

# INTERACTIVE HEALTH NETWORK

## A Rare, Revenue-Generating Cannabis Play

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### INTERACTIVE HEALTH NETWORK (OTCPK - IGRW - \$0.049)

Price Target: \$0.16

Rating: Speculative Buy

#### COMPANY SNAPSHOT

Interactive Health Network is a publicly traded holding company that manufactures, markets, and sells high quality lifestyle products and nutraceuticals. The holding company includes its wholly-owned subsidiary, Cannabis Health Group, which focuses on the medical marijuana and hemp market space and its primary operating companies, Here We Grow Store and Wellness Builder. These entities were acquired in 2013 and 2014 and reflects management's plan on extending and deepening its presence in its markets via acquisition.

#### KEY STATISTICS

Price as of 5/5/14	\$0.049
52 Week High – Low	\$0.065 – \$0.0005
Est. Shares Outstanding	3.85B
Market Capitalization	\$189MM
3 Mo Avg Vol	4,998,990
Exchange	OTC:PK

#### COMPANY INFORMATION

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#### INVESTMENT HIGHLIGHTS

**The medical marijuana and recreational marijuana industries are in the early innings of a major adoption phase which will result in up to \$20 billion in revenue in the coming years.** Approved in 20 states and D.C., more states will soon come on line increasing the size of the market to \$100 billion.

**Through its Here We Grow Store based in Denver, Interactive Health Network owns a revenue-generating Cannabis-focused hydroponics and equipment retail and ecommerce operation.** Already operating at a revenue-run rate approaching \$1M annually, we believe the Company's model is ripe for expansion this year.

**The Company's Wellness Builder subsidiary currently offers a large product line of supplements designed for health and anti-aging.** The science behind these products was developed over 30 years.

**Going forward, we believe that IGRW will successfully leverage the opportunities in the Cannabis space with its existing expertise to offer one of the deepest array of products available in the entire segment.** The initial focus is on the antioxidant, anti-inflammatory and neuroprotective qualities of Cannabinoids (CBDs) to benefit patients suffering from epilepsy, cancer, muscular sclerosis, arthritis, Alzheimer's, IBS and Crohn's Disease.

**As one of the few revenue-generating Cannabis-focused stocks, IGRW is poised to be a leader in the space.** Plus, as IGRW executes its vertically integrated model selling equipment and CBD-based nutraceuticals through its own network, we believe it could emerge as one of the most successful firms in the Cannabis arena. Our \$0.16 price target reflects the existing businesses only and we believe IGRW could reach higher levels once it is in full expansion mode. We rate these shares Speculative Buy.

## INTERACTIVE HEALTH NETWORK (OTCPK - IGRW)

### COMPANY OVERVIEW

Interactive Health Network is a publicly traded holding company that manufactures, markets, and sells high quality lifestyle products and nutraceuticals. The holding company includes its wholly-owned subsidiary, Cannabis Health Group, which focuses on the medical marijuana and hemp market space and its primary operating companies, Here We Grow Store and Wellness Builder. These entities were acquired in 2013 and 2014 and reflects management's plan on extending and deepening its presence in its markets via acquisition.

#### Here We Grow Store

Acquired earlier this year, the Company's Here We Grow Store serves as a major launching point for Interactive Health Network's future growth and potential leadership status in the Cannabis market.

Here We Grow Store is a national retailer of indoor gardening, hydroponics, and horticulture equipment and growing supplies headquartered in Denver, Colorado. In addition to its bricks and mortar location, the Company operates a state-of-the-art online retail store for consumers to purchase indoor gardening supplies, including nutrients, growing lights and air controllers. Here We Grow Store has exclusive distributor pricing of high quality nutrients and grow lights that are sold throughout the U.S. and worldwide. According to its website Here We Grow Store currently offers over 5200 products for sale.



Image I. Here We Grow Store

Source: Interactive Health Network



Image II. Here We Grow Store

Source: Interactive Health Network



Importantly, Here We Grow Store is the one of the most well-known equipment providers serving the Colorado medical marijuana industry. In addition to targeting large wholesale customers in Washington, Michigan, Arizona, Here We Grow Store markets directly to consumers, positioning the entity as a one-stop shop for customers seeking low-priced horticulture equipment.

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Here We Grow Store operates as a wholly-owned subsidiary within the newly formed Cannabis Health Network (CHN). CHN is the Company's cutting edge division that is seeking to introduce products that exploit the advances of the cannabis plant. The acquisition of Here We Grow Store is vital for Interactive Health Network as it enables the holding company to continue to penetrate the fast-growing nutraceutical cannabis market through vertical integration with Wellness Builder, and the indoor horticulture supply market which is growing by leaps and bounds exploding across the United States. Going forward, top-line growth should occur via organic sales and through acquisition.

