



North American Cannabis, Inc. (USMJ)

Attempting to Become the Starbucks of Cannabis

Rating:
**SPECULATIVE
BUY**

North American Cannabis, Inc.
2523 Bomar Avenue
Dallas, TX 75235
Phone: (972) 528-0162
www.GROWUSMJ.com

UPDATE REPORT ON USMJ:

Published December 14, 2015

Long-Term Target Price: \$0.55

Near-Term Target Price: \$0.15

Recent Price: \$0.0008

- **Worldwide market for marijuana expected to reach \$10.2 billion by 2018.**
- **Released fiscal 2015 Annual Report and reported revenues of \$420,222 for the year.**
- **Announced production of EpiVape product, in partnership with World Hemp Oil.**
- **Announced first AmeriCanna Café Licensee.**
- **Reduced convertible debt by \$1.2 million and entered preliminary agreement for further Balance Sheet improvements.**

COMPANY OVERVIEW AND PRODUCTS:

North American Cannabis, Inc. (OtherOTC: USMJ), ("the company") focuses on the market for legal marijuana products. The company was incorporated in Nevada in 1999 as Mextrans Seafood Consulting, and has undergone several business strategy and name changes. Beginning in the fall of 2013, the company brought in a new management team which shifted the company's focus from biodiesel products produced from algae, and changed the company's name from Algae International Group, Inc. In November 2013, the company entered the emerging legal cannabis market sector.¹ The company initiated several different enterprise pilots in the legal cannabis market, and progressively narrowed its focus to cannabis consumer products. The company is headquartered in Dallas, Texas.





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The company's corporate structure consists of two divisions: American Seed & Oil Company, and AmeriCanna Café. Within the American Seed & Oil Company, the company focuses on two areas: first, cannabis infused consumer product pilots centered on the areas of healthcare and consumer wellness; and second, a cooperative for cannabis growers that focuses on sustainability.

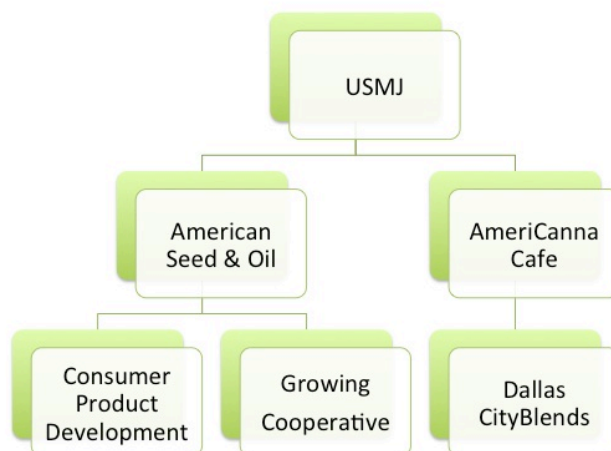
In the consumer products area, the company will establish partnerships with independent innovators of cannabis consumer products, minimizing the company's investment in new product development. Within the growers' cooperative area, the company has established the "Cannabis Cultivators Operative" to bring products grown under high quality standards to consumers, and pool advertising and marketing resources.

Those consumer development projects that are ready to become mainstream products within the American Seed & Oil division will be spun into independently-listed public holding companies, reducing the company's financing requirements for multiple operations. Existing shareholders of the company's stock will participate in the new companies through stock dividend distributions. In a similar fashion, future "mainstream" initiatives developed under the AmeriCanna Café division will be developed under new public companies, with stock dividend distributions to existing shareholders of the company.

In June 2015, the company created its "AmeriCanna Café" concept through the acquisition of a ten-year-



Corporate Structure



old smoothie café operation, the Dallas Metroplex CityBlends Café, in Dallas, Texas. This acquisition gives the company a profitable model, with over \$400,000 in annual sales and 55% gross margins, from which to build a national retail chain under its AmeriCanna Café brand.

The company has introduced hemp protein, CBD and hemp energy infused smoothies in its

existing smoothie café, and has announced plans to launch its flagship cannabis infused beverage restaurant in the summer of 2016.



