MAKE 18X YOUR MONEY AS THESE "SECOND WAVE" POT PLAYS COME ROARING BACK

FORTUNE HUNTER

Make 18X Your Money as These "Second Wave" Pot Plays Come Roaring Back

By Rodney Johnson, Editor, *Fortune Hunter*

Over 5,000 years, marijuana hasn't changed. But our attitudes have.

It's likely that your opinion of marijuana corresponds to your age.

If you're part of the Silent Majority or Bob Hope Generation, you probably equate pot with the 1930s movie "Refer Madness," which showed crazed teens on the verge of crime after smoking weed.

If you came along later, as part of the Baby Boom Generation, you'd line up with the Summer of Love in 1968, when pot was simply a warmup for LSD or other drugs.

My 3 Pot Stock Recommendations

Charlotte's Web Holdings
(OTC: CWBHF)

Dixie Brands
(OTC: DXBRF)

Harvest Health
(OTCQX: HRVSF)

Or perhaps you were born after 1964 and are a Gen-X'er like me. We put pot aside and gravitated toward cocaine as the drug of choice… which proved to be a bad one.

Now there's a new generation in town – the Millennials – and they have a different view. For them, pot is not just harmless, it's a step *down* from alcohol.

This huge generation is asking a question: If pot has fewer side effects than alcohol and can be infused in edibles to avoid smoking, then why isn't it legal? Their Boomer parents are joining that fray, remembering the freewheeling spirit of their youth.

Today, more than 60% of Americans favor legalizing marijuana, a far cry from the 60% that wanted to keep it illegal in the 1990s.

But moving to strike pot from the criminal code isn't a step forward, it's a step back. Way back!

By decriminalizing marijuana, we're moving our country back to where we were before Prohibition, and where the Chinese were in 3,000 B.C. In fact, populations around the globe have used marijuana as medicine and recreationally for millennia.

The move to criminalize pot throughout the world happened only in the last century as we went through the temperance movement and dealt with Prohibition.

Today's trend isn't just about people wanting to get high instead of drunk (although there is a lot of that). Medicinal marijuana has made tremendous strides as we learn more about the beneficial aspects of the drug. Aging Boomers might want a recreational alternative to wine and hangovers, but they also want an alternative to opioids. Marijuana just might fit both bills.

And then there's the government. City and state entities are getting involved, considering everything from incarceration, to revenue, to jobs.

The elephant in the room is the U.S. government, which still classifies marijuana, along with heroin and LSD, as a Schedule I drug – among the most dangerous, least beneficial compounds known to man. This puts the 31 states and District of Columbia that have legalized marijuana for at least medical use at odds with the federal government.

That logjam creates headaches for businesses, hassles for consumers, and an opportunity for you and me.

As citizens of states call for legalization, they create a populist wave that will eventually wash over our nation's capital. When the U.S. government finally takes action to legalize marijuana, the companies already in the space will suddenly be able to sell their products across state lines.

We want to be invested in the best names before that happens.

But we're not going to be the first nation to legalize marijuana in full. The small South American country of Uruguay legalized the drug several years ago, and just last year Canada voted to legalize recreational pot. As the investing world geared up for the opening of Canada's pot industry as well as the stutter-step rollout in states across the U.S., the hype surrounding pot rose to a fever pitch.

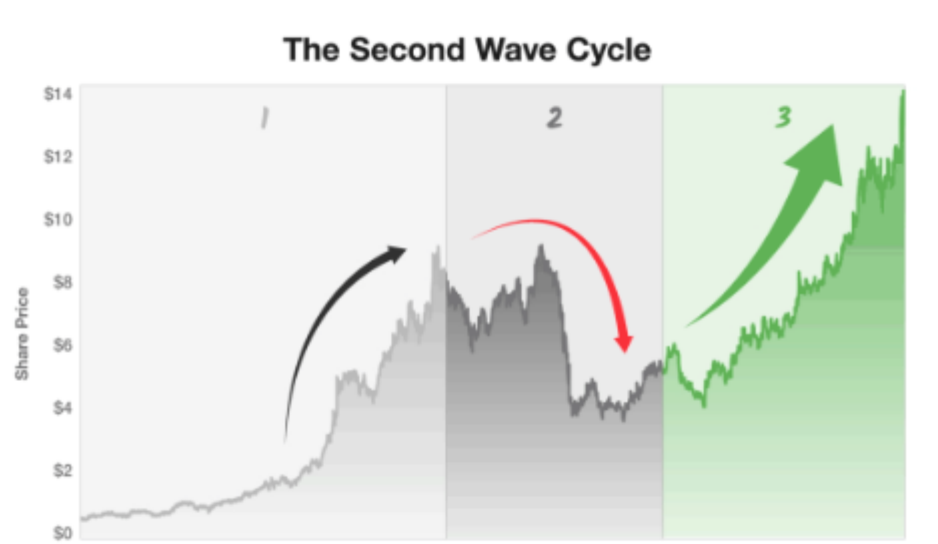
But, just as we thought would happen, the industry couldn't live up to the buzz. That's a common occurrence in new markets… and it's where we find our opportunities.

Just after Canada legalized pot on October 17, stocks in the industry started to roll over. Eventually, many fell more than 20%, dropping into bear market territory in a matter of days.

The hype surrounding investments fizzled, but that has nothing to do with the industry. There's a huge opportunity in cannabis, both the kind that gets you high and the kind that doesn't. Which makes right now, during a lull in the action, a great time to start building positions.

