

**THE WIDE
WORLD OF
WEED
— AND —
PSYCHEDELICS**



By John Persinos

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AND

PSYCHEDELICS

The Wide World of Weed and Psychedelics

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Foreword

I was somewhere near Barstow on the edge of the desert when John Persinos called me and asked me to write this foreword...

With all apologies to Hunter S. Thompson, I was actually in the kitchen of my nondescript single-family home in a quiet, leafy suburb of Baltimore. The phone call probably took place sometime in my schedule between watering my hydrangeas and dropping my kids off at scout meetings.

You see, the cannabis industry has gone mainstream. The players aren't extras from a Cheech and Chong movie; we're everyday, normal people.

Except there's nothing normal about John when it comes to his passion for research, analysis, and storytelling. His career in journalism has taken him from the down-and-dirty halls of Capitol Hill to the high-flying cockpit of a helicopter (another of his passions).

And at the helm of *Investing Daily*, he has found a calling in helping investors uncover the safest and most potentially profitable ways to play the oncoming "green rush" as marijuana and other psychedelics become increasingly legal.

I've known John for years and always look forward to reading his insightful columns on cannabis-based investing. He has managed to write two a week for nearly two years yet always has something new, well-informed, and entertaining to say.

Since he began writing about pot, magic mushrooms, LSD, and other psychotropics, we've seen tremendous strides in the wave of legalization. John has been there as one state after another has legalized marijuana for

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adult use, and even as states have weighed the benefits of decriminalizing all psychedelic drugs.

John and I both believe that the end of federal marijuana prohibition is inevitable. The cards are stacked in our favor: More than 60% of Americans believe cannabis should be legal. One-third of the U.S. population lives in a state with legal access to recreational weed. States are seeing huge windfalls from taxes on marijuana dispensary sales. And our federal government (including the Department of Justice) has never been friendlier to the cause.

The moneymaking potential in this industry is huge. According to a recent report from New Frontier Data, legal cannabis sales in the U.S. are expected to be \$25.9 billion in calendar year 2021.¹

According to another report, analysts at Grand View Research expect the global legal marijuana market to reach \$84 billion in sales by 2028.²

Right now, when the potential of cannabis-related company is still relatively untapped, is the perfect time to consider investing.

That's why John's written this book, *The Wide World of Weed*, compiled from his years of cannabis analysis. His passion is to help investors gather context and insight to make informed decisions for their portfolios.

For every winning pot play, there are thousands of fly-by-night startups doomed to failure. With John at your side, you'll know how to conduct due diligence and not get caught up in these scams.

You'll also have more than a few chuckles — John's one of the most entertaining writers I know.

Long gone are the days when marijuana and other psychedelics were considered the realm solely of lazy stoners, burned-out hippies,

1 J.J. McCoy, "Shaking the Crystal Ball for the Legal Cannabis Industry in 2021," New Frontier Data, January 11, 2021.

2 "Legal Marijuana Market Worth \$84.0 Billion by 2028," Grand View Research, March 2021

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and gonzo journalists on desert road trips. “Reefer madness” has extended to moms, dads, veterans, doctors, and politicians. Investors should be on this list, too, whether or not they partake.

Come and join us in *The Wide World of Weed*.

Katherine Peach
Managing Editor
Investing Daily

Introduction

Marijuana: The Investment Game-Changer

For the counterculture of the 1960s and 1970s, smoking pot was an illegal act of rebellion.

But today? In many cities throughout America and Canada, it's now as easy to get marijuana delivered to your front door as pizza. As Bob Dylan sang, "The times they are a-changin'."

The legalization of cannabis is one of the greatest investment opportunities in a generation. "Mary Jane" has moved from Woodstock to Wall Street, representing a disruptive force for a slew of industries, including pharmaceutical, tobacco and beverage companies.

In fact, the legalization of marijuana represents your greatest chance right now to exponentially boost your wealth.

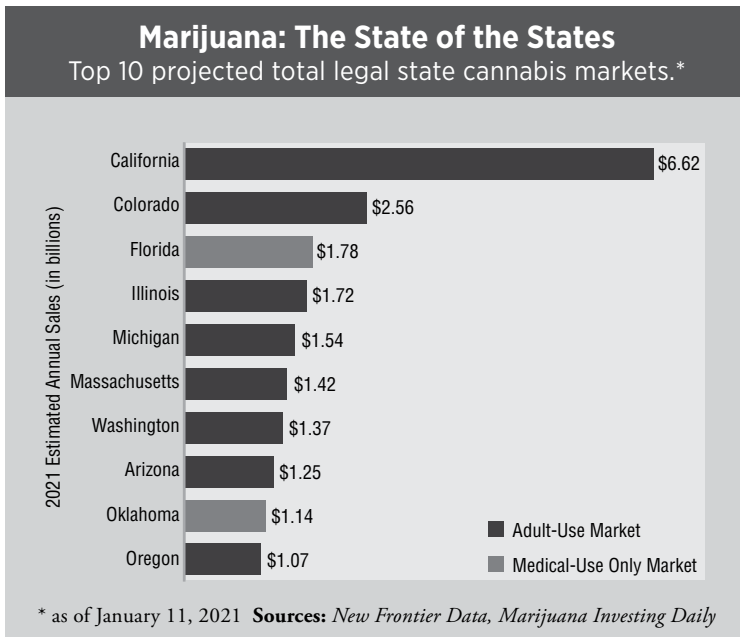
According to analysis released January 11, 2021, by New Frontier Data, a leading marijuana research firm, growth in average per-capita consumption of marijuana, together with the expansion of key adult-use markets, will propel total legal cannabis sales to \$25.9 billion for calendar year 2021.³

California, Colorado, Florida and Illinois, respectively, are projected to lead the industry as the four largest legal state markets (*see chart*).

And that's not adding New York to the mix. In April 2021, the Empire State legalized recreational weed, but it will take roughly 18 months before the first adult-use dispensaries are open. By 2025, New York is projected to become the second largest market behind California.

3 J.J. McCoy, "Shaking the Crystal Ball for the Legal Cannabis Industry in 2021," New Frontier Data, January 11, 2021.

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New Frontier asserts that the year 2021 will be highly prosperous for marijuana companies and their investors:

The positive market signals in the aftermath [of the November 3 elections] look to support a strong influx of capital investment into the cannabis sector and provide catalysts for increased merger and acquisition activity over the next 12 months.

Investors are looking at profitability and stable balance sheets. In turn, impacts from accelerating consolidation should fuel a further rise of strategically positioned multistate operators and increase confidence and public market activity.

With the likelihood for federal reform and continued state market growth, the industry is expected to see its best year for new capital investment in the space since 2017, with investors bullish on both domestic and international growth opportunities. Investments in multistate operators, and into companies with

Introduction

strong differential or competitive advantages, will make it more challenging for smaller, undifferentiated companies to compete.

Legalization Lies Ahead

Marijuana remains illegal at the federal level in the U.S., but it's probably only a matter of time before the prohibition is lifted. If you don't think this is possible, look only to our neighbor to the north.

Canada has been a leader in the marijuana revolution. In October 2018, the country legalized on the federal level the possession and use of recreational marijuana. Canada was the first G7 nation to take this bold step, and it triggered a seismic shift in the worldwide marijuana industry.

According to a study by Grand View Research, the global legal marijuana market should reach \$84 billion in sales by 2028.⁴

Here in the U.S., public sentiment continues to shift in favor of marijuana. In fact, Pew Research reports that about 62% of Americans think marijuana should be legalized.⁵

Parents used to warn their kids about marijuana. Now mom and dad are using pot themselves. Among patients in the U.S. who use medical marijuana, 45% are parents.⁶ Lawmakers are aware of this cultural shift and are jumping on the bandwagon.

Mary Jane was the big winner of the November 2020 elections. Four states — Arizona, Montana, New Jersey, and South Dakota — voted for legalization. That means roughly one-third of Americans now live in a state where recreational weed is legal.

Many more states are now considering the legalization of marijuana, because the industry has proven a cash cow for government

4 “Legal Marijuana Market Worth \$84.0 Billion by 2028,” Grand View Research, March 2021.

5 Andrew Daniller, “Two-thirds of Americans Support Marijuana Legalization,” Pew Research Center, November 14, 2019.

6 “Medical Marijuana Patient Survey Results,” HelloMD, January 2016, p. 8.

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coffers. I think it's only a matter of *when* — not *if* — the feds follow suit.

Weeding out the Bad Players

Regardless, marijuana investors need to tread wisely. This “green rush” is feeding an investor frenzy reminiscent of the 19th-century Gold Rush. We're witnessing enormous investor excitement over a multitude of pot plays.

Problem is, many of these plays are tiny penny stocks that generate neither earnings nor revenue. Booming industries tend to attract fraudsters and inept businesspeople. Marijuana is no exception. Gullible investors who indiscriminately pile into the pot sector will see their money go up in smoke. Avoid these fly-by-night players.

It's also worth remembering that marijuana itself is only a plant. It's an agricultural commodity. Once the bad players are weeded out (pun intended), there will be a struggle over market share.

We're already seeing ruthless consolidation, as marijuana companies merge for vertical integration and economies of scale. Commoditized businesses eventually witness price wars, which weigh on earnings.

Some cannabis stocks are stellar investments. Many others are not. You need to conduct due diligence before buying a single security. The good news is, I've done some of the homework for you.

In this book, I'll point you in the direction of the right marijuana investments — the kind that will survive and thrive. But this is much more than a stock-pick “special report.”

Over the course of the next few chapters, I'll share with you my insights into the marijuana market, as well as some exciting glimpses into the “trippy” world of magic mushrooms and LSD (yes, there are profits to be made there too).

I've written extensively about the “green rush” since 2019. As Jerry Garcia sang, it's been a “long strange trip,” but it's far from over. Let's take the journey together.

Part I

The United States of Weed

Our country may be sharply divided, but it stands united on at least one issue: marijuana legalization. Americans like weed. In fact, they like pot more than POTUS.

According to a national poll conducted in early 2021, legalizing marijuana gets greater support from U.S. adults than President Joe Biden's job performance, a \$15 minimum wage, the impeachment trial of ex-President Donald Trump, rejoining the Paris climate accord, or a pathway to citizenship for undocumented immigrants.⁷

The poll of 1,429 adults was conducted February 2–3 by Emerson College Polling for 7 News in Boston and published on February 5.

Among the survey's respondents, 61% said they thought recreational marijuana legalization is a good idea, while 39% said it's a bad one.

Among Democrats surveyed in the poll, 74% support recreational marijuana legalization, versus 60% of Independents and 46% of Republicans. By age, over a majority support the policy in every age group besides those aged 65 and older, where only 38% think it's a good idea, while 62% oppose it.

In the poll, President Biden's job performance sat at 49% approval and 39% disapproval. Respondents were nearly evenly divided on the topic of ex-President Trump's impeachment trial, with 51% against and 49% in support.

7 "February National Poll: America Giving Biden a Chance; Split on Trump Impeachment," Emerson College Polling, February 5, 2021.

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But the cannabis industry's popularity is confirmed by other polls. Notably, a Gallup poll in November 2020 showed that 68% of Americans — a record high — support marijuana legalization.

Gallup first gauged the public's views of marijuana legalization in 1969, when only 12% of Americans supported it.⁸

Social attitudes toward marijuana have come a long way. There was a time when getting caught with a joint could ruin your career. Now colleges are teaching courses in “marijuana entrepreneurship.”

State-level marijuana legalization initiatives won big at the polls on November 3, 2021. In a year that saw the highest level of voter turnout in U.S. history, marijuana legalization initiatives passed in red and blue states, in many cases with more votes than the candidates on the ballot.

Of course, just because the majority of American adults are in favor of legalization, that doesn't mean everyone is lighting up every night. However, pot-use demographics might surprise you. In the next few chapters, I'll discuss who's using marijuana... and who's not.

8 Megan Brenan, “Support for Legal Marijuana Inches Up to New High of 68%,” Gallup, November 9, 2020.

Chapter 1

America's Deepening Love Affair With Pot

Many people don't realize that The Beatles' 1966 song *Got to Get You Into My Life* isn't about an infatuation with a girl. Instead, it's about the Fab Four's love affair with marijuana.

After trying marijuana for the first time, the Liverpudlians were immediately smitten with the substance. Hence their love song to Mary Jane. Fast-forward to 2021 and the vast majority of Americans increasingly feel the same way.

According to a survey released April 16, 2021, an overwhelming majority of U.S. adults (91%) say either that marijuana should be legal for medical and recreational use (60%) or that it should be legal for medical use only (31%). Fewer than one-in-ten (8%) say marijuana should not be legal for use by adults.⁹

The survey was conducted by the Pew Research Center from April 5–11.

As an increasing number of states (most recently Virginia and New York) legalize marijuana, the public is unreservedly embracing marijuana for recreational and medical purposes. Bills also are pending in Congress to lift the federal ban on cannabis.

There is broader support for legalization for medical and recreational uses among younger adults, including 70% of adults under age 30.

In our polarized nation, it shouldn't come as a surprise that partisan differences affect the topic of marijuana as well. Republicans are more

9 Van Green, Ted, "Americans Overwhelmingly Say Marijuana Should Be Legal for Recreational or Medical Use," FactTank, Pew Research Group, April 16, 2021.

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skeptical than Democrats about legalizing marijuana for recreational use: 47% of Republicans and Republican-leaning Independents favor legalizing marijuana for both medical and recreational purposes, while an additional 40% say it should only be legal for medical use.

By comparison, 72% of Democrats and Democratic-leaning Independents say marijuana should be legal for both medical and recreational use, and an additional 23% say it should be legal for medical use only.

Nonetheless, wide majorities of Republicans in all age groups favor legalizing marijuana for medical use. Even among Republicans 65 and older, just 12% say the use of marijuana should not be legal.

The Evolving Marijuana Consumer

The marijuana revolution extends beyond the rhetoric of public opinion surveys, or even beyond legalization. People are dramatically changing the way they consume weed.

According to a report released April 19 by the marijuana research firm New Frontier Data, the number of American adults who consumed cannabis at least once a month has doubled since 2002, from 6% to 12%.¹⁰

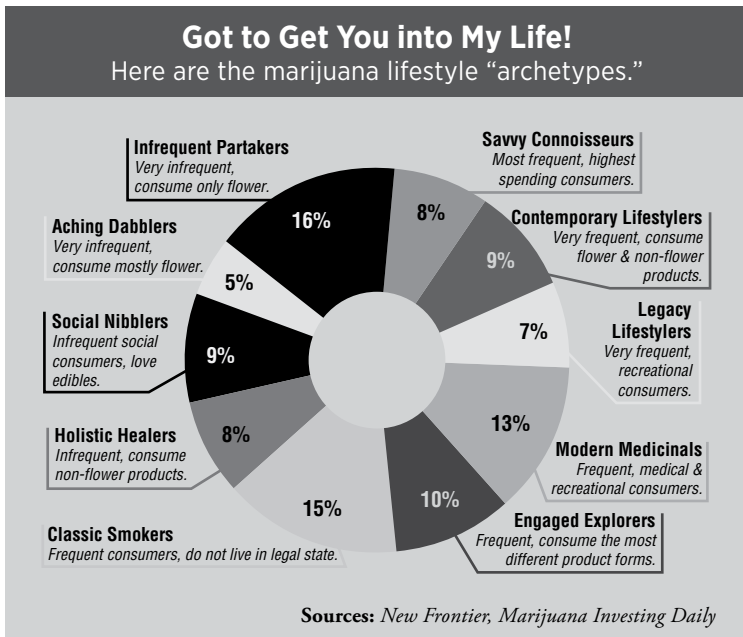
In 2020, consumers spent nearly \$20 billion on legal cannabis. By 2025, New Frontier Data forecasts, that amount will more than double to \$45 billion. New Frontier divides marijuana consumers into “archetypes” (*see infographic*).

Savvy Connoisseurs, *Contemporary Lifestylers*, and *Legacy Lifestylers* collectively represent 24% of marijuana users, with many among them partaking several times a day. *Modern Medicinals*, *Engaged Explorers*, and *Classic Smokers* represent a larger combined share (38%) of consumers who consume at least once a week.

The following four archetypes represent the remaining 37% of marijuana consumers: the *Holistic Healers* and *Social Nibblers* typically

10 “The Cannabis Consumer: New Archetypes Reveal Who Influences the Market, and How,” New Frontier Data, April 19, 2021.

Chapter 1: America's Deepening Love Affair With Pot



consume less than once a month, while many *Aching Dabblers* and *Infrequent Partakers* use fewer than once a year.

As the New Frontier report states:

There are now more monthly cannabis consumers (29.7 million) than constitute the populations of the nation's 14 largest cities combined. And after decades of consorting among the shadows of acceptable society, legalization has allowed newly liberated millions of cannabis consumers to celebrate their lifestyles and consumerism.

Chapter 2

The Graying Go for the Green

During my teen years in the 1970s, prominent users of marijuana were long-haired kids at rock concerts. These days, it's gray-haired seniors in rocking chairs.

As laws legalizing marijuana proliferate throughout the U.S., the perception of marijuana as risky is diminishing, especially among the older adult population who came of age during the rebellious 1960s and 1970s. As they retire, many of these senior citizens will either continue, restart or initiate marijuana use.

New statistics reveal that seniors are by far the fastest-growing pot demographic in the United States. Grandma and Grandpa are flocking to marijuana, for both medicinal and recreational purposes.

Whether Led Zeppelin posters start popping up in nursing homes remains to be seen. But one thing is certain: Cannabis companies that target seniors are enjoying powerful demographic tailwinds. The greatest growth opportunities in marijuana lie with the elderly.

Cannabis use by senior citizens is up by a whopping 75% from 2017, according to a 2020 study published in the journal *JAMA Internal Medicine*.¹¹ To conduct the study, researchers used data collected by the National Survey on Drug Use and Health. They analyzed answers from 14,000 senior citizens — defined as those age 65 and older.

Their findings showed large increases in cannabis use among several demographic subgroups of older Americans, including women, people of

11 Brian P. Dunleavy, "Cannabis Use Among Seniors up by 75%, Analysis Finds," UPI, February 24, 2020.

Chapter 2: The Graying Go for the Green

color, those who reported receiving mental health treatment, individuals with diabetes, and those with higher family incomes.

The spike in use by older Americans continues a trend that has been unfolding for more than a decade.

Florida is a Potential Pot Hot Spot

The increase in cannabis use by seniors is linked to changing policies and social attitudes. The legalization of medical and recreational cannabis has spawned a phenomenon called “destigmatization.”

This trend is especially important for marijuana companies with substantial exposure to Florida.

The Sunshine State, with its growing population of retired baby boomers and easy-going subtropical culture, is a thriving mecca for marijuana companies. Cannabis sales are growing quickly throughout the U.S., but pot demand is especially strong in Florida.

Forget the usual pain remedies. Retirees are clamoring for Mary Jane. The highest number of medical marijuana patients in the country live in Florida, currently numbering more than 300,000.

Marijuana in Florida remains illegal for recreational use. Medical use was legalized in 2016 via a constitutional amendment. Appearing on the ballot as Amendment 2, the initiative was approved with 71% of the vote.

Florida’s marijuana jobs market grew 93% in 2019, the year state law allowed the sale of smokable flower. And in 2020, a year in which the state lost more than 400,000 jobs, the cannabis industry continued to grow, adding nearly 15,000 employees.¹²

In 2021, Florida’s medical marijuana industry is worth more than \$1.2 billion. That said, voters in Florida have still not had the chance to decide on legal recreational marijuana. A petition drive to put the

12 Kirby Wilson, “Medical Marijuana Is Booming in Florida, but the Industry Is Nervous. Here’s Why,” Tampa Bay Times, March 5, 2021.

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matter on the 2020 ballot fell short of getting the necessary signatures in time. Activists now aim for the year 2022.

Marijuana Inspires Healthy, Active Seniors

The stereotype of a lazy, out-of-shape stoner munching junk food on the couch in front of the television has been thoroughly debunked by a recent academic study. Cheech and Chong stereotypes die hard, but they are indeed falling by the wayside, as cannabis increasingly becomes a respectable mainstream business.

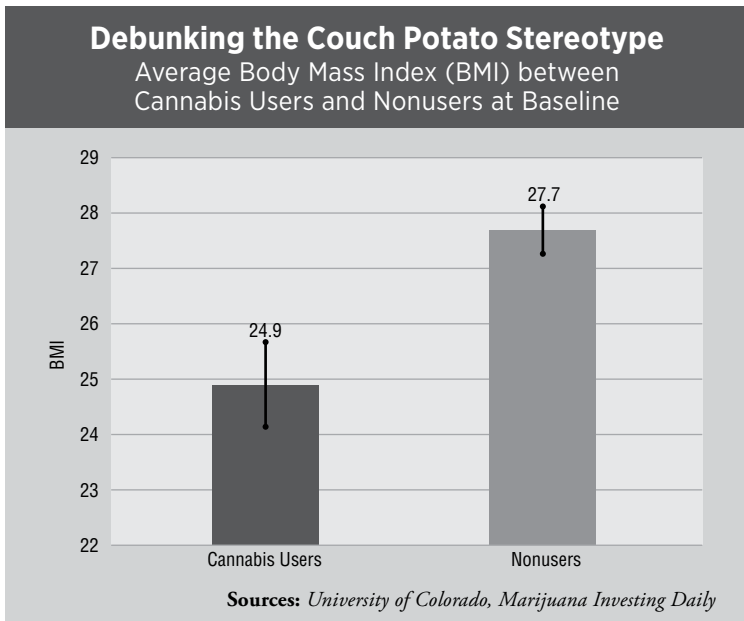
In their study of older Americans (over age 60), Colorado researchers found that cannabis consumers tended to perform more formal exercise and undertake more physical activities than non-consumers during the course of a four-month trial.

The study found participants who used marijuana are generally in better shape than their peers who abstained from cannabis. They also were more responsive to a regimen of physical activity prescribed by a clinician. The study's authors explain:

Compared to older adult nonusers, older adult cannabis users had lower [body mass index] at the beginning of an exercise intervention study, engaged in more weekly exercise days during the intervention, and were engaging in more exercise-related activities at the conclusion of the intervention. See the following chart:

These findings suggest that it may be easier for older adults who endorse using cannabis to increase and maintain their exercise behavior, potentially because cannabis users have lower body weight than their non-using peers. At minimum, the evidence suggests that cannabis use does not hinder older adults' ability to engage in physical activity, to participate in a supervised exercise program, or to increase their fitness as a result of physical activity.¹³

13 Sophie L. York Williams, Laurel P. Gibson et al., "Exercise Intervention Outcomes With Cannabis Users and Nonusers Aged 60 and Older," *American Journal of Health*



What's more, medical evidence increasingly shows the efficacy of cannabis-based treatments for chronic illnesses. Doctors around the country are reporting an increase in marijuana use by seniors in their geriatric practices.

Patients with spasticity related to multiple sclerosis or nausea associated with chemotherapy have been shown to benefit from medical use of specific cannabinoids. Substantial evidence demonstrates that cannabis helps to reduce pain. The most consistent benefit of cannabis is witnessed in nerve pain among the elderly.

Yet pot prohibitionists continue to push back against legalization, insisting that marijuana destroys physical health and personal initiative. Their arguments against cannabis normalization are continually debunked by the scientific data, but that doesn't mean they haven't quit trying.

Chapter 3

Millennials and Marijuana: Agents of Change

Forget Woodstock! Enough already. It's time for baby boomers (like me) to get over ourselves and stop fetishizing the 1960s.

It's a different demographic, the millennials, who are an even greater force behind marijuana legalization and commercialization. And therein lies an important but largely ignored investment theme, as I'll explain below.

Research shows that companies that connect with their customers on an emotional level tend to outperform their competitors.¹⁴ This truism applies to marijuana companies that target millennials.

The millennial generation, born between 1982–2000, is now the largest generation at over 77 million. They're often referred to as self-entitled and coddled, because they've been praised too often by their baby boomer parents (I plead guilty).

But as an investor, here's how you should look at it: Millennials are the most diverse and promising generation in the U.S. They have the largest buying power and the most social and political power.

Millennials are one of the most educated generations; 61% of adult millennials have attended college. Millennials grew up with the internet and helped shape how the current world dates, eats, socializes, shops, communicates, speaks, and protests (e.g., social media hashtags).

The increasing legalization of recreational and medicinal marijuana is one of the biggest business trends unfolding today. Pot is becoming a

14 Scott Magids, Alan Zorfas, Daniel Leemon, "The New Science of Customer Emotions," Harvard Business Review, November 2015.

