

THE STARTUP PAGE

A look at innovative organizations, concepts, products and people

Different Kind Of Seed Stage

■ By BRITTANY MEILING

Investors and entrepreneurs are starting to see green in the legal cannabis industry, but there's more than one way to cash in on the lucrative market. And some ventures are riskier than others.

The legal weed industry is expanding rapidly, with total sales amounting to \$5.4 billion last year. California accounts for 50 percent of the entire market, and with adult recreational use on the ballot this November, most experts anticipate the market will balloon over the next few years.

Although marijuana is legal for either medical or recreational use in 25 states, the plant is still illegal federally. This makes many investors and large companies nervous to dabble in the market.

Rather than getting too close to the federally illegal plant, **Jack Scatizzi** says a technology play is a good place for interested players to start.

Scatizzi is managing director of **Canopy San Diego**, a startup accelerator for technology firms solving problems for the cannabis industry. The accelerator is a franchise of **Canopy Boulder**, the first seed-stage accelerator focused entirely on the cannabis market. Startups in Canopy Boulder's cohorts last year raised more than \$10 million in capital, and venture capital research firm **CB Insights** recently named the accelerator the most active private investor in the cannabis space.

Scatizzi answered questions for the **San Diego Business Journal** about the local cannabis market, where technology startups fit in, and how San Diego's scene differs from Boulder, Colo.

Here are some excerpts.

What's the opportunity for technology startups in the cannabis industry? This is a relatively untouched market, right?

There are already 25 states with some kind of legalization, and each year there's

more states legalizing adult use. The market in the U.S. is growing like crazy. Since the industry is coming out of the dark — meaning it was fully illegal before — there's tons of opportunity for technology and tools to be developed. Most people who were in this business while it was still illegal didn't use technology. They were essentially growing in their basement. They could get shut down at any time, and they didn't want to have records.

When legalization happened in four states, the first technology solutions for businesses were not that great. Now we're getting technology experts into the cannabis market. You've got companies like **Cannabuds** developing a point-of-sale system, and **LodeStone Data**, which does enterprise-level tracking and inventory with RFID (radio-frequency identification). You don't need RFID when you're growing in your basement, but you do when you're growing at commercial scale.

Was the design of this accelerator — in terms of only accepting technology companies rather than cannabis companies — meant to minimize risk?

For a portfolio, we thought this was the lowest risk because no matter what happens in the landscape five years from now, everyone will need technology infrastructure. Technology may not have the biggest exits, but you can get really good market penetration.

Our investors weren't interested in us touching the plant. They're using us to dip their toe in the water. Many are saying, "I'm not big into cannabis, but this is such a huge growth potential that I can't *not* be in it. If my goal is to make money, by ignoring this industry I'm doing myself a disservice." We're giving them the chance to get their feet wet in a low risk way.

Is there a particular space that you think holds the most promise in cannabis technology?

I think technology for the medical space is going to be huge. A good example is a company that's made an electronic medical record system that's mobile, cloud-based, and tracks dosage with symptom relief. I also think of companies like **Vapen**, which makes an inhaler that gives you exactly 10 milligrams with every puff. If you can get delivery of (medical marijuana) down to specific milligrams, it changes your ability to work with pediatric cancer patients, epilepsy patients, and senior citizens. There's also a huge opportunity in personalized medicine and medical education.

Is there one problem that a lot of people are trying to solve?

Everyone wants to be the **Yelp** of weed. It basically already exists with an app called **WeedMaps**, but many people believe the reviews on WeedMaps are fake.

How would you describe the cannabis industry in San Diego compared to areas like Boulder, Colo.? What's the same or different about how business operates here?

Colorado is a completely different world. There are dispensaries on every corner. Culturally, they've accepted cannabis and cannabis use. If you're a cannabis entrepreneur selling to dispensaries, you just have to drive down the street and you can visit a new client. Right now in San Diego, there are only eight licensed dispensaries that are currently open. The rest are still illegal or have been shut down. (WeedMaps shows 87 dispensary storefronts in San Diego).

So Colorado is a much more mature market on the consumer retail side. But it's

believed that Los Angeles County alone has as many dispensaries as all of Colorado. Southern California will get there.

What's your relationship with The ArcView Group? How does it benefit the startups in your program?

ArcView is basically a platform for investors interested in cannabis. They've invested \$85 million in 130 companies since 2014. The group is partnered with Canopy Boulder, and we're a franchise of Canopy Boulder. We don't have a direct partnership with ArcView, but we get some perks from being linked with Canopy Boulder. For example, we have a guarantee that our companies can get on the webinar agendas for ArcView's quarterly investor event.



What is Cannabis Technology?

Technology and products for the cannabis industry include software, surveillance cameras and equipment, payment kiosks, vaporizers, cultivation lighting and structures

How Much Do They Make?

\$400,000 - Median Annual Revenue of Cannabis Technology Companies

Source: Marijuana Business Daily, a division of Anne Holland Ventures Inc.

4 San Diego Startups Developing Cannabis Technology

These four companies are currently housed at Canopy San Diego, an accelerator for technology companies in the cannabis space. They are among 10 startups in Canopy's first cohort. Canopy awarded each company \$20,000 and continues to foster their development through workshops, mentorship, and other programs.



DCN - Direct Cannabis Network

Founder: Adelia Carrillo

Direct Cannabis Network (DCN) is a digital news company that profiles startups and entrepreneurs in the cannabis industry. Founded in 2015, the website is a hot spot for product reviews on technology devices, products, and apps for the cannabis industry, along with features of innovative cannabis companies. DCN also has a calendar of events and web series for founders, including one called Coffee and Cannabis targeted at women entrepreneurs in the industry.



Inner Peace LifeStyle Gear

Founder: Jennifer Van Zutphen

Inner Peace Lifestyle Gear uses "odor trap technology" to make bags, backpacks, and other gear to transport marijuana. The company was launched with industry workers in mind, and has products to address many industry needs, including large duffel bags.



Loose Leaf Tech

Founders: Patricia Lopez, Ryan Lopez, Ned Halicioglu, Shawn Asim
CEO: Daniel Hopson

LooseLeaf Tech is a secure, patient-focused data collection and tracking platform for the medical cannabis community. LooseLeaf Tech's platform allows patients and providers to capture, track, and analyze health care data on their smartphones. LooseLeaf Tech aims to better inform and advance the medical cannabis community's understanding of the efficacy of medical cannabis.



Icarus RT

Founders: Mark Anderson, Ilya Shoniya

Icarus RT is a technology firm developing an add-on that will increase the efficiency of solar panels. The system provides energy independence and renewable power at a cost 40 percent less than the grid. This can translate to large cost savings for remote cannabis cultivation facilities with insufficient power structures, as well as cultivation facilities in states like California with limited power resources. Icarus RT also produces hot water on demand and includes heat storage that allows for extended hours of operation for residential, agricultural and remote applications.