



## IMJ Special Report On Life Style Delivery Systems

We would like to introduce you to Life Style Delivery Systems (CSE: LDS), a vertically integrated cannabis company based in California that has tremendous upside potential with a very unique product offering. The wholly owned subsidiary has permits to cultivate, extract, produce and manufacture marijuana products for sale in California which is the biggest market in the United States.

The company sets itself apart from many other producers because of the intellectual property they have behind the patented Transmucosal Delivery of Biologically Active Agents. The company's CannaStrips product has the ability to deliver unique nano-encapsulated biological molecules of therapeutic value directly across mucous membranes. What impressed us the most about the company's disruptive CannaStrip product is that cannabis users can get the full experience and effects of THC for only a dollar, whereas smoking cannabis can cost about \$8 per joint. With the ability to sell CannaStrips at \$2, the company will still have tremendous margins and a competitive advantage over all other cannabis producers who sell flower products at a much higher price.

We bring this company to your attention now as you have expressed interest in participating in private placements in the past. The company just issued a press release announcing a private placement offering lead by Cannacord Genuity Corp. They will be raising \$10M by issuing 20,000,000 share at \$0.50 each and each share purchase comes with a full warrant with an exercise price of \$0.75 for a period of one year. The stock price had traded as high as \$1.00 on Oct 31 2016 and is currently at \$0.64, so the offering is at a discount to the current stock price. This investment may be eligible for purchase in a TFSA or RRSP account for Canadian Investors.

The offering is being well received and is pretty much fully booked, however we at Invest In MJ have managed to convince Skanderbeg Capital Advisors to allocate a small portion of the financing to our readers and connections. This is a time sensitive matter as they plan to close the offering very quickly. We encourage you to take a few minutes and read the company highlights below. If you would like the investor presentation we will forward that to you or if you have question about the company and offering, or feel free to reach out to:

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Here is the link to the news release on the offering:

<http://lifestyledeliverysystem.com/lifestyle-delivery-systems-inc-announces-brokered-private-placement-of-units/>

Below are some of the company high lights provided by Skanderbeg Capital Advisors :

[Preview YouTube video CannaStrips "Cannabis Edible Strips" Commercial](#)  
[CannaStrips "Cannabis Edible Strips" Commercial](#)

Lifestyle Delivery Systems (LDS:CSE) is a unique and highly profitable "fully integrated" cannabis company that offers investors:

- One of the **only publicly traded exposure to the massive California** market.
  - has permits to cultivate, extract, produce and manufacture marijuana products in Cali
- A cannabis company that is currently trading at the **lowest EV / 2017 Revenue multiple** of its peer group
- Explosive bluesky potential with their proprietary, **disruptive technology**: *Cannastrips* (a new delivery system)