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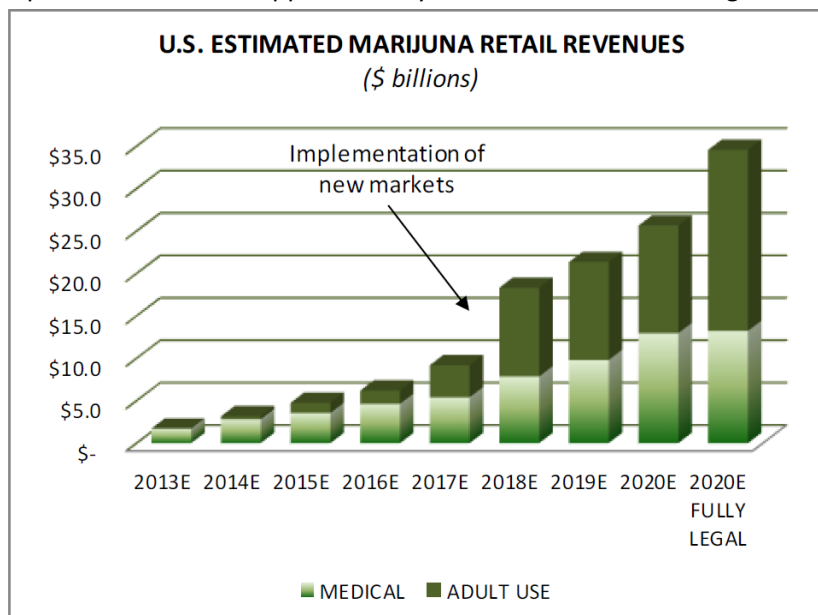
The company plans to rollout a nationwide chain of such cafés which serve cannabis infused coffees, smoothies, cold pressed juices, and cannabis edibles.

The initial menu features CBD and hemp infused beverages which are currently legal federally, with plans to add THC infused beverages as the law permits.



MARKET AND COMPETITION:

In 2014, the market for legal cannabis, or marijuana, increased by 74% to reach \$2.7 billion in retail and wholesale sales, and was the fastest growing industry in the United States.² Revenues for 2015 are expected to increase approximately 50% from 2014, reaching an estimated \$4.8 billion.³ This growth is



expected to continue, with the market reaching \$10.2 billion by 2018.⁴ Between 2009 and 2014, the cannabis industry grew 16.2% annually, and growth is expected to increase to 23.3% annually between 2014 and 2019.⁵ In five states, the market for legal marijuana products exceeds \$100 million annually, with sales in a sixth state exceeding \$50 million.⁶



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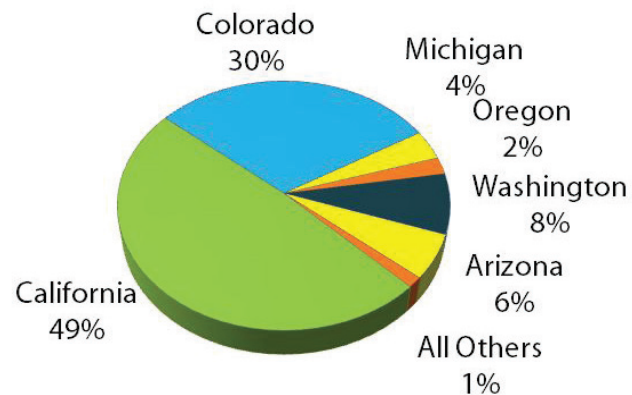
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Recently GreenWave Advisors, a research and financial analysis organization focused on the legalized cannabis industry, raised its industry forecast from \$21 billion in sales by 2020, to \$25 billion, due to greater than expected growth⁷. If marijuana were to be legalized at the federal level, revenues for the legal cannabis industry could reach \$35 billion by 2020.⁸

The market for legal cannabis sales in 2014 was \$2.7 billion, largely concentrated in six states.⁹ Currently, 23 states have legalized medical marijuana, and two states, Washington and Colorado, have legalized marijuana for recreational use.

Large active medical marijuana markets are expected to emerge in Illinois, Massachusetts and Nevada during 2015 – 2016, with additional medical marijuana markets expected to emerge in Minnesota and New Hampshire during the same time period.



