FIRST HARVEST - HIGH RETURN ACCESS TO LEGAL CANNABIS MARKET

High-Growth, Diversified Portfolio

August 17, 2015

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Country	USA
Region	Nationwide
Investment	Private Equity Fund
Sector	Legal Cannabis
Investment Style	High-Growth, Diversified
Recommendation	Strong Buy

Source: Company data, Riedel Research Group

Target Investment Return[1]	+40% annual ROI
Investment Term	5 years
5-Yr Est. Industry Growth[2]	300%
Distribution Payments	Portfolio Liquidity Events
Fund Manager	First Harvest Financial, Inc.
Fund Maximum	$25,000,000

Average Cannabis Industry ROI 2014: 40% [1]

INVESTMENT OBJECTIVE: Private equity fund investing in legal cannabis-related companies, primarily medical cannabis based solutions. Diversified portfolio approach to investing in ancillary businesses related to the cannabis sector. Target investments primarily in infrastructure and support that 'do not touch' the cannabis plant itself. The Fund's primary focus is on private sector companies with early-round valuations. The Fund expects returns to exceed the industry average annual ROI of 40% in 2014 by investing in strong management teams with prior entrepreneurial success and operationally driven business plans to create shareholder value. Exit strategy includes follow-on M&A for potential strategic partnerships among portfolio companies, IPO's or secondary resale within a 3-5 year time horizon. High-growth, diversified investment vehicle for an investor considering entry into the legal cannabis market. (*www.FirstHarvestFinancial.com*) - **Recommendation: Strong Buy.**

WHO: ***FHF Opportunity Fund 1, LLC***, a DE limited liability company (the "Fund"), was established to raise a maximum of $25,000,000 of Membership Interests for investments in securities of cannabis-related companies ($50,000 per Membership Interest – 500 maximum). ***First Harvest Financial, Inc.***, a FL company (the "Fund Manager"), administers the Fund's business affairs and directs its investment activities.

WHAT: Aggressive growth fund established to acquire securities of cannabis-related companies through privately placed or secondary transactions, and hold the securities until the first liquidity event. Professional Fund Manager studies macro trends within the cannabis industry and conducts thorough due diligence to identify target investment candidates. The Fund Manager seeks out talented management teams to grow scalable companies that maximize shareholder value. Looking for companies with core values – People, Passion and Profitability.

WHY: Cannabis is the fastest growing industry in the US with direct sales of approximately $2.7 billion in 2014, up 74% from $1.5 billion in 2013. The industry is estimated to grow to $3.5 billion in 2015 and up to $10.8 billion by 2019. [2] Estimates put the current size of the established 'illegal' cannabis market in the U.S. at approximately $50 billion. [3] It is estimated that for every $1 of legally sold marijuana, at minimum, an additional $2.60 of economic value enters the American economy. [1]

The cannabis market differs from other emerging markets in that businesses typically expend considerable resources to stimulate demand, while in the cannabis industry significant demand already exists. The demand continues to outpace legal supply due to limitations in state regulations, federal drug, tax and banking laws, and lack of interstate trade. This dynamic creates growth opportunities for the portfolio companies as public support continues to build for the industry, additional states decriminalize and approve medical and adult use of cannabis, and more widely accepted scientific research supports the medicinal benefits.

OUTLOOK: We characterize the Fund as a relatively unique offering with uncorrelated high returns providing investors with a diversified portfolio approach to the cannabis industry. Currently 23 states have legalized medical cannabis, and four states have legalized the recreational use (AK, CO, OR, WA and Washington DC). An estimated 7-14 additional states will introduce legislative initiatives for the 2016 ballot. The regulatory status of cannabis is shifting rapidly at the state level, with momentum toward a change at the federal level. We see growth opportunities for companies positioned to serve these new markets. While risks may include the possibility of federal intervention, we believe the industry has passed the tipping point for public support and that the Fund Manager's experienced team and investment strategy minimize these risks. We see the returns offered through an investment in the Fund as a highly attractive investment proposal for a well-diversified portfolio.

