet of 50 percent and dismissal of the company's co-founder and chief executive officer. Stocks slid again in August on news an independent auditor withdrew the most recent quarterly and annual earnings reports with the notation the reports should not be considered reliable.

Despite the prodigious merchandise loss, the company's stock price leapt as much as 25 percent on news of the pending inventory destruction. **CannTrust.ca**

Maine Rec Use Better Late than Never

AUGUSTA, Maine — Mainers can expect recreational cannabis sales to begin in Spring 2020—three years after voters approved the measure.

Several obstacles stood between residents and legal recreational sales and use, the largest and most notorious of which was former Republican Governor Paul LePage. LePage vetoed a bill that would have finalized regulations in 2017; the legislature subsequently was unable to devise a plan that would satisfy him.

Democrat Janet Mills replaced LePage in January, and new regulations sailed through the legislature. The Maine Office of Marijuana Policy expects to begin accepting retail license applications before the end of 2019. Sales are expected to commence by March 15, 2020.







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NOVEMBER EVENTS

CANNAFEST NOVEMBER 1-3

PVA Expo, Prague

The tenth annual fair and exposition will include 300 exhibitors from all over the world showcasing growing technology, fertilizers, seeds, smoking accessories, and vaporizers. The 2019 event also will incorporate hemp cosmetics, textiles, and food. EuroAmerican Cannabis Business Conference will take place concurrently.

WWW.CANNAFEST.COM

ARK-LA-TEX CANNABIS BUSINESS EXPO **NOVEMBER 13-14**

Statehouse Convention Center,

Little Rock, Arkansas

Spotlighting legal medical and industrial cannabis in Arkansas, Louisiana, and Texas, the third annual show will focus on creating and enhancing partnerships between businesses. Entrepreneurs, investors, and community partners will showcase products. people, and innovations. Organizers' objectives include cultivating business values and responsible community involvement.

IMPERIOUSEXPO.COM

CANNA-PHARMA 2019 NOVEMBER 13-14

Marriott Mission Valley, San Diego

The event will link current knowledge and practice in the pharmaceutical and cannabis industries, providing a forum for scientific dialogue. Research scientists, analytical experts, drug developers, drug device manufactures, cleaning validation experts, cannabis cultivators and labs, and public policymakers will come together to advance the science of cannabis.

PHARMAEDRESOURCES.COM

FLORIDA SUMMIT & EXPO **NOVEMBER 13-14**

Miami Airport Convention Center, Miami A strictly business-to-business event for cannabis and hemp, the gathering includes a show floor featuring products and services across the spectrum. Seminars will explore topics including legislation and licensing, testing and certification. security, cultivation, retail, and production strategies. Manufacturers and distributors will present wholesale products.

CANNABISIMP.COM

GCI EUROPE 2019 NOVEMBER 13-14

Haberdashers' Hall, London

Hosted by the Global Cannabis Institute, GCI Europe will bring together policymakers, researchers, brands, retailers, distributors, labs, clinicians, scientists, service providers, and investors. Agendas are customizable, with seminars offered in cannabis economies, ancillary services, and cultivation. Two colocated conferences will address business strategies, and medicine, research, and science.

GC-INSTITUTE.ORG

CBD EXPO EAST NOVEMBER 15-16

Hilton Orlando, Orlando, Florida Industry members and consumers will convene for presentations and panels, plus a trade show floor containing products and demonstrations. The educational component will explore compliance, regulations, investment, holistic medicine, and medical trends in hemp. Workshops and presentations will include everything from extraction methods to culinary creations.

CBDEXPO.NET

MEDCANN WORLD FORUM NOVEMBER 19-21

Mediterranean Conference Centre, Valletta, Malta

The second annual event will host policymakers, international regulatory experts, and global business leaders discussing medical cannabis, legislation and regulation, business management, education, and research. The agenda will include case study presentations and question-and-answer sessions. Key speakers include Malta Prime Minister Dr. Joseph Muscat.

MEDCANNWORLDFORUM.COM

CANNABIS CONSUMER & BUSINESS EXPO NOVEMBER 22-24

Queen Elizabeth Building, Toronto CCBE is designed to bring together licensed producers. growers, investors, suppliers, health care providers, finance industry representatives, and members of the media. Organizers expect more than 200 exhibitors and intend to offer more than 35 cultivation-focused seminars for industry professionals. Business-toconsumer seminars and workshops also will be offered.

CANNABISTRADEEXPO.COM

CANNABIS EXPO OTTAWA NOVEMBER 23-24

Shaw Centre, Ottawa, Ontario

Designed to exhibit the professionalism and maturity of the expanding Canadian industry. Networking opportunities will be part of the mix, as will vendor exhibits from businesses across the Canadian spectrum. An interactive forum will include sessions addressing technology, business management, consumer experience, and Canadian laws and regulations.

CANNABISHEMPEXPO.COM

CANNATECH CONFERENCE NOVEMBER 24-26

The Lookout V&A Waterfront, Cape Town, South Africa

CannaTech Cape Town aspires to be a truly global event where senior industry leaders, medical and scientific experts, and new ventures may drive innovation, form partnerships, and exchange knowledge to further the growth of the medical cannabis ecosystem. The show includes a "deal room" for qualified investors and a

CANNA-TECH.CO

live-pitch event.

What's Trending in Cannabis Beverages



BDS Analytics market data reports that at the end of July 2019, there were 88 beverage brands in the legal dispensary channel, up from 69 in Q2 2018.

Cannabis beverage sales in dispensaries are forecast to reach \$375 million by 2022.

MAJOR CANNABIS PRODUCT TRENDS



in dispensaries are an indicator of what we can expect in the beverage market. Within the beverage category, low-dose THC product sales have increased ~70% YOY, and CBD beverage sales have increased ~75%, both huge overarching retail trends. 15%

of cannabis consumers in fully legal markets report consuming cannabis beverages.



6%

of all ingestibles products purchased in dispensaries fall into the beverages category, up ~15% YOY.

\$1 BILLION OPPORTUNITY BY 2022



- The total cannabinoid beverages market is forecast to be a \$1 billion opportunity by 2022, inclusive of THC and CBD products in the regulated dispensary channel, as well as non-THC cannabinoid beverages within general market retail (food, drug, mass, etc.).
- BDS Analytics' partner, IRI, is already tracking a growth rate of 134% in hemp or CBD beverages, and +1,000% for products specifically labeled CBD.

Most Popular Cannabis Beverages Categories

BDS Analytics GreenEdge™ Retail Sales Tracking

January-July 2019*

CARBONATED
\$10.8M | 34%





POWDERED MIXES

\$4.8M | 15%



*AZ, CA, CO, NV, & OR - Legal Dispensaries % based on sales of \$32.0M



This infographic was created exclusively for *mg Magazine* readers

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Agents of Their Own Demise

n Greek mythology, Icarus drowned after plummeting from the sky because, in his complacency and hubris, he flew too close to the sun and melted the wings his father had made. Danny Miller's 1990 book The Icarus Paradox describes a similar phenomenon in which extraordinarily successful companies abruptly fail as a result of the very same factors that led to their success.

How many cannabis companies will fall victim to the Icarus paradox?

The market is exploding, jobs are plentiful, and thousands of brands generate billions of dollars in revenue...and that's the problem. The maturity phase of a product's life cycle presents enormous challenges. With sales reaching their peak and the market now saturated, it can be very difficult for companies to maintain their profits, let alone increase them. Additionally, companies face intense competition that brings on price decreases and narrower profit margins. Companies must look for innovative ways to differentiate their products and make them more appealing to consumers.

And this is the point at which many companies fail.

Don't believe me? Just look at a handful of examples of once-leading brands that failed when their sector reached maturity.

Compaq: One of the largest PC sellers in the entire world in the 1980s and '90s and the youngest-ever firm to make the Fortune 500 generated \$3 billion in sales in 1991. About a decade later, Compaq was gone.

Atari: After practically inventing the videogame industry, Atari, founded in 1972, closed in 1984.

AST Research: Once a Fortune 500 computer and periphery powerhouse, AST shuttered in the 1990s due to a series of losses.

Woolworth's: Despite growing into one of the largest retail chains in the world, the company failed to address increasing competition and shifting market conditions, causing its dominance to begin declining in the 1980s. Woolworth's went out of business in 1997. The names of other once-dominant retailers that have met similar fates could fill books, including Toys R Us, Radio Shack, Sam Goody, Sports Authority, The Limited, Teavana, Sport Chalet, Levitz, Marshall Field's, Circuit City, Tower Records, Kinney Shoes, Mervyn's, and CompUSA.

Oldsmobile, Pontiac, AMC, etc.: Nothing lasts forever, and that is certainly true in the automotive industry. While today we have the Big Two U.S. automakers in Ford and General Motors (Chrysler was sold to Fiat during the Bush-era financial crisis), there have been, in fact, hundreds of automotive manufacturers in the U.S. over the past century. Most of them failed due to poor management, shifting consumer sentiments, and/or failure to keep up with new technologies.

Until its demise, Oldsmobile was America's longest surviving automobile brand. The company produced more than 35 million vehicles before it shut down in 2004. Pontiac, another once-popular brand in the GM stable, produced its last cars in 2009. These divisions of General Motors died due to poor brand management and GM's failure to create distinction among its extensive vehicle lineup.

AMC was formed by the merger of two other car companies; at the time, the deal represented the largest corporate merger in United States history. By 1987, AMC was dead.

Automotive history is filled with stories of other once-mighty car companies that are no more.

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Sevenpoint Interiors is ready to bring 30 years of design, build, manufacturing, and branding experience to your premium cannabis retail space. We've built our reputation on crafting custom displays, fixtures, and storage made in our state-of-the-art facility. Hunny Pot, Toronto's first legal dispensary and our most recent success gave us the opportunity to create designs true to the brand. Mindful of both aesthetics and industry regulations, our work included custom "Hunny Comb" displays, brass-accented honey drip details, and divider screens that use natural light to create a beehive effect. If you're looking for a partner with fresh ideas that make an impact, let's be in touch.







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Eastern, Pan Am, TWA, Braniff, WOW, SwissAir, Aloha Airlines, etc.: Pan Am was the largest international airline from 1927 until its collapse in 1991. TWA was one of the four largest airlines in the U.S., existing from 1930 until 2001. World War I flying ace Eddie Rickenbacker served as Eastern Airlines' chief executive officer in its early years as the company built its near-monopoly on some routes. WOW Air went out of business in 2019. Even Virgin America ceased to exist after it was absorbed by Alaska Airlines.

Schwinn: Existing today in name only, Schwinn once was the quintessential bicycle for Americans. By 1990 other brands were gaining traction, and Schwinn failed to update its brand and image. The company also began exporting production to save money. Schwinn declared bankruptcy in 1992, just three years shy of its centennial. and the company was bought by an investment group. In 2001, the company filed for bankruptcy again and the name was picked up at auction.

Magnavox: Known for producing everything from the world's first home videogame console to camcorders, the electronics giant was shuttered in the 1990s after consumers began to lose interest in the Magnavox name which, due to poor brand management, began to convey technical inferiority compared to the competition.

General Foods: Among the company's many product offerings were Post cereals, Sanka coffee, Tang, Kool-Aid, and Oscar Mayer.

Late in 1985, Philip Morris acquired General Foods, and when the parent company acquired Kraft in 1988, the General Foods brand became extinct.

In Greek mythology, Icarus drowned after plummeting from the sky because, in his complacency and hubris, he flew too close to the sun and melted the wings his father had made.

Blockbuster: In 2000, Reed Hastings, the founder of Netflix, approached Blockbuster Chief Executive Officer John Antioco with a partnership proposal. Antioco turned him down flat, because Blockbuster was at the top of the video rental market with solid profits,

thousands of retail locations, and millions of customers. The meeting has gone down in the annals of business lore. Blockbuster's business faltered due to its failure to see and adapt to the future, which Netflix embraced. The company declared bankruptcy in 2010.

Borders Group Inc.: The once-famous bookstore chain went public and then expanded throughout the 1990s. However, it was unable to compete with the rise of the internet, technological advances in e-readers and digital music, and online retailers like Amazon. After forty years in business, Borders declared bankruptcy and closed in 2011.

CONCLUSIONS

Many of the biggest brand failures resulted from over-confidence, complacency, and reluctance to try new strategies in order to keep ahead of the competition. If this list, which represents just a mere fraction of the brands that fell victim to the Icarus paradox, causes you heartburn, then good. Perhaps you won't make the mistake of taking your brand for granted. Times change rapidly, and so must you in order to survive. Technology needs to be updated to stay current. Distribution models shift. Tastes change.

There are thousands of brands in the cannabis market. Most won't survive over the long term. Company management will need to work hard to ensure their brands have relevance in a shifting, over-saturated market.

Remember: A brand is a promise. If that promise breaks or is no longer important to customers, you don't have a brand.



