

To be a Billionaire or not? The Canadian Cannabis Breakfast Club struggles with U.S. border entry concerns.

You know there was something to be said for growing up in the seventies and eighties, life simply wasn't this complicated. We were supposed to have 5 servings of milk, meat and fruit daily, exercise and if one was an overachiever they secured a Presidents Fitness Award patch. "The Cosby Show" was ranked #1 for being a good 'safe' family television should you get caught with weed in your wallet: you went to jail...

It was 1985 and I was graduating from Jefferson County High School in Jefferson County, Tennessee. This remotely positioned Triple A football loving high school with nearly 2000 students, required a ride to school to survive. My ride was a friend's souped-up Chevy with a set of bull horns on the front, this was the year "The Breakfast Club" film was a box office hit, we lived in a dry county.

My introduction to weed was through a club attempting to be Banksy in this rural community by graffitiiing the letters "FH0" on any water towers they could find. Later I would discover that this rebel group's acronym stood "for hell raisers only", a music lover I was impressed they had jerry-rigged a radio station together with a 4-mile transmission radius we could only access at school: this was the year Guns N' Roses were formed.

It's very hard to get people to articulate their honest opinions on anything never mind a topic that will send you to jail. And the fact is – that in 1985, if you smoked dope, you went to jail. What one didn't do is light up during a press

conference to attract the support of what has become the largest group of fast rising billionaires in the global market: what I am now going to affectionately refer to as the Canadian Cannabis Breakfast Club, the CCBC.

Should we give the CCBC a hand for making money after we are still dealing with the endless law suits from those addicted to tobacco or friends still fighting the addiction? After all, in the eighties, we not only drove fast (without seatbelts), we smoked in our cars while driving. On the other hand, we were not fighting an opioid crisis, or the many other challenges that we deal with today.

But hey, they tell us its ok if we chew on it instead? Health benefits, I have read and reviewed tell us that it will help children with seizures, help us deal with pain, even get our mojo going! As Sharron Clayton from our management team stated best – “I am on the fence.”

In the market to make money, one must recognize performance. And this group of high-risk investors, placing their hard-earned money into the most high-risk market in modern day memory – the cannabis sector, have made all us wish we were CCBC elite.

Could this be another how the ‘bad kid kicks ****’ in the market theme again? Is there anyone beyond me wondering how did we miss out on getting rich (again)? Better yet, can we still get into this market and make money? Now the rational minds steps in, and we must ask, ok if we can still get in and we do manage to get wickedly wealthy, can we then still visit our family and friends in the U.S. and shower them with gifts?

This is the intro to a CCBC series that the InvestorIntel Editorial Board has been debating non-stop for over 4-years now. With input from our editorial team, we are going to delve into significant issues facing our fast-rising CCBC billionaires, starting with what we deem to be their #1

critical challenge today with the classic: “But I am rich and can’t get into the U.S. problem...”

Let’s see if we can help, shall we?

Last week, two of the biggest pot companies – Canopy Growth Corporation (TSX: WEED | NYSE: CGC) and Aurora Cannabis Inc. (TSX: ACB | OTCQB: ACBFF) – saw their shares fall 14 and 9 per cent, respectively, on Thursday, the day a Politico report came out citing a senior U.S. border official that Canadians who invest in cannabis companies or work in the industry could be denied entry in the USA, even after the Cannabis Act is in place and cannabis is legal in Canada. Our email inboxes were flooded...but we already dealt with this, I responded to many...

It is not the first time this kind of narrative has affected the share price of cannabis stocks. In January of this year, US Attorney General Jeff Sessions revoked of the Cole Memo also rattled the cannabis industry with anxiety, which incited a market correction from which most cannabis stocks have recovered since then.

One of my associates reassures me that Canadian cannabis industry stakeholders are not being singled out. Then adds: “In the USA the use and possession of cannabis is illegal under federal law for any purpose, by way of the Controlled Substances Act of 1970. Under the CSA, cannabis is classified as a Schedule I substance, determined to have a high potential for abuse and no accepted medical use – thereby prohibiting even medical use of the drug. At the state level, however, policies regarding the medical and recreational use of cannabis vary greatly, and in many states conflict significantly with federal law.”

Today, the medical use of cannabis is legal (with a doctor’s recommendation) in 31 states, the District of Columbia, and the territories of Guam and Puerto Rico. Fifteen other states have laws that limit THC content, for the purpose of allowing

access to products that are rich in cannabidiol (CBD), a non-psychoactive component of cannabis. Although cannabis remains a Schedule I drug, the Rohrabacher–Farr amendment prohibits federal prosecution of individuals complying with state medical cannabis laws.

The recreational use of cannabis is legal in 9 states (Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, and Washington) plus the District of Columbia, and decriminalized in another 13 states plus the U.S. Virgin Islands.

On Thursday, cannabis stocks corrected, which we should see as not more than a sign of an extremely active investment market. Already the correction from last Thursday has been offset by gains in the following three trading sessions. Does this mean that no one believes this is an issue or they simply don't care?

