DIEGO PELLICER WORLDWIDE

StockWatchIndex Research Report #3 **OTC: DPWW. D**

Next Level Business Model

Diego Pellicer Worldwide (Diego) was originally established as a real estate development company focused on building the world's first all encompassing "premium marijuana brand" operation in the cannabis industry, while not violating any current State or conflicting Federal law by "touching the product". Diego Worldwide has been acquiring, designing, building and leasing custom facilities for the cultivation and/or retail of both high-quality cannabis and non-cannabis products, but is not growing, selling or distributing cannabis, where it would be illegal.

By forming a new wholly owned subsidiary, Diego Pellicer Management Company (DPMC) that takes on an expanded role in the Company's rollouts of new locations and operational strategies, the company is now departing on an accelerated path to fully execute its highly scalable business model and accelerate revenue generation. This new strategy, positions DPWW for quick expansion into 29 additional states that have legalized some form of marijuana use.

Diego Pellicer Management Company (DMPC)

Since the landscape for cannabis in the US has favorably evolved since the inception of Diego Pellicer Worldwide and to take full advantage of the fast growing Cannabis market and the rapidly expanding legalization in the US and Canada, DPMC positions the Company to expand its business model into sectors of the industry that allow for a more rapid revenue generation.

The Diego model has now evolved from a purely lease-based landlord business into a national marketing, and branding, licensing and management/equity model with three sources of revenue generation.

1. Real Estate Acquisitions and Leasing
2. Management and Branding
3. Equity Positions

A significant advantage of this model is the ability to rapidly expand to new markets, establishing upscale company stores supported by the deep experience of the Diego design, branding and management team and generate rapidly increasing revenues.

Diego Pelicer Worldwide Inc. has established a unique business approach:

- DPWW develops a National brand for all "Diego" stores across the U.S.
- DPWW acquires, designs and/or remodels retail spaces to Diego standards and then subleases to operators at a significant return.
- DPWW finds operators in cannabis legal locations that have the appropriate licenses and agree to brand their locations under the "Diego Pellicer" name.
- DPWW provides capital and management oversight as well as standardized branding and National exposure for a fee and or equity participation.
- DPWW provides guidance and consulting to Tenants by DPWW's experts in legal, safety, agricultural and retail, assuring the highest standards of quality, consistency and brand Integrity.
- DPWW has pre-negotiated contracts to acquire tenant business at its sole discretion, allowing instant addition of actual cannabis revenue at Federal legalization.

We expect DPWW's expanded business model to result in accelerated revenue growth and profits and subsequently increasing share price producing sustainable value for investors for an extended period of time.

"Legal marijuana is the fastest-growing Industry in Canada and the U.S."

- Huffington Post

"The marijuana industry could be bigger than the NFL by 2020"

- Washington Post

In This Report

REAL ESTATE

Diego's initial revenues derive from designing, building-out and collecting premium lease revenue from the tenants occupying Diego's customized marijuana production and retail properties that legally grow and/or sell marijuana products

MANAGEMENT

Tenants have access to Diego's management team with expertise in real estate, retail management, agriculture, legal, marketing, creative branding and product development.

PRE-NEGOTIATION

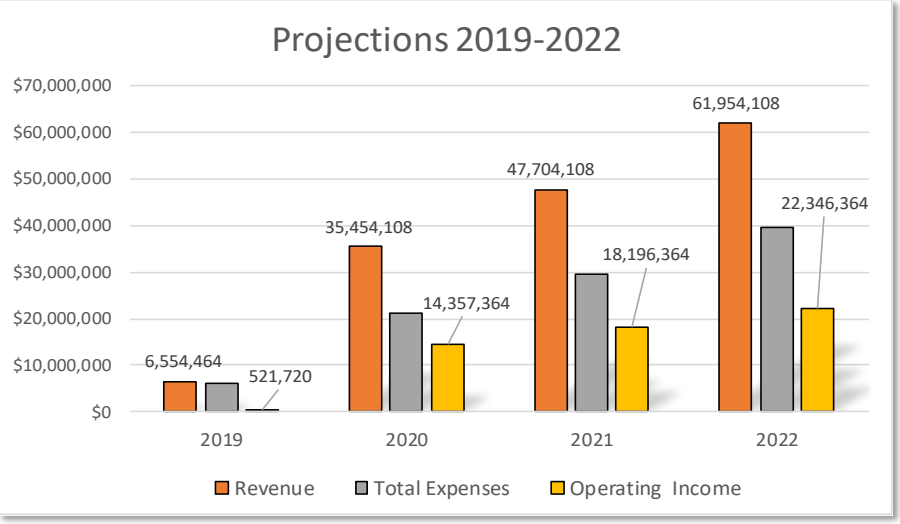
With the lease of every retail and/or production property Diego enters into pre-negotiated acquisition contracts with carefully scrutinized Diego tenants that produce and sell marijuana