Chapter 3: Millennials and Marijuana: Agents of Change

multibillion-dollar industry, with profound implications for consumer society. Millennials are a major change agent in the mainstreaming of marijuana.

It's not just revenue from recreational and medicinal pot products. The legalization of cannabis and hemp has the potential to revitalize farming communities, create jobs in economically depressed urban centers, foster new innovations for pharmaceuticals and nutraceuticals, and ignite a manufacturing boom.

A time-proven way to make money over the long haul is to invest in companies with disruptive technologies that are transforming business models. The rise of e-commerce pioneer **Amazon** (NSDQ: AMZN) epitomizes this truism.

The advent of online shopping has upended the retail industry and turned many once-dominant retail names into dinosaurs, much the same way web-based publishing has decimated many famous magazine and newspaper titles in the print world.

However, this “creative destruction” poses enormous opportunity for investors. One investment opportunity right now is the nexus between the rising economic power of millennials and the marijuana boom.

Millennials are notoriously resistant to investing and saving. However, growing numbers of this demographic group are grasping the potential for marijuana, and they're pouring money into marijuana-related stocks and exchange-traded funds (ETFs), whereas before they largely ignored Wall Street.

Millennials also increasingly prefer cannabis to booze, and they're more likely to buy marijuana products if they're marketed as a “lifestyle” brand. High-income millennials are spending almost a third of their discretionary income on entertainment.¹⁵ The potential for profits from companies that cater to this demographic is huge.

15 Kasey Lobaugh, Bobby Stephens, Jeff Simpson, “The Consumer Is Changing, but Perhaps Not How You Think,” Deloitte Insights, May 29, 2019.

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Much is made about how aging baby boomers and even their parents are turning to medical marijuana to address their aches, pains and illnesses. This trend is very real.

However, now flying under the radar of the financial press is a mega-trend occurring in plain sight, which is the growing role of millennials in creating marijuana companies, investing in pot stocks, buying pot products, and working to make laws more marijuana friendly.

It's an investment angle that gets short shrift. You should look for companies that understand and exploit this dynamic. In the marijuana industry shake-out to come, these companies will be among the survivors.

Cannabidiol (CBD) for graying boomers is all fine and good, but the big money over the long haul will be in marijuana “lifestyle” products for increasingly affluent millennials: marijuana tourism, branded pot products with hipster appeal, marijuana-themed clothing, high-end marijuana vaping parlors...you name it.

Dr. Sagan's Sagely Words

As the following map shows, the legalization of cannabis in the U.S. continues apace. Marijuana remains outlawed at the federal level, but a growing number of states are legalizing weed to varying degrees:

To quote the late Dr. Carl Sagan, the famous American astronomer, astrophysicist, cosmologist, TV personality, and bestselling author:

*The illegality of cannabis is outrageous, an impediment to full utilization of a drug which helps produce the serenity and insight, sensitivity and fellowship so desperately needed in this increasingly mad and dangerous world.*¹⁶

Most millennials would agree.

16 Scotty Hendricks, “Carl Sagan on Why He Liked Smoking Marijuana,” Big Think, October 16, 2018.



The Crucible of 2008–2009

Many millennials came of age during the Great Recession of 2008–2009, and while they are not the first generation to experience an economic downturn, they emerged from it reinventing the job market, as a wave of bloggers, freelancers, and social media influencers helped rethink the meaning of education and work.

The recession and related financial crisis marked the worst economic downturn since the Great Depression of the 1930s. It crushed the economic identity of an entire generation, forcing twenty-somethings into debt-financed education and low-paying jobs, with little reprieve.

Yet these laid-off young adults returned to school, entered new industries and built startups. They were shaken but still committed to shaping and being part of the global economy. They are now applying this entrepreneurial attitude to the emerging cannabis industry.

Today, the cannabis industry has the ability to rebuild the economic identity of the millennial generation, generating millions of new jobs. The economic hope of the cannabis industry is compelling for an indebted generation looking for new industries and better opportunities.

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The cannabis industry will help shape the political landscape by decriminalizing cannabis use, possession, cultivation, and sales not only in the U.S., but also around the world. Although millennials were raised on DARE (Drug Abuse Resistance Education) and fearmongering *This is Your Brain on Drugs* public service announcements, 73% of the generation support full legalization and consider the war on drugs a complete and utter failure.

According to political data, millennials came out in force during the 2018 midterm elections to help send marijuana-friendly politicians to Congress, resulting in the Democrats gaining control of the House. This proves that marijuana is a big issue for millennials.

Revitalizing Communities

As the marijuana industry grows, it will revitalize communities and ancillary businesses, by creating more jobs for citizens of varied educational levels and skill sets. As legalization spreads throughout the U.S., it will spawn new industries and a need for product innovation and force existing companies to rethink their products and services.

Millennials are already fueling innovation, through social media and other digital activities that force companies to keep up with the young consumer.

The growth of the marijuana industry also means a shift in how society views drug use and the use of cannabis. As more millennials become parents, there will be a drastic shift in how their children view cannabis consumption and hemp.

Baby boomers and Generation X are involved in shaping and funding the marijuana industry, while simultaneously reaping the benefits, but their role will be relatively short lived. The oldest millennials are still in their 30s, and they have the power and time to change the cannabis industry for the next 60 years.

Chapter 4

The Kids Are Alright

In Congress and at the state level, we're currently witnessing the most marijuana-friendly legal climate in history. Yet, despite the accelerating movement toward pot legalization, the prohibitionists haven't given up.

In the run-up to the November 2020 election, the anti-pot crusaders became more insistent. Among the arguments I heard is that legalizing marijuana encourages greater pot use among kids. It's the sort of rhetoric that makes marijuana investors nervous. But the evidence so far indicates that this notion is false.

CDC: Pot Legalization Doesn't Entice Kids

According to a report released on August 21, 2020, by the U.S. Centers for Disease Control and Prevention (CDC), lifetime marijuana consumption among high school students has declined during the peak years of state-level recreational cannabis legalization.

The biennial Youth Risk Behavior Survey examined lifetime use among youth as well as the separate measure of current (or past 30-day) marijuana consumption.

The CDC report found that lifetime marijuana consumption "increased during 2009–2013 and then decreased during 2013–2019." Several large states legalized marijuana for adult use during that latter time period, with the first legal adult-use sales starting in 2014. Accordingly, the CDC data supports the contention of marijuana legalization supporters that a lawful, regulated market for cannabis does not generate greater use by kids.

Of course, ideologues are rarely dissuaded by evidence. Anti-pot politicians have been dusting off the same false arguments against marijuana,

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the facts be damned. For them, it's an article of faith that marijuana legalization will turn our kids into lazy pot-addicted criminals.

But according to the CDC report, there was “no change” in the rate of current cannabis use among high school students from 2009–2019. When analyzed using a quadratic change model, however, lifetime marijuana consumption decreased during that period.¹⁷

In a press release, the pro-legalization Drug Policy Alliance stated: *We are reassured by the latest results from the 2019 Youth Risk Behavior Survey because they show that youth marijuana use has not increased over the past decade, even as more states across the country have passed progressive marijuana laws. These results affirm that we must continue to promote marijuana legalization and regulation for its public health and community safety benefits, especially in regards to limiting youth access.*¹⁸

For unexplained reasons, the CDC didn't look at lifetime alcohol use but only lifetime marijuana use. Regardless, current alcohol use exceeded current cannabis use, so it's logical to assume that lifetime consumption trends among the two substances would be similar (*see the following chart*).

CDC Findings Confirm Previous Studies

Previous studies examining teen use rates after marijuana legalization also found declines in consumption.

The CDC report confirms a study released by Colorado officials on August 3, 2020, revealing that youth cannabis consumption in the state “has not significantly changed since legalization [in 2012].”

The report supports similar conclusions from studies previously conducted in other states. Evidence continues to mount that ending the

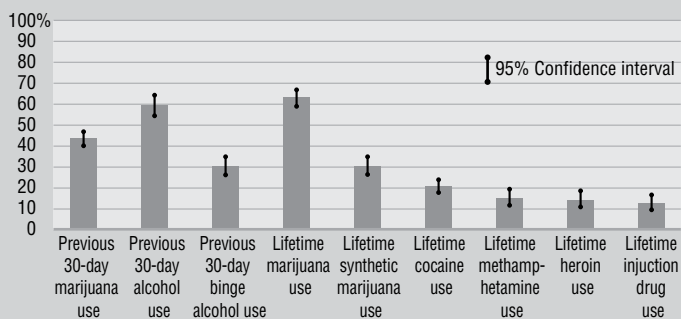
17 Christopher M. Jones, Heather B. Clayton et al., “Youth Risk Behavior Survey, United States, 2019,” Supplements, Centers for Disease Control and Prevention, August 21, 2020, pp.

18 “Statement on New CDC Data: No Increase in Marijuana Use Among Youth Despite State Legalization Trends,” Drug Policy Alliance, August 21, 2020.

Chapter 4: The Kids Are Alright

Current Use Among Kids: Alcohol Exceeds Marijuana

Percentage of co-occurring substance use behaviors among high school students who reported previous 30-day prescription opioid misuse.



Sources: CDC's Youth Risk Behavior Survey, Marijuana Investing Daily

prohibition of marijuana for adult use hasn't fueled a significant increase in overall use among middle school and high school students.

The biennial Healthy Kids Colorado Survey shows that 20.6% of high school students and 5.2% of middle school students reported past 30-day cannabis consumption in 2019. For the high school category, that's 1.2 percentage points higher compared to the most recent biennial survey in 2017, but it's still lower than the last pre-legalization report in 2011, when that group's consumption rate was 22%.

There was no change for the middle school group from 2017–2019, but past 30-day use was lower than the 2011 pre-legalization rate of 6.3%.

To obtain the data, Colorado health officials surveyed more than 100,000 students in 503 public schools in 59 Colorado counties, from 2005–2019.¹⁹

19 "Healthy Kids Colorado Survey," Colorado Department of Public Health and Environment, August 3, 2020.

Legalization Decreases Pot Use Among Kids

In 2019, a study took data from Washington State and determined that declining youth marijuana consumption could be explained by replacing the illicit market with regulations and the concomitant “loss of novelty appeal among youths.”²⁰

And in a study released July 2019, researchers from Montana State University, University of Oregon, University of Colorado–Denver, and San Diego State University scrutinized states that had legalized marijuana for recreational or medical use and the likelihood of marijuana use in the previous 30 days among high school students.

The study used data from national and state Youth Risk Behavior Surveys from 1993–2017. The data was collected from 27 states and the District of Columbia, where medical marijuana has been legalized, and seven states where recreational marijuana has been legalized.

The study found that recreational marijuana laws were associated with an 8% decrease in the likelihood of teens trying marijuana as well as a 9% reduction in the odds of frequent marijuana use. At the same time, medical marijuana laws had no noticeable effect on marijuana use among teens. To reiterate, marijuana legalization resulted in a *decrease*, not an increase, of pot use among kids.²¹

Paradoxically, it seems that positive examples set by parents and other authority figures who legally and responsibly use weed are achieving the goals that the “just say no” contingent couldn’t achieve. Psychologists suggest that when marijuana is illicit, it becomes more attractive to rebellion-minded teens (hence pot’s enormous appeal to the counterculture during the 1960s).

20 “Trends and Characteristics in Marijuana Use Among Public School Students, King County, Washington, 2004–2016,” *Weekly*, Centers for Disease Control and Prevention, October 4, 2019, pp. 845–850.

21 Mark Anderson, Benjamin Hansen Daniel I. Rees et al., “Association of Marijuana Laws With Teen Marijuana Use,” *JAMA Pediatrics*, 2019, pp. 879–881.

Demolishing the Stoner Stereotype

Fast Times at Ridgemont High (1982), the classic coming-of-age teen comedy, gave the world the iconic character of Jeff Spicoli, the perpetually stoned surfer hilariously played by Sean Penn.

A rule-breaking doofus with zero initiative, the Spicoli character is a stereotype currently perpetuated by marijuana prohibitionists. As he says in the movie: “All I need are some tasty waves, a cool buzz, and I’m fine.”

That’s funny, of course. But it’s also a caricature.

Scientific studies are striking a blow against the harmful preconception that marijuana will turn our nation’s youth into lazy slackers. It’s important for marijuana investors that these biases get debunked.

The upshot: Marijuana has entered the societal mainstream, and there’s no reversing the trend. The prohibitionists are fighting a rearguard action that’s doomed to failure. Keep that in mind if you’re ever hesitant to invest in marijuana because you’re afraid that weed will become illegal again.

Chapter 5

The Rise of the Celebrity Canna-peneur

Lights, camera... marijuana! Celebrity entrepreneurs are jumping aboard the marijuana bandwagon. But you don't have to be famous to reap profits from the marijuana boom. It's totally possible for everyday Americans to get rich from pot industry growth.

In the meantime, glitzy entertainers are lending their cachet to the marijuana industry. On March 1, 2021, actor/comedian Seth Rogen announced the U.S. launch of his cannabis brand, Houseplant. On the same day, rapper Jay-Z unveiled an advertising campaign for his company Monogram that focuses on the irrationality of the war on drugs.

Houseplant sells tins of sativa and indica marijuana strains. Monogram sells pre-rolled marijuana joints that resemble expensive cigars.

Jay-Z's ad campaign is turning a lot of heads by pointing out that some states are more lenient on cannibalism, cousin marriage, or sex with farm animals than they are on marijuana. The following sign gives you an idea:

Martha Stewart, the doyenne of lifestyle branding, recently launched her own line of hemp-derived cannabidiol (CBD) gummies, soft gels, and oil drops.

Sales of cannabis-infused products totaled about \$2 billion in the U.S. in 2019, according to a report from New Frontier Data, a marijuana research firm. And although data hasn't been released for 2020 yet, the report's authors have predicted that figure to be around \$3 billion. New Frontier also expects infused product sales to total \$21.5 billion through 2025.

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New Frontier found that infused products such as edibles and beverages accounted for 14% of total U.S. cannabis sales in 2019, the third largest category behind flower (37%) and vape (32%).

The New Frontier report stated:

As alternative ways to consume cannabis beyond combustibles gain popularity during the current coronavirus (COVID-19) crisis, not surprisingly we are seeing a spike in consumption of edibles and other infused products. We anticipate demand for innovative, non-combustible ways to consume cannabis both recreationally and medicinally to continue to grow.²²

Snoop Dogg: Venture Capitalist

British medical marijuana company **Oxford Cannabinoid Technologies** (LSE: OCT) went public May 21 on the London Stock Exchange. A marijuana entrepreneur by the name of Calvin Cordozar Broadus Jr. is heavily invested in OCT through his venture capital firm, Casa Verde.

Never heard of Mr. Broadus? Perhaps you're familiar with his professional name: Snoop Dogg.

Marijuana represents a "stoner" subculture among rappers, epitomized by celebrity canna-peneurs such as Snoop Dogg, a pot-smoking rap star who has even forged marijuana ventures with style doyenne Martha Stewart...of all people.

In one song in particular, Snoop Dogg hints that he and a former president of the United States had shared a blunt at the White House: "Still sippin' gin and juice while I'm smoking marijuana / I bet you never blew with Obama."

In addition to gangster rapper Snoop Dogg, **Imperial Brands** (OTC: IMBBY), a multinational tobacco company based in the UK, also made a big investment in Oxford Cannabinoid Technologies.

22 "Nearly \$3 Billion of U.S. Cannabis-Infused Product Sales Predicted for 2020," New Frontier Data, April 20, 2020.

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In its initial public offering (IPO), Oxford raised about \$23.4 million and sported an opening market cap of nearly \$70 million. OCT develops cannabis-derived pharmaceuticals for pain treatments. These medicines contain no addictive opioids.

We're witnessing a surge in marijuana IPOs this year, as pot stocks rise in value. We're also seeing mega-cap food, beverage and tobacco companies jump aboard the marijuana bandwagon with massive investments. Welcome to the second wave of the "green rush."

Martha Stewart: CBD Celebrity

Cannabis is the source of more than 100 biologically active chemical compounds, called cannabinoids. The most commonly known cannabinoids are delta-9-tetrahydrocannabinol (THC), which produces the "high," and CBD.

CBD represents roughly 40% of the cannabis plant's extract. Unlike THC, CBD doesn't make users high. Sales of CBD are propelled by claims (some of them hyperbolic) that it conveys a multitude of benefits, such as alleviating arthritic pain, reducing anxiety, and sharpening mental focus.

CBD is finding its way into a variety of consumer product categories including food and beverages, pharmaceuticals, health, wellness, and beauty aids. We're seeing the emergence of CBD-infused beer, energy drinks, candy bars, moisturizing cream, soap, shampoo... the list goes on and on.

Martha Stewart's CBD products are part of her partnership with **Canopy Growth** (NSDQ: CGC), the Canada-based cannabis company that enjoys the backing of U.S. alcohol beverage giant **Constellation Brands** (NYSE: STZ). Canopy also produces rapper Snoop Dogg's "Leafs by Snoop" cannabis brand.

I recently saw Martha Stewart and Snoop Dogg on a national television talk show, joking about smoking pot. That's a sign of marijuana's normalization, if I ever saw one.

The List of Celebrity Canna-peneurs Keeps Growing

Additional celebrities that have become marijuana entrepreneurs include Whoopi Goldberg, Willie Nelson, Mike Tyson, Tommy Chong (of Cheech and Chong fame), Melissa Etheridge, Montel Williams, Chelsea Handler, and Gwyneth Paltrow.

Many of these celebrities have come out of the closet, so to speak, about their own marijuana use, and they've made the calculation that being associated with pot is actually good for their images. They're adopting the dual role of businessperson and marijuana advocate, often bestowing their high-wattage prestige onto legalization efforts.

These celebrity canna-peneurs also emphasize their function as job generators, especially during a coronavirus pandemic that caused high unemployment.

It's a far cry from the days of celebrity pot busts, when tabloids would feature pictures of shamed stars in handcuffs, caught red handed at "hop head" parties. Modern-day Hollywood is currently lending its imprimatur to pot.

There's a gold rush taking place in the marijuana market right now. We can't all be celebrities or entrepreneurs. But we *can* be investors.

Chapter 6

Mary Jane's New Look

Hunter S. Thompson, infamous “gonzo journalist” who influenced countless writers (among them yours truly), once said:

I have always loved marijuana. It has been a source of joy and comfort to me for many years. And I still think of it as a basic staple of life, along with beer and ice and grapefruits. And millions of Americans agree with me.

Marijuana is indeed becoming a basic staple of life. Yes, the marijuana industry remains a fast-growth opportunity and it still has many legal hurdles to conquer, but it's also showing signs of maturity as a global retail business.

Two signs that Mary Jane is coming into her own are:

1. Greater corporate consolidation and
2. The widespread emergence of ancillary industries that provide generic services.

Below, I examine increased merger and acquisition (M&A) activity among marijuana companies. I also focus on the meteoric rise of marijuana packaging companies.

Let's first address consolidation. Cannabis industry M&A activity has surged in 2021, as large, cash-rich marijuana companies that are Wall Street “story stocks” scoop up smaller, more obscure, bargain-priced players to achieve bigger customer bases, new technologies and products, wider distribution networks, and greater economies of scale. The majority of these cannabis deals have been all-stock transactions.

In tandem with the acceleration of deal-making, marijuana equities have been climbing. Over the past 12 months, the gain of the marijuana

Chapter 6: Mary Jane's New Look

industry benchmark exchange-traded fund **Amplify Seymour Cannabis ETF** (CNBS) has outpaced the gain of the S&P 500 index, 67.7% versus 30.1% respectively (as of market close October 4). Marijuana stocks have set the table for continued gains in Q4 and into 2022.

Keep it classy

One area that's experiencing considerable consolidation, and which gets scant attention from the financial media, is marijuana packaging.

According to Zion Research Group, the global cannabis packaging market is projected to reach \$25 billion in annual revenue by 2025, up from \$12 billion in 2021.

Packaging entails custom labeling, child resistant glass and plastic jars, vape cartridges, tincture bottles, and concentrate jars. Fueling market growth is the rising need for specialty packaging such as airtight containers, to keep marijuana fresh and uncontaminated. Light and oxygen can degrade marijuana and its active ingredients.

It's also a matter of perception. To break through any lingering political stigma against marijuana products, the classier the packaging, the better. It helps if marijuana packages resemble those for well-accepted products you can find on any retail shelf. Buzz words on labels such as "organic" and "all-natural" enhance consumer appeal.

Firms are sprouting up to meet highly specific government regulations regarding marijuana packaging and labeling. If you're a grower, dispensary, or other marijuana-related business, you can't do without the products and services of cannabis packaging providers.

"Pick-and-shovel" plays such as packaging companies are especially enticing as investment plays on the marijuana boom. These companies aren't necessarily about growing marijuana or creating drug treatments from the plant. Marijuana investing can be volatile, but you can obtain greater safety and profits by focusing on the ancillary firms that provide infrastructure services for expanding pot companies.

Pick-and-shovel plays can be reliable money-makers because they provide essential value-added services. What's more, they usually enjoy

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a diversified roster of clients in several different industries, which buffers them from the inherent riskiness of the marijuana sector.

An up-and-coming ancillary business is marijuana real estate, as canna-preneurs gobble up cheap retail space left vacant by bankrupt “big box” stores.

Real estate development firms specializing in dispensaries, law firms focused on changing marijuana laws, and investment firms seeking to inject capital into land development projects are all thriving.

Pot-related real estate has become a cottage industry, with the major players usually working in concert. The trend is transforming communities by making real estate (especially farmland) more valuable and generating new jobs. In many instances, marijuana real estate activity is reviving formerly moribund communities.

You might be surprised to learn that the establishment of a marijuana dispensary in a community actually increases surrounding home values. According to the real estate research firm Clever, cities that allow retail dispensaries saw home values on average increase \$22,888 more than cities where marijuana is illegal (from 2014 to 2019).

Part II

Perspectives on Medical Marijuana

“Legalize It” (1976), a popular song by Jamaican reggae musician Peter Tosh, touted the medicinal virtues of marijuana and argued for the legalization of weed at a time when such songs were considered subversive and pot was banned nearly everywhere:

*So you've got to legalize it
And don't criticize it
Legalize it, yeah yeah
And I will advertise it
It's good for the flu
Good for asthma...*²³

Nearly 50 years later, mainstream society now supports Mr. Tosh's assertions. So does a new batch of medical studies.

Cannabis has been used for medicinal purposes for thousands of years. Chemical components in cannabis called cannabinoids activate specific receptors in our bodies that produce pharmacological effects in the nervous and immune system.

Cannabinoids provide benefits in the treatment of cancer and treatment-related side effects. And if you're worried about what smoking pot might do to your lungs, it's important to know that cannabinoids can be taken by mouth, inhaled, or sprayed under the tongue.

Cannabis has been studied in laboratories and clinics for relief of pain, nausea and vomiting, anxiety, and loss of appetite. Studies

23 Peter Tosh, “Legalize It.” *Legalize It*, Virgin Records, 1976.

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demonstrate that it can be useful in the symptoms of cancer and has been shown to kill cancer cells in the lab.

In the next couple of chapters, we'll examine how medical marijuana is both saving lives and lining pockets.

Chapter 7

Green Medicine: Pot's Evolving Medical Use

When putting marijuana use into historical context, I often invoke the drug-fueled 1960s. But that's just a blip in time. The human consumption of marijuana has been chronicled for several millennia. For example, the health benefits of cannabis are enthusiastically described in Chinese medical literature that dates back to 2700 BC.

In the 21st century, the use of marijuana as “green medicine” continues to evolve. So, too, do the investment opportunities in medical marijuana. More about that in a minute.

In the U.S., the legal environment for marijuana is bringing weed into the consumer and medical mainstream. An increasing number of states are lifting restrictions on pot and bills are pending in Congress to do the same. Public opinion polls show that Americans increasingly embrace marijuana, especially for medical purposes. In the medical realm, the uses of cannabis are undergoing rapid changes.

In a new report released May 2, 2021, research firm New Frontier Data defined medical marijuana consumers as those who characterize their cannabis use as either “only” or “primarily” medical. These self-identified medical consumers are distributed across regulated medical and adult-use markets, as well as illicit markets.²⁴

Based on New Frontier's national survey, as of 2021, 42% of respondents identify as medical cannabis consumers, an increase of 7% since 2018.

24 “The Medical Cannabis Consumer in 2021,” New Frontier Data, May 2, 2021.

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Medical consumers report using cannabis at higher rates than do adult consumers: Two-fifths (41%) of medical consumers are daily consumers (a rate 11% higher than for adult-use consumers), while another 26% are weekly consumers.

