

## Stuart Titus of Medical Marijuana, Inc

[00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode.

[00:00:24] Hello, this is Hall Martin with Investor Connect the Day, we're here with Stuart Titus, chief executive officer and president at Medical Marijuana. Medical marijuana is a cannabis product research and development company. Company offers various CBD oils and related products such as CBD tinctures, concentrates, beauty products and supplements. Medical marijuana distributes its products to worldwide customers. Stuart, thank you for joining us.

[00:00:46] Well, a great pleasure to be with you today.

[00:00:48] So what was your background before starting medical marijuana? What did you do before this?

[00:00:52] Well, previously I worked on Wall Street. I was a bond trader, an underwriter for Credit Suisse First Boston. I worked on the street for 11 years. And after that, I just had enough of the fast paced lifestyle and all the corporate politics in New York and got into a totally different field, the field of physiotherapy, a pain management injury rehabilitation with doing a lot of work with high level sport athletes. And it was very interesting that here many of the contact sport athletes in particular were using cannabis to help control pain, decrease inflammation, help with sleep at night. And I saw so much of this, they started searching. And I did find that in the global arena that there were these medical cannabis symposiums that were given about every other year. And I attended my first medical cannabis symposium in 2004, which just opened my eyes to a whole new world of therapeutic application from the extracts of the cannabis plant, the cannabinoids that had tremendous research going on around the globe. And then a public company started in California in March of 2009, Medical Marijuana Inc. suddenly thought this had the potential to be one of the next great growth industries in America just became involved as an investor. Over time, of course, I've taken on a more significant role with the company and it was very interesting that back in 2011, the company was bought by a new group from Northern California who had been researching hemp CBD and

other non psychoactive cannabinoids really since two thousand seven learned their plans to develop the first nutraceutical form of a non psychoactive cannabinoids CBD and bring that to US and world markets. I moved out to California and was here full time to take part in the evolution, the non psychoactive cannabinoids space.

[00:02:41] So what excites you right now?

[00:02:43] Well, there are a number of things. Certainly the coming potential legalization of cannabis here in the United States certainly is a tremendous phenomena that many of us, the industry of winning four years and of course, many cannabis advocates have been waiting for since the mid nineteen sixties. And all of a sudden cannabis became a little bit more popular with the counterculture revolution at the time, the Beatles, rock and roll music, war and Vietnam, etc., and certainly the of the war protesters were all very large cannabis advocates, users. But today, certainly the emergence of the non psychoactive cannabinoids to rival THC and other psychoactive forms of cannabis. I'm very excited about the potential industrial applications for the hemp plan. Of course, hemp now being brought back as an agricultural crop and things such as a hemp building, construction materials, of course, your hemp textiles, but then getting into things such as hemp batteries and supercapacitors because of the amazing capability to store and transfer electrical energy, I think has got great application. And then, of course, outside the cannabis arena into the new emergence of the psychedelics arena, I think holds great promise for investors as well.

[00:03:57] Great. So we have a lot of investors and startups that listen to the show. For those investors out there, what's your advice to them about investing in startups? What do you tell them to do before they invest in a startup in this sector?

[00:04:10] Well, certainly there's a lot of due diligence being required. But for any investment in a startup business, of course, it's very high risk and very speculative. So I always encourage investors to have maybe a barbell type strategy where on one side you have a good amount of your money and some very stable conservative investments that certainly will produce a nice return or expected return over time. And then maybe another portion of your investments into the more speculative sector with some of these emerging startup companies, because every so often one really comes along and hits a home run, so to speak. So, of course, you want to look

at the management team, see what their past track record has been, their pedigree, if they've been successful in bringing startups to market previously, etc.. Certainly quality names. If you're involved with a fellow like Bruce Linton, the former CEO, say it it be growth and you starting up a new venture. Well, it might be quite interesting to take a look at. Of course, Bruce was able to raise four billion US dollars from Constellation Brands of New York Stock Exchange traded company. So certainly that type of pedigree is something that investor might. Want to look at what he's looking at, a potential startup that will go through the development stage process, potentially become public and then maybe have a nice exit strategy for the investors. So looking at all these steps together, I think is something that you really need to do.

[00:05:39] And so for that startup that wants to start their own KBD company, what's your advice for them before they go out to raise funding? What should they do first?

[00:05:47] Well, certainly you want to look at the market arena. Obviously, there are a tremendous number of companies now selling KBD products out there. And of course, the market is continually expanding and there's room for new innovation all the time. Certainly companies selling current standard products are going to have a difficult time kind of breaking into the market, but nonetheless, certainly other great potentials and great opportunities. But the innovation of certain products or if you've got a new wrinkle or twist or maybe you've got a new cannabinoid or maybe a new combination cannabinoid, turpentine or cannabinoid with another herbal blend, maybe a special topical something that's a little bit unique that can separate and differentiate yourself from the field. I think certainly that would be one that has the potential legs and I think would be able to get a fair amount of investor funding if you can present your idea in the proper manner.

