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VIRIDIAN  
CAPITAL ADVISORS

## Capital Markets, Market Intelligence, and Strategic Direction for Growing Cannabis Companies

Broker Dealer Services Provided Through Pickwick Capital Partners, LLC A Member of FINRA and SIPC

# How to Invest in the Cannabis Market While Managing Risk

# Key Considerations for Investors



- ◆ **Management Team/Board of Directors**
- ◆ **Governance/Financial Controls**
- ◆ **Differentiation and ROI for Product/Technology/Service**
- ◆ **Business Model**
- ◆ **Capitalization Structure/Balance Sheet**
- ◆ **Stock Liquidity**

# Leading Financial/Strategic Advisory Firm



- ◆ **Launched First Financial/Strategic Advisory Firm Dedicated to Cannabis Sector**
- ◆ **Industry Analysts; SEC Licensed Investment Bankers and Brokers**
- ◆ **Deep Deal Experience in Capital Raises and M&A Transactions**
- ◆ **Viridian Cannabis Stock Index Ranked by Barron's as Industry Benchmark**

# Leverage Viridian's Brand, Reach and Following



**BARRON'S**

"In recent months there have been a spate of stories that discuss and handicap the dozens of marijuana stocks that have come to market. **Indeed, this market now has its own benchmark, the Viridian Cannabis Stock Index.**"

**(I) INVESTOPEDIA**

"For the savvy investor, marijuana stocks can be quite lucrative. But first you have to weed out those that are performing poorly, and make an educated guess on which ones will still be around. **To start, you may want to look over the Viridian Cannabis Industry Report and Stock Index.**"



"**There's going to be a shakeout in the public companies,**" predicted Scott Greiper, president of Viridian Capital Advisors, a New York firm that services the marijuana sector, including its stock index. "The most important challenge for this industry is the emergence of professional, seasoned executives."

**Forbes**

"**Some may not like it, but legal cannabis is big business already — a \$700 million business last year in Colorado alone**", Viridian Capital reports. Viridian cites inexperienced management, lack of a federal banking green light, and pricing pressure as problems that can cause an industry shakeout."

**weedmaps™**

"**Viridian is blazing all sorts of trails when it comes to the intersection between venture capital and the cannabis industry**, serving as a central hub for companies in need of financing, as well as eager investors looking to cash in on such a burgeoning market."

**FORTUNE**

**Bloomberg  
Business**

**CNNMoney**



**Marijuana  
Business Daily™**

The most trusted cannabis news source since 2011

# Why We Launched Viridian



- ◆ **Industry Needs to be “Institutionalized”**
  - Need for Experienced Management Teams / Boards of Directors
  - Need Business Models that Make Sense, Scalable, Fundable
  - Public Companies Must Show Improved Compliance, Best Practices, Transparency
- ◆ **Institutional Investors Just Starting to Come Into Market**
  - # Public Companies Explodes (2012: 13, 2013: 31, 2014: 175, 2015: 300+)
- ◆ **Public Stocks Need Liquidity**
- ◆ **M&A Opportunities as Industry Naturally Consolidates**

# Key Team Members



## Scott Greiper: President and Founder

- 25-year career as a research analyst, investment banker in the technology sector
- Involved in raising >\$400 million in capital, completed numerous M&A assignments



## Carl Kleidman: Director, Investment Banking

- 30-year career as an attorney, investment banker and private equity executive
- Executed over 75 public offerings, 24 private placements, and 12 M&A transactions



## Michael Swartz: Senior Analyst

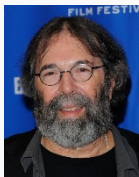
- Leads analysis/modeling/valuation work for the firm's M&A and fund raising assignments



## Harrison Phillips: Analyst

- Leads market and company market intelligence and reports

# Select Advisory Board Members



## Mr. Michael Cohl

- Former Chairman of Live Nation
- Leading music and Broadway producer (The Lion King, Rolling Stones, U2)



## Mr. Mitch Fox

- Former Publisher – Vanity Fair
- Former Group President/Publisher – Conde Nast



## Ambassador Ned L. Siegel

- CEO, The Siegel Group, Global Real Estate Management
- Former U.S. Ambassador to the Bahamas, Board Member OPIC