EXPANSION

Combining all DPWW corporate assets under the single umbrella of the Public entity while complying with all State and Federal laws

RAPIDLY INCREASING REVENUE

Based on its evolving business model implemented to take advantage of the rapidly changing legal landscape in the US cannabis market, Diego expects its revenue to increase from $6.5mill in 2019 to $61.9 million by the end of 2022.



ADVANCING THE BUSINESS MODEL

DIEGO offers great value to operators and investors alike as a vehicle that gives both the ability to enter an emerging market with luxury locations and well organized grow operations. Acquiring, building out, managing and licensing cannabis real-estate locations that are compliant with all rules and regulations that differ from state to state requires considerable expertise and credibility.

PRE-NEGOTIATED ACQUISITIONS

With each location build-out, Diego pre-negotiates acquisition contracts with its licensed Growth and Retail tenants at its sole discretion. This unique business model will result in immediate ownership of fully operational prime locations from seed to sale once the Federal Law changes. This positions the Company to grow revenue drastically , basically overnight, once Federal legalization occurs.

EXPANSION

The Diego Pellicer brand is part of a growing property portfolio. As of today, Diego has established two dispensary in Seattle, Washington and two additional dispensary and two grow facilities in Denver, Colorado

UNDER ONE UMBRELLA

During the last two years of operation it became apparent to the Company that based on the rapidly changing legal landscape in the U.S. and even more drastically, Canada., its business model could be significantly advanced by combining the different management assets with the operational assets in different locations in the US under the umbrella of the public corporation.

CAPITALIZATION

Symbol	DPWW
Exchange	OTC QB
Current Price	$0.0497
52 Week Range	$0.0116 - 2.19
Average Volume	90,160
Shares Authorized	900,000,000
Shares Outstanding	19,466,857
Float	5,000,000
Market Cap	$967,502

THE MARKET Estimated at $50 Billion

The US marijuana industry is an emerging market with annual revenue estimates ranging from $20 - $50 Billion for the entire legal marijuana market. The market is projected to grow by 27% CAGR during the next 5 years according to GMP.
Investors forecasts the medical marijuana market alone at $4.6 billion in 2015 and expects it to grow to $10.2 billion within a period of 4 years.

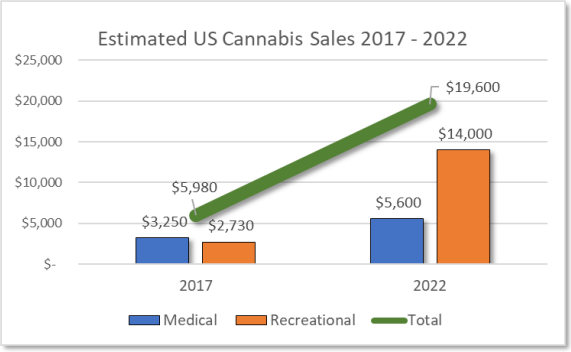
While the entire medical marijuana market is expected to grow to $10.2 billion by 2018, the present US market is dominated by two states, California and Colorado, which account for ninety two percent (92%) of the present market share. Oregon is in third.