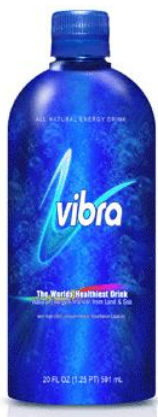
### Wellness Builder

Interestingly, this subsidiary, whose offerings initially focused on diabetes, anti-aging, heart disease, etc. will likely experience a transformation as new products based upon Cannabinoids (CBDs) are introduced in the coming months.

The Company specializes in advances in Supplements for Health, and Anti-Aging with a special interest in Preventative Medicine. The Company was formed to distribute nutraceuticals formulas developed over thirty years of research by Dr. Kevin Buckman. Dr. Buckman has created more than a dozen fucoidan-based formulas which are intended to address the needs of individuals suffering from DDS (Degenerative Disease Syndrome), which includes such maladies as gastrointestinal disorders, auto-immune diseases, asthma, Alzheimer's, dementia, diabetes, arthritis, cancer, and heart disease. The natural algae ingredients contained in Wellness Builder products are derived from a variety of brown seaweed that has been used for nutritional and medicinal value for thousands of years. Linked to long-term health and longevity, Fucoidan may counteract exposure to toxins and oxidative stress, factors which cause premature aging.

The Company's team of scientific experts designed a proprietary blend called Moucidan™ and is made of the best or the best in brown seaweed and other nutrients from the land and sea, from such sources as the pristine waters of the Pacific Northwest, Tonga, New Zealand and other locations.

### Sample Supplements



#### **Vibra™**

#### **Natural Energy Enhancer from Land & Sea**

This delicious blend of seaweeds with our proprietary formula ...Moucidan™ containing **full-spectrum RainBow Antioxidants™**. Vibra™ has a spectrum of synergic natural nutrients from the land and sea. They have been selected from all over the world for their broad spectrum anti-oxidant properties, nutritional value, and long history of use. The drink contains a mixed berry blend that has **very high OREC (Oxygen Radical Absorbance Capacity)** values providing you the greatest result possible.

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### Comfort Meds™ A Relaxing Formula

This formula consists of Green-lipped mussel called *Perna Canaliculus*, which is a New Zealand shellfish, from which an extract has been shown to be useful in the treatment of joint health and anti-inflammation, **anti-COX 2** activities shown to be **important with Rheumatoid Arthritis and Osteoarthritis**. It also has a spectrum of complimentary natural anti-oxidants and anti-inflammatory nutrients with our proprietary blend of brown seaweed from around the world...Mucoidan™. MSM, and Hylaronic Acid and essential fatty acids that support cardio, immune, and joint health. This formula combines the most powerful anti-inflammatory substances. In clinical trials by Dr. Buckman, collagen 2 helped with joint inflammation better than placebo in a double blind clinical trial of 80 patients. Clinical trials of Green Lipped Mussel also showed benefits in those with joint pain.



### Seamed™ With High Potency Mucoidan™

Sea Meds with High Potency **Mucoidan™** is the most popular formula consisting of seaweeds specially chosen for its high concentration of Mucoidan. It also includes natural forms of iodide, and iodine has many important functions in the body plus it **supports thyroid function and metabolism**.



### GI Meds™ Keeps your digestive track...on track

GI contains digestive enzymes and complimentary probiotics to be used as a food supplement for gastrointestinal health maintenance. The addition of our complete digestive formula complements use of Stable Probiotics with select organisms for healthy flora, balanced gastrointestinal environment, and for healthier breakdown of nutrients. A healthy GI tract has been linked to improved absorption of healthier nutrients into the body as well as gastrointestinal health.

Going forward, we believe that IGRW will successfully leverage the opportunities in the Cannabis space with its existing supplements expertise to offer one of the deepest array of products available in the entire segment. The initial focus of the Company is on the antioxidant, anti-inflammatory and neuroprotective qualities of Cannabinoids (CBDs) to benefit patients suffering from epilepsy cancer, muscular sclerosis, arthritis, Alzheimer's, and IBS and Crohn's Disease. Given the clinical studies demonstrating the benefits of CBDs to



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treat a variety of illnesses, the sale of CBD-based supplements seems a natural fit and growth opportunity. Sales could be generated as early as late 2H14.