INVESTMENT OBJECTIVE

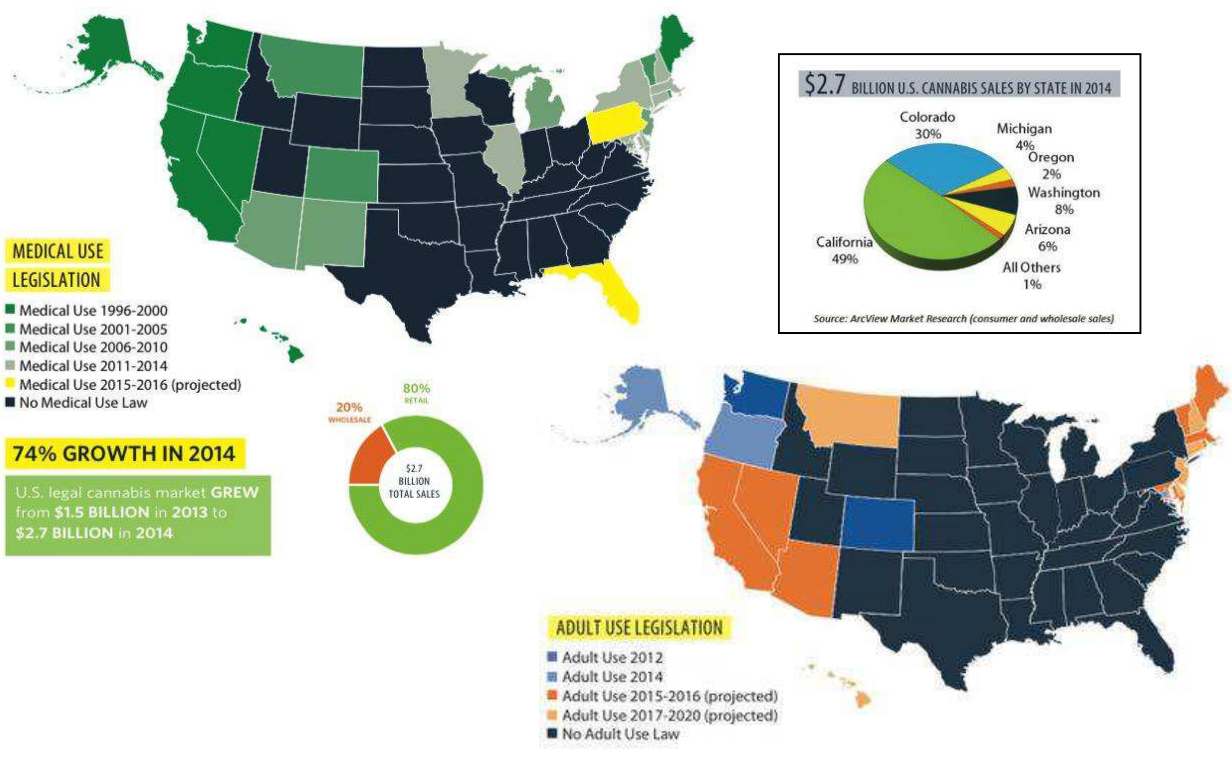
We see the following as the main highlights of the investment strategy for the Fund:

- Spread investment capital over a number of legal cannabis-related companies that are focused on ancillary businesses related to the cannabis sector to mitigate one-off investment risks;
- Target investments in infrastructure and support that "do not touch" the cannabis plant itself, but include companies such as social media, security, consulting, delivery systems, financial services, software & high-tech, electronic hardware, infused products, extracts & oils, hemp production, ancillary cultivation solutions, and retail;
- Primary focus on private companies with early-round valuation multiples;
- Invest capital into strong management teams with prior entrepreneurial success and operationally driven business plans to create shareholder value;
- Follow-on M&A for potential synergies among portfolio companies and ultimately seek an appropriate exit strategy via merger, acquisition, secondary resale or IPO.

In addition to these investment characteristics, we also see growth opportunities for the Fund by addressing new market opportunities within the legal cannabis industry and focusing on companies that can benefit from funding to accelerate their expansion within the sector.