LEGALIZATION ADCANCING

The marijuana industry in the US and Canada is moving consistently towards legalization. Thirty-three (33) states in the United States have legalized a form of marijuana and more are following suit. Ten (10) states have approved recreational use and more are to follow. The public sentiment continues to change in favor of legalization. Only twelve percent (12%) supported the legalization of marijuana in 1996 with eighty four percent (84%) opposing it. The pendulum has now swung to the other side. In 2018, sixty two (62%) of the population supported legalization of marijuana versus thirty eight percent (38%) opposing it, The support for legalization keeps growing nationwide and the experts expect Federal legalization to happen within the next 2-5 years.

FEDERAL LEGISLATION COULD CREATE $40—$55 BILLION MARKET

During the next 2-5 years, the legal cannabis market in the US will be producing significantly increasing revenues. Additionally, the complete medicinal and recreational legalization in Canada is having a direct affect on the operations of the cannabis business in the U.S. Over the last 6-8 months, cannabis companies have gone public and are raising capital from the Canadian market, with the capital finding its way into the U.S., benefitting US private and public cannabis companies. Other companies are taking advantage of the opportunities in the U.S., with the first Canadian companies commencing with trading on major US trading platforms, such as NASDAQ or the New York Stock Exchange.

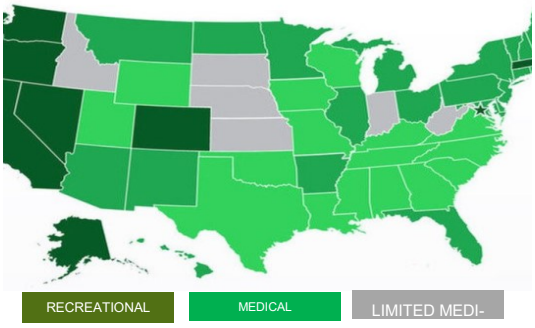


US MARKET 8X CANADIAN MARKET

This development is on track to create a US market about 8x as big as the entire Canadian National MED and REC market. Even Arizona, a medicinal-only State, is currently generating ~$400Million + in annual retail sales, about 30% larger than Canada's entire medical market, while representing a population of about 1/5th of that of Canada.

EVOLVING LEGISLATOR ATTITUDES

Currently approximately 55 marijuana reform bills are scheduled for legislative review in 2018. This includes the most radical suggestion for a change in law that would remove the classification of cannabis as a Schedule 1 drug. More States, even conservative States like Oklahoma and Louisiana are planning to legalize medical marijuana and other States are planning to convert to recreational laws. Legislators are becoming more lenient towards marijuana and it is expected that favorable laws will remove risk and significantly increase sector valuations.



Eight (8) States currently have enacted recreational laws, twenty-one (21) States have legalized medical marijuana and fifteens (15) States are allowing the consumption of limited medical marijuana, which includes cannabis extracts that are high in cannabidiols and low in tetrahydrocannabinol.

FAVORBALE PUBLIC OPINION GROWING

Public opinion support for cannabis has reached the highest level ever since polling began., with public support representing a mere twelve percent (12%) in 1969, having grown to sixty-two (62%) in 2017. This growing public support strengthens the legislative efforts that will be required for a general legalization in the US.

MARKET SELECTION IS KEY

State laws, rules and regulations and local ordinances differ dramatically in every state and every location even within the same state. In addition to restrictions on interstate trade and distribution, license regimes and regulatory and legislative changes , selecting States for new operations is a key investment consideration in our view. Growth rates differ widely among the States with either medical only or both medical and recreational laws implemented.

Estimated Growth Rates

Recreational Laws

Estimated Retail Sales ($Mill)	2017	2022		5-Year CAGR
Califiornia	1,670	6,263	CA	30%
Colorado	1,100	1,901	CO	12%
Nevada	296	1,821	NV	44%
Washington	965	1,728	WA	12%
Oregon	400	820	OR	15%
Massachusetts	96	724	MA	51%
Maine	24	216	ME	55%
Alaska	38	137	AK	30%
Vermont	9	60	VT	45%

Medical Only Laws

Estimated Retail Sales ($Mill)	2017	2022		5-Year CAGR
Florida	31	956		99%
Pennsylvania	n.a.	830	FL	95%
Michigan	515	736	MI	7%
Arizona	417	573	AZ	7%
Illinois	90	398	IL	35%
New York	58	477	NY	52%
Ohio	n.a.	236	OH	77%
Maryland	n.a.	188	MD	46%
New Jersey	23	158	NJ	47%
NewMexico	72	148	NM	15%
Conneticut	31	99	CT	26%