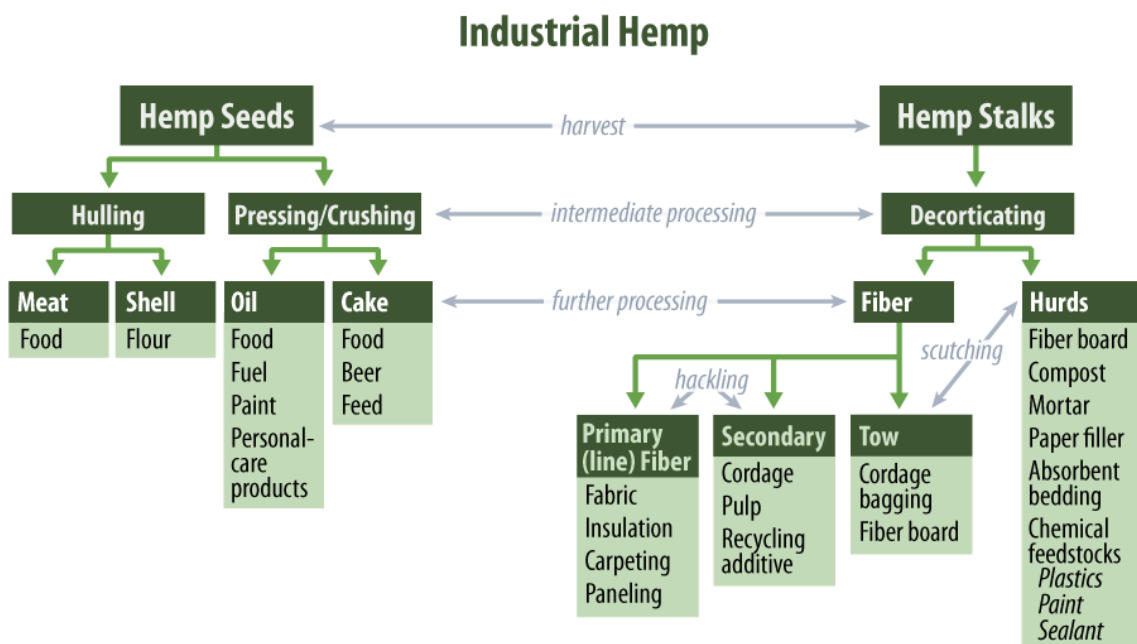
Source: ArcView Market Research (consumer and wholesale sales)

There are at least 85 different active cannabinoids (chemical compounds that repress neurotransmitter release in the human brain). The two most widely known and used are Cannabidiol (“CBD”) and Tetrahydrocannabinol (“THC”). Cannabidiol is believed to have a number of beneficial effects on the human body, and lacks the psychoactive (mood or consciousness altering) effects of THC. Cannabidiol is often obtained through industrial hemp, found in the seeds and stems of the cannabis (marijuana) plant.

Hemp, a member of the cannabis plant species that lacks THC, is emerging as a potentially strong product in a variety of industries. Hemp is generally defined as varieties of cannabis that contain no more than 0.3% of THC¹⁰. The \$500 billion Farm Bill (Public Law 113-79), which passed in 2014, allows for limited hemp cultivation and permits universities and state agricultural agencies to grow hemp without interference from the federal government and the Drug Enforcement Agency.¹¹ Production of hemp has been stagnant in the United States since 1937 when the passage of the Marihuana Tax Act, which levied a tax on anyone who dealt commercially in cannabis, hemp, or marijuana, began the prohibition of cannabis.¹² Industrial hemp cultivation is now legal in 27 states, including: California; Colorado; Connecticut; Delaware; Hawaii; Illinois; Indiana; Kentucky; Maine; Maryland; Michigan; Minnesota; Missouri; Montana; Nebraska; Nevada; New York; North Carolina; North Dakota; Oregon; South Carolina; Tennessee; Utah; Vermont; Virginia; Washington; and West Virginia.¹³



There are over 25,000 products based upon industrial hemp, including: bio-fuel; clothing; construction timbers; cooking; foundation blocks; health food and meal; hemp milk; medications; moisturizing agents in creams and other body products; nutritional products; oil-based paints; paper; plastics; and textiles. The estimated size of the U.S. market in hemp-based products exceeds \$580 million annual sales.¹⁴



The size and rapid growth of the legal marijuana market has resulted in a highly competitive and fragmented market which has attracted numerous smaller players offering both retail marijuana and hemp products and medical marijuana and hemp products. Many of these smaller players have significant risks, including: weak financial results, high cash burn rates, and an inability to gain traction and develop a significant market presence. Companies that have potential to do well in the rapidly emerging legal marijuana industry are those that have overcome the obstacles of developing proprietary products, strong management teams, access to capital, and significant customer acceptance.

Competitive factors in the industry include existing strategic relationships with customers and vendors, ability to meet consumer demand, quality and breadth of product offerings, scalability, customer service, and price.