In this report, I give you three pot stocks that I think could double this year, and increase several times over in the years to come. But to understand the size of the opportunity, we have to backtrack and understand how the marijuana industry got to where it is today. Once you know the history, you'll see the incredible potential for growth, and what investors who sold when the hype faded left behind.

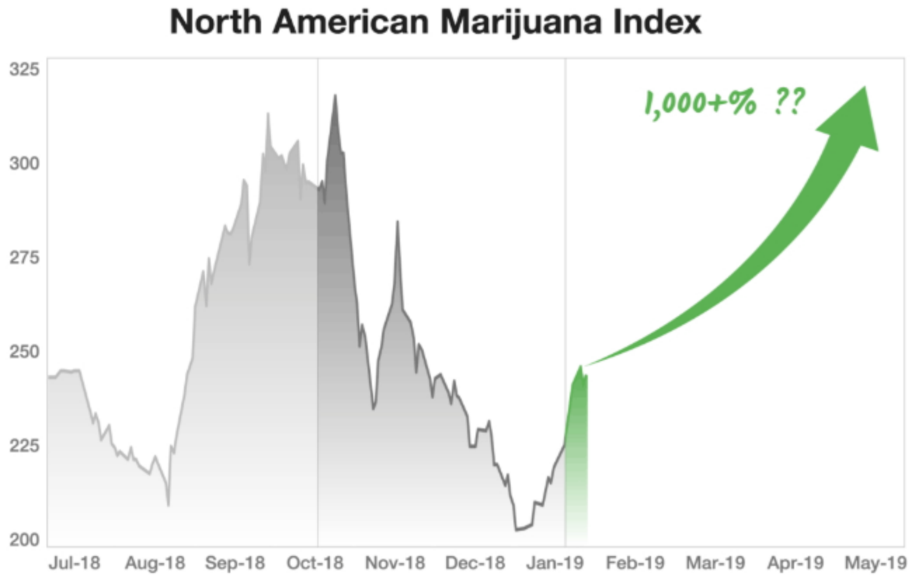
Remember the Second Wave Cycle, with its three stages:



Stage 1: The "What if" Period
Stage 2: The "Shakeout" Period
Stage 3: The "Second Wave" Period.

In the pot market, the earliest "What if" Period is over. The industry had its first major "Shakeout Period" too, when Canada legalized on October 17, 2018. Global marijuana stocks fell as much as 60%. Now it's time to start building positions before the Second Wave gets underway in the early years of the legalized pot industry.

This is how the pot market is positioned and why we want to jump in now:



I'll get to more details on this shortly, first let me explain the pot market in more detail.

The Two Tracks

Recreational marijuana gets most of the public's attention, but the medical side is just as relevant, if not more so. It's important to know the difference between the two, which comes down to the chemical compound of the plant.

Marijuana, or cannabis, contains many compounds, but we often speak about just two of them, tetrahydrocannabinol (THC), and cannabinoid (CBD). THC is the psychoactive compound that makes you feel "high," whereas CBD inhibits pain receptors.

Just as with any plant – be it corn, roses, grapes, whatever – cultivators can grow cannabis to include different levels of THC and CBD. Strains with higher THC and lower CBD levels are aimed at recreational users, while strains with higher CBD and lower THC levels are aimed at the medical community.

1. Recreational Pot

The recreational side is easy to understand. While it's not my cup of tea, I recognize that pot doesn't leave users with hangovers; there is no known quantity that can kill you; and pot gives you a sense of euphoria, whereas alcohol is a depressant.

On those factors alone, it makes sense that many people would prefer marijuana to alcohol. Still, we spent almost 100 years extolling the vices of pot, so it's difficult for us to quickly turn the tables and say, "No worries, it's fine."

But it's not unprecedented.

Remember Prohibition? After declaring alcohol constitutionally forbidden, as a nation we got behind the movement to end Prohibition, reinstating America's access to a drug. Today, we're doing it again.

2. Medical Marijuana

The medical side is a bit tricky. While civilizations have used marijuana for medical purposes for thousands of years, there aren't many, if any, contemporary U.S. studies on the plant that can give us clear insight into how it works and what the dangers might be.

Because cannabis is a Schedule I drug, the government keeps a tight lid on legal production, allowing only 1,000 pounds to be grown annually for research. This year the government upped that to 6,000 pounds, which is still woefully short of what is needed to supply many studies at once.

Without clinical data proving positive efficacy and identifying any potential side effects, it's hard to see why physicians would take the risk of prescribing medical marijuana in all but the most obvious cases. But without enough marijuana to study, how can we develop the trials necessary to create the data? We're almost stuck in a catch-22. Our saving grace is that many studies on the effects of marijuana have been conducted in other countries.

The Academy of Engineering, Science, and Medicine recently compiled all the studies on marijuana it believed to be valid and came up with several things that appear to be proven.

Medical marijuana reduces intraocular pressure (symptoms of glaucoma), eases chronic pain, reduces nausea and vomiting caused by chemotherapy, and can reduce the pain from rheumatoid arthritis and sciatic nerve issues. With such a wide application, it's easy to see why many states have legalized medical marijuana even though most doctors aren't yet onboard.

What the States Want

Much like President Franklin Delano Roosevelt when he moved to overturn prohibition, the states are looking at legalizing marijuana for several reasons. Enforcement is difficult, legalizing the drug will bring some producers and users out of the shadows, the new industry will create jobs, and the states will collect more tax money.

The states will still have to deal with sticky issues, like limiting access for children, continued illegal activity, and determining who is driving under the influence, but on the whole, the positives outweigh the negatives.