EBIDTA MARGINS OF 40-50%

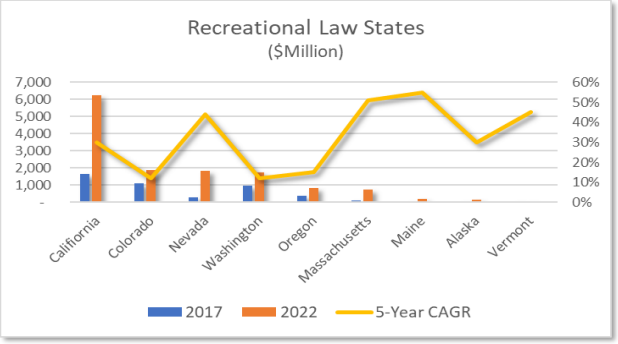
With the ability to vertically integrate, the consensus among analysts is that the US cannabis companies are positioned to generate higher profitability than their Canadian counter parts. Vertically integrated companies are expected to generate EBIDTA margins between 40% to 50% on a matured level.

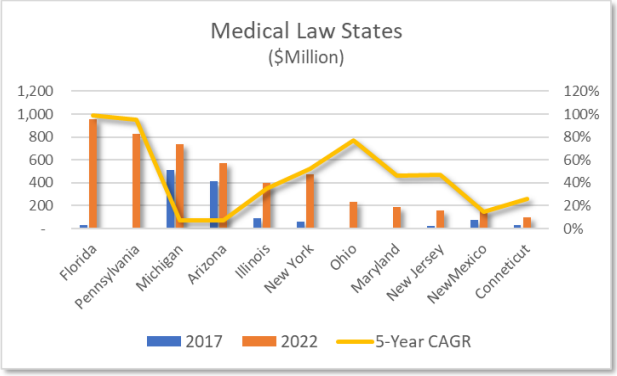
TAX CONSIDERATIONS

The Federal tax code regulation 280E creates a high tax burden for any "plant-touching" cannabis business. Those companies can only deduct "Cost of Goods" as expenses on their tax returns. This basically results in those companies being taxed on the gross margin level, creating a huge tax burden. DPW's operational structure as a management company of the "plant-touching " operator avoids this burden and complications arising from the conflict between Federal and State laws.

TRUE VERTICAL INTEGRATION

Unlike Canada where the majority of distribution and/or operations for REC sales are monopolized by provincial liquor boards, there is no state intervention in the supply chain in the US. True vertical integration is thus possible and in some cases even required by the State. Accordingly the expected growth rates in different States vary widely in the US. Accordingly, DPW has formed DP Management to integrate management and branding with the actual operational side of the business, pursuing markets located in States that provide the best growth opportunity.





EVOLVING THE BUSINESS MODEL

The Diego Pellicer model has evolved from a lease-based, landlord business into a national premium branding, management, licensing, fee and royalties model. A significant advantage of this model is the ability to rapidly expand to new markets, establishing upscale company stores and growth facilities.

DP MANAGEMENT COMPANY

Via its DP Management company DPWW will be providing these locations with the extensive management experience of Diego Pellicer, including designing and acquiring turnkey operations, management expertise, personnel, technology, branding and marketing for any existing or future cannabis store or growing facility in the United States. This ensures a consistent, high-quality luxury brand that customers can trust no matter their location and consistently increasing revenues.

DPWMC OPERATIONS

Diego Pellicer Management Company has already proven successful. Diego opened its flagship store in Seattle, Washington in late 2016 and has established two dispensaries in Denver, Colorado in February 2017 complimented by two growth facilities in Denver. These locations create the basis for Diego's vertical integration model.

Taking advantage of this installed base and following its evolving business model, the Company negotiated additional rental income with these existing stores, which will significantly increase cash flow. Improving cash flow will reduce the need to raise additional working capital for operations, making it possible for Diego Pellicer Worldwide to focus on expanding the brand and accelerating the development of additional locations, expanding into other States..