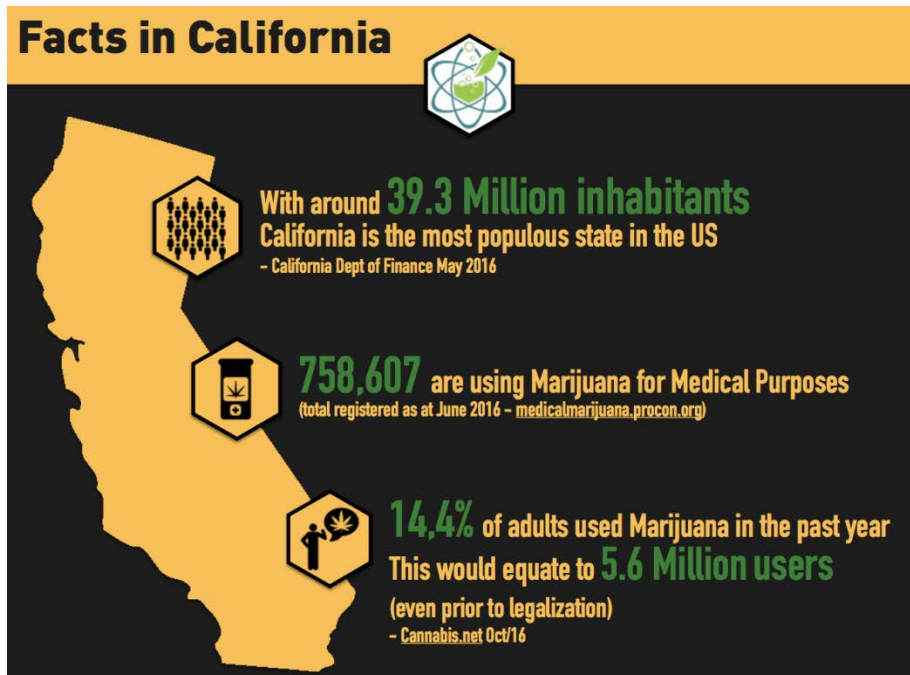
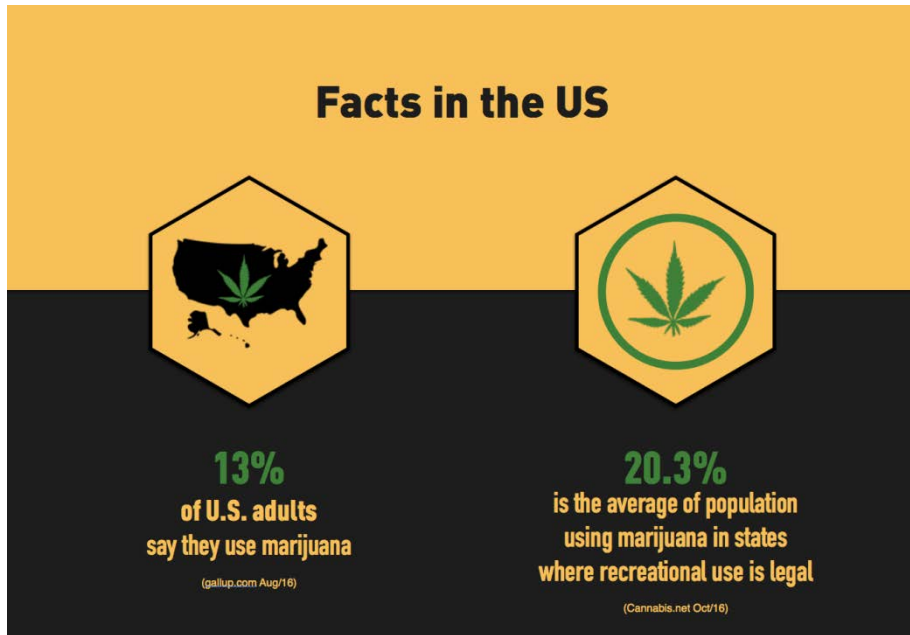
**The Pre Money valuation is less than \$30M.**

## OVERVIEW

The company has multiple streams of revenue:

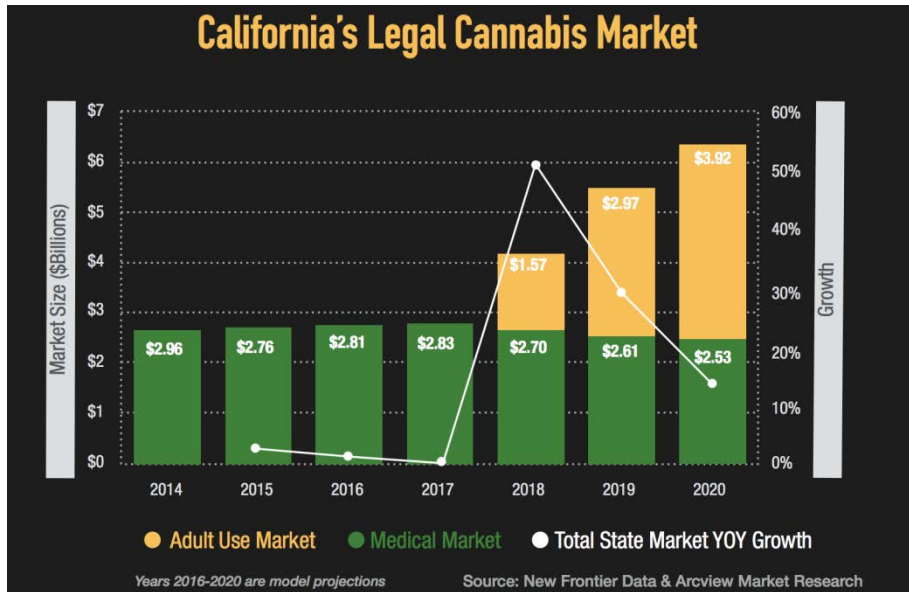
- **CannaStrips** (Similar to a listerine breath strip)
  - A proprietary product that delivers cannabis **sublingually** via an oral strip (allows active ingredients to enter bloodstream quickly through membrane in the mouth)
  - Enters the bloodstream directly through the buccal membrane
  - Dispensed by the body to the heart in less than 1 minute
  - No stress on liver, doesnt upset stomach
  - Potential to be the most effective delivery system
- **Extractions & Distillations of Cannabis Oils**
  - For others: Edibles, drops. vapes
  - For Cannastrips product line
  - By Q1 2017: The LDS facility will have capacity to produce over 50 litre/day
- **Nursery**
  - Capability to supply up to 60 contracted cultivations
  - They grow LDS's seedlings into mature, ready-to-harvest cannabis plants
  - Done w/ precise genetics for extraction and distillations **to produce the Cannastrips formulations**
  - Revenue generated from sales of seedlings to cultivators

THE CALIFORNIA OPPORTUNITY



On November 8th, California voted to legalize recreational use of Marijuana. Here is a snap shot of

**HOW BIG** the California marijuana market is:



## THE LDS OPPORTUNITY

- Revenues for 2017 are projected to be **approx. \$10m CDN**
- Current valuations in the publicly traded marijuana sector are robust.