# Select Advisory Board Members



## Mr. Mitch Lowe

- Co-founder, Netflix
- Founder, Redbox



## Mr. David Knight

- Product Manager Frito Lay
- Managing Director, Gatorade



## Mr. David Charnick

- Leading Cannabis Industry Activist/Advocate
- Advisor to Leading Cannabis Industry Real Estate Group

# Key Considerations for Investors



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# Management Team/Board of Directors



## ◆ Management's/Board's Track Record

- Has CEO/team successfully scaled and financed early stage growth companies
- Has management team worked together previously
- Background checks on key executives
- Has there been a successful exit strategy
- Full “C-Suite” – CFO and COO

## ◆ Does Management Have “Skin in the Game”

- Is there proper equity incentive plans in place for key employees

## ◆ Business Plan

- Is the plan well crafted with identifiable and reasonable assumptions

# Governance/Financial Controls



## ◆ Governance

- **Proper financial controls**
- **Proper SEC reporting standards**
- **Independent Board members**
- **Employment standards**
- **Transparency/Communication with shareholders**

# Product/Technology/Service Differentiation



- ◆ **Is Product/Service/Technology Truly Differentiated in the Marketplace**
  - **Is it a “me too” company**
  - **Does product/service/technology really “fill a gap”**
  - **Does it compete on functionality, efficacy AND/OR price**
  - **What is the competitive landscape (SWOT Analysis)**

# Business Model

## ◆ Go to Market Strategy

- Direct vs. Channel

## ◆ Revenue Model

- One-time vs. recurring revenue model

## ◆ Pricing/Margins

- What is the level of price competition in the market
- Can gross/operating margins be maintained in downward pricing environment

## ◆ Cash Burn Rate

- What are ongoing capital requirements relative to increase/decrease in burn

## ◆ Buy vs. Build Strategy

- Is M&A a component of the overall growth strategy

# Capitalization Table/Balance Sheet



## ◆ Capitalization Table

- ◆ **Prior financing terms and structure**
  - **How many shares and shareholders**
  - **Who are the controlling shareholders**
  - **Is there a preferred stock/debt holder**
  - **Are there relationships between shareholders that could affect proxy contest**

## ◆ Balance Sheet

- ◆ **Debt vs. Equity Levels**
- ◆ **Interest burden on debt**
- ◆ **Toxic financings**
- ◆ **Retained Earnings/Losses**

# Stock Liquidity



## ◆ For Public Companies

- **Daily trading volume/dollar value**
- **Size of float**
- **Is company a current filer (affects Rule 144 holding period)**
- **Has company successfully filed a registration statement with SEC**
- **Is there a current, active registration statement**
- **Is there a current option/warrant plan that can exercise to build float/generate cash**





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## Viridian Cannabis Stock Index Up 23.6% for Q1'2015