Due to the limited nature of the company's current financial filings, the company has not listed those companies that it considers competitors. Companies that have entered, or announced plans to enter, the market for cannabis-infused beverages include: Dixie Elixirs; Greene Concepts Inc. (OtherOTC:



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LKEN); Marijuana Market; Mirth Provisions; The Venice Cookie Company; and Totally Hemp Crazy (OtherOTC: THCZ).

Companies that have entered the market for cannabis-infused edibles include: Auntie Dolores; Baked; Bhang Chocolate; Cheeba Chews; The Farmacy; Gramp's Gourmet Goodies; The Green Cross; Green Karma Delivery; Harborside Health Center; Home Grown Bakery; Hubby's Edibles; Marijuana Market; Medmar Healing Center; Nugtella; OrganiCann; and Sunset Super Shop.

Many of the company's potential competitors are more established corporations that have substantially greater capital, financial, managerial, marketing, personnel, product development and other resources than the company.

RECENT DEVELOPMENTS:

On Wednesday, December 2, 2015, the company filed the quarterly financial report the for the three months ended September 31, 2014. Since the last analyst report, the company also filed its annual report for the fiscal year ended June 30, 2015.

On Tuesday, November 10, 2015, the company announced reducing its convertible debt by \$1.2 million. The company has also entered into a preliminary agreement anticipated to improve the balance sheet with the addition of a \$1 million note payable in exchange for the sale of an asset associated with legacy operations. CEO Steven Rash anticipates additional balance sheet improvements from the mitigation, reduction and elimination of debt associated with the company's legacy operations.

On Wednesday, November 4, 2015, the company released a corporate update from CEO Steven Rash. The update provided details on the upcoming launch of the AmeriCanna Café to include a national tasting tour offering samples of the company's cannabis infused smoothies. The update also highlighted anticipated balance sheet improvements to be reflected on the next quarterly financial report. The company will continue to have as its focus the launching of a chain of AmeriCanna Café bistros. The company's other promising opportunities will be organized into separate businesses through spinoff transactions. The recent cannabis health and wellness spinoff transaction with Puration, Inc. was the first. The company anticipates an update from Puration that will include the latest information available on the issue of Puration common stock to the company's shareholders, as committed in the terms of the spinoff transaction between the two companies. The company anticipates that other spinoffs will follow.

On Friday, October 23, 2015, the company released initial financial results for the three-month and one-year periods ended June 30, 2015. The company reported full year revenues of \$420,000, with gross profits of \$231,000. The company had \$360,000 in selling, general and administrative expenses, resulting in an operating loss of \$129,000. The company reported a net loss of \$203,000 for the one-year period ended June 30, 2015.



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On Wednesday, October 14, 2015, the company announced the first AmeriCanna Café licensee. The company launched its AmeriCanna Café business in June 2015, in conjunction with the acquisition of a CityBlends Café to jumpstart a nationwide rollout of a cannabis beverage café chain. In August 2015, the company announced selecting Frisco, Texas, as the site to build the flagship AmeriCanna Café. The company's first licensee has signed a license agreement to build an AmeriCanna Café in Atlanta, Georgia. The license agreement includes a \$500,000 investment commitment to be dedicated toward build-out, marketing and product purchase from North American Cannabis Holdings. In addition to the Atlanta license, the licensee has a first right of refusal on all AmeriCanna Café stores to be opened in the State of Georgia.

On Friday, October 2, 2015, the company announced that NaturesComfortMeds has been awarded two patents by The United States Patent and Trademark Office (USPTO). The company featured its JV agreement with NaturesComfortMeds recently in conjunction with the company's agreement to move its cannabis consumer health product operations under Puration, Inc. (PURA). NaturesComfortMeds has been awarded two patents in conjunction with a proprietary Cannabidiol, or CBD, extraction process. This proprietary extraction process is instrumental the company's joint venture agreement with NaturesComfortMeds to develop health and wellness cannabis consumer products. Products under development include treatments for cancer and post traumatic stress disorder (PTSD).