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Social Consumption is the Future

Licensed lounges would benefit consumers, create partnership opportunities, and enhance communities.

n order for the responsible adult-use cannabis industry to continue to thrive and expand throughout the United States, licensed social consumption lounges must become as prevalent as modern retail dispensaries. The future of these bar- and brasserie-like spaces for interactive cannabis use is promising in certain areas: the San Francisco Bay area, Los Angeles, Las Vegas, Massachusetts, Alaska and, most recently, Colorado, where a new law permitting social consumption lounges will take effect in 2020. Other states where recreational cannabis is legal, including Washington and Oregon, are still behind the curve. What's the point of allowing recreational cannabis if you don't provide responsible adults with a safe, friendly venue where they may consume openly?

The potential benefits of licensed social consumption lounges are immense, but let's begin with a few of the obvious: curbing the black market, regulating public consumption, ensuring safety, and boosting the economy.

To briefly summarize these points, expanding access to regulated spaces for adults to consume cannabis encourages people to purchase products from licensed dispensaries for enjoyment in sanctioned venues, as opposed to buying from unlicensed dealers and consuming in clandestine places like parks or parking lots. This is especially helpful in cities where tourists, who may be staying in smoke-free hotels, are prominent cannabis customers. Social consumption lounges welcome visitors and locals alike into safe, protected hubs to enjoy both new and familiar products while bonding with others. Social consumption lounges are poised to be another cannabis tourism attraction and, as a result, revenue stream for their respective municipalities. In addition, regulated spaces are crucial for many medical marijuana patients, who may live in apartments or government-funded housing that ban federally illegal drugs.

Social consumption lounges have the potential to be the safest places to consume and experiment with dosing. For instance, Magnolia in Oakland, California, adapted the California Department of Alcoholic Beverage Control's intoxication guidelines

so budtenders know when to cut off service. The department also provides operating procedures to manage any medical emergencies that may occur.

Other potential benefits of social consumption lounges are less tangible, but no less important: de-stigmatization, social connection, industry partnerships, and product innovation.

Throughout history, drinking and smoking have been two of the most popular social activities for adults, but thanks to Twentieth Century propaganda, cannabis was villainized. Alcohol, on the other hand, was championed post-Prohibition, leading to a flourishing legal industry. Licensed social consumption lounges with comfortable décor and a friendly, pub-like ambiance could catapult cannabis into the mainstream and attract new, canna-curious users who may visit on their own or with more experienced friends.

A great example of such a place already exists in San Francisco's Moe Greens, an upscale cannabis lounge that attracts and unites all demographics with cozy booths and a wide variety of products. Lounges like Moe Greens create a relaxing and fun new way to bond with friends and other likeminded individuals.

As social consumption lounges develop, there may be opportunities to partner and collaborate with other industries and markets for more mass appeal and an overall trend toward normalization when federal legalization comes to cannabis. These possibilities include partnering with restaurants or food trucks to provide on-site dining options, coordinating trivia nights, and offering live music, among other things.

Because social consumption lounges are designed to be comfortable hangouts where folks linger-much like craft cocktail bars have become-brands may be inspired to develop more innovative products, especially new infused beverages, the ultimate social consumption product that can serve as a welcoming alcohol alternative.

Widespread adult-use legalization allowing for the sale and private consumption of cannabis has been a great first step, but for the market and the acceptance of cannabis to be solidified, legal social consumption lounges need to be the new norm.





The Heat Is On

Fire & Flower is blazing a trail across Canada.

ire & Flower has had a busy 2019. The company refined its brand concept and hired a bevy of contractors, architects, and engineers to add more than twenty locations across Canada. Needless to say, challenges have been many. One of the biggest: By the date on which recreational sales became legal, many municipalities hadn't finalized permitting requirements. Without clear guidance, stores struggled to stock the shelves—and even to design them. Packaging regulations remained up in the air as governmentmandated opening dates approached, and determining what products local markets would embrace involved a considerable amount of guesswork.

Isaac Watson, Fire & Flower's vice president of product development and retail experience, applauds his team's herculean effort to bring everything together. "We see our staff as foundational to our business model and to our current and future success," he said. "We have an amazing team whose expertise spans licensed production, legal, retailing, branding, government relations, compliance, and training. We would not be where we are without our stellar team, and our customers remind us of how valuable our efforts are every single day."

The company strives to appeal to a broad swath of consumers, from the established cannabis community to first-time experimenters and those returning to a pastime they indulged secretly in the past. Apparently, the dispensary chain has found the formula. Between all shops combined, budtenders-which Fire & Flower calls "cannistas"-assist several thousand customers daily. Watson said traffic is highly dependent on the municipality and day of the week, but each store has grown month-on-month.







Most Fire & Flower shops contain movable floor cabinets that provide space for promotional vignettes.



Although we are a rapidly growing company, there is nothing 'big box' or cookie cutter reflected in our designs.

-Jacqueline Davis, director of store design and development

While each shop has a distinct design, all are based on foundations of art, urbanity, nature, and elegance. "This foundational inspiration has become the perpetual springboard for an evolving vision to satisfy an everbroadening client base," said Jacqueline Davis, director of store design and development. "Although we are a rapidly growing company, there is nothing 'big box' or cookie cutter reflected in our designs." For each location, she curated murals, paintings, and fine-art photography by local artists. The metropolitan stores exhibit contemporary abstracts, while the mountain locations and rural shops feature rustic pieces. Greenery, whimsical elements, and intriguing furniture designs round out the effect. "These additional layers of visual interest provide an engaging and unexpected backdrop," Davis said.

As she began researching materials to give a cohesive impression to stores that are individually designed to fit disparate communities, she realized—not for the first time the Canadian climate can be unforgiving to floors. Her go-to flooring is white or gray luxury vinyl, as it is bright and easy to clean. However, for the Kingston, Ontario, location, she selected wood plank laid in a herringbone pattern to match the building's 1884 vintage. A forty-five-foot-long brick wall augments the historical integrity of the space.



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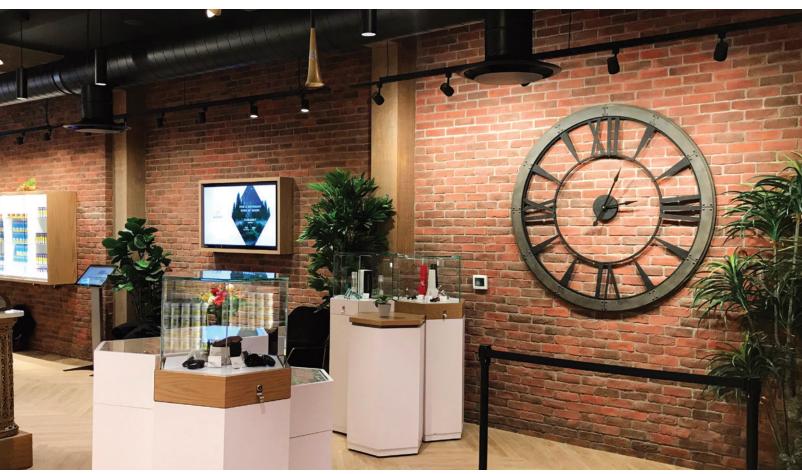
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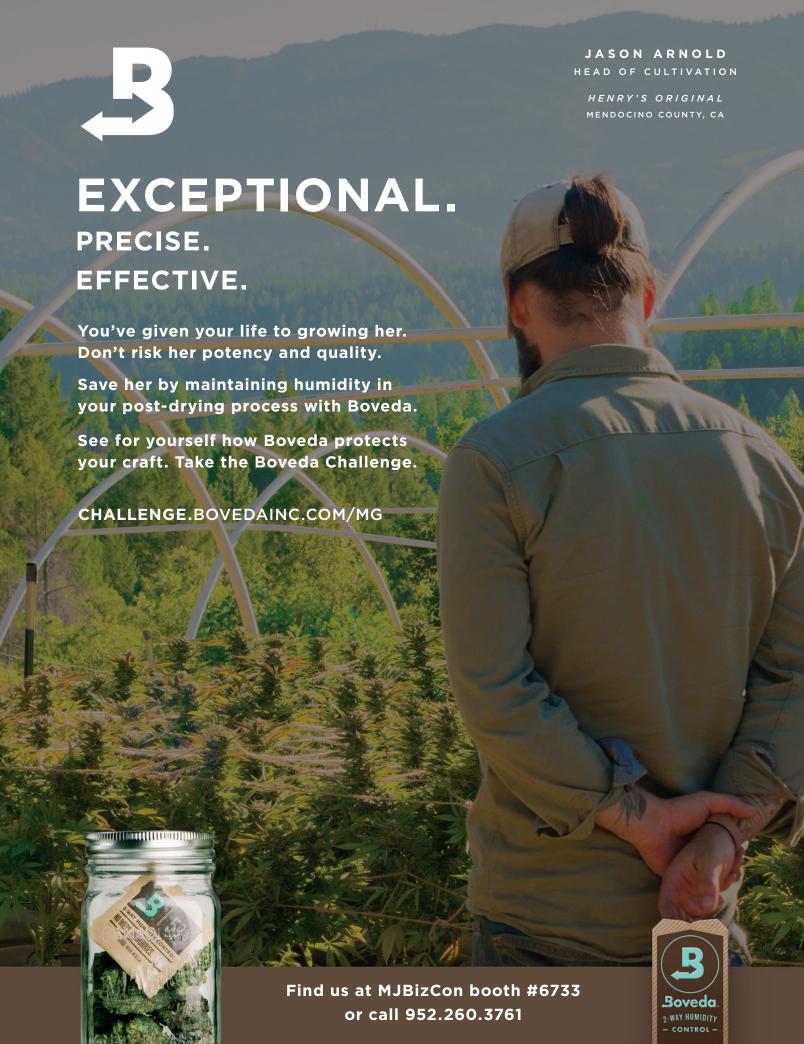
A forty-five-foot-long brick wall dominates the Kingston, Ontario, location, paying homage to the building's 1884 vintage.

For the mountain locations, Davis selected dark, warm finishes that comfort chilled-to-the-bone guests and hold up well under weather than can be harsh. In contrast, the airy downtown Alberta store displays a riot of colors: reds, oranges, purples, and greens. Open, industrial-inspired ceilings present substantial impact and an ideal backdrop for layers of lighting. Chandeliers vary by location, ranging from moose antlers in Canmor to floral orbs in St. Albert and polished mod in Edmonton. "All stores' chandeliers are complimented with sleek pendants and track lighting to accentuate our showcase displays," said Davis.

The showcases proved the biggest design challenge. Each province has a unique set of regulations, including how product may be displayed and whether customers may interact with merchandise. "There is a balance," she said. "We want to maximize the experience of our customers while still maintaining our compliance."

Davis chose to see the divergences as an advantage, generating a unified merchandising vision and set of standards that could be modified as necessary. "First impressions are key to our









We see our staff as foundational to our business model and to our current and future success.

-Isaac Watson, vice president

growing client base and, as a designer, my first impressions upon initial site visits will typically spark an imaginative whirlwind of ideas," she said. "The creative catalyst begins with familiarizing and appreciating the uniqueness of the surrounding community, architectural details, and challenges within the location. Each [store] opening is essentially a functional lesson."

Most Fire & Flower shops contain movable floor cabinets reminiscent of a high-end jewelry store, which provide space for promotional vignettes. Cannabis accessories are displayed in full-height showcases, and hexagonal cabinets allow customers to view merchandise from a variety of angles. "This provides clarity to their anticipated purchase," said Davis. To compliment the displays, bespoke glass pop-ups at the cash desks house necessities like rolling papers, lighters, and pipes. The overall look is "a combination of functional merchandising and color stories to create the most visually interesting, yet simple-to-shop, displays," she said.

In addition to the cabinets and floor displays, stores incorporate a "strain wall." The wall is an eight-foot-long, glossy-white pegboard hosting information cards for each strain in stock. The hexagonal cards come in six bright colors and can be organized in many ways. "This is effective at drawing attention to certain products and to evoke a level of wonder when customers see it," Davis said. Each shop reorganizes its wall several times a week, keeping the atmosphere fresh.

While the stores are spacious, they're also intimate. Each contains no more than two or three point-of-sale terminals. "This makes our shops feel welcoming during low-traffic times," said Watson. "We deploy mobile terminals to support the sales floor when traffic picks up so transaction times don't increase and we are able to maintain our customer service standards."

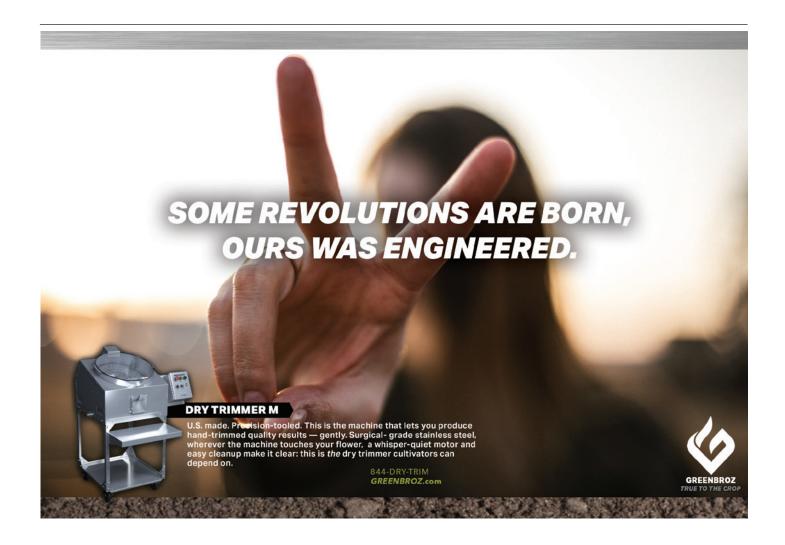
In the end, the real trick was to have as many elements as possible in every shop. Most locations have vestibules dominated by an impressive 3D wall treatment and a glowing, copper Fire & Flower logo. The cash desk with copper logo is another defining feature, as are the showcase displays designed with copper doors. All stores incorporate community tables bearing tablet computers offering real-time menus, interactive kiosks, "budcation" boards, and supporting signage and literature.