The United States incarcerates more people than any other country in the world, including China, a nation with three times our population. We’re more violent that other developed nations, which adds to the prison population, but one of the biggest culprits is the war on drugs.

The U.S. spends more than $58 billion every year to combat drugs. In 2017, 650,000 people were arrested for marijuana law violations, and 90% of them were arrested for possession only. The average cost to house a prisoner in the U.S. is just over $31,000.

And that doesn’t include the cost of lost productivity for the individuals, as well as any social costs. If cities and states can avoid such expenditures, it will allow them to spend money elsewhere.

Speaking of money, cities and states are keen to develop new streams of revenue. Starting with Colorado in 2014, legal adult-use (recreational) pot has been touted as the next great thing in adding more cash to government coffers.

While states that legalized recreational use have enjoyed higher tax revenues, they haven’t always met expectations and the numbers don’t move the needle when it comes to overall revenue.

Using the state of Colorado as an example, we can see that marijuana taxes as a percentage of the overall state-funded budget (excluding federal funds) remains quite small.

	Colorado State Budget	Marijuana Tax Revenue	Percentage of Budget
2014	$22.5 billion	$67.6 million	0.30%
2015	$24.6 billion	$130.4 million	0.53%
2016	$26.4 billion	$193.6 million	0.73%
2017	$27.2 billion	$247.4 million	0.94%
2018	$28.8 billion	$267.7 million (est)	0.98%

And it's not for lack of trying. Colorado taxes impose a 15% excise tax on marijuana as it moves from a grower to a distributor, and another 15% at the retail register, and that's before local taxes. The money at the state level goes to school buildings and the general fund, as well as drug intervention and education programs.

The money is appreciated, but it doesn't make much of a difference at just shy of 1% of the state budget per year. That's OK, because the legal marijuana industry adds more than tax revenue; it creates jobs.

Depending on whom you ask, the pot industry employs between 125,000 and 200,000 people. Some of the difference comes down to full-time versus part-time, and some of it has to do with counting derivative jobs, such as chefs creating cannabis-infused foods. Quibbling aside, it's obvious that many people work in this new industry, and that many more will be joining their ranks.

CEO Ian Siegal of online job site Ziprecruiter.com noted last April that the marijuana industry was the fastest growing employment sector on his site. The company queried its job postings and found that while employment ads in the tech industry were growing by 245%, and healthcare 70%, those in the legal cannabis industry had jumped 445%.

Adding employment benefits states in many ways. States with income taxes will receive more revenue, and arguably all of them will have lower unemployment. The drop in unemployment should cause overall wages to rise, giving a boost to the general population, and lower unemployment should also boost demand for goods and services.

But it's not all sunshine and roses. States must combat higher instances of driving under the influence and other crimes related to increased drug use. They'll have a real hard time determining impairment. With alcohol, we can analyze a person's breath and get a fairly accurate read of their blood alcohol content.

Marijuana is tricky. There is no breathalyzer test, but we can measure its presence through urine, blood, or spit tests. But because THC nests within a person's fat cells, it can remain in someone's system for long after its effects have worn off.

Today, law enforcement must observe activity or speech that implies impairment, and then have reason to believe that the driver used marijuana. Even then, it's difficult to make cases of driving under the influence of marijuana stick.

All of this makes it difficult for states to keep their roads safe when they allow their citizens to buy and consume marijuana. Several companies are working on the equivalent of a breathalyzer for pot, but so far, such products remain inR&D.

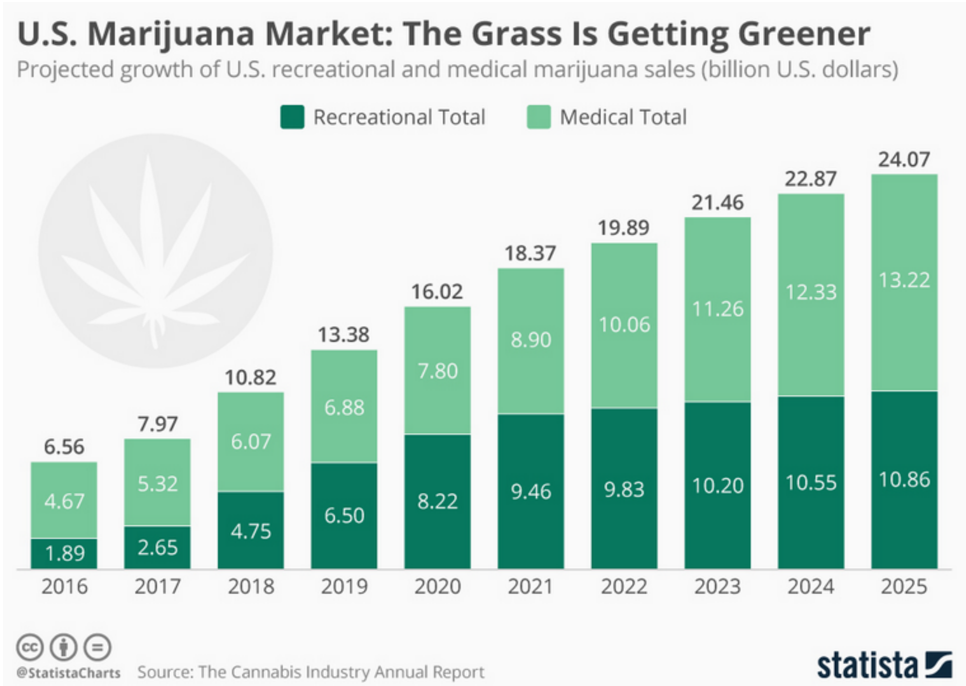
This won't slow down the march toward legalization. Even though we knew of the strong relationship between alcohol and auto accidents, as a nation we still tolerated alcohol as a legal substance years before the breathalyzer was commercially developed in the late 1960s.