CANNABIS IS THE FASTEST GROWING INDUSTRY IN THE US

In 2014, the legal cannabis industry expanded 74% to reach $2.7 billion in combined direct retail and wholesale sales, and firmly established itself as the fastest growing industry in the U.S. 2014 will be remembered as the year that the legal cannabis became a consistent focal point for national media outlets and captured the public's attention in a way that no other industry has in recent history. [2]



The Arcview Market Research report projects a strong year for legal marijuana in 2015 with estimated direct legal sales of $3.5 billion, up 32% year-over-year from $2.7 billion in 2014. [2]

The legal cannabis industry is estimated to grow to $10.8 billion in annual direct legal sales in 2019. This represents over 300% growth in five years, with ArcView predicting that 14 more states will legalize recreational marijuana and two more states will legalize medical marijuana. At least 10 states are already considering legalizing recreational marijuana in just the next two years through ballot measures or state legislatures. [2]

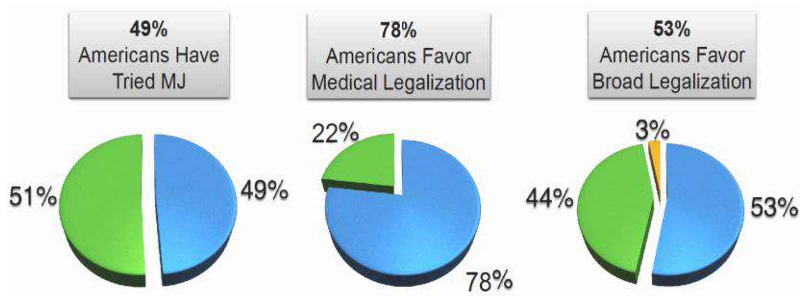
OVERVIEW OF THE CANNABIS INDUSTRY

The regulatory status of the cannabis industry is shifting rapidly at the state level, with momentum toward a change at the federal level through pressure on the U.S. Congress and the White House. Current federal regulations classify cannabis as a Schedule 1 substance, defined as "drugs with no currently accepted medical use and a high potential for abuse." This drug classification also includes heroin, LSD and ecstasy.

The legal cannabis industry has evolved considerably over the past 3-5 years. The industry has now reached the tipping point for legalization through pressure from citizens' groups in individual states for the legalization of medical and/or recreational marijuana.

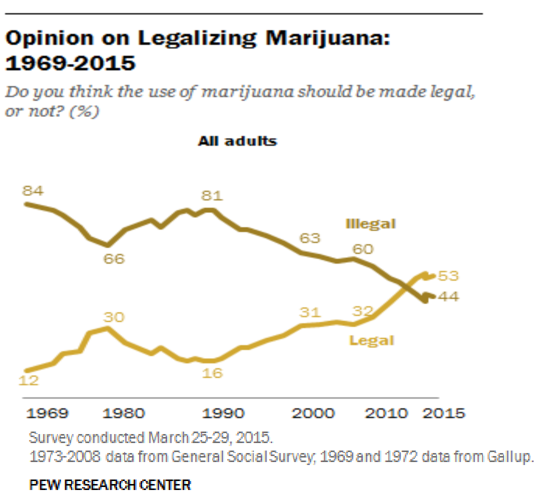
As reported by Pew Research Center in April 2015, nearly half (49%) of Americans say they have tried marijuana, and 12% have tried it within the past year. [4]

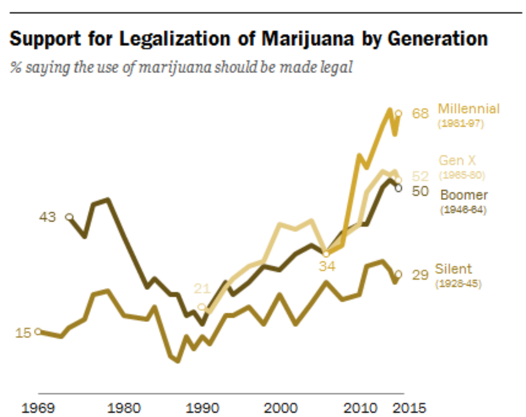
In a national poll in October 2014 by Third Way, a public policy think tank, 78% of respondents favored allowing individuals to use marijuana for medical purposes if 'recommended' by a doctor. [5]



This trend is further illustrated in a recent survey published by the Pew Research Center in April 2015 that shows public opinion for marijuana legalization rapidly outpacing opposition. A majority (53%) of Americans now favor broad legalization of marijuana. Opinions have changed drastically since 1969, when Gallup first asked the question and found that just 12% favored legalizing marijuana use. [4]