Accordingly, medical consumers tend to spend at higher rates than do adult-use consumers, with 30% of the former, compared to 22% of the latter, spending an average above \$100+ per purchase.

There also are differences in product preferences between medical and adult-use consumers.

The New Frontier report states:

With the expansion of both adult-use and medical markets across the U.S., as well as increased levels of product differentiation, it is reasonable to expect consumers to further refine their preferences both for desired effects as well as modes of delivery. Additionally, as cannabis is used for health-oriented purposes which fall outside of traditional understandings of medical applications, an increase may be anticipated among wellness cannabis consumers who represent a merging of both adult-use and medical practices.

Want to make money from the trends that I've just described? The marijuana industry is hugely profitable but it's also volatile. You need to be selective in the stocks that you pick.

Cannabis-based medicines present some of the most intriguing plays in the entire biotechnology sector. For conditions ranging from epilepsy to multiple sclerosis, to glaucoma, to even cancer, compounds derived from the plant are achieving remarkable results when conventional therapies can't.

The dilemma with marijuana plays is trying to determine which ones become lasting businesses. Cannabis companies feature similar traits to pharmaceutical firms, in that they must constantly innovate and improve on their products to maintain competitiveness.

Be forewarned, the marijuana industry is pervaded by dubious penny stocks with shaky balance sheets. Many marijuana companies are burning through their limited cash and they're destined to go belly up.

Chapter 7: Green Medicine: Pot's Evolving Medical Use

Undoubtedly, the movement for marijuana law reform has gained such momentum that it would be hard to stop. Sooner or later, pot is likely to be 100% legal in the U.S. for medical and recreational use. Early investors in the right canna-businesses will make fortunes.

Chapter 8

Medical Pot: Haven't Got Time for the Pain

To what extent has marijuana flipped the narrative about drugs? Weed has gone from Reefer Madness to...Reefer Gladness.

Cannabis is increasingly viewed as a highly effective way to not only alleviate physical pain, but also fight addiction to deadly drugs such as opioids. Indeed, marijuana is far less toxic than many of the drugs routinely prescribed by doctors.

An average of 38 people die each day from overdoses involving prescription opioids, totaling more than 14,000 deaths annually. The most dangerous drug pusher isn't your local marijuana seller; it's the health-industrial complex. Below, I explain how marijuana is addressing the opioid scourge and entering the mainstream of pain management.

The legalization of marijuana in the U.S. has been accelerating, particularly for medical cannabis. As of this writing, 16 states and the District of Columbia are home to adult-use (i.e., recreational) cannabis markets, while 36 states have established medical markets.

The majority of the marijuana market encompasses adult-use consumers, but the number of registered medical cannabis patients in currently legalized states is exploding. According to New Frontier Data, the number of medical pot users is on track to reach 4.9 million by 2025. The sales of medical cannabis will grow by \$8.7 billion between 2018 and 2025.

We're witnessing a Golden Age of scientific research into the medical efficacy of marijuana. New reports attesting to the health benefits of pot are continually coming to light. Patients with chronic ailments and diseases that are unresponsive to conventional therapies are increasingly looking to

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marijuana as an alternative. That's especially true in relation to invasive and addictive therapies.

These trends were confirmed by New Frontier Data's latest report, "Medical Cannabis & Pharmaceuticals: Growth & Disruption in U.S. Healthcare," released on May 10, 2021.²⁵

The report revealed how medical cannabis users are not only resorting to pot for pain management but also making the substance an integral part of conventional therapies.

As such, medical cannabis poses a threat to the market share of Big Pharma and has the potential to undercut sales of non-marijuana blockbuster drugs. That's a problem for the major drug companies but a huge opportunity for marijuana investors. It's a trend you need to watch, in your efforts to find the right marijuana investment.

According to the New Frontier report, pain management is the number one application cited by medical cannabis consumers as motivation for pot use, coming in at 59% of respondents.

Research underscores the value of cannabis as an analgesic and anti-nausea remedy. What's more, with the epidemic of deadly opioid addiction over the past two decades, medical cannabis has shown promise as an alternative, non-addictive (and non-deadly) technique for pain management.

New Frontier also asked medical cannabis consumers whether they substituted specific prescribed conventional pharmaceutical prescriptions with marijuana. For consumers indicating that they were prescribed opioids for pain management, 48% reported having replaced some of their prescribed medication with cannabis; 7% indicated replacing all of their prescribed medications.

25 "Medical Cannabis Consumers and Pain Management," New Frontier Data, May 10, 2021.

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Among consumers prescribed non-opioid analgesics, 38% said they had replaced some of their prescribed medication, while 11% replaced all prescribed medications with cannabis.

New Frontier also asked medical cannabis consumers whether using pot had helped their disease or ailment. The majority of medical cannabis consumers reported in the affirmative: More than half (52%) of medical consumers said that their medical condition had improved significantly with the use of cannabis, with an additional 41% indicating that their respective medical condition had improved slightly.

The study's results come on top of an increasing body of research proving that medical cannabis accessibility significantly reduces statewide opioid use and even opioid deaths.

Chapter 9

Researching the “Wonder Drug”

Marijuana equities sold off in late 2019, due to overvaluation and unfulfilled promises. But in 2020, pot stocks began making a comeback, especially as states and localities deemed marijuana an “essential service” during the COVID-19 pandemic.

The excitement over medical marijuana is still gaining steam, as the spate of recent research shows. The lucrative “green rush” isn’t over. Not by a long shot.

Medical experts have noted that cannabinoids (CBDs) have been shown to confer pain-relieving, sleep-inducing, and anti-inflammatory properties for people stricken with influenza.²⁶ Several other recent studies into the general effect of cannabis on asthma have noted improvements in symptoms.²⁷

In 2020, the Centers for Disease Control and Prevention sought public input on “experiences with pain and pain management,” including “topics focused on using or prescribing opioid pain medications, non-opioid medications, or non-pharmacological treatments.”²⁸ At the same time, the Department of Health and Human Services began funding research into whether marijuana is an effective opioid alternative.

26 Colleen Fisher Tully, “Cannabis for Colds and Flu? Here’s What the Experts Say,” Leafly, October 21, 2019.

27 “Cannabis and Asthma: Top 4 Benefits and Do’s and Don’ts for Patients,” Sensi Seeds, August 9, 2020

28 “Management of Acute and Chronic Pain: Request for Comment,” Centers for Disease Control and Prevention, April 17, 2020.

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However, research into the medical uses of cannabis can only go so far as long as federal prohibition remains in place. Scientists have been fighting back.

Pot Scientists Sue The DEA Over “Secret Law”

Invoking the Freedom of Information Act (FOIA), in 2020, prominent scientists sued the U.S. Drug Enforcement Administration (DEA) over the agency’s alleged use of what the FOIA lawsuit called a “secret law” to impede the expansion of marijuana research.

The plaintiffs sought access to an internal Department of Justice (DOJ) memo that appeared to reveal how the federal government is secretly using an interpretation of international treaties to delay marijuana studies.

The lawsuit alleged that the DEA is using double-talk to pursue a hidden agenda: impede medical marijuana research.

The Scottsdale Research Institute (SRI) was the main group behind the lawsuit. Arizona-based SRI is one of more than 30 organizations that have submitted applications to DEA to become licensed cannabis manufacturers for research purposes. However, those applications have been mysteriously held up, which prompted SRI and other leading research groups to sue the DEA.

The legalization of marijuana is an inexorable trend, but the pot prohibitionists have not given up. The federal government is home to many officials with an anti-marijuana mindset. Cannabis advocates allege that these officials have been quietly working behind the scenes to stymie the mainstreaming of cannabis.

The seeds of the FOIA lawsuit were planted five years ago. In 2016, the DEA announced it would expedite marijuana research by approving additional growers beyond the sole marijuana source that has existed for half a century at the University of Mississippi. But since then, applicants have heard crickets.

SRI filed an initial lawsuit alleging that the DEA was purposely bottling up the process. A court instructed the DEA to fulfill its

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promise, the DEA agreed, and the case was subsequently dropped in October 2019.

In March 2020, the DEA rolled out a rules-change proposal that it claimed was needed because of the high number of applicants. The agency also claimed that the new rules would address complications arising from international treaties to which the U.S. is a party. A public comment period is currently open, after which the agency promises it will start approving applicant growers.

The revised rules aim to shift jurisdiction over cannabis growing and dispersal to a single agency, the DEA, which would purchase and technically own all of the cannabis grown by approved cultivators, and then later sell the product directly to researchers. This research work is instrumental for the medical marijuana industry as a whole.

But SRI and its fellow plaintiffs remain suspicious of the DEA’s intentions. According to the plaintiffs in this new lawsuit, after the DEA said it would accept more cultivators, the Justice Department’s Office of Legal Counsel (OLC) secretly issued an opinion that interprets international treaty obligations as making it impossible to carry out the 2016 proposed rule while maintaining treaty compliance.

That OLC document, which remains classified, is the basis of SRI’s FOIA complaint. The case was filed with the U.S. District Court for the District of Arizona and requests that the DOJ be found guilty of unlawfully failing to make records available related to its interpretation of the Single Convention treaty, including the OLC opinion. It further states that the DEA should release those documents.

Worthy Objectives For Medical Marijuana

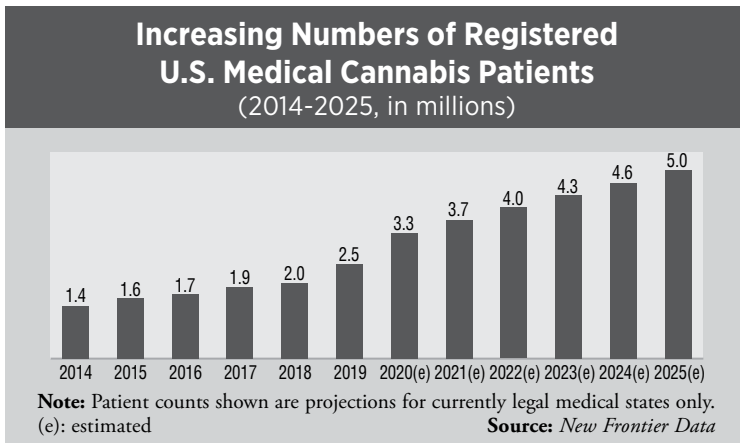
According to a report released in October 2020 by marijuana research firm New Frontier Data:

Nationally, the total number of patients treating ailments with legal medical cannabis has surpassed 3 million, a number projected to increase as newly legal medical markets become operational. An estimated 44.5 million American adults will consume cannabis at

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least once in 2020 across both legal and unregulated markets. That total is projected to grow by roughly 4% per year over the next six years, reaching an estimated 52.3 million consumers by 2025.²⁹

The following chart tells the story:



Medical evidence increasingly shows the efficacy of cannabis-based treatments for chronic illnesses. A fast-growing customer base for medical marijuana is the elderly. Doctors around the country are reporting an increase in marijuana use by seniors in their geriatric practices.

As the world seeks new cures for chronic diseases, medical marijuana can play a huge role. The Scottsdale Research Institute's (SRI) research objectives for marijuana include potential treatments for:

- Opioid and benzodiazepine dependence.
- Agitation in Alzheimer's disease.

²⁹ "November Elections May Add to Increasing U.S. Medical Cannabis Programs," New Frontier Data, October 19, 2020.

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- Severe appetite suppression, weight loss, and cachexia due to HIV infection and other medical conditions.
- Chronic pain, particularly neuropathic pain.
- Severe nausea and vomiting associated with cancer and its treatment.
- Severe muscle spasticity caused by diseases such as multiple sclerosis.
- Autism, Autism Spectrum Disorders and other pervasive developmental disorders.
- Veterans suffering from conditions such as post-traumatic stress disorder.

The pending lawsuit of medical marijuana researchers against the DEA underscores the volatile nature of the marijuana industry. The culture wars of the past die hard. Cannabis is a fast-growing business but it's subject to political whims.

Pot's Improving Public Image

As marijuana becomes increasingly legal, the recreational and medical uses of this apparent wonder herb represent a huge investment opportunity.

The legalization and subsequent commercialization of marijuana is an unstoppable trend and a once-in-a-generation chance to get onto the ground floor of an industry that's becoming a juggernaut. If you're selective and conduct due diligence, the right pot stock could turbocharge your portfolio.

Cannabis-based medicines present some of the most intriguing plays in the entire biotechnology sector. For conditions ranging from epilepsy to multiple sclerosis, to glaucoma, to even cancer, compounds derived from the plant are achieving remarkable results when conventional therapies can't.

The marijuana industry has a few well-capitalized stocks traded on major exchanges, but many pot companies are penny stocks traded

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Over the Counter. If you want to invest in a marijuana biotech, you need to be selective. The companies worthy of investment are those with solid balance sheets, proven products, and partnerships with giant drug firms.

Many of the biotechs working in the marijuana realm use synthetic CBDs to skirt around the legalities of grown marijuana. Creating CBDs in the lab, versus growing plants, also makes it easier and cheaper to increase the scale of manufacturing capacity. Companies that use lab-created CBDs aren't subject to the vagaries of growing seasons or the risk of losing crops.

The use of synthetic CBDs is paying off big time for marijuana biotechs. Indeed, the most profitable companies in the marijuana industry will be those that develop a proprietary technology that they can patent. Those are the future winners in medical marijuana.

As scientific research continues into the efficacy of medical marijuana, investors are receiving empirical proof that weed's momentum will last.

Chapter 10

Pot: The Cure for Drug Addiction?

Yep, you read that correctly. Empirical evidence suggests that marijuana can actually cure drug addiction. Pot already is proving its efficacy in curbing opioid addiction and deaths.

There's more to the marijuana industry than getting high. Maligned during the War on Drugs as "the devil's weed," marijuana is showing in studies that it can save lives that are lost because of addiction to harmful drugs.

A new study in January 2021 by the British Medical Association (BMA) found that U.S. counties with more marijuana dispensaries have fewer opioid-related deaths, "particularly deaths associated with synthetic opioids such as fentanyl."

BMA researchers examined opioid mortality and marijuana dispensary prevalence in 23 U.S. states from 2014–2018 and discovered that, overall, counties where the number of legal marijuana shops increased from one to two experienced a 17% reduction in opioid-related fatalities. Raising the dispensary count from two to three was linked to an additional 8.5% reduction in opioid deaths.

The report stated: "Cannabis is generally thought to be a less addictive substance than opioids. Cannabis can potentially be used medically for pain management and has considerable public support."

In addition, the BMA study found that this trend "appeared particularly strong for deaths associated with synthetic opioids other than methadone,

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with an estimated 21% reduction in mortality rates associated with an increase from one to two dispensaries.”³⁰

The die-hard pot prohibitionists, of course, aren't buying it: *Marijuana is a cure for opiate abuse? Give me a break. This is the kind of argument that has been made out there. It's almost a desperate attempt to defend the harmlessness of marijuana or even its benefits. I doubt that's true.*

Those words were spoken on February 28, 2017, by then-U.S. Attorney General Jeff Sessions. Science is proving the prohibitionists wrong.

Regardless of the persistent efforts of anti-pot politicians, the marijuana business is a multibillion-dollar juggernaut that's unstoppable.

Further evidence that medical marijuana can cure opioid abuse arrived in May 2020, when Columbia University's Irving Medical Center released a study that opioid prescription rates have dropped on average nearly 20% in states where medical marijuana is legal compared to states where pot is illegal. The authors of the study said the results highlight the need to provide cannabis to patients as a pain management alternative.³¹

This study and many others like it are generating a multiyear tailwind for the medical marijuana industry and its publicly traded biotech stocks.

The study's medical data help explain why, during the coronavirus pandemic, several states and localities designated marijuana companies (especially medical-oriented ones) as “essential services” allowed to stay open during lockdowns.

In a recently published report, a team of graduate students at the University of Arizona's College of Public Health found that patients

30 Greta Hsu and Balazs Kovacs, “Association Between County Level Cannabis Dispensary Counts and Opioid Related Mortality Rates in the United States: Panel Data Study,” *BMJ*, January 27, 2021.

31 Cesar D. Lopez, Venkat Boddapati, Charles M. Jobin et al., “State Medical Cannabis Laws Associated With Reduction in Opioid Prescriptions by Orthopaedic Surgeons in Medicare Part D Cohort,” *Journal of the American Academy of Orthopaedic Surgeons*, Vol. 29, No. 4, February 15, 2021.

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reported a 64–75% reduction in opioid dosage when used in combination with medical cannabis.

“This review found a much higher reduction in opioid dosage, reduced emergency room visits and hospital admissions for chronic non-cancer pain by [medical cannabis] users, compared to people with no additional use of [medical cannabis],” the study states.

In addition to the large reduction in opioid dosage when combined with medical cannabis, the review found that 32–59% of patients with non-cancer chronic pain reported marijuana as a substitute for opioids.

“One study reported a slight decrease in mean hospital admissions in the past calendar year and decreased mean emergency department visits in the past calendar year for patients who received [medical cannabis] as an adjunct to opioids in the treatment of non-cancer chronic pain compared to those who did not receive [medical cannabis],” the authors wrote.³²

A separate study released in 2020 by scientists at Johns Hopkins University found that “cannabis may improve opioid withdrawal symptoms and that the size of the effect is clinically meaningful.”

The Hopkins team surveyed 200 people who said they ingested both marijuana and opioid painkillers. The survey sought to find whether these respondents believed that cannabis helped or worsened their struggle with opioid addiction.

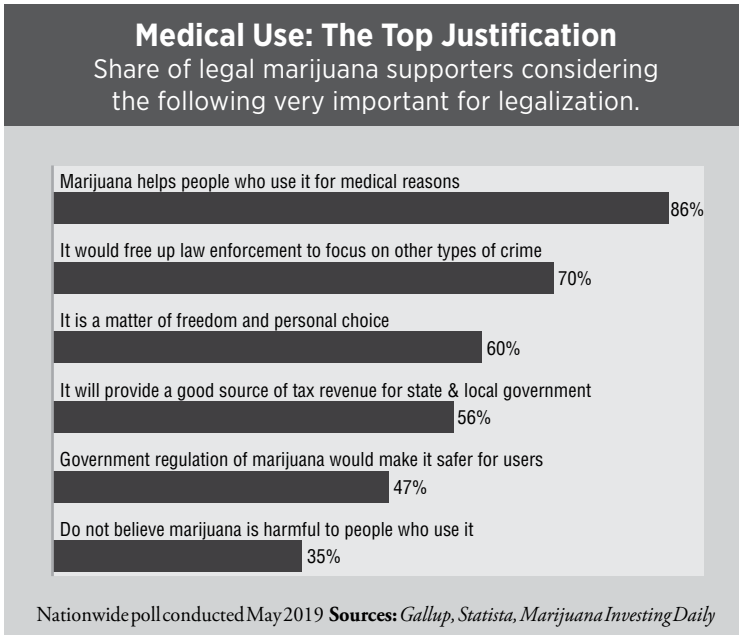
Among the 200 total respondents, 125 said they used cannabis to cope with painful withdrawal symptoms linked to heavy opioid use. Nearly three out of four respondents, or 72%, said cannabis helped them get through the excruciating withdrawal period, which can last for weeks.³³

32 Babasola Okusanya, Ibitola O. Asaolu, John E. Ehri et al., “Medical Cannabis for the Reduction of Opioid Dosage in the Treatment of Non-cancer Chronic Pain: A Systematic Review,” *Systematic Reviews*, July 28, 2020.

33 Cecilia L. Bergeria, Andrew S. Huhn and Kelly E. Dunn, “The Impact of Naturalistic Cannabis Use on Self-reported Opioid Withdrawal,” *Journal of Substance Abuse Treatment*, March 30, 2020.

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The scientifically proven medical advantages of marijuana have boosted pot's public image, generating greater impetus for legalization (*see chart*).



The opioid scourge

Let's get our terms straight.

“Opioid” refers to any drug that acts on opioid receptors in the brain. “Opiate” refers to a subset of opioids derived from poppy. Opioids can be either synthetic or semi-synthetic drugs whereas opiates are natural, synthetic, or semi-synthetic.

The U.S. Centers for Disease Control (CDC) reports that nearly 70,000 Americans die every year from drug overdoses. About 70% of all drug overdose deaths are now caused by opioids, a class of drugs that includes

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prescription painkillers as well as heroin and dangerous synthetic versions like fentanyl.

The CDC reports that 115 Americans die from opioid-related causes, every single day, outpacing the number of deaths from vehicular accidents or firearms. Between 1999 and 2018, nearly 450,000 people died of opioid (legal and illegal) overdoses.³⁴

The Columbia University study examines opioid prescriptions made specifically by orthopaedic surgeons, who it notes are the nation's third-highest prescribers of opioids. The study states:

...these population-level findings show that legalization of medical cannabis and patient access to dispensaries may be associated with reductions in opioid prescribing by orthopaedic surgeons.

Analyzing nationwide Medicare Part D prescription drug data, Columbia researchers measured the aggregate daily doses of opioid medications prescribed by orthopaedic surgeons in each state annually. They then looked for associations between that state-level data and the legal status of medical marijuana in each state.

The study found a pronounced drop in prescriptions among states with medical cannabis laws (MCLs):

State MCLs were associated with a statistically significant reduction in aggregate opioid prescribing of 144,000 daily doses (19.7% reduction) annually.

Marijuana is an especially appealing alternative pain medication to study, the authors wrote, "because of its efficacy in treatment of chronic and acute pain and its potential for replacing and/or reducing opioid treatment."

The study's results come on top of an increasing body of research proving that medical cannabis accessibility significantly reduces statewide opioid use and even opioid deaths. The study concludes:

34 "Drug Overdose Deaths: Facts & Figures," National Center for Drug Abuse Statistics, Accessed March 24, 2021.

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Multiple large nationwide database studies have shown that states with the legalization of medical marijuana have seen reductions in the opioid prescription rates and opioid-related mortality rates. The authors of these studies have theorized that in states where medical cannabis is more available, patients are likely to substitute cannabis for opioids in their pain management.

As the medical benefits of marijuana become all too clear, an increasing number of states are legalizing cannabis. I maintain that the federal government will eventually follow suit.

Chapter 11

Weed for Warriors

It was during the Vietnam War that soldiers first embraced cannabis on a major scale. According to a 1971 report by the Department of Defense, 51% of the armed forces smoked marijuana. Hence the familiar images in documentaries, news footage, and Hollywood movies of soldiers in the jungle, getting high on pot.

Back then, marijuana was universally illegal and considered a dangerous act of counterculture rebellion. These days, many lawmakers in Washington want to expedite the provision of weed to our nation's wounded warriors, for the sake of their mental and physical health.

Pending in the House and Senate is the Veterans Medical Marijuana Safe Harbor Act, a bill that would make it legal under federal law for military veterans to use, possess, or transport medical marijuana in state-legal systems.

The Act also would allow Department of Veterans Affairs (VA) doctors to issue medical cannabis recommendations to their patients. Rep. Barbara Lee (D-CA) is the sponsor in the House; Senator Brian Schatz (D-HI) is the sponsor in the Senate.

Specifically, the bill authorizes:

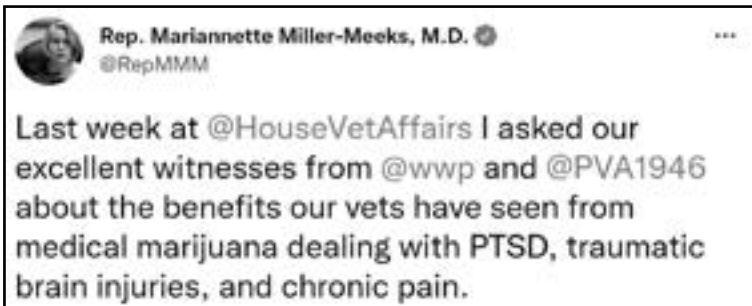
1. a veteran to use, possess, or transport medical marijuana in accordance with applicable state or Native American tribal law;
2. a VA physician to discuss with a veteran the use of medical marijuana as a treatment if the physician is in a state or on tribal land that authorizes such treatment; or
3. a VA physician to recommend, complete forms for, or register veterans for participation in a medical marijuana

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treatment program in accordance with applicable state or tribal law.

The bill requires the VA to report on the effects of medical marijuana on veterans in pain and the relationship between state-approved medical marijuana treatment programs, program access, and opioid abuse reduction.

