



CANNABIS
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A BUDDING SUCCESS

The Ultimate Beginner's Guide to Investing in
The Cannabis Industry



EDUCATION SERIES

Contents

WHY YOU SHOULD INVEST IN CANNABIS	2
The Market Boom	2
Market Projection.....	3
Dismissing Political Hesitation	5
Medical Possibilities.....	8
The Medical Benefits of Marijuana/Cannabis	11
HOW YOU CAN INVEST IN CANNABIS	13
Stocks.....	13
Angel Investing / Venture Capital.....	15
Investing Tips	17
Due Diligence Questions	19
MARKET SEGMENTS TO INVEST IN.....	22
Land & Real Estate.....	22
Growers	24
Dispensaries	25
Edible Manufacturers.....	26
Technology	29
Medicine	31
TIPS TO LOWER YOUR EXPOSURE	32
You Don't Need to Touch the Plant!	32
Providing Debt Capital vs Buying Equity.....	32
Ancillary Businesses.....	33
The Fund Approach... Use the Experts!	34
DON'T MAKE THESE COMMON MISTAKES	34
Lack of Due Diligence.....	34
Backing Individual Entrepreneurs vs. Entrepreneurial Teams	35
Diversification Across Several Industry Segments.....	35
Failure to Network with Other Investors	36
STATE LAWS & GLOBAL TRENDS	36
2017 State Laws.....	36
Global Trends	42

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WHY YOU SHOULD INVEST IN CANNABIS

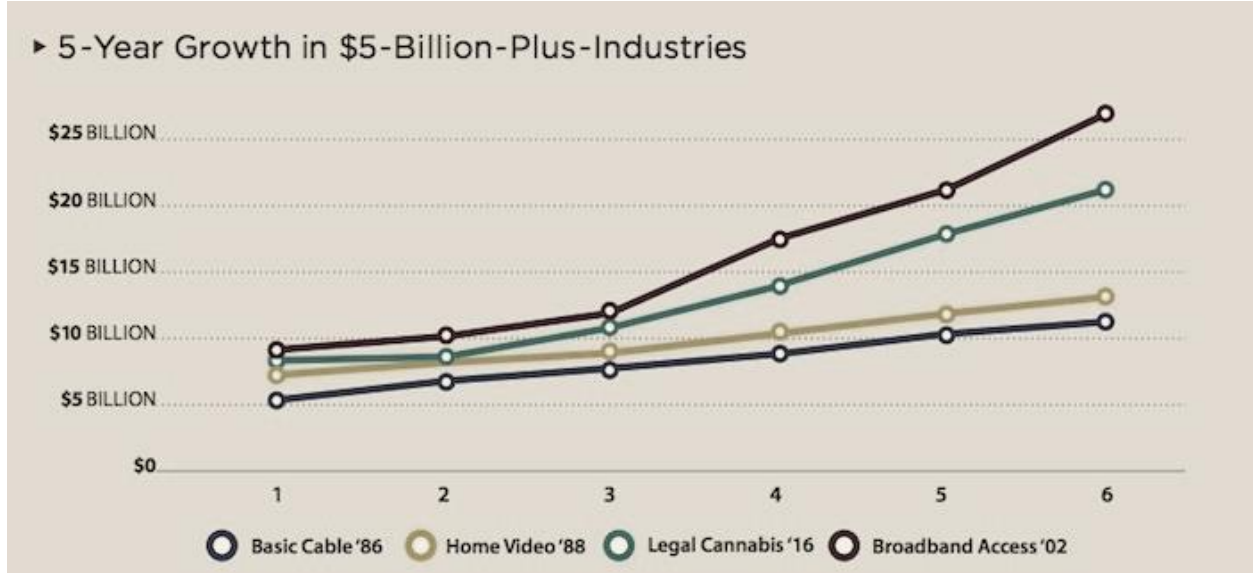
THE MARKET BOOM

The legal marijuana market almost reached \$7 billion in 2016.

If the marijuana industry continues growing at its current rate, and the drug becomes legal at the federal level, it could be worth as much as **\$35 BILLION BY 2022**.

Very few consumer industry categories reach \$6 billion in annual sales and then post anything like 31% compounded growth rates across the following five years.

- Cable television came close, growing 19% annually in the late 1980s as networks like CNN and HBO proved to be popular.
- Broadband internet spending grew 29% per annum in the early 2000s as it became ubiquitous.
- Smartphone sales reached a 32% growth rate in the early part of this decade.



The cannabis industry differentiates from all others because a **\$50 BILLION BLACK MARKET EXISTS TODAY**, which is quickly converting into a legal, fully regulated market. We believe today's market opportunity is unprecedented and we want you to learn more about the cannabis industry segments that are prime for investment.

In fact, no industry in the world – and I mean no industry – is growing as much or as fast as the market for legal marijuana. Not smartphones nor software, not automotive nor aerospace, not biotechnology, real estate, gold, oil, software... nothing.

Consider this: By 2020, the market for legal marijuana will top \$22.8 billion. When that happens, the legal market for cannabis “could be bigger than the National Football League, which saw roughly \$12 billion of revenue last year,” according to Fortune. In the United States alone, the sanctioned market for cannabis will reach \$7.1 billion this year, up from \$1.5 billion in 2013 – **373% GROWTH IN BARELY THREE YEARS.**

Investment bank Ackrell Capital predicted in March that between 2016 and 2029 the market for marijuana would reach \$100 billion – 1,308% growth.

Amazingly, those enormous numbers hide the fact that this market is still in its infancy. After all, marijuana continues to be illegal in most of the U.S.!

As more places legalize cannabis, the market could boom into the stratosphere. **YOU HAVE A RARE OPPORTUNITY** to get in on the ground floor of this nascent industry and to acquire a stake in dozens of potential blockbuster companies that could rise quickly as the market expands.

MARKET PROJECTION

Regardless of the emotional arguments for and against the sale of medical and recreational cannabis products, the market for the plant, and medicines derived from it, currently stands very close to the \$7 billion mark for total sales in the U.S., having grown about 25% from the previous year.

In Wall Street terms, that indicates a booming market by any definition. In Colorado, the very first medical marijuana dispensaries have only been in business for about three years, which means the “official” cannabis market size did the sports car equivalent of zero to 60 in 1.2 seconds.

One of the industry's most respected research arms, ArcView Market Research, has gone on record with its expectation that the cannabis market in the U.S. will touch the \$22 billion point by 2020. That is more than triple what it is today. As Forbes magazine noted, the legal cannabis market is set to surpass an American institution, the National Football League, as a revenue earner within a year or two.

For those interested in short-term numbers, ArcView points out that the compound rate of growth for the marijuana market between now and 2020 will be approximately 30%, a huge possibility for a relatively new product.

ArcView's executives think that this year will mark a critical phase for the industry, with fresh investment coming from those who have been waiting on the sidelines and watching to see how the legal challenges panned out. Every two years, new state laws and straw polls add a few more "legal" jurisdictions to the total, and it seems that a large number of head-scratchers are finally beginning to ask brokers about how to get in on the growth of the cannabis industry.

ArcView is the most prominent player in the cannabis data-gathering field; recently they have joined forces with another analytics firm to come up with detailed yearly reports on the industry. At one time, estimations of market size only looked at dispensary business, but now encompass nearly every form of marijuana and cannabis sales transaction. That way, ArcView can offer a more accurate picture of future and past growth.

For example, the company recently readjusted its numbers for 2014, changing the former \$2.7 billion year into a \$4.6 billion one. It seems as if every data point for the legal cannabis industry in the U.S. is growing faster than even the experts can track it.

It is one thing to state that the legal cannabis market is booming. When it comes to reasons, analytical firms are not always able to say why, but they can make some very educated guesses. Here are a few of the reasons ArcView thinks the marijuana market is proliferating:

Public acceptance has hit the level of critical mass, which means that well more than a majority of American citizens expect medical and recreational use to expand quickly.

The few states that have legalized recreational marijuana have seen shocking growth rates from that market. Washington, Colorado, and Oregon indicate that recreational use will be the most significant component of the cannabis market by 2020. Colorado's numbers show this to be true: year-to-year recreational sales are jumping along at a 68% growth rate. Washington and Oregon are no different, with their sales data also showing the recreational segment of the market to be expanding rapidly. The bottom line: between now and 2020, overall recreational marijuana sales are **EXPECTED TO GROW BY A WHOPPING 1,150%**. Even the early days of the Internet/tech bubble did not see numbers like that.

Edible cannabis products are helping rev up sales totals. Costlier than standard, "loose leaf" products, edibles are ready-made specialty items of which consumers cannot get enough. As one of the industry's sub-categories that is bringing in massive revenues due to higher overall prices-per-gram, edibles are poised to super-charge an already healthy investment sector.

Many large, institutional investors expect California and a few other very populous states to loosen cannabis laws soon, a mindset that is finally spurring some of Wall Street's most conservative players to take a look at a once verboten industry. As institutional money drifts into the cannabis market, medium-sized investment banks and brokerage houses will not be far behind.

As all the political machinations unfold during the first half of 2017, and more states begin to file ballot measures for the 2018 election cycle, Wall Street will finally start to solidify its attitude toward the cannabis market as a whole. For those investors who want more confirmation that legal and recreational cannabis is here to stay, the next six months should resolve any doubts.

DISMISSING POLITICAL HESITATION

As soon as President Trump chose Senator Jeff Sessions as his Attorney General, many cannabis investors panicked and began selling their stocks. Only a few days later, most of those sellers regretted their actions because the Sessions nomination will likely have an insignificant impact on the cannabis industry in the long term.