Millennials (currently 18-34) have been in the forefront of this change: 68% favor legalizing marijuana use, by far the highest percentage of any age cohort. But across all generations - except for the Silent Generation (ages 70-87) – support for legalization has risen sharply over the past decade. [4]





Third Way also found that 67% of respondents favor Congress passing a bill giving states that have legalized marijuana a safe haven from federal marijuana laws, so long as they have a strong regulatory system, and when given an option of state or federal control, 60% favor states' control in deciding whether to legalize marijuana. [5]

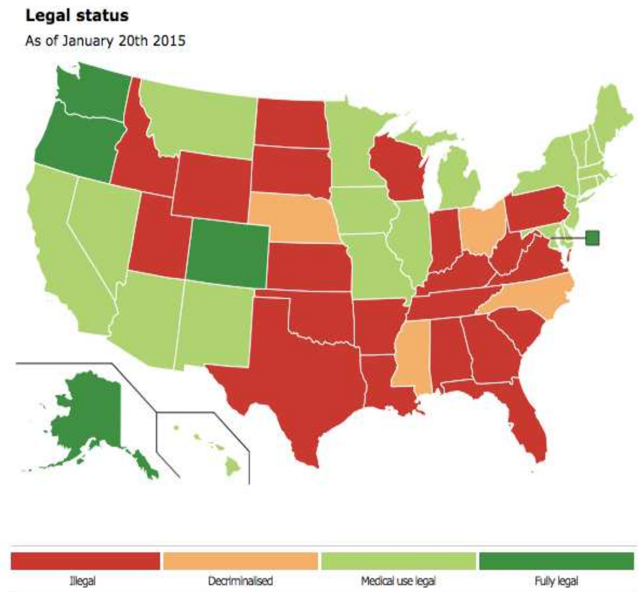
Public support has given rise to the passage of new marijuana laws and regulations in a number of states, as well as multiple legal reforms on legislative dockets. Each state's legal environment is unique, making it critical for businesses to know and understand the regulatory landscape on a state-by-state basis.

Another regulatory variable adding to the complexity of the legal cannabis market are the local laws at the municipality and county levels. Even when a state enacts legislation legalizing cannabis, each level of local government has the right to exercise restrictions on cannabis activities, such as retail, consumption, transportation and cultivation. Zoning is an area of particular concern, which is set forth at the local level. This can restrict businesses on where they can be located and the manner and size in which they operate.

Understanding individual state's laws and local regulations requires business operators and investors to account for multiple levels of regulatory compliance, such as how marijuana may be sourced, processed, distributed, and to whom, where and how it may be sold.

STATES LEGAL STATUS [6]

- **Medical Marijuana Legalization** - 23 states have legalized medical marijuana
- **Medical Marijuana Legalization (CBD Oil Only)** - 16 states have CBD-specific, limited medical marijuana laws (not considered full medical marijuana legalization; CBD oils are the non-psychoactive property)
- **Marijuana Legalization** - 4 states (AK, CO, OR, WA and Washington D.C.) have passed laws that allow for adult recreational use of marijuana
- **Marijuana Decriminalization** - 15 states have decriminalized recreational marijuana use
- **Hemp Legalization** - 24 states allow for the legal cultivation of hemp



Source: *The Economist* [7]

While new state-level legalization efforts continue to expand the number of states involved in the cannabis industry, only a handful of existing states have any meaningful full-scale operations for the cultivation and distribution of cannabis. This presents a significant growth opportunity for investment over the next several years as the existing legalized states and new states' markets come online.

FEDERAL LEGAL STATUS

Cannabis is still classified as an illegal substance in the U.S. The Drug Enforcement Agency ("DEA") and the Food and Drug Administration ("FDA") currently classify cannabis as a Schedule 1 drug under the Controlled Substances Act. The classification makes cannabis illegal under federal law to cultivate, manufacture, distribute or possess cannabis, and has created a discrepancy between states rights and federal law.

This discrepancy has created a complicated environment for cannabis businesses in regards to restrictive banking regulations, interstate trade, IRS tax code and federal bankruptcy laws, especially for companies that directly 'touch the plant' such as growers and distributors. For example, since the possession or distribution of cannabis violates federal law, banks that provide services may face the threat of prosecution or sanctions. As a result of being denied banking services or direct access to conventional loans, many of the companies that grow or distribute cannabis directly are forced to transact business on a cash-only basis.