On March 8, 2021, U.S. Rep. Mariannette Miller-Meeks (R-IA) tweeted about “the benefits our vets have seen from medical marijuana dealing with PTSD, traumatic brain injuries, and chronic pain.” (*see below*)



Veterans suffering physical or emotional distress are increasingly turning to medical cannabis as an effective alternative to opioids and other conventional medications. In addition to treating body wounds, marijuana is effective in treating depression. Veterans represent 7% of the American population, yet account for 20% of the national suicide rate.

However, because marijuana is still banned on the federal level, VA doctors are currently prohibited from providing the necessary paperwork to complete a recommendation for medical marijuana. The VA will not pay for medical marijuana prescriptions from any source. Consequently, military veterans are compelled to seek the assistance of private, out-of-network physicians.

America’s veterans overwhelmingly support the idea behind the bill. According to a recent poll by the American Legion, the nation’s largest veterans service organization, more than 92% of veterans support

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expanding research into medical marijuana, 83% believe the federal government should legalize medical marijuana nationwide, and over 80% favor allowing federal doctors to recommend cannabis to veterans.

Chapter 12

The Grow-Your-Own Pot Boom

*I done two tours of duty in Vietnam
And I came home with a brand-new plan
I take the seed from Colombia and Mexico
I just plant it up the holler down Copperhead Road
And now the DEA's got a chopper in the air
I wake up screaming like I'm back over there...*

Steve Earle's 1988 country/rock song "Copperhead Road" is a reminder that, not too long ago, growing your own marijuana could attract harsh retribution from law enforcement.

Now, growing marijuana on your own land is becoming a national hobby, as legal and safe as gardening and golf.

Many of my friends enjoy working in the soil in their backyards. Lately at parties and neighborhood barbecues, they've been regaling me with tales of planting high-THC cannabis seeds next to their heirloom tomatoes. Even in states where homegrowing marijuana is illegal, the police are often indifferent.

Leading indicators of social change often occur right in front of your eyes, at home. But evidence of the grow-your-own marijuana boom isn't just anecdotal.

In a report released July 26, 2021, marijuana research firm New Frontier Data revealed that home cultivation is picking up momentum. This trend is a milestone for the marijuana industry and could presage profound changes for the industry.

A crazy quilt of rules

Rules pertaining to homegrown cannabis vary greatly by state.

Chapter 12: The Grow-Your-Own Pot Boom

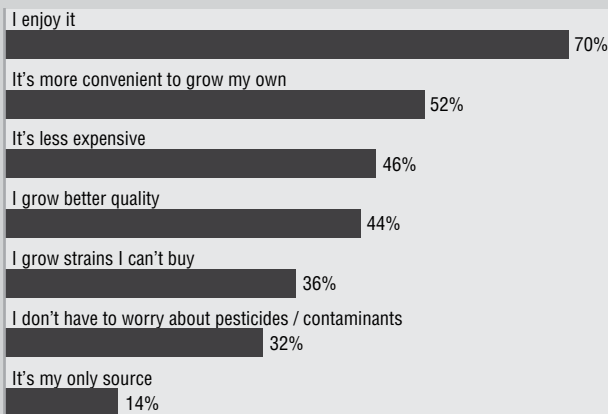
Of course, growing your own marijuana remains illegal at the federal level. But restrictions against homegrown marijuana continue to ease in states throughout the country. About half of the states where marijuana is legal now allow homegrown marijuana to some degree.

More states recently jumped aboard the grow-at-home bandwagon. They include Michigan, where adults over the age of 21 can now cultivate up to 12 cannabis plants in their homes. In Connecticut and New York, patients participating in medical programs are now permitted to cultivate up to six plants.

In New Frontier's survey, 48% of respondents reported having been cultivating for a year or less. One-quarter (25%) reported growing only one or two plants at a time. Another 35% reported growing three to six plants, which is the legal limit in several states.

Homegrowers tend to consume their own cannabis. Nearly three-quarters (72%) reported either exclusively or mostly consuming flower which they have grown for themselves. The following chart breaks down the motives:

Cannabis Consumers' Motives for Home Cultivation



Source: *New Frontier Data*

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Homegrowers cultivate cannabis for many personal reasons. Some grow pot because of a lack of other sources (14%), or to breed hybrid strains unavailable for purchase (36%).

The coronavirus pandemic has been fueling the trend toward home cultivation, as cooped-up consumers increasingly turn to marijuana and become more self-reliant in obtaining it.

We're witnessing the birth of a decentralized cottage industry. Homegrown pot could dent the sales of large marijuana growers. But it also could spark entrepreneurship and nurture a plethora of start-ups and neighborhood small businesses.

The marijuana industry has been consolidating, with large-cap food, beverage and cosmetics companies scooping up smaller players. The momentum behind homegrown marijuana is a countervailing force that's already generating new opportunities for the pick-and-shovel companies that cater to home growers.

In many industries, history shows that "disruptive" innovation has a way of emerging in unforeseen ways. From young tokers who simply want to get high, to elderly cancer patients who want to alleviate pain, marijuana consumers are increasingly growing their own stash.

Pick-and-shovel plays tend to be less volatile than other types of marijuana companies because they provide essential value-added services to a wide roster of clients in disparate industries. Pick-and-shovel companies might not offer the exponential growth of pure-play marijuana companies, but they're considerably less volatile and risky.

Among marijuana agricultural companies, some of the fastest-growing offer controlled environment systems that use as little land, water and energy as possible. They're eco-friendly, cost-effective and accessible to individual home growers.

Ancillary companies that benefit from homegrown marijuana include the familiar brand names that you'll see on the shelves at your local do-it-yourself hardware store. That's where you'll find an increasing number of Americans who are buying topsoil and fertilizer for their tomatoes, cucumbers, squash...and cannabis sativa.

Part III

Legalization

Welcome to Cannabis Nation. In growing numbers of cities and towns across America, you can just walk through the door of a marijuana dispensary and casually buy pot, the way you can walk into a 7-Eleven to buy a can of soda.

If you had described this future world to me back when I was a long-haired teenager in the 1970s, I would have laughed and asked what you were smoking.

Nonetheless, the “holy grail” of complete decriminalization throughout the country remains elusive. Increasing numbers of states and localities are loosening restrictions against pot, but the weed remains banned on the federal level, and some states are reluctant to jump aboard the pro-marijuana bandwagon.

Many jurisdictions, especially in socially conservative red states, stubbornly cling to marijuana prohibition. The result has been a crazy quilt of laws pertaining to recreational and medical marijuana.

In the next chapters, we’ll explore legalization on both the state and federal levels.

Chapter 13

The GOP Gets Mellow on Weed

Marijuana legalization has achieved such enormous strides, many people are starting to take access to weed for granted. The historical context of the War on Drugs is being forgotten.

The lifting of restrictions against cannabis remains a social, political, and economic revolution and as such, the “green rush” still represents the investment opportunity of a lifetime.

For a quick refresher course in marijuana history, I bring you Henry J. Anslinger.

Anslinger served as the first commissioner of the Federal Bureau of Narcotics during the presidencies of Hoover, Roosevelt, Truman, Eisenhower, and Kennedy. The bureau was the precursor of the modern-day Drug Enforcement Administration. Anslinger played the key role in the introduction and passage of the Marijuana Tax Act of 1937, which outlawed possessing or selling pot. Anslinger once told the nation:

There are 100,000 total marijuana smokers in the U.S., and most are Negroes, Hispanics, Filipinos, and entertainers. Their Satanic music, jazz, and swing, result from marijuana usage. This marijuana causes white women to seek sexual relations with Negroes, entertainers, and any others.

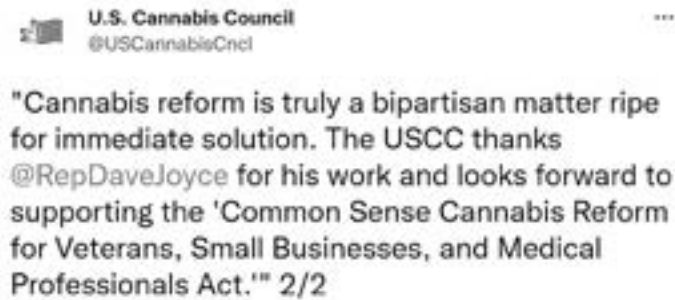
So, when Republican members of Congress introduce a bill to federally legalize marijuana, I still find it a big deal. You should, too.

On May 12, 2021, two GOP members of the U.S. House of Representatives introduced a new bill to lift the federal ban on marijuana. Other bills to accomplish the same goal have been sitting in Congress for a couple of years, but this proposed legislation goes much further. In fact, this bill is unprecedented in scope.

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In addition to removing the federal ban, the bill seeks to protect banks that service state-legal cannabis businesses. It also wants to ensure that military veterans are permitted to use marijuana in compliance with state laws.

Called the Common Sense Cannabis Reform for Veterans, Small Businesses, and Medical Professionals Act, the bill is being sponsored by Reps. David Joyce (R-OH) and Don Young (R-AK). Pro-cannabis lobbyists are thrilled, as the following tweet attests:



It's significant that the sponsors of the legislation are conservative Republicans. The Democratic party has long embraced marijuana legal reform, usually against the opposition of the GOP. The bill that was introduced Wednesday reflects the changing political dynamic for weed and is yet another signal that the federal ban on pot is doomed.

The main pillar of the legislation is to federally deschedule cannabis, similar to previous bipartisan proposals. However, this bill goes several steps further by providing additional legal protections, as well as mandates for federal studies into medical cannabis.

"With more than 40 states taking action on this issue, it's past time for Congress to recognize that continued cannabis prohibition is neither tenable nor the will of the American electorate," Joyce, co-chair of the Congressional Cannabis Caucus (CCC), said in a press release.

Into the 21st century

Under the proposal, marijuana would be removed from the Controlled Substances Act. Marijuana could be imported and exported across states, although transporting marijuana to states where such activity is illegal would remain federally banned.

The task of developing regulations for marijuana would fall to the Food and Drug Administration and the Alcohol and Tobacco Tax and Trade Bureau. Those regulations would have to be “similar to federal rules regulating alcohol,” the bill stipulates.

“For too long, the federal government’s outdated cannabis policies have stood in the way of both individual liberty and a state’s 10th Amendment rights,” Young, also co-chair of the CCC, said. “It is long past time that these archaic laws are updated for the 21st century.”

Another provision of the proposed legislation stipulates that financial services institutions with state-legal marijuana businesses as customers can’t be penalized by federal regulators.

In addition, the legislation allows military veterans to use, possess, and transport medical cannabis in compliance with state law. It also allows doctors to discuss medical marijuana use with veterans in states where pot is legal, and they can “recommend, complete forms for, or register veterans for participating in a treatment program involving medical marijuana.”

“This bill takes significant steps to modernize our laws by removing cannabis from the Controlled Substances Act and allowing the VA to prescribe medical cannabis to veterans, in addition to finally permitting state-legal cannabis businesses to utilize traditional financial services,” Young said. “I call on my colleagues on both sides of the aisle to stand with us in this crucial effort.”

Marijuana advocates have placed particular energy in easing the restrictions that military veterans face in trying to get access to medical marijuana. Already pending in the House and Senate is the Veterans Medical Marijuana Safe Harbor Act, a bill that would make it legal

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under federal law for military veterans to use, possess, or transport medical marijuana in state-legal systems.

Veterans suffering physical or emotional distress are increasingly turning to medical cannabis as an effective alternative to opioids and other conventional medications. In addition to treating body wounds, marijuana is effective in treating depression. Veterans represent 7% of the American population, yet account for 20% of the national suicide rate.

Indeed, as the medical benefits of marijuana become all too clear, an increasing number of states are legalizing cannabis.

Chapter 14

Pot Federalism: Uncle Sam and Mary Jane

The relationship between the U.S. presidency and various state electoral officials has always been fraught with lawsuits and rancor... to say the least! Observing the fierce legal battles over the 2020 election, I was reminded of the genius of federalism.

What does this mean for marijuana and the people who invest in it? As I explain below, federalism continues to work to the great advantage of the marijuana industry, providing a sustained tailwind for pot stocks. You can thank the Founding Fathers.

As I learned in eighth-grade civics class, “federalism” is a mixed mode of government that combines a federal government with state governments into a single political system. Federalism is embodied in the Constitution of the United States and it ensures a system of checks and balances that has helped our democratic republic keep authoritarianism at bay for more than 240 years.

I think it would be a good idea to re-institute the largely abandoned tradition of teaching civics courses in our schools. As recent news events have sadly demonstrated, many people in high positions of political power in the U.S. have forgotten (or never knew) how the Constitution is supposed to work.

The 10th Amendment declares: “The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.” This amendment conveys what’s broadly known as “states’ rights.” Regrettably, those who often extol states’ rights end up ignoring or trying to usurp those rights, when they don’t like the outcome (for example, supporting states’ rights

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when it comes to anti-discrimination laws but opposing it when it comes to environmental laws).

At the state level, policies regarding the medical and recreational use of cannabis vary greatly, and in many states conflict significantly with federal law that bans cannabis.

But Mary Jane is gaining greater freedom, no matter what Uncle Sam does.

If a federal and a state law contradict, then when you're in the state you can follow the state law, but the feds can decide to stop you. Here's the key: The Department of Justice in 2013 ruled that it wouldn't interfere with state marijuana laws, a decision that opened the floodgates for state legalization.

Another quick civics lesson:

Decriminalization stops short of outright legalization; it means taking an act that is illegal and removing criminal penalties. **Legalization** means taking an act that is illegal and making it legal.

The list of states loosening marijuana restrictions continues to get longer, with or without federal action.

Normalization of marijuana laws equals industry growth. According to a report from the marijuana research firm, the legal cannabis market was worth an estimated \$13.2 billion in 2019 and is expected to reach \$25.9 billion in annual sales for 2021.³⁵ Fueled by strong consumer demand, annual legal marijuana sales are projected to grow at a compound annual growth rate (CAGR) of 21%, to reach more than \$41 billion by 2025.

In states where marijuana is currently legal, annual sales of medical cannabis are projected to grow at a 19% CAGR through 2025, from \$5.9 billion in 2019 to an estimated \$16.3 billion by 2025. During

35 J.J. McCoy, "Shaking the Crystal Ball for the Legal Cannabis Industry in 2021," New Frontier Data, January 11, 2021.

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the same period, adult-use sales are projected to grow at a 23% CAGR, from \$7.4 billion to \$25.1 billion.³⁶

According to New Frontier, the marijuana industry's expansion is propelled by several interrelated forces, including:

- The emergence of new legal markets as more states reform their cannabis laws
- Steady growth in demand in legal states as consumers leave unregulated markets to embrace legal and regulated ones
- Increased cannabis consumption as the public comes to recognize the medical benefits of marijuana.

We're now witnessing the most marijuana-friendly U.S. Congress in history. It's only a matter of time before marijuana prohibition is removed not just by the states, but also by the federal government.

³⁶ "U.S. Legal Cannabis Market Projected to Double to \$41.5B by 2025," New Frontier Data, December 9, 2020.

Chapter 15

The Prohibition Comparison

My Greek-born immigrant grandfather (on my dad's side) used to tell me colorful stories about Prohibition, an era that lasted from 1920 through 1933. "Everybody just kept on drinking," he once told me, shaking his head. "Even the politicians who made big speeches against booze."

By listening to my grandpa's social observations when I was a kid, I got an early education in the hypocritical ways of the world.

Prohibition of course was doomed, which is usually the case when the government tries to legislate morality and ordinary citizens thumb their noses at the law.

If cannabis is ever legalized on the federal level, investors in the sector would enjoy a second wave of phenomenal growth. But over the short term, is the lifting of the federal ban on marijuana an attainable goal?

It's useful for marijuana investors to explore the historical parallels between alcohol prohibition in the 1920s and pot prohibition today.

The 18th Amendment to the U.S. Constitution called for the banning of the manufacture, sale, or transportation of alcoholic beverages. Written into law on January 16, 1920, the period known as "Prohibition" lasted almost 14 years, until December 5, 1933, when the law was repealed via the adoption of the 21st Amendment.

The 18th Amendment is the only amendment to ever be removed from the Constitution. In 1933, the newly elected Franklin D. Roosevelt signed the legislation repealing the 18th Amendment, famously remarking, "I think this would be a good time for a beer."

Repeal of prohibition was also an economic decision that generated thousands of new jobs at the nadir of the Great Depression. Marijuana

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legalization at the federal level would likewise galvanize business and job creation. Most likely, it would boost pot stocks, too.

During Prohibition, stocks of companies in the alcohol sector peaked in July 1933, a few months before the 18th Amendment was officially repealed. Back then, companies could sell alcohol for industrial purposes and distilleries such as the now defunct Seagram's (at the time based in Canada) were of course free to make and sell booze outside of the U.S. In the months leading up to repeal, as the states were in the process of ratifying the 21st Amendment, the share prices of these companies soared, before plateauing when repeal actually happened.

The lesson for marijuana investors? Buy on the hope. And right now, there's plenty of hope that the feds will eventually legalize pot. The question is, when.

Yes, I think the removal of the federal ban is inevitable, and legalization trends remain auspicious for investors.

As the Great Depression got underway and the economy collapsed, anti-Prohibition activists succeeded in winning over even teetotalers to their cause, arguing that the country needed the jobs and tax revenue of legalized alcohol. The Democratic Party gained power in the 1932 elections and Prohibition ended in 1933.

The sheer sense of momentum toward full federal normalization of marijuana must be how the public felt in the run-up to the repeal of alcohol prohibition in 1933. Repeal of the Volstead Act was bad news for gangsters and bootleggers. The same will be true for modern-day illicit drug dealers when the federal ban on marijuana gets lifted.

The States Take Action

With the Democratic takeover of the U.S. Senate, the federal prohibition of marijuana is (in my opinion) as doomed as a speakeasy. When the federal ban gets removed, remaining state prohibitions would either get rescinded by their respective governments or get challenged by the feds in court (and the states would likely lose). To completely unify federal and

Chapter 15: The Prohibition Comparison

state laws on marijuana would take a constitutional amendment (as it did with alcohol under FDR).

But the states aren't waiting around for the feds to get their act together. During the 2020 general election, one of the biggest winners was marijuana. Legalization measures passed in Arizona, Montana, Missouri, New Jersey and South Dakota. More than one-third of the country (more than 111 million people) currently live in a state with legal recreational cannabis.

As of this writing, a total of 36 states and the District of Columbia have approved comprehensive, publicly available medical marijuana programs. The recreational use of cannabis is legalized in 16 states, including D.C. Another 16 states have decriminalized its use.

Chapter 16

Closing the Marijuana Policy Gap

Sure, an increasing number of states are lifting restrictions against marijuana. But until the federal ban is repealed, the true growth potential of the marijuana industry will remain stymied.

However, as I explain below, Congress is about to take action with new legislation that could send marijuana investments soaring.

On February 5, 2021, the Congressional Research Service released a new report, “The Controlled Substances Act (CSA): A Legal Overview for the 117th Congress,” which highlighted what it called “the marijuana policy gap.”

First, a quick background. Drugs, substances, and certain chemicals used to make drugs are classified by the U.S. Drug Enforcement Administration into five distinct schedules (i.e., categories) depending on the drug’s acceptable medical use and the drug’s abuse or dependency potential.

Schedule I drugs have no currently accepted medical use and aren’t considered safe to use even under medical supervision. They’re considered to have a dangerous potential for abuse and dependency. Marijuana falls into Schedule I, under the CSA.

The CSA was passed in 1970, at a time when the widespread rebellion of the counterculture prompted the Nixon White House to launch a “War on Drugs.”

So far, the federal response to state actions to decriminalize or legalize marijuana largely has been to allow states to implement their own laws on marijuana.

The Congressional Research Service periodically provides to Congress a legal overview of the CSA. The most recent report was released in February 2021, and the dangers of the marijuana policy gap were prominently featured.

Mind The Gap

This policy gap is the increasing divergence between federal and state laws in the area of marijuana regulation. The report warned that citizens and marijuana companies would continue to suffer the adverse consequences of this gap unless Congress took action.

As of this writing, 15 states and the District of Columbia have enacted laws lifting state prohibitions on medical and recreational marijuana use by adults age 21 or older. An additional 33 states have enacted laws permitting medical use of marijuana or the marijuana-derived compound cannabidiol (CBD). However, under federal law, marijuana remains a Schedule I controlled substance. State laws that legalize cannabis have zero effect on that federal status.

The ramifications of the federal ban go beyond criminal prosecution. Even if authorized under state law, cannabis businesses may be unable to access banking services due to federal anti-money laundering laws. In addition, those businesses may be ineligible for certain federal tax deductions. Income from cannabis may also prevent a bankruptcy court from approving a bankruptcy plan.

For individuals, participation in the cannabis industry may bring unwanted attention from immigration officials. Drug use or convictions may impede eligibility for federal student financial aid and other benefits.

Federal law also prohibits the possession of firearms or ammunition by any person who is “an unlawful user of or addicted to any controlled substance.” What’s more, individuals who partake of marijuana, even for medical purposes, enjoy little or no legal protection from adverse actions by their employers.

Lawmakers in Washington know that marijuana legalization is popular, as well as profitable. They can read the polls.

In 2020, Congress focused on two major pieces of marijuana-related legislation.

In a move of even greater importance, the House in December passed the Marijuana Opportunity Reinvestment and Expungement (MORE)

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Act. Among other things, MORE would decriminalize marijuana on the federal level.

Unfortunately, time ran out in the Senate, and the session ended before a deciding vote could be made. The SAFE Banking Act has already been reintroduced in both the House and the Senate. Several lawmakers have promised to reintroduce the MORE Act, too, but there are more promising prospects for federal legalization.

Schumer Steps In

On February 1, 2021, Senate Majority Leader Chuck Schumer (D-NY), Senate Finance Committee Chair Ron Wyden (D-OR), and Sen. Cory Booker (D-NJ) announced a plan to release a federal marijuana legalization proposal “in the early part of this year.” In a statement, the three lawmakers asserted:

We are committed to working together to put forward and advance comprehensive cannabis reform legislation that will not only turn the page on this sad chapter in American history, but also undo the devastating consequences of these discriminatory policies. The Senate will make consideration of these reforms a priority.

On February 6, Schumer held the group’s first meeting (*see the following tweet posted by the Medical Marijuana Exchange, or MME, an online news site and directory*).



MME
@THEMMEXCHANGE



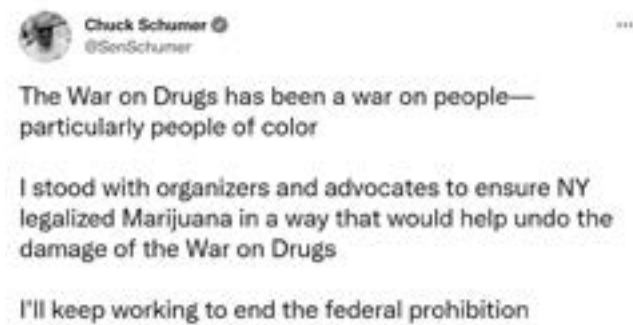
Schumer Hosts First Marijuana Meeting To Formulate
2021 Federal Legalization Plan

Ira Glasser, who ran the American Civil Liberties Union from 1978 to 2001, has summed up the significance of marijuana legalization on American politics:

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*Without marijuana prohibition, the government can't sustain the drug war. Without marijuana, the use of drugs is negligible, and you can't justify the law-enforcement and prison spending on the other drugs. Their use is vanishingly small. I always thought that if you could cut the marijuana head off the beast, the drug war couldn't be sustained*³⁷

Chuck Schumer seeks to prove Glasser right. Schumer and many of his colleagues in Congress have declared war on the War on Drugs, as this April 14, 2021 tweet attests:



Across the country, the movement to normalize drug laws is barreling ahead like a freight train. Marijuana, LSD, magic mushrooms, and a host of other psychotropic substances are entering the socio-economic mainstream. Investors should increase their exposure to these segments now, while equity valuations are still reasonable.

Marijuana's Strange Political Bedfellows

It sounds like the set up to a bad joke: billionaire Charles Koch, rapper Snoop Dogg, and legal reformer Weldon Angelos.

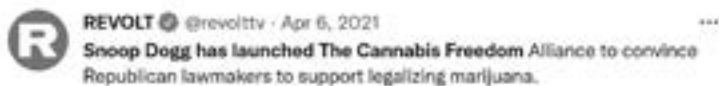
37 Dan Baum, "Legalize It All," Harper's Magazine, April 2016.

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But it's no joke. Those three disparate personalities recently joined forces to push for marijuana legalization, yet another sign that weed is part of mainstream society.