Diego Pellicer DPWMC is focused on establishing new DPWMC operations in States that prove most advantageous to its business plan and provide the highest expected growth rate over the next five years.

SIGNIFICANT OPPORTUNITY

The worldwide MMJ market is as fragmented as the US market and is not clearly dominated by one or two large companies. This creates significant opportunities for well-structured companies with experienced management teams that are sufficiently funded and capable of operating nation-wide. DIEGO has the capacity to provide its all encompassing real estate and management services on a National basis and we expect that DIEGO will capture a significant percentage of the burgeoning global marijuana market. DIEGO is run by a high-pedigree management team and supported by an exceptional advisory board with decade-long experience in the real estate and marijuana industry as well as in the financial markets.

DIEGO PELLICER SUCCESSFUL OPERATIONS THROUGHOUT THE U.S.

DPWW currently has opened five locations as the landlord and management company in locations in Colorado and Washington, with its flagship location on 4th Avenue in Seattle, Washington. DPWW does not grow, process, sell or profit directly from cannabis and will not until such operations are legal on a Federal basis. Once legalization occurs, Diego will take possession of its fully operational and revenue generating prime locations across the U.S., establishing a significant advantage over the competition.

DIEGO TENANT SELECTION

Diego's tenant selection process is demanding. Diego will apply the most stringent quality standards of its brand to the partnership with award-winning legal growers and retailers throughout the country, where the cultivation and sale of recreational and/or medical marijuana are permitted by State law.

As a tenant of Diego, these operators will have access to Diego's excellent management team with expertise in real estate, retail management, agriculture, as well as legal, marketing, creative branding and product development.

This will assure the high-quality product level and maintenance of Diego's luxury retail locations selling premium Diego products to a clientele expecting the highest level of quality and service.

PRENEGOTIATION AND VERTICAL INTEGRATION

At the time a lease is executed with a tenant, DPWW enters into a contract to acquire the tenant business at established terms and its sole discretion, allowing for instant addition of actual cannabis revenue at the time of Federal legalization. DPWW is accelerating its efforts to fully execute this business model, adding the opportunities generated by its vertical integration approach via its DP Management Corporation division.

MANAGEMENT

MANAGEMENT & STRUCTURE

Over the last two years it has become obvious to the management team of Diego Pellicer Worldwide that in order to expedite revenue generation on the way to achieving profitability that management and branding of the DPW locations had to be integrated with certain levels of operation and equity participation. Vertical integration, where legally possible or required, was necessary to gain and maintain control over critical sectors of the DPWW business. As a result, the company created a new company (Diego Pellicer Management Company (DP Management) to manage certain aspects of its dispensary and growth locations and support local operators. This generates additional income without increasing the level of expenses. The latest acquisition of a dispensary in Denver, Colorado will serve as the pilot project for this approach; the company expects regulatory approval for this project within 60-90 days.

MANAGEMENT TEAM

Ron Throgmartin - Chief Executive Officer

Ron has public company experience in retail, agriculture, real estate and in the cannabis industry. He joined Diego Pellicer Worldwide as its CEO in August 2013 after serving as an independent consultant for a medical marijuana company in Colorado, managing State licensing, compliance, retail operations and production. As a serial entrepreneur, Ron has assisted in the development of his family retail brand businesses across 16 southeastern states that currently produces more than $2.4 billion in annual sales. From 2003-2008 Mr. Throgmartin was involved with the largest privately owned cattle producers in the United States with operations that encompassed 11 states. In 1989, Mr. Throgmartin started his own commercial development company where over a span of 20 years he developed over 3 million square feet of commercial projects, working with some of the top rated retailers in the country, including Lowes, Home Depot, HH Gregg and Staples.

From 1981-1989 Mr. Throgmartin worked for MacDonalds, Stake-n-Shake and his family business HH Gregg, where he served in many roles including Operations and new store development. Today HH Gregg (HHG) is a publicly owned and operated appliance and electronics retailer covering 16 states, and over $2.4 billion in annual sales. Mr. Throgmartin is a graduate of Ball State University with a Bachelor of Science degree.