The banking issues created by the federal laws have required the cannabis industry to focus on viable alternatives and have created opportunities for new providers, from finance companies to security and software firms. The issue of interstate trade requires companies that grow or distribute cannabis to duplicate efforts within each state they wish to legally operate and has limited the development of 'national' brands. These laws do not directly affect companies operating in ancillary businesses.

Both Congress and the White House are working to clarify the federal position on cannabis while still protecting states' rights. In 2013, then U.S. Deputy Attorney General James Cole issued an enforcement policy memo to all U.S. attorneys detailing the priorities of the Department of Justice ("DOJ") when enforcing federal drug laws in states that legalized or decriminalized marijuana. The 'Cole Memo' ultimately emphasizes the need for robust state regulation of marijuana. The memorandum "rests on its expectation that state and local governments that have enacted laws authorizing marijuana-related conduct will implement strong and effective regulatory and enforcement systems that will address the threat those state laws could pose to public safety, public health, and other law enforcement interests." [8]

In February 2014, the White House and the Department of the Treasury gave a roadmap for conducting transactions with cannabis companies operating within state regulations. The most sweeping federal reforms to date, however, have come from Congress in the federal spending bill that passed both Houses in June 2015. Congress voted to protect state medical marijuana and hemp laws from federal interference and cut the DEA's budget. As an example of increased support for the removal of federal laws banning medical marijuana, the medical marijuana-protecting amendment passed the House 219-189 and became law last year and was accepted by a larger 242-186 majority this year, with even more Republican members' support. [9]

The Senate also introduced The Compassionate Access, Research Expansion and Respect States (CARERS) Act in March 2015, co-sponsored by Senator Rand Paul (R-Ky.), which seeks to drastically reduce the federal government's ability to crack down on state-legal medical marijuana programs, open the banking system, reclassify cannabis' Schedule 1 drug rating and encourage more research through several major changes in federal law. This legislation currently is waiting for the Senate Judiciary Chair to grant the bill a hearing.

From a budgetary perspective, a 2010 study for the Cato Institute estimated that legalizing marijuana could generate a combined $17.4 billion in new state and federal tax revenues and savings on expenditures related to the enforcement of marijuana prohibition.[10]

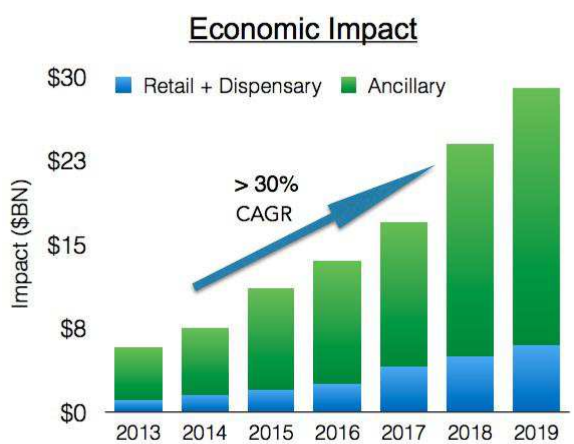
CANNABIS MARKET SIZE

The cannabis industry is experiencing a 'Green Rush' caused by states' legalization of medical and recreational cannabis that is best seen as a shift in stance toward increased understanding of cannabis, well-informed economic and public policy, and medical research.

Cannabis is the fastest growing industry in the US with legal cannabis sales of approximately $2.7 billion in 2014, up 74% from $1.5 billion in 2013. The industry is estimated to grow to $3.5 billion in 2015 and up to $10.8 billion by 2019. This represents a five-year growth rate of 300% from 2014 – 2019. [2]

The legal marijuana industry contributes far more to America's GNP than direct cannabis sales alone. It is estimated that for every $1 of legally sold marijuana, at minimum, an additional $2.60 of economic value enters the American economy. [1]

This estimate includes revenues made by ancillary companies in the industry selling goods and/or services ranging from cultivators to testing labs and security services to seed-to-sale software, as well as the salaries of the staffers who work for these companies. If legalized marijuana were to disappear tomorrow, all of these goods, services and jobs would disappear completely (or fold into the black market where they would not be taxed or properly regulated.) [1]