On Thursday, October 1, 2015, the company announced the first production run of the EpiVape product. EpiVape is a cost effective disposable hemp oil medicinal vaporizer. Hemp oil and the Cannabidiol in hemp oil have been suggested to be a solution to epileptic seizures and muscle spasms. Additionally, hemp oil is being used to treat muscle spasms caused from MS and Parkinson's, and to treat symptoms of other neurological disorders. Cannabidiol enters the bloodstream more quickly through vaporizing than through other ingestion methods. The company entered into an agreement in November of 2014 to partner with World Hemp Oil to bring the EpiVape product to market. The company has now finalized on a production design and selected a manufacturer. The EpiVape product is expected to be available for online and retail sales in the first quarter of 2016. The company, Puration and World Hemp are pushing to have online sales possibly ready by year end. The company has entered into an agreement to move its cannabis consumer health product operations under Puration, Inc. Under the agreement the company exchanged its cannabis consumer health product operations for preferred stock of Puration. A portion of the Puration preferred stock is slated for conversion into Puration common stock to be distributed to the company's shareholders through a dividend distribution.

RISK FACTORS:

An investment in the common stock of the company is subject to a number of risks. The information below contains excerpts of some of the risk factors that existing and potential investors should anticipate, as provided by the company.



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Because shares of the company's common stock do not trade on a listed exchange, the company is not required to file its financial statements with the U.S. Securities and Exchange Commission ("SEC"). Thus, there are no risk factors included in the company's financial statement filings.¹⁵

Investors should carefully consider the risk factors below, and consider all other information contained herein, as well as the company's anticipated future filings with the SEC, before making an investment decision. We assume no obligation to update or revise any such forward-looking statements to reflect events or circumstances that occur after such statements are made.

- **The company has suffered recurring losses from operations and has a working capital deficit and stockholders' deficit, and in all likelihood will be required to make significant future expenditures in connection with continuing business development efforts along with general administrative expenses. These conditions raise substantial doubt about the company's ability to continue as a going concern.**
- **The company has recently incurred substantial losses and it may not be able to achieve or sustain profitability in the future. The company's activities have been primarily supported by loans from various parties. The company has sustained losses in all previous reporting periods, with a net loss of (\$202,757) for the year ended June 30, 2015. Management continues to seek funding from its shareholders and other qualified investors to pursue its business plan. The company continues to seek funding for all of the projects and operational requirements for the continuing fiscal year.**
- **The company's growth is dependent upon securing sales to new customers, growing net sales to existing customers and increasing its market share, in a competitive market for beverages.**
- **The company faces risks related to the integration of the newly acquired Dallas Metroplex CityBlends Café.**
- **The company's future growth is heavily dependent upon its ability to profitably grow its AmeriCanna Café concept, including the ability to locate and staff profitable locations and maintain a positive working relationship with CityBlends and Lone Star Distribution.**
- **The company's gross margins and profitability may be adversely affected by rising commodity costs.**
- **If the company is unable to attract, train and retain key personnel, its business may be materially and adversely affected.**
- **The company is dependent upon the funds it has raised so far and the support of its majority shareholders to continue its operations, which may be insufficient to achieve significant revenues, and the company may need to obtain additional financing which may not be available.**
- **The company may be unable to secure additional funding in the future or to obtain such funding on favorable terms.**
- **Problems with product quality, including defects, could result in a decrease in customers and net sales, unexpected expenses and loss of market share.**



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- The company may be subject to claims that it has infringed, misappropriated or otherwise violated the patent or other intellectual property rights of a third party. The outcome of any such claims is uncertain and any unfavorable result could adversely affect its business, financial condition and results of operations. The company's business could be adversely affected by seasonal trends.

OUTLOOK:

The company has had no measurable revenue from its "enterprise pilots" to date, as reported in the company's most recent financial reports for the period ended June 30, 2015.¹⁶ If the company is successful in integrating its acquisition of the CityBlends Café with its other businesses, the company has the potential to achieve revenues and gross margins that equal those previously achieved under the management of CityBlends. At the time of acquisition, the Dallas Metroplex CityBlends Café operation had revenues of approximately \$420,000 and Pro Forma gross margins of 55 percent. If the company can achieve similar "unit level" financial results as it expands its AmeriCanna Café concept, the company has the potential to achieve future profitability.

In conjunction with the CityBlends Café acquisition, the company gained significant experience in the health and wellness beverage industry. The CityBlends Café concept is backed by Lone Star Distribution, a leading distributor of supplements in the United States. If the company is successful in maintaining a positive working relationship with CityBlends and Lone Star Distribution, the company has the potential to achieve significant savings in its planned national rollout of the AmeriCanna Café concept, through the use of its own distribution network.