Nello Gonfiantini - Chief Strategy Officer

Nello has over 40 years of banking, real estate finance and development experience having been responsible for over $2.0 billion of loan origination and property development. In 1977, Mr. Gonfiantini purchased Home Mortgage Company, a small mortgage company in Reno, Nevada specializing in short-term first and second mortgage loans. Mr. Gonfiantini obtained a bank charter and began Home Federal Savings Bank in 1986 where he served as President and CEO. In 1994 Home Federal Savings Bank was purchased by American Federal Savings Bank.

In 1995, Mr. Gonfiantini started a new mortgage and finance company which became Specialty Financial. In 1998, he formed Specialty Trust, Inc., a new real estate investment trust (REIT). Specialty Financial then became the portfolio manager for the REIT. By 2003 Specialty Financial began investing in direct ownership of real estate assets including residential land entitlement, development and vertical development and by 2006, Specialty Financial managed over $500 million in assets. In 2007, Mr. Gonfiantini founded Specialty Capital as a FINRA regulated broker/dealer in order to raise capital for a variety of clients. Mr. Gonfiantini is currently the President of Crystal Bay Financial as well as a private consultant. Additionally, Mr. Gonfiantini is a Director and the Chief Strategy Officer for Diego Pellicer (DPWW). Mr. Gonfiantini graduated from the University of Denver with a BSBA Cum Laude, in 1976 and an MBA in 1977.

Christopher Strachan - Chief Financial Officer

Mr. Strachan joined as CFO of Diego Pellicer Worldwide Inc. in January 2016. Mr. Strachan is an accomplished CFO, CEO, and manager with 30 years in corporate operations, marketing, securities, finance and 20 years of executive management experience. He has worked largely with developing and startup corporations, where he has honed his skills. For the past five years, Mr. Strachan has served as the President of Helisports LLC, a business development consulting company. In addition, he served as THE CEO of Rhodes Architectural Stone from 2011 to 2012, the Director of Marketing and Sales of Glasair Aviation from 2012 to 2014 and the Director of Flight Operations and R&D at RotorWay Helicopters from 2009 to 2011.

KEY INVESTMENT CONSIDERATIONS

DIEGO VERTICAL INTEGRATION

Based on the rapidly changing legal landscape and the acceptance and legalization of vertical integration of operations while constraining business with fewer branding restrictions, Diego Pellicer Worldwide (DPWW) and DP Management Company (DPMC) are now aggressively expanding the business model by establishing more locations throughout the US. This is driven by opportunities that present themselves with new projects currently pursued by DPWW in California, Nevada, New Jersey and Florida. Since access to working capital has become somewhat easier, fueled by the success of Canadian cannabis companies in the public market, Diego is exploring the possibility to combine the public company DPWW, DPMC and the Denver and Seattle assets to create a vertically integrated company with substantially increased operational and financial capacity.

- Trade Restrictions, deep understanding of licensing and market selection criteria benefit Diego
- Diego mitigates price deflation on the whole sale side by combining growth and retail assets
- Material legal changes throughout the US expected to benefit Diego's vertical integration model

CONTINIOUSLY EVOLVING LEGISLATION BENEFITTS DIEGO

For the 2018 legislative session alone, there are roughly 5 cannabis related bills waiting to be voted on and to be moved through the committee stage at the Federal level. The significant volume of proposed bills is an indication that the legal landscape for the US cannabis sector will continue to evolve towards further legalization during the years to come and state protections could to be formalized instead of simply being tolerated. Congressional support for proposed legislation such as the STATES Act, which would synchronize federal laws with state cannabis laws, is increasing. The STATES act would eliminate the threat of federal prosecutions and consequently ease the currently existing banking issues, a significantly positive factor for US sector valuations.

We believe that the prospect of federal legalization in coming years will liberate banking and capital flows, remove interstate restrictions, and open international export opportunities for medical marijuana and will allow the valuation gap vs. Canadian cannabis companies to be resolved mainly through an upward revaluation for US cannabis companies.

FURTHER CONVERSION TO REC MARKETS

Adjusting for the generally lower spending of a MED market, the eventual REC market conversion in currently restricted States should increase total market size by a factor of 5x. With the implementation of its expanded business model, Diego is well prepared to immediately take advantage of this changing landscape, once it occurs.