According to *Investing.com* and *Forbes* research, two-thirds of the BioPharma analysts surveyed "love the potential of the marijuana industry since the $50 billion market is already developed, albeit illegal." [3]

The government sponsored *National Survey on Drug Use and Health* ("NSDUH") in 2013 reported 19.8 million current marijuana users in the U.S. (used within the past month), up from 14.5 million in 2007. [11] These self-reported results may be conservative based on the reluctance of respondents to admit to the use of an illegal substance in a government-sponsored survey. For example, an international review that found general population surveys underestimate alcohol consumption, sometimes by more than 50 percent. These studies suggest that it may be appropriate to inflate the NSDUH-only consumption estimates by a factor of two. [12]

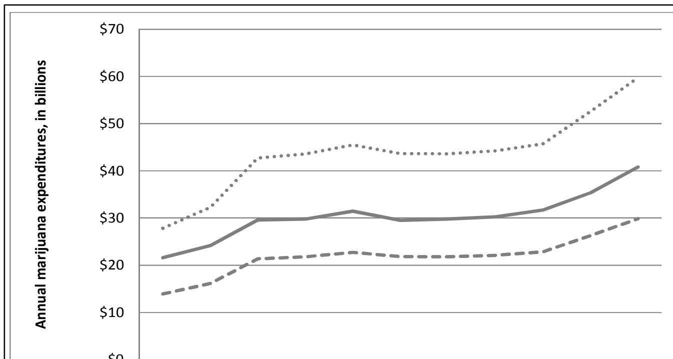
Consider that the average marijuana user may spend approximately $1,800 per year on cannabis, according to some estimates (approximately the same amount spent annually by a pack-a-day cigarette smoker). Hence, the low and high industry direct sales estimate using the NSDUH data range from $36 billion to $72 billion.

NSDUH Data - Estimated Sales Range

Low Estimate	High Estimate
19.8 mm users	39.6 mm users
x $1,800/yr	x $1,800/yr
$35.6 billion	**$71.3 billion**

The NSDUH-based cannabis industry sales estimates are consistent with a February 2014 report prepared for the White House by the Rand Corp. (graph on the right). In this report, the middle estimate of marijuana expenditures was $40.8 billion and the high estimate was $59.7 billion in 2010. The widely accepted principle regarding marijuana usage is that many respondents deny or understate consumption habits, thereby skewing results lower. 12

Estimates of Marijuana Expenditures 2000 - 2010 (in billions of 2010 dollars) 12



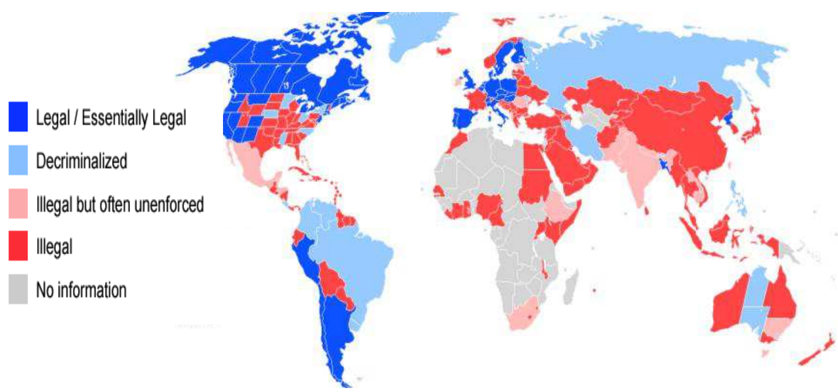
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Middle	$21.6	$24.2	$29.6	$29.8	$31.5	$29.5	$29.8	$30.2	$31.7	$35.4	$40.8
Lower	$13.9	$16.1	$21.3	$21.8	$22.7	$21.8	$21.8	$22.1	$22.9	$26.3	$29.9
Higher	$27.8	$32.3	$42.7	$43.6	$45.5	$43.6	$43.6	$44.2	$45.7	$52.6	$59.7

By all measures, the direct legal cannabis market continues to grow rapidly and is expected to continue to expand at a compounded annual growth rate greater than 30% in the U.S. over the next five years yielding an abundance of opportunities for timely investments.