Store exteriors also have purpose. After much debate, the team agreed community-facing features represented an opportunity to spread brand recognition. So, Davis chose channel lettering in a large, backlit, block font, ensuring visibility regardless the time of day. Graphics and colored frosting prevent window-shopping and reinforce additional branding elements.

More than just a place to sell cannabis, Fire & Flower aspires to present a retail adventure that ignites the imagination. "Our intent has been to create inviting and inclusive shops to facilitate a stigma-free environment conducive to educational and impactful client engagement," Davis said.

FireAndFlower.com





The Payment Predicament

ard transactions are a serious problem for the cannabis industry—not because consumers can't use them to purchase products, but because merchants accept them. Instead of adhering to the prohibition of debit card and credit card use, numerous business operators at all levels opt for workarounds that cause more damage than they might realize.

Let's set the record straight: Branded card networks—both credit and debit—are opposed to any cannabis transactions occurring on their rails. Cannabis, along with terrorism, online gambling, and child pornography, is not just frowned upon. It's prohibited.

As a result, anybody offering branded card merchant accounts for brick-and-mortar, online, or order-ahead cannabis retailers is making fraudulent claims to acquiring banks (the merchant bank or acquirer is the financial institution that maintains merchants' processing accounts) somewhere along the line. Typically, this is accomplished by lying about which goods or services are being purchased.

For example, some dispensaries are listed as flower shops or health food stores. A recent example received a lot of media attention because a dispensary was working out of a food truck, claiming to be selling street food instead of cannabis products.

This is fraud. Lying to a financial institution is a federal crime. Sadly, some salespeople and merchant service providers (MSPs), striving to make a quick profit at the industry's expense, are telling merchants such lying is permissible. In doing so, they're adding even more misinformation to a sector that's already clouded with gray areas.

Merchant accounts obtained by deception pose a serious problem for dispensary owners and operators, exposing retailers to a range of major issues.

First, merchants caught committing fraud are at risk of being blacklisted or placed on the Terminated Merchant File (TMF) or MATCH list. The lists are shared among acquiring banks and card processors; if a merchant is banned from one card processor, they can be prevented from opening a merchant account with a different card processor. Once on the lists, banned retailers may not be able to obtain access to merchant accounts even if or when the branded card networks eventually enter the cannabis space.

Second, based on a recent delivery lawsuit in California, I anticipate litigation between retailers for fraudulent and unfair practices. If one dispensary plays by the rules, accepting only permissible forms of merchant payment processing while the dispensary down the road fraudulently obtained a merchant account, the dispensary adhering to the rules potentially can sue for unfair business practices. I assure you a wave of lawsuits is coming.

Third, some solutions use offshore processing. This means a bank in a country you probably wouldn't even want to visit will be holding your money. When you try to bring that money back to the United States so you can use it, you could face serious costs and administrative hurdles, if you can get the money at all. In some cases, retailers I've met in this

situation have lost hundreds of thousands of dollars from this mistake.

Finally, retailers open themselves to huge risk of chargebacks. Imagine a consumer who has been able to use a debit or credit card for the past three years, maybe spending \$20,000 during that time. If that consumer calls and asks a card company to reverse a transaction, both the bank that issued the card (the "issuing bank") and the merchant's bank will be notified to review the claim before money is disbursed to the merchant. This could expose retailers to chargeback liability on a massive scale. Just imagine how many consumers would opt to get their money back once chargebacks become a trending topic on social media. Retailers could see a wave of refund requests, potentially costing them hundreds of thousands of dollars.

Beyond the implications for retailers, financial institutions also are put in a tricky situation. For them, serving the industry by accepting deposits from fraudulent transactions represents significant potential liability.

Because branded card networks are opposed to cannabis transactions, merchants are committing fraud to gain access. Additionally, it's outside the bank or credit union's ability to choose whether they accept those payments. Even if a financial institution is willing to bank funds from its state's legal cannabis industry, those same funds become fraudulent if they come through a branded card network that prohibits these transactions.

Consumers also suffer because of fraudulent card payments. Systems are frequently down, making them unreliable. Plus, the offshore accounts I mentioned hurting retailers also can hurt consumers. Who knows where the personal data goes and who might have access to it?

As a result, the concept of a clean, clear, and easily accessible cannabis offering is undermined.

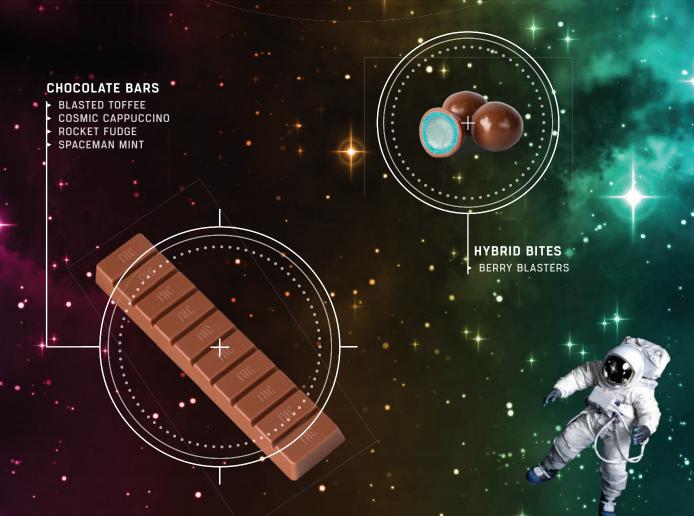
As cannabis moves toward federal legitimacy, both in terms of removing stigma and expanding the range and scope of employment opportunity and economic impact, the current use of debit and credit cards is moving us back toward illegality. It's time for the industry to operate in a compliant, sustainable way. After all, why would lawmakers listen to activists campaigning for new rules and procedures when so many operators are skirting around existing policies?

Once the cannabis industry as a whole begins complying with the rules, I predict we will see tremendous growth and success. Everyone from consumers and retailers to financial institutions and regulators will experience consistency and reliability. This will reassure investors and partners, resulting in greater market expansion. Then, if governments and policies change, the industry will be sustainable and trustworthy. At that point, if the branded card networks change their stance and allow cannabis transactions, they will do so from a place of transparency and compliance.

So, the next time you complain about debit/credit card options for cannabis, think about what nefarious operators are doing to the rest of the cannabis ecosystem. And perhaps look for alternatives that help the industry grow instead of undermining its validity.

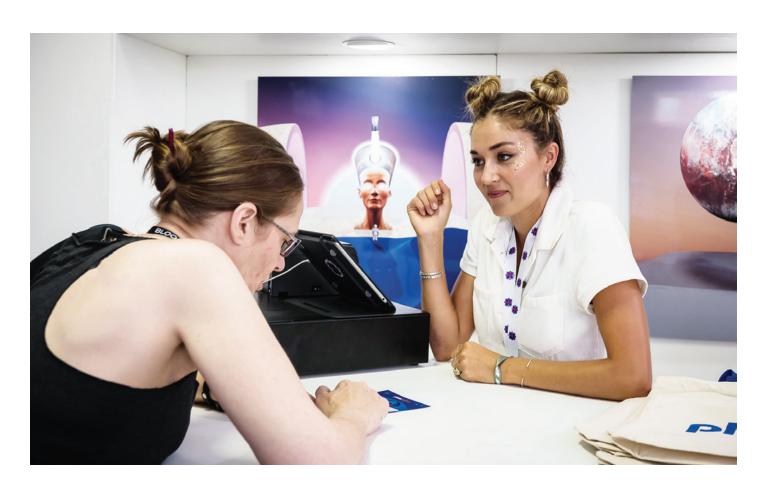


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Marketing to **Post-Millennials**

s technology evolves, it effects change in society and has an impact on the way we look at things. According to futurist Ray Kurzweil, not only is change inevitable, but also the pace of change is growing exponentially. As humans, we find embracing change difficult because the brain is afraid of new things. This creates a false perception: change takes time. While that may have been true in the past, it is not the case anymore.

In my line of work as a brand and marketing consultant, I see the majority of business owners and managers (and marketing people) still work according to an old paradigm I call the "pre-Millennials world." It's important for cannabis professionals who are part of such a disruptive industry to understand a few key concepts that have shifted in the new world, the post-Millennials world, so their businesses can grow.

One of country music's biggest stars of all time, Merle Haggard, in 1969 released a song called "Okie from Muskogee." The song debuted during a time of change, and the folks of "real America"—middle-class. often rural, Americans with "traditional values"-were afraid their way of life would disappear. Haggard captured the essence of their fear beginning with the song's first line: "We don't smoke marijuana in Muskogee..." Fifty years ago, no one could imagine cannabis would be legal in any way, shape, or form in Oklahoma, which legalized medical cannabis in June 2018

and became the quickest state to date to implement a licensed, full-fledged program.

Times change. We now live in the first period in human history in which people from many generations share the planet at the same time, from the Silent Generation (born around 1930) through those born in 2019, who compose the vanguard of Generation Alpha.

Generational diversity is important for marketing and branding, because these days three-year-old kids and their grandparents use the same devices to find information and consume content. Not long ago, parents and kids lived as totally different cultures with different wants and needs, consuming different content using different platforms. Today, three generations go to Taylor Swift concerts together, and they may even wear the same kind of clothing while taking selfies with their smartphones.

When it comes to branding, marketing, and advertising, this kind of generational shift makes demographics such as age, gender, and location less important than psychographics, or the reasons people do things—the needs and desires that motivate consumers to take action.

Cannabis marketers must endeavor to understand why people from wildly divergent age groups, gender identities, skin colors, ethnicities, locations, and socioeconomic backgrounds consume the same product (CBD, THC, or both). If you discover the intangible "why," you'll get better results from your efforts.

For most people, the products they use are extensions of their self-image. They want a specific car, for example, because that car says something about them: It's sporty, trendy, flashy, expensive, conservative, economical, environmentally friendly... That is their "why," and the "why" is the reason they buy.

In order for your target customer base to believe your product or service is the answer

sales. Your brand personality and essence are what you actually need to market, through experience, content, and information. Seventy-three percent of YouTube visitors are seeking a solution to a problem. Most Google queries are actually questions: how, why, where, when, who, what. Answering those questions is what drives sales in the post-Millenials world. That, not your product or service, should be your marketing focus. Today's companies don't produce only consumer goods, but also consumable content.

Also remember this: Not only have older people changed their point of view about cannabis use, but youth also are not being raised on the notion that cannabis is bad. Babies are born into a world with a totally

Companies no longer are marketing products and services—they're marketing themselves as a lifestyle choice.

to their "why," you must create *brand essence*, a positive feeling and emotional bond between your customers and your product or service.

In the old days, there was no Google, no internet, no texting, and no Yelp or Angie's List, so it was much easier for brands to mislead consumers, or at least shade the truth in ways beneficial to their products. Today, though, with one click of a thumb or mouse, customers can discover everything about a product's composition and features, what people say about it, how salespeople conduct themselves, and even how the owner lives his or her life. Among other things, that means companies no longer are marketing products and services—they're marketing themselves as a lifestyle choice. That's why photos of products all over your Instagram feed usually don't generate a lot of engagement, let alone

different perception of cannabis, a positive perception unlike that presented to their parents, grandparents, and great-grandparents. This is both blessing and curse: Cannabis was bad; now it's good. Things that are good—that are not prohibited or subject to taboo—are not "cool." You're no longer marketing cool products, but modern necessities. That requires a completely different approach than marketing weed in the early days when cannabis use still seemed rebellious.

Once the "aura" of a product begins to change, the marketing message needs to change in tandem. Just as in traditional consumer goods, brands that embrace change and evolve with their market win, while those that don't die a slow, agonizing, and very public death.







NEW BREED Of INVESTOR

Driven by passion, Codie Sanchez is seizing her opportunity to be a thought leader and market influencer. odie Sanchez is on a mission. Or maybe a half-dozen missions, and most of them are intertwined with cannabis, a plant she started to explore and invest in about five years ago in of all places, Dallas.

While the majority of venture capital and angel investors are staying on the sidelines until cannabis is legal on the federal level, Sanchez and her colleagues at Entourage Effect Capital (formerly Cresco Capital Partners) are going all in. To date, they have invested more than \$100 million across more than forty companies. Formerly an entrepreneur, venture capitalist, writer, and angel investor, she is now a managing director and partner at Entourage, as well as a board member at The Arcview Group, Magma Partners Venture Fund, and Texans for Veterans.