A separate offering, but one that dovetails with the Cannabis arena is the product and sale of e-cigarettes. There has been some controversy of late regarding regulation, age minimums for purchase, health risks, and questions regarding the benefits of the products. Still, the e-cig market is huge, estimated to generate \$1 billion in annual sales with traditional tobacco and cigarette sellers chomping at the bit to get a big piece of the market lest their existing products become marginalized. In fact Citigroup predicts the market will grow to \$3 billion in 2015 and we should note that it is a very popular product among marijuana users.



Image III. Cool Breez  
Source: Interactive Health Network



Image IV. E-Cig Diagram  
Source: Interactive Health Network

Wellness Builder already sells and markets its own brand, called *Cool Breez*, which is a revolutionary smoking alternative to traditional tobacco cigarettes. E-Cig uses advanced technology and replaces the harmful, offensive smoke with harmless water vapor. Cool Breez allows one the freedom to smoke virtually, anywhere negating smoking bans, without the flame, ash, tar, or carbon monoxide found in traditional tobacco cigarettes. Without the offensive second-hand smoke, this smokeless product creates a safer, greener environment for the user and the non-smoking community.

**INTERACTIVE HEALTH NETWORK (OTCPK - IGRW)****MARKET SNAPSHOT**

The popularity of medical marijuana has risen sharply since the FDA-approved synthetic cannabinoid Cesamet began commercial sales in 2006 for nausea related to chemotherapy, weight loss in AIDS patients, and chronic pain management. More recently, the non-psychoactive component of cannabis known as CBD has been shown to have potent anti-metastatic activity, in addition to the potential to relieve convulsions and some psychiatric conditions like anxiety and depression.

Support for legalization of marijuana in recent U.S. polls show a large majority favor, backing the laws of forward-looking states like Colorado and Washington that have more flexible regulation toward moving medicinal marijuana to recreational use. Twenty states, including the District of Columbia allow medical marijuana sales, with eight more to follow. Municipalities across the country have moved to decriminalize possession. Money is the driver; Colorado, which first approved the use of medical marijuana in the year 2000 and since then passed Amendment 64 to expand use of the substance beyond therapy, expects almost \$600 million in revenue outside of clinical measures and an additional \$67 million in taxable income. Tourism to the state could increase this number substantially when recreational use is approved. Predictions say the domestic cannabis market will reach \$20 billion in the next five years.

Washington State's landmark Initiative 502 that legalized the sale of marijuana mandates it be grown by specially-licensed local farmers and sold in stores regulated by the state. Taxes and percentages of revenue are not trivial, and the state looks forward to billions of dollars over the next ten years.

State by state, progress moves forward. In November of last year, the Michigan Senate passed Bill 660 to allow medical marijuana in pharmacies and condone agricultural growers. Debates in the House, however, are pending. Central to the proposal is use of a medical card for patients, whose numbers exceed Colorado, and include a succession of licenses, regulations and inspections for providers. Patients would not be allowed to grow their own plants, however. Oregon is developing a system to allow patients to authorize agricultural providers to transfer product to the clinic. In Nevada, regulation is attempting to relax laws for operation of storefront centers selling cannabis, but not without high fees for registration and certification. On January 31 2014, Massachusetts gave the nod for 20 dispensaries, under license, to begin growing and selling marijuana for medical use. Distribution networks there are underway.

Colorado's regulatory environment, while easing, would still cause dispensaries and agricultural businesses to deal with very high costs related to licensing, taxes and retail infrastructure build. New legislature could relieve economic suffering for growers, packagers and laboratories testing cannabis distributed to the public. Regardless, federal reclassification of marijuana to a Schedule II drug is vital to boost the industry.

Relaxation of U.S. marijuana laws received a boost within the Obama administration, giving states greater flexibility to explore recreational use and ending what supporters have called 'marijuana prohibition'. Regulation within states while conforming to federal rules on controlled substances is important to passing laws to legalize marijuana. Keeping the sale of cannabis from criminal hands is also high on the list of legislators. There has also been a proliferation of new statutes to bring medical marijuana dispensaries in

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compliance with state rules, although many still exist in a legal grey area that has forced closures in several states that cause patients to lose access to private medical data, an ongoing problem that needs a quick solution.

Moreover, medical marijuana and even recreation marijuana use support has come from the most unlikely of sources. A 2013 poll published in *The New England Journal of Medicine* demonstrated that fully 76% of poll participants (doctors) are in favor of the use of marijuana for medicinal purposes. The notion has recently received an endorsement from high profile doctors such as Dr. Sanjay Gupta. Plus, a recent CNN poll found that 55% of Americans believe marijuana should be legalized. In lockstep with the American public, even President Obama gave a tacit endorsement regarding the recreational use of marijuana. Clearly, sentiment has shifted and there is no turning back, which is a good thing for IGRW and its peers.