Even with all of its ills, alcohol still had two great attractions. People wanted it, and the state could tax the stuff by allowing its distribution. The marijuana market is in the same place today, and the market is set to explode.

The Marijuana Market Is Just Getting Started

This year in the U.S., legal cannabis sales will probably reach $10 billion. That's nothing to sneeze at, but it's a long way from the size of the alcohol market, where last year wholesalers delivered more than $70 billion worth of product.

But marijuana has a couple of things going for it. Not only are more states favoring legalization, but it also has a dual role as both recreational and medical. This gives the drug a leg up on alcohol. As this chart shows, combined recreational and medical sales are expected to grow quickly, surpassing $24 billion by 2025.



Given the list of ailments that medical marijuana alleviates, the drug has a natural market in the Baby Boomers. As this group of 90 million (we count the generation from the bottom of the birth wave in the 1930s) moves through old age, they will suffer from the constant pain associated with aging joints and backs, not to mention the more serious effects of arthritis and chemotherapy. A low-cost alternative to the currently available pain relievers couldn't come at a better time.

Our nation currently suffers from an opioid epidemic, with prescribed medications comprising the bulk of available pills. Opioids like Fentanyl are powerful enough to kill. But there is no known quantity of marijuana that can kill you. No one has died from ingesting too much cannabis.

While there are some people who are allergic to the plant and should avoid it, that doesn't make cannabis lethal any more than we would consider peanuts lethal. If only for this reason alone, we should strongly consider emphasizing marijuana-based pain relief over opioids.

The U.S. vs. Canada

The United States moved first to legalize marijuana when Colorado voted in 2012 to eventually allow recreational use. But Canada leap-frogged the U.S. when it legalized pot across the country in 2018, and medical marijuana has been legal at the national level there for some time. Because the Canadian government instead of just the provincial governments has approved pot, companies focusing on marijuana have thrived in that country compared with the U.S., and it's easy to see why.

Growing marijuana or selling it in the U.S. is easy. Complying with the law is hard. Because marijuana is only legal at the state level, it cannot cross state lines, which would make it subject to the federal Interstate Commerce Clause. This benefits growers and retailers in each state since they don't have to compete with out of state rivals, but it severely hampers every participant's ability to do business.

When a grower sells his crop to a distributor or retail operation, he wants to get paid. But because the crop is federally illegal, banks are hesitant to get involved. If a bank took money that it knew came from a drug transaction, it would be breaking federal laws and subject to sanctions, fines, and even closure. This makes the pot industry mostly a cash-only business. With the industry generating around $10 billion in revenue this year, that's a lot of cash!

Everyone pays in cash, and everyone gets paid in cash, including workers and even the tax man. Pot businesses regularly deliver bags containing hundreds of thousands of dollars to local tax offices, creating a miniature personal security industry.

While some banks have taken the plunge, hoping that the government will turn a blind eye to the business, most remain on the sidelines, waiting for clear direction from Washington.

This same scenario plays out across all areas with federal oversight, such as stock issuance (covered by the Securities and Exchange Commission) and patents (the U.S. Patent Office). These roadblocks in the U.S. have made it difficult not only for marijuana companies to grow, but also for U.S. investors to buy stock in those companies. Beyond private investments, we're mostly stuck buying shares of companies that have listed on Canadian stock exchanges. This is both bad and good.

It would be infinitely better for us to have our companies listed on our exchanges, and for the national government to lift restrictions on these companies so they can operate normally. This would get rid of many inefficiencies in the business and allow the best producers to grow rapidly across the nation. But because of the limitations imposed, U.S.-based companies can't grow quickly, which gives us an opportunity to invest. This is an opportunity that already happened in Canada, and then suffered a setback.

That setback is where we find the best deals. In the initial run up of a stock or industry, investors are focused on the “What If Stage,” wondering just how big a market might be. They aren’t worried about valuations or profits; they just want to buy the first movers. But the “What If Stage” is typically followed by the “Shakeout Period,” where investors wonder if the stocks have become over-extended and therefore overpriced. The move to the exits becomes a stampede, which drives the stocks lower.

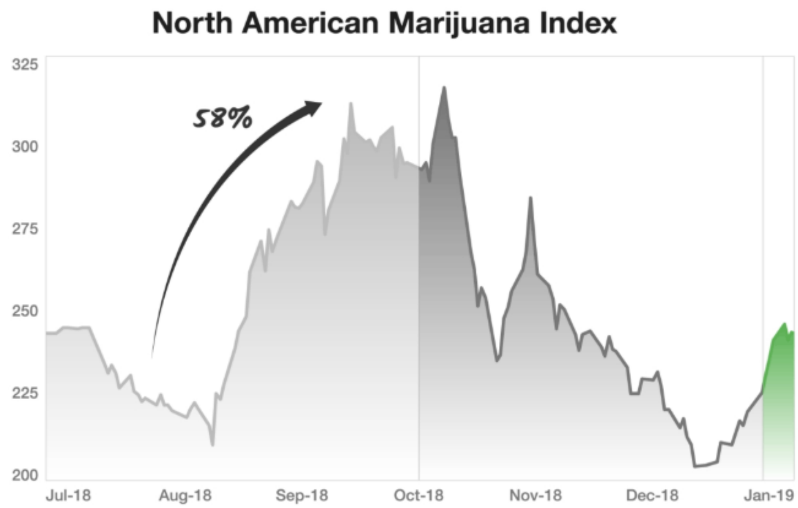
And that’s exactly where we jump in, building a position for the next leg up, or the Second Wave. By this time, we identify the market leaders because they are the companies still standing. We avoid the risk of the early movers that flame out, and still get the massive gains that come as the industry expands.

