INVESTORPLACE

THE LITTLE GREEN BOOK OF BIG CANNABIS INCOME

How you can pocket huge income streams thanks to one of biggest business booms of the 21st century

MATT MCCALL

In the fall of 1996, California voters passed a historic piece of legislation called Proposition 215.

Also called the “Compassionate Use Act,” Proposition 215 was a landmark move that legalized medical marijuana across California.

It was the first law in the country making marijuana legal at the state level… and it reversed decades of precedent in the United States.

Unless you’ve been living on Mars for the past five years, you know how the movement behind Proposition 215 has exploded – legalization has spread across the United States, all of Canada, and even other parts of the world.

As I write this in mid-2019, 33 states allow medical marijuana with 11 plus Washington, D.C. allowing recreational use.

In the fall of 2018, the Canadian government made marijuana legal across the entire country, becoming the first G-7 nation to do so. And in the fall of 2019, Canada will hit Legalization 2.0 as more cannabis products like edibles become legal.

It’s ironic. For so long, many people feared marijuana would be a “gateway drug” to lead users to other drugs. As it turns out, Proposition 215 was the gateway legislation that has inspired voters and lawmakers to transform dozens of other laws.

The free market has been along for the entire ride. In 2015, the legal marijuana market was worth $5.4 billion. In 2017, that market exploded 57.4% to reach $8.5 billion. Last year, the legal marijuana market grew another 22% to reach $10.4 billion.

We now spend more money on legal marijuana than we do on ice cream. And savvy investors who got in the right stocks early reaped huge rewards. Since 2014, soaring marijuana stocks have produced dozens of 1,000%+ winners… helping many investors just like you build great wealth.

The Missing Piece

Marijuana stocks were and are a double whammy. Cannabis is still technically illegal federally, and the industry is in its very early stages of growth. That means not all investors want to participate.

Marijuana stocks are volatile, which means they have tremendous upside potential. It could be life-changing money, but it takes time for industries to grow and stocks to soar.

I have great news. The industry has just now gotten to the point where we can still make a lot of money but in a more conservative, lower-risk way. What’s more, you can earn large streams of income thanks to the marijuana boom.

We love passive income in America.

I mean, what's not to like? No matter how old you are, I'm sure you could handle more income every month. I have to tell you, there's nothing like seeing money regularly land in your account, no matter what you're doing at the time. You could be working, or on vacation. It doesn't really matter what you're up to.

Entire industries are devoted to passive income because it brings such incredible benefits.

There are huge funds that only buy dividend-paying stocks. Every year, people buy books about passive real estate income by the truckload. Big money management businesses exist to own interest-paying bonds for investors… and the list goes on.

Income investing is important for a lot of investors. And with interest rates historically low for the last decade, it's been difficult to find sufficient and reliable income. A 12-month CD from Citibank earns you a measly 2% for tying up your money for a full year. Oh, and the minimum amount to get that rate is $25,000.

With the legal marijuana industry still in its early stages, investors looking for income haven't found much help there either.

Until now.

Perfect Combo of Growth and Income

As you may know, I've recommended marijuana investments since 2014… for over five years now. Many of my early recommendations have soared by hundreds, even thousands of percentage points.

I've gotten to know many of the most important players in the industry. I've also personally invested in private marijuana deals that have produced some stunning successes.

A colleague of mine even refers to me as "The Original Marijuana Stock Bull."

Of all the work my team and I have done in the marijuana space, we're especially proud of what you've just joined, our ***Cannabis Cash Weekly*** system. My team and I created this to help you ride the wealth-creating tsunami of marijuana legalization… and earn huge paychecks as you do it.

I've checked all over, and I haven't found anybody else who is doing this. I would venture that not one investor in 10,000 is tapping this powerful income source. The financial media isn't talking about it either.

And that's great.

It means more income for you and me. It means the window of opportunity to earn huge ***Cannabis Cash Weekly*** paychecks will stay open for a while… and allow us to earn some of the largest passive income streams on the planet.

I've created this ***Cannabis Cash Weekly*** Primer, "The Little Green Book of Big Cannabis Income," to show you what this opportunity is and how you can start earning income right now thanks to one of the biggest business booms of the 21st century.