Many indicators reveal when a fledgling, disruptive industry has finally achieved big league status. When it comes to marijuana, I point to an announcement in April 2021 that Koch, Dogg, and Angelos have formed the Cannabis Freedom Alliance. The idea was born during a Zoom conversation between the three men, neither of whom is a stranger to publicity.

The alliance includes Americans for Prosperity, the right-wing political lobbying group founded by the Koch brothers; the Reason Foundation, a libertarian think tank; the marijuana advocacy outfit, the Global Alliance for Cannabis Commerce; and The Weldon Project, a nonprofit that's working for criminal justice reform and attempting to turn back the War on Drugs. Social media has been abuzz (so to speak) about the news, as this tweet attests:



In announcing the formation of the alliance, Weldon Angelos stated:

Ending cannabis prohibition and incarceration is a moral imperative. For too long, cruel laws punishing non-violent cannabis offenses have destroyed the lives of individuals throughout this country, myself included. It is high time that Congress and the President right this wrong and allow those harmed by cannabis prohibition the chance to participate in the cannabis industry like the millionaires and billionaires doing so now. But we can't

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*do this alone. We need both sides to come together on this, which is why we launched this coalition.*³⁸

Angelos was a music producer sentenced to prison for 55 years (yep, 55 years) for selling \$350 worth of marijuana to a police informant. Mandatory guidelines called for the draconian sentencing, because Angelos allegedly was carrying a gun during the drug transactions. In 2016, after serving 13 years of his sentence, Angelos was released from prison thanks to a broad-based, celebrity-studded effort on his behalf.

Koch, Dogg, and Angelos. Strange bedfellows. But it's part of a trend that bodes well for marijuana investors.

Marijuana has long been associated with the political left. It remains true that most Republicans, especially those in Congress, oppose marijuana legalization. Typically, the more socially liberal Democratic party has championed cannabis as well as criminal justice reform.

However, an increasing number of Americans favor pot legalization. And in marijuana-legal states, the industry is generating a considerable amount of new jobs and tax revenue. Key conservatives are changing their minds.

The Road to Damascus

I point to the conversion of John Boehner.

Former U.S. House Speaker Boehner left Congress in 2015. In recent years, he has become an advocate for the legalization and commercialization of pot, a substance that he once demonized.

Boehner served nearly five years as speaker. A conservative Republican from Ohio, he isn't exactly a hippie. The perpetually suntanned Boehner is famous for chain-smoking Camel Ultra Lights, avidly playing golf, and in the after-hours swirling Merlot wine. The press has often referred to him as the Dean Martin of DC.

³⁸ Press Release, "New Coalition Launched to End Cannabis Prohibition, Bridge Across Ideological, Party Lines," Cannabis Freedom Alliance, April 6, 2021.

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In 2011, Boehner told a constituent he was “unalterably opposed” to legalization. But in 2018, he joined the board of advisers of **Acreage Holdings** (OTC: ACRZF), a small cannabis corporation based in New York City.

These days, Boehner frequently holds forth at conferences on the wisdom of investing in cannabis. He’s also been in the news as he promotes a new book. Also on Acreage’s board is former Republican Governor of Massachusetts Bill Weld.

Fact is, going back decades, there’s precedent for influential Republicans to oppose the banning of marijuana. In 1972, William F. Buckley Jr., the conservative columnist and editor, announced that he favored removing criminal penalties against the use of marijuana. That year, his magazine *National Review* bore this headline on the cover: “The Time Has Come: Abolish the Pot Laws.”

The Cannabis Freedom Alliance’s top priority is to ensure passage of the Marijuana Opportunity, Reinvestment and Expungement (MORE) Act once it is reintroduced.

The alliance intends to target libertarian-minded GOP Senators who could be persuaded to vote “yes” on MORE. President Joe Biden has indicated that he would sign the bill, if it reaches his desk.

Chapter 17

Poll: Americans High on Pot Legalization

Reefer Madness, the 1936 anti-marijuana propaganda film, is now an unintentionally hilarious cult classic. The opening scene depicts a high school principal warning his students: “Not alcoholism, not opium, not cocaine, but marijuana is the worst drug corrupting the youth of America.”

For decades thereafter, most Americans were avidly anti-pot. And today? All the polls show that a firm majority believe marijuana should be legalized. The average citizen has embraced pot, which is good news for investors in the sector.

According to a 2020 poll, people who live in states that have legalized marijuana for adult use generally feel that the policy has been a success. A majority of people from eight states that were surveyed said the programs are working well.

The poll results were announced to the public in a tweet posted on May 13, 2020, by the research firm YouGov:

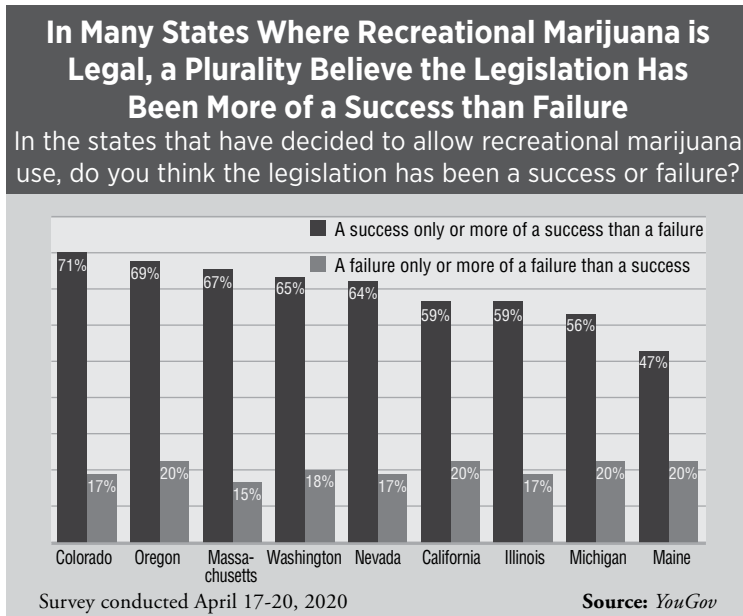


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For these citizens, marijuana legalization isn't an abstraction. They're living with the consequences of legalization, and they like what they see.

YouGov asked more than 32,000 people the following question: "In the states that have decided to allow recreational marijuana use, do you think the legislation has been a success or a failure?"

They were given five options: "Success only, more of a success than a failure, more of a failure than a success, failure only, or don't know." The following chart breaks down the results:



The "Devil's Weed" No More

It was in the late 1980s and early 1990s that public opinion about marijuana started to shift. In a landmark event, no less an authority than DEA Administrative Law Judge Francis L. Young surprisingly wrote in 1988:

Nearly all medicines have toxic, potentially lethal effects. But marijuana is not such a substance. There is no record in the extensive medical literature describing a proven, documented

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cannabis-induced fatality... Simply stated, researchers have been unable to give animals enough marijuana to induce death... In practical terms, marijuana cannot induce a lethal response as a result of drug-related toxicity... In strict medical terms marijuana is far safer than many foods we commonly consume... Marijuana, in its natural form, is one of the safest therapeutically active substances known to man.

A major catalyst for attitudinal and legal changes for marijuana occurred in 1996, when the voters of California agreed to allow patients and their caregivers to possess and cultivate marijuana for therapeutic purposes.

Known as the California Compassionate Use Act, Proposition 215 created the country's first open marijuana market and, more recently, has given birth to a wave of state legalization laws (both medical and recreational) that have made possible a new industry that revolves entirely around a plant that has been used by civilization for thousands of years.

A Boon for Investors, Too

Marijuana legalization is an unstoppable trend, because it makes money not just for investors but also for whole communities. Case in point: A 2019 academic study shows that state legalization generates a broad-based wealth effect.

To investigate the impact legalization has on the economy, researchers at the University of Iowa analyzed 9,810 corporations between 1991 and 2017, finding “a multitude of positive effects” after a state enacts medical marijuana laws.

According to the study:

We find that state-level marijuana legalization has a positive financial impact on firms, likely by affecting firms' human capital. Firms headquartered in marijuana-legalizing states receive higher market valuations, earn higher abnormal stock returns, improve employee productivity, and increase innovation. Exploiting firm level inventor data, we directly test the human capital channel and

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find that post legalization, firms retain inventors that become more productive and recruit more innovative talents from out of state.

We also find that marijuana-legalizing states experience an increase in the number of new startups and venture capital investments.³⁹

Exactly *how* marijuana should be legalized is the big question that directly affects investors. That's why, in my newsletter *Marijuana Investing Daily*, I continue to monitor the evolving legal landscape for cannabis.

Arcview Market Research and its research partner BDS Analytics estimate that spending on legal cannabis worldwide accelerated in 2019, soaring 38% to \$16.9 billion, and should eventually reach \$31.3 billion in 2022, growing at a 26.7% compound annual growth rate over the five-year frame from 2017. The estimates call for a \$57 billion worldwide market by 2027, a figure that exceeds the annual gross domestic product levels of nine U.S. states.⁴⁰

A quick disclaimer: Whether you think marijuana legalization is beneficial or immoral is beside the point. The legalization train has left the station and no politician can stop it. Some people refuse to invest in so-called “sin stocks,” within industries such as tobacco, firearms, alcohol, or gambling. Perhaps you count marijuana as a sin. That is certainly your right. But if you're motivated to earn money, know this: The marijuana industry is a multibillion-dollar juggernaut, and it's only getting bigger.

39 Jue Wang, Shagun Pant, Tong Yao, “Do Firms Get High? The Impact of Marijuana Legalization on Firm Performance, Corporate Innovation, and Entrepreneurial Activity,” June 25, 2019.

40 “The Road Map to a \$57 Billion World Market,” Arcview Research, February 2018.

Chapter 18

This Is a Bust: Why Pot Policing Trends Matter

Here's a counterintuitive trend for you: Marijuana is increasingly easy to get and at the same time, increasingly easy to get busted for.

With poll numbers favoring marijuana legalization now showing majority support in the U.S., you'd think it would be easy for cannabis consumers to be open about their use of this increasingly popular herb.

Think again. Stigma against marijuana lingers. And that's why marijuana investors need to be careful. Nothing is preordained in this still risky sector.

It shouldn't come as a surprise that bias against marijuana remains deeply ingrained. For decades, the establishment waged a relentless propaganda war against marijuana.

Consider this 1905 *Washington Post* article, in which an anthropology professor describes his experimental smoking of marijuana and the symptoms that he claims to have experienced:

Everything seems to move around the smoker, this whirl becoming faster and faster, until all sense of his surroundings is lost...

The next step of his intoxication is full of terrors. Troops of ferocious wild animals march before the vision of the smoker. Lions, tigers, panthers, and other wild beasts occupy his vision. The wild animals are then attacked by hosts of devils and monsters of unheard of shapes. The smoker becomes brave and possessed of superhuman strength. It is at this stage of the debauch that murders are committed by the smoker⁴¹

41 Matthew Dessem, "Here's What Happens When You Smoke Marijuana, According to the Washington Post in 1905," Slate, April 20, 2019.

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Mmmkay. Fast-forward to 2021 and marijuana is increasingly legal, as well as lucrative. Legalization enjoys powerful momentum, but investors should realize that there will be setbacks along the way.

You need to pick pot stocks with demonstrated staying power. That means solid balance sheets, growing revenue and earnings, competent management, and a compelling business model. It's not enough to simply be a "weed" stock.

Sure, marijuana legalization continues apace, with a growing number of states loosening prohibitions against cannabis.

But at the same time, the number of persons arrested in the U.S. for violating marijuana laws has risen for the third consecutive year, according to the most recently available data from the U.S. Federal Bureau of Investigation.

According to the FBI's Uniform Crime Report, police made 663,367 arrests for marijuana-related violations in 2018, which comes to an arrest every 48 seconds. That's more than 21% higher than the total number of persons arrested for the commission of violent crimes (521,103). The national increase in marijuana arrests occurred in every year of the Trump administration.

Social conservatives formed a core political constituency of President Trump, so it's no surprise that under his presidency, law enforcement took a harsh stance against pot users. Maybe in college you saw the infamous 1936 anti-pot film *Reefer Madness*. For many people, such views aren't campy fun. They're reality.

Among those arrested for cannabis-related activities, about 90% (608,776) were arrested for marijuana possession offenses only.

These statistics reflect the reversal of a trend of declining arrests that began following the year 2007, when police made a record 872,721 total marijuana-related arrests throughout the U.S.

Marijuana-related arrests were least likely to occur in western states, where most have legalized pot. Arrests were more prevalent in the northeast, where they made up 53% of all drug arrests.

Challenging Cheech and Chong

The Cheech and Chong stereotype is being challenged every day, as more people tell their own stories of how cannabis has been beneficial to their health and well-being.

Firsthand testimony before city councils and state legislatures, network news stories and documentaries on CNN, National Geographic, and Discovery Channels, print media, and the internet have helped many non-users understand the importance of cannabis to people suffering from chronic pain, cancer, AIDS, epilepsy, MS, arthritis, depression, insomnia, glaucoma, and a host of other common ailments.

After being penalized for failing drug tests, professional football and basketball players are coming out to testify how cannabis is a much better treatment for their pain, injuries, and concussions than prescription drugs, and a healthier alternative to alcohol for relaxation after a game. As a result, sports organizations are starting to reassess their policies.

Late night TV hosts still joke about the stereotype that all pot smokers want to do is sit around getting high, eating Doritos, playing video games, and forgetting to vote or study.

While we laugh, it's easy to forget that a multi-billion-dollar biotechnology industry is emerging to create cannabis-oriented treatments for chronic diseases and ailments. Many of these fledgling marijuana biotechs are publicly traded, and they've made early investors rich.

It's also easy to forget that a diverse recreational industry is arising around marijuana: branded edibles and cigarettes, pot tourism, paraphernalia, cookbooks... you name it. Many of the companies catering to this demand are small-cap stocks with exponential growth potential.

Chapter 19

Marijuana Amnesty Edges Closer

When I was a teenager in the mid-1970s, a police record for a marijuana arrest could literally wreck your life. If a prospective employer or university ran a background check and found that you had run afoul of the law because of cannabis, you were sunk. This harsh fact was drilled into our heads by parents and teachers.

I still remember the anti-marijuana public service ads (PSAs) played in high school class. They seem laughable today, but they were deadly earnest. One line from a PSA sticks in my mind: *“If you flake around with the weed, you’ll end up using the harder stuff.”*

Fast-forward to 2021. Powerful lawmakers are now intent on undoing that harmful legacy. The more these political leaders succeed, the greater the growth opportunities for marijuana companies.

Latest case in point: U.S. Reps. Earl Blumenauer (D-OR) and Barbara Lee (D-CA), together with a coalition of marijuana advocacy groups, sent a letter dated February 15 to President Joe Biden calling for him to mass pardon individuals convicted of marijuana offenses.

They argued that the plan should be modeled after President Jimmy Carter’s move to assist people who avoided the Vietnam War draft. On January 21, 1977, Carter granted an unconditional pardon to hundreds of thousands of men who evaded the draft.

The letter urges Biden “to clearly demonstrate your commitment to criminal justice reform by immediately issuing a general pardon to all former federal, non-violent cannabis offenders.” It goes on to state: “In addition, all those who are federally incarcerated on non-violent, cannabis-only offenses for activity now legal under state laws should be pardoned and their related sentences commuted. Cannabis

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prohibition ruins lives, wastes resources, and is opposed by a large majority of Americans.”

The letter asks Biden to follow the example of Carter, who issued a blanket pardon for those who were convicted of violating the Military Selective Service Act by draft-evasion acts or omissions committed between August 4, 1964 and March 28, 1973.

President Biden has publicly endorsed the notion of marijuana expungements and he’s likely to sign onto the idea of a mass pardon. Once the double-threat of coronavirus and inflation are out of the way, marijuana amnesty will move higher on his agenda.

As of this writing, 17 states and the District of Columbia have enacted expungement, sealing, or set-aside laws specifically for marijuana offenses. Most of these jurisdictions (12 of 18) authorize people to submit petitions to expunge convictions involving small amounts of marijuana. Two states authorize petitions for a wider range of offenses with simplified procedures.

Holding Police Accountable

Rep. Blumenauer previously released a police accountability plan that includes proposals to legalize marijuana and decriminalize other drugs to reduce what he claims is excessive policing of communities of color.

(In case you missed it earlier, here’s a quick lesson in definitions. **Decriminalization** stops short of outright legalization; it means taking an act that is illegal and removing criminal penalties. **Legalization** means taking an act that is illegal and making it legal.)

In his accountability plan, Blumenauer cited statistics showing that black people and other minorities incur substantially higher arrest rates over marijuana compared to white people, despite roughly similar rates of consumption. The congressman said this bias represents the sort of systemic racial prejudice that recently propelled urban unrest throughout the country.

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In his plan, Blumenauer states: “We cannot legislate morality, but we must restrain the worst expressions of racism and discrimination, change the culture, and provide a better future for all.”

These politicians can read the polls: loosening restrictions against marijuana is increasingly popular with Americans. According to a Gallup poll released November 2020, 68% of the surveyed public favored pot legalization.

The February 15, 2021, letter to President Biden is yet another example of how the establishment is embracing marijuana “normalization.”

Marijuana remains illegal at the federal level in the U.S., but it’s only a matter of time before federal prohibition is lifted. The Democratic party, which tends to be marijuana-friendly, now controls the White House and both chambers of Congress. When the federal ban is finally repealed, the cannabis industry will experience a new wave of explosive growth.

Get Ready for a Pot-Friendly DOJ

Earlier this year, I was watching a new documentary on HBOMax called “Jimmy Carter: Rock & Roll President,” and I was taken aback when former President Carter revealed that his son Chip and Willie Nelson once smoked marijuana together on the roof of the White House.

I doubt we’ll experience similar antics from the Biden family. But about one thing, there’s little doubt: the Biden administration will prove hugely favorable for marijuana investors. Further evidence of this new political reality arrived during Merrick Garland’s Senate confirmation hearing.

Attorney General Garland said during this hearing that interfering with state marijuana laws is not “a useful use of limited resources” and that marijuana enforcement is the “perfect example” of racial discrimination in the criminal justice system.

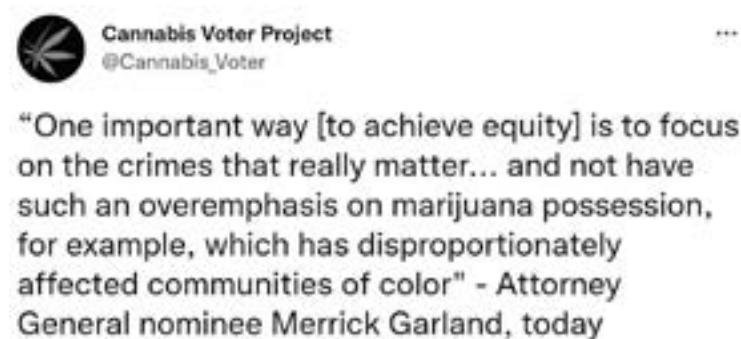
Appearing before the Senate Judiciary Committee, U.S. Appeals Court Judge Garland said:

Here’s a non-violent crime with respect to usage that does not require us to incarcerate people, and we’re incarcerating at

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significantly different rates of the different communities. That is wrong, and it's the kind of problem that will then follow a person for the rest of their lives. It will make it impossible to get a job, it will lead to downward economic spiral for their family.

The Twittersphere was abuzz (pun intended) regarding Garland's views on marijuana, as this February 22, 2021, tweet attests:



Also at the Senate hearing, Garland broached the idea of deprioritizing enforcement against cannabis possession after being pressed on ensuring racial equity in the justice system.

Garland enjoys wide bipartisan support and was quickly confirmed after a floor vote.

A Headwind is Removed

Now that he's taken the reins of the Department of Justice (DOJ), Garland is expected to reverse the DOJ's previous antipathy toward the marijuana industry.

In 2020, a DOJ whistleblower testified in Congress that departmental resources were improperly deployed to scrutinize and ultimately hamper marijuana industry mergers.

At a House Judiciary Committee hearing in June 2020, the whistleblower revealed that there wasn't a justifiable basis for the DOJ probes,

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which at the time comprised one-third of the Antitrust Division's cases and caused cannabis companies to submit nearly 6 million documents for agency review. Career staff had recommended against reviewing the transactions but were overruled by political appointees.

Under the Biden regime, the DOJ should no longer be an obstacle to cannabis mergers, which is important for an industry that's rapidly consolidating. Marijuana equities have been soaring lately, in large part due to healthy mergers and acquisitions (M&As) that have allowed many pot companies to get into leaner and fitter financial shape.

Indeed, a shrewd investment strategy is to pinpoint companies likely to embark in M&A activity and invest in them before the news becomes official, to profit from their future momentum.

Garland's views, as expressed in his confirmation hearing, reflect the social and legal mainstreaming of marijuana. An increasing number of states have lifted pot restrictions, and it's likely that the federal government will soon do the same.

Chapter 20

The SAFE Act: When Banks Just Say No

In a watershed moment for marijuana legalization, in September 2020, the U.S. House passed the Secure and Fair Enforcement (SAFE) Banking Act, which is designed to protect banks that accept marijuana business clients from being penalized by federal regulators.

SAFE would help solve the marijuana industry's cash woes, by allowing canna-businesses freer access to financial services. It's not just loans. Without access to banking, marijuana businesses lack the ability to process credit card payments, deposit cash, write checks to suppliers, and other functions they need to perform to remain viable businesses.

Marijuana companies also face hassles with filing their taxes. Unlike most U.S. businesses, which pay electronically or by check, most marijuana-product firms are compelled to pay their federal and state taxes in cash.

Banks are reluctant to conduct financial dealings with cannabis enterprises, because pot remains banned at the federal level. Bankers are wary of unexpected legal liabilities. Lenders are by nature cautious and they worry about a potential regulatory backlash against pot. This dilemma highlights the industry's need for legislation to bring marijuana into the financial mainstream.

SAFE also would undercut the growing black market in marijuana sales and improve the industry's financial transparency in legal cannabis states. The banking industry and top-ranking IRS officials also support passage of SAFE.

The implications for investors are huge: When SAFE finally becomes law, quality marijuana stocks will likely surge.

Don't Fear The (Grim) Reaper

The House passed the marijuana banking bill in the previous session of Congress, but it stalled in the Senate when the chamber was under the control of Sen. Mitch McConnell (R-KY), who is ardently anti-marijuana.

McConnell, who has proudly referred to himself as “The Grim Reaper” for his ability to block popular Democratic bills, currently finds himself in the minority. Now that pro-marijuana Sen. Chuck Schumer. President Joe Biden is expected to sign the bill if it reaches his desk.

Some Bankers Embrace The Cannabis Revolution

Killing time and in the mood for low-brow entertainment, I recently flipped on a re-run of *The Beverly Hillbillies*, the gloriously tacky sit-com from the 1960s that I loved watching as a kid. The plot involved (as usual) the outlandish efforts of banker Milburn Drysdale to keep the Clampetts from accessing their deposits.

It made me think of the cash crunch in the cannabis industry. The banking industry has been treating marijuana entrepreneurs as if they're a bunch of rubes who can't be trusted with money.

Bankers, especially those on the state and regional level, are typically conservative, and they've been leery of the marijuana revolution. But that's changing. The Drysdales of the world are finally willing to grant marijuana companies access to capital.

In a reversal of their previous resistance to marijuana normalization, banking associations from 49 states and Puerto Rico sent a letter on March 6, 2020, to the chairman and ranking member of the Senate Banking Committee, asking them to advance a bill protecting financial institutions that lend money to state-legal marijuana companies.

In the letter to Sens. Mike Crapo (R-ID) and Sherrod Brown (D-OH), the groups declared their strong support for House-passed legislation preventing federal regulators from penalizing banks because they lend to marijuana companies.

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The banking associations urged the U.S. Senate to get moving on a conciliation markup of the Secure and Fair Enforcement (SAFE) Banking Act.

The following tweet tells the story:



Bankers Press Their Case

While more states have moved to legalize cannabis in one form or another, “current federal law continues to prevent banks from safely banking these businesses without fear of federal sanctions,” the associations wrote.

The letter goes on to assert:

As a result, this segment of our local economies is forced to operate on an all-cash basis, which creates serious public safety, revenue administration, and legal compliance concerns in the communities we serve. The impact on our local economies could also prove significant, as revenue paid to unrelated industries that provide products and services to state-authorized cannabis businesses such as law firms, accountants, and contractors is technically money derived from illegal activities, and thus could be considered money laundering.

The groups, which include banking associations representing every state except Kentucky, added that the chronic confusion over existing policy conflicts “raises significant questions” about whether financial

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institutions can serve ancillary businesses that don't directly deal with marijuana but may market products and services used by the industry.