The entire three-step process is what I call the Second Wave Cycle.

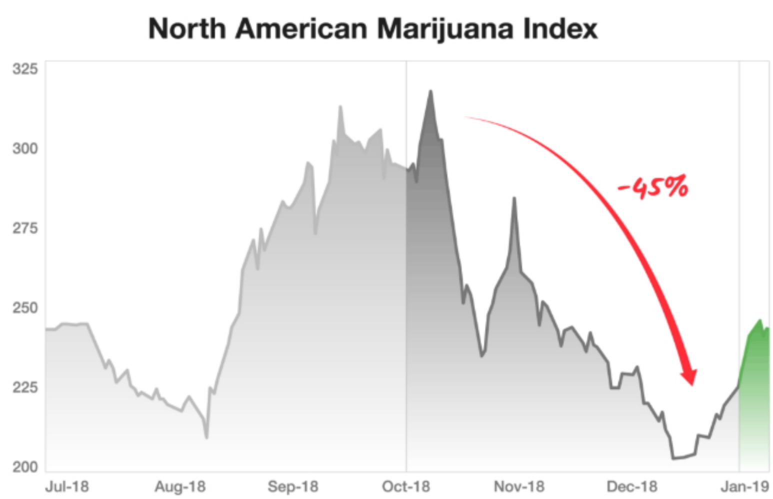
Buy the Rumor, Sell the News

There’s an old saw in the investment business: “Buy the rumor, sell the news.” When hype drives an investment, we can expect it to get overbought or oversold ahead of an event, and then see the wind knocked out of the trade afterward. This happens in bonds when investors anticipate the Fed taking action, and it happens in stocks when companies launch new products or enter new markets. It’s no different with entire sectors like marijuana, as we’ve now seen from the Canadian market.

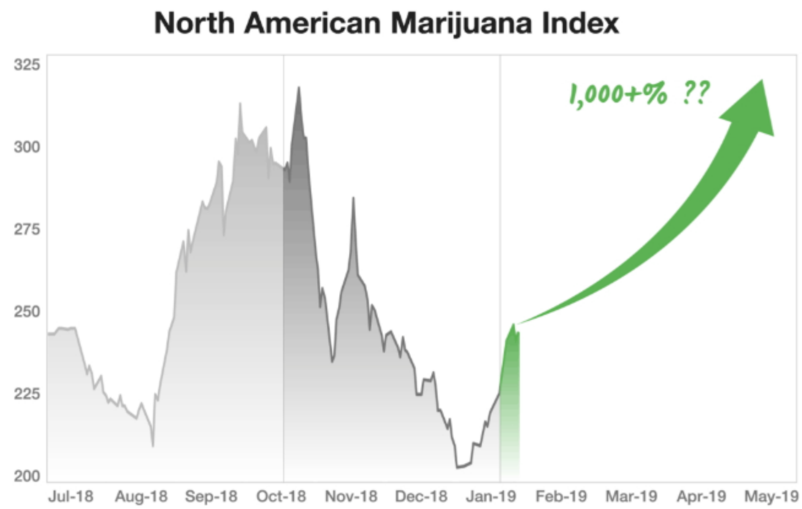
The Canadian Parliament first passed a bill legalizing marijuana in the fall of 2017, but it had to go through several steps before becoming law. In October of 2018, Canada finally legalized marijuana and, as you can see, this was the high point of the North American Marijuana Index…



After that, investors “sold the news,” driving the index down almost 50%.



Now, many pot stocks are ready to be picked up at bargain prices before they begin to write their second wave:



Eventually, the federal government will bow to the pressure of the population calling for an end to the national prohibition on pot, which will give companies in the industry access to banking and other federally regulated aspects of business.

As we move closer to national acceptance, it's time to pick up some companies that should explode when that happens, spurring on an incredible second wave.

The Canadian Marijuana Stock Index

As the government worked through various amendments and procedural issues earlier this year, pot stocks sold off. Last summer the government finalized the date for actual legalization, October 17. Pot stocks started coming to life by August, and the index shot up almost 40% before giving up those gains right after legalization.

Following the carnage, the stocks are on the mend, which coincides with another trend in the U.S., and gives us an opportunity.

The results of the most recent mid-term elections in November 2018 were as expected, with only one clear winner: marijuana. Utah and Missouri voted to allow medical marijuana use, while Michigan voted to allow recreational use. North Dakota defeated recreational use, but the state already allows medical use. Now 11 states and the District of Columbia allow recreational use, while 33 states and DC allow medical use.

Eventually, the federal government will bow to the pressure of the population calling for an end to the national prohibition on pot, which will give companies in the industry access to banking and other federally regulated aspects of business.

As we move closer to national acceptance, and the marijuana stocks listed on the Canadian Stock Exchange rebound, it’s time to pick up some companies that should accelerate in 2019.

3 Stocks To Buy

The marijuana landscape is littered with new companies large and small that claim they will transform or own the space. Most are wrong, and will eventually die or be gobbled up at discount prices.

But some will succeed and become juggernauts within the space.

