



ENCORE LABS, LLC

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ISO/IEC 17025:2017 Accredited - Accreditation # 101411



as of August 16, 2020

HIGHLIGHTS

Encore Labs is a cannabis testing lab that provides a comprehensive menu of services to various participants in the cannabis industry. Licensed in California with an ISO/IEC 17025 certification, the Company offers comprehensive analysis to assist cultivators, infused product manufacturers, distributors, providers and dispensaries not only for regulatory purposes but also to characterize the unique aspects of your cannabis.

From cannabinoid profiling, microbiological screening, pesticide screening, terpene analysis, infused-product formulation charts and more. Encore Labs offers tests and services aimed to guarantee the quality and potency of all cannabis products while ensuring regulatory guidelines in the state of California.

With over 25 combined years of laboratory experience, Encore Labs delivers premier quality laboratory cannabis testing to ensure accurate potency and safe product driven analysis from our Southern California compliant marijuana testing lab.

As an industry leading cannabis testing laboratory, Encore Labs prides itself for having innovative technology specifically tailored towards the marijuana industry. This includes their instrumentation, specialized cannabis lab software system, real-time order portal, proprietary testing methodologies and operating procedures.

Corporate Profile

Index	Privately Held
Sector	Laboratory
Industry	Cannabis
Co-Founder	Spencer Wong
Co-Founder	Joe Wang
Co-Founder	Cliff Yeh
Lab Director	Kevin Nolan

Website www.encore-labs.com

About Accreditation

ISO/IEC 17025 Accreditation establishes that steps are being taken regarding quality and that laboratories are meeting and exceeding the highest testing standards. It also provides further assurance and confidence in data results as well as validated methods, staff training procedures, equipment calibration and successful participation in proficiency testing/interlaboratory comparisons.

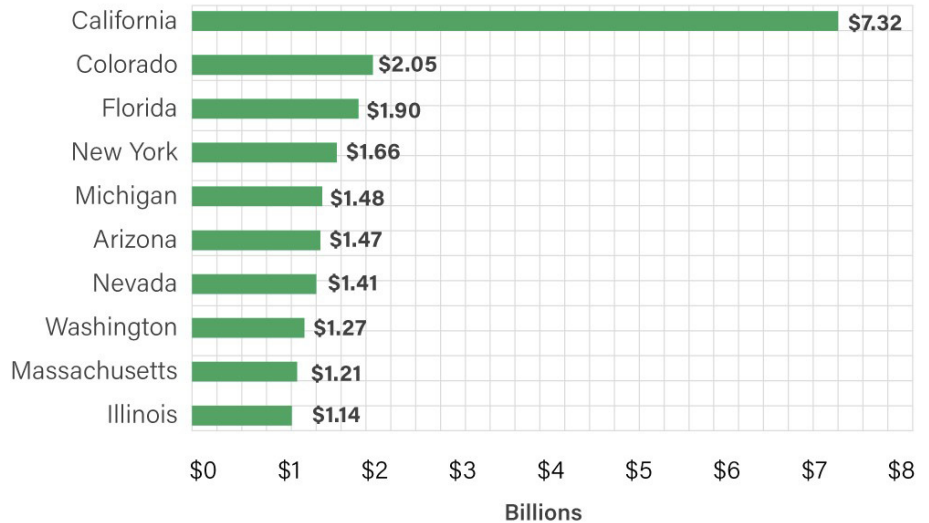
In order to meet the growing demand of the cannabis testing industry, Encore Labs has grown its lab space and has plans as well to open a second laboratory by the end of 2020 or early 2021.

Source: Company Website



Figure 1: U.S. Cannabis State Rankings

Top 10 States for Cannabis by 2024



Source: BDS Analytics

www.profitftrends.com

CANNABIS TESTING LAB COMPETITIVE LANDSCAPE

California's cannabis testing industry has undergone a major transformation upon introduction of newly required testing thresholds in July 2018 and then in January 2019, resulting in a drastic decrease of active licenses granted by the Bureau of Cannabis Control due to inadequate compliance, funding deficiencies, operating scale and other problems. During the last two years, over sixty lab licenses have been canceled, surrendered, revoked or have expired, currently leaving 34 licensed labs to service the entire state market of 4,000 cannabis cultivators, manufacturers, and distributors.

Below is a list of the most prominent industry players.