Public pressure to remove cannabis from the Schedule I registry, the President's known preference for looser marijuana laws, and overwhelming bipartisan support in Congress for legalization, should be enough to counter the Attorney General's personal beliefs (he is very anti-cannabis). Anyone who is still thinking about selling their stake in cannabis stocks should consider the following additional reasons why that might not be such a wise investment strategy:

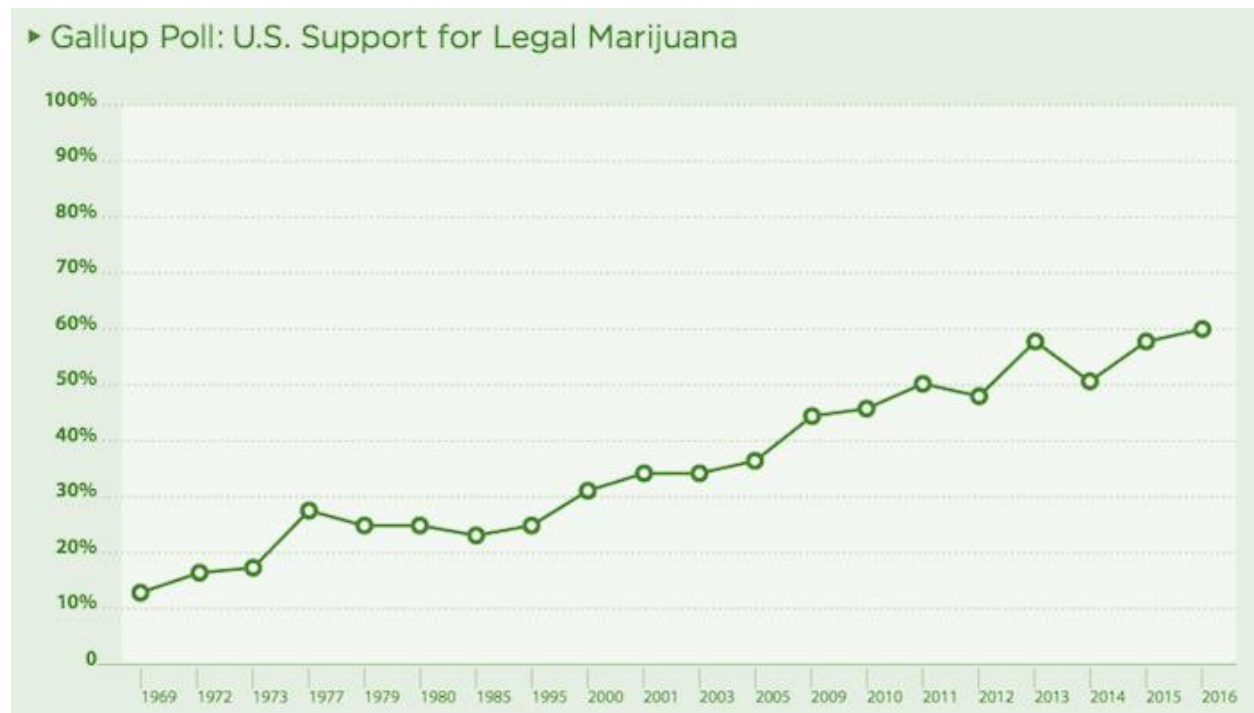
States that have passed medical and recreational laws will almost certainly not be threatened by federal enforcement or stricter laws. There is plenty of legal precedent for this concept, namely that once states begin loosening penalties for a specific activity, there is never a "turning back."

Any legal worries only pertain to U.S.-based cannabis companies. Those based in Canada and the U.K. are still fair game for investors, even paranoid ones who have nightmares about Jeff Sessions and possible crackdowns on cannabis possession and use.

Companies that deal in the medical marijuana field are in no danger from "crackdown" fears. Even if marijuana is never moved from Schedule I, firms that grow and support the medical segment of the market are safe bets under any future legal scenario.

Many companies selling cannabis have other business interests and are therefore safely diversified against the threat of legal problems. GW Pharmaceuticals, for example, is primarily a drug research firm that experiments with hundreds of natural compounds in a search for effective medications.

The growth potential of many small-cap marijuana stocks is vast. Even some of the newer companies servicing the medical cannabis market are small enough that an investment of several thousand dollars goes a very long way, and could pay massive dividends under a full-legalization environment.



All the standard warnings apply, however, when investing in cannabis stocks. In any industry, there are solid and not-so-solid companies. Investors should employ a rigorous system of due diligence when deciding which stocks to purchase, whether to buy any at all and how much to invest in the sector.

Based on developments during the first 100 days of President Trump's administration, it is pretty clear that early panic selling was misguided. Those who have positions in the sector would do well to retain at least a part of their portfolio and watch what happens on the legalization front. Most industry experts think that the most adverse development will be continued state-by-state legislation, referendums on medical and recreational marijuana, and a slow move toward a widespread loosening of cannabis laws all over the U.S.

Better and best-case scenarios would include a presidential decree taking cannabis off the Schedule I list, a national law allowing for medical use in every state, federal regulations to decriminalize small-quantity recreational possession, or some combination thereof.

Six reasons why Jeff Sessions can't stop the cannabis industry:

1

- Trump cannot bust all the legal pot businesses because there are far too many.

2

- Even if Trump were to threaten pot businesses, he would still end up in brutal court battles.

3

- Even if Trump only makes a few busts, the states will get involved and fight Trump, too.

4

- Trying to overturn state legalization laws themselves would be difficult and time-consuming — and could still fail.

5

- Fighting long legal battles would be unpopular for Trump, and it would grow more toxic by the day.

6

- Trump could never stop people from using and growing pot with impunity, even if he won in court.

MEDICAL POSSIBILITIES

By far, the most crucial element to the progression of legalization is not the staggering growth rate of this industry. That is a huge factor. However, there is something thing that will drive legalization in the coming years faster than money. The therapeutic possibilities of cannabis products are limitless.

Health Effects of Marijuana	THC	THC-A	THC-V	CBN	CBD	CBD-A	CBC	CBC-A	CBG	CBG-A	Benefits
Pain relief											Analgesis
Reduces inflammation											Anti-inflammatory
Supresses appetite											Anoretic
Stimulates appetite											Appetite stimulant
Reduces vomiting and nausea											Antimetic
Reduces contractions of small intestine											Intestinal antiprokinetic
Relieves anxiety											Anxiolytic
Tranquilizing / psychosis management											Antipsychotic
Reduces seizures and convulsions											Antiepileptic
Suppresses muscle spasms											Antispasmodic
Aides sleep											Anti-insomnia
Reduces efficacy of immune system											Immunosuppressive
Reduces blood sugar levels											Anti-diabetic
Prevents nervous system degeneration											Neuroprotective
Treats psoriasis											Antipsoriatic
Reduces risk of artery blockage											Anti-ischemic
Kills or slows bacteria growth											Anti-bacterial
Treats fungal infection											Anti-fungal
Inhibits cell growth in tumours / cancer											Anti-proliferative
Promotes bone growth											Bone-stimulant

Cannabis has been used as medicine around the world for thousands of years. In Siberia, charred seeds were found inside burial mounds dating back to 3000 B.C. The Chinese were using cannabis as a medicine thousands of years ago.

Cannabis is deeply American too—as American as George Washington, who grew hemp at Mount Vernon. In fact, for most of our country’s history, cannabis was legal, and commonly found in health-inducing tinctures and extracts.

However, its known medicinal use alone does not make cannabis unique. Thousands of natural, healing herbs like it, since the dawn of civilization, have been used as medicine to treat many medical ailments. In truth, over half of the pharmaceutical drugs used today have their basis in a natural herb or nutrient. Cannabis was also listed in the U.S. Pharmacopoeia and prescribed medicinally during the 1880s.

Back then, most people did not view cannabis as illicit. Instead, it was a medicine or the raw material for many widely-used products. Moreover, as you will see, what makes cannabis so unique is how many different and compelling health benefits it has for so many of today's most difficult ailments.

Interestingly, even though the federal government currently maintains that cannabis has no medical benefits, the **DEPARTMENT OF HEALTH AND HUMAN SERVICES HOLDS A PATENT FOR ITS USE** as an antioxidant and a neuroprotectant.

However, now, as more people are turning to cannabis to treat ailments, the science behind it is experiencing a rebirth. Researchers are finding many surprises, and possible miracles, concealed inside this once forbidden plant. Although cannabis is still classified as a Schedule 1 drug, Vivek Murthy, the U.S. Surgeon General, recently expressed interest in what science will learn about marijuana, noting that preliminary data shows that "for certain medical conditions and symptoms, it can be helpful."

Cannabidiol (CBD) has been successfully used in the treatment of chronic pain. Through its ability to alter the brain's pain responses and reduce inflammation in the body, this component of cannabis has helped millions of American receive relief from constant, debilitating pain.

It has successfully been used in the treatment of epileptic seizures in both adults and children. In children with epilepsy, it has also shown to be a successful treatment for those who have been resistant to traditional treatments and medications. Research also indicates that the use of CBD oil can be helpful in reducing the severity and number of seizures adults suffer.

Cancer patients have successfully used CBD to control their pain. Also, research indicates that CBD can reduce the size of malignant tumors, and can reduce the spread of cancerous cells in the body.

Those with mental illnesses such as anxiety have found relief with CBD. It is also being used with veterans of the armed forces who were diagnosed with Post Traumatic Stress Disorder. CBD can alter the receptors in the brain that trigger anxiety or fear.