“Without a change to federal law, that entire portion of economic activity in legal cannabis states may be marginalized from the banking system,” they wrote. The SAFE Banking Act “respects state sovereignty and does not facilitate cannabis sales in states that have chosen not to legalize the drug.”

“Although there are admittedly broader public policy questions at play, we ask that you evaluate and address this pressing banking problem, which is within your power to resolve,” the letter concludes. “Doing so will reap immediate public safety, tax and regulatory benefits while Congress continues to grapple with broader decisions about national drug policy.”

Top Cops Push Pot Banking Bill

Until the 1990s, when marijuana laws started to loosen, getting busted for possession of pot in some states carried the potential of a multi-year prison sentence. As a teenager in Massachusetts during the Nixon-Carter era, I witnessed friends getting tossed into the hoosegow just for holding a few joints.

But nowadays, even the nation's top cops are clamoring for the normalization of marijuana laws.

Recent case in point: Three state attorneys general and the top prosecutor for Washington, DC, sent a letter on April 1, 2021, (no, it wasn't an April Fool's Day joke) to congressional leaders, stating their strong support for legislation that would protect banks that serve state-legal cannabis markets from being penalized by federal regulators.

Rep. Ed Perlmutter (D-CO) is the chief sponsor of the Secure and Fair Enforcement (SAFE) Banking Act in the House, while Senators Jeff Merkley (D-OR) and Steve Daines (R-MT) are sponsoring their chamber's version. Both were reintroduced in spring 2021 with significant bipartisan cosponsor lists.

As Rep. Perlmutter puts it: “Thousands of employees and businesses across this country have been forced to deal in piles of cash for far too long.”

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Colorado Attorney General Phil Weiser (D) spearheaded the new letter. His following tweet summarizes the initiative:



The group letter states:

To address an untenable status quo and recognize on the ground realities, we strongly urge the House of Representatives and Senate to promptly take up and act upon the SAFE Banking Act. Our states' ability to protect public safety and properly regulate this new and growing industry depends on Congress enacting this vital legislation.

Without access to traditional financial services, [state-legal marijuana businesses] operate exclusively or primarily in cash, making those businesses targets for criminal activity and hindering efforts to ensure regulatory and tax compliance and track financial flows. This status quo, a rapidly expanding, multibillion-dollar national marketplace without access to the national banking systems, is untenable.

The Republican attorneys general of North Dakota and Ohio, as well as the Democratic attorney general of Washington, DC, joined Weiser in signing the letter.

With cannabis-friendly Democrats in charge of the White House and both chambers of Congress, SAFE's passage seems assured. The support expressed of top law enforcement officials is icing on the cake.

Billions at Stake

Why does passage of the SAFE Act matter for investors? Once SAFE is enacted into law (which I think will eventually happen), thousands of marijuana companies of all types and sizes will have freer access to financial services and capital, easing the industry's cash crunch.

Also with passage of SAFE, tons of money from Big Tobacco, Big Alcohol, Big Pharma, and other large corporations will flood the marijuana industry. Institutional investors will increasingly step up to the plate, too.

A colossal amount of money is at stake. Arcview Market Research and its research partner BDS Analytics estimate that spending on legal cannabis worldwide accelerated in 2019, soaring 38% to \$16.9 billion, and should reach \$31.3 billion in 2022, growing at a 26.7% compound annual growth rate over the five-year frame from 2017. The Arcview/BDS estimates call for a \$57 billion worldwide market by 2027.

Sure, marijuana equities have suffered corrections. But now, you can find worthwhile bargains in the sector. "Canna-billions" are waiting to be made.

That said, there are caveats to marijuana investing. You should steer clear of thinly capitalized marijuana penny stocks that lack significant products in the marketplace.

Investors have indiscriminately thrown their money at marijuana stocks with a lemming-like fervor that's reminiscent of previous market frenzies: Dutch Tulip Mania and the dot.com bubble come to mind. Just as I predicted, marijuana stocks swooned last year. But the strongest ones survived and they're poised to bounce back.

Chapter 21

Washington, District of Cannabis

If the Mayor of the District of Columbia gets her way, tourists will come to Washington, DC, for the monuments, the marbled halls of government, the museums, the historical landmarks, the cherry blossoms... and the legal cannabis.

DC Mayor Muriel Bowser is spearheading a move to legalize cannabis in the District. The Safe Cannabis Sales Act of 2021, introduced February 26, would legalize recreational marijuana sales in the District for people 21 and older. The proposed bill would impose a hefty 17% sales tax on pot sales.

Bowser's bill also seeks to alleviate the damage of previous marijuana law enforcement actions, particularly on low-income communities of color.

"Through this legislation, we can fulfill the will of DC voters, reduce barriers for entering the cannabis industry, and invest in programs that serve residents and neighborhoods hardest hit by the criminalization of marijuana," Bowser said in a press release. *See the following tweet:*



Mayor Muriel Bowser 
@MayorBowser

Today, we introduced the Safe Cannabis Sales Act of 2021 to create an equitable adult-use cannabis program, advance a safer and more just DC, and empower and uplift residents who have been disproportionately affected by the criminalization of cannabis.

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The move in the nation's capital is likely to influence other state and local governments. With Democrats in control of the White House and both chambers of Congress, it's unlikely that the federal government will stand in DC's way, which it has done in the past on a range of issues through appropriations bills. It doesn't matter what DC passes, if the District's overlords in Congress block funding for it.

A Long-Time Goal

A program to tax and regulate marijuana has long been a goal of DC officials. Residents share the sentiment. In 2014, DC voters passed Initiative 71, which allows adults in DC to grow, possess, and gift weed, but not sell it. Since 2014, Congress has prevented DC from allowing the sale of marijuana by attaching a provision to every DC appropriations bill that prevents the District from allocating funds to legalize or regulate marijuana sales.

DC officials and Delegate Rep. Eleanor Holmes Norton renewed their campaign for recreational cannabis sales in 2018, when Democrats seized control of the House of Representatives. That year, Mayor Bowser again submitted a tax-and-regulation bill to the District Council.

The 2021 version of the bill entails additional provisions. Notably, it seeks to reverse the discriminatory effects of the War on Drugs on economically disadvantaged communities and racial minorities. The bill would expunge cannabis-related offenses from an individual's criminal records.

The proposed bill also would also earmark sales tax revenue, roughly \$1 million in fiscal year 2023 and \$2 million in years afterwards, into assisting "social equity applicants and returning citizens" to launch entrepreneurial start-ups. By contrast, Bowser's previous marijuana legalization bill in 2019 directed all sales tax revenue to affordable housing programs.

Bowser's 2021 bill emphasizes job and business creation. It creates a new license category for microbusinesses (defined as cultivators of fewer than 300 plants at a time) and third-party "social equity" delivery

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services. The latter would allow home delivery of marijuana by people who meet certain income and residency requirements.

The measure would require cannabis vendors to get their products tested by an independent facility to track their potency and check for contaminants.

If Bowser's cannabis bill passes the Council, and if Congress doesn't block DC from paying for it (an unlikely event with Democrats in charge of the House and Senate), sales of marijuana could start in the District of Columbia in October 2022.

Meanwhile, adjacent to the District, lawmakers in Virginia sent a marijuana legalization bill to the desk of Gov. Ralph Northam (D) in February 2021. Northam signed it and even bumped up the timeline for legalization to begin on July 1, 2021.

On the other side of DC, lawmakers in Maryland are also considering legalizing recreational cannabis this year. Both Virginia and Maryland already have legalized medical marijuana to varying degrees.

As recent events in the DC region make clear, there's a gold rush taking place in the marijuana market right now. In fact, a group of ordinary individual investors are earning up to \$55,362 a year from one company's marijuana profit-sharing "program."

The DMV: Marijuana's Budding Mecca

Zooming out just a bit on the map, the area affectionately known as the "DMV" — the District of Columbia, Maryland, and Virginia — together make up marijuana's new regional powerhouse.

The area isn't as staid as you might think. I happen to live in Maryland, and I've personally observed medical marijuana dispensaries popping up over the landscape, like toadstools in the rain.

Virginia, Maryland, and the District are contiguous and highly populated, especially the Washington metroplex that spills over into the two states. The region is home to influential consumers with considerable disposable income. These well-heeled denizens along

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the midsection of the Atlantic seaboard represent marijuana's next big growth opportunity.

The Virginia General Assembly in February 2021 passed a bill that legalizes adult-use (i.e., recreational) marijuana. Legalization of recreational pot is pending consideration in DC and Maryland. Virginia, Maryland, and DC already allow medical marijuana dispensaries.

The financial stakes are huge and bode well for the entire marijuana industry. Marijuana research firm New Frontier Data estimates that annual sales of cannabis in existing legalized medical markets in Virginia and the District of Columbia will reach a combined \$119 million by 2025. If the proposed adult-use laws pass in those two places, the marijuana market could be vast.

Tobacco farmers in southern Virginia have been hit hard by declining sales of tobacco products, in a state where tobacco was historically the major cash crop. Now new cash crops, in the form of marijuana and hemp, are dethroning King Tobacco. Unlike several other states where marijuana is legal, the Virginia law specifically says that licensed cultivation is legal everywhere in the state. The Old South is turning over a new leaf.

Maryland's Marijuana Mojo

On the other side of the Potomac, an increasing number of lawmakers in Maryland got behind a bill to legalize recreational cannabis in 2021. The bill allowed people to possess up to four ounces of pot for personal use. Smoking in public would carry a \$50 fine. The bill's sponsors claimed that legalizing pot in Maryland would generate \$300 million a year in additional economic activity in the state.

The bill would have established a graduated excise tax from 10% in 2022 up to 20% in 2027. Local jurisdictions could impose an additional 3% sales tax. In 2012, a state law was enacted to establish a state-regulated medical marijuana program.

Unfortunately, the Maryland General Assembly session drew to a close before the bill could be passed. Still, the unprecedented support among Maryland's lawmakers has the bill's proponents hopeful for 2022.

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State-level lawmakers of both parties are smart enough to read the public opinion polls on marijuana. Americans of all stripes have embraced legalization.

Notably, a Gallup poll last November showed that 68% of Americans support marijuana legalization. Majorities of most demographic sub-groups of Americans support legalizing marijuana, including by gender, age, education and household income.

Gallup first gauged the public's views of marijuana legalization in 1969, when Richard Nixon was president and getting ready to wage what he called a "War on Drugs." Back then, only 12% of Americans supported normalizing pot laws.

As recent developments in the Mid-Atlantic region make clear, there's a gold rush taking place in the marijuana market.

Chapter 22

Start Spreading the News: Legal Pot Coming to NY

Start passing the spliff,

Pot's legal today.

Weed's gonna make a brand-new start of it,

In ol' New York...

Apologies to Frank Sinatra. Marijuana wasn't Frank's anodyne of choice. But his iconic anthem "New York, New York" comes to mind right now, as the state of New York gets ready to legalize recreational marijuana. I had some fun with the lyrics, but serious business is at stake.

Marijuana legalization is on a fast track in New York State. Cannabillions are up for grabs. According to Grandview Research, New York's marijuana market could be worth \$7.07 billion by 2025, up from \$1.8 billion in 2018. Former Governor Cuomo's administration estimated legalization could bring the state about \$350 million every year in tax revenue. Just in New York City alone, legalizing marijuana could rake in tens of millions for the city budget through taxes.⁴²

As with California, New York is a cultural and economic bellwether. Marijuana legalization in New York will probably encourage other states to take similar actions, especially when Cuomo's counterparts have witnessed the jobs and tax revenue generated by legalization.

42 "New York Cannabis Market Size, Share, and Trends Analysis Report by Cannabis Type (Medical, Recreational), by Product (Buds, Oils, Tinctures), by Medical Application (Chronic Pain, Mental Disorder, Cancer), and Segment Forecasts, 2019–2025," Grandview Research, July 2019.

Chapter 22: Start Spreading the News: Legal Pot Coming to NY

After weeks of negotiation between Cuomo and lawmakers in the Assembly and Senate, the new legislation to legalize marijuana in New York was released. Called the Marijuana Regulation and Taxation Act (MRTA), the bill legalizes the production, distribution, and use of marijuana.

The MRTA removes marijuana and marijuana products from New York's Controlled Substances Act and allows for the regulation of marijuana under the supervision of the Liquor Authority of New York State. The legislation will regulate the distribution and use of marijuana and marijuana products similar to the way alcohol and tobacco are regulated.

The bill states: "The MRTA restricts vertical integration to provide the maximum amount of space for new companies to develop and contribute to a New York-focused market. Similar to New York's craft wine and beer industry, which has seen phenomenal growth, the MRTA also encourages small-scale production and sale via micro-license."

Use of cannabis is legal in New York State for medical purposes, whereas recreational use is not. Cuomo long pushed for adult-use legalization.

Upon release of the bill's details on March 27, Cuomo emphasized the social justice aspect:

For generations, too many New Yorkers have been unfairly penalized for the use and sale of adult-use cannabis, arbitrarily arrested and jailed with harsh mandatory minimum sentences.

After years of tireless advocacy and extraordinarily hard work, that time is coming to an end in New York State. Legalizing adult-use cannabis isn't just about creating a new market that will provide jobs and benefit the economy, it's also about justice for long-marginalized communities and ensuring those who've been unfairly penalized in the past will now get a chance to benefit. I look forward to signing this legislation into law.

Chapter 23

Marijuana Investing: Think Globally

As a marijuana investor, you need to be cosmopolitan. Pot isn't just a significant investment opportunity in the United States. The "green rush" is a global phenomenon.

According to a new report from Research and Markets, the global cannabis market is estimated to have reached sales of USD 20.5 billion in 2020 and it's projected to reach USD 90.4 billion by 2026, posting a five-year compound annual growth rate of 28%.⁴³ North America accounted for the largest market share in the cannabis market due to the increasing legalization of cannabis for both medical and recreational purposes across the region.

Marijuana is legal in Canada and in an increasing number of states in the U.S. Bills are pending in the U.S. Congress to remove the federal ban. Mexico legalized the private use of marijuana on the federal level. Pot is legal nationwide in Uruguay.

European countries are jumping aboard the legalization bandwagon. Medical marijuana is legal in Britain, which also is home to major marijuana biotech firms. Cannabis in Germany is legal for certain limited medical uses, but illegal for recreational use. In France, pot is illegal for personal use, but limited types of cannabis-infused products are permitted for medical

43 "Global Cannabis Market by Application (Medical, Recreational), Product Type (Flowers, Concentrates), Compound (THC-dominant, CBD-dominant, Balanced THC & CBD), and Region (North America, South America, Europe, RoW) – Forecast to 2026," Research and Markets, February 2021.

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uses. Proposed laws are pending throughout Europe to completely legalize pot for recreational and medical uses.

Research and Markets estimates that Europe will be the fastest growing region over the next five years for marijuana consumption and sales. A major reason is the region's relative social tolerance, as well as nationalized health care systems that more readily make subsidized medical pot available to citizens.

As for other regions and countries, the inexorable move is toward legalization, but to varying degrees and speeds. The following maps, compiled with data from various government sources, gives you a quick overview of the global situation:

In the summer of 2021, Mexico approved a law lifting its national ban on cannabis. The move made Mexico the world's most populated country to authorize cannabis for medical and recreational purposes. It also made it the biggest producer of weed.

In October 2018, Canada legalized on the federal level the possession and use of recreational marijuana. Canada was the first G7 nation to take this bold step and it triggered a seismic shift in the worldwide marijuana industry.

When it legalized weed, Canada attracted an investor frenzy. Many marijuana companies are based in Canada and trade on the Toronto exchange, because Canada is widely perceived as "ground zero" for marijuana expansion. But things haven't gone as planned.

Welcome to the great Canadian buzzkill, whereby marijuana sales and stock prices have fallen. The Canadian market isn't just suffering from overinflated expectations. As new and cheaper markets (e.g., Mexico) enter the global fray, Canada is expected to continue losing business.

The Lessons for Investors

The let-down in Canada is instructive for marijuana investors. You need to pick marijuana stocks for their fundamentals, not because of an enticing narrative. Canada was all the rage among marijuana adherents two years ago; Latin America is economically resurgent. Stretching from

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the northern border of Mexico to the southern tip of South America, Latin America is home to more than 630 million people.

Emblematic of the region's resurgence is Mexico. If you're worried that bellicose rhetoric in America toward Mexico will dampen that country's prospects, don't be.

You don't hear much about Mexico's growing economic power in the mainstream media. Cable news is preoccupied with the illegal immigration debate. However, Mexico's export-driven economy is a powerhouse.

Mexico is the world's fourth-largest auto exporter. Surprised? It's also the eighth-largest producer of oil. Mexico manufactures and exports the same amount of goods as the rest of Latin America combined.

Mexico boasts an ascendant middle class. It's true, more and more Mexicans are crossing the border... but it's to leave the U.S. That's another big trend the media doesn't cover.

Mexico enjoys plentiful natural resources, a highly literate population, a diversified manufacturing base, and an abundant agricultural export market. Legal marijuana in Mexico would enjoy a giant consumer base.

Mexico's marijuana bill leaves the door open to imports and exports of marijuana products. Analysts estimate that marijuana production is five times cheaper in Mexico than in the U.S. Marijuana companies based in Canada and the U.S. already are seizing the moment by investing in future Mexican production.

Mexico's legalization of cannabis would come more than two years after Canada authorized the possession, sale and distribution of the product.

Canada is a leader in the marijuana revolution. In October 2018, the Great White North legalized on the federal level the possession and use of recreational marijuana. Canada was the first G7 nation to take this bold step and it triggered a seismic shift in the worldwide marijuana industry.

With a population of 130 million, Mexico would be the world's largest market for legal marijuana, followed by Canada, with a population of 38

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million. In 2013, Uruguay was the first country to legalize production, consumption, and sales of marijuana.

When Mexico takes the same step, it will leave America wedged between two countries in which marijuana is legal on the federal level. The impetus to legalize pot in the U.S. just got stronger. Now it's getting upstaged and a lot of investors are left holding the bag.

Part IV

The COVID Black Swan

Go figure! It took a “black swan” event, in the form of the coronavirus pandemic, to reveal the inherent strengths of the marijuana industry.

I get annoyed whenever I hear a pundit on financial television refer to the coronavirus as an “unexpected black swan.” It usually prompts me to yell at the TV.

Let’s get our definition straight: *by its very nature, a black swan is unexpected.* A black swan is a shocking surprise that triggers catastrophic consequences. Examples include the September 11, 2001, terrorist attacks, and the 2008 financial meltdown.

Swans are usually white, of course, and black versions of the bird are rarities. Hence the metaphor. No one has modeled a black swan event in their projections, nor have they prepared for one.

The still-unfolding coronavirus outbreak is a human tragedy on a global scale, but it’s an ill wind that blows nobody any good. As a multitude of businesses have been ruined by the pandemic, the marijuana industry has actually benefited from this particular black swan.

No one could have predicted that government leaders would one day classify cannabis companies as providers of “essential services,” going so far as to allow curbside delivery of recreational and medical pot.

Nor was it conceivable, before the pandemic struck, that long lines would extend for several city blocks outside of marijuana dispensaries across the nation, as anxious consumers hoarded marijuana.

Chapter 24

Marijuana, the New Consumer Staple

In a surreal sight that I never could (never) have (been) imagined, anxious buyers wearing face masks are forming long lines at thousands of legal marijuana dispensaries around the country, with the goal of stockpiling pot. These consumers fear that the coronavirus pandemic will kill not only people but also marijuana supply.

To quote *The Grateful Dead*: What a long, strange trip it's been.

In a clear sign that marijuana has become a mainstream consumer product, several states and localities have deemed recreational and medical pot as “essential,” amid a coronavirus pandemic that's devastating the retail industry as a whole. Accordingly, pot sales surged to record highs amid the outbreak.

The marijuana sales trend continues to gather momentum as the coronavirus spreads. The official embrace of pot as essential is a tectonic cultural shift that should cheer marijuana investors.

According to the marijuana research web site Kryptoszene, online and physical retail cannabis sales in the U.S. rose roughly 90% in March 2020, compared to February. Cannabis companies reported sales increases on 22 out of 26 days in that month. Online retailers of cannabis products recorded a 66% increase in demand in the second week of March, compared to the previous week. Kryptoszene says these are record sales numbers for marijuana.⁴⁴

44 Raphael Lulay, “Rising Cannabis Demand in Eye of the Coronavirus: Sales Up to 90%,” Kryptoszene, April 1, 2020.

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As the coronavirus pandemic has crippled social and economic life in the United States, consumers have flocked to marijuana to treat their ailments or to relieve the stress of quarantine. Many were hoarding weed, worried that the health crisis will cause supply to dry up. As I'll explain below, the fear of a marijuana shortage was unfounded.

The Disconnect with Equities

You might assume that this surge in buying boosted marijuana stocks. You'd be wrong. Paradoxically, the shares of publicly traded companies in the marijuana sector weren't getting the full benefit.

One factor behind the disconnect was previous overproduction. During the marijuana boom that created the pot stock bubble in 2019, cannabis companies got too ambitious and boosted production to unsustainable levels.

Many of these companies were sitting on huge stockpiles, as well as considerable financial debt. Tons of cannabis lying around in warehouses, unused.

But these inventory levels were getting whittled down, as coronavirus panic drove greater consumption. The crisis helped restore supply-and-demand equilibrium, which should benefit marijuana investments over the long haul.

Needful Things

The coronavirus crisis also brought another benefit to the marijuana industry: it helped cement its status as a mainstream business.

According to a new poll, a majority of Americans believe that medical cannabis dispensaries should be kept open as "essential services" amid the coronavirus pandemic.

Research group YouGov conducted the new online poll, which involved nearly 5,400 people, on March 20, 2020. Fifty-three percent said medical cannabis providers should be regarded as essential, 26% said they shouldn't, and 21% said they didn't know.

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As state and city governments across the U.S. contended with the coronavirus outbreak, officials had to make tough determinations about which businesses are critical enough to remain open and which should be temporarily shuttered. Retailers in a broad range of niches were forced to shut down.

And yet, marijuana won the day. In many states with legal access to medical cannabis, including California, Colorado, Illinois, Maryland, and New Jersey, officials determined that marijuana dispensaries were, in fact, essential services that could continue to operate. That represented a massive attitudinal shift from the old paradigm during the War on Drugs, when marijuana was viewed by the establishment as “the devil’s weed.”

But it’s not just medical. Many states had also bestowed the “essential” designation on recreational marijuana stores. To foster social distancing, some of these stores have implemented curbside pickup.

More Vital Than Food?

Marijuana: folks gotta have it! Even during the coronavirus outbreak, society deemed pot an essential item for daily living. Indeed, in a new study taken in March 2020, a surprisingly high percentage of pot users said that marijuana is more important than face masks... or even food.

Those are the startling conclusions of the pandemic study, conducted by AmericanMarijuana.org, a highly reputable medical marijuana research site. The bullish pro-weed sentiments expressed in the survey should encourage investors and serve as a reminder that the popularity of pot is no mere “fad.”⁴⁵

The coronavirus pandemic fostered consumer panic, prompting the hoarding of foods, toiletries, and other basic necessities. But how did COVID-19 affect marijuana consumers? Let’s drill down into the survey for insights.

45 Dwight K. Blake, “Marijuana Use Amidst the COVID-19 Pandemic: New Data From Study of 990 U.S. Marijuana Consumers,” AmericanMarijuana.org, May 25, 2020.

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Major takeaways:

1. Across the board, the surveyed U.S. marijuana consumers preferred food, face masks, hand sanitizers, and toilet paper over marijuana if they had to choose among these items.
2. Among these necessary items during the COVID-19 pandemic, a surprising 28% of the 990 participants would have preferred marijuana above face masks.
3. It's also stunning that 5% of the same participants valued marijuana above food. I'm not sure how forsaking food for marijuana would work in practical terms, but it testifies to pot's deep popularity.

Major takeaways:

1. 49% of participants hoarded marijuana products during the coronavirus pandemic while 51% didn't.

In a clear sign that marijuana has become a mainstream consumer product, several states and localities deemed recreational and medical pot as “essential,” amid a coronavirus pandemic that devastated the retail industry as a whole. Accordingly, pot sales are surging to record highs amid the outbreak.

As the coronavirus pandemic cripples social and economic life in the U.S., consumers flocked to marijuana to treat their ailments or to simply relieve the stress of quarantine. Many hoarded weed, worried that the health crisis will cause supply to dry up.