**INTERACTIVE HEALTH NETWORK LEADERSHIP****FRED SCHIEMANN, CEO**

Mr. Schiemann, 63, received his Bachelor of Science degree in accounting from the University of Illinois. He received his MS in Taxation from Golden Gate University. He currently is licensed as a Certified Public Accountant in Nevada. During his years of practice, his main areas of focus have been taxation, auditing and public securities work. He has been involved with many public registrations and structuring of mergers and acquisitions over the last twenty plus years. His emphasis is on public registrations, administration and consulting to small and micro-cap public companies.

Mr. Schiemann has assisted in the completion dozens of public offerings through reverse mergers and/or acquisitions, providing the necessary documentation for compliance as required by the regulatory agencies. His guidance and experience has helped companies raise millions of dollars in capital and he has built a reputation as a trusted professional. He has held CFO positions in many corporations and he is working closely with several corporations who are positioning themselves to become publicly traded either through an IPO or a reverse merger.

Mr. Schiemann has experience in the natural resource business, renewable energy, health sciences/medical, telecommunications and numerous other industries. He has experience in the investor relations industry and has numerous contacts in the broker/dealer community.

**CESAR D. VAZQUEZ III, EXECUTIVE VICE PRESIDENT MARKETING, CEO, HERE WE GROW STORE**

Born of Cuban and Belgian descent and raised in Miami, Cesar attended Belen Jesuit Prep School in Miami, FL and later received a Business Degree specializing in Marketing at the Warrington College of Business Administration at the University of Florida in 1997. Cesar began his career as Director of Marketing and Sales for AMA Pharmaceuticals, rising to Vice President in 2002 where he helped grow the business from \$3M to a \$20M in sales. In 2003, Cesar opened his own pharmaceutical company, Pharmavision, which was later acquired. Following the sale of the company, he became Director of Sales for Aurora Clinical Trials where he

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worked together with the Principal Investigator to acquire clinical trials for the company. Here Cesar learned the process of clinical studies and how they are conducted.

In 2008, Cesar relocated to Denver, CO and opened Here We Grow Store a retail Indoor Garden and Hydroponic Store. Under his leadership, the company recently expanded sales to over 250 accounts and revenue of over \$700,000. He has developed numerous legal indoor Cannabis grow facilities for clients and is considered a Master Grower specializing in the Cannabis plant.

**RISK FACTORS**

In our view, the biggest factors in impeding IGRW's success would be the timing and magnitude of adoption of its products to the cannabis sector. Considering that the Company's operating subsidiaries are already revenue generating and offer tremendous expansion opportunities, we believe this risk is largely mitigated. Moreover, with clinical studies demonstrating the benefits of CBDs to treat a variety of illnesses, the sale of CBD-based supplements seems a natural fit and growth opportunity. Separately, it is possible that some of its consumer-based products, Cool Breez could fall short of sales expectations. While it is expected that the early adopters and younger users would dominate the ranks in the near term, it is hard to predict how the sales and services ramp-up to mainstream consumers. Clearly, scalability is not an issue. Even if there are adoption delays, given the fact that consumers in Colorado and Washington are driving sales higher than estimated, it is unlikely that slow adoption of IGRW's offerings will occur. Risks such as those posed by larger firms or newer entrants with exciting new offerings are typical obstacles facing companies of IGRW's size and status.

**CONCLUSION**

The medical marijuana and recreational marijuana industries are in the early innings of a major adoption phase which will result in up to \$100 billion in revenue in the coming years. Approved in 20 states and D.C., more states will soon come on line increasing the size of the market. Through its Here We Grow Store based in Denver, Interactive Health Network owns a revenue-generating Cannabis-focused hydroponics and equipment retail and ecommerce operation that leverages these trends. Already operating at a revenue-run rate approaching \$1M annually, we believe the Company's model is ripe for expansion this year.

Going forward, we believe that IGRW will also leverage the opportunities in the Cannabis space with its existing nutraceutical supplements expertise to offer one of the deepest array of products available in the entire segment. The initial focus is on the antioxidant, anti-inflammatory and neuroprotective qualities of Cannabinoids to benefit patients suffering from epilepsy cancer, muscular sclerosis, arthritis, Alzheimer's, and IBS and Crohn's Disease which have shown in clinical studies to have properties that can aid in treating these and other illnesses. Combining the sale of hydroponic equipment with CBD-based supplements through its retail and wholesale networks could provide IGRW with unmatched vertical integration, thus making IGRW one of the most successful firms in the Cannabis arena. Our \$0.16 price target reflects the existing businesses only and we believe the stock could reach higher levels once the Company is in full expansion mode. We rate these shares Speculative Buy.