Encore Labs www.encore-labs.com Pasadena

Encore Labs was founded in 2017 by Spencer Wong, Joe Wang, and Cliff Yeh. Since late 2018, it operates a fully-accredited 6,000 sq. ft. cannabis testing laboratory and has 2,000 sf. ft. of office space in Pasadena. The company has 25 full-time employees. In the first half of 2020, Encore Labs generated approximately \$2.5 million in Revenue, with roughly \$120K of profit per month. The company is conducting a \$2.5 million Series A private placement and has plans to establish a second testing location in Northern California.

Cannasafe www.csalabs.com Van Nuys

CannaSafe was founded in 2011 by Matt and Randy Haskin and was the first fully ISO 17025 accredited cannabis testing lab in the world. Its 12,500 sq. ft. lab is located in Van Nuys, close to Los Angeles. With over 150 employees, the company recently opened new 25,000 sq. ft. Van Nuys headquarters housing an R&D facility and corporate staff to centrally manage expanding lab network. CannaSafe is planning to double testing capacity by establish new labs in Oregon, Florida, and Illinois in the near future. Named "Testing Lab of the Year" by California Cannabis Awards in 2019, CannaSafe claims to test roughly 30% of California's cannabis and reported analysis batches of about 22 million units of products in 2019. CannaSafe was also just ranked #13 in its debut appearance on Inc. magazine's annual Inc. 5000 list, the most prestigious ranking of the nation's fastest-growing private companies, which reported the company's 12,143% three-year revenue growth in 2019.

Cannalysis www.cannalysis.com Santa Ana

Cannalysis was founded in 2015, in Costa Mesa. Later, the company moved its headquarters to a 12,000 sq. ft. facility in Santa Ana. Cannalysis, which now services the entire state of 30 employees and in September 2019 closed a \$22.6 million Series A funding round led by CanLab, a cannabis, hemp, and CBD testing laboratory network.

SC Labs www.sclabs.com Santa Cruz

SC (Science of Cannabis) Labs was first opened in 2010 in Capitola. The company serves nearly 5,000 customers. The company's two labs with 10,000 square feet of total laboratory space and a team of over 60 scientists on staff are located in Santa Cruz, California, and Tigard, Oregon. California's main facility in Santa Cruz is supported with additional field offices in Sacramento and Santa Rosa.

Earth Labs www.earthlabs.net Irvine

Earth Labs was founded in 2018 in Irvine.

Infinite Chemical Analysis Labs www.infinitecal.com San Diego

Infinite Chemicals Analysis Labs was founded in 2016 by PhD chemists Josh Swider and Dave Maurelius. It is located in San Diego, California. The company employs over 30 scientists and announced the opening of a second lab in Jackson, Michigan as of August 12, 2020.

Sonoma Lab Works www.sonomalabworks.com Santa Rosa

Sonoma Lab Works was founded in 2014 as part of CannaCraft. In 2018, under new ownership, Sonoma lab was relocated to remain compliant with the state of California's transitioning cannabis licensing program. Sonoma Lab Works operates at 8,000 sq. ft. facility in Santa Rosa, CA.

California Cannabis Testing Labs www.cctestnglabs.com Northridge

California Cannabis Testing Labs was founded in Northridge in 2017 with a focus on customers from South California.

CB Labs www.cblabstesting.com Novato

CB Labs, founded in 2015, has a fully licensed laboratory in Novato and is planning to open another laboratory in Santa Ana shortly.

The Niva Labs www.thenivalabs.com Los Angeles

The Niva Labs, founded in 2018 by Josh Snyder, is located in Los Angeles.

PharmLabs www.pharmlabscannabistesting.com San Diego

Founded in 2011 by Greg Madoff, PharmLabs has five testing centers across the country, which have serviced over 2,500 clients executing over 40,000 tests. The company's California laboratories are located in San Diego, Coachella, and Los Angeles.

Evio Labs (OTC: EVIO) www.eviolabs.com Berkeley

EVIO Labs was founded in 2014. The company operates in five locations in the United States and one in Canada. EVIO Labs headquarters are in Nevada and the California lab is in Berkeley. The company is the only publicly traded cannabis testing laboratory in California with a market cap of \$1.5 million. The company reported Revenues of \$3.8 million, exhibiting annual growth of 12.5%, and a Net Loss of \$18.6 million for the year ended September 30, 2019. EVIO Labs has performed over 50,000 tests during the past two years.