Company	Symbol	Multiples				
		P/Rev	EV/Rev	P/2017Rev	EV/2017Rev	AdjEV/2017Rev
Canopy Growth	CGC	60.50	57.33	39.76	37.67	36.27
OrganiGram Holdings	OGI	70.31	55.41	24.61	19.39	18.61
Supreme Pharmaceuticals	SL			57.04	47.04	45.54
THC Biomed	THC	209.00	209.80	26.13	26.23	25.98
Golden Leaf Holdings	GLH	2.51	3.24	2.41	3.11	2.57
Aphria	APH	40.70	36.86	22.05	19.96	19.42
Aurora Cannabis	ACB	3341.25	3266.25	19.65	19.21	18.89
Maple Leaf Green World	MGW			3.64	3.64	3.62
Mettrum - Canopy Takeover Dec 1	MT			20.45	19.02	18.07
Lifestyle Delivery Systems	LDS			3.48	3.46	3.46
Average (excluding LDS)		620.71	604.81	23.97	21.70	21.00

- Notable Comparables

METRIC	ORGANIGRAM	SUPREME	THC BIOMED	LDS
2017 Proj Revs	\$14M	\$6M	\$4M	<b>\$10M</b>
Market Cap	\$275M	\$258M	\$90M	<b>\$30M</b>
EV/2017 Revs	18.61	45.54	25.98	<b>3.46</b>

- **Radiant Technologies (RTI.V) Comparison**
  - Announced an MOU w/ Aurora Cannabis for "joint development and commercialization of superior and standardized cannabinoid extracts"
  - No Revenues

- No Product
- \$55 Million Market Cap
- **Lifestyle Delivery Systems Compared to RTI**
  - Already have a product
  - Already have contract for extractions
  - \$10m in revs for 2017 based on contracts
  - \$30 Million Market Cap

### WHAT SHOULD LDS TRADE AT BASED ON THE PEER GROUP AND COMPS?

LDS Estimated Fair Market Value	P/2017Rev	EV/2017Rev	AdjEV/2017Rev
Equity Valuation (Market Cap)	\$ 239.70	\$ 217.17	\$ 210.17
<b>LDS Price Per Share (Current Fair Value)</b>	<b>\$ 5.10</b>	<b>\$ 4.62</b>	<b>\$ 4.47</b>

### ABOUT CANNASTRIPS

[Click here for video of product](#)

The Problem

- When marijuana (THC or CBD) is ingested (via smoking, vaping, or eating) the blood containing the medication is filtered through the liver- *takes time* and causes significant *degradation*
- Dosage can be reduced by as much as 60%

### The Solution: **Cannastrips**

Cannastrips is a proprietary oral strip that offers a unique formulation that addresses the texture, taste, consistency and effectiveness issues w/ other cannabis strip based products. The strip is precisely metered and every individual strip has the same percentage of active ingredients inside for active delivery.

How?

- The entire plant and all of its components (cannabinoids, terpenes, terpenoids, flavinoids) are contained in the proprietary cannastrip extract, which is reduced to a micro particulate size and homogenized into a lipid encapsulation

The Results...

- Allows active cannabinoids and terpenes to **enter the bloodstream**
- Allows **dosage** to be **more effective**
- Allows for a **longer duration** w/o dips and spikes
- Little to **no degradation** from the liver

## Advantages of Cannastrips:

- **Smokeless**
  - Never sharing active ingredients. can be used anywhere. healthier
- **Extremely Effective**
  - Delivers active ingredients directly into the blood stream through mucus membrane in the mouth
- **Accurate Dosage**
  - Precisely measured so that every strip has the same percentage of active ingredients



## MARKET SIZE

### Significant Advantages of CALIFORNIA compared to Canada

- **Population:** Canada- 33.5m / California- 39.3m
- **Registered Marijuana users:** Canada- 75, 166 / California- 758,607

*Why Medicinal marijuana:*

Legal marijuana sales are projected to reach **\$20.6 billion by 2020** from \$7.4 billion now, with a compounded annual growth rate of 29 percent