FAVORABLE OPERATING ENVIRONMENT

According to leading research reports, the cannabis industry in the United Sates is considered to present an overall favorable operating environment over the next five (5) years. It would afford existing and new players an opportunity to either fortify their operation, or enter the market without any significant competitive threats from larger, better capitalized firms from industries such as the alcohol and tobacco industry. We believe that well managed and established companies represent a favorable merger and acquisition target for these large companies..

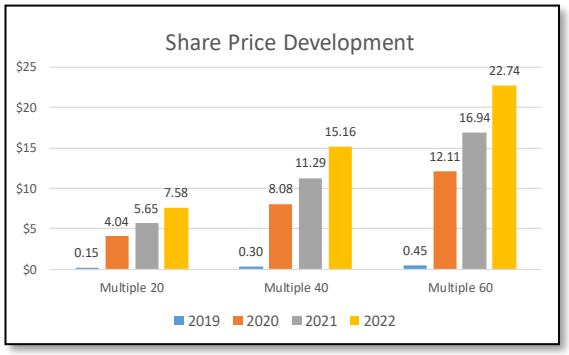
ATRRACTIVE VALUATION GAP

The cannabis industry, especially the public market, is still in its infancy with industry experts and analysts creating expectations of comparable market size to the tobacco and alcohol industries, presenting the opportunity to take advantage of an enormous valuation gap. Applying a multiple of 2-3 times industry sales to a 2022 US cannabis industry with a sales estimate of ~$US20b, we derive an implied aggregate public market valuation of ~US$50b for the US sector, or ~10 times higher than the current market value. We believe that solidly structured and well managed companies such as Diego will be able to take advantage of this. Opportunity by generating a significant market value and at the same time positioning itself as acquisition target of choice for one of the large operators.

KEY INVESTMENT CONSIDERATIONS

COMNBINEING MANAGEMENT ASSETS AND RETAIL OPERATORS DRIVES SHARE PRICE

Based on the evolving DIego business model , combining assets of the management company with its retail operators, revenues will increase drastically in the years ahead. Based on the projected P&L provided by the company and considering a moderate increase in the number of authorized shares, Diego's share price should improve dramatically over the next four years.



MAINTAINING OTCQB REQUIREMENTS

To continue meeting the requirements of OTCQB and maintain its listing on the OTCQB, the Company has executed a reverse stock split on November 25, 2018, reducing the number of outstanding share to 25,000,000. This represents a conservatively low number of outstanding shares that should, combined with the company's increasing revenues and profits, result in an increasing share price. The current stock symbol DPWW.D will revert to its original symbol DPWW

INCREASING CAPITAL FLOW

Industry participants expect federal legalization to occur between 2-3 years. Accordingly, Investor demand for US cannabis assets has been growing recently, with several oversubscribed public offerings and large direct investment by private equity. This driven by private investors as well as Canadian and US institutions , encouraged by the Canadian activity and utilizing the Canadian Securities Exchange as a conduit. Diego is well positioned to take advantage of this development.

PURSUING ADDITIONAL OPPORTIUNITIES

Diego Pellicer Worldwide's goal is to dominate the legal marijuana marketplace in the US. Diego's unique business model positions the company as one of the first vertically integrated marijuana retail/growth operation and premium brand, known for its beautifully designed and consumer-friendly retail stores offering the finest quality products. At this stage of the company's development the Company's focus is on the aggressive acquisition of additional prime locations for dispensaries and growing facilities in the US, integrated under the DP Management structure. Diego has acquired an additional dispensary in Denver, Colorado, formerly known as Colorado Wellness. This is the second Diego-branded store in Denver, and the first store under the DP Management structure. Moving forward, Diego will consequently increase the number of its locations throughout the US based on this principle, accelerating revenue growth beginning in the 4th quarter of 2018.

POSITIVE RISK /REWARD RATIO

The US cannabis industry in general offers a very attractive risk/reward profile for investors to actively pursue the sector. Diego should be considered one of the most attractive opportunities to produce significant ROI for investors inclined to take advantage of the current favorable market conditions. Diego, with its vertical integration business model has clearly positioned itself in a favorable position in the industry.

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