

WeedMD's Kraft on how distribution agreements are critical to the cannabis business

"At WeedMD we are very proud of the foundation we have built from the production platform. We have got 1,200 kilograms coming out of our original indoor facility in Aylmer, Ontario. With our expansion of a hybrid greenhouse in Strathroy we have 20,000 kilograms coming onboard of quality quads coming out of flower and then an additional 30,000 kilograms of production for oil. We have to find a home for that product. Clearly these distribution agreements are critical to the business and hitting our revenue and sales milestones." States Michael Kraft, Chairman of WeedMD Inc. (TSXV: WMD), in an interview with InvestorIntel Corp. CEO Tracy Weslosky.

Tracy Weslosky: Michael you introduced me to the cannabis industry sector when it first started. What was that 2013/2014?

Michael Kraft: Beginning of 2014.

Tracy Weslosky: Michael I see that you just put out your third quarter results. I read you have increased revenue by 461% year-over-year prior to opening of Canada's adult use market. Can you just talk to us about a couple of your highlights from your third quarter results because there was quite a few results/updates?

Michael Kraft: Sure. I think the most significant is our topline of sales increased from approximately \$350,000 to an excess of \$2 million dollars. Behind that is our growth in patients, medical patients, which is paramount to our business. In addition we continued to generate revenue from

the sale of genetics domestically to other LPs, which is part of our MO to seed the industry. Notably is also our first export shipment to Australia. It is actually the first legal shipment of genetics into Australia that we are very proud about. We also see growth coming from the export of our genetic business.

Tracy Weslosky: Call me an old fashioned investor, but we like things like distribution for instance. I noticed you have a deal with Shoppers Drug Mart and several distribution channels including an announcement with Lifford Cannabis Solutions. Can you tell us more about your distribution infrastructure?

Michael Kraft: At this juncture distribution is critical. We meet as a company the focus whether be it for the board or management level as distribution, distribution and distribution. WeedMD has successfully secured relationships with a number of provincial agencies ranging from BC, Alberta through to Ontario through to Nova Scotia. We have also secured a notable distribution agreement supply agreement with Shoppers Drug Mart. In summary WeedMD has secured critical distribution platforms across Canada. That includes the retail channel with Shoppers Drug Mart for the drugstore chain.

Tracy Weslosky: My take on this is the reason why you are securing all of these critical distribution channels is because of your production. What I see, a half a million square feet of cultivation. Correct me. Tell me about your actual production Michael.

Michael Kraft: At WeedMD we are very proud of the foundation we have built from the production platform. We have got 1,200 kilograms coming out of our original indoor facility in Alymer, Ontario. With our expansion of a hybrid greenhouse in Strathroy we have 20,000 kilograms coming onboard of quality quads coming out of flower and then an additional 30,000 kilograms of production for oil. We have to find a home for that product. Clearly these distribution agreements are

critical to the business and hitting our revenue and sales milestones...to access the complete interview, [click here](#)

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How to Lose Money in Cannabis.

“Some of the massive cannabis stocks will die and disappear. The global market simply is not large enough to justify the combined market caps of these stocks. Why? It’s a risk-return scenario and a lot of cannabis investors happily sit back chewing on a bag a Doritos instead of looking at the risks underlying the market and police involvement in Canada is a massive risk.” States Peter Clausi in an interview with InvestorIntel Corp. CEO Tracy Weslosky.

Tracy Weslosky: Today I have the pleasure of speaking with Peter Clausi about Canada’s legalization of marijuana. How are you today Peter?

Peter Clausi: Overall I am very pretty good but I am still confused about the process.

Tracy Weslosky: Are you confused about the legalization process or what exactly are we talking about here?

Peter Clausi: I have been calling for decriminalization for years. You knew it was coming. No reason why it shouldn’t have come but the Liberals have a done a terrible job in managing this process and as a result municipalities are unprepared, provinces are unprepared and most importantly police