I designed the whole ***Cannabis Cash Weekly*** system for you to…

1. Invest in one of the fastest-growing industries that is on the verge of another major catalyst (national legalization).
2. Collect a weekly cash flow from your investments.
3. Ease your frustration with low interest rates on your bank accounts and low yields from dividend-paying stocks.
4. Make your money as a leader doing what nobody else is rather than following the herd.

I'm excited about it, and I hope you are, too. So let's look at our ***Cannabis Cash Weekly*** strategy.

Our Unique Strategy

In short, we will earn both capital gains and sizable income through "covered calls." These are a certain type of option. I know just the mention of options scares some people off, but let me explain it all to you.

I want you to see how it works, the kind of money we can make, and why you don't need to be afraid of this strategy. You can do it with almost any brokerage account – even a retirement account – because it's such a low-risk strategy, as I'll show you.

Let me say right up front that I will help you every step of the way. I promise to tell you everything you need to know for every trade we make. And if you ever have questions, our amazing representatives stand at your service ready to help.

I know many of you are new to options, so it's important to go over a few basics. If you already have a working knowledge of options, you can skip ahead if you want. However, I suggest everyone read this section because it never hurts to get a refresher course.

An option is a contract between two investors. The buyer of that contract has the "option" to act on it or not. An option gives an investor the right, but not the obligation, to buy or sell a stock.

Each option has three key characteristics:

1. The stock the option is associated with, called the underlying stock.
2. The date the option expires, or the expiration date.
3. The strike price, also referred to as the exercise price. This is the price at which the holder of the option will buy or sell the stock if they choose to do so. Buying or selling is called exercising the option.

There are two types of options. A **call option** gives the buyer of the option the right to **buy** the associated stock from a trader on the other side, at the agreed upon strike price, by the expiration date. A **put option** is the opposite. It gives the buyer the right to **sell** the underlying stock to another trader, at the predetermined price, by the set date.

We will use only call options here in *Cannabis Cash Weekly*. Here is an example of what a call option might look like at your online brokerage:

CGC October 25 2019 $28 Call

So let's break down the elements:

1. CGC is the symbol for Canopy Growth, the underlying stock.
2. October 25, 2019 is when the option contract expires. Monthly options expire on the third Friday of each month, but there are weekly options for some cannabis stocks that will always expire on a Friday.
3. $28 is the strike price.
4. Call is the type of option (versus a put).

What is a Covered Call?

One of the biggest misconceptions out there is that options are high-risk investments in which you can lose everything. That's true in some cases. There are extremely risky options strategies – some are flat out crazy – that could result in losses that even exceed 100%, if you use margin.

Forget it. I'm not interested in those, and I know you aren't either.

Our specific strategy will be to sell (or "write" as it's called in options parlance) covered calls. That means we will own the underlying stock (which is why it's a "covered" call) and then get paid immediately by selling the option to buy the underlying stock from us at the agreed upon price by a specific date.

Believe it or not, this could be considered ***less*** risky than just owning stocks. Yes, you read that right. This particular options strategy can actually lower the risk profile of an otherwise all-stock portfolio.

Selling covered calls is a simple options strategy that involves both stocks and options. We buy the stock and sell the option.

When this strategy is executed correctly, it allows us to make money in two ways. The first is to generate income in a stock we want to own anyway for the foreseeable future. Selling call options on a long-term stock position generates consistent income.

The second way to make money is through gains in the underlying stock. If the stock moves above the strike price, the buyer of the option will "call" the stock away from us – meaning buy it at the strike price. For example, if we've sold the option to buy Canopy Growth at a strike price of $25 and it gets to $27 prior to expiration, the buyer of the option will purchase the stock from us at $25.

When this type of trade is initiated, the goal is for the stock to end above the strike price on expiration day. Our gains could be up to 5% or so in as little as 10 days. That may not sound like a lot, but it really adds up when you factor in the speed. Earning 5% in 10 days works out to 182.5% for the year.

You'd take that, right?

Our goal is to bring in at least one cannabis cash payout per week, which will really add up over time. The beauty of covered calls is that even if the stock doesn't get "called" away – no problem. You simply hang onto your shares and keep selling call options against them… to keep that option income coming.