[00:06:45] Great. So let's talk about the state of marijuana. How do you see the industry evolving from here?

[00:06:50] Well, certainly this has been a tremendous run here during the current environment in that marijuana and cannabis, of course, is now considered an essential service. I really think this has great application for banking, banking reform, banking regulation. And then, of course, now with the new administration and changes in Congress, where we believe certainly now the Senate majority leader, Senator Chuck Schumer from New York, very, very pro cannabis and I

believe will certainly allow more in the way of legislative bills to come to the Senate floor and potentially be up for vote. I'm a very optimistic and cautiously optimistic that we might actually see some movement on federal legalization, possibly as early as this summer. My anticipated date might be July 1st if I had to put a formal number on it. But certainly this has the potential to totally reshape the entire cannabis industry. This will allow us to bank more as a normal business does, and particularly remove this onerous to 80 e the IRS tax regulations so that large multistate operators and other cannabis operators will then be able to take the normal business deductions that most businesses will be. And of course, this will add significantly to their bottom line. And I think eventuality of cannabis legalization is already being priced into some of the current stocks and stock market prices. But nonetheless, looking at the growth curve and what could potentially happen with federal legalization, looking what happens in Canada, I think the US still is in a relative basis, very undervalued compared to some of the Canadian licensed producers.

[00:08:33] And I think there's great opportunity for many of the current multistate operators in the cannabis industry to make some great strides forward. And we've seen groups such as Harvest Health with a nice presence in Arizona. I mean, gosh, three, four months ago that was a dollar stock and now they're four dollars today. So those type of returns are certainly available on the pharmaceutical side. We've seen companies such as GW Pharma with their wonderful Epizootics product doing about five hundred million dollars in sales as of last year, but just receiving a seven point two billion dollar buyout offer from Jaz Pharmaceuticals and Irish based pharmaceutical group. And certainly a combination of GW Pharma getting in with jazz, I think is going to add significant value to the overall enterprise such as pharmaceuticals has been developing. I think there are many other up and coming cannabinoids that are ripe for development in the pharmaceutical space. I believe CBG has at least two maybe more indications for potential use. Wouldn't be terribly surprised to see a couple of up and coming pharmaceutical companies looking to develop a CBG based pharmaceutical medication in the very near future as well.

[00:09:46] Ok, great. Well, before covid full legalization across the country was predicted to happen around 20 30, but now Africa made it seem like it's speeding up. When do you think we'll see full legalization now that things are moving faster for the need of taxes and jobs?

[00:10:02] Yes, it's been wonderful to see, of course, the initial state of Colorado doing so well, I believe over two billion dollars in sales this year or in 2020 of cannabis. So this is bringing tremendous tax revenue to their bottom line. I mean, gosh, three hundred million dollars a year plus federal or state. Raising tax revenue and certainly now with the federal legalization, there's a potential to have a overall five percent federal excise tax on all cannabis sales, which would be tremendous. I mean, certainly the industry's got tremendous potential or capturing more and more market share every year from this black illicit market and really think that currently now we have thirty five US states with medical cannabis laws on their books, 50 with recreational use. But it was very interesting at the end of alcohol prohibition that there was actually a constitutional referendum that took place back then. We had the forty eight US states and at the time it took seventy five percent of the states to vote positive for the end of alcohol prohibition. Interestingly enough, Utah, a very conservative state, was the state that cast the thirty sixth and deciding ballot to actually legalize alcohol after years of prohibition. And this was done again by a constitutional referendum.

[00:11:26] Now, currently today we have 50 US states, so that would mean thirty eight would need to vote positive for cannabis reform, be it recreational or at least medical. And we already have thirty five of the US states with medical cannabis laws on their books. I believe the programs of all those states are doing extraordinarily well. Patients are very happy. Certainly revenues that are coming into the states look tremendous. There aren't any negative consequences. We don't see bar fights breaking out in many of these states, especially with recreational cannabis. Certainly we believe it's a lot safer than alcohol. And if we can get to thirty eight US states, which I believe by the end of this year, they'll be, at least three other states are coming online with legislative reform. So here we have the opportunity to actually have a constitutional amendment that will legalize at least medical, if not for overall recreational cannabis within the country. So there are a number of different avenues for this. Certainly there are bills going through Congress right now, but I'd really like to believe that everything will be much accelerated from that 20, 30 timeframe you were mentioning previously and brought forth a very, very rapidly.

[00:12:40] So let's talk about the challenges in this space for both startups and investors. What challenges your startups facing in this space right now, aside from the banking financial issue, what else do they struggle with?