The company is attempting to differentiate itself from existing and potential competitors through the use of this network, as well as using highly trained café employees available to discuss and address specific aspects and characteristics of cannabis infused beverages and edibles.

The company's management is taking steps to improve the company's capitalization and place it on a firmer financial footing going forward. Company management has stated its intention of further balance sheet improvements through the addition of a \$1 million note payable in exchange for the sale of legacy assets. The company will continue to be reliant upon raising additional capital through borrowings and equity issuances. Recent trends in the "macro environment" may assist the company in meeting its future capital needs.

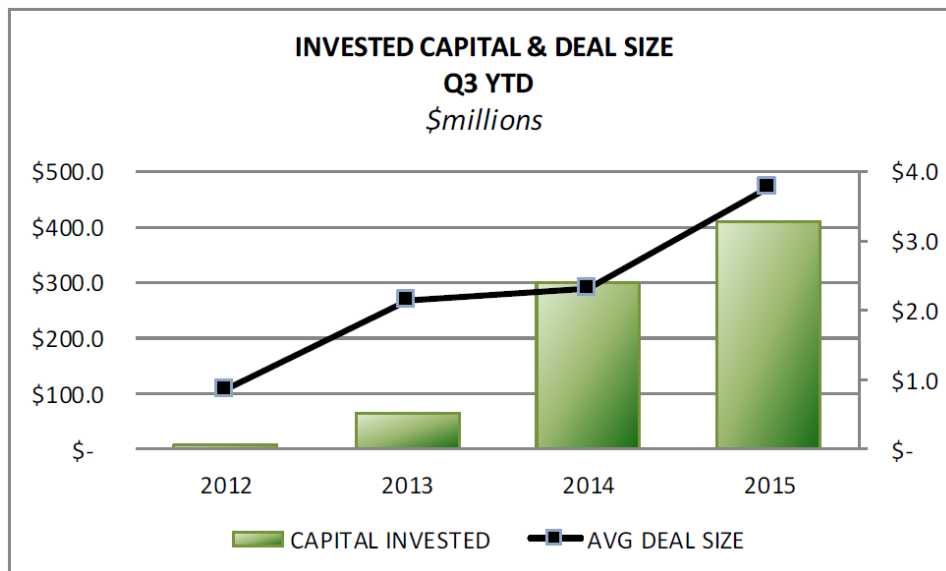


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Since 2012, and estimated \$1 billion in total capital has been invested in the marijuana industry.¹⁷ During the first nine months of 2015, an estimated \$410 million in capital has been invested, up 35% from \$300 million for the same period in 2014.¹⁸ The average deal size for the same period

increased from \$2.3 million in 2014, to \$3.75 million in 2015.¹⁹

RECENT FINANCIAL RESULTS:

The following unaudited Balance Sheet, unaudited Statement of Operations, and unaudited Statement of Cash Flows for the twelve months ended June 30, 2015 should be read in conjunction with the notes contained in the company's Annual Report for the period ended June 30, 2015.²⁰

During the six months from December 31, 2014 to June 30, 2015, the company made changes to its business plan, and improvements in its financial results. Significantly, through the acquisition of the Dallas Metroplex CityBlends Café, the company has acquired an annualized revenue stream of approximately \$420,000 with estimated gross margins of 55 percent. In conjunction with the acquisition, the company issued notes totaling \$550,000, payable over a 24-month period.²¹

During the six months between December 31, 2014 and June 30, 2015, the company increased its current asset balance by \$317,398. This increase resulted from an increase in cash of \$150,000, a \$17,398 increase in long term notes receivable, and a \$150,000 increase in furniture and equipment, net. The increase in furniture and equipment was the result of the CityBlends Café acquisition.

During this time period, the company had a decrease in total liabilities of \$1,137,780, while total liabilities and stockholder's deficit increased by \$317,398.