That steady stream of income – versus relying on stock appreciation alone – is what makes THIS option strategy a ***less*** risky bet, compared to an ordinary stock position.

So, that's the strategy. Now let's look at how to implement it.

Executing a Covered Call Trade

There are two steps to each covered call trade.

The first step is to own the underlying stock. I will tell you the stock and give you a maximum price to pay for it, but you must remember to buy it in a "round lot." A round lot is 100 shares of a stock.

This is critical because all **options contracts are based on 100 shares of the underlying stock**. If you own 100 shares of CGC, you'll be able to sell one call option contract. Two hundred shares would equate to two contracts, and so on.

If the buyer calls the stock away from us, you will need the right number of shares in your account to cover the transaction. So, for that reason, you may want to <u>consider holding the stocks for covered calls separate from your other stock positions</u>.

In other words, if you are making a long-term play on a particular stock, you may prefer to avoid having those shares "called away" from you. The easy solution, then, is to simply buy ***additional*** shares for the purpose of selling a call against them. That's something to consider – especially those of you who subscribe to *Investment Opportunities* or *Early Stage Investor*, where we've made long-term investments in many of the market's best marijuana stocks.

Then once you've got the stock side of the trade all squared away…

The second step is to sell the call option. Again, for every 100 shares, one option contract is sold. If 200 shares of stock are bought, then two call options are sold.

> **Pro Tip**
>
> *One option contract controls 100 shares of stock.*
>
> *If you own 100 shares of stock, you can sell 1 call option.*
> *If you own 500 shares of stock, you can sell 5 call options*

While each option controls 100 shares of stock, the option price is based on one share. For example, say the CGC October 25 2019 $27.50 Call is priced at $1.50. One options contract (of 100 shares of the stock) will cost the buyer $150. Since we will sell the option, *you* would immediately *earn* $150 for each contract. If you owned 200 shares of CGC and sold two contracts, you would bring in $300. Five hundred shares would allow for five contracts and $750 in income. And so on.

When selling a call option, we initiate the trade by selling the option. This is different than regular stock investing when we buy first, so it sounds a little confusing. Remember, we are selling the ***right*** to call a stock away from us.

It's critical that you get the terminology correct. **When we sell a covered call, we will always** "**sell to open.**" I will use that terminology in the trade instructions, but it's important that you enter the trade that way with your broker. Oftentimes, your broker platform uses shorthand like "STO." The opposite is "BTO," or "buy to open," for other trading strategies.

We also have to consider the **bid price** and the **ask price**. The bid is what an interested buyer is willing to pay, so it is what you can sell the call option for at that moment. The ask price is the opposite. It is what a seller is asking if you wanted to buy the call option. With options, which are much cheaper than stocks, the prices can swing more widely. So, typically the bid and ask prices are even more important to watch than just the last price someone paid.

As sellers of options, we focus on the bid price. I will always give you pricing parameters, but if the bid price for a call option is $2.50, we know that selling it would result in $250 per option contract.

Once we own the stock and have sold the call options, there are two possible outcomes that depend on the price of the stock:

Trade outcome #1: If the stock closes above the strike price on the expiration date, the stock will be called away from us at the strike price. We earn *both* the money we made selling the call option – referred to as the "premium" – as well as capital gains from the sale of the stock.

Trade outcome #2: If the stock is below the strike price, we will keep our shares and pocket the premium from selling the call option. This allows us to sell another call option against the existing stock position, generating another cash payout. Depending on how the stock trades, we may be able to do this multiple times.

Our Strategy In Action

I think the best way to explain our covered call strategy is to break down real-life examples of covered call trades. These are actual trades that I executed in my personal brokerage account.