Like any millennial worth their salt in today's business world, Sanchez also is a pro on the social media front. She uses Instagram, where she enjoys almost 40,000 followers, to promote cannabis events and speaking engagements. She also shares motivational memes and captions alongside snaps of her travels and free-spirited, hard-driving lifestyle: mountain climbing, surfing, jiu jitsu, boxing, shooting guns and bows, and for good measure, goat yoga.

EXECUTIVE PROFILE

More notable than her popularity on Instagram, though, is the way Sanchez connects with cannabis operators of all stripes and the upper echelon of investors. By bridging the gap between the two worlds, she quickly became an influential voice in an industry that often is wary of newbies and remains an enigma to most investors.

CREATING GENERATIONAL WEALTH

Unlike other investors, Sanchez began her career as a journalist. One of her first assignments was a series about human trafficking and the struggle to survive along the U.S.-Mexico border. Despite winning a Robert F. Kennedy journalism award and grants from the Buffet Foundation, she reasoned writing wouldn't change injustice. Money, on the other hand, can move mountains. In cannabis, Sanchez sees an opportunity to build an industry that has the potential to change the dynamics of cultural, political, and financial issues on a global scale.

"I've never seen anything like this industry, and I don't say that based on just my experience," she said. "The fascinating thing to me about cannabis is there is a melding of about five things happening at once."

She listed the factors that make cannabis a unique, mesmerizing, and unpredictable industry: pent up demand for a currently illicit substance people have used for centuries, hyper-regulation of a new industry, a rapidly growing market where consolidation and exits are happening early and often, an evolving consumer base that includes an increasing number of seniors, and financial engineering designed to help the industry scale quickly without the help of traditional investment and banking resources.

Journalism was a fortuitous start to her career in business and finance, she said, because the skills she honed researching, analyzing, and interviewing people have helped her understand investors, business models, and the ever-shifting dynamics in a complicated, fast-moving commercial space. A voracious reader and student of history, she believes cannabis represents a once-in-alifetime investment opportunity.

"Those five factors got me interested in investing," she said. "Put that on top of the fact we can do good with this and maybe eliminate opioid use. It's why we call this a generational-wealthcreation event. My opinion is that everyone who can have investments in cannabis should, to your right risk tolerance. You are crazy to miss out on how this industry will integrate into our lives overall."

While some of these factors make cannabis a compelling sector in which to operate and invest, some investors are wary of participating in a heavily regulated industry in constant flux with an abundance of inexperienced operators at the wheel. When Sanchez discusses the growing pains in the industry, she embraces the challenges and sees an opportunity to be a thought leader and influencer.

"There are a lot of conversations that need to happen in this industry, because there are really not many companies that are not startups," she said. "Even if they've been around for a long time, given how constrained they have been for capital and the relatively small size of their revenue, these companies are still in startup stage."

For Sanchez and her partners, at that point structure is allimportant.

"For any company that has traction and revenue, it's about how they structure exits, how they structure acquisitions, and how they value themselves," she said. "I have seen a lot of these companies get burned by putting ridiculous valuations on themselves, and then they go out to raise their next round, the market gets squishy, and that means they aren't able to raise at a higher level and they have to take a down route."

Finding examples of companies that grew too big, too fast and ran out of cash along the way is easy. But the situation can be avoided, according to Sanchez, if leadership maintains a sound financial strategy that accounts for potential dips in the market and other contingencies.

"People don't care about how you are performing as much as the macro movements in the market overall," she said. "If I had one [piece of advice] for entrepreneurs about how they can keep control of their company, it would be the way you keep control is to make sure you always have the lifeblood of capital available to you. Don't do things too early, because the market will punish you for the rest of your existence if you do that."

THE WILD WEST, THEN AND NOW

A quote on Sanchez's personal website stands out: "The world wasn't created or changed by the docile or the malleable. It was beaten into submission by the subversives, the dissidents crazy enough to try to transform it." The words belong to her, and they sum up the philosophy of a woman whose family migrated from Spain during the Spanish Civil War of the 1930s and made their way to a rural area in northern Arizona. There, they fermented their own wine, hunted for food, and worked hard to build a new life in a country full of promise.

"It was a bit of the wild west [when I was] growing up, and my family had an attitude of individualism and [seizing] the opportunities here in the U.S.," she said, noting her family encouraged her to think tough and work hard from an early age. "The stuff we focus on every day, like a meeting or getting fired, or even the 2008 financial crisis, none of those things will kill you unless you let them. So that attitude has served me well. I think the physical push and the little bit of wild-west attitude early on was the best gift I was ever given."

After earning a Master of Business Administration degree from Georgetown University and a Ph.D. from Fundação Getúlio Vargas in Brazil, Sanchez set out to conquer the financial world. She led First Trust's Latin America investment business and held positions at Goldman Sachs, State Street, and Vanguard. Along the way, she learned how to negotiate with the sharks and now passes along some of her wisdom to others. Throughout her career, Sanchez has balanced her professional ambitions with the social and political causes closest to her heart: helping veterans and motivating women, Latinos, and other minorities to aim higher with their job

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The world wasn't created or changed by the docile or the malleable. It was beaten into submission by the subversives. the dissidents crazy enough to try to transform it.

aspirations, investments, and life goals. A post on her website offers some blunt advice for negotiating salaries: "Negotiate like a girl, because you can get what you want. You will hands-down never get what you don't ask for. This is especially true for women and minorities. There is much research that proves we don't negotiate enough."

Sanchez said Jack Mackay's Conscious Capitalism: Liberating the Heroic Spirit of Business exerted a powerful influence on her early career, encouraging her to help create a more diverse and equitable business world. She sees the cannabis industry as an ideal platform to champion her views. The increasing number of B Corporations for-profit companies that rate highly on B Lab's scale for social and environmental performance—is a sign corporations are beginning to understand the importance of giving back to communities, she said. She advocates for investment in women-led startups through Plum Alley, WAVE, and The Vinetta Project.

"With every business I've run, I've made a point of hiring at least 50 percent minorities across the spectrum, whether that's women, ethnic minorities, or people from different countries. And I don't think that's changed at Entourage," she said. "We were really quiet before, and our first fund was very private; our second fund was more open. But now we are talking to our partners about diversifying the investors, and I am pushing to get more minorities and women and want a bigger push for Fund 3.

"I think we're one of the only firms with female partners in the cannabis space, and this has been a big push for me since I joined," she added. "There are a lot of ways to make money in this world, and at the end of the day you want to feel like we are not okay with process without a lot of purpose behind it."

Giving people of color a stake in the industry, from top to bottom, is an important part of her mission. So far, she is not impressed with efforts to create social equity. Not one to mince words, she had some choice ones for the politicians and regulators who crafted the first round of social justice programs across the U.S.

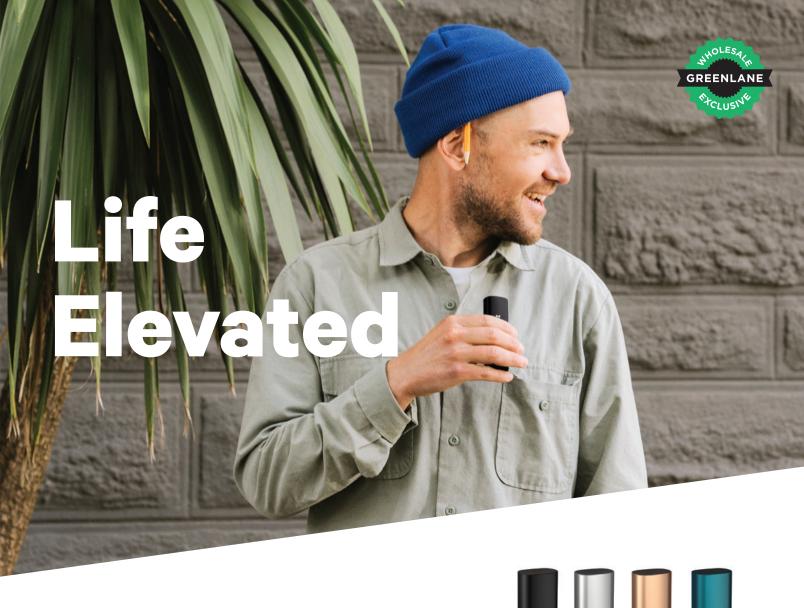
"What a lot of regulators have done with social justice reform in cannabis is absolutely ludicrous," she said. "In California, for instance, instead of giving a percentage of revenue for jobs and infrastructure and training programs, they want to have owners from an ethnically underprivileged background in certain area codes. So, they're giving opportunities to just one individual instead of a community overall. They are also just giving them money without any learning or knowledge behind it. Unfortunately, I think most regulators are using cannabis as a platform for political games."

A NEWBIE WITH SKIN IN THE GAME

In 2014, as she was raising capital in Dallas and investing in her first fund, Sanchez acknowledges she was a newbie in terms of knowledge. But that didn't stop her from diving right in. "We knew nothing, but the best way to learn about an industry is to put your money where your mouth is," she said. "It's always more compelling for me and I learn more quickly with skin in the game."

A few years later, she became interested in post-traumatic stress disorder, from a non-profit perspective, and lobbied the government to allow veterans access to medicinal cannabis. She soon invested in several companies and began identifying key players across the country. As she dug deeper into the investment side of the cannabis industry, Sanchez noticed traditional investors often let their egos get in the way of deals.

"One thing people forget about in finance is that maybe you have had success and raised a ton of money in your career, but sometimes there comes a little bit of ego with that," she said. "There are a lot of managers who come right out and say, 'You are lucky to be with us,' and they don't show any humanity but just offer up a number. What they forget is people are not rational creatures. The only way we've





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survived all these millennia is through figuring out who to trust, what to trust, and what not to trust."

While Sanchez considers herself a tough negotiator, she also respects the work cannabis entrepreneurs have put into their businesses and what a struggle surviving under constantly shifting regulations has been. With that in mind, she tries to make a personal connection when she meets with investors and business owners.

"Our success in the past has something to do with our returns thus far, but it has much more to do with the fact there is nothing I take more seriously than trust," she said. "So, if you give me your money, I will take it and treat it like my own and will hopefully give you a return you won't have to work for. I will do the work for you."

THE T WORD

Sanchez is equally outspoken about where she's not interested in investing.

"It's always good to cut out the noise of what we're not interested in, so one thing is pure cultivation plays without anything else built around them," she said. "The unique ability to create a product afterward makes it interesting. That's pretty standard, because it's farming, after all, and that won't always be the most successful area."

She also is skeptical of companies that want to build a business around "licensing land-grabs." Those entities are putting an unrealistic value on the worth of specific licenses moving forward, she said. She's also cautious about holding companies that are "rolling up varying businesses in one holding company or relying on [reverse takeovers].

"I do not like to invest in companies that don't have a sustainable long-term difference, so I'm really not interested in the companies with thirty-day, sixty-day, or ninety-day exit plans," she continued. "Usually, the get-rich-quick schemes are quite the opposite [of getting rich quickly], so I stay out of any opportunity that even smells like that."

As for opportunities on the horizon, Sanchez pointed to important segments of the industry that haven't been fully formed or formalized. "The areas I really like are multi-fold," she said. "I'm really interested in who will figure out how to socialize cannabis in a similar vein to alcohol. I think the key to a lot of these companies is if they can get us not to change our habits very much but to substitute one thing for another thing—to create really incredible drinks at reasonable price points that won't get you crazy-inebriated and where you can have an experience like sitting down with a glass of wine. I haven't found a company I like, but there will be one eventually."

She's also looking for an investment in lab testing. Varying standards from state to state and a lack of formalized standards within states creates a void in credibility and consistency in a critical part of the supply chain. The situation needs to be addressed immediately, according to Sanchez.

"I would love to find a really strong grouping of lab-testing companies," she said. "What we've seen thus far is a lot of lab companies out there, but they are riddled with issues. Testing is often inconsistent, and there is fraud. Nobody has put it all together to be an acquisition target. It's a core part of the industry that's really missing right now."

Investment potential abroad is interesting, she said. She sees plenty of risk, but also windows of opportunity. In Latin America, she is exploring investment in countries with stable governments and "consistent economic regimes," such as Chile and Colombia.

"There's a reason Colombia and South America dominate flower production, because the growing conditions are ideal and you don't need all the bells and whistles you have in most of the U.S." she said. "Is it really reasonable that we're building hundreds of thousands of square feet of warehouses with light bulbs to grow this sunshineseeking plant in Canada in a tundra? I think, long-term, we're going to see a lot of growing in Latin America, as we should."

Even in somewhat stable countries, she explained, it's important to have local operators who understand the government and, hopefully, are tied into it somehow. "I get nervous about Latin America, because the governments get in their own way—even in Mexico, which has every reason to get on board to legalize and for taking taxes back into the economy and fighting the narco regime," she said. "There are a lot of opportunities there, but if you think the U.S. and Canada are volatile, hold on to your seatbelts because Latin America is an entirely different thing. There are a lot of firms going in there, and they don't have the local talent and knowledge."

While Sanchez keeps her eyes on the opportunities abroad, she is plenty busy at home. She recently took on a board role at The Arcview Group, where she focuses on helping the company evolve into a unique resource for the industry.