*Infused Products, Cultivation & Retail Sectors Show Triple Digit Gains*

*Capital Raise, M&A and Partnership Activity Accelerates*

*More Investment Funds Enter the Market*

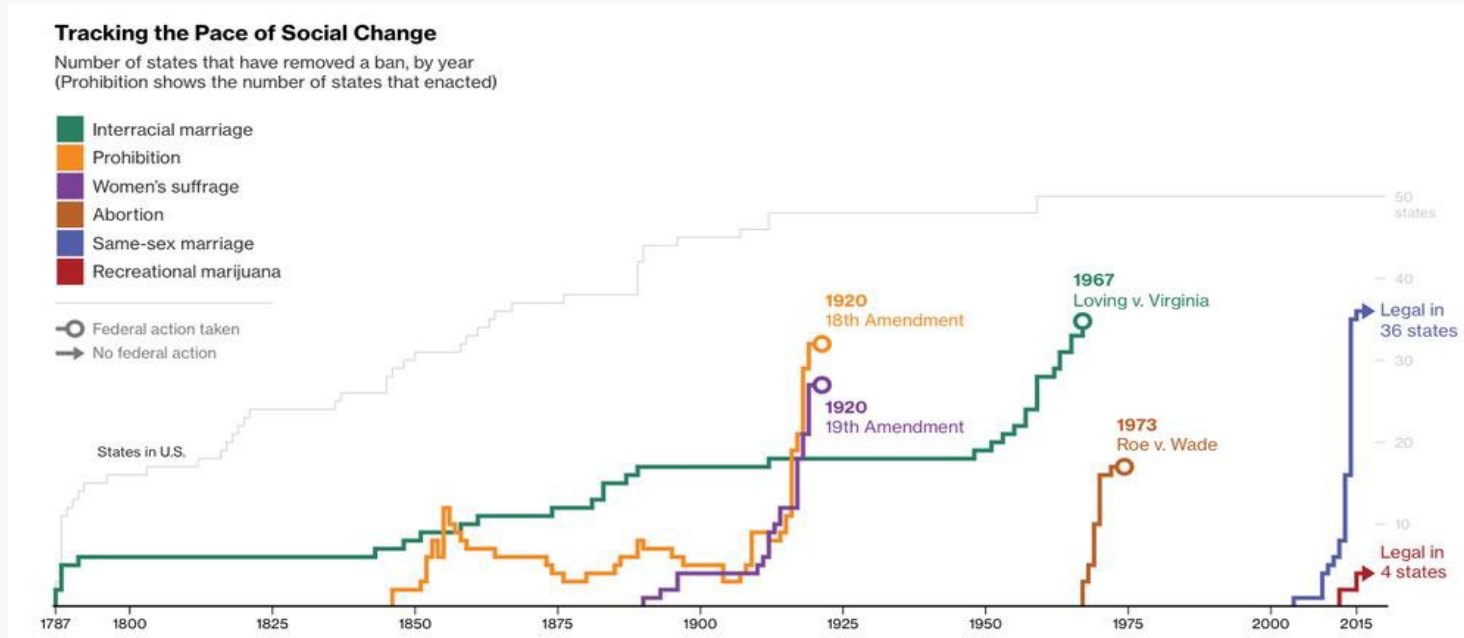
The Viridian Cannabis Stocks Index gained 23.6% through Q1'2015, significantly outperforming the Dow Jones Industrial Average (down 0.3%), the S&P 500 (up 0.4%), the NASDAQ (up 3.5%), and the Russell 2000 (up 3.0%). This gain follows a strong 2014 performance (up 38.4%), but two down quarters in Q3 and Q4'2014. We attribute the strong first quarter to several factors, including:

- The traditional “January effect” in small cap stocks, whereby prices recover from year-end tax selling.
- Increase in the number and dollar volume of capital raises, providing working capital for 23 companies.
- Increase in M&A and partnership activity, helping companies build market share and accelerate growth.

# Industry Growth Drivers

- ◆ **More than half of U.S. states have legalized marijuana**
  - Medical: 23 states; Recreational: 4 states plus D.C.
  - We expect 7-13 states, most notably California, to introduce legalization initiatives in 2015 and placement on ballots in 2016.
- ◆ **Legal Cannabis sales growing**
  - \$2.7B in 2014, \$1.5B in 2013, \$800M in 2012
- ◆ **Positive federal initiatives in 2014**
  - Supreme Court recognizes States' rights to regulate marijuana
  - Congress bans government from interfering with state medical marijuana laws
  - NYC won't arrest for small amounts of possession.
- ◆ **Public Cannabis stocks outperform all other indices last 3+ years**

# Tracking the Pace of Social Change



**"Alcohol prohibition fell when a sufficient number of states enacted legislation repealing the state's alcohol prohibition laws."**