The hard part is figuring out which ones to buy. We want to own companies in the “internet of tomorrow,” but we don’t want to buy the next Pets.com or Webvan.

A key distinction in finding winners is to determine if a company is on the cost or profit side of the equation.

Firms that deal with raw materials count as a cost. Their clients want to pay less for their products, and their profits are determined by how little they can spend and still deliver their goods. Think of corn, or any other crop. Chances are you don’t know the name of a corn company, but you love to buy it on sale. And companies that use corn, or corn oil, or whatever to make other things also want to buy the cheapest input possible.

Now consider retail companies. They typically don’t sell on price. They sell on quality or some set of characteristics. If done right, such branded companies can take an ordinary product and charge what seems like exorbitant prices because consumers have developed a relationship with the brand. Think about Coca-Cola. They make cola, and they're not alone. Walmart, Walgreens, and a host of others offer store brand cola for a lower price. And yet, Coca-Cola still dominates the market.

We want to own a company with a great, established brand in what should be the first part of the cannabis market to take off across the nation: hemp.

That company is **Charlotte's Web Holdings (OTC: CWBHF).**

Just like the character in the fictional book, Charlotte's Web Holdings was named after a real person, Charlotte Figi. The young girl suffers from Dravet Syndrome, which causes severe seizures. Once treated with the oil that became Charlotte's Web, her symptoms faded.

The oil was created by the seven Stanley brothers: Joel, Jesse, Jon, Jordan, Jared, Josh, and Austin. (Who knows why they didn't name Austin Jacob or Joseph?) The brothers used their company, Stanley Brothers Holdings, Inc., to acquire all of the stock in Charlotte's Web Inc., which now creates and distributes hemp-based CBD.

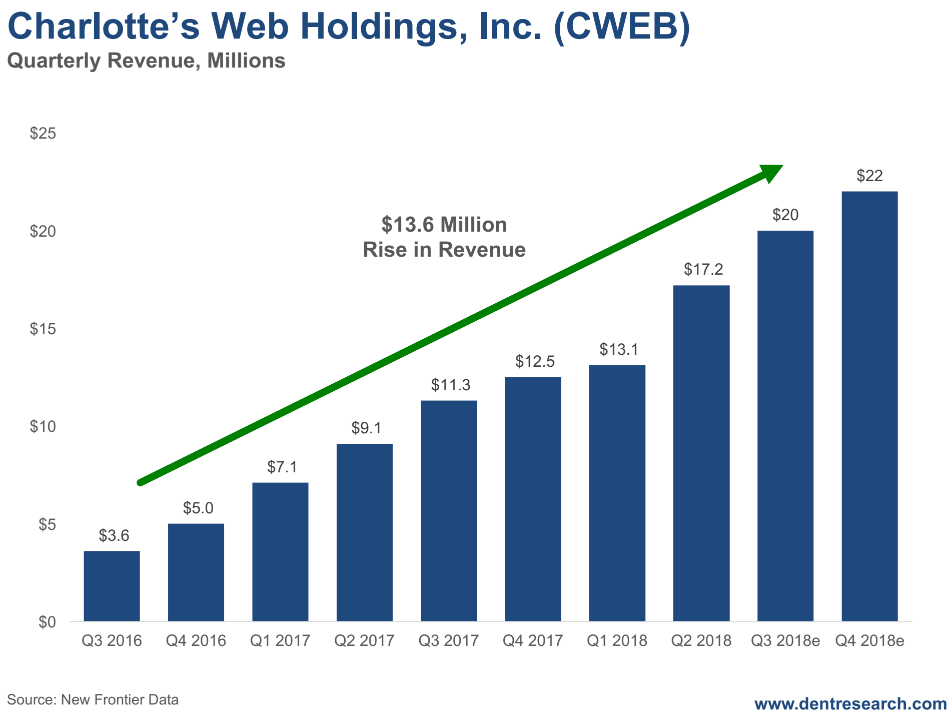
Today, Charlotte's Web produces a series of CBD oils, capsules, creams and balms in varying concentrations. The company operates as a wellness firm that sells a dietary supplement, so it cannot claim any medical benefit. If Charlotte's Web implied that its product reduced any pain or alleviated a medical symptom, the FDA would pull the product from the virtual shelves because it has not gone through extensive testing. So instead, the product gains popularity mostly through word of mouth.

And apparently the grapevine has been on fire lately!

At the end of 2017, Charlotte's Web products were sold in 2,000 locations. In October 2008 the company announced that it had already surpassed its goal of having products in more than 3,000 locations by year's end. And this doesn't count their sizable online presence. Their growth is exploding!

What's more, unlike other companies in the marijuana business, Charlotte's Web actually earns a profit.

In the final quarter of 2018, the company reported $17.7 million in sales, up 56% from same quarter in 2017.



Charlotte's Web generated an operating profit of $4 million, or 22.5%. Including one-time charges, the company earned an operating profit of $2.5 million, or 14%. That's not bad in an industry where almost everyone else lost money.

With a great head start in a growing market, you'd expect the stock to be on fire, but it's not.

Charlotte's Web went public in Canada at the end of August 2018 at roughly $5.40 per share and immediately shot above $9.00. After listing over the counter in the U.S., the stock jumped to $20, before falling back below $10. The stock has been as low as just above $8, but tends to fluctuate in a range between $10 and $13.

That's still a rich valuation of more than 80 times earnings, but the company has great brand recognition in a growing industry and already earns a profit.