<u>Cronos Trade #1</u>

- On February 8, 2019, I bought 100 shares of Cronos Group (CRON) at $20.98. The **cost was $2,098**.
- That same day, I sold one call option that expired on February 15 with a strike price of $21.50 for $1.30, **netting me $130 upfront.**
- On the option expiration date (February 15), CRON closed at $21.29, below the $21.50 strike price. Therefore, the 100 shares of CRON remained in my account. At this point, I've made $130 from the sale of the option, and the underlying stock is up 1.5%.
- On February 19, I sold one call option that expired on February 22 with a strike price of $21.50 for $0.90, **netting me $90.**
- On expiration day three days later, CRON closed at $21.92, above the strike price of $21.50. The stock was "called away" from me at $21.50 per share for a total of **$2,150**. And I kept the $90.

Total return: The CRON covered call lasted a total of 15 days from when I first bought the stock to when it was called away. Here are the transactions:

- Initial cost: -$2,098
- Profit from sale of first covered call: +$130
- Profit from sale of second covered call: +90
- Sale of CRON: $2,150

My net profit was $272 on a cost of $2,098, **a return of 13% in only 15 days**.

<u>The annualized gain is 316%.</u>

An investor who held CRON stock during the same timeframe without using covered calls had a gain of 4.5%. They'd have gotten a little more for the stock – but they wouldn't have made the income along the way. So, all in all, they made less than half what I did with the covered call strategy.

<u>Cronos Trade #2</u>

- On May 24, 2019, I bought 1,000 shares of CRON at $15.50, making the initial cost of the trade **$15,500**.
- Four days later on May 28, I sold 10 call option contracts that expired on May 31 with a strike price of $15.50 for $0.65, **netting me $650 in income.**
- On expiration day, CRON closed at $14.08, below the strike price. I kept the 1,000 shares of CRON and the $650 from the sale of the call options.
- On June 5, I sold 10 call options that expired on June 7 with a strike price of $16 for $0.40, **netting me $400 more.**
- On June 7, CRON closed at $15.94, below the strike price. I kept the 1,000 shares of CRON, and my **total income grew to $1,050** ($650+$400).
- On June 10, I sold 10 call options that expired on June 14 with a strike price of $16.50 for $0.44, **bringing in another $440.**
- CRON again closed below the strike price on expiration day, so I continued to own 1,000 shares of CRON and kept the additional $440, **increasing my income total to $1,490**.
- On June 17, I sold 10 call options that expired on June 21 with a strike price of $15.50 for $0.50. **My proceeds were $500.**
- On June 21, CRON closed at $15.94, above the strike price. At this point, the stock was "called away" at $15.50 per share for a total of $15,500.

Total return: The CRON covered call lasted 28 days from when I first bought the stock to when it was called away. Here are the transactions:

- Initial cost: -$15,500
- Profit from sale of first covered call: +$650
- Profit from sale of second covered call: +$400
- Profit from the sale of the third covered call: +$440
- Profit from the sale of the fourth covered call: +$500
- Sale of CRON: $15,500

I sold CRON shares for the same price I bought them, so my profit in the trade was the $1,990 I earned in income. That's **a nice 12.8% return in 28 days**.

The annualized gain is 163%.

An investor who owned just CRON stock during the same timeframe gained $440, or 2.8%. That's one of the real benefits of selling call options. The stock was up slightly over the course of a month, but I was still able to make a nice profit – more than 4.5X the stock's movement.

Setting Up Your Account to Sell Covered Calls

If your account is not already approved by your broker to sell covered call options, you need to do that before you can place your first trade. If you don't remember and cannot determine whether you have options approval, I suggest you contact your brokerage firm and ask.

It is actually quite easy to set up your account for covered calls. You usually just need to fill out a short and simple form online to get access. To sell covered calls, **your account only requires Level 1 options trading approval**, which is the most basic level. In all my years working at a brokerage firm and as a newsletter writer, I cannot remember a situation where an investor was not granted Level 1 approval. Sometimes they even call it "Level 0."

One good thing about our covered calls strategy is that you can do it in a retirement account. You are allowed to sell covered calls in an IRA. And because you are selling calls against a stock that you will own in the account – remember, that's what a covered call is – there is no margin requirement. Due to the tax advantages of an IRA, covered calls can be a great addition to an income-focused retirement account. ***(Note: I am not a tax expert and do not know your specific situation, so please consult a tax professional for specific advice.)***

Sell Covered Calls Like a Pro with Limit Orders

Selling covered calls is a lower-risk options strategy, but we need to be mindful of the fact that options prices can move quickly. A minor move in the underlying stock's price is magnified in the option's price.