[00:12:54] Well, many companies, especially if they're selling hemp and CBT or non psychoactive products, are generally doing a lot of business online, which means merchant processing and the rest. Certainly merchant processing fees have come down very significantly. But still, it's more of a higher risk type business, particularly for a new company to get established and get any kind of reasonable rates in terms of merchant processing is very challenging. The very high rates. And many times those merchant processors will hold back a lot of funds in anticipation of chargebacks or other issues that may arise. So certainly for the startup, you just have to go through the process and over time you'll get yourself more and more established and this will help you to do a lot more merchant processing. Currently, there are now a number of merchant processors actually looking for business when previously they were trying to shun as much of that business as possible. Of course, they're all kind of logistical concerns. You're packaging and labeling now. The FDA is becoming a little bit more vigilant in terms of the CBD industry in particular. They haven't stepped into the THC and dispensary side yet, but certainly on the CBD side, they're watching groups with making who might potentially make unsubstantiated claims or might who might improperly label their products as having ingredients that potentially would be classified as a food rather than a dietary supplement or ingredients that might be classified as a medicine, as a dietary supplement, et cetera.

[00:14:32] So there are all kinds of challenges in that regard and just other things in terms of your certificate's analysis, your laboratory testing, making sure that you have the correct cannabinoid profile if you claim your 17 percent CBD in your product, that, yeah, maybe your cowey should come from very close tolerance to being able to match that on a very consistent basis to your lot by lot or batch by batch processing. Those claims need to be as consistent as you possibly can. Of course, you've got to watch for other agricultural residues or any toxin, toxic pesticides, heavy metals, et cetera, that might have come through in the agricultural process, et cetera. So those are some of the things that you want to look out for. And then as well, just in case there happens any adverse effects. We haven't really seen much in the industry, fortunately, but just. In case there's a customer who takes the product because of bad experience with it, well, you might need to report that to the FDA. So make sure you've got that situation lined up just in the eventuality. So those are some of the things look at if you're a startup and hopefully be able to overcome some of these logistical concerns so you can get out

to the marketplace in this marketing program and start to sell some of your wonderful products to consumers.

[00:15:49] All right. And then on the other side of the table, what challenge you see investors struggle with and funding these startups in the CBD space?

[00:15:56] Well, I think some of the funding tends to come and go in cycles. But currently the funding seems to be a little bit easier now with the move coming towards overall cannabis legalization. Now, a year ago or so, that certainly was the exact opposite, is very, very difficult to raise investor money because I believe the prospects were uncertain. A number of things that had been quasi legal, like CBD, for example, well, be legal by federal law, the Twenty Farm Bill or the Agricultural Improvement Act of twenty eighteen. And yet the FDA has not given its blessing as a full dietary supplement, nor is the FDA given its blessing as a food ingredient. So that tends to set up a little conundrum with many groups such as ourselves wanting to market our products through large chain retail outlets, maybe in health food stores such as Whole Foods or through pharmacies or even getting into dispensaries. Certainly these avenues have been very much closed down and still remain closed down due to various regulations. But say, for example, if the FDA were to come along, give their blessing as a dietary supplement, I think you'd see CBD being sold widely on grocery store shelves, gas stations, and certainly in the pharmacies such as CVS or Walgreens.

[00:17:22] So for investors, I mean, there's always a risk reward type scenario. Certainly if we get across some of the kernels now and get the FDA to move or get Congress to actually carve out a pathway, I believe there are a couple of bills in Congress right now that will actually approve CBD as a dietary supplement as well as a food ingredient. I think that's going to open up a tremendous number of additional marketing sources for companies that are established in the animal to survive this covid situation. So I believe there's a lot more investor money coming in. Certainly the Canada side, the multistate operators will have great avenues and prospects for the overall cannabis legalization. Certainly, we believe a lot more institutions here in the US will be able to invest in US companies versus channeling their money up to Canadian licensed producers where that's the only avenue they can currently legally invest in. So certainly that's another great potential benefit with the legalization of cannabis here in the United States. And

certainly investors should be aware of some of the potential benefits on the upside as well as the risks on the downside.

[00:18:33] Right. Well, there are many subsectors and applications in this sector. If you had to pick one or two that are top of the list for investors to pursue, what would you call out?

[00:18:43] Well, I think the emergence of some of these little silos or subsectors of the market arena have been phenomenal to watch believe back in 2014, right about when this VAP phenomena was just coming forth and all of a sudden, wow, there was a tremendous consumer demand for VAP products. And I really was astounded to see how well accepted these were among cannabis and CBD users. So certainly that was a sector that started from ground zero, say, back in two thousand twelve, thirteen, even twenty fourteen, and grew tremendously.

[00:19:21] Also back when I believe we were part of a group, got the first infused products licence in Colorado.