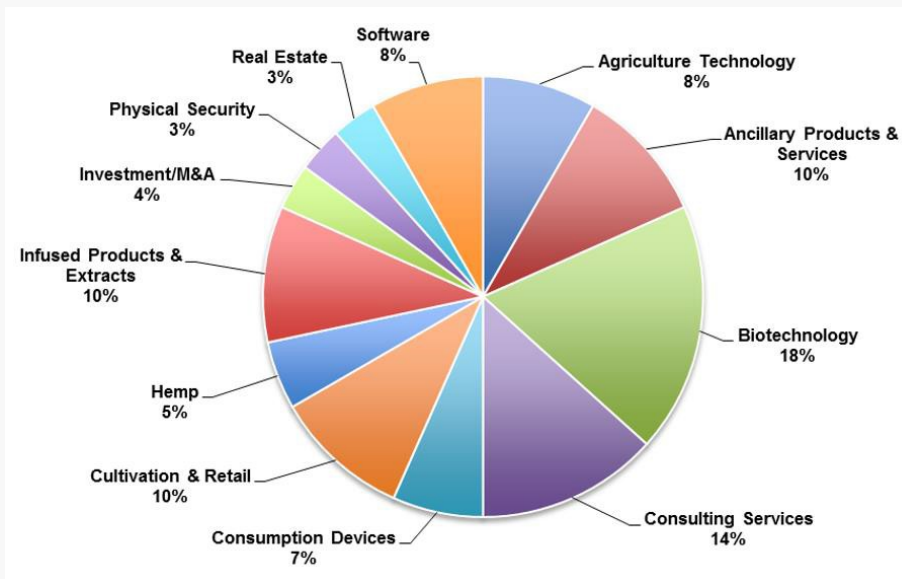
- Paul Armentano, *Deputy Director of NORML*

# Industry Challenges

- ◆ **Core business fundamentals are still evolving creating execution risk**
  - Business models, budgeting / forecasting, management / board depth, and financial reporting standards all evolving
- ◆ **Poor balance sheets and toxic financing structures are pressuring stock prices and hurting companies's ability to raise capital.**
- ◆ **Federal legal status continues to act as an overhang, impeding the rollout of commercial banking in the industry and causing the subsequent negative effects on commercial operators.**
- ◆ **Cannabis pricing is under pressure, the supply and demand curve is variable by state, and illegally grown marijuana a is still penetrating the system, leading to slower rollouts by states.**

# Viridian Cannabis Stock Index

- ◆ Index Comprised of 60 Public Cannabis Companies
- ◆ Leading Index in the Cannabis Industry as Ranked by Barron's
- ◆ Segmented into 12 Different Categories



# Viridian Cannabis Index Performance



Viridian Cannabis Index Performance	2013	Q1'2014	Q2'2014	Q3'2014	Q4'2014	2014	Q1'2015	Q2'2015	H1'2015
Equal Weighted Total Return	77.5%	938.6%	2.8%	(33.3%)	(32.1%)	38.4%	23.6%	(17.2%)	2.3%
<b>Index Performance</b>									
	2013	Q1'2014	Q2'2014	Q3'2014	Q4'2014	2014	Q1'2015	Q2'2015	H1'2015
Dow Jones Industrial Average (TR)	26.5%	(0.7%)	2.2%	1.3%	4.6%	7.5%	(0.3%)	(0.9%)	(1.1%)
S&P 500 (TR)	29.6%	1.3%	4.7%	0.6%	4.4%	11.4%	0.4%	(0.2%)	0.2%
Nasdaq (PR)	38.3%	0.5%	5.0%	1.9%	5.4%	13.4%	3.5%	1.8%	5.3%
Russell 2000 (TR)	37.0%	0.8%	1.7%	(7.7%)	9.4%	3.5%	4.0%	0.1%	4.1%
<b>Sector Performance</b>									
	2013	Q1'2014	Q2'2014	Q3'2014	Q4'2014	2014	Q1'2015	Q2'2015	H1'2015
Agriculture Technology	NM	NM	NM	NM	NM	NM	(10.2%)	(14.7%)	(23.4%)
Ancillary Cultivation & Retail	77.7%	590.7%	(2.2%)	(39.3%)	(23.4%)	15.2%	NM	NM	NM
Ancillary Products & Services	NM	NM	NM	NM	NM	NM	76.4%	(60.0%)	(29.5%)
Biotechnology	97.5%	1166.8%	48.6%	(31.8%)	(32.5%)	84.6%	10.9%	(8.2%)	1.8%
Consulting Services	75.9%	1047.7%	70.4%	(15.9%)	(34.1%)	169.9%	(14.9%)	(29.3%)	(39.8%)
Consumption Devices	(77.8%)	2783.6%	(43.2%)	(47.3%)	(36.2%)	1.7%	(30.3%)	(12.5%)	(39.0%)
Cultivation & Retail	(71.9%)	623.3%	23.6%	(23.9%)	(28.2%)	33.3%	102.1%	(16.4%)	69.0%
Hemp	NM	NM	NM	NM	NM	NM	NM	(44.4%)	NM
Infused Products & Extracts	(98.1%)	552.7%	36.4%	(32.0%)	(32.7%)	56.9%	163.0%	(10.3%)	136.0%
Investment/M&A	31.1%	497.9%	8.0%	(40.5%)	(37.2%)	9.7%	(38.6%)	(14.2%)	(47.3%)
Physical Security	NM	1047.1%	32.3%	(41.7%)	(63.5%)	(41.6%)	(45.6%)	10.0%	(40.2%)
Real Estate	11.0%	119.3%	(44.9%)	(27.7%)	(13.8%)	(21.5%)	(23.7%)	35.5%	3.4%
Software	722.2%	400.6%	(50.2%)	(32.8%)	(56.3%)	(22.8%)	(15.2%)	(10.9%)	(24.5%)