Anresco Laboratories cannabis.anresco.com San Francisco

Founded in 1943, Anresco Laboratories traditionally served the food industry focusing on imported seafood, and entered the marijuana testing market in 2014, servicing clients from facilities located in San Francisco.

2 River Labs www.2riverlabs.com Sacramento

Founded in 2017, 2 River Labs is located in Sacramento. In early 2019, the company was involved in a legal dispute with Green Leaf Lab, also operating out of Sacramento, over unlawful misappropriation of trade secrets.

VRX Labs www.vrxlabs.com Long Beach

VRX Labs was founded in 2018 and operates out of two California locations, a laboratory in Long Beach in the south and an additional branch in Willits in the north.

BelCosta Labs www.belcostalabs.com Long Beach

Founded in 2017, BelCosta Labs was the first licensed cannabis lab in Long Beach, and is also involved in wine industry testing.

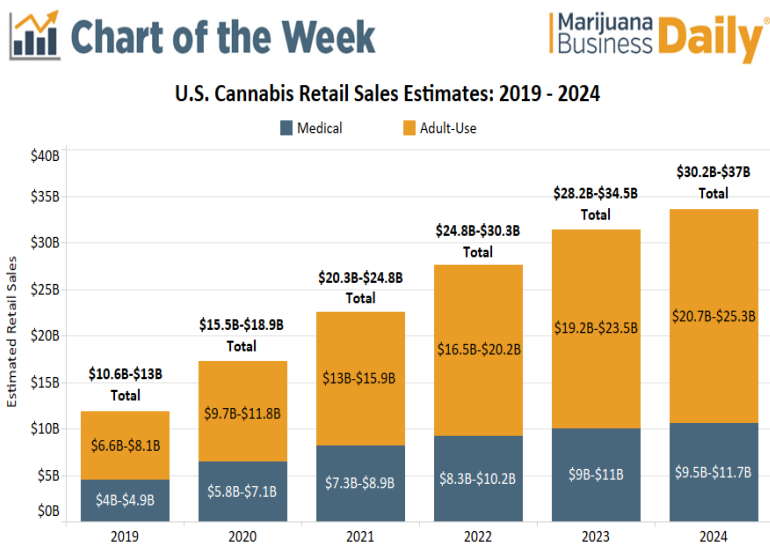
Green Leaf Labs www.greenleaflab.com Sacramento

Established in 2011, Green Leaf Lab performs testing for the California market through its lab in Sacramento, with another lab located in Portland, Oregon.

Pure Analytics www.pureanalytics.net Santa Rosa

Founded in 2010, Pure Analytics is one of the pioneers in cannabis analysis. Its Santa Rosa lab is led by Samantha Miller, an internationally recognized expert known for her work on a dosing pen dosist™, which was selected as one of Time Magazine's Best Inventions of 2016.

Figure 2: U.S. Cannabis Retail Sales Estimates



Source: Marijuana Business Factbook
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MARKET SIZE

Based on estimates provided by Arcview Market Research and BDS Analytics in their regular “State of the Legal Cannabis Markets” report series, California represents the world’s largest legal cannabis market, which grew 23% to reach \$3.1 billion in 2019, distancing all other regulated marijuana jurisdictions. Despite setbacks stemming from legislative transition into non-medical adult-use environment just a year earlier, California’s legal cannabis spending accounted for over 25% of the entire U.S. market of \$12.2 billion in 2019. Statewide marijuana revenues exceeded the combined total of next two largest states with medical and recreational product sales, Colorado and Washington, which in 2019 generated \$1.6 and \$1.1 billion respectively. Interestingly, according to another report issued by BDS Analytics and ArcView Market Research in October 2019, “From Dispensaries to Superstores: Opportunities in U.S. Cannabis Retail,” only 35% of legal-age Californians reported using cannabis products within the last six months, compared to 41% in Colorado and 40% in Washington. Furthermore, the demand for legal cannabis in California also surpassed Canada’s entire federally regulated national market, which in 2019 was estimated by New Frontier Data at \$1.9 billion.