I think we have a great opportunity to ride the next wave higher with Charlotte's Web, whether the stock moves up as consumers become more comfortable with products in the space, or a large health firm scoops up the company as an acquisition.

Either way, it's time to buy.

The stock could easily double in 2019 as Americans get comfortable with using CBD to ease their pain and help them sleep better. Long term, the stock price could give you 15 times your money.

Action to Take: Wait for my signal to buy. This security remains on our watch list and I expect to buy it in the near future.

Because we're buying stocks that are small, we can definitely move the market. Be patient! Set a limit order, DO NOT buy at the market. If the stock shoots higher, give it a day or two to settle down and try again.

The Coke of the Pot World

Going back to our Coca-Cola analogy for a moment, in 1886, pharmacist John Pemberton formulated a new drink syrup which he mixed with soda water and offered for sale at Jacobs Pharmacy in Atlanta, Ga.

Customers found the drink delightful and started buying it on a regular basis. In its first year, Pemberton sold an average of nine servings a day.

Pemberton's partner and accountant, Frank Robinson, named the drink "Coca-Cola" to recall two of its ingredients: coca leaf extract and kola nuts. He purposely misspelled kola with a "c" because he thought the double-c's in the name would look good.

Before his death just two years after creating Coca-Cola, Pemberton sold stakes in his company to several investors, including Atlanta businessman Asa Chandler. Along with Robinson, Chandler expanded the business through marketing promotions and coupons. Chandler eventually bought control of the company and then sold bottling rights to a group from Chattanooga, Tenn., for $1.

By the early 1890s, people were getting concerned about the effects of cocaine, which worried Chandler and Robinson. They tinkered with the formula to minimize what was already a trace amount of the drug in the soda. Chandler didn't want to eliminate it completely because he worried about losing his trademark on the name Coca-Cola if it no longer described the ingredients.

Today, Coca-Cola is considered the number one brand on the planet. If the drink replaced the water at Niagara Falls and flowed at its natural rate of 1.6 million gallons per second, it would take more than 83 hours for all the Coke ever produced to go over the falls.

One interesting note about the Coca-Cola Company: They don't own corn fields, cane fields, or beet farms. They source their ingredients from suppliers.

You've heard of Coca-Cola. Can you name a beet farm operation?

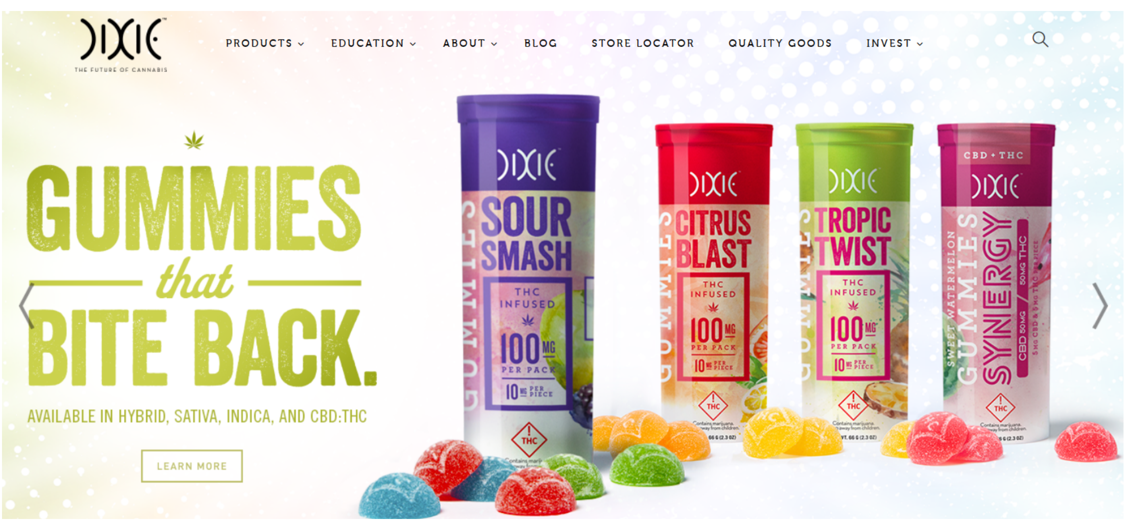
By focusing on the end product, the company concentrates on one thing, building and maintaining a superior brand.

My second pot stock recommendation, **Dixie Brands (OTC: DXBRF)**, takes the same approach to cannabis.

Co-founders Chuck Smith and Tripp Keber deliberately focused on cannabis-infused products when they started Dixie Elixirs in 2010, leaving the growing operations to others. Keber resigned from the company in 2017, putting the operation in Smith's hands. And as Smith has noted, "I'd rather bake the bread than grow the wheat."

By focusing on what it does best instead of trying to vertically integrate, Dixie has perfected 13 types of cannabis-infused products, from drinks to edibles, such as chocolates and mints.

With great products in hand, the company now has to build brand recognition and a loyal following among consumers. And that's exactly where the company is focused.



As of 2018, the company offered its products in four states: Colorado (its headquarters), California, Maryland, and Nevada.

Because cannabis remains illegal at the federal level, Dixie must partner with a cannabis provider as well as build manufacturing facilities in each state. Using funds raised just before the company went public last year, Dixie intends to expand its footprint to eight to 10 states in 2019.

And that's not all.

In addition to offering consumables that contain THC (which creates the "high" in marijuana) and CBD (which blocks pain receptors), Dixie also offers a suite of products that are very high in just CBD made from hemp, the industrial plant cousin of cannabis.

Hemp contains less than 0.3% THC and is legal across the U.S., so Dixie can produce its hemp-based products in one location and ship them across the country.