Corrections are inevitable. Canadian cannabis stocks have been "soaring" for a few weeks in anticipation worldwide, for the Cannabis Act on October 17. This does not affect the fundamentals of the industry. Neither does it affect optics. Realistically the Canadian market is unchanged. The Colorado market is unchanged. California, the biggest cannabis market is the USA is unchanged, the European demand for medical cannabis is unchanged.

Fiona Brown and Partner at Aird & Berlis wrote us in response to the question about whether an investor in the cannabis sector can get into the U.S. or not with: "If you indicate you have invested in or are doing business with a US-based cannabis company, whether directly or indirectly, you may be denied entry or barred permanently from entering the US. This is because cannabis is still a controlled substance that is illegal under US federal laws. However, so far, it seems that US officials have not taken the same level of interest in Canadians who are strictly involved with the Canadian cannabis

industry.”

Still unsure of whether one can risk this lifetime barring for travel, one of our editors who asked that he be kept nameless, said: “Regardless the threat of a travel ban has existed for years. U.S. cannabis industry stakeholders would be right to scoff at this.” Adding: “Let’s not forget the fundamentals of the cannabis market: there is a huge demand for medical and recreational cannabis worldwide. We should expect a time when cannabis will not be Schedule 1 drug along with heroin.”



Alright one source seems to think we should ‘scoff’ at this, and believe me, we all want to believe this, just as we all want to be asked to join the CCBC; but I have travelled through the border too many times to count and well, with Trudeau and Trump not exactly

each other’s best friends today, could this be a fast way for the border patrol to make a point?

Not sure I want to be that illustrious example, the conclusion I have today is that “it depends”. If your border patrol officer doesn’t ask, no one cares. If they ask, then how do you answer? I mean if you only own shares in a CBD oil company that comes from hemp, does that count?

More investigation is needed. For now, we watch, wait and try and separate the endless fiction online as no one wants to be dealing with a lifetime entry restriction into the U.S. because they had a good year in market returns.

Cannabis at The Trump

✘ The Trump Hotel in Toronto hosted a cannabis conference.

The *Trump* hosted a conference on *cannabis*. That's how socially acceptable cannabis has become.

Sponsored by Jacob Securities and a host of marijuana-related companies, with InvestorIntel as the media sponsor, the one day conference on June 22, 2015 brought together the Licenced Producers, LP applicants, investors, stock exchanges (interesting speech from Richard Carleton of the Canadian Stock Exchange), those desperately seeking capital, and capital seeking a deal.

This feels like 1992 after the deregulation of the telecom industry, with hundreds of companies trying to find their niche in a wide-open undefined market. Valuations then, like today, weren't based on any hard metrics but rather on, "we think we're worth that because we said so".

Wide-eyed true believers compete with jaded promoters to source capital in a nascent naive industry, and as the industry grows and those niches get filled, and as naivete gives way to experienced cynicism, the companies must evolve or die. As the CEO of Abba Medix Corp. Ray Rasouli (CSE:ABA) observed about the Licenced Producers, "Only the efficient firms will survive."

Two themes were repeated throughout the day. First, every company strained to distinguish itself from the others. Second, everyone talked about, "a strategic client acquisition strategy", a very difficult proposition when you can't market to the end-user.

Terry Booth of Aurora Cannabis Inc. (CSE:ACB), whose main distinguishing factor is that it's the only Licenced Producer in Alberta, provided an excellent overview of that company's

operations within the broader context of the regulatory environment. He made the pointed observation that Health Canada is not a proponent of marijuana in any form, but rather is a reluctant participant as directed by Canada's courts. Patience and attention to detail are vital to surviving the application process.

Sometimes the distinguishing factor is a memorable soundbite. Organigram's distinguishing factor is that it's the only Licenced Producer east of Quebec. The Peace Natural Project was the first LP to have a bank account. Hydropothecary sets itself apart as targetting the luxury marijuana market (and having what could be the most unrealistic valuation).

The most popular man at today's conference was Sasha Jacob, the conference's main sponsor. A close second was Bill Fleming, CEO of Abattis Bioceuticals Corp. (CSE:ATT). This isn't Bill's first roll – he has extensive experience in the public markets. What makes Abattis unique is that it has capital and is ready to invest it. Based on a US\$25 million equity line facility agreement with Dutchess Opportunity Fund, II, LP, Abattis is actively searching for intelligent cannabis-related investment opportunities. People trailed Bill like the tail of comet.

With the recent Smith Supreme Court of Canada decision permitting marijuana to be consumed in a format other than smoking, the consumables market could be ready to run. Many companies are looking to sell into this market as it develops.

The next two big events in this industry are the *Allard* decision from the Federal Court of Appeal, and the federal election in October, 2015. Both of these events will affect the "strategic client acquisition strategies". While there may be a small rise in the run-up to the federal election, the market and the publicly traded shares will generally move sideways until those two events give direction.

Conferences like this one are vital to sharing ideas among the believers, the capital, the advisors, the regulators and the next generation of participants. They're also key to shaping public sentiment about medical marijuana, legalized marijuana and hemp. The Trump hosting this conference shows how far that sentiment has come.