# Spotlight on Revenue Growth

Revenue Growth by Sector		Q2'15 / Q1'15	Q2'15 / Q2'14	Q1'15 / Q1'14	H1'15 / H1'14
Index	Mean	77.8%	2,830.2%	1,441.4%	2,710.8%
	Median	0.0%	0.0%	0.0%	8.7%
Agriculture Technology	Mean	8.0%	213.7%	23.5%	256.2%
	Median	-12.9%	263.7%	18.4%	113.5%
Ancillary Products & Services	Mean	-14.5%	246.2%	152.4%	474.5%
	Median	0.0%	0.0%	169.7%	0.0%
Biotechnology	Mean	7.6%	-8.1%	-7.4%	-8.2%
	Median	0.0%	0.0%	0.0%	0.0%
Consulting Services	Mean	110.3%	5,035.6%	9,230.2%	6,222.6%
	Median	1.9%	343.3%	1,316.9%	420.7%
Consumption Devices	Mean	15.9%	-49.4%	300.0%	-12.1%
	Median	-25.3%	-50.5%	9.6%	-55.3%
Cultivation & Retail	Mean	157.5%	11.8%	9.1%	11.8%
	Median	0.0%	0.0%	0.0%	0.0%
Hemp	Mean	434.1%	-96.0%	-49.9%	-96.4%
	Median	434.1%	-96.0%	-49.9%	-96.4%
Infused Products & Extracts	Mean	229.8%	24,851.3%	3,602.2%	18,337.8%
	Median	43.6%	0.0%	1.6%	0.0%
Investment/M&A	Mean	-16.5%	-12.4%	-2.0%	-8.5%
	Median	-16.5%	-12.4%	-2.0%	-8.5%
Physical Security	Mean	6.8%	118.8%	480.9%	187.4%
	Median	6.8%	118.8%	480.9%	187.4%
Real Estate	Mean	17.4%	3,420.4%	0.0%	6,419.6%
	Median	17.4%	3,420.4%	0.0%	6,419.6%
Software	Mean	52.0%	43.9%	1,437.8%	733.9%
	Median	89.5%	43.9%	1,437.8%	733.9%

## ◆ 5 out of our 12 sectors showed revenue growth

- Year-Over-Year
- Quarter-Over-Quarter

## ◆ Fastest growing sectors

- Agricultural Technology
- Real Estate
- Consulting Services

## ◆ Weakest sectors

- Hemp
- Consumption Devices
- Investment/M&A

# Capital Markets Begin to Evolve

- ◆ **Capital Raise Transactions Increase in Frequency and Size**
- ◆ **M&A Transactions Increase in Frequency and Size**
- ◆ **Increase in Number and Types of Investor Groups**
- ◆ **More Registration Statements Clear SEC Review**
- ◆ **More Pubcos Pursue OTCQX and Nasdaq listings**
- ◆ **First IPO**