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NORTH AMERICAN CANNABIS HOLDINGS, INC. BALANCE SHEET AS OF 06/30/2015

ASSETS

CURRENT ASSETS:

Cash	\$	150,000
Related party receivables		<u>66,500</u>
Total current assets		216,500

Long Term Note Receivable, including accrued interest		334,083
Furniture and Equipment, net		<u>547,500</u>
TOTAL ASSETS	\$	1,098,083

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Accounts payable – accounting/legal	\$	99,118
Accrued consulting fees/salaries		230,000
Purchase Secured Promissory Note #1		<u>50,000</u>
Total current liabilities		379,118

Accrued interest – reserve		500,000
Advances payable		100,000
Advances payable – prior related parties (1)		30,000
Advances payable – prior related parties (2)		495,849
Convertible notes payable		1,187,047
Convertible notes payable – prior related parties		1,223,809
Convertible promissory note payable – prior related party, current		388,333
Purchase Secured Promissory Note #2		250,000
Purchase Unsecured Promissory Note #3		250,000
Debt Settlement/Promissory note payable		<u>173,164</u>
TOTAL LIABILITIES		4,977,320

STOCKHOLDERS DEFICIT:

Series D preferred stock, authorized 100,000 shares, par value \$0.001, 100,000 I/O		100
Common stock, authorized 1,000,000,000 shares, par value \$0.001, 149,773,693 shares I/O		149,774
Additional paid-in capital		392,423
Accumulated deficit during development stage		<u>(4,421,534)</u>
Total stockholders' deficit		<u>(3,879,237)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$	<u>1,098,083</u>

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NORTH AMERICAN CANNABIS HOLDINGS, INC. STATEMENT OF OPERATIONS AS OF 06/30/2015

Revenue:		
Sales	\$	420,222
Cost of sales		<u>189,100</u>
Total Sales		231,122
Operating Expenses:		
General and administrative expenses		<u>360,000</u>
Total operating expenses		<u>360,000</u>
Loss from operations		<u>(128,878)</u>
Non-operating income (expense):		
Interest Income		28,500
Interest and finance costs		<u>(102,379)</u>
Total non-operating income (expense)		(73,879)
Net Loss	\$	<u>(202,757)</u>
Weighted average shares outstanding:		
Basic		<u>149,773,693</u>
Loss per share attributed to Algae International Common stockholders:		
Basic	\$	<u>(0.001)</u>

During fiscal 2015, the company reported revenues of \$420,222 as a result of the CityBlends Café acquisition. To date, the company has not realized revenues from its enterprise pilots. The company's reported gross margins of 55% were in line with the company's proforma gross margin guidance. The company's general and administrative expenses for the first six months of calendar 2015 increased by \$210,000, driven primarily by the CityBlends Café acquisition. During this period, the company's operating loss declined by \$21,122, from its -\$150,000 loss as of December 31, 2014. The company's net loss during the six months between December 31, 2014 and June 30, 2015 increased by \$1,299.00, to a net loss of -\$202.757. Despite a significant increase in the weighted shares outstanding, the company was able to cut its basic loss per share from -\$0.005 to -\$0.001 during the same time period.

NORTH AMERICAN CANNABIS HOLDINGS, INC. STATEMENT OF CASH FLOWS AS OF 06/30/2015

CASH FLOWS OPERATING ACTIVITIES:		
Net Loss	\$	(202,757)
Adjustments to reconcile net loss:		
Interest Receivable		(28,500)
Change in current assets and liabilities:		
Accounts payable and accrued expenses		<u>162,061</u>
Net cash used in operating activities		(69,196)
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$	(69,196)

The company reported a decrease in cash and cash equivalents for fiscal 2015 of -\$69,196, which compares favorably with the -\$212,783 decrease in cash and cash equivalents reported for the period ended December 31, 2014. This improvement was driven by an increase in accounts payable and accrued expenses of \$160,451 for the six months from December 31, 2014 to June 30, 2015.



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BOTTOM LINE:

The legal cannabis market continues to enjoy significant growth, capturing an increasing share of consumer's spending. Analysts are predicting continued strong growth over the foreseeable future as more states legalize marijuana consumption and production. Significant future industry growth would be driven by legalization of marijuana usage and hemp production at the federal government level. Emerging industry trends that have been identified by analysts include:²²

- Innovative delivery systems where the marijuana flower is no longer the dominant market force for innovation. Easier and healthier alternative delivery formats gain market share.
- Multistate licensing as national cannabis brands emerge in a state-segmented market
- Product testing, as states require potency and contaminant testing to ensure consumer safety.
- Changing cultivation as licensed cultivation facilities become larger, creating challenges and opportunities to meet the needs of these larger customers.
- The potential for the federal government to legalize marijuana usage and hemp production.

Legal cannabis markets are expected to grow 50% in 2015, with continued strong growth driven by legalization efforts in eight states, including California, Florida, Nevada, and Rhode Island.