"We think Arcview is really important to this industry," she said. "Founders Steve [DeAngelo] and Troy [Dayton] have been incredible advocates but haven't blown it up and grown like they want to yet. They haven't created the future Y combinator, where the angel list meets the premier cannabis event company, all integrated into one. If they do that, we can fund companies from seed to [initial public offering] and will be the only ones to be able to do that. It will be lucrative for our investors and also the industry."

Investors are beginning to learn about the unique risks, challenges, and opportunities the cannabis industry presents. With no traditional metrics to rely on, it's an abstract science, to say the least. Sanchez understands this all too well and communicates that message in every meeting she takes.

"When I sit down across from investors, it's the transference of trust we try to show them—our career, our track record, and how much I personally have invested," she said. "Believe in this story about the cannabis industry as a force that cannot be stopped. That story doesn't know any gender or age."



Banking on Financial Reform **m 2020**

For an industry that topped \$10 billion in sales in 2018, it's hard to believe cannabis companies still rely on bags of cash to conduct their daily business: cash for payroll, cash for vendors, cash for contractors, cash for tax bills... The list goes on.

hat dispensaries and other retailers accept only cash for purchases complicates the situation for consumers, too. For a variety of reasons, some potential customers are unwilling or unable to conduct transactions in cash, depriving them of products they want or need and costing retailers potential sales. The situation is more complicated than necessary for everyone involved.

The primary reason lies with banks and other financial institutions that remain in the same precarious position they've occupied for decades: While cannabis is illegal on the federal level, every deposit or payment made by a cannabis company may be construed as money laundering for a criminal organization. In order to work with legal businesses and meet regulatory compliance requirements, banks must follow the letter of the law as interpreted by the United States Treasury Department's Financial Crimes Enforcement Network (FinCEN). Even the most scrupulous adherence doesn't protect them from criminal liability, though.

Until banks open their doors to the industry, more than 250,000 cannabis workers across the country are exposed to the public-safety risks that come from transporting bags of money between labs, distributors, retail outlets, and tax collectors, whether the destination is a shop down the street or a farm hundreds of miles away.

Despite the challenges, an increasing number of financial institutions across the U.S. are setting up accounts with licensed cannabis, CBD, and hemp companies that are willing to pay fees associated with complex compliance procedures. If 2020 is the year cannabis banking finally breaks through, it's up to Republican Senate Majority Leader Mitch McConnell and his colleagues to act.

SAFE BANKING TO THE RESCUE?

Several bills addressing cannabis banking have been introduced over the years, but the Secure and Fair Enforcement (SAFE) Banking Act (H.R. 1595) has gained the most support from politicians and industry lobbyists. Sponsored by Colorado Representative Ed Perlmutter (D) and introduced in March 2019, the bill passed the House of Representatives in late September. The SAFE Banking Act would protect financial institutions from federal prosecution as long as state-legal cannabis businesses comply with state laws and regulations. Lobbyists from the financial services industry—including the American Bankers Association (ABA), the Independent Community Bankers of America, and the Credit Union National Association—support the bill, as do most cannabis industry trade organizations.

Gavin Kogan, co-founder and general counsel for Grupo Flor in Salinas, California, flew to Washington, D.C., in September to discuss the banking situation with lobbyists and politicians. He was in a taxi to Capitol Hill when he heard the SAFE Banking Act had passed the House.

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"This just massively changes our whole dynamic here," said Kogan. "Now it's about how to get this through the Senate, and the general feeling is [the bill] will make it, but [the Senate version] will have some changes."

The Senate Banking Committee and its chairman, Sen. Mike Crapo (R-Idaho), have pledged to act on the bill this year, so expectations are high. Among possible changes, said Kogan, is the "reputational challenge," meaning financial institutions may deny banking to any potential client if the client's business might cause reputational harm to the financial institution. "Democrats are trying to take that reputational harm back, but Republicans are trying to populate a lot of bills with that concept," he said. "It's very weird and a bit of a complicated storyline. But with thirty-three states that now have some form of cannabis activity where banking is inhibited, [H.R. 1595] could provide a lot of relief."

Terry M. Neeley is managing director for West Coast AML Services, a Sausalito, California-based consulting firm that helps

banks handle high-risk clients while complying with federal guidelines. Formerly a regional coordinator for the Department of Homeland Security Organized Crime Drug Enforcement Task Force Program, he possesses more than twenty-five years of experience investigating complex drugmoney-laundering organizations. He said passage of the SAFE Banking Act will reinforce what the Department of Justice has, in effect, done since the Cole memo was released: "So long as you have a really robust compliance program, we won't go after you" has been the unspoken message. Of course, setting up the required compliance

procedures is a complicated and labor-intensive endeavor.

"We always talk about what's responsible, and the degree by which a financial institution has to do its AML [anti-moneylaundering] compliance to manage a high-risk portfolio is a much higher degree of enhanced due diligence if you're a money services business," Neely explained. "And when that portfolio is federally illegal, they have to do an even higher degree."

Both anti- and pro-cannabis groups have expressed concern about the SAFE Banking Act. Advocates argue the legislation doesn't go far enough to protect banks and cannabis companies, while cannabis opponents don't want to confer further legitimacy on the industry. The wildcard that may have tipped the scales last year is passage of the Farm Bill and the subsequent nationwide rise of the hemp industry.

"It's possible that banking reform could have yields and a positive utility to small business owners in the cannabis space, but it may just be a byproduct of legislation designed to help the big players," said Brandon Dorsky, a Los Angeles-based attorney who advises the cannabis industry and has a stake in small edibles company, Fruit Slabs. "Like a lot of banking reform, it's more likely to provide clarity for CBD operators than create a clear path for the THC space."

A REVOLVING DOOR OF ACCOUNTS

Platinum, founded by Chief Executive Officer George Sadler and his son Cody in 2013, is a San Diego-based company specializing in extraction. Even though Platinum is among the top ten cartridge manufacturers in California, with sales north of \$10 million annually and an established track record in two states, the company still struggles with banking.

"We've gone through fourteen banks over the years," said Sadler. "Two weeks ago, we opened a bank account, and before I got home it was closed. We opened one last week, and that got closed the next day. We just opened another account yesterday, but we don't have too high hopes [it will stay open]."

Like many other cannabis entrepreneurs, Sadler opened the

accounts under a holding company that manages real estate and other assets associated with his business, but "unfortunately, it doesn't take them too long to Google your name," he said. Several years ago, Platinum branched out to Michigan, where he said business is booming and he has been able to maintain an account with a credit union.

Even for companies that trade in hemp and CBD, banking is a challenge, especially considering many of them are launching international operations and need to comply with regulations in every country where they do business.

Santeer is an international CBD brand with labs in Colorado and Ireland. Chief Commercial Officer John Hogan said the company maintains a bank account in Ireland and uses an offshore payment processor but has been unable to open an account in the U.S. He said cannabis banking is "a complex jigsaw we are constantly trying to put together and, no matter what we land on, we never end up with the perfect jigsaw. There's always some sort of trade-off."

Even if a cannabis or CBD company qualifies for an account, banks charge a variety of fees for the compliance services they provide. "Some of what I've been quoted is fairly significant, and we would have been paying \$10,000 per year for banking in the U.S.," said Hogan. "When you're in startup mode, you feel like you're getting gouged. We need to find banking in the U.S., because otherwise dealing with the international dimension can be troublesome."

Beyond fees and compliance requirements, most banks that deal with cannabis businesses are cautious and selective



The SAFE Banking **Act just massively** changes our whole dynamic.

-Gavin Kogan, co-founder and general counsel, Grupo Flor



about the companies they take on as clients. Hardcar is a California-based company that offers clients armored cash and product transportation in twelve states and facilitates banking relationships with six banks in California, all of which have complex vetting procedures. "You need to be making a certain amount of money to afford the banks' service fees," said Mariko Augustis, who oversees banking and cash compliance at Hardcar. She added most cannabis companies with bank accounts have revenues exceeding \$500,000 per month. "There are several credit unions in California that work with cannabis clients, but most of them are closed to new customers and have long wait lists, so they are reluctant to discuss these accounts," said Augustis.

STAYING ON THE RIGHT SIDE **OF REGULATIONS**

Because financial institutions serving cannabis businesses do so very privately, most client relationships are formed via word of mouth or through intermediary companies that act as partners

in the complicated web of compliance procedures. "I don't think there's any other industry I've ever heard of where who you bank with is a trade secret," said Kogan. "People don't talk about it and are all 'I'm keeping that quiet and locked down."

Even though it's one of the biggest operations in California, with twentyfive local and state licenses and a real estate footprint of 1.5 million square feet, Grupo Flor has endured the turmoil with banking relationships. "We've lost a lot of bank accounts but now use an intermediary to manage the due diligence and FinCEN compliance," remarked Kogan, who

said managing cash is an expensive proposition, costing as much as thirty cents on the dollar.

For anyone who has worked on financials in the cannabis industry, FinCEN is a familiar acronym. According to the agency's Frequently Requested FOIA-Processed Records report, FinCEN reported 493 banks and 140 credit unions handled cannabis businesses in the U.S. in March 2019. By comparison, 438 banks and 113 credit unions were engaged with such businesses in December 2018. The report also notes FinCEN received 81,725 Suspicious Activity Reports (SARs) about marijuana-related businesses. Financial institutions with cannabis-related clients must file SARs to prevent illegal activity such as fraud and money laundering. Most overreport to protect

Jason Dunn, United States Attorney for the District of Colorado, recently told The Colorado Sun, "As federal prosecutors, we will never tell [financial institutions] what they are doing is lawful under federal law. There's always a risk, just like a

retail marijuana business in Colorado, that they face federal prosecution. There is no carve-out from federal prosecutions." Dunn and his office have never prosecuted a financial institution whose clients include cannabis companies or a retail marijuana establishment operating legally under state law.

BANKS THAT PLAY BALL

Santa Rosa, California, is a major cannabis hub because it is the gateway to the storied Emerald Triangle and one of the most progressive cities on the West Coast when it comes to cannabis policies, taxes, and regulations. So, it's no great surprise one of the very few banks in the state that has been open and public about doing business with the cannabis industry is located there.

Local farmers founded North Bay Credit Union (NBCU) seventy years ago. In 2018, the institution opened commercial accounts for cannabis businesses. According to Chief Executive Officer Chris Call, NBCU members voted to serve the cannabis community because large cash-only transactions

> composed a public safety issue. Unfortunately, Call and his associates understand the problem all too well: Intruders from out of state who were looking for marijuana and cash shot and killed Jose Luis Torres in his Santa Rosa home in March 2018. Torres and his wife ran an appliance repair business in town and maintained business and personal accounts with the credit union.

Call said NBCU receives about a dozen inquires every week from inside and outside California. "We only work with the most experienced, professionally run operators that have paid their dues and have compliance

nailed down," he said. NBCU currently services about sixty cannabis accounts, with another twenty to thirty in the pipeline. According to Call, the credit union processes \$20 million to \$40 million in transactions each month.

NBCU's thorough vetting process involves management background checks, a financial analysis of the company and its tax returns, and constant access to the company's pointof-sale (POS) system. In order to fulfill all state and federal requirements—verifying money exchanged between companies and vendors, customers, and distributors, in addition to other strict compliance measures—the credit union added more than a dozen staff members. When it needs to pick up money from its cannabis clients, NBCU charters armored trucks that transport the cash to the Federal Reserve Bank of San Francisco.

The banking situation in California is very similar to what has played out in other cannabis-legal states on the West Coast and in Colorado, where the Colorado Bankers Association estimates thirty-five financial institutions serve the industry.



"Two weeks ago we opened a bank account, and before I got home it was closed."

-George Sadler, CEO, Platinum



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Sundie Seefried, chief executive officer and president at Partner Colorado Credit Union, recently told The Colorado Sun the credit union has about 400 clients in the industry, including companies that grow and sell cannabis as well as ancillary service providers. In Oregon and Washington, only a few credit unions have stepped up to serve the industry. Maps Credit Union in Salem, Oregon, has provided services since 2014, citing public safety as its primary motive. In 2017 and 2018, its 500 state-registered, cannabis-related customers deposited at least \$529 million in cash, according to Chief Risk Officer Rachel Pross, who spoke to members of the House Financial Services Committee earlier this year.

A NEW WAVE OF PAYMENT PROCESSORS

As traditional banks and credit unions continue to take a cautious approach with cannabis companies, technology companies are trying to get a foothold in the industry, providing payment services and staking claims at key points along

the supply chain. Platforms built specifically for the cannabis industry mimic, and sometimes piggyback on, increasingly popular digital payment services PayPal, Square, and Venmo.

Alt Thirty Six, currently operating in Arizona, California, and Oregon, is one such platform. It is scheduled to add Nevada, Washington, and Colorado by the end of 2019. Chief Executive Officer Ken Ramirez said the company hired a law firm with expertise in digital currencies and blockchain, and the firm spent a year developing Alt Thirty Six's compliance policies and components. The processor utilizes blockchain on the back end to

put a permanent timestamp on each transaction, which ensures information can't be tampered with and allows state regulatory bodies to review each transaction.