CANNABIS IS FUELING A MEDICAL REVOLUTION . . . BUT NEW INVESTMENT FUNDS ARE NEEDED

In 1996, the state of California passed Proposition 215 which became the nation's first medical marijuana initiative. This law allowed those with a physician's recommendation to possess and cultivate marijuana for the treatment of AIDS, cancer, muscular spasticity, migraines, and several other disorders. CBD is considered non-psychoactive and suppresses or balances the psychoactive effects of THC.

Because of this, CBD is the primary ingredient in the treatments responsible for the remarkable recovery of thousands of patients. It is an extraordinarily potent anti-inflammatory, anti-spasmodic, and neuroprotective substance that can dramatically reduce anxiety without impacting mental processes. CBD has also been found useful for the treatment of rheumatoid arthritis, epilepsy, diabetes, alcoholism, PTSD, antibiotic-resistant infections, and neurological disorders. However, companies seeking to enter the industry to offer medicinal products and services have typically faced some challenges, including access to capital for their businesses. Today, 29 states have passed medical marijuana laws.

Because marijuana is still categorized as a Scheduled 1 controlled substance, established companies in these states continue to seek alternative funding sources because federal banking laws prohibit traditional lenders from funding these ventures.

To help investors gain a better understanding of the entire medical marijuana landscape, the following list of benefits might shed light on the current legal situation in the U.S. cannabis industry.

According to, only about 5% of all the current research on this topic examines the plant's potential medical benefits. The rest is focused primarily on measuring the effects of overuse of marijuana, its long-term effects on those who use it solely in smoked form, and the possible detrimental effects of its use in any form.

The recreational use of marijuana is the most controversial aspect of the current national debate, with anti-pot forces saying that marijuana is a “gateway” drug, and is “worse than alcohol.” While marijuana smoking and overuse of the drug for purely recreational reasons can have adverse effects on a person's health, legalization proponents say that benefits far outweigh the disadvantages. Overuse of recreational marijuana can lead to physical and psychological dependency. It has also been shown to cause emotional and memory problems for those who use it excessively.

THE GOOD NEWS: Cannabis plants contain two very beneficial chemical compounds, from a medical point of view: THC (tetra-hydro-cannabinol) and CBD (cannabidiol), both of which have numerous medicinal uses. THC, the more problematic of the two and the cause of much legal wrangling, leads to a typical drug “high,” whereas CBD does not. In some states, the sale of compounds that contain zero or very low amounts of THC, are legally permitted.

Medical researchers point out that all the benefits of THC and CBD can be obtained without smoking marijuana. CBD oil is widely available by mail-order online, while a prescription drug, Dronabinol, offers a synthesized, pill version of THC that is much safer and probably more medically effective than the THC in smoked marijuana.

THE MEDICAL BENEFITS OF MARIJUANA/CANNABIS

GLAUCOMA: By decreasing pressure inside the eye, marijuana is a practical and inexpensive treatment for glaucoma. Some research has even shown that the drug works to prevent the worsening of the disease over time, and may, in fact, prevent some forms of glaucoma-induced blindness.

LUNG HEALTH: Some (very controversial) research has noted that marijuana smoking can reverse lung damage done by regular cigarettes. Lung capacity tests on smokers who later quit but began smoking marijuana demonstrated better lung capacity as a direct result of marijuana consumption.

SEIZURES FROM EPILEPSY AND DRAVET'S SYNDROME: THC and CBD in marijuana have been shown in research studies to decrease the risk of seizures for various disorders. Apparently, those two components of the cannabis plant act to shut down the brain's ability to cause a seizure. These results are more pronounced in children than in adults, but considering that children tend to have more severe cases of both those maladies, the research seems quite promising. In fact, GW Pharmaceuticals, one of the companies listed in this book's appendix, is the primary research entity behind the childhood epilepsy drugs being tested for children

CANCER: Some research indicates the ability of marijuana to halt the spread of certain types of cancer, particularly breast cancer.

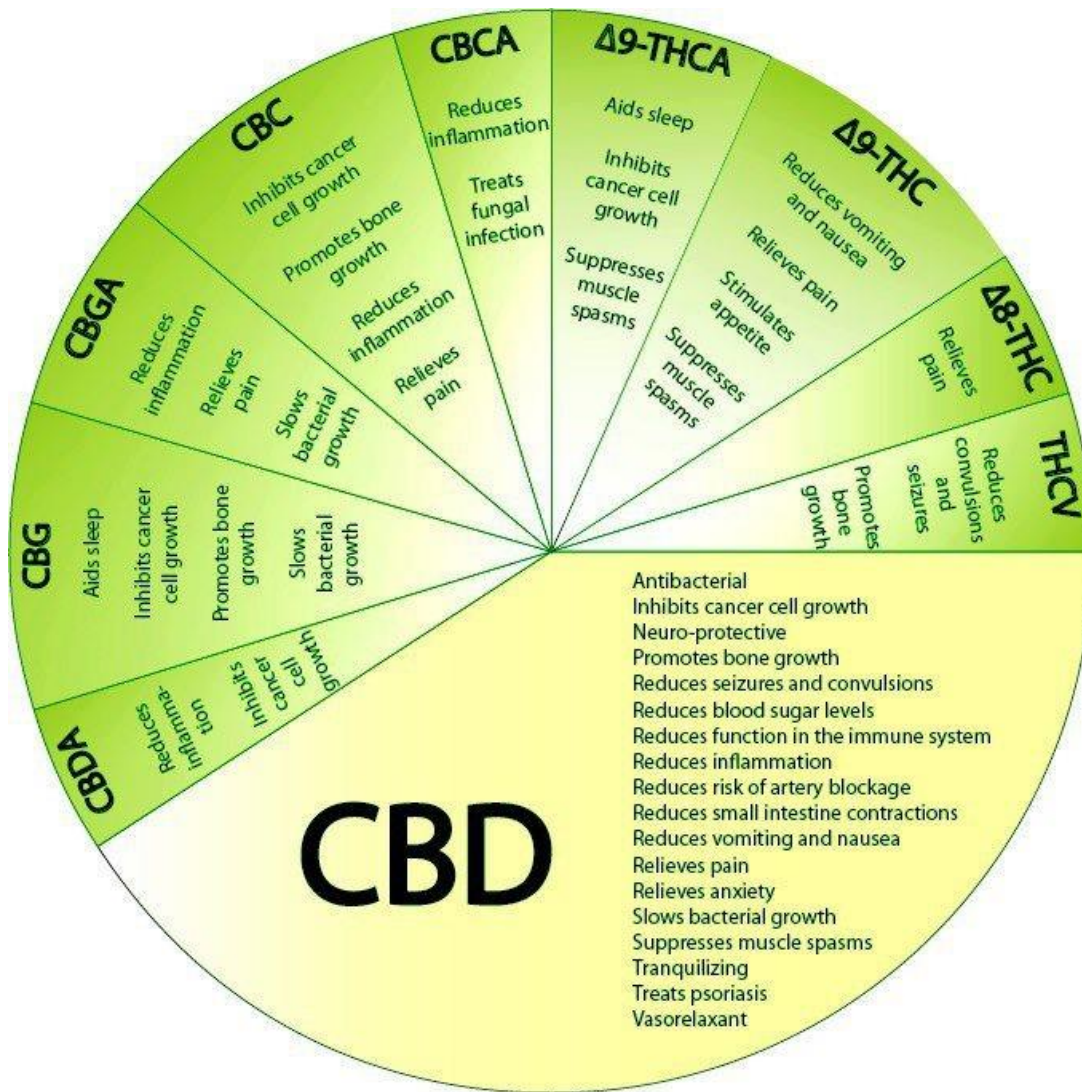
ANXIETY, NAUSEA, PAIN: For people on chemotherapy, who often struggle with severe nausea and lingering pain, medical marijuana has been an effective treatment in many cases. The plant's well-known ability to decrease standard anxiety is a related benefit for patients who are undergoing complicated medical procedures and tests.

ALZHEIMER'S: While there is no known cure or effective treatment for Alzheimer's, some preliminary research has shown that THC in cannabis plants might be able to slow the progression of the debilitating brain disease.

MULTIPLE SCLEROSIS: For sufferers of MS, marijuana appears to be able to decrease muscle and joint pain significantly.

Other physical maladies that might be good candidates for treatment with marijuana/cannabis, based on laboratory research, include inflammatory bowel disease, severe muscle spasms, arthritis, obesity, lupus, Crohn's disease, Parkinson's disease, post-traumatic stress disorder, stroke recovery, concussions, and nightmares. It might even be able to help alcoholics quit drinking.

“Preliminary research” is not a guarantee that cannabis or its chemical components will ever be able to treat, prevent or cure any ailment effectively. However, the early findings of dozens of studies point in the right direction. There is, apparently, something very healing and rejuvenating about the way THC and CBD affect the human body, particularly the brain. The next decade will almost certainly witness more research and actual pharmaceutical treatments based solely on the compounds found in the cannabis plant.



HOW YOU CAN INVEST IN CANNABIS

STOCKS

Mainstream investors often look to large pharmaceutical companies who have wide interests, while others want to place their investment dollars with smaller, “micro” firms that are involved in direct growing or one of the many ancillary markets that have come up around the cannabis industry.

Anyone who wants to enter the cannabis market should consider the following facts before jumping in.

Most cannabis stocks are traded not on the major exchanges, but as over-the-counter (OTC) securities that often trade very low volume day in and day out. That is not a red flag at all, but it does tend to signal low liquidity. Investors who own OTC stocks sometimes have to wait days or weeks (sometimes longer!) to find a buyer.