California’s dominant position in the global cannabis industry will remain unchallenged in the coming years. Fueled by steady conversion of illicit cannabis sales into state-authorized revenue, which still favored black-market operators by a ratio of 3:1 in 2019, **California’s legal cannabis market is expected to continue growing rapidly at a compounded annual growth rate (“CAGR”) of 19% to reach \$7.2 billion in 2024**, surpassing the projected \$6.4 billion in illicit cannabis sales that year. Provided the current state excise taxes and other regulatory conditions stay unchanged, California’s illegal market share amounting to 47% of all cannabis spending in 2024 will still hold more conversion potential compared to other fully- regulated states including Colorado and Washington, where illicit sales will then contribute less than 30%. For comparison, legal marijuana sales in 2024 will reach \$2.1 and \$1.3 billion in Colorado and Washington, respectively, with the former maintaining its second position in the U.S. and the latter falling to seventh place in state rankings. Also by 2024, New Frontier Data expects Canada’s legal cannabis market to reach \$4.4 billion, yielding a CAGR of 18%.

According to a January 2020 “U.S. Cannabis Testing Market Trends” report by Global Market Insights, the cannabis testing demand in U.S. was valued over \$629 million in 2019, with \$492.5 million attributable to the laboratories segment, as opposed to testing performed by various research institutes, manufacturers, and others. The Pacific Central region identified in the report, consisting of Alaska, California, Hawaii, Oregon and Washington, held an about 45% marijuana testing market share in 2019 and will continue to be on an upward growth trajectory during the forecast years. Overall, the industry is projected to grow at more than 10.3% CAGR through 2026, reaching \$1.25 billion. **Given these factors, it is reasonable to assume that the testing market in California currently amounts to at least \$150 million, at roughly a quarter of nationwide revenues, and could grow to over \$300 million by 2026.**

Figure 3: Encore Pasadena CA, Testing Lab

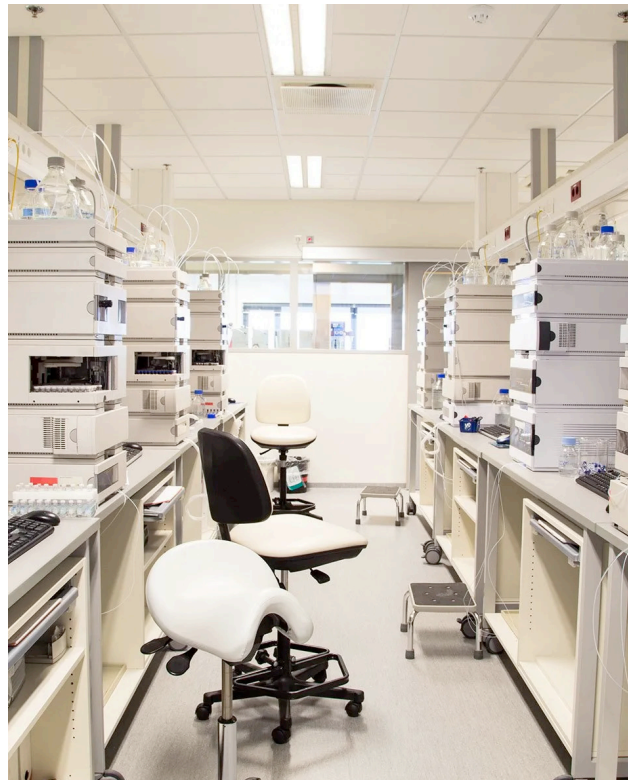


Figure 4: Encore Lab’s Affiliations

ENCORE LABS TESTING SERVICES

Encore Labs offers state-of-the-art technology testing services, with a customer focused, yet unique on-line customer portal. Encore Labs offers testing for the following:

- Cannabinoid Profiling (Potency)
- Moisture Content & Water Activity
- Microbiological Analysis
- Homogeneity
- Residual Pesticide
- Residual Solvents
- Foreign Material
- Terpenes
- Heavy Metals
- Mycotoxins



LICENSED COMPANIES

Source: Bureau of Cannabis Control ~ <http://www.bcc.ca.gov>

License Number	Business Owner	Business Contact Information
C8-0000072-LIC	Matt Bailey	2 RIVER LABS : 2 River Labs : Email- matt.bailey@2riverlabs.com : Phone- 9167173561 : Website- 2riverlabs.com
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C8-0000052-LIC	Zachary Eisenberg	ANRESKO INCORPORATED : Anresco Laboratories : Email- zach@anresco.com : Phone- 4158221100 : Website- www.anresco.com
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