## LDS BUSINESS MODELS

### **Cannastrips**

- **DISRUPTIVE**
  - Smoking marijuana can cost over \$8 per joint
  - Cannastrips will be able to get experience the full effects of THC **for two dollars!**
  - There are also of course the CBD applications

- Potential to change the dynamic of how people get high
  - Cheaper
  - More effective
  - More discreet
  - Accurate, controlled dosages
- Numbers
  - Cost per Strip: \$0.17
  - Sells for \$1.00
  - Margin: \$0.83 / strip
  - Ability to make 500k strips per day
  - Buyers lined up for 500,000 strips per month to start
  - Massive connection w/ [weedmaps.com](http://weedmaps.com) (former mgmt team)
  - 1m strips sold per month = \$800k in profit per month

## Extraction and Distillation

### Model

- \$500,000 per month in extraction revenues from doing extractions for other companies
- **Contracts in place**
- 7 major companies asking LDS to distill cannabis oils for their vape pens

## Seedlings

- Selling seeds that cannot be replicated
- Sell to growers, who grow for LDS under their specifications - shores up their supply
- Potential \$3m-\$5m per year revenue business to start

## FIRST MOVER ADVANTAGE

- The first and only publicly traded exposure to the California market
- Extraction & manufacturing business in Cali is tightly controlled
- Cities are restricting the number of extraction & manufacturing licenses
- LDS has the ONLY TWO licenses in Adelanto, California
- Transportation license to come after 2 year application process
- **Can move their product all across California**

## SHARE STRUCTURE

Shares Issued: 49,163, 779

Options: 3,430,595

Warrants: 17,153,367

Fully Diluted: 69,747,741

## KEY MANAGEMENT

- Took Weedmaps.com from \$2000/mth in revs to over \$2m per month
- **Mr. Brad Eckenweiler - CEO** - An executive with worldwide business experience in operations, corporate finance, multi-border negotiations and global securities markets. With cannabis credentials which include structuring the public entity and financing the company that is now WeedMaps.com.
- **Dr. John Sanderson** - Scientific Advisor A research scientist at Johnson and Johnson Pharmaceutical for 15 years who has issued multiple patents in intravenous delivery and responsible for the publication of numerous academic papers as principal investigator.
- **Mr. James Pakulis – President** - An experienced executive with three decades creating companies in a variety of emerging and high-growth sectors including cannabis, internet, and real estate. He has extensive experience in corporate management for both public and private enterprises including WeedMaps.com as CEO.

## ADDITIONAL INFORMATION

### Cannastrips

#### **Full Control: Critical for CannaStrips**

The company controls the ingredients by controlling the supply chain. Owns their own extraction lab for processing of raw plant material into oil and distillate. They control:

- Ingredients
- Formulations
- Testing
- Processing
- Packaging
- Transportation
- Sales/Marketing

All of this = ability to guarantee the consistency of every Cannastrip

### **California Market Size**

- **Cali population:** 39.1m
- **Age 20-79:** 27.4m
- **Percentage of people that use marijuana:** 17.35%
- **Target market** - 17.35% of 27.4m = 4.75m people
- **Average spend by medicinal marijuana user:** \$500 annually
- Market size 4.75m people @ \$500 annually = **\$2.4 Billion**



## Medicinal Applications for Cannastrips

- Medicinal Applications
  - Ability to target specific sections of the brain and body via their proprietary delivery systems
  - Targetting to begin human trials in Q1 2017 to prove efficacy

## EXTRACTION UPSIDE CASE: Market Size and Scope

- **California Cannabis Oil Pricing:** US \$4000 - \$18,000 Per Litre
- **Potential Demand for LDS:** 25L per day
- **Numbers: 25L Per Day x \$4000/litre x 5 days production x 40 weeks per year = potential US \$20M Annual Revenues**

## Permits/Legality

On October 9, 2015, California Governor Brown Jr., signed into law Senate Bill 643, Assembly Bill 266, and Assembly Bill 243 collectively known as the "Medical Marijuana Regulation and Safety Act". Many of these new standards take effect on January 1, 2018 and the state and many municipalities are working in conjunction to create a coherent legal structure within the state.

As of mid 2016, entities that apply for and are approved by a CA municipality receive a Conditional Use Permit to extract, transport and/or retail. This is equivalent to being granted a license.

The assets of CannaStrips resides in Canna Delivery Systems (CDS), a wholly owned subsidiary of Lifestyle Delivery Systems, Inc. a Candian publicly traded entity. CDS anticipates receiving a Conditional Use Permits for all three aspects; distilling, transporting and retailing cannabis from a California municipality, 09/16.

Regards,

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