The cannabis industry is undeniably growing, but experts disagree on how fast that growth is taking place. It is accepted among brokers and dealers that the entire cannabis sector will probably be worth at least \$25 billion by the end of this decade, in 2020. After that, guesses range far and wide, depending primarily on the legal landscape in the U.S.

Many of the smaller, OTC firms are working diligently to get listed on larger exchanges, and dozens of them already have achieved this massive milestone in the securities industry. When a company is listed on the NASDAQ exchange, for example, it earns a degree of respectability among brokers and financial experts. Of course, graduation from OTC-ville is not a guarantee of future success, but it does indicate a level of stability that most OTC listees do not possess. Regulators and shareholders look to the big exchanges for investment opportunities that have already been scrutinized and vetted, at least to some extent.

It is typical for pension funds and large investment banks to avoid the OTC market, which means that many of the smaller cannabis stocks are not yet in “the magic circle” of prominent board listing. As a result, some of those smaller companies rely on crowd-funding, private investment, and direct investors. Unfortunately for mainstream investors, those choices are usually only open to accredited individuals who meet high-income requirements (but there are exceptions, noted below).

U.S. brokers, on the whole, are not yet very familiar with the cannabis market and thus are not ready to offer much guidance to new investors who want into the sector. On the significant boards, consumers are limited to a handful of big firms that do many other things besides cannabis-related activities.

As of early 2017, there were upwards of 300 cannabis-related securities, the vast majority of which were OTC offerings. Of those 300 companies, only about 200 are directly involved in the cannabis industry, while the other 100 are only partly related to the growing and harvesting of the plant.

DUE DILIGENCE IS AN ABSOLUTE NECESSITY FOR ANYONE WHO INTENDS TO INVEST IN THE CANNABIS SECTOR.

This warning pertains not only because many of the stocks are OTC, but because the industry is currently in a sort of legal limbo for at least the first half of 2017. Research sources, fortunately, are abundant. Consumers who spend five minutes with their favorite search engine will discover a treasure trove of cannabis investment research at their fingertips.

Some of the more prominent data banks include the Viridian Capital Index, the ArcView Group, InvestinCannabis.com, and the MJIC Marijuana Index. Any visitor to these websites will note that many of the smaller companies disappear as quickly as they come into existence. More than any other emerging market sector, cannabis-related stocks are in a high state of flux.

Right now, the two most promising areas of cannabis investing are in the pharmaceutical and media sectors. Most of the more significant players are in those two businesses, while many of the smaller media firms have not shown consistent revenue. Many investment bankers are waiting for a “breakthrough” drug to emerge from a company like GW Pharmaceuticals before they consider the cannabis sector as safe as others.

Some of the most promising cannabis-related companies, looking toward the end of the decade, are those involved in medicine/pharmaceuticals, veterinary applications of cannabis, health foods, health supplements, grow/farming equipment, industrial hemp, adult recreational marijuana, medical marijuana, and law enforcement tools.

Supply chain and software companies are at a crossroads in the cannabis industry. As the market grows, they have the most significant potential to benefit, in the opinion of some industry experts.

Those who have already taken substantial positions in cannabis stocks, as well as the few financial experts who have been with the industry from the beginning, advise against any short-term or “swing-trading” strategy for new investors. It is probably a wise move for potential investors to consider long-term approaches until the market matures.

In the U.S., state-by-state legalization has already begun to take place, which means that anyone who has a position in a cannabis stock needs to keep an eye on the news. As state laws loosen, and both medical and recreational marijuana become more widespread, cannabis-related stocks stand to benefit eventually, but probably not in the short run.

While there have been gains of more than 1,000 percent for some investors, cannabis stocks can be a roller-coaster, and many promising candidates have disappeared or seen their share prices dip below the one-cent mark.

Investors who do not want to purchase standard stock shares via an exchange or over the counter have another option. U.S. laws allow some firms to raise money through crowd-sourcing. The SEC must approve a company's application for this kind of funding, but after all the legalities are complete, investors who can show income above a very low threshold (typically \$5,000 per year) can buy up to \$5,000 worth of stock in such companies.

So far, the majority of firms that have pursued the crowd-sourcing route are very early stage entities, which means that investors should be ready for long-term holds rather than quick profits.

ANGEL INVESTING / VENTURE CAPITAL

Legal marijuana is starved for venture capital. In 2015, \$215 million in venture capital flooded into the marijuana industry. This cash went towards farms and dispensaries, weed technology and real estate in every nook and cranny of the pot business.

According to Troy Dayton, the CEO and co-founder of an innovative firm called the ArcView Group, out of California, that matches up smaller angel investors to early stage marijuana companies. In April 2016, Fortune named Mr. Dayton one of the seven most influential people in the cannabis industry. His specialty is giving accredited Main Street investors access to top entrepreneurs before anyone else, and it is his platform that you can now use to invest in private placements of cannabis stocks.

Already Troy Dayton and ArcView have raised \$77 million for 123 firms. Repeatedly, his company has gotten people into pre-IPO marijuana startups well before billionaire venture capitalists staked their claim.

Mr. Dayton's results have not escaped the notice of the mainstream press. In February 2016, Newsweek released a Special Issue about cannabis. One highlight of the edition was a two-page spread devoted to Dayton and ArcView. Let us take a look at some of Dayton's portfolio.

Y Combinator is a Silicon Valley "incubator." They help startups get off the ground by providing training and office space. Y Combinator has helped companies like Reddit, Airbnb, and Dropbox.

Then the company took Meadow under its wing. Meadow was developing a full-service e-commerce app for the marijuana business.

Before a group of venture capitalists led by Hall of Fame quarterback Joe Montana, plus the founder of Reddit, and several Facebook Inc. (NASDAQ: FB) execs, invested \$2.1 million in Meadow, Dayton negotiated a deal for his smaller angel investors to get their piece of the action. Today, Meadow is being hailed as a possible \$1 billion marijuana heavyweight.

A company called Eaze is another example. Eaze has been dubbed the "The Uber of Weed." This tiny startup helps facilitate thousands of medical marijuana deliveries every single day. If you have a prescription, you can just open their app, place an order, and have pot delivered to your door in 10 minutes. If you do not have a prescription, the EazeMD feature allows you to have a video consultation with a doctor who will determine whether your condition warrants one.

In 2014, it launched on a shoestring, \$1.5 million, budget. Much of this money came from angel investors who were brought to the table by Mr. Dayton. The next year, some of the more prominent players in venture capital – along with rapper Snoop Dogg – rushed in with \$10 million worth of funding. Now Eaze is being touted as another privately held weed startup that could hit a \$1 billion valuation.

The brightest feather in Troy Dayton's cap is Privateer Holdings, which owns a variety of companies including Marley Naturals, a marijuana products developer created by the family of Bob Marley. In 2013, Troy Dayton's angel investors took part in a \$7 million funding round.

In April 2015, Privateer Holdings caught the attention of legendary venture capital billionaire Peter Thiel, the co-founder of PayPal, and an early investor in Facebook, LinkedIn, SpaceX, Airbnb, and Yelp. Thiel became the leading player in a \$75 million funding round for Privateer Holdings.

Most likely you do not have the experience or connections to invest like Dayton, directly in start-ups. You might not even be an accredited investor. So, here is what you can do: You can invest in funds that have experienced managers who invest in start-ups on the fund's behalf. We will talk more about that later in the guide.

INVESTING TIPS

These tips may or may not be apply to particular investing situations. They are listed for informational purposes only and, like everything else in this book, should not be construed as “investment advice,” but used as background research for people interested in learning more about the cannabis market.

For the cannabis market, even though it is relatively young, brokers and financial pundits have offered up all sorts of helpful advice, some of which has been culled from relevant sources and listed below.

New investors should expect to endure some losses as they get used to an unfamiliar industry but should set a specific “cutoff” point, under which they will get out. A standard loss point for exiting a stock is 10 percent. For example, if a share costs \$100 and drops below the \$90 level, that might be an appropriate time to sell and protect your capital.

When selecting candidates to invest in use Fundamental Analysis. FA, as it is otherwise called, examines the details of a company's profitability, its PE ratio, profit, sales levels, growth rates, and similar parameters. This type of analysis will help narrow down a list of stocks to those that are higher quality organizations and more appropriate for investment.

DON'T JUST LOOK AT REVENUE OR PROFIT. LOOK AT BOTH.

When you exit a stock, or when you make a significant profit from one, always take notes and try to learn from what you did right and did wrong.

When a stock goes up more than 25% from your buy-in point, consider selling at least half of your position to consolidate profits. After that, it is possible to set a 10% stop-loss and ride the upswing until it exhausts itself. This method works well for small- and micro-cap stocks that often have volatile rises and falls. It allows investors to lock in a good portion of their gains and protect the rest of their capital.

If a stock rises in price more than 50 percent in a single session, consider selling two-thirds of your position and setting a 10 percent stop-loss on the remaining investment. At that point, you have gotten back your initial investment and are trading with the gains made on the big move.

Avoid buying stocks that trade extremely thin volume. Low-volume stocks can be hard to sell even in the best of times.

When entering a new industry, try to hone your list of investment candidates down to just a few stocks. There is no reason to “buy everything” in an industry, even if you intend to create your ETF in the cannabis market. When starting out, choose a few stocks that have good earnings and other characteristics discussed above.

Start small, primarily if you have never invested in the cannabis industry before. Keeping initial buy-ins at \$1,000 total will be a good learning experience. Later, after you have a solid feel for the sector, it might be smarter to invest more, but start out with a small stake and use it to teach yourself about the industry.

If you use a broker, find one who has experience with the cannabis industry. Just a few years ago this was a nearly impossible task, but nowadays some brokers understand the sector quite well.