Markets in several states, including Illinois, Massachusetts, New Hampshire, and Nevada, are expected to begin operation.²³

States including Maryland, Minnesota, and New York are expected to finalize regulations necessary to open these markets in 2016. The time required for new markets to progress from legislative action to an active market is generally longer than anticipated, and 2015 is expected to be a year where efforts are dedicated to building the infrastructure that leads to larger sales of legal marijuana and hemp products in 2016.²⁴

The biggest drawback for the industry is that cannabis remains illegal under federal law. The Drug Enforcement Agency still categorizes marijuana as a Schedule 1 controlled substance, which means the federal government considers it to be as dangerous as heroin, with no medical use and high potential for abuse. Based on the existing markets, AMR projects that full legalization of marijuana nationwide would result in \$36.8 billion in retail sales, larger than the \$33.1 billion U.S. organic foods market.²⁵

In 2013, a memorandum from Deputy Attorney General James Cole formally set a pro-cannabis tone for the U.S. Department of Justice's involvement in states' jurisprudence over their own cannabis laws. Under the memo, prosecutors were guided not to base prosecutions on the size of commercial cannabis operations alone. Raids on dispensaries and grow operations dropped dramatically in 2014, suggesting that most in the federal government took the Cole Memo to heart.



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Then, in February 2014, guidance from the U.S. Treasury Department and the DOJ indicated that banks that offer financial services to cannabis based businesses in legalized states would not be punished if both the bank and its clients follow the basic business tenets set forth by the Cole Memo, as well as specific reporting requirements and due diligence expectations.²⁶

In the biggest federal win for the cannabis legalization movement in history, a rider in a December 2014 Congressional “cromnibus” spending bill passed and effectively eliminated the federal government’s fiscal capacity to interfere with states in their implementation and oversight of medical cannabis laws. The same spending bill, however, may impede the District of Columbia’s ability to enact Adult Use cannabis laws through much of 2015.²⁷

The public markets have seen a massive influx of companies that seek to capitalize on investor interest in this emerging industry sector. The number of public cannabis companies skyrocketed at the beginning of 2014 and then plummeted later in the year because of SEC actions and a market that became wise to penny stock “pump-and-dump” schemes.²⁸ The shares of these companies trade primarily on the OTC market and are subject to limited listing requirements. The Securities and Exchange Commission put temporary trading halts on the shares of five publicly-traded companies in 2014, due to concerns over the accuracy of financial statements, potentially illegal sales of securities, and market manipulation.²⁹

Risk adverse investors may want to wait until marijuana and hemp are legalized at the federal government level, which is likely to attract larger better managed, and better capitalized, publicly-traded companies to emerge.

As the industry matures, careful stock selection will become important for investment outperformance. Given the sharpened focus by the company’s management team on the legal marijuana market, planned rollout of the AmeriCanna Café concept, potential for beneficial distributions of shares in profitable consumer product companies, and the positive revenue stream provided by the Dallas Metroplex CityBlends Café acquisition, I believe that the company has the potential to achieve this investment outperformance.

Any investment in a smaller company that is trading under \$0.01 per share, such as the company, is potentially a very “high risk, high reward” situation. The company has not yet reached profitability, has minimal revenues, an emerging product line, and an emerging business strategy.

Despite some recent positive announcements, the stock continues to be under significant selling pressure and is not widely followed by “sell side” analysts. The company’s share price is likely to remain highly volatile and will react strongly to both positive and negative news releases, including further improvements in the company’s balance sheet.



North American Cannabis, Inc. (USMJ)

Attempting to Become the Starbucks of Cannabis

Rating:
**SPECULATIVE
BUY**

North American Cannabis, Inc.
2523 Bomar Avenue
Dallas, TX 75235
Phone: (972) 528-0162
www.GROWUSMJ.com

Potential investors in the common stock of North American Cannabis, Inc. should conduct their own due diligence and carefully consider any investment in this company. The company's stock has the potential to retrace recent price declines and penetrate resistance at approximately the \$0.015 per share range.

The company's stock has the potential to retrace recent price declines, and I believe that the foreseeable rewards now outweigh the longer term risks of investing in the company's common stock. Consequently, I am upgrading my "Accumulate" recommendation to a "Speculative Buy" recommendation. This upgrade is predicated on the company being able to accomplish its planned balance sheet improvements, successful rollout of the Americanna Café concept, ability to attract additional capital, and execution of its business plan.

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Disclosure: *I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions.*

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