Marijuana is already believed to be the nation's number one cash crop, exceeding the combined value of wheat and corn. abc News

CANNABIS WORLDWIDE MARKET

According to the *United Nations Office on Drugs and Crime – World Drug Report 2012*, there were approximately 33 million cannabis users in North America and as many as **225 million worldwide** in 2010, which could drive worldwide sales into the $100's of billions in terms of market size potential.



MEDICAL CANNABIS

It is well documented that cannabis has been used for thousands of years for medicinal purposes. Medical cannabis is now legal in some form in over three-quarters of the U.S., including (a) 23 states - legal medical marijuana, and (b) 16 states – CBD oil only. In these states patients can receive a 'recommendation' from a state-approved, licensed physician for the treatment of certain conditions specified by the state, and these treatments options have proven effective for many patients.

Medical cannabis is being used to treat severe or chronic pain, inflammation, nausea and vomiting, neurologic symptoms (including muscle spasticity), glaucoma, cancer, multiple sclerosis, post-traumatic stress disorder ("PTSD"), anorexia, arthritis, Alzheimer's, Crohn's disease, fibromyalgia, ADD, ADHD, Tourette's syndrome, spinal cord injury and numerous other conditions. Cannabis oil has also been proven very effective in treating epileptic seizures in children.

Larger scale testing is needed to further understand the medicinal efficacy of cannabis, which could be more easily achieved by reclassifying cannabis to a Schedule 2 substance or lower, so it can be more easily studied.

Ancillary Cannabis-Related Businesses

As more states enact cannabis legislation, the demand for cannabis-related products and services grows. The rapid expansion of the cannabis market combined with more sophisticated management teams and business models entering the market has spurred the development of numerous cannabis-related niche markets.

These ancillary markets include infrastructure and support for the cannabis industry in such areas as social media, security, consulting, delivery systems, financial services, software & high-tech, electronic hardware, infused products, extracts & oils, hemp production, ancillary cultivation solutions, and retail.

The federal government still classifies cannabis as a Schedule 1 substance, which leaves many traditional businesses fearing reputational and legal risks of serving the cannabis industry. However, ancillary businesses that do cater to the legal cannabis industry are well positioned to benefit from the growth in the industry.

Ancillary businesses operating in the legal cannabis market, without physically 'touching the plant', do not bear the same legal and banking risks than companies directly involved in production and sale.

Private Equity Fund Structure

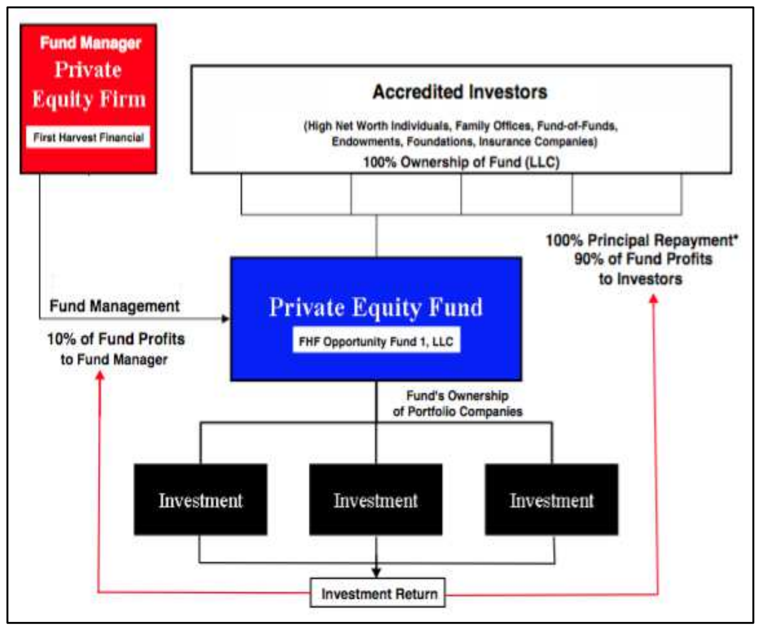
Closed-end, private equity fund structured as a limited liability company ("LLC").

Accredited investors may purchase membership interest in the LLC for $50,000. There is a maximum of 500 membership interests for a total of $25,000,000.

The investment objective is high-growth, diverse portfolio investments in the legal cannabis mkt.