If purchasing three or four cannabis-related stocks, choose a grower, a pharmaceutical company, a media/marketing firm, and an ancillary equipment seller. That way, your initial investment is diversified within the industry and will be somewhat protected against across the board losses.

Paper-trade your chosen stocks for at least four weeks before making a purchase. Paper-trading is an excellent way to dry-run an investment plan without spending a dime. Choose your three or four stocks, create an imaginary investment of X dollars into each one, and trade accordingly for the next month, as if the money were real. See whether you can follow your own rules for getting out after a loss or selling to protect capital after a significant gain. At the end of the four weeks, evaluate your performance and see what lessons you have learned.

While researching your stocks, do some historical research and see how closely they have tracked the Dow, the S&P 500, and the NASDAQ. If your favorites align with one of the major indices, or if they trade opposite one of them, you might have found a promising investment candidate that has somewhat of a predictable price path.

Follow the daily market news and keep a close watch on the stocks you own for information about management changes, stock splits, mergers, lawsuits, new products, legislation, etc. Part of investing in the cannabis sector is following the political news. That is where a lot of the action is these days and a new law, or a presidential executive order can have an enormous impact on cannabis stock prices.

If you decide to add a cannabis stock to your portfolio, it might be wise to replace the worst-performing one among your current holdings. This system forces you to cull out the weak stocks and replace them with, hopefully, better ones. It also helps you avoid buying everything under the sun and getting too deep into the cannabis market too early.

When investing in a newer market such as cannabis, it helps to offset the risk by purchasing precious metals, up to about 10 percent of the value of the stocks you own. Most investment advisors consider cannabis stocks to be risky investments because of the newness of the business segment and due to the current legal environment.

In new industries like cannabis, technical charts and indicators are of very little value. That is why it is best to stick to the fundamentals like earnings, profit margins, and other balance sheet items. Hard financial data cannot lie. It might be misleading, but it is at least an objective measure of something. Charts and technical wizardry have their place with larger stocks of more established companies. For cannabis investing, it is best to stick to official financial data about the company itself.

Because the political environment is uniquely essential to the cannabis industry, it can be helpful to contact your state and federal legislators by email or snail-mail and lobby for full marijuana legalization. It also cannot hurt if you mention that you are a law-abiding citizen who believes the cannabis industry can bring substantial amounts of tax revenue to the state and the federal treasury and that removing cannabis from the Schedule 1 listing would do wonders for the local and national economy.

Consider starting an investment club centered on the cannabis industry. Online meet-up groups through Yahoo!, Meetup.org, and others are a terrific way to meet like-minded investors and gain insights into the industry. Investment clubs have been around a long time and are a topic (and industry) unto themselves. A cannabis-focused club could be a very educational endeavor for anyone who wants to learn more about one of the most interesting, active industries of this century.

DUE DILIGENCE QUESTIONS

For those who plan to invest in the cannabis market, or any market for that matter, there are vital questions that should be answered before any money changes hands. While the following queries apply to all investing situations, they are primarily pertinent to the cannabis sector because of its newness and because so many marijuana/cannabis companies are microcapitalization entities. Ask the following, and follow up on whatever you discover. Due diligence is the watchword in today's fast-moving, fast-growing cannabis industry:

How does this company earn a profit? The cannabis market is wide and deep. Some organizations grow the plant only; others sell equipment that growers use, while other firms are involved in drug research. Recently, there has been a growth spurt among entities that help marijuana sellers' market and distribute their products. The key point is to spend time finding out what nooks and crannies of the cannabis market a particular company occupies. The best place to start looking for an answer to this question is on the company's official website.

Is the company currently turning a profit or showing a loss? This is a simplistic and fundamental question, but one that is sometimes hard to answer. New businesses in new industries can be extraordinarily lax about issuing financial statements online. It might take a phone call to corporate headquarters or at least an email to discover a source of financial data for the company. Larger firms will have readily-accessible balance sheets and financial statements online for all to see. Even then, unless you are versed in reading such things, finding out about profitability can be a hurdle for anyone who wants to learn about a cannabis company.

What is the history of the company's earnings? Again, this calls for detailed financial records. In the case of larger, older firms, a glance at the past five years' annual reports can usually clarify things. If those sources are not available, good old Internet research can usually uncover a few news stories about the company's profitability and historical difficulties.

What is the PE ratio? For companies that sell stock, there should be a PE ratio published in the financial media, available online. While not the best measure of an organization's health, the price-to-earnings ratio compares the stock price to a calculated "earnings per share." This rough numeric allows investors to see how much they are spending (the Price) for the amount of money that share of stock has earned (the "E" of the PE ratio). While some cannabis companies will not have long enough financial histories to make PE a significant number, many do have a few years of earnings that can be examined for trends, problems, and other informative data.

Who are the main competitors of this company? A half-hour on the Internet can usually return plenty of answers to this all-important question. In the cannabis industry, some sub-categories have intense competition while others have just one or two companies that are fighting for the same customer base. It can be invaluable to know whether a firm is one of only two media companies that serves the market, or whether it is one of a hundred growers in a highly competitive state.

Who runs the company? This question is much easier to answer today than it was in the pre-Internet darkness. Companies that sell shares of stock routinely list their top management team online, at their official website. In addition to the watered-down information you will find there, note the names of the top players, and do some more in-depth online research. Look for social media sites, professional profile sites, and any scrap of information you can find about the people who are asking you to invest in their enterprise. It is worthwhile to spend some time on this question to get an accurate feel for the quality of the management team.

How much debt is on the balance sheet? It is relatively easy to scan a standard balance sheet and see how much the company owes to banks, investors, vendors, et al. Earnings do not tell the whole story, so be sure to search out a firm's debt load before putting money into their stock. If there is more debt than is typical for the industry as a whole, it might be smart to move on to the next potential candidate.

Can you contact someone via phone at the company headquarters? This is a crucial question. If you attempt to reach the home office, presuming you have been able to find a phone number, and cannot ever get through to a human being, there might be a problem. Some sham firms are run by one person who is usually unavailable. You should at least be able to speak with an "investor relations" person. Larger businesses will have someone you can talk with and who will be happy to send you any data you request. Even micro-companies will have a secretary who can take an incoming, live message. For peace of mind, some investors refuse to buy a company's shares unless they can get a human being on the phone and verify that an organization is a going concern.

MARKET SEGMENTS TO INVEST IN

LAND & REAL ESTATE

In the more than two dozen states that have moved to legalize pot, factories, warehouses, and self-storage facilities are being repurposed for the cultivation and processing of potent marijuana plants and products. Suburban strip malls and beaux-arts buildings have been reimagined as storefronts selling pre-rolled joints and edibles.

Commercial real estate developers say they have never seen a change so swift in so many places at once. From Monterey, Calif., to Portland, Me., the new industry is reshaping once-blighted neighborhoods and sending property values soaring. In some Denver neighborhoods, the average asking lease price for warehouse space jumped by more than 50 percent from 2010 to 2015, according to an industry report. In the city overall, there are five times as many retail pot stores as stand-alone Starbucks shops.

A large and growing market exists with opportunities to finance residential and commercial real estate projects.

The financial crisis of 2008 created a snarled collection of new lending regulations when the Dodd-Frank legislation became law in 2010. Successful real estate developers, builders, and investors now face limited financing options when borrowing from U.S. banks, so they often turn to private lenders for debt financing.

The best funds are focused on managing a portfolio of loans secured by the following types of real estate assets: single family homes, apartment buildings, condominiums, office buildings, self-storage facilities, land approved for development, greenhouses, and warehouses for cannabis cultivation.



INTERESTING FACT

A cannabis business park covering 1 million square feet is being built in Massachusetts. It opens this Fall, and will be the Massachusetts Medical Cannabis Center.



GROWERS

It all starts with the “growers.” They plant the seeds, harvest the crop, and send their produce through the value chain of the marijuana market.

The days of local growers selling out of backpacks to dispensaries was not that long ago, but it is over. Growers must produce large volumes of consistent flower. Producers must be able to sell branded products that are the same from state to state and meet the demand of hundreds of dispensaries. **SCALING UP WILL BE THE NEW CHALLENGE FOR THE BIGGEST PLAYERS IN THE MARIJUANA INDUSTRY.**



Today’s marijuana producer is a sophisticated, educated player in the “agribusiness” community. In Colorado in 2014, more than 320,000 plants were cultivated each month, according to the Colorado Department of Revenue. More than 148,000 pounds of marijuana flower was legally sold.

As more growers scramble to get their crop to market and supply what looks to be a bottomless demand, consumers of cannabis benefit from falling prices. A recent report on the online news site Globalnews.ca said that in Washington State, “Prices are down because there is plenty of pot to go around. In fact, the state is allowing licensed producers to grow up to 12.3 million square feet of marijuana, or the equivalent of about 300 football fields, to supply the medical and recreational marijuana markets.”



INTERESTING FACT

California produces roughly half the legal marijuana in America

DISPENSARIES



You would be hard-pressed to find a segment of the modern economy with as much potential for explosive growth as marijuana dispensaries. That growth is happening right now. It is estimated that 2.6 million Americans across the entire country would seek medical marijuana treatment if it became available in their state. Instead of lining up at the Duane Reade or the CVS pharmacy counter... those millions will queue up at the nearest dispensary.

The same goes for recreational users – about 100 million people. Add them into the mix with the medical marijuana consumers, and dispensaries will count one out of every three people as a potential customer.