Dixie developed a line of wellness products based on hemp and markets them under the Aceso brand. Customers in all 50 states can order products designed to calm, soothe, or heal. They come as a drink, fizzy tablets, or topical spray.

The company also has a line of CBD products specifically for dogs, which they market under the Therabis brand. Dixie claims the products can give dogs energy, stop itching, or induce calm and quiet. Who knows if it works, but pet owners will do most anything to give their pooches a better life.

With so much distribution in different states today, Dixie is the largest brand name in the cannabis space, and it's only going to get bigger as the company enters several new states this year.

That doesn't mean they don't have competitors. Several beverage companies, including Constellation Brands, have partnered with cannabis companies in the past year, all hoping to get into the consumable cannabis market early. But there's the difference. Dixie is already there.

Given that the company has a small market cap and solid brand recognition, I think Dixie is a buyout candidate, especially when the U.S. government removes marijuana from the Schedule I status. A 3X return is certainly possible within a year.

Action to Take: Buy Dixie Brands (OTC: DXBRF) up to $1.00.

A "Traditional" Marijuana Firm

Our third and final pot stock buy is **Harvest Health (OTCQX: HRVSF)**. This company is the epitome of a traditional marijuana firm, if there can be such a thing in an industry that is so young.

Harvest is based in Arizona, where it has 16 vertically integrated licenses, 11 open dispensaries, two cultivation facilities, and one processing facility. The company is the largest cannabis company in the state, and Arizona is the third largest marijuana market in the country.

But Harvest Enterprises doesn't stop at the state lines. In addition to its operations in its home state, Harvest has licenses for an additional 75 dispensaries, 21 cultivation facilities, and 21 processing facilities across the country. The company just opened its first Florida dispensary last week. Harvest is one of the largest cannabis companies in the U.S.

Starting in 2011 when it began operations, the company has consistently grown revenue and earnings. Like Dixie Brands, the company became available to the public through a reverse takeover (RTO) of a Canadian stock.

In an RTO, a private company buys a publicly listed but not active company and changes the name. This allows the company to go public quickly but doesn't involve raising money.

Again, like Dixie, Harvest raised money just before its shares became publicly available last year. The company hit the market at approximately $6.55 per share. The stock meandered a bit as most pot stocks got clobbered at the end of last year, but it has since recovered and now trades around $8.

I like Harvest more than other companies because it has two attractive things: history and profits. I attended the Cannabis Capital Conference in Toronto last August, and there were a zillion new cannabis companies floating around looking for money. Some had great ideas, some seemed pretty out there. But most had two things in common – they were new, and they didn't generate a dime of income. Harvest has already demonstrated its ability to operate, and now the company is expanding into several states. As cannabis becomes legal in more states, this company should be well positioned to take advantage of the opportunity.

Action to Take: Buy Harvest Health (OTCQX: HRVSF) up to $7.50.

Note: Harvest recently changed its ticker to HRVSF! It traded under HTHHF in the past and also trades on the Canadian Securities Exchange under the symbol HARV.

How to Buy

Like many marijuana-related U.S. companies, Charlotte's Web and Harvest Health went public in Canada on the Canadian Stock Exchange (CSE). The OTCQX Best Markets also approved the companies' listings as well, which made them available to U.S. investors who didn't want to deal with buying securities on the CSE.

I've heard from some of my readers in the past that have run into roadblocks, as brokers including Schwab and Interactive Brokers either didn't list the security for trading or tried to dissuade them from buying the stock. However, TD/Ameritrade has no problem executing trades on CWBHF, and many readers also wrote in that they had no problem purchasing the shares.

If you have an issue establishing a position, contact your brokerage firm and let them know that Charlotte's Web and Harvest Health trade on the OTCQX, and Dixie Brands trades over the counter as DXBRF.

Note that the stocks might not be available in your state because of Blue Sky laws, and Dixie Brands trades for less than $1, so it's definitely not available on some brokerage platforms. I use TD/Ameritrade and am able to buy the stock.

You probably already have a brokerage account, but just in case you don't here's a list of well-known brokers to help you get started:

- **TD Ameritrade - www.tdameritrade.com - 1-800-454-9272**
- **Interactive Brokers - www.interactivebrokers.com - 1-877-442-2757**
- **Charles Schwab - www.schwab.com - 1-800-435-4000**
- **Fidelity - www.fidelity.com - 1-800-343-3548**
- **E*TRADE - www.etrade.com - 1-877-921-2434**
- **Scottrade - www.scottrade.com - 1-800-619-7283**
- **Trade King - www.tradeking.com - 1-877-495-5464**
- **Trade Monster - www.trademonster.com - 1-877-598-3190**

What's Next

You can expect regular updates on these stocks and the rest of the *Fortune Hunter* portfolio each Tuesday in your email.

And each month I'll send you at least one new buy recommendation from our universe of special opportunity stocks, and I will also send alerts as soon as you should sell, too.

We're after outsized profits, so we can be in and out of a trade quick or stay in for a little longer if the timing is right. You'll also hear from me with portfolio updates and commentary each week.

Right now, you have access to *Fortune Hunter*, our trading guide, and our archives by logging in with your credentials at DentResearch.com.

Questions or comments? You can get in touch with me anytime at fortunehunter@dentresearch.com.

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Have a question or comment? Contact a member of our customer service team toll free at 888-211-2215, Monday through Friday between 9 a.m. and 8 p.m. EST, or write to us at fortunehunter@dentresearch.com.