Exit strategy includes follow on M&A for potential strategic partnerships in portfolio companies, secondary resale or IPO's within a 3-5 year time horizon.

Profits are paid after investors receive all of their capital contributions in respect to the investment creating the distribution.*



Fee Structure

The Fund is structured with a front-end load for management and placement fees. The Fund is the only cannabis-related fund that we are aware of at this time that allows 'retail' accredited investors access to a diversified portfolio in this sector. Below is a table of how the Fund's fees and carried interest (profit participation) compare favorably to a traditional private equity fund structure. (Example of $50,000 minimum investment.)

TOTAL RETURN (Est.)	FUND		Traditional PE Fund (2/20)	
Annual Fee	None	$ -	2% (annual) x 5 yrs.	$ 15,324
Mgt. & Placement Fee	12% one-time	6,000	None	-
Expense Fee	1% one-time	500	None	-
Total Fees	**13% one-time**	**$ 6,500**	**10% over 5 yrs.**	**$ 15,324**
			Paid on annual NAV	
Estimated Total Return *	**438% ROI**	**$ 268,912**		**$ 268,912**
Less: Fees	13%	(6,500)	10%	(15,324)
Less: Profit Participation	**10% (90:10 split)**	(21,912)	**20% (80:20 split)**	(43,782)
TOTAL RETURN		**$ 240,500**		**$ 209,806**
5-Yr. Compounded ROI		**381%**		**320%**

Assumes $50,000 investment over 5 years.

Over the course of 5 years the initial $50,000 investment is estimated to compound at a 40% annual ROI* - total return **$268,912 or 438%** prior to fees and carried interest.

Total fee structure less than traditional PE fund.

Fund Manager

The Fund is strategically positioned to pioneer investments in the legal cannabis industry by supporting companies with strong management teams that foster new, innovative ideas and have early-stage valuations. The management team combines extensive industry experience, entrepreneurial insight, and strategic partnerships in order to capitalize on the explosive growth of this emerging market. **The business model is structured to create a diversified portfolio, take advantage of new markets, make them scalable, and maximize shareholder value by identifying companies with core values – People, Passion, Profitability.** The Fund Manager takes an active board-level participation to provide hands-on support to portfolio companies to drive value creation through the execution of strategic growth initiatives and operational improvements.

Portfolio Companies

The Fund Manager is currently active in the fund raising mode, but has begun to deploy capital into the industry. The Fund has made several investments and is analyzing additional opportunities using its in-house analyst and industry advisors for due diligence. One company already selected for investment is CannaVoices, a legal cannabis-related online social media company with an online portal, magazine and game. This company has an experienced management team with prior senior-level management positions in such companies Activision, Sega and Miniclip. The development team has generated over $10 billion in revenues through intellectual properties, including over a billion downloads. The Fund Manager is also actively evaluating opportunities with a laboratory company, several bio-pharmaceutical related companies and a licensing platform.

Risk Factors

Cannabis remains illegal under Federal Law. Under the Controlled Substances Act it is illegal under federal law to cultivate, manufacture, distribute or possess cannabis, or aiding and abetting in such activities even though it may be permissible under state law. This discrepancy has created a complicated environment for cannabis businesses in regards to DEA enforcement, restrictive banking regulations, interstate trade, IRS tax code and federal bankruptcy laws, especially for companies that directly 'touch the plant' such as growers and distributors.

Fragmented Business Environment. Regulations within each cannabis-legal state and local municipality may vary. The industry also suffers from a lack of standardized pricing, quality control and professional management.

The Cannabis Industry Faces Strong Opposition. It is believed that many large, well-funded industries may have strong economic opposition to the cannabis industry such as the pharmaceutical, alcohol, tobacco and prison system industries. There are also certain special interest groups that may have a strong moral or social-ethics issue with the legalization of cannabis, which may impede the growth of the cannabis industry.

Conclusion

The cannabis market has significant demand and is consistently growing. The industry represents opportunities and challenges due to the intersection of law, morality, politics, science and health as various forces work to end prohibition. As the legal climate continues to evolve, the expectation is the market will expand, new opportunities arise and investment will increase. **We characterize the Fund as a unique offering with uncorrelated, high returns providing investors with a well-diversified portfolio approach to the legal cannabis industry.**

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