To meet this mushrooming demand licensed dispensaries will pop up everywhere. On October 1, 2015, Oregon began allowing existing medical dispensaries to engage in “limited” sales of cannabis. The Oregon Retailers of Cannabis Association estimates that sales were **\$13 MILLION IN THE FIRST WEEK** alone. That is an annualized revenue of \$676 million from a single dispensary.

THE “WEED RUSH” HAS ALREADY STARTED.

Currently, there are an estimated 2,100 dispensaries in California. As of December, there were at least 900 in Colorado. No one knows for sure how many currently operate in the country as a whole. What is certain is that, as existing legal restrictions on “weed” first loosen and then fall away, the number of dispensaries will soar as entrepreneurs scramble to get in on such a cash cow.



INTERESTING FACTS

Colorado’s dispensary sales are over a staggering \$100 million a month.

Some states have more dispensaries than Starbucks.

EDIBLE MANUFACTURERS

A single marijuana dispensary could bring in more than \$676 million a year. Not all of that cash comes from weed itself. Think of food or drinks that you would never imagine being connected to marijuana. Well, somebody is probably in a kitchen or distillery concocting it as we speak. Most folks have already heard about things like “pot brownies.” The market for marijuana “edibles” goes far beyond that.

There are weed desserts and weed energy drinks. In fact, we are even about to see the opening of the world’s first weed distillery. The founders believe their product is so good, merely calling it marijuana would be doing it the same amount of justice as calling vodka “potato juice.” The Colorado Department of Revenue reports that in 2014, five million marijuana edibles were sold in the state. According to the Denver Post, marijuana-infused edibles account for roughly 45% of the legal marijuana marketplace. A February report by Bloomberg says that edibles account for 50% of the revenue earned by dispensaries.

The sheer variety of edibles on offer is mind-boggling. One website boasts a full assortment of bars in six flavors including Vanilla Affogato, Mile High Mint, and Peanut Butter Buddha. On every nutritional label, alongside information on calories, carbs, and sodium, you will find the amount of THC the bars contain – 100, 200, or 225 milligrams. For people averse to inhaling smoke, that same site offers THC-laden capsules, lip balms, hash bath oils, topical compounds, and even THC patches that provide “accurate dosing... a quick onset and unsurpassed duration.” Thirsty users can enjoy THC-infused coffees, sodas, and sparkling waters. According to Salon, “one Denver bagel shop recently got attention for serving smoked salmon infused with THC.”



The growth in the edibles market is driven by more than a desire to satisfy marijuana users’ “munchies.” A February report by Fortune quotes John Kagia (author of the 2016 State of Legal Marijuana Markets report) as saying that marijuana edibles “come at higher price points than the flower does, which means the businesses are able to capture higher sales per customer.” The edibles market is also a windfall for marijuana growers, who can sell the trim and other parts of the plant to other companies who use them to make marijuana derivatives.

There is a stark disconnect between state and federal law when it comes to marijuana. The feds say that weed is illegal, period. More than 25 states plus the District of Columbia say that it is not. One serious consequence of this legal “Twilight Zone” is that marijuana growers and sellers cannot readily obtain the kind of financial services and support that every mom-and-pop operation takes for granted. Even bankers in states where weed is legal are loath to handle transactions from pot operations. To do so is to invite a raid by the DEA and charges of aiding a criminal enterprise. Congress may be poised to address this discrepancy.

The Marijuana Business Access to Banking Act of 2015 (H.R.2016) was written to “prohibit a federal regulator from (1) terminating or limiting the deposit or share insurance of a depository institution solely because it provides financial services to a marijuana-related legitimate business.” Until that bill becomes law, a new breed of financial entrepreneurs is stepping into this void. Some provide payment processing solutions that help dispensaries take in all that cash from their customers. Others offer medical savings plans to help patients pay for their marijuana prescriptions. Still, others provide physical security services that protect those truckloads of cash that are moving from place to place.



INTERESTING FACT

In Colorado, retail sales of edibles in the state’s medical and recreational markets surged 53% in the first quarter of this year from the same period in 2016, according to BDS Analytics, which provides cannabis industry data based on point-of-sale information it gathers from retailers.

TECHNOLOGY



The marriage of technology and cannabis entrepreneurship has gone from a passion-project for growers, to a full-fledged venture capitalist (VC) bonanza in just the past year and a half. Marijuana startups are no longer merely the domain of experts on cultivation and plant-strain for medical dispensaries. The profits are now measured in billions and developers are being offered increasingly high-paying positions at cannabis startups.

As every pot grower knows, a lot of care and technique goes into the cultivation of a pot plant. Marijuana plants need to flower to before they produce tetrahydrocannabinol, or THC (the chemical that gets users high). The plants must be exposed to light for 12 hours a day and kept in darkness for just as long. Kayvan Khalatbari and Nick Hice, co-owners of Denver Relief, a medicinal-marijuana dispensary, told The Denver Post that “The best place to grow marijuana is in a room in the basement with a locked door so light doesn’t inadvertently get in when the plants are ‘sleeping.’”

That is fine if you are a “grow your own” private toker. If you spoil a harvest or two, you will not go broke or out of business. Not so for the professional, large-scale cultivator. He has little room for error. As they say in the trade, “His plants have to flower.” To protect their investment, growers turn to state-of-the-art greenhouses containing high-tech devices and monitors such as hygrometers, which monitors that humidity levels never get above 50%, and CO2 tanks, which add carbon dioxide to the indoor air.

Another way that the significant growers control cultivation is through “hydroponics,” which is a method of growing plants in mineral- and nutrient-laced water, without soil. According to Manifest Minds LLC, the hydroponically grown plants will make up a \$24 billion market by 2018. **ALL THIS BARELY SCRATCHES THE SURFACE OF MARIJUANA TECHNOLOGY.**

Growers also need high-powered horticultural light bulbs, custom regulated fans, valves and pumps, nutrient and mineral supplements, plus specialized “grow tents.” With growers so dependent upon technology to operate this soon-to-be \$200 billion industry, it is no surprise that Silicon Valley is pouring money into it: According to Cleantech Group, venture capitalists sank \$976 million into agriculture start-ups. A 2015 report by Markets and Markets estimates that the market for “Smart” greenhouses will reach \$1.2 billion by 2020.



INTERESTING FACT

The first e-commerce transaction was a marijuana sale.

That is one tidbit in John Markoff 's 2005 book, “What the Dormouse Said: How the Sixties Counterculture Shaped the Personal Computer Industry.”

In 1971 or 1972, Stanford students using ARPANET accounts at Stanford University's Artificial Intelligence Laboratory engaged in a commercial transaction with their counterparts at Massachusetts Institute of Technology. Long before Amazon or even eBay, the original act of e-commerce was a drug deal. The students used the network to arrange the sale of an undetermined amount of marijuana quietly.

E-commerce has grown like gangbusters since then, expected to top \$300 billion in 2016. The more legalized marijuana becomes in America, the more it will be sold by retailers – perhaps even online eventually.

MEDICINE

By far the most significant segment of the emerging cannabis landscape and the one that is lending the highest sense of “legitimacy” to legal weed is the market for medical marijuana. For decades the FDA has been quietly greenlighting drugs that contain cannabinoids or similar chemicals as those found in the cannabis plant. The agency has not been shy about expressing its public support of research to explore marijuana’s vast potential.



In fact, the FDA has already granted fast-track approval and orphan drug status to some pot drugs. The use of marijuana to treat a wide variety of illness and disease has been the “opening wedge” that is making entirely legal marijuana – and the profit opportunity it represents – into a reality.

Medical marijuana will continue propelling the industry as legalization increases. Last July, Salon reported that when it comes to legal marijuana, “By far the biggest financial movers and shakers behind the scenes are pharmaceutical and research outfits.”

82% OF DOCTORS APPROVE OF MEDICINAL MARIJUANA.

One of them, a University of California oncologist named Dr. Donald Adams, is vocal in his support. “I say all the time, not a day goes by when I’m not recommending cannabis to patients for nausea, loss of appetite, pains, insomnia and depression – it works... If physicians are in support of cannabis as a medicine, why is it not medicine?”



INTERESTING FACTS

93% of patients prefer cannabis over opioids, according to a new study published by a team of researchers for the Journal of Cannabis and Cannabinoid Research.

THC and CBD, marijuana’s primary cannabinoids, are both cancer killers.

Unlike common thought that marijuana dumbs people down, marijuana triggers neurogenesis. Layman’s terms: It leads to brain cell growth.

TIPS TO LOWER YOUR EXPOSURE

YOU DON’T NEED TO TOUCH THE PLANT!

There is no denying that laws and regulations complicate cannabis-related business. Many potential marijuana investors have been turned off by this. That there are ways to take advantage of this exploding market without having to navigate through all the regulations.

PROVIDING DEBT CAPITAL VS BUYING EQUITY

It sounds far more exciting to be in on the ground floor and buy 5% of a start-up company for \$25,000 and hope your investment turns into \$2.5 million or a lot more. However, the majority of investors in the industry today overlook the safety they gain when they are lenders as opposed to shareholders.

As a lender, you are paid income while you wait for the company to mature and someday possibly be sold or even complete an IPO. **SECURED LENDERS HAVE EVEN MORE SAFETY.** They are always paid first (in advance of the stockholders) if the company fails, and liquidation occurs. While you may miss the potential for a 100-to-1 return on investment as a lender, very few companies reach market valuations exceeding \$50 million without selling additional equity as they grow over time. When other capital needs arise in a high-growth company, lenders are often asked to convert their loan into equity or purchase equity at a discount.

Because banks today refuse to lend to the marijuana industry because of federal regulations, lenders are typically paid double-digit interest rates and often collect royalty payments on the borrower's gross monthly sales, if permitted by state marijuana laws. Most real estate loans in the marijuana industry exceed \$1 million, so it can be challenging to build a diversified portfolio without a substantial investment.