Ramirez asserted many of the "closed-loop" digital payment providers targeting the cannabis industry use questionable systems that don't meet regulatory or reporting requirements and employ "gift-card schemes behind the scenes that violate all Visa/Mastercard rules...but they are being shut down quickly these days."

While customers handing over a debit or credit card at a legal dispensary might think everything is on the up and up, the reality is far more complicated. With each of these transactions, there are multiple banks and processors involved, each with unique regulatory requirements and responsibilities. Currently, dispensaries that allow credit card charges are flouting the rules Visa and Mastercard set out in their contracts, Ramirez said, because there is no Merchant Category Code (MCC) for cannabis purchases.

Ramirez recently visited a large San Francisco dispensary and was surprised when the budtender accepted his American Express card. When he looked at his statement later, he learned the purchase had been categorized under the MCC code for florists. "[The dispensary] could be fined and put on the blacklist forever," he said. "The second we know Visa and Mastercard are cool with [processing cannabis transactions], we'll enable it. Until then, it's not worth putting your merchant processing at risk. You'll never get a merchant account again."

Alt Thirty Six is in the process of partnering with Square to offer credit card payments via its platform, and Ramirez said the company also will open the system to business-tobusiness (B2B) operators by the end of the year. "We have a lot of partners that are looking for B2B functionality, and it's basically an invoicing system for vendors and suppliers where they can make payments just like consumers would," he said. "We will probably charge about 1 percent to 2 percent on those transactions, whereas [business-to-consumer] is coming in

between 3 percent and 5 percent."

As more technology companies jump into the fray, transactions up and down the cannabis supply chain will become more streamlined and compliant with state and federal regulatory requirements. Nevertheless, no matter how many state and federal laws address cannabis banking, it's doubtful large, multinational banks and credit card companies will ever be comfortable working with an industry that deals in a federally illegal substance.

"The number one thing for these big card networks is reputational risk," said Ramirez. "You have a Mastercard, Visa,

or Chase that are processing payments for State Farm or Allstate, family companies. And then they find out that they are also facilitating payments for cannabis-related products. They don't want to align from a [public relations] perspective with someone that does that, so they will go to another company. But Visa and Mastercard have created a program in Canada, so once [cannabis is] de-regulated in the U.S., there will be a similar program here. But until then, they won't touch it."

Until banks do come on board, many operators in the industry are content to do things the old-fashioned way, face-to-face and cash on delivery.

"I still see a lot of companies paying in cash for some transactions," said Hardcar's Augustis. "We have a lot of cultivators who are old school and prefer not to have a bank account. The manufacturers need to have cash on hand and don't want to pay the banking fee and set it aside for cash payments. It's funny. Even though they have a bank account, they're still dealing in cash."



The number one thing for these big card networks is reputational risk.

—Ken Ramirez, CEO, Alt Thirty Six





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In Bloom

Orchid Ventures is sprouting subsidiaries, starting with Greenbloom Cannabis Distribution.

orey Mangold, founder and chief executive officer at Orchid Ventures, believes in strategic expansion, not merely growth for growth's sake. Greenbloom Cannabis Distribution, which Orchid acquired in July 2019, began operating as a licensed Oregon entity in October. The move not only gives Orchid control of its entire supply chain, but also diversifies the company's operations. "Launching our own distribution in Oregon is a very exciting time for us and the growth in our business," said Mangold. "Bringing distribution in-house saves the company 20 percent in distribution fees [formerly paid to another distributor] and adds a nominal expense, as our teams have been in the field for over two years driving the majority of our sales. This not only saves the company a significant amount of money, but also increases touchpoints with our retailers and further strengthens those relationships."

Based in Irvine, California, two-year-old Orchid has products on shelves in more than 350 dispensaries across California and Oregon. Mangold said he plans to increase the number significantly during 2020, not only in the United States but also in Latin America and Europe.

Mangold is accustomed to launching and growing companies quickly. He started his first business at the tender age of 18. When he decided to "contribute to the legitimacy of an emerging market," the goal he set was simple and straightforward: disrupt the vape market by focusing on user experience.

"Through curiosity and tenacity, that idea blossomed into more than we could have ever imagined, starting with the launch of our concept product line of vaporizer pens, Orchid Essentials," he said.

At the heart of the product are terpenes. Mangold is a strong believer in their benefits, directing the creation of vape liquid containing concentrations up to 15 percent. "This high terpene content is unique in the vape category and produces an overall experience that is more like smoking flower but with the convenience and discretion a vape device offers," he said. The pens gained a reputation for being easy-to-use, flavorful, and able to produce thick vapor clouds. Cartridges are constructed of surgical-grade steel, silicon, glass, and organic Japanese cotton, which, according to Mangold, make them resistant to degradation. Old-school, terpene-rich genetics married with newschool technology proved to be a hit. The company launched in Oregon in August 2017, and within three months became the eighth-most-popular brand in the state. "From that point, we saw strong growth and quickly realized that if we were to capture the market correctly, we needed to build a strong foundation to support necessary strategic partners," he said.

Orchid sources from local farms in Oregon and California. Biomass sets the tone for quality. "If you put crap in, you'll get crap out," Mangold said. "We only work with farms that maintain high quality standards and grow clean, pesticide-free flower in optimal climates. The extraction process and distillation process are also a key factor in differentiating from [competitors]. That, with our unique formulations, allows us to stay a leader in quality."

Sales success encouraged Mangold to think bigger. He began strategizing to take the brand public and, in March 2019, Orchid Ventures listed on the Canadian Securities Exchange (CSE:ORCD). While trading hasn't grown to the level he expected, business is booming. "This can be painful," he said. "You wake up every day saying, 'I'm doing all the right things and growing a great enterprise. Why doesn't the stock reflect that?" Fundraising and banking also have been major pain points. But Mangold is enthusiastic about the future. When the United States de-schedules cannabis, he expects the capital markets to adjust and money to become more accessible. In anticipation, he has begun acquiring other, complementary companies like Greenbloom. That deal, the first after the Canadian initial public offering, addressed three goals: trade strategy, marketing, and operational protocols.

While strategic, Orchid's growth plan is ambitious. According to Mangold, his targets are in many different verticals, and he takes a variety of approaches. Not only does Orchid focus on distressed assets and accretive acquisitions, but the company also looks for deals that add value to the supply chain, lower cost of goods sold, and ultimately drive shareholder value. "Over the coming years we expect to see substantial growth," he said.

Needless to say, the vape sector is at a crossroads. In addition to some bad press, Mangold sees mass consolidation on the horizon. He expects the sector will be consolidated to twenty players, maximum, in California. But the good news is the demand for quality vape products continues despite the recent outbreak of vapingrelated pulmonary illness. Vaporizer products are a popular choice not only for inexperienced cannabis users, but also for the fastest-growing demographic: Baby Boomers. Both groups "appreciate the convenience and ease of use of these types of products," Mangold said. "They value the overall health and wellness benefits of cannabis rather than THC percentage and how 'high' they will get. These customers are also usually turned off by typical 'stoner'-type marketing."

Although Orchid's core business comprises vape pens and cartridges, the product line will expand in 2020 to include concentrates, tinctures, and CBD. According to Mangold, several new brands are in development, and different products will be offered under each; all will be in the health-and-wellness category. Like the pens, new products will be marketed using imagery mainstream consumers find



"When the state steps up and begins requiring emissions testing and starts shutting down the black market, the good players in the industry will be heavily rewarded."



appealing, modern, and bona fide. Orchid also has established a customer service department to ensure customers, especially women, become happy, loyal fans. Orchid has targeted female consumers from launch, when many brands marketed to males. Mangold saw an opportunity in what he considered an oversight. "Women are the most prominent spenders in the U.S.," he said.

He also focuses on company culture, believing a positive, ethical, and forward-looking culture that offers opportunities for upward mobility creates happy employees who in turn create happy customers. In fact, he said, a few of his previous companies were named among the top places to work in Orange County, California. "What really gives Orchid a competitive advantage is our team, our philosophy, and our business model," said Mangold.

As a young entrepreneur, Mangold looked up to Virgin Group founder Richard Branson. Mangold admires Branson's values: treating employees like family, commitment to high moral standards, and tenacity. "I like that he plays fair and wins through innovation and hard work," Mangold said. He also admires Branson's reputation as a quick learner. That ability, Mangold said, has served both of them well. To launch a cannabis company, one must be quick on their feet and adaptable.

Ambition and determination not to compromise on ethics also have served Mangold well, he said. He works an average of ninety hours per week, learning from every challenge. "What's worked has been building a good team," he said. "What hasn't worked has been trying to compete on revenues against companies that derive upwards of 80 percent of their revenue from the black market." This especially is the case in California, where the state isn't always rigorous in enforcing cannabis laws. Orchid is fighting for market share against companies that sell into a network of stores that don't require compliance or safe products.

"When the state steps up and begins requiring emissions testing and starts shutting down the black market, the good players in the industry will be heavily rewarded," he said. "Fortunately, we are seeing black market companies fade away, and hopefully within five years we will see a completely regulated market."

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The Great Debate

Clinicians and patients increasingly seek high-CBD formulas, only to find few affordable options.

reating patients with chronic pain is a daily occurrence for Dr. Ari Greis, an orthopedist at Philadelphia's Rothman Orthopaedic Institute. Many under his care are older adults, and most are cannabis-naïve. So, when he sends them to a dispensary, Greis writes clearly on the referral slip, "Do not give this patient [Rick Simpson Oil], shatter, or any other high-THC product."

Greis has seen too many patients return from dispensaries with inappropriate products, recommended by well-intentioned but uninformed dispensary staff. "One older woman was sold a high-THC tincture she was told would help her sleep," he said. "After waking up in the middle of the night convinced she was having a stroke, she ended up in the [emergency room]. Unfortunately, this is not an isolated occurrence."

Perusing the offerings in Pennsylvania dispensaries, Greis discovered the number of products he considers medically appropriate for his patients is startlingly low. "There were any number of THC-only products, many of them extremely potent," he said. "But products with any CBD content were very poorly represented."

WHERE IS THE CBD?

Dr. Laurie Vollen, a California cannabis physician, echoes his frustration. With a patient population that skews toward the elderly, Vollen finds local medical dispensaries have little to offer. "I often recommend inhaling a high-CBD strain of flower to my patients for treating breakout pain and other conditions," she said. "Particularly when it comes to flower, amidst the dozens that are available, finding high-CBD strains can be very difficult."

The overwhelming majority of older adults who use cannabis medicinally do not want to experience any intoxication, nor do they have to. Cannabis specialists like Greis and Vollen are usually able to help their patients achieve symptom relief using only very low levels of THC. And CBD, with its anti-inflammatory and anxiolytic properties, is an important component in the cannabinoid-based medicines they recommend.

A DISPENSARY SURVEY

Curious to see whether the dearth of CBDcontaining cannabis products was unique to his locale, Greis and two colleagues conducted a survey of dispensaries across the United States. He presented the results as a poster at a recent meeting of the International Society of Cannabinoid Researchers in Bethesda, Maryland.

The team evaluated 158 online dispensary menus from twenty-seven states, including those where adult-use is legal. About five dispensaries per state were chosen, with urban and rural areas included. The team reviewed 22,998 products including concentrates, topicals, tinctures, edibles, flower, and vaporizers. Specifically, they looked to see how many products on the menus contained some amount of CBD.

The survey revealed only 19.5 percent of the products contained any level of CBD. When adult-use states were excluded from the picture, the results were virtually the same across the 12,118 products evaluated: 19.4 percent.

As Greis observed, recreational market menus and medical market menus look pretty much the same. "Essentially, only about 20 percent of the products have CBD

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in them," he said. "And when you break it down, you can actually see that what we considered to be the most medically appropriate cannabinoid profiles were the sublinguals, the tinctures, capsules, and some of the topicals.

"Most of the inhaled products were lacking CBD and contained what we would consider to be very high levels of THC," he continued. "It's kind of an arbitrary assessment, but there are lots of products that have 70 percent to 90 percent THC and no CBD. We now have a situation where, in dispensaries across the country, over 80 percent of the products on sale are of medical utility to only a very small percentage of patients."

REGULATION INCONSISTENCY

Dr. Stephen Dahmer, chief medical officer at Vireo Health, a Minnesota-based multistate medical cannabis company, takes exception to the survey's findings. "This is definitely not the case in our dispensaries or the ones I oversee," he asserted. "We cover the entire spectrum of high-THC, high-CBD, and one-to-one products, so I'm a little surprised about that data. We don't even have a THC-only product."

In New York, for example, where Vireo operates, a cursory survey of dispensary menus seems to validate Dahmer's point. Products featured by many dispensaries fit somewhere on the range between high-THC and high-CBD, but always with both cannabinoids present. The fact that selling dried flower, which makes up a large portion of many dispensaries' THC-only products, is illegal in New York, may skew the state's results, though.

Ryan Lepore of Empire State NORML explained New York is unique in ensuring there is a specific CBD-to-THC ratio as the distinguishing factor between product lines. According to Rod Kight, an attorney specializing in cannabis law, "New York medical marijuana regulations require that dispensaries make available at least one brand of marijuana product that has low THC and high CBD content and at least one brand that has approximately equal amounts of THC and CBD."