In addition, the difference between the bid and the ask prices can be significant. This is called the spread. This is why we will always suggest a limit order to assure the call option is sold at the correct price.

For example, the recent bid price on the **CGC October 25 2019 $28 call** was $1.50, and the ask price was $1.60. That's a 6.4% spread.

I said earlier that as sellers of calls we look primarily at the bid price, which is what a buyer would be willing to pay at that moment. With a wide spread between the bid and the ask, we can often do better.

Every time I recommend you buy a stock or sell a covered call, I will give you specific pricing information.

When we buy a stock, I will provide a **buy limit**, which is the highest price I recommend you pay for the stock.

When we sell a call, I will give you a **sell limit.** This is the minimum I want you to accept. In other words, you should be able to sell the call options at the sell limit price or higher.

The way to make sure you get the price you want on each trade is to use a **limit order**. They are easy to set on your trading platform. If you have trouble figuring it out, a quick call to your broker should answer your questions.

In the CGC example above, I may tell you to sell the calls at $1.55 or higher. Oftentimes, the trading specialists will see orders sitting there and move up the bid prices so the orders get filled. That's how markets work. In this case, that extra $0.10 means 6.5% more income for us just by using the right trading technique.

Here is what you will need to know to set your orders:

Price: As I said, I will always give you a maximum buy price for a stock and a minimum sell price for a covered call option.

Duration: You can set a limit order to last just for the rest of that trading day (called a "day order") or it can be a Good-Til-Canceled order; "GTC" is the common shorthand you'll see. Avoid that. **I want you to use day orders**. If our orders aren't filled, I'll take a fresh look the next morning to see if we need to make adjustments, and I will be back in touch with new trade instructions when the time is right.

If you don't have much experience with limit orders, don't worry. Once you've done one, the rest will be a piece of cake.

In the end, strategic use of limit orders can impact your returns more than you might think. Add that up across multiple trades and over time and the extra money in your account can be significant.

Leading the Way

The idea of combining the fastest-growing sector in the market with covered call options may sound counterintuitive. Why match up a high-growth investing strategy with a conservative strategy?

Honestly, this is one reason nobody else is doing this: The perception among traders that this is "boring." But what's boring about instant income to your account – whenever you want it? That puts us at the cutting edge. And it makes the opportunity even better.

We are combining two of my favorite strategies – growth investing and covered calls – into a new and exciting system that can be very profitable without taking on a lot of risk.

Now, because cannabis stocks are typically more volatile than the average growth stock, the option **premiums** tend to be higher. This is great for us.

The premium is simply the price of the option. It's called that because, on the theoretical level, this is the amount above the **intrinsic value** of the option contract. For example, if Tilray (TLRY) trades at $31.65, the intrinsic value of the October 2019 $30 call is $1.65. If the buyer of the option called the stock away at $30, he could sell it right away for $31.65, so this stock trader would make $1.65 in profit.

In mid-September, that October 18 2019 $30 call option was selling for $3.15… nearly double the intrinsic value!

When selling call options, the amount of cash that we bring in is equal to the premium we collect from some other trader. The higher the premium, the higher the cash payout.

Higher volatility will also lead to wild swings in the underlying stocks and can lead to huge rallies and vicious pullbacks. And that is okay with us. I am bullish on these stocks over the long term and am confident that prices will be higher in the years ahead. When stocks go through pullbacks, even prolonged ones, we can continue selling covered calls and generating cash payouts while we wait for the rebound.

On the flip side, when a cannabis stock rallies, it may close above our strike price and get called away. When that happens, the odds of us banking a sizable gain are very good. And there will always be another pullback for us to get back in the stock and start the entire cannabis cash cycle over again.

So welcome to ***Cannabis Cash Weekly***!

You are now part of something new and groundbreaking, which gives us the ability to be first and take full advantage of the high option premiums. This will not last forever as the industry matures and more stocks have options on them as they jump to the major exchanges.

That said, we have a few years ahead of us to make our money. You've joined at the perfect time. Let's jump right in and get to work collecting those profits!

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