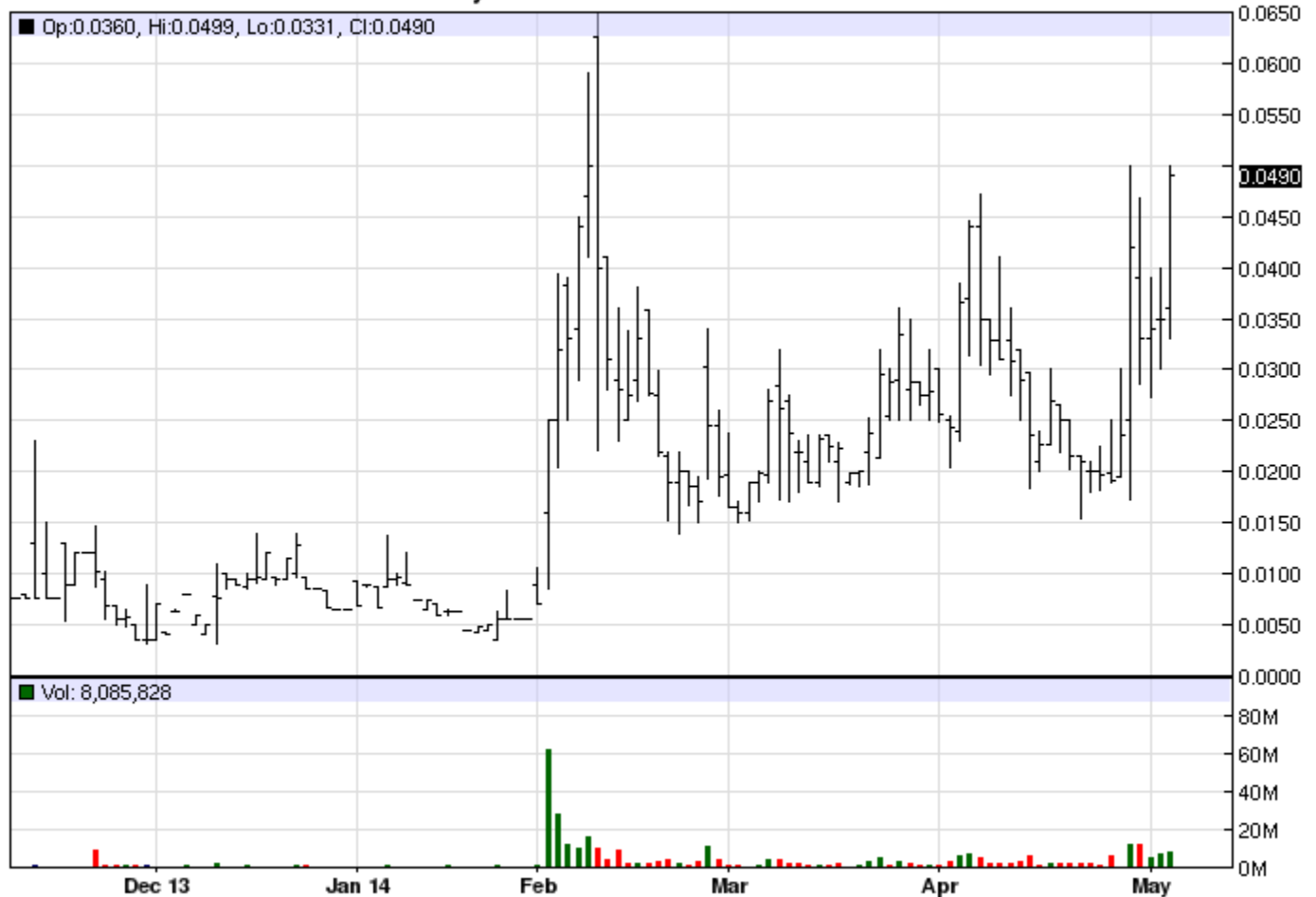


## INTERACTIVE HEALTH NETWORK (OTCPK - IGRW)

### Recent Trading History For IGRW

(Source: [www.BarChart.com](http://www.BarChart.com))

IGRW - Interactive Health Network - Daily OHLC Chart





## INTERACTIVE HEALTH NETWORK (OTCPK - IGRW)

### Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

### Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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