Vireo's Dahmer also noted that, among the majority of patients his dispensaries see in medical states, the most common reason for using medical cannabis is chronic pain. "And we certainly see not only from the robust data, but also from the crowd-sourcing, that it is the THC-dominant medicines that are more frequently used, and more efficacious, for chronic pain," he said.

DIY MEDICINE

Back in Pennsylvania, Greis has found products containing CBD that are available in dispensaries rarely contain amounts exceeding the single digits per servinglevels that are notably low compared to those commonly recommended with hemp-derived CBD products. Hempderived CBD products are not permitted in Pennsylvania dispensaries; the same is true in many other states. While CBD derived from cannabis has the advantage of being regulated and tested, the cost per milligram can be prohibitive, especially compared to hemp-derived CBD products available online. For patients on limited incomes, the difference in prices makes the choice for them.

Entirely omitting THC from treatment regimens can produce less-than-optimal results, though. Greis has found patients tolerate medication with low THC and a significant amount of CBD much better than medication devoid of THC. So, for those he believes could benefit from a larger overall dose of cannabinoids that won't be debilitating or financially prohibitive, Greis may recommend they mix their own medicine.

"When I realized what they are charging for CBD in the dispensaries in Pennsylvania, that's what really motivated me," he said. "I did the simple math and found it's ten times more expensive than ordering from a good, reputable supplier that can provide a healthy dose of CBD for less than a dollar a day."

Specifically, he recommends patients purchase a THC-only tincture in a dispensary and a concentrated CBD product from a reputable supplier online. Then, with his guidance on dosage, the patient combines the two.

Clearly, this kind of home-concocting isn't appropriate for everyone. Particularly for older adults, whose eyesight may be poor and hands unsteady, the task could prove onerous at best. Ironically, older patients are prime candidates for "mix-your-own" cannabinoid medicine therapies.

THE BOTTOM LINE

As long as there is demand for high-THC products, companies will continue to grow and produce them and dispensaries will continue to supply them. But as research into the myriad medicinal properties of cannabis continues apace and more applications for cannabinoid-based medicines are discovered, a significant shift in consumer patterns toward older adults appears already in the making.

As Eli Melrod, founder of Sebastopol, California, dispensary Solful, related, seeing the lack of CBD-rich products in his state's dispensaries motivated him to address the market need. The strategy is paying off. "We are seeing a growing demand for these types of products, as many of our customers are looking to use cannabis as an alternative to pain medications, sleeping medications, and many other addictive pharmaceuticals with myriad side effects," he said.

Breakthroughs in research, along with the extraordinary popularity of CBD and a growing pool of compelling personal experiences, have resulted in an increasing openness among older, cannabis-naïve patients to a new kind of plant-based medicine. For many conditions, the optimal results entail a significant dose of CBD balanced with at least some THC.

In the meantime, in Greis's view, the main role for high-THC products is in treating some extreme, painful conditions such as cancer, or for people who have developed tolerance, which he suggested they should work to reduce. But as he pointed out, a majority of patients, and particularly the elderly, simply don't need them.



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How to Win **Customers** and Influence People

onsumers have many choices in today's environment, and they're always on the hunt for better deals, better service, better aesthetics, better products, and better perks. Retailers must be creative and resourceful to earn their loyalty. That does not mean they must reinvent the wheel. A growing number of technologies and techniques can be adopted by almost any dispensary or shop to address almost any circumstance.

BEYOND DEMOGRAPHICS

Consumer behavior is much more complex than demographic data like age, gender, and socioeconomic status indicate. Increasingly, retail experts are building profiles of a business's ideal customer by turning to psychographic modeling. By

studying attitudes, aspirations, and other psychological characteristics of existing or potential customers, retailers can gain more relevant insight into the products and services to which they're likely to respond.

According to Socrates Rosenfeld, founder and chief executive officer at Jane Technologies, psychographics allow retailers to understand not only who their customers are but also why those customers buy what they buy. "Once retailers understand who they are serving, they are able to build a customer experience that can anticipate and meet their customers' needs beyond their age and gender," he said.

High-tech marketing platform Surfside based its entire business model on identifying consumer behaviors. The company's proprietary algorithms analyze data from the material

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world, digital events, online advertising and media, apps, and point-of-sale systems to "identify additional consumers who share the same attributes as your high-value customers and build 'lookalike' audiences," co-founder Jon Lowen said.

Coupled with market-basket and e-commerce analytics, psychographics allow retailers to understand how purchasing habits percolate across their entire customer base. Applications range from inventory management to event and promotion planning to ultra-personalized customer interactions.

DATA MINING

In order to generate accurate insights at scale, retailers must assiduously maintain market-level datasets. Precise data mining can identify commonalities among millions of dispensary interactions and pinpoint differentiating factors between locations with high and low consumer ratings. According to Darren Roberts, chief executive officer at Green Mile Holdings, tailoring inventory and staff behavior based on customer reactions is very effective at encouraging repeat visits. In addition, monitoring brand and product metrics such as availability, price, and consumer ratings offers insight about the local product landscape: products competitors are carrying and their pricing, along with what products are trending in popularity.

"Our system aggregates publicly available data," Roberts said. "It is capable of processing 100 million unique sources a day, extracting the relevant data and relationships, standardizing them, and generating a centralized database covering strains, brands, products, retailers, menus, consumers, and [online] reviews. This central database is then further enhanced by layering in first- and second-party data to create a full 360-degree view of the market and its consumers. We've received feedback that it's helped retailers stay ahead of trends in the

consumer marketplace, allowing them to continue to stock brands and products that are in demand."

COMMUNICATION

Although text notifications are a great way to let customers know the status of their order or promote special deals and new products, too many texts can be irritating at best and a relationship killer at worst. Healthy communication with customers has limits. "It's best not to send a text message campaign more than once a day," said springbig co-founder and Chief Executive Officer Jeffrey Harris. "When sending too many texts, customers are more likely to opt out of all communications."

He said one kind of communication customers may appreciate is the occasional reminder about rewards points they've earned for past purchases, assuming the establishment offers a rewards program. Harris believes such programs are underutilized. According to data analysts at Headset, rewards programs not only boost retention and loyalty, but they also can increase transaction dollar amounts by an average of 35 percent. Harris said springbig's data indicate customers who have been loyalty program members for at least one year account for as much as 94 percent of participating dispensaries' revenue.

Customers also may appreciate occasional notices about things like changes to store operating hours, new arrivals, and in-store events, but the notices perform better when they're microtargeted. For instance, customers who typically purchase edibles "are most likely to come in when they hear about edibles events," Harris said.

Surfside's Lowen said text messages aren't the only way to keep in touch with customers. "You can do this with mobile and desktop ads to encourage a store visit or online order," he





FEATURE

said. The tactic is particularly powerful when combined with geolocation data. By delivering messages triggered by consumer behavior, "you can deliver very time-sensitive ads to in-market shoppers at the point of purchase by providing directions to your storefront and stealing market share from your competitors," he said.

Just remember to obtain explicit permission from targeted consumers before embarking on any text messaging or other digital marketing campaign that involves pushing information or advertisements to consumers' mobile devices. Sending commercial messages without explicit permission may violate federal law.

IN-STORE EXPERIENCE AND WORD OF MOUTH

Product selection alone is no longer the primary reason consumers shop at preferred locations. Today's cannabis consumers expect the same experience they'd enjoy at any other retail destination, and retailers are spending millions on design, in-store pop-ups, and the "wow factor" to give it to them. "The instore experience truly differentiates a modern cannabis retailer," said Mike Rappaport, director of customer success at Treez.

Whether it's high-end consumption lounges, specialized product stations, or interactive menus, retailers must enhance the atmosphere. They also must ensure the shop's layout is efficient and easy to navigate, and budtenders are friendly knowledgeable. Like any other retail operation, customer experience is key to success. "In addition to design, things like personalization, loyalty programs, rewards points, and staff that is equipped with thorough product knowledge are important," Rappaport said. Deploying the elements seamlessly separates high-performing stores from the pack.

Denver's Seed & Smith has gained new customers by offering a free tour of its co-located production, extraction, and packaging facilities. Also, according to Paul Hartje, the dispensary's director of customer experience, by keeping the selection vast and fresh with a rotating selection of strains. The tactic's benefits are twofold: ensuring new guests have options that meet their needs while satisfying returning customers who are looking for something new and different.

The store also incentivizes purchases. "In this competitive environment, we find most patients want a return on their spending that gives them better discounts on products as well as price breaks on apparel and accessories," Hartje said.

However, echoing Rappaport, Hartje acknowledged all the bells and whistles and deals cannot replace good old-fashioned customer service. Budtenders are the hospitality ambassadors for retailers. If they do not deliver a positive experience for the consumer, the consumer will not only go elsewhere but also tell their friends and family to go elsewhere. "If [budtenders] demonstrate a positive attitude and are able to educate our customers, we find [customers] will return," Hartje said. "At the end of the day, what we want is for our customers to have had a unique and positive experience and to spread the word."



Tools for the Trade

Jane Technologies Inc.

The retail technology company provides consumers with a safe and simple shopping experience through its online portal. Users can browse local products in real-time; compare by price, proximity, or popularity; and place orders at local stores for free. Jane partners with dispensaries in an uncommon way: Stores pay only for completed orders.

IHeartJane.com

Surfside

Surfside offers solutions for retail outlets that want to identify prospects based on analysis of consumer similarities. The company's system targets demographics, behaviors, shopping habits, and transaction histories so dispensaries can zero in on potential customers that match the profiles of existing customers. Surfside DSP can help dispensaries reach their desired audiences online and offline. Surfside.io

Green Mile Holdings

Green Mile develops community-based mobile personalization products and enterprise-level technology platforms. Its HighQ product combines data mining, first-party consumer data, large-scale market intel, and real-time data aggregation to focus on actionable information that's qualitative, not quantitative. The platform can gauge consumer sentiment, collate top product categories, determine a brand's market popularity, and create internal brand tracking by strain and product. *GreenMileHoldings.com*

springbig

A customer-relationship-management and loyalty-program software developer, springbig's user base numbers more than 8 million opted-in consumers. The company leverages data partnerships with point-of-sale software providers including Flowhub, BioTrackTHC, MJ Freeway, Treez, Korona, Leaf Logix, Green Bits, Blaze, and Cova and provides marketing services including text messaging. springbig.com

Treez

Treez's enterprise management software platform includes front of house, back of house, point of sale, and business development functions for retailers and cultivators, allowing companies to track inventory from seed to sale. Services enable retailers to deploy real-time order visibility, location-based inventory management, and technology-driven marketing solutions. The company manages more than \$1 billion in transactions annually. *Treez.io*



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The Trichome Whisperer

In Barry Schroeder's world, preserving trichomes and limiting expense are not mutually exclusive.

and-trimming has been compared to potato peeling: A rite of passage for entry-level employees and integral to product success. Long days and tedious work that results in sticky hands make trimming one of the cannabis industry's least favorite jobs. While machines exist to automate the process, many of the contraptions trim a bit more than excess leaves. According to Barry Schroeder, inventor of

the Ultra Trimmer, that's a crime against nature.

Trichomes are more than just tiny, glossy, Instagram-able balls found on the ends of cannabis buds. They protect the plant's precious cargo—cannabinoids, terpenes, and flavonoids—from environmental threats that can destroy "the good stuff" that makes strains unique and popular. Though tedious, hand-trimming preserves most of a bud's trichomes and, consequently, potency and flavor.

"Other machines out there destroy trichomes," Schroeder said. "Trichomes are the product. That little ball of oil is the product, and if you destroy that little ball of oil, you destroy the product."

To say Schroeder is obsessed with trichome preservation would not be hyperbolic. But obsession is a hallmark of the farmer and serial inventor. Prior to the Ultra Trimmer, he invented another agricultural device to do less harm: the patented Varmitgetter. Remote-controlled and designed to eliminate pests instantly, the device does not prolong crop vermin's suffering or rely on poisons that can seep into drinking water. Ironically, for a product that stamps out animals, Schroeder was recognized and thanked by the Humane Society at a business conference, he said.

Varmitgetter sales have been brisk, providing Schroeder with enough financial comfort to pursue new endeavors. He quickly identified a major inefficiency in the cannabis cultivation process: trimming. "I grew 380 pounds in my first medical grow," he said. That's a lot of flower to cut by hand, and the time investment is significant. Since time is money, Schroeder invested in an automated system.

"I bought a tumbler trimmer that was supposed to be the best one on the market," he said. "Well, I used it for two hours, and it destroyed the trichomes."

Research convinced him the deficiencies he perceived in the machine could not be solved with any other product on the market. "Tumblers do not work," he said. "Every tumbler out there destroys trichomes." And to Schroeder, a flower without trichomes is no flower at all.

He set to work on a ground-up—and, it turned out, groundbreaking—redesign that would accomplish the trimming task efficiently and cost-effectively. Ultimately, he received a United States patent for the resulting piece of equipment. "I am the first person in the history of federal patents to get a patent for a cannabis trimmer," he said, with no little pride.