Major takeaways:

1. 55% of those stocking pot said they did so to calm themselves during the coronavirus outbreak. Meanwhile, 22% of them didn't even care about the pandemic but just wanted to stock up on some marijuana to relax at home.
2. The other 23% stocked up on marijuana because they feared a pandemic-induced marijuana product shortage.

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To collect the data shown above, AmericanMarijuana.org surveyed 990 respondents in March who were U.S. marijuana consumers. The above data represents salient excerpts of the longer results.

The study underscored an investment truism: Invest in products that people will always want, in good times or bad. And when it comes to providing a product that people crave the world over, marijuana certainly passes the test.

A Consumer Staple

Separate studies also reveal the “mainstreaming” of pot. According to a recent YouGov poll, a majority of Americans believed that medical cannabis dispensaries should be kept open as essential services amid the coronavirus pandemic.

What’s more, new statistics revealed that seniors are by far the fastest-growing pot demographic in the United States. Grandma and grandpa are flocking to marijuana, both for medicinal and recreational purposes.

The increasing legalization of recreational and medicinal marijuana is one of the biggest business trends today. Pot is becoming a multibillion-dollar industry, with profound implications for consumer society.

As the marijuana industry grows, it will revitalize communities and businesses that have been devastated by the coronavirus pandemic, by creating more jobs for citizens of varied educational levels and skill sets. As legalization spreads throughout the U.S., it will spawn new industries, a need for product innovation and force existing companies to rethink their products and services.

The COVID-19 pandemic is re-shaping our economy and consumer behaviors in ways that are beneficial for the marijuana industry. The crisis has helped cement marijuana’s status as a mainstream business.

COVID Fuels Pot Hoarding

Many businesses are struggling because of the coronavirus pandemic, but it's an ill wind that blows nobody any good. And that wind carries the pungent aroma of marijuana.

Legal marijuana sales in several states soared during the pandemic, as quarantined consumers stockpiled recreational and medical marijuana. Many states and cities designated marijuana dispensaries as “essential businesses” and allowed them to stay open, even as a wide variety of other businesses were shuttered by government fiat.

With restaurants, bars, and movie theaters closed, consumers turned to marijuana, which they could legally enjoy in their homes. Amid travel restrictions and the shunning of airlines, consumers flew by other means.

During the pandemic, around the globe, images began appearing on news sites and social media of long lines outside of dispensaries. Marijuana products of all types were flying off the shelves. Dispensaries reported sales surges of anywhere from 20% to 50%, as virus-rattled marijuana users went on a buying binge.

With many consumers afraid of leaving the house because they might get sick, dispensaries that provided home delivery experienced their best business ever. The coronavirus was a “black swan” event that devastated most industries, but it turned out to be a lucky break for the marijuana sector, coming just when cannabis needed a catalyst for growth.

It's an old investment adage: During downturns or crises, so-called sin stocks (alcohol, tobacco, etc.) tend to outperform. Cannabis is no exception. Meanwhile, the demand for novel health treatments won't abate regardless of the economic cycle, lifting medical marijuana stocks.

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Recreational pot sales in major marijuana markets such as Colorado, Oregon, California, Washington state, and Nevada spiked in 2020, according to data by cannabis analytics company Headset.⁴⁶

Let's look at the world's biggest marijuana market, California. As the following chart shows, increased sales of recreational marijuana resulted in lower inventory levels.

According to Headset, both genders drove major increases in marijuana spending, but females have accounted for more than double the sales growth of males. Males make up about two thirds of cannabis spending. It appears that females were more likely to feel a sense of urgency to stock up during the pandemic.

To be sure, the coronavirus pandemic has proven an impediment to marijuana legalization efforts, as legislatures closed down and lawmakers became preoccupied with stemming the outbreak.

But those legalization efforts will resume, now that the pandemic is waning. In the meantime, consumer anxiety proved good for the marijuana sector's top and bottom lines.

Hoarders Get Busy

It's not just recreational marijuana. Consumers around the country also stocked up on medical marijuana, because they fear shortages. During a pandemic, people don't just hoard toilet paper and light bulbs. They also stock up on pot, especially if weed is necessary to treat an illness or alleviate pain.

Several medical cannabis groups pressured state and local governments to allow cannabis dispensaries to stay open during the coronavirus pandemic, as if they were regular pharmacies. There were concerns that already beleaguered cannabis companies would go out of business if

⁴⁶ Liz Connors, "Daily Updates on the Coronavirus and Its Effects on Cannabis Markets," Headset, May 12, 2020.

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forced to close because of the virus, depriving patients of the medical pot that they needed.

This burst of COVID19-triggered pot sales was also a victory for government officials who have feared the encroachment of underground illegal sales. The flexibility shown by states and localities in allowing pot shops to remain open during the pandemic, in some places around-the-clock, was a blow to the marijuana black market.

These sales trends came as welcome news for struggling dispensaries, some of which suffered a cash crunch as consolidation and falling equity prices wrack dispensary chains. This sudden infusion of sales, many for home delivery, threw a lifeline to struggling pot retailers.

Indeed, many dispensaries reported 24-7 orders from quarantined consumers, who requested home delivery or curbside service. A slew of states and localities allowed special “contactless” curbside delivery during the pandemic. These sales boosts lifted beaten-down share prices of publicly traded pot companies.

Chapter 25

At the Corner of Main Street and High

During the COVID-19 pandemic, “ganja-preneurs” reached out to elected officials for help.

A coalition of marijuana industry associations sent a letter to U.S. governors and state treasurers in April 2020, requesting their assistance in obtaining financial relief that marijuana businesses were being denied by the federal government amid the coronavirus pandemic.

The letter emphasized that marijuana companies (most of them small in size) were keeping thousands of people employed, despite the virus-induced slump in overall employment. That’s largely because many states and localities deemed marijuana companies essential services.

Cannabis dispensaries provided recreational and medical marijuana for consumers around the country during the coronavirus crisis, causing a surge in pot sales despite the recessionary contraction for a wide swath of other industries.

In April 2020, Congress passed the CARE Act, a \$2.2 trillion fiscal spending package that provided a lifeline to families and businesses most affected by the coronavirus. Business leaders argue that more needed to be done.

Despite this, the cannabis industry was specifically ineligible for federal disaster loans and other relief programs because of marijuana’s continuing status as an illegal controlled substance on the federal level. The groups said the treasurers could provide assistance in that regard.

The letter stated:

Like all essential businesses, cannabis businesses are facing significant uncertainty and costs to provide for our employees and to maintain the medical supply chain during this pandemic. Yet, unlike every

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other essential business, there is an underlying federal-state tension which puts our businesses in a uniquely vulnerable and dire operational and financial position. This is particularly true of our small and minority-owned businesses.

Seeking Access to SBA Help

The letter asked state officials to encourage congressional delegations to insert language into future COVID-19 legislation that would allow marijuana companies to access federal Small Business Administration (SBA) relief loans and disaster assistance. The letter also asked these officials to consider creating state-level lending programs for the industry. The letter went on to assert:

Although cannabis businesses operate in strict compliance with state law and comply with a broad range of federal mandates, including paying federal corporate taxes at a much higher effective rate than other businesses due to a quirk in the tax code, their activity is still considered illegal under federal law. This creates all kinds of hardship, including this current prohibition on SBA assistance.

The National Cannabis Industry Association, Marijuana Policy Project, Minority Cannabis Industry Association, Cannabis Trade Federation, National Cannabis Roundtable, and Global Alliance for Cannabis Commerce each signed the letter.

Although scores of dispensaries reported a surge in pot sales during the coronavirus pandemic, their business practices were greatly affected by the pandemic. The virus caused considerable supply chain and regulatory uncertainty and altered the way pot shops interact with customers.

As the number of jobs in canna-business grows, politicians are more likely to push for legalization. Marijuana is becoming entrenched as a mainstream business, with more and more families across the country depending on Mary Jane for a paycheck. And politicians are getting addicted to the state and local tax revenue, too.

Chapter 26

Marijuana: A Pandemic “Winner”

Last December, I needed a few last-minute Christmas gifts. Against my better judgment, I drove to the local bricks-and-mortar shopping mall. The jarring experience underscored for me the ruthless economic changes wrought by the coronavirus pandemic.

Once a bustling retail center, the mall resembled a post-apocalyptic wasteland. Most of the store windows were boarded up with plywood. A handful of dispirited, mask-wearing shoppers ambulated like zombies. I’m convinced the mall will never bounce back.

COVID-19 has spawned a set of economic winners and losers. The pandemic-caused economic crisis has generated concentration within industries that’s Darwinian.

What’s a big economic winner of the pandemic? This might surprise you, but the answer is, marijuana. Let me explain in greater detail and show you how to profit.

The pervasiveness of the digital work-at-home economy during COVID-19 benefits Big Tech and a certain well-educated stratum of society. This trend will sustain its momentum in the post-pandemic world. In the words of futurist Alvin Toffler: “Technology feeds on itself. Technology makes more technology possible.”

However, the growth of technology isn’t enough to sop up the massive unemployment within sectors that have undergone accelerated obsolescence during the pandemic.

We’re witnessing “creative destruction,” with the emergence of a two-tier economy. In addition to marijuana, the winners include technology, health services, e-commerce, and renewable energy.

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Meanwhile some sectors, notably hospitality, travel, fossil fuels, and brick-and-mortar retailing, are taking it on the chin. It will take many months for the worst hit industries to recover, even after the virus is contained. Many companies and entities (e.g., the aforementioned shopping mall) will go bankrupt and disappear forever.

The economic transformation goes deeper than you probably imagined. For example, it's common knowledge that robots are replacing low-wage assembly line workers. But thanks to artificial intelligence, robots are also becoming our bosses. Well-paid human managers in factories, warehouses, call centers, and other operations are getting the boot in favor of intelligent machines.

The trick for investors, of course, is to migrate away from the losers in the new economy and toward the winners.

Pandemic Paradox: COVID Hurts Economy, Helps Pot

In my head as I write, I keep hearing the musical refrain: "Everybody must get stoned." Those words, penned by Nobel Prize Laureate Bob Dylan, seem to be the anthem of millions of Americans amid the pandemic. The coronavirus is wrecking the economy and throwing people out of work, but it's been a lifesaver for the beleaguered pot industry.

Call it the Great Pandemic Paradox. The COVID-19 outbreak is simultaneously creating a recession and fueling marijuana sales, as anxious consumers hoard weed, and several states deem marijuana companies "essential services" that can remain open. Cannabis has gone from illicit substance during Dylan's heyday to an officially sanctioned, must-have item.

Now that lockdowns are easing, marijuana consumption is on track to maintain its momentum as recreational and medicinal pot products increasingly become everyday routines. Marijuana equities that swooned in 2019 are bouncing back and should sustain their rally, as the accelerating use of marijuana lifts the industry's revenues and profits.

Chapter 26: Marijuana: A Pandemic “Winner”

Oregon is an instructive case study. An Oregon Office of Economic Analysis report released in 2020 reveals that marijuana sales have skyrocketed during the coronavirus outbreak.

The report states:

Marijuana sales during the pandemic have been quite strong. The dollar amount of recreational sales since March 1 are up 60% relative to a year ago. These increases are not only related to the stockpiling consumers did after the sheltering in place policies were enacted, but have continued through April and early May.

As the number of jobs in canna-business grows, politicians are more likely to push for legalization. Marijuana is becoming entrenched as a mainstream business, with more and more families across the country depending on Mary Jane for a paycheck. At the same time, politicians are getting addicted to the state and local tax revenue.

That’s all welcome news for marijuana investors, many of whom remain rattled by the correction in pot stocks that occurred in late 2020. But the shakeout is over, with the survivors on firm footing and employing masses of people.

For illumination let’s turn to another state, New Mexico. The governor of New Mexico emphasized in May 2020 that the state needs to explore every option for economic relief, including the passage of marijuana legalization.

In a livestream town hall last week updating residents on the state’s coronavirus response initiatives, Gov. Michelle Lujan Grisham (D) was asked whether she was in favor of the state legislature passing marijuana legalization during an upcoming special session to generate tax revenue to offset financial shortfalls created by COVID-19.

Grisham asserted yes and added that if lawmakers had heeded her and legalized adult-use marijuana this year, the state probably wouldn’t have had to cut several programs amid the pandemic’s economic damage.

As Grisham put it: “If we want economic support and economic relief, then we have to use every economic idea. And I want to point out also that the vast majority of New Mexicans favor recreational cannabis.”

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Many thinly capitalized players grew absurdly overvalued in the lead up to Canada's legalization of marijuana in 2018. The bubble expanded until it finally burst in late 2019.

During marijuana's go-go days in 2018 and 2019, faddish companies opened ornate headquarters, threw lavish parties, and launched costly but ineffectual marketing. They burned through cash, made dubious acquisitions, and took on too much debt. Their hipster CEOs would appear on CNBC to make hyperbolic promises that their companies couldn't keep.

The weakest marijuana firms have seen their market values plunge. Many have gone belly up. Some were "pump-and-dump" schemes to begin with.

In the fickle marijuana sector, careful stock selection is all the more important. This year and beyond, the winners in the marijuana sector will boast prudent management and solid balance sheets, particularly biotechs with proven or promising products.

Cannabis investments confer market-beating potential, and they're a must for your portfolio. But the key is finding the *right* pot stocks. Some cannabis stocks are stellar investments. But as the marijuana correction last year showed, vulnerable pot stocks are portfolio killers. As always, you need to conduct due diligence.

Part V

Say Hello to Hemp

In the words of Thomas Jefferson, third American president and avid hemp farmer: “Hemp is one of the greatest, most important substances of our nation.”

Hemp is the strongest natural fiber in the world and boasts up to 50,000 uses, many of them in the industrial sector. Hemp also conveys several food, beverage, health, and personal care applications.

What’s the difference between marijuana and hemp? “Cannabis” is a genus of flowering plants that includes the primary species *cannabis sativa*. Both hemp and marijuana are strains of the *cannabis sativa* species.

Cannabis the drug and hemp the industrial product both contain THC. However, hemp is naturally high in cannabidiol (CBD) and low in THC; the reverse is true of other cannabis variants such as marijuana.

Growing industrial hemp became illegal in the 1970s when the federal government strengthened the criminal code on marijuana and related products. Hemp got caught up in the “War on Drugs,” but it contains very little of the psychoactive component tetrahydrocannabinol (THC) found in marijuana that makes people high. Activists are now taking a wrecking ball to the prohibitionist laws of the past.

The Financial Crimes Enforcement Network (FinCEN), which is part of the U.S. Treasury Department, explained that the update is designed to amplify previous guidance the agency provided after the federal legalization of hemp under the 2018 Farm Bill. The new memo fleshes out new reporting requirements with the goal of expediting the hemp industry’s access to capital.

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FinCEN made it clear that because hemp is no longer a controlled substance, financial institutions aren't required to automatically flag transactions that derive from hemp business accounts.

FinCEN wrote:

This guidance explains how financial institutions can conduct due diligence for hemp-related businesses and identifies the type of information and documentation financial institutions can collect from hemp-related businesses to comply with [Bank Secrecy Act] regulatory requirements. This clarification is intended to enhance the availability of financial services for, and the financial transparency of, hemp-related businesses in compliance with federal law.

Nonetheless, FinCEN did assert in the new guidance that circumstances exist whereby reporting would be required for hemp companies. It provided four scenarios:

1. If a customer appears to be involved in marketing hemp in a state or territory where it remains illegal.
2. If a customer “appears to be using a state-licensed hemp business as a front or pretext to launder money derived from other criminal activity or derived from marijuana-related activity that may not be permitted under applicable law.”
3. If a customer seems to be involved in the hemp market in order to “conceal or disguise involvement in marijuana-related business activity.”
4. If a customer is “unable or unwilling to certify or provide sufficient information to demonstrate that it is duly licensed and operating consistent with applicable law.”

The hemp industry has another advantage: it's recession-resistant. As the coronavirus pandemic clobbers the economy, hemp growers and processors report increasing demand for a product that consumers view as a staple.

Say Hello to Hemp

What's more, hemp companies are well-accustomed to the financial difficulties that companies in other industries now face because of the pandemic. For many hemp operators, cash flow crunches and insistent creditors are old hat.

Many investors neglect hemp and focus on marijuana. That's a lucky break for the contrarian investor.

Consumers are starting to realize that hemp confers many health benefits. The plant is an abundant source of omega-3 and omega-6, proteins, and amino acids. These nutrients assist with cardiac function, mood stability, insulin balance, and skin and joint health. Companies in the consumer foods, health services, and cosmetics industries are taking notice and increasingly infusing their products with hemp.

Hemp is becoming a nationwide health fad, with the friendly help of a federal government that once banned it. Thomas Jefferson would approve.

Chapter 27

CBD: The Race For “Cannabis 2.0” Just Got Faster

As a college student during the 1970s, I was indoctrinated with the cult-like tenets of the natural foods movement. Artificial was bad. Natural was good. And yes, I ate a lot of tofu.

But when I graduated and entered the workforce, I traded my Birkenstock sandals for wing tips. And I learned to recognize that artificial versus natural isn't a stark distinction between good versus bad.

In this chapter, let us praise the artificial... specifically, synthesized cannabis. For millennia, human beings have been compelled to improve on nature. This tendency is now one of the biggest trends in the marijuana industry. As I'll explain, the federal government recently gave the pursuit of artificial marijuana a big boost.

Don't forget a basic fact: marijuana is just a plant. It's a commodity. As such, growing marijuana or squeezing various oils from the plant aren't the surest ways to profit from the “green rush.”

As legal restrictions against marijuana are increasingly removed, the weed is becoming commoditized and subject to downward price pressures. The most profitable companies in the marijuana industry will be those that develop a proprietary technology that they can patent.

It's a cycle we've seen inevitably unfold in countless other industries. The spoils go to the innovators with breakthrough technologies that disrupt the status quo. The future of marijuana belongs to the disruptors.

Hence the race for Cannabis 2.0. Many pharmaceutical companies, large and small, are currently researching and developing ways to synthesize cannabis for medical and recreational purposes. Synthetic cannabidiol (CBD) is chemically identical to plant-based CBD, but the synthetic version confers enormous scientific and commercial advantages.

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In a new report released May 26, 2020, marijuana research firm New Frontier Data revealed the following trends about CBD:

- More than one-third (39%) of consumers utilize CBD primarily for pain management.
- Slightly fewer than half of medical consumers (46%) have discussed CBD with a physician.
- 1 in 4 pain management, general wellness, and recreational consumers, respectively, claim to have tried CBD once or twice.
- Nearly 9 out of 10 (88%) among CBD consumers reported that they have friends or family members who use CBD.
- Among CBD consumers, 84% report that CBD was recommended to them by someone they know.

Cannabis contains more than 80 biologically active chemical compounds. The most commonly known compounds are delta-9-tetrahydrocannabinol (THC) and CBD.

THC is the element that produces the marijuana “high,” which has in turn kept cannabis illegal on the federal level in the U.S.

Cannabis the drug and hemp the industrial product both contain THC, but they are distinct strains with unique chemical compositions and uses.

Hemp is naturally high in CBD and low in THC; the reverse is true of cannabis. Hemp is the strongest natural fiber in the world and boasts up to 50,000 uses.

CBD and The Power of Family

My 90-year-old father is afflicted these days with myriad ailments. He recently asked me whether cannabidiol (CBD) could help with his muscle pain and if so, whether I could procure a supply for him.

So here was my dad, a card-carrying member of the Scotch-and-soda generation, asking me to score a cannabis-derived product. My 88-year-old mom piped in with a similar question about CBD, regarding her

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arthritis. I provided them with medical brochures about CBD's efficacy and counseled them to first speak with their doctor.

This interaction with my parents is strong anecdotal evidence that CBD has gone mainstream and its growth potential is enormous. (It's ironic in the context of my teenage years, when my mother would ransack my bedroom like a prison guard, looking for cannabis contraband.)

Cannabis contains more than 100 biologically active chemical compounds, known as cannabinoids. The most commonly known cannabinoids are delta-9-tetrahydrocannabinol (THC), which produces the "high," and CBD.

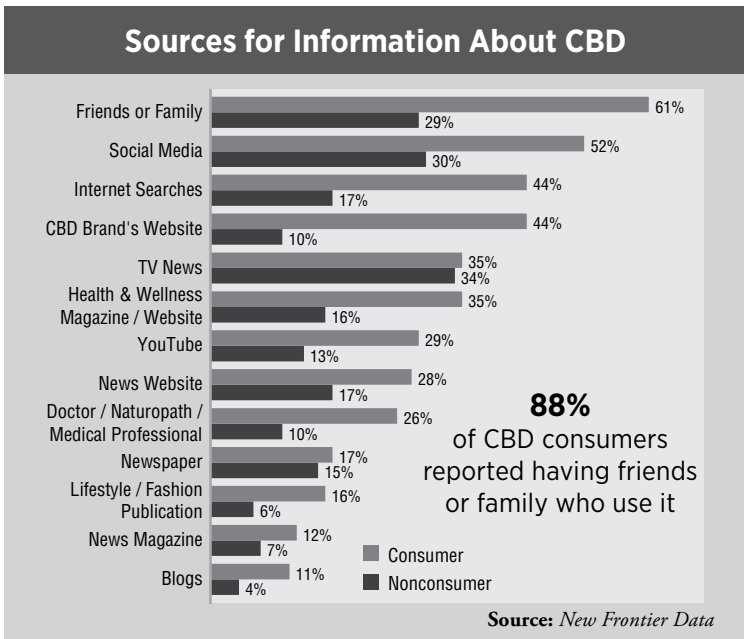
CBD accounts for up to 40% of the cannabis plant's extract. Unlike its cousin THC, CBD doesn't give users a buzz.

CBD has become a hot topic, and people of all ages and demographics are talking and sharing opinions about the substance. Everyday conversations forge consumer perceptions and beliefs, regardless of the product. For CBD, the social network is especially important.

Therein lies a marketing opportunity for cannabis companies. CBD providers that tap into the personal touch and generate word-of-mouth about CBD are benefiting the most. What's more, those that wrap themselves in the warm and fuzzy embrace of celebrity influencers, such as style doyenne Martha Stewart, will have the advantage in the marketplace.

The power of social networks is a fundamental element both for expanding awareness of CBD and motivating first-time (and often wary) consumers to give it a try.

My anecdotal family experience with CBD is confirmed by the empirical evidence. Marijuana research firm New Frontier Data released a report on June 1, 2020, called *The U.S. CBD Consumer Series, Vol. IV: Social Influences*, that underscores the importance of the social network on CBD consumption. The report also analyzes how such influences differ among consumers and nonconsumers (*see the following infographic*).



More than one-third (39%) of consumers utilize CBD primarily for pain management. The influence of close relations’ recommendations is powerful, when comparing consumers to nonconsumers.

More than half (54%) of consumers say that friends have recommended they try CBD, compared to 15% of nonconsumers doing so. Similarly, 38% of consumers report that a family member has recommended CBD, while only 8% of nonconsumers have received a family recommendation. A thumbs up, or down, from a family member or friend carries an outsized impact.

Trusted Sources

The legalization and retail emergence of CBD is a relatively new phenomenon. A growing body of scientific evidence shows that CBD is safe and conveys many health and beauty benefits.

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However, a large segment of the population is skittish about sampling a substance connected to formerly demonized cannabis. Hence, the heavy influence of the social network. Trust plays a big role in getting people to purchase anything related to marijuana.

The New Frontier report states: “Learning about CBD products from trusted personal sources is important for creating a sense of openness and willingness to try a novel product.”

CBD consumers are more likely than nonconsumers to seek out information about it, and from a broader array of sources.

As the New Frontier report puts it:

The communication of a customer's overall satisfaction regarding CBD's efficacy and benefits enables existing consumers to encourage new consumers. As such, customer satisfaction is not just about meeting the needs of current consumers, but also about delivering a product which both pleases them and inspires recommendations to others. For products and brands in an emerging industry, such avenues of consumer engagement, education, and conversion can prove to be invaluable.

The Drawbacks of Natural Pot

Pharmaceutical companies using synthetic CBD in their drug compounds assert that it's the optimum approach for ensuring consistency and high quality in the product.

Synthetic CBD contains none of the impurities associated with plants such as mold, pesticides, insect infestation, harsh extraction solvents, and heavy metals such as lead. Marijuana growing techniques sometimes entail the use of carcinogenic materials.

Marijuana users underestimate the extent to which natural marijuana can get contaminated, especially as regulations remain in the nascent stage. Synthetic CBD solves this problem. Yes, that's right... artificial can be healthier.