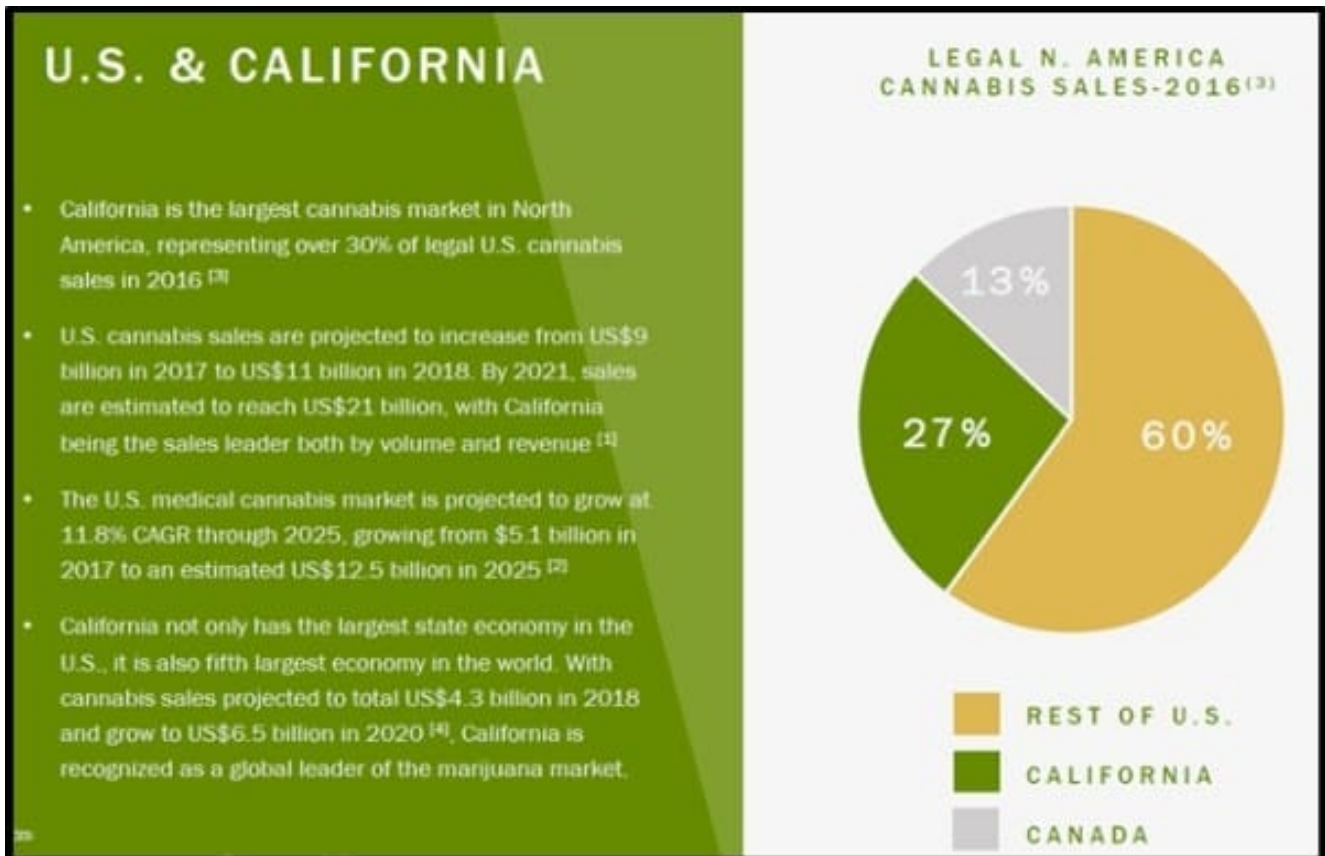
departments are unprepared. There is going to be a terrible social cost to the Liberals mishandling of this process.

Tracy Weslosky: I am going to ask you to dumb that down for some of us that are involved more specifically in investing in the cannabis sector. How is this going to impact cannabis stocks?

Peter Clausi: You remember WorldCom? Too big to fail? It failed. How about Global Crossing? Too big to fail? It failed. Enron, the list goes on and on. Some of the massive cannabis stocks will die and disappear. The global market simply is not large enough to justify the combined market caps of these stocks. Why? It's a risk-return scenario and a lot of cannabis investors happily sit back chewing on a bag a Doritos instead of looking at the risks underlying the market and police involvement in Canada is a massive risk...to access the complete interview, [click here](#)

Focusing on the largest cannabis market in the world

California is the largest cannabis market in North America, representing 27-30% of legal U.S. cannabis sales in 2016. US cannabis sales are forecast to surge from US\$9 billion in 2017 to US\$21 billion by 2021, with California being the sales leader both by volume and revenue. California is recognized as a global leader of the marijuana market. Medical cannabis is becoming legalized rapidly on a global scale, which in turn has driven research initiatives to further discover medicinal benefits.



FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF) is a royalty finance company uniquely focused on investing in licensed medical cannabis businesses with a focus on California. The Company's vision is to be the capital partner of choice for high growth, best-in-class businesses focused on the licensed U.S. medical cannabis industry. FinCanna has invested in 3 top tier businesses so far.

Cultivation Technologies

FinCanna's first royalty investment is with Cultivation Technologies Inc. (CTI), a company which intends to produce licensed, medical, ultra-premium indoor cannabis. FinCanna is entitled to complete its funding to CTI of US\$8.1 million in exchange for a royalty of 14% of CTI's revenues from its planned Coachella Campus Project. This planned 111,500 ft.² facility is to be developed in phases on six acres. FinCanna also has the right to finance CTI's next 2 licensed cannabis facility projects on the same terms as the Coachella Project.