# 2014 Capital Raises

- ◆ **31 of 75 Companies Completed 47 Capital Raises for Total of \$80.4 million**
- ◆ **Top Three Sectors that Raised the Most Capital**
  - Consulting Services (raising \$20.1 million)
  - Cultivation & Retail (raising \$18.9 million)
  - Biotechnology (raising \$12.3 million)
- ◆ **Largest Capital Raise (\$10M) by TerraTech (OTCQB:TRTC)**
- ◆ **Most Capital Raises Less than \$1 Million in Size**
  - Reflects the early stage nature of the industry and lack of institutional investors on this market

# Q1'2015 Capital Raises

- ◆ **24 of 80 Companies Completed 42 Capital Raises for Total of \$43.2 million**
- ◆ **Top Three Sectors that Raised the Most Capital**
  - AgTech (raising \$15.9 million)
  - Cultivation and Retail (raising \$11.0 million)
  - BioTech (raising \$7.1 million)
- ◆ **Size of Raise Increasing**
  - Reflects evolving nature of the industry

# Q2'2015 Capital Raises

- ◆ **21 of 60 companies completed a total of 41 capital raises valued, in total at approximately \$230.3 million**
  - Average deal size, including GW Pharma: \$5.6 million
  - Average deal size, excluding GW Pharma: \$589.9K
- ◆ **Top Three Sectors that Raised the Most Capital**
  - BioTech (raising \$208.4 million)
  - Software (raising \$6.6 million)
  - Consulting (raising \$4.7 million)

# 2014 M&A Transactions

- ◆ **29 of 75 Companies Completed 46 M&A Transactions in 2014**
- ◆ **Top Three Sectors with Regard to M&A**
  - Ancillary Cultivation & Retail (10 transactions)
  - Biotechnology (9 transactions)
  - Investment/M&A (7 transactions)

# Q1'2015 M&A Transactions

- ◆ **11 of 80 Companies Completed 13 M&A Transactions in Q1'2015**
- ◆ **Top Four Sectors with Regard to M&A**
  - Consulting Services (4 transactions)
  - Investment/M&A (2 transactions)
  - Real Estate (2 transactions)
  - Software (2 transactions)

# Q2'2015 M&A Transactions

- ◆ **4 of 60 Companies Completed 5 M&A Transactions in Q2'2015**
- ◆ **Top Three Sectors with Regard to M&A**
  - Investment/M&A (2 transactions)
  - Real Estate (2 transactions)
  - Biotechnology (1 transaction)

# 2015: Spotlight on SEC Review

## ◆ 6 Companies Clear Registration Statements Through SEC Review

- MassRoots (MSRT)
- Terra Tech (TRTC)
- Cabinet Grow (CBNT)
- Medbox (MDBX)
- Advanced Cannabis Solutions, now General Cannabis (CANN)

## ◆ First IPO

- Zynerva Pharmaceuticals (ZYNE)

# 2015: Spotlight on Late Filings

- ◆ Over 40% of the companies in our index filed their quarterly SEC reports late
- ◆ Reflects immature nature of management/board and substandard financial controls

	<i>Average</i>	Q2'2015	Q1'2015	Q4'2014
<b>Filed Late, #</b>	26.67	27	25	28
<b>Filed Late, %</b>	44.4%	45.0%	41.7%	46.7%
<b>Only Filed Late, #</b>		17		
<b>Only Filed Late, %</b>		28.3%		
<b>Filed on Time, #</b>	33.33	33	35	32
<b>Filed on Time, %</b>	55.6%	55.0%	58.3%	53.3%
<b>Only Filed on Time, #</b>		25		
<b>Only Filed on Time, %</b>		41.7%		

- ◆ **Filing late has repercussions for shareholders**
  - A company that is a late filer has a one-year lock up under Rule 144
  - A company that is a current/timely filer has a 6-month lock up under Rule 144



# Contact Us



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