[00:19:29] This was something that the edible or use products were brand new to the cannabis side and the older people for many years, cannabis butters, et cetera. They really hadn't been so commercially available. And now you go to the local dispensaries, you'll see a tremendous amount of edible products because people are really seeing the tremendous value and benefit. Maybe you don't get the immediate high, but certainly you get a very interesting, long lasting effect that many regular cannabis users are really looking very much forward to. So the emergence and growth of the edible sector has been phenomenal. To see the current trend that's really hot the last few weeks is something fairly new, this concept of Delta eight THC, and particularly that some of the new progressive hemp growers have been able to actually derive the Delta eight from hemp. Which may make it quasi federally legal, but certainly there are many consumers who are really seeing some great benefit with Delta eight, of course, with your Delta nine or your typical edibles, many regular cannabis users like a very, very high concentration. And if you're a new cannabis user taking some of that very high concentration, they might give you a lot of anxiousness, a lot of paranoia, maybe rapid heartbeat symptoms that you can't particularly well control. So it's certainly been something that two sides to this evolution and the edible market.

[00:21:00] But it does seem that consumers find a much softer approach and a better entry way into the cannabis arena by using Delta eight, because it's not quite as concentrated as you would find in the Delta Nine. So individuals don't get that anxiousness or anxiety, but they get a very nice, to quote the Eagles, a nice, peaceful, easy feeling, perhaps. Certainly we see a tremendous interest over the past few weeks and smoke shops and other outlets where people can buy Delta. And I think this is a very, very interesting trend that has great long term potential. So to take advantage of some of these new emerging silos and sectors, of course, we have so many incredible people here in the United States. The entrepreneurial spirit is just amazing. I can't wait to see what the next new silo to come along is really going to capture market's attention and maybe better ways of delivering cannabis and cannabinoids. Or maybe it's a new way to deliver a topical application with greater bioavailability. Maybe it's a new type of inhaler that doesn't necessarily use heat. But another way to absorb cannabinoids better than perhaps just the oral ingestion process, quite excited about the future and certainly believe that they're going to be some great innovations coming in the next few months and years when the last image that we have here.

[00:22:23] What else should we cover that we haven't?

[00:22:24] Why don't we just briefly touched on the psychedelic industry? Certainly this is an interesting emerging market sector that I believe has so many parallels that I see it back to the cannabis industry back in the two thousand, 12, 13, 14 era. Now we're starting to see many states starting to decriminalize. Certainly, we'd like to believe at some point there might be a cut off limits, such as, for example, the differentiation between marijuana and have zero point three percent THC obviously over that is considered marijuana below that considered hemp. And certainly this has the ability to transform or play out in the psychedelics arena because many people are doing very, very well with lower doses or what they call micro doses of psychedelics. Yes. If you're going to see a doctor and they recommend now many medical professionals, interestingly enough, are seeing tremendous benefit with their patients, particularly the depression patients who have struggled for years and years with sometimes just one good dose of psychedelics just seems to hit the reset button for these individuals and allow for better levels of certain brain chemicals, neurotransmitters to be produced. There's quite a lot of science and research going on here now, and it's amazing to see the acceptance in the medical community.

[00:23:46] But certainly there might be this threshold level will over this particular amount, should be the doctor prescribed or you need to have a medically supervised, but maybe they'll be something such as a dietary supplement version with a lower dose of MICRA dose of these psychedelics so that people can just use them for overall health and wellness, perhaps mental clarity or just whatever it is. So I see a lot of very similar investment opportunities as well, because now some of the emerging psychedelics companies are raising investor capital. Most of them are listing up in Canada, waiting for some changes in the law here in the US. But certainly they're very progressive up in Canada and they've actually awarded licenses for groups to potentially cultivate mushrooms and then extract the psilocybin for medical purposes. But I think that's a very interesting sector for investors to look at as well. Many cannabis companies are now starting to merge into these psychedelics arena. I think there's a group, Hollister or Bio Sciences, that's actually doing both the cannabis as well as the psychedelic product development course.

[00:24:54] Right. So how best for listeners to get back in touch with you?

[00:24:57] Well, our company, Medical Marijuana, Inc., we're publicly traded our ticker symbol, MJ, and a our website W W Medical Marijuana Inc and S. dot com. And our email would be investors at Medical Marijuana Inc. Dot com. Certainly our sales divisions, Kanawa as well as headman's, all have their own websites. And you can. Just search Mansour canapé online and get in touch with us so that way as well, right.

[00:25:27] I want to thank you for joining us today and hope to have you back for a follow up soon.

[00:25:31] Well, thank you so very much for the opportunity. Always great to talk to cannabis and other emerging sectors with you.

[00:25:36] And we definitely look forward to and more for investors over time.

[00:25:40] Your Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investor Connect, Doug.

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