Green Compliance

Green Compliance offers a state-of-the-art enterprise compliance and point-of-sale software solution (“ezGreen”) for licensed medical cannabis dispensaries and cultivators. Upon completion of funding, FinCanna earns a perpetual royalty equal to 10% of consolidated gross revenues of ezGreen, subject to certain buy-back options.

Refined Resin Technologies

Refined Resin Technologies is a cannabinoid research and refinery company that provides business to business (and business to consumer) products and services to licensed dispensaries and distributors in the medical cannabis supply chain. Upon completion of funding, FinCanna earns a perpetual royalty ranging from 16% to 7.0% of Refined Resin’s consolidated annual revenues, subject to certain buy-back options, with an effective royalty rate of 11.75% on the first US\$160 million of Refined Resin’s consolidated annual revenues.

In a September 12, 2018 letter to investors the Company commented: “It’s been an exciting year for FinCanna. We started trading just over nine months ago, have raised C\$24 million and invested in three top-tier businesses. I believe we’ve reached an inflection point in our development as our investee companies move toward commercialization. The U.S. market place is approximately 10 times that of Canada. As we’ve seen in Canada, the market has been primarily driven by a move towards full legalization, and a multi-billion-dollar cannabis industry has been created in a matter of a few years. We believe that the same forces that drove Canadian valuations to unprecedented highs are at play in the U.S., and it is just beginning as evidenced by the 30 states that have legalized medical cannabis. As an early entrant into the U.S. cannabis space we also believe that FinCanna is very well positioned to participate in any large-scale market appreciation that may occur.”

Canadians can legally buy and consume cannabis as of October 17. The US is sure to follow having recreational marijuana legal in nine states and medical marijuana legal in 30 states. California alone gives FinCanna the largest cannabis market in the world, where they can finance and grow a portfolio of cannabis related royalty investments.

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.

WeedMD CEO on Hiku and the cannabis market today.

“It does not impact WeedMD really in any way shape or form. Hiku brought an interesting aspect to our potential business combination in that they brought retail. WeedMD has always been in existence as an LP with a strong production platform and a strong medical platform and a really thriving business. When Hiku goes away WeedMD is left just as such, a strong platform with cultivation, medical research, partnerships, a great staff that is doing wonderful things every day.” states Keith Merker, CEO of WeedMD Inc. (TSXV: WMD), in an interview with InvestorIntel Corp. CEO Tracy Weslosky.

Tracy Weslosky: Keith there is a lot about WeedMD on the news with the Hiku deal. You have got \$50 million in the bank. You got a Shoppers Drug deal. Talk to me about how this is going to impact you.

Keith Merker: It does not impact WeedMD really in any way shape or form. Hiku brought an interesting aspect to our potential business combination in that they brought retail. WeedMD has always been in existence as an LP with a strong production platform and a strong medical platform and a really thriving business. When Hiku goes away WeedMD is left just as such, a strong platform with cultivation, medical research, partnerships, a great staff that is doing wonderful things

every day.

Tracy Weslosky: Speaking of retail and deals, I see you just signed a supply agreement with the British Columbia Liquor Distribution Branch. For those of us that may not understand this, can you tell us a little bit more about it?

Keith Merker: The wonderful thing that WeedMD has on the go is that we have a massive cultivation expansion underway in Strathroy, Ontario quite near our original facility in Aylmer, Ontario. This facility with the current retrofit that is underway will have over 20 tons of production online, annual run rate capacity by end of 2018. Where is all that wonderful product going to find a home? To your point we have announced recently a deal with the BC Liquor Distribution Branch. We have announced a deal with the Alberta agency who will be distributing product in that province. To your earlier point, we have also announced a deal with Shoppers Drug Mart. We have got more in the hopper, more good news coming. If you can do the math on the numbers I can tell you that all of these various jurisdictions and partners that are looking for product are very pleased and happy and demanding more than we can perhaps even offer currently and for the foreseeable future. Our product is going to find a home and we are going to put out some good numbers as a result.

Tracy Weslosky: Keith we have been watching WeedMD for some time and the InvestorIntel audience is starting to move into the cannabis market. They are a little apprehensive. Can you tell us what the competitive advantages are for WeedMD? I mean, obviously you have got a great deal of cash. I think perhaps your target may be of interest to our audience.

Keith Merker: Sure. Going back to the very early days when the company was formed and founded, some of the members of the original founding team and some of the folks that still continue with us to this day come from very extensive backgrounds in long-term care and seniors care. As a result we

have a, let us call it a secret sauce when it comes to that particular demographic. We have utilized that to sign up a number of different long-term care residences under supply and preferred educational provider agreements...to access the complete interview, [click here](#)

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Smoked! Govt Finally Admits No Marijuana Legalization by July

The cannabis market continues to be a trader's market. It's not for investors. The difference is the inexplicable random gyrations in the trading of the public marijuana companies' shares. Up three dollars, down two, up four, down two, then sideways... that's the average weekly chart in the cannabis space.