ANCILLARY BUSINESSES

You can invest in cannabis businesses that directly the plant, like, growers or dispensaries. You can reap significant profits from doing so. However, you can take advantage of the market boom with less risk by investing in businesses that provide products and services to other companies that are directly involved with the plant. An example being greenhouse lighting manufacturers that specialize in products suited for growing cannabis.



THE FUND APPROACH... USE THE EXPERTS!

The cannabis industry is significant. It is vast indeed, and it is growing at shocking rates. We have already covered that in this book. Even with its size, it is a multifaceted and emerging industry that is full of complex laws and regulations.

Therefore, it would be smart to invest in funds with experience and knowledge fund managers. Funds that have teams to do due diligence and funds that have access and connections to source great deals.

DON'T MAKE THESE COMMON MISTAKES

LACK OF DUE DILIGENCE

Your primary focus as an individual investor should be your due diligence. That is true of any industry, but it is even more critical in an industry that has as much of a tailwind as this one does because it attracts bad actors.

Before researching the company's product or service, their financial results or the size of the market that exists for them to capture, you must complete a background check on each person in the management team. Bad actors typically leave a trail of bad choices that lead to litigation or arrest.

Beyond the management team, you need to understand who else has put capital into the company. Bad actors are often hidden from investors as consultants or advisors to the company. In other cases, especially in penny stock companies, they are hidden as warrant holders or owners of debt that can be converted into a massive amount of stock at meager prices.

For example, the Securities and Exchange Commission has issued warnings to investors saying: "Beware of investing in publicly traded cannabis companies." These warnings were triggered after many of the typical "pump & dump" bad actors were found to be using methods of trading public stocks that were not within the guidelines that the SEC has issued. The leading investors in today's marijuana industry stay clear of penny stocks and those who promote stocks on the exchanges outside of the U.S.

BACKING INDIVIDUAL ENTREPRENEURS VS. ENTREPRENEURIAL TEAMS

While many great ideas may have their origins in a dorm room or someone's garage, it is always better to invest when a team has formed around the business concept, and a good team has written a business plan. Look for teams that have at least one serial entrepreneur or more who have built a company and completed a profitable sale.

Never settle for "B" rated team. An "A" team is critical. It is better to bet on an "A" team with a "C" project than a "B" team with an "A" project. A capable team can always pivot as necessary and adapt to the inevitable challenges that the market presents. There is no substitute for an experienced leadership team with a proven track record, especially knowing that there will be a tremendous consolidation of this industry when federal legalization occurs, and Big Pharma, Big Tobacco, and Big Agriculture begin buying the best companies in the future.

Look for teams that consist of individuals with successful track records in other industries. The diversity of experience within the management team is crucial to the long-term success. Having a group of four botany scientists without anyone on the team with sales and marketing or finance experience is a team that is likely to be outpaced by competitors who have built a diversified team.

DIVERSIFICATION ACROSS SEVERAL INDUSTRY SEGMENTS

It is far easier to invest in a segment of the industry where you have first-hand experience. If your background is in agriculture, for example, you will naturally understand the cultivation segment better than others, so you will want to start there and expand your education on other sectors over time.

However, you can and should diversify into other segments as soon as possible. This is a rapidly changing industry, and when marijuana becomes a common commodity like corn and soybeans, you will be glad you have diversified into several segments of the industry that will benefit from the falling commodity prices.

FAILURE TO NETWORK WITH OTHER INVESTORS

Of course, marijuana has a stigma attached to it after 90 years of prohibition which causes some investors to be very private about their activities in the industry. However, you can and should gain the benefits of networking with other investors in the industry. It seems that every month there is an industry conference and since over 70% of the companies in the industry are seeking capital, investors are always welcome. You will find educational workshops on every aspect of the industry and meet people who are excited to share their experiences.

The best opportunities are found through connecting with other investors and seldom advertised. You will quickly discover that this is currently a relatively small industry where a person's reputation is well known and readily verified. The best opportunities are funded in a few weeks, so investing time networking can result in significant rewards by having access to opportunities you had otherwise only read about after they are closed.

STATE LAWS & GLOBAL TRENDS

2017 STATE LAWS

The U.S. jurisdictions that provide for some form of cannabis/MJ possession are listed below with a brief official explanation of the newest limits and conditions under which a person can grow, sell, maintain, or store some amount of the substance, either in the form of seeds, MJ plants, or processed cannabis/MJ. The majority of the state-by-state summaries were culled from official statutes where available.

Alaska: Alaska's law lets a designated patient with a RIC possess one oz. of processed cannabis/MJ and grow six MJ plants, only three of which can be mature MJ plants. It just provides an affirmative defense, not protection from formal arrest. Each designated patient can have one primary medical caregiver and one alternate medical caregiver. Medical caregivers must be 21 years of age or older and can only serve one designated patient unless the medical caregiver is a relative of more than one designated patient. They cannot be on parole or probation and cannot have certain drug felonies. Alaska's law does not include any protections for unregistered designated patients.

Arizona: If a designated patient lives more than 25 miles away from a cannabis/MJ dispensing facility, the designated patient can grow up to 12 MJ plants in an enclosed, locked location, or he or she can designate a medical caregiver to do so. Designated patients can have a single medical caregiver, and a medical caregiver can assist no more than five designated patients. Medical caregivers can receive reimbursement for their actual expenses, but cannot receive any compensation for their services. Arizona's law provides for state-regulated nonprofit cannabis/MJ dispensing facilities. The department can charge up to \$5,000 for each cannabis/MJ dispensing facility application and up to \$1,000 for each renewal. Each cannabis/MJ dispensing facility employee must register with the department.

Arkansas: Registered designated patients and medical caregivers with RICs are not subject to arrest, prosecution, or penalty for using and possessing up to two and one-half oz. of cannabis/MJ. Designated patients and medical caregivers cannot be subject to "disciplinary action by a business, occupational, or professional licensing board or bureau" for MM. Further, employers cannot discriminate or penalize designated patients or medical caregivers based on their enrollment in the program. Employers are not required to accommodate ingestion in a workplace or an employee working under the influence.

California: California's law lets a designated patient with a doctor's recommendation possess at least eight oz. of processed cannabis/MJ and grow six mature MJ plants or 12 immature MJ plants. Designated patients can also assert a defense in court for more substantial amounts that are for "personal medical purposes." SB 420 provides that designated patients and medical caregivers "who associate within the State of California in order collectively or cooperatively to grow cannabis/MJ for medical purposes, shall not solely by that fact be subject to state criminal sanctions" It also specifies that it does not "authorize any individual or group to grow or distribute cannabis/MJ for profit." Based on this language, cannabis/MJ dispensing facilities are operating in many parts of California. When the attorney general issued guidelines on MM, state law provided no regulation or registration of collectives and cooperatives, although several localities moved to regulate them, while others have banned them altogether.

Colorado: Each designated patient can possess up to two oz. of cannabis/MJ and can grow up to six MJ plants, three of which can be mature. Designated patients can name a single medical caregiver or an MM center to grow for them. A medical caregiver can assist no more than five designated patients unless the department of health determines exceptional circumstances exist. A medical caregiver must have "significant responsibility for managing the well-being of a designated patient." Under a law that passed in 2010, MM centers (cannabis/MJ dispensing facilities) and entities that make cannabis/MJ infused products are explicitly allowed and must be licensed by their locality and a state licensing authority under the Department of Revenue.

Connecticut: Connecticut's law does not provide for home cultivation. It provides for cannabis/MJ dispensing facilities, which are licensed by the Department of Consumer Protection. Only pharmacists were permitted to file applications for cannabis/MJ dispensing facilities. The rules required the department to let at least one cannabis/MJ dispensing facility and let it to authorize more if “additional cannabis/MJ dispensing facility facilities are desirable to assure access to cannabis/MJ for qualifying designated patients.” It has approved nine cannabis/MJ dispensing facilities, eight of which were open as of fall 2016.

Delaware: Delaware's law lets a designated patient with a RIC possess six oz. and obtain up to three oz. of processed cannabis/MJ every 14 days. When designated patients or medical caregivers are out of their residences, cannabis/MJ must be stored in an approved, sealed container obtained from a designated center, unless the cannabis/MJ is being administered or prepared for administration. Registered medical caregivers can possess up to six oz. for each designated patient they assist.

Florida: Once the program is operating, registered designated patients and their designated medical caregivers will be protected from arrest, prosecution, and civil sanctions for actions in compliance with the program. Educational institutions and employers need not accommodate MM use. The health department will determine how much will be “presumed to be an adequate supply,” but this presumption can be overcome if a designated patient can show that they need more.

Hawaii: Hawaii's law lets a designated patient with a RIC and his or her medical caregiver to collectively possess three oz. of processed cannabis/MJ and grow three mature MJ plants and four immature MJ plants. Hawaii's law does not provide for cannabis/MJ dispensing facilities, and a primary medical caregiver can only assist one designated patient at a time. There is also a “choice of evils” defense designated patients can use.

Illinois: Illinois' law lets a designated patient or medical caregiver with a registry ID card to possess 2.5 oz. of processed cannabis/MJ. Designated patients and medical caregivers cannot grow cannabis/MJ. Instead, they are permitted to obtain MM from one of up to 60 state-regulated MM cannabis/MJ dispensing facilities, which can be for-profit. Cannabis/MJ dispensing facilities are also subject to rules created by the Department of Financial and Professional Regulation. They must obtain MM from one of up to 22 cultivation centers. Prospective cultivation centers submit detailed plans to the Department of Agriculture. All cultivation centers must have 24-hour surveillance that law enforcement can access. They are also required to have cannabis-tracking systems and perform weekly inventories.