Handcrafting just about anything carries a certain cachet, but Schroeder insists his machine delivers results that are almost indistinguishable from hand-trimming. Ultra Trimmer's action mimics scissors, the tool of choice for preserving trichomes. Schroeder said his machine's mechanical "scissors" are safer than traditional manual models, though. They don't cut fingers, but he admitted they can pinch a bit.

The Ultra Trimmer does its work quickly, leaving buds lying on the table for only ten to fifteen seconds. The device can process twelve to eighteen pounds per hour using what Schroeder calls "scissors on steroids." The machine is equipped to handle both wet and dry bud, though Schroeder said best results are obtained after buds are cured and dried.

Based on experience with his own harvests, Schroeder isn't shy about touting his product's benefits: The Ultra Trimmer not only preserves trichomes, but also profits, by reducing time and manpower requirements. "If we don't save you 50 percent to 70 percent of your time, then we will give you your money back," he said.

Schroeder isn't the only one espousing the virtues of his machine. *High Times* named Ultra Trimmer Best Trimmer and Gear of the Year. The magazine included Schoeder himself in its 2018 list of the 100 most influential figures in cannabis. Venerated elder statesman Ed Rosenthal also took notice. "I have the only trimmer in Ed's book *Beyond Buds*, because this is the only trimmer that puts [trim] out like scissor trim," Schroeder said.



What Are Trichomes?

Trichomes are small hair-like structures covering many plants' stems, leaves, and flowers. They may be silky, bristly, or scale-like depending on their purpose and function. The trichomes on stinging nettles, for example, inject inflammatory chemicals that deter predation. Venus flytrap trichomes are sensory organs that alert the plant to the presence of prey.

Cannabis trichomes protect the plant and produce metabolites important for growth and reproduction. As in fragrant herbs like mint and basil, cannabis's trichomes produce the terpenes, flavonoids, and cannabinoids that give the plant its signature flavor and fragrance. They also impact some strains' magnificent colors. Although a primary function is to secrete a taste animal predators find unpalatable, the trichomes on some strains produce psychoactive effects in humans.

Gregarious to a fault, Schroeder enjoys performing demonstrations at trade shows. After buds go through his trimmer, he allows curious onlookers to scrutinize the results. "We hand [the finished product] to the people and let them put it under the microscope," he said. "They can see the trichomes are still there. Other companies won't do that." He also routinely trims large buds by hand while his machine trims one of about the same size. Then, he encourages the audience to compare both, side by side, under a microscope. "Four out of five people say the machine is better," he said. It's hard to consider that a boast when even he seems awed by the phenomenon.

The Ultra Trimmer is available nationwide. "I will go to any state with a medical program and should have a dealer in Florida soon," Schroeder said. "But now, I think I can go to all fifty [states] with the hemp market, and [Ultra Trimmer is] in Canada, as well.

"I never expected this," he said. "I just built a machine to trim cannabis. It feels good. We're saving trichomes, and we are giving the clients a quality product."





Progressing at a Snail's Pace

Despite legalization, Massachusetts' recreational market isn't living up to expectations.

n 2016, 53.7 percent of Massachusetts residents voted for legalization of recreational cannabis, but progress has inched forward slowly, with the first dispensary opening in July 2018. Many applications have been submitted, but few are getting through because Massachusetts has given more power to local municipalities than any other state. Towns are allowed to opt-out of legalization, resulting in a minefield of bureaucracy for dispensary hopefuls.

Under state law, cannabis companies can't move forward without local approval, and local governments wield full control when it comes to approvals and delays. By February 2019, only fifteen recreational dispensaries operated in the state. The number is low compared to progress in other states. As of August 8, 2019, only eight cannabis businesses in Boston had gotten through the process. Across the state, forty to fifty manufacturers and cultivators are in operation.

REVENUE OPPORTUNITY LOST

The Bay State is uniquely situated, because it is the only northeast state with legal recreational cannabis. Industry experts expected Massachusetts to become a tourism destination and generate millions in additional tax revenue. Unfortunately, local-level red tape is forcing people to resort to the illicit market or growing their own. While the illicit market is thriving, the state is losing out on a major revenue opportunity and consumers continue to put themselves at risk with untested products.

Comparing 2018 tax revenue between Washington state and Massachusetts (states with similar populations and legal recreational cannabis), the difference is telling:

- Massachusetts tax revenue: \$5.2 million (population: 6.9 million).
- Washington tax revenue: \$319 million (population: 7.5 million).

Massachusetts has chosen to opt out of millions of dollars in additional tax revenue that could support new jobs, local projects, substance abuse treatment programs, and medical research. Entrepreneurs hoping to open businesses in local municipalities often are blindsided by inefficiencies in the application process. They're also losing thousands of dollars a month due to arbitrary waiting periods.

GETTING AN APPLICATION THROUGH

In order to obtain a license, cannabis businesses must start the application process by submitting three detailed information packets on the local level:

- **1.** Application of intent.
- 2. Background check.
- **3.** Management and operations profile.

The key requirement in the application process for licensure as an adult-use cannabis establishment is hosting a community outreach meeting. The meeting must be conducted within six months prior to filing the application of intent, and the applicant must ensure the meeting notice includes the time, place, and subject matter of the meeting and the proposed address of the cannabis establishment. At least seven days before the meeting, the proposed business must publish a notice about the meeting in the newspaper, file with the town clerk and any other necessary city leadership, and notify all adjoining businesses that surround the proposed location.

Getting approval from city residents is crucial to moving forward with the next steps. The Cannabis Control Commission for the Commonwealth of Massachusetts suggests asking a respected leader of the community to moderate the meeting as a nonpartisan organizer. It also suggests creating a presentation with visuals such as pictures of the location as it currently stands at the time of filing and how it will look once completed. Also smart: providing information regarding security measures to reassure the community.

Potential business owners must be ready to answer questions and concerns from the community about aspects including accessibility to minors, aesthetics, and even potential odors that might emanate from the facility. The meeting also provides the business owner an opportunity to talk with locals about how the business will produce a positive impact on the community and increase tax revenues. Communities often assume cultivators and dispensaries want to build an eyesore facility that will create unwanted traffic and noise. Business owners must be prepared to refute those claims, as well as educate residents and other businesses about what the infusion of new tax revenue could mean for the town.

To the dismay of pro-cannabis voters, local approval is becoming increasingly difficult to obtain because some towns delay the public meetings, and they have the right to do so. The potential cannabis business owner is at the mercy of the town, and there is no way to predict how fast or slow city leadership will be. Some businesses are seeing waiting periods of two to six months, while others have been in limbo for more than a year. Waiting for a local

authority to approve a meeting date can hit the wallet of the proposed establishment and drain resources.

SOLUTIONS TO ADDRESS RESISTANCE

Businesses hoping to operate in Massachusetts in the next few years should be aware of all possible licensing obstacles in their path and take precautions at the local level. Here are four forward-thinking steps to take when potential businesses are going through the approval process:

- 1. Reduce stigma. Businesses should emphasize developing concrete plans regarding how they will help the town bring in jobs and ancillary businesses to help revitalize the town. In other words, be prepared to tell the community why having your business in their town will make the town a better place. What that entails will vary from one city to the next, which means you need to thoroughly research the community beforehand and figure out what residents would like to see improved. In one city, the interest might be higher paying jobs. In another city, residents may want fewer vacant storefronts. The key is getting to know the community and creating a plan that will catch attention and garner support.
- **2. Start early.** Launch an exploratory campaign and talk to local residents months before submitting a formal application.
- **3. Be financially prepared.** The wait time can be extreme. To minimize losses, plan and budget for the worst-case scenario.
- **4.** Think local. Locals are afraid of outside businesses taking over their towns. Send the message you want to work with the town by hiring local architects, contractors, designers, and others to construct your dispensaries and/ or facilities.

Education and communication are the pillars of getting communities to listen to future cannabis businesses that want to comply with state laws and help the local municipality thrive. Listen to concerns, but make sure you are armed with extensive details about why you and your business will be a good neighbor.

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When speaking with upset customers, it is important to read both the severity of the situation and level of frustration. If the

frustration level is at its peak, it's best to have a manager get involved. The first step is always to listen to the customer and understand the situation. After listening and understanding what has occurred, management is better suited to resolve the situation. It's very important to ensure the customer leaves the facility happy with their experience.

It's also wise, afterwards, to understand how issues occurred so they never happen again.

All customers are different. It's key to understand you will be catering to all types of customers with all kinds of personalities and experience with cannabis. But no matter who the customer is, always encourage feedback about how their customer experience was. In the end, it's vital for all employees to learn from their experiences and continue to improve.

David Harris, director of sales and marketing Planet 13 Planet13LasVegas.com



HOW DO DEMOGRAPHICS PLAY INTO THE CUSTOMER EXPERIENCE?

With cannabis legal in most states, most shops are now seeing

customers from all around the world who belong to all different age groups and genders. And, I am happy to say, the stoner stereotype has officially been tossed out the window. Baby Boomers are starting to embrace cannabis, so they will have more questions and issues. Now that it's not being as demonized in the media, they can see it for what it is: medicine. Millennials are a lucky

group to have grown up in a time period where cannabis is sold legally, so they get the benefit of always having had access to the plant, which means they most likely will be savvier.

Regardless of age, the best policy with everyone is to be honest. When a customer isn't pleased with a purchase, a simple "we understand some cartridges leak" or "occasionally, batteries don't work" can do wonders. At the end of the day, you should always make it right no matter what the problem is. Always do what is needed to fix the situation. The number one goal when it comes to customer relations is to go above and beyond for all your patrons.

Dee Azure, operations manager Smokin Gun Apothecary SmokinGunApothecary.com



ARE STAFFING NEEDS CHANGING AS THE INDUSTRY MATURES?

Dispensaries no longer sport blacked-out windows; you don't have to slip your ID through a

thick glass window and be buzzed into a back room. Instead, we see beautifully designed architecture that resembles retail stores on Fifth Avenue in New York. As dispensaries start to resemble high-end department stores, it's critical to have the human resources within the environment reflect the makeup of the store. So, it's extremely important to have a dedicated customer relations person available to address issues customers may have. You never want a customer to hold up the line or have a debate at the register with a budtender. Not only does this create a bottleneck for other customers, but it also creates a contentious environment that can discourage people from coming back.

If hiring a dedicated customer relations position is not feasible, having a feedback page with a live chat feature on your website will allow dispensary managers to continue the dialogue with the

customer and incentivize them to come back. In this day and age, it takes one bad Yelp review or social post to turn customers off.

Darren Roberts, chief executive officer Green Mile Holdings GreenMileHoldings.com



WHAT "LITTLE THINGS" ATTRACT AND RETAIN **CUSTOMERS?**

Now that billboards are legal in most states, that is always

a way to catch consumers' eyes. Also, doing creative radio and digital advertising can be quite effective. But once you get a new customer into your shop, you need to treat them how you would want to be treated as a customer—from products to price to interaction. Budtenders have a responsibility to be a strong source of knowledge about the products they provide to their customers.

The biggest mistake most shops make is not realizing the customer experience begins as soon as they step foot inside. Customers are getting increasingly savvy and can tell how much you care by the environment you provide for them. Showing the ability to listen and effectively navigate to the right product is the best way to show them that. But you can't put it all on the front of the house. It's the responsibility of the owner and intake managers to navigate the market and supply the staff with all the products and price points they need to stay competitive and create the ideal experience.

Bottom line: If you're saying "no" when all your competitors are saying "yes," you likely will end up with a problem, especially when the closest competitor may share your parking lot.

Michael Green, owner Spacebuds The Dispensary SpaceBudsTheDispensary.com





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-Xavier Sanchez





How did you become an influencer?

I was a twenty-four-hour caretaker for an elderly lady, and I had to keep myself busy. I started taking pictures of my beautiful plants. She really enjoyed [the plants] and the smell of it. Her daughter was on board, so I introduced [the elderly lady] to CBD and marijuana. Seeing how much it helped her when she struggled through pain, constipation, and not being able to sleep or eat, it was amazing. She was supposed to live for just one month, and she ended up living for two more years. So many people started asking me, "What's your advice? I'm a first-timer." And I would tell them, the best I could, how to use it. I always tell people, "It's not a drug. It's more like a privilege—kind of like driving. Make sure you take care of your responsibilities, and then go ahead and medicate."

Cannabis Comedy

For Xavier Sanchez, Instagram is the perfect platform for spreading the word about responsible cannabis use while road-testing his standup comedy set and man-onthe-street interviews.

@XS.WEED





Where does the comedy come in?

I've always wanted to go on stage and break my first comedy sketch. But I'm nervous, so the best way to do it is on Instagram. You get to be judged on there first. The audience gets to tell you if you're funny or not. This is slowly but surely building up my confidence to go on stage and do my first standup set. The best part is I get to throw in the influence of cannabis, as well. It's usually spur of the moment that I come up with the ideas.



What's your advice for brands?

If you want to be on top of your game, you have stay up to date and post consistently. Brands will ask me, "Hey, can you promote my stuff?" And I'll be like, "Sure." But then I go on their page, and they haven't posted anything since January. You also have to be truthful. Let people try out your brand. Really test it out on camera and show the whole behind-the-scenes. Don't be shy with the audience.

NETWORK STATS

Years on Instagram

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