It's a strange market. Good news can send share prices down. News that should crater the stock instead pushes it up. It brings back memories of the internet boom in the late 1990's.

Canopy Growth Corporation (TSX: WEED) is the largest cannabis company in Canada. Its current market cap is \$5.5Billion, with close to 200,000,000 shares outstanding. Its year high was \$44 a share, but those same shares can be bought today for around \$28. That's a \$14 per share difference, and that share price difference represents about \$2.8Billion in market cap difference. But the company is substantially the same – that \$2.8B market cap delta was not driven by a fundamental change

in anything except investor sentiment. Value created and destroyed by mere perception, not facts. And that, is a trader's market.

If further proof is needed, look at Aurora Cannabis Inc. (TSX: ACB | OTCQX: ACBFF). It's one of our long-term favourites to survive the inevitable carnage in this sector. Its low over the past 12 months was \$1.90. One hundred and ninety pennies. Today, it's trading about \$11, after stretching to hit a high of \$15.20. With 470M shares out, the market perceives Aurora having created about \$4.7B of value over the past 12 months. Not even Aladdin with his magic lamp could do that.

The main reason for the irrational exuberance (thank you Alan Greenspan) is the federal government's campaign promise to decriminalize cannabis. Investors know the medical market is limited in size, and the real \$\$\$ will be in the recreational space, if it ever happens. Almost everyone takes it for granted that decrim will happen, on schedule, on July 1, 2018, despite the well-known fact a politician on a campaign trail makes more empty promises than does Harold Hill.

Also take into account the potential size of the market. Don't trust the numbers from people in the market who have a clear vested interest in a huge number. Instead, look to independent data sources, such as the survey of 1,500 Canadians conducted by Abacus Data on behalf of *Maclean's* as part of The Canada Project. It found that 84 per cent of respondents over 18 *never* smoke marijuana, and of the 16 per cent that do, daily users amount to only 5 per cent, and 3 per cent say they use a few times a week.

5 per cent of 32 million Canadians is 1.6M daily users. That sounds like a lot, but consider there are 89 licenced producers with many more applications in the pipeline. That's not a lot of users to spread around, and it gets worse when you consider that taxation and price controls have not yet been finalized. For many of the LP's, the only end game will

be consolidation or bankruptcy.

Public consultation by the feds only closed three weeks ago on January 20, 2018. The infrastructure issues are so deep, so broad, so regulated by at least three other levels of government, that there is no way decrim can be implemented on the Liberals' schedule.

We've been warning about this since the Liberals started promising in 2014. This will be the fourth year that we've warned investors not to trust the government. Every time we've pointed this out, traders have objected: "The Liberals promised it and the govt needs the tax revenue. *Of course* cannabis will be decriminalized."

The Senate has already indicated it will not simply accept the Liberals' legislation, and there are still the persistent barriers created by international treaties like the Single Convention that need to be overcome. Even if those huge challenges are overcome, the implementation of the legislation requires a previously unheard-of level of co-operation at the municipal level, across Canada, across ten provinces and three territories.

But the federal government just told the market, NO. The first paragraph from an article in last week's Globe and Mail summarizes the facts: "Canadians will have to wait until late in the summer before they will be able to legally consume cannabis under a new timeline laid out by the federal government – even if the Senate votes in favour of the legislation by May or June."

In a slippery bit of news that fell sideways into the media, Health Minister Ginette Petitpas Taylor told certain members of the Senate that the feds will wait 8 to 12 weeks after the legislation is passed (if it ever is passed) before actually decriminalizing cannabis, to give provinces and municipalities the time to create an implementation structure. If the

legislation is passed for July 1/18, that means the earliest you can buy weed legally would be for your Thanksgiving party. This dovetails with our warnings that the government's timeline was impossible (see for example our detailed article from Sept/17).

That interim period is important. It matters because it negatively impacts cash flow. It negatively impacts balance sheets. It impacts business plans and human resources decisions. And those impacts will play out in the market. The market is always wrong in the short term and right in the long term.

If you're looking for comfort, the Liberals are not the place to look for it. How about this recent blumphus from Public Safety Minister Ralph Goodale: "Our goal is this summer in an orderly fashion with all the pieces sequenced in the right order so that they are effective." What does that even mean?

So what to do. One, be realistic. Recognize the reality of the real timetable for decrim. You will not be able to legally buy marijuana outside of the medical market on July 2, 2018. Second, avoid business plans whose survival depends on decrim happening at all. Third, avoid business plans whose survival depends on decrim happening in 2018. Fourth, be a nimble trader, not an investor. Wait to be an investor after the cannabis market has its inevitable severe correction.

Or, you can believe the government's election promise.