Maine: Maine's law states that a designated patient or medical caregiver with the required documentation or registry ID card can possess 2.5 oz. of processed cannabis/MJ per designated patient. A total of six mature MJ plants can be grown for each designated patient in an enclosed, locked location. The designated patient can choose to grow and can designate either a medical caregiver or a cannabis/MJ dispensing facility to grow for the designated patient, as long as the total amount of MJ plants per designated patient does not exceed six mature MJ plants. MJ plants in other stages of harvest can also be grown. The law has an affirmative defense for designated patients needing additional amounts of cannabis/MJ. Adult designated patients can have a single medical caregiver, and a medical caregiver can assist no more than five designated patients.

Maryland: Designated patients and their medical caregivers cannot be subject to arrest, prosecution, or "any civil or administrative penalty" for the possession of a 30day supply of cannabis/MJ, which is 4.23 oz. of dried cannabis or 1.27 oz. of concentrates, although a doctor can increase this amount. There is also an affirmative defense of "medical necessity" that designated patients and medical caregivers can raise for possession of up to one oz. of cannabis/MJ.

Massachusetts: Massachusetts' law lets a designated patient or medical caregiver possess a 60-day supply of cannabis/MJ. The rules define a presumptive 60-day supply as 10 oz., but doctors can certify that a higher amount is needed if they document the rationale. A designated patient with limited access to cannabis/MJ dispensing facilities can grow if he or she receives a hardship registration which permits the designated patient or his or her medical caregiver to grow a 60-day supply of MM. The department issues cultivation registrations to designated patients whose access to cannabis/MJ dispensing facilities is limited by financial hardship, the physical incapacity to access reasonable transportation or the lack of cannabis/MJ dispensing facilities reasonably close to the designated patient.

Michigan: A designated patient can choose to grow up to 12 MJ plants in an enclosed, locked area, or can designate a medical caregiver to do so for the designated patient. Designated patients can have a single medical caregiver, and medical caregivers can assist no more than five designated patients. Medical caregivers can receive reasonable compensation. In 2016, the legislature passed a law that will let licensed provisioning centers to dispense cannabis/MJ. It will also create a system for medical cannabis production and testing.

Minnesota: The state has been among the fastest to implement a full-scale MM program completely. The law required the state to register two MM manufacturers, and it did so by July 1, 2015. Each of the manufacturers was required to establish a total of four distribution points. The law requires that only pharmacists working with the manufacturers can distribute cannabis/MJ products to qualified designated patients. They can only dispense up to a 30-day supply as determined by the on-site pharmacist after consulting with the individual designated patient.

Montana: Montana's revised law lets a registered designated patient or his or her registered provider possess four mature MJ plants, 12 seeds, and one oz. of usable cannabis/MJ per designated patient. If a designated patient grows MM for personal use, his or her provider cannot also grow for that same person.

Nevada: Designated patients and their medical caregivers can collectively possess two and a half oz. of cannabis/MJ. They can obtain that amount each 14-day period. Those designated patients or medical caregivers who are permitted to grow can grow up to 12 MJ plants.

New Hampshire: New Hampshire's law lets a designated patient with a registry ID card to obtain up to two oz. of processed cannabis/MJ every 10 days. Medical caregivers can possess that amount for each designated patient they assist. Designated patients and medical caregivers cannot grow cannabis/MJ. Instead, they will be permitted to obtain MM from one of up to four state-regulated alternative treatment centers (ATCs). Three ATC applicants were approved in June 2015 and began opening in 2016.

New Jersey: New Jersey's law does not permit home cultivation, but it does allow for "alternative treatment centers" that are registered with the state to produce and dispense MM to qualified designated patients and their medical caregivers. The department of health and senior services decides how many centers to authorize. It registered the minimum number, six, in March 2011. The first alternative treatment center opened in December 2012, and five of the six centers are open as of December 2016.

New Mexico: Designated patients can possess up to six oz. of cannabis/MJ, and medical caregivers can possess this amount for each designated patient who has designated the medical caregiver. Designated patients can also request permission to own a more abundant supply. Though the law itself was silent on home cultivation, by rule, the state health department has permitted designated patients to apply for a separate personal cultivation license. If granted, they can grow up to four mature MJ plants and 12 seeds.

New York: Designated patients can possess a 30-day supply of MM, an amount that is determined by the doctor or the cannabis/MJ dispensing facility. They can refill their 30-day supply seven days before it runs out.

North Dakota: Designated patients and medical caregivers are permitted to possess no more than three oz. of useable cannabis/MJ per 14-day period. Registered designated patients and medical caregivers can obtain medical cannabis from a licensed nonprofit compassion center. The Department of Health will license nonprofit compassionate care centers that are required to maintain appropriate security, including well-lighted entrances, an alarm system that is connected to law enforcement, and video surveillance. They cannot be located within 1,000 feet of a school, and they will be subject to inspections and other rules.

Ohio: Ohio's law lets designated patients to possess a 90-day supply of MM, which will also include products made with MM. The actual amount will be established by the Board of Pharmacy during the rule-making process.

Oregon: Designated patients can have one designated medical caregiver, who must have “significant responsibility for managing the well-being” of the designated patient. Designated patients can reimburse medical caregivers for the actual cost of supplies and utilities, but not for their labor. Oregon's law lets a designated patient with a RIC or a primary medical caregiver to possess 24 oz. of processed cannabis/MJ and grow six mature MJ plants and 18 immature MJ plants for each designated patient for which the medical caregiver grows. Each grow site must be registered with the health department.

Pennsylvania: The law lets a designated patient or medical caregiver with a registry ID card to obtain and possess a 30-day supply (and to refill it when no more than seven days of supply is left). Designated patients will be permitted to get MM from one of up to 50 state-regulated MM cannabis/MJ dispensing facilities — each of which can have up to three locations and which can be for profit.

Rhode Island: Each designated patient can possess up to 2.5 oz. of cannabis/MJ and can grow up to 12 MJ plants and 12 seeds in an enclosed, locked area. Designated patients can also designate up to two medical caregivers or compassion centers to grow for them. A medical caregiver can assist no more than five designated patients. Medical caregivers can possess 2.5 oz. per designated patient, they assist and 12 MJ plants per designated patient, but their total cap is 24 MJ plants and 5 oz. Medical caregivers can receive reimbursement for their costs associated with assisting a designated patient.

Vermont: Vermont's law lets a designated patient choose to grow up to two mature and seven immature MJ plants or to designate either a medical caregiver or a cannabis/MJ dispensing facility to grow for the designated patient. A designated patient with a RIC and his or her medical caregiver can collectively possess two oz. of processed cannabis/MJ. Cultivation must occur in a secure, indoor location. Medical caregivers must be 21 and have no drug-related convictions. They can only assist one designated patient.

Washington (state): Washington's possession limits vary based on whether or not a designated patient participates in the state's voluntary registry. For those who do not participate, the law lets a designated patient with valid documentation and his or her designated provider to collectively possess three oz. of processed cannabis/MJ, or six oz. if the cannabis/MJ is produced from MJ plants the designated patient or medical caregiver grows, and four MJ plants. For those who elect to be registered in the state system, designated patients can possess six MJ plants and up to eight oz. of usable cannabis/MJ. Designated patients can also be authorized by their healthcare practitioner to possess up to 15 MJ plants and 16 oz. of usable cannabis/MJ. Registrants will also be able to purchase from a medically endorsed retail store licensed by the Liquor and Cannabis Board.

Washington, D.C.: A designated patient or medical caregiver can possess no more than two oz. in a 30-day period, which must be obtained from a cannabis/MJ dispensing facility. However, local officials can increase the amount to up to four oz. The law provides for regulated grow facilities and cannabis/MJ dispensing facilities. The facilities and their staff are required to register with local officials. Cultivation facilities are permitted to produce up to 500 cannabis/MJ plants and sell them to cannabis/MJ dispensing facilities. The law allows between five and eight cannabis/MJ dispensing facilities. Local officials have set the number of cannabis/MJ dispensing facilities at five and cultivation centers at 10.

GLOBAL TRENDS

LEGAL WEED IS AN UNSTOPPABLE GLOBAL TREND.

America is far from the only country poised to loosen the reins on marijuana. Here are nine countries that are leading the way.

Israel – Has already approved a wide array of cannabis-based treatments for cancer, epilepsy, and MS.

Canada – A full legalization program is currently being developed, with the explicit approval and support of Prime Minister Justin Trudeau.

Spain – Citizens can grow and consume cannabis; they are forbidden from transporting or selling it. Mexico – Cannabis is decriminalized, but President Enrique Peña Nieto opposes a fully-legal cannabis market.

Australia – According to ArcView, “On October 17, 2015, the Federal Government announced that it would legalize the growing of cannabis for medicinal and scientific purposes.”

Uruguay – Became the first country ever to legalize the sale of marijuana, but so far, the legal market lags behind the “homegrown” market.

Jamaica – Has decriminalized possession of up to two ounces of cannabis, and now regulates cultivation for medical and religious purposes.

Germany – Possession is illegal, but consumption is legal. Also, scientific institutions can cultivate and possess cannabis, and pharmacies can sell cannabis-based treatments with government permission.

Colombia – Since 1994, possession of up to 22 grams for personal use has been legal. On December 22, 2015, President Juan Manuel Santos signed a decree “legalizing the cultivation, consumption, export, and import of cannabis strictly for medical and scientific purposes,” according to ArcView.