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Creating CBD in the lab, versus growing plants, also makes it easier and cheaper to increase the scale of manufacturing capacity. Companies aren't subject to the vagaries of growing seasons or the risk of losing crops.

Another problem with natural marijuana is banditry in agricultural fields, which requires the deployment of costly security measures. Sometimes, marijuana thieves even resort to violence.

Barriers to Entry

Synthesized CBD also is a faster, cheaper way for drug companies to navigate the FDA approval process.

It's daunting for any biotechnology company to get its products approved by the FDA.

The approval process is costly and time-consuming. It takes on average 12 years and over \$350 million to get a new drug from the laboratory onto the pharmacy shelf.

The process is especially difficult for marijuana biotechs, because marijuana is banned on the federal level, and sufficient quantities of the natural plant aren't always readily available.

You may be surprised to learn that to date, the FDA has only approved three cannabis-related drug products. These approved products require prescriptions... and they're all synthetic.

The FDA has approved Epidiolex, which contains a synthetic form of CBD for the treatment of rare forms of seizures in patients two years of age and older.

The agency also has approved Marinol and Syndros for the treatment of anorexia associated with weight loss in AIDS patients. Marinol and Syndros include the active ingredient dronabinol, a synthetic THC.

Another FDA-approved drug, Cesamet, contains the active ingredient nabilone, which has a chemical structure similar to THC and is synthetically manufactured.

Call it test tube pot, Frankenweed, or any catchy term you prefer, but synthetic marijuana has the ability to generate the highest profit margins in the industry. A synthetic process can be protected by patent

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to ward off competitors, and companies can charge higher prices for this scientific value add. Synthesis also expedites economies of scale.

If you're looking to target a promising sub-sector of the cannabis industry, consider companies involved with producing and marketing CBD. The compound is becoming a familiar household item, and regulatory trends are paving the way for its widespread acceptance.

CBD's Rapid Growth Trajectory

Cannabis contains more than 100 biologically active chemical compounds, known as cannabinoids. The most commonly known cannabinoids are delta-9-tetrahydrocannabinol (THC), which produces the "high," and CBD.

CBD accounts for up to 40% of the cannabis plant's extract. Unlike its cousin THC, CBD doesn't give users a buzz. Sales of CBD are fueled by claims (admittedly, some of them exaggerated) that it can reap a bevy of benefits, such as reducing pain, calming anxiety, and enhancing mental focus. This past holiday shopping season, we witnessed a surge of consumer interest in CBD.

According to marijuana research firm New Frontier Data, annual spending on CBD in the U.S. is estimated to have reached \$14.86 billion in 2020 (mid-range estimate).

According to a recent report from New Frontier:

While a variety of factors will determine the future shape and dynamics of the CBD market in the U.S., it is clear that consumer demand is established and durable. As access to CBD continues to increase, so will demand, and as product offerings expand, consumers' preferences and behaviors will evolve, becoming increasingly personalized to their unique needs.

The FDA has been slow to regulate CBD, but the market is maturing, with consumers' preferences and behaviors developing in the meantime. Nearly one in five (18%) Americans surveyed

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*reported consuming CBD; of those who have done so, more than three-quarters (77%) purchased it.*⁴⁷

Major consumer brand companies involved in food, cosmetics, and beverages are poised to invade the CBD segment, but many are waiting for FDA regulations to become clearer. The implementation of streamlined rules governing CBD is increasingly likely, now that cannabis-friendly Democrats control the regulatory apparatus in Washington.

Once FDA guidance is unambiguous, global consumer giants will move quickly. I expect a wave of mergers and acquisitions among CBD companies in 2022, as they seek widespread manufacturing and marketing channels and economies of scale.

The FDA Finally Takes Action

Cannabis derivatives such as hemp and CBD were federally legalized under the 2018 Farm Bill. Accordingly, the FDA has been developing regulations for products containing these substances, but the agency has been moving slowly.

Until now. In January 2021, the FDA announced it will take measures in the coming months to conduct in-depth research about the safety and efficacy of CBD, to forge a simpler and uniform regulatory structure for the compound.

In a recent announcement on CBD, the agency noted the “rapid increase in the interest and availability” of CBD, but pointed out:

We still have a limited understanding of the safety profile of CBD and many other cannabis-derived compounds, including potential safety risks for people and animals... we see an important public health opportunity in using novel sources of data and rigorous analytical methods to build a more robust base of scientific evidence on the safety profile and use of CBD products.

⁴⁷ “U.S. CBD Consumer Report: Spending & Market Size, Vol. 2,” New Frontier Data, September 30, 2020.

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The FDA's action should open the floodgates for mainstream companies to incorporate CBD into their product lines. As household consumer names embrace CBD, the compound will gain greater interest and acceptance among consumers.

In a year that was generally favorable to the marijuana industry as a whole, CBD was a standout winner in 2020. CBD will increasingly migrate into a variety of consumer product categories including food and beverages, pharmaceuticals, health, wellness, and beauty aids. Welcome to “The Next Big Thing” for marijuana investors.

The combination of cannabis legalization and pandemic-induced stress has made it a very good year... for edibles and CBD products.

In particular, if you're looking to target a promising sub-sector of the cannabis industry, consider companies involved with producing and marketing CBD. The compound is becoming a familiar household item and political trends are paving the way for its widespread acceptance.

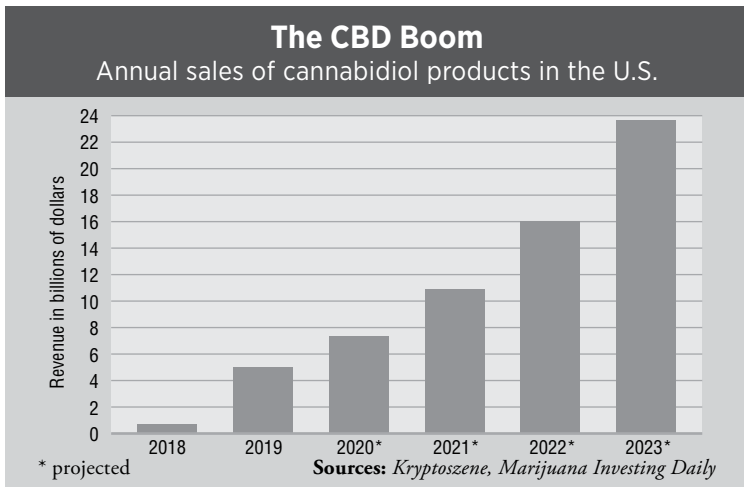
Coming to a Retail Shelf Near You

Cannabis contains more than 100 biologically active chemical compounds, known as cannabinoids. The most commonly known cannabinoids are delta-9-tetrahydrocannabinol (THC), which produces the “high,” and CBD.

CBD accounts for up to 40% of the cannabis plant's extract. Unlike its cousin THC, CBD doesn't give users a buzz. Sales of CBD are fueled by claims (some of them exaggerated) that it can reap a bevy of benefits, such as reducing pain, calming anxiety, and enhancing mental focus.

CBD also happens to be one of the biggest investment opportunities you can find. Investment research group Kryptoszene recently released data showing that U.S. sales of CBD products are on track to reach \$23.7 billion in 2023, a 374% increase from 2019 (*see chart*).

CBD is migrating into a variety of consumer product categories including food and beverages, pharmaceuticals, health, wellness, and beauty aids. Consumer and health services giants are jumping aboard



the CBD bandwagon, to either develop their own products or purchase smaller CBD companies. The same is true of edibles.

Sales of cannabis-infused edibles are poised to reach \$3 billion in the U.S., according to a recent report from marijuana research firm New Frontier Data.

New Frontier found that infused products such as edibles and beverages accounted for 14% of total U.S. cannabis sales in 2020, the third largest category behind flower (37%) and vape (32%).

Regulators vow to crack down on marijuana hucksters. However, this scrutiny should benefit legitimate cannabis companies and products.

Genuinely effective medical marijuana treatments represent one of the greatest investment opportunities available. The key is finding well-managed companies with viable products.

Part VI

How to Pick the Right Pot Stocks

I was born in 1958, when “Ike” was in the Oval Office, Fidel Castro was fighting Batista in Cuba, Desi was fighting Lucy on TV, and Ed Sullivan’s cameramen were only allowed to film Elvis Presley from the waist up. Throughout most of my baby boomer existence, mainstream society viewed marijuana as “the devil’s weed.” For the counterculture of the 1960s, smoking pot was an illegal act of rebellion.

And today? In many cities throughout America and Canada, it’s as easy to get marijuana delivered to your front door as pizza. When I was a teenager, my elderly mother used to search my bedroom for marijuana contraband. Now, mom takes cannabidiol and other pot extracts for her joint pain.

The legalization of cannabis is one of the greatest investment opportunities in a generation. However, when the news is out about an industry’s good fortunes, the rest of the investment herd piles in. Risky and even fraudulent stocks proliferate. Some investors make a fortune; others lose their shirts.

Chapter 28

Criteria for Marijuana Investments

Every portfolio should have exposure to the marijuana industry. But how can you pick the right pot stock? Below are 12 actionable criteria you should follow.

1) Market capitalization

Small-cap stocks are generally defined as having market valuations of between \$300 million and \$2 billion; a mid-cap hovers between \$2 billion and \$10 billion. Micro-cap is below \$250 million.

At this stage of the marijuana industry's development, the majority of marijuana stocks that you find will fall under the small- and micro-cap category. There are a few mid-cap marijuana stocks and an even smaller number of large-cap stocks. These sizes are usually the result of mergers and acquisitions.

So far, small- and mid-cap companies across a wide range of industries have been bringing both stability and growth to investors. Many of the top-performing stocks of the past decade were small caps and most were value stocks. These two asset classes also outperform large-cap growth stocks during inflation, which could be just around the corner.

Accordingly, small- and mid-cap marijuana stocks offer outsized growth potential as well as an inflation hedge. Large-cap marijuana stocks probably won't grow as fast as the small fry, but they confer less risk.

And those enticing marijuana "micro-cap" penny stocks? Avoid them. Penny stocks are popping up in the marijuana industry like mushrooms in the rain. Some of these penny stocks are future growth

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companies and they're worth a look by aggressive investors. But most of them, sad to say, are inherently weak investments poised to crash.

2) Official exchange

Make sure the marijuana stock is traded on an official exchange. Not all over-the-counter stocks are toxic, per se. There are plenty of solid OTC-traded stocks.

However, keep in mind, OTC equities are less regulated than their brethren on the NYSE and NASDAQ or the credible foreign exchanges such as Toronto's TSX.

OTC stocks aren't mandated to disclose crucial information to the public, making it difficult to perform a deep dive into the stock's fundamentals.

3) Analyst following

It's a good sign if the marijuana stock is followed by a sizeable number of analysts on Wall Street. There's an army of pseudo-analysts opining about stocks out there, especially about marijuana stocks on social media and message boards. But look for coverage by serious number-crunchers at research firms such as Morningstar, Fidelity, etc.

Marijuana stocks tend to get whipsawed by the rumor mill. Tune out the white noise by the amateurs and look for seasoned advice from the pros, including our team at *Investing Daily*.

4) Provides a value add

I especially like the "pick-and-shovel" plays on the marijuana boom. These companies aren't necessarily about growing marijuana. They're infrastructure stocks that can be wildly profitable.

Marijuana investing remains risky, but you can seek greater safety (and profits) by focusing on the ancillary firms that provide infrastructure services for growing pot companies in either the recreational or medicinal segments.

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Pick-and-shovel plays can be reliable money-makers, because they provide essential value-added services. What's more, they usually enjoy a diversified roster of clients in several different industries, which buffers them from the inherent volatility of the marijuana business.

Pure plays can be risky. It's worth remembering that marijuana itself is only a plant. It's an agricultural commodity. Once the bad players are weeded out (pun intended), there will be a struggle over market share. We're already seeing ruthless consolidation, as marijuana companies merge for vertical integration and economies of scale. Commoditized businesses eventually witness price wars, which weighs on earnings.

When looking for suitable marijuana investments, my strategy is to find companies that apply a unique value-add, whether in the recreational or medicinal sector.

I look for pot companies with patents, proprietary technology, or special managerial know-how. I also prefer companies with solid balance sheets, branded products, and extensive supply chains. These are the marijuana investments that will survive and thrive, whereas it's no great feat to simply grow a plant or extract oil out of a leaf.

5) Manageable debt

Study the marijuana company's balance sheet. Determine whether it has sufficient cash to satisfy creditors. If a company is imploding, its cash cushion will wane. Soon it won't be able to pay its bills.

A handy indicator is the "cash ratio," which helps you calculate a company's ability to pay short-term debt obligations. The ratio is determined by dividing current assets by current liabilities. A ratio higher than one means that a firm has a solid chance of paying off its debt; below one means the firm probably can't.

Some indebted companies beat the odds and clean up their balance sheets. But poor debt metrics usually spell doom. U.S.-based marijuana companies are especially vulnerable to cash flow and debt problems, because they lack access to mainstream banking services, due to marijuana's prohibition on the federal level.

6) Smooth auditing process

Public companies are required to get their books audited by an outside accounting firm. It's not unusual for a company to switch accounting firms. However, the dismissal of an auditor for no clear reason should make you suspicious. It typically indicates internal dissension over how to handle numbers. Those numbers could be fishy.

Examine the auditor's letter. As part of the proxy statement, auditors must write a letter confirming that the financial data was presented fairly and accurately, to the best of their knowledge. Does an auditor letter raise doubts as to the company's viability? Get worried. Auditing irregularities are rife in the marijuana sector.

7) Stability among top management

High executive turnover means that the firm is suffering internal turmoil. When top managers quit their cushy jobs on their own volition, it usually means one thing: the firm is in trouble.

In covering the marijuana industry since its infancy, one dynamic I've noticed is that a lot of cannabis start-ups are run by young pot enthusiasts with little or no corporate experience. As the firm grows, they tend to spin through the C-Suite revolving door. That's a red flag.

8) Reasonable valuation

Seems like a no-brainer, right? Well, this rule is often ignored. Investors can get excited about a hyped stock that seems too compelling to avoid. Even if it's absurdly overvalued.

This truism bears repeating: If a stock is considerably more expensive than its industry or direct peers, or its estimated growth is greatly out of whack with its valuation, stay away.

Before the marijuana market correction of 2019, many marijuana stocks were trading at nosebleed valuations that weren't justified by projected earnings growth. Most of those stocks crashed and burned.

9) Financial transparency

If a company's books are murky, management is hiding something. It's one reason many investors shy away from investing in foreign-based stocks.

Anti-corruption watchdogs have decried the opaque accounting practices of equities based in many non-U.S. countries. But companies in the developed world can be guilty of the same thing.

If, for instance, a marijuana stock has been kicked off a major exchange and now trades on the "pink sheets," remain wary. A lot of marijuana companies are little more than a website and a lot of hyperbolic press releases.

10) Low short interest ratio

Short interest is the total number of shares that have been sold short by investors but have not yet been covered or closed out. When expressed as a percentage, short interest is the number of shorted shares divided by the number of shares outstanding.

For example, a stock with 1.5 million shares sold short and 10 million shares outstanding sports a short interest of 15%. Most stock exchanges track the short interest in each stock and issue reports at the end of the month.

If short interest is spiking, it's a signal that investors are souring on the stock, and it bears closer scrutiny. I often see a high degree of rising short interest among overly hyped marijuana stocks, as the sharks circle in for the kill.

11) Absence of excessive insider selling

If corporate insiders are dumping a stock, they know something that the rest of us don't. It's a tip-off that the people running the company realize that the stock is about to underperform the market. But there's a caveat: Sometimes insiders sell for personal reasons that aren't related to the health of the company.

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If only one corporate insider is selling, or if the stock has run-up quite a bit, it may simply indicate an individual's desire to pocket profits. But if several corporate insiders are all selling within a short period of time...watch out.

12) Safety of core assets

If a company is dumping flagship assets at fire sale prices just to keep the lights on, the end is near.

Let's look at it in personal terms. I'm an avid baseball fan; my team is the Boston Red Sox. If I owned, say, a baseball autographed by Ted Williams, I wouldn't sell it unless I were going broke. Same principle applies to companies.

Chapter 29

Let's Make a (Pot) Deal

The future promise of synergies is often used by management consultants, financial wheeler-dealers, and top corporate leaders as disingenuous justifications for mergers and acquisitions (M&A).

All too often, the real result is the merging of two inherently weak companies, or an excuse for the new entity to myopically gut internal resources and lay-off workers to temporarily boost shareholder returns.

However, sometimes synergy is a legitimate byproduct of consolidation. Just because the term is misused doesn't mean it's invalid. And that's what I'm seeing in the marijuana industry right now: a lot of healthy synergies that impress even a skeptic like me.

Deal-making among canna-businesses has reached a torrid pace in 2021, providing opportunities for investors who can pinpoint the next big opportunities. (As I explain below, we've done the homework for you.)

The main motivator behind these marijuana company marriages is the ability to take advantage of economies of scale. Through mergers, marijuana companies can lower costs by eliminating redundant operations and employees, even as they can squeeze better deals out of suppliers and providers by virtue of their size.

What's more, by purchasing the smaller purveyors, brand name consumer giants with conventional products immediately obtain new marijuana offerings, without having to develop these products from scratch. The smaller fry, in turn, get instant access to a vast, well-established supply and retail infrastructure.

A shrewd way to capitalize on these trends is to find companies on a probable path to M&A activity and invest in them before the news

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becomes official, to profit from their future momentum. As they say on Wall Street: “Buy on the rumor, sell on the news.”

The maturation of Marijuana, Inc.

The dictionary tells us that “synergy” is a noun that means: *“The interaction or cooperation of two or more organizations, substances, or other agents to produce a combined effect greater than the sum of their separate effects.”*

Why is synergy becoming the Holy Grail of marijuana company managers? For answers, you have to go back to the dawn of the legal marijuana industry in the late-1990s.

The “green rush” traces its origins to 1996, when the voters of California agreed to allow patients and their caregivers to possess and cultivate marijuana for therapeutic purposes. The for-profit marijuana industry sprang to life in the Golden State and soon spread to other states that jumped aboard the legalization bandwagon.

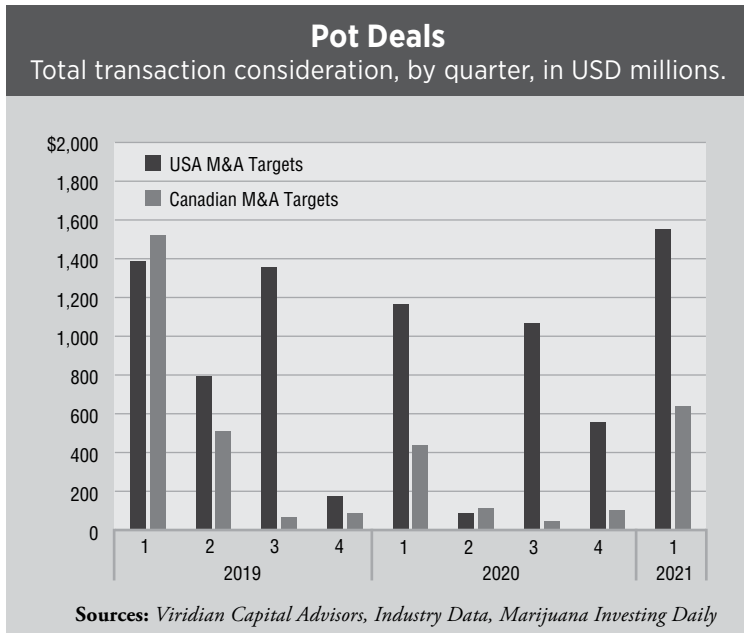
Back then, fledgling entrepreneurial start-ups in the cannabis realm were in large part operated by amateurs with little corporate or financial experience. Armed with small budgets and few places to find capital, these small-cap enterprises quickly racked up debilitating debt. They over-promised and under-delivered. After a lot of initial fanfare, many went belly up. Early investors got left holding the bag. This boom-and-bust cycle has repeated itself with regularity, right up to the big shake-out in late 2019.

However, through this trial-and-error crucible, a mature industry eventually evolved. The businesses that survived learned tough lessons that held them in good stead, as legalization became more prevalent and consumer demand burgeoned. The survivors were leaner, fitter and wiser. Investors in quality companies got rich. Sure enough, this year marijuana stocks as a whole have soared and outpaced the S&P 500.

The next step in this evolution: consolidation. The M&A activity that has accompanied the maturation of the marijuana industry has been particularly prevalent in 2021, as marijuana equities soar in value and cash-rich companies seek places to deploy their resources.

Chapter 29: Let's Make a (Pot) Deal

Take a look at the following chart, which depicts the total worth of U.S. and Canadian marijuana M&A transactions, from the first quarter 2019 to the end of the first quarter of 2021. As you can see, North American activity has been robust and it's dominated by the United States:



Global mega-cap food and beverage conglomerates have stepped into the fray, gobbling up small and promising marijuana companies like a game of PacMan. Notable examples include **Constellation Brands** (NYSE: STZ) and its growing stake in **Canopy Growth** (NSDQ: CGC), and **Altria Group's** (NYSE: MO) acquisition of **Cronos Group** (NSDQ: CRON).

Companies in the consumer foods, health services, and cosmetics industries are increasingly infusing their products with marijuana. Acquiring a small local or regional brand is a fast way to accomplish this goal.

The Wide World of Weed and Psychedelics

Accordingly, we're currently witnessing sweeping synergies...for real...in the international marijuana supply chain, from growing field to laboratory to dispensary.

More deals are to come. Marijuana M&A activity is expected to break records this year, especially as companies seek financing outside of the normal banking channels that deny them access because of the federal ban on pot.

These trends were hastened by the coronavirus pandemic, which made it necessary for marijuana companies to join forces simply to survive. Social distancing and pandemic-induced emotional stress also generated a surge in marijuana sales.

Now that the pandemic is waning, these newly merged corporate entities are poised to thrive amid the accelerating economic recovery.

Are some marijuana M&A deals ill-advised? Yes, without a doubt. Are they doomed to fail? Yes, again. But not all of them. As a retail investor, the key is knowing the difference.

High times, high finance, high profits

For marijuana companies, stellar quarterly operating results and the run-up in equity prices have generated huge piles of cash. Management is putting that money to work, by launching ambitious financial deals.

Acquisition targets tend to be smaller companies trading at bargain valuations, allowing the acquiring companies to quickly gain new products, technologies and customers. Why fight for market share when a competitor can be picked up on the cheap?

Fiscal stimulus and the Federal Reserve's ultra-low interest rate policies also are fueling the deal-making boom. In the second quarter of 2021, the deals have included a more diverse range of marijuana niches than usual, such as pick-and-shovel plays that previously had gotten short shrift. Investors are craving novel places to put their money and marijuana's ancillary players fit the bill.

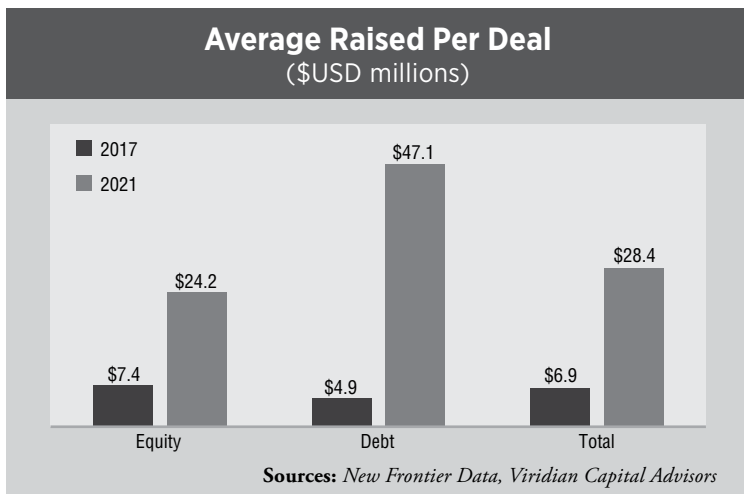
Chapter 29: Let's Make a (Pot) Deal

A new report from marijuana research firm New Frontier Data, released on July 12, 2021, shows that deal-making is reaching a fever pitch in the cannabis industry.

The first half of 2021 witnessed a record \$7.9 billion in cannabis deal flow as investors poured money into canna-businesses. Nearly every sector and niche of the marijuana industry received major investments as companies, flush with cash, expanded capacity, targeted new markets, and purchased proprietary intellectual property.

The nearly \$8 billion raised in the first half of 2021 was more than triple the \$2.5 billion raised over the same period in 2020, and more than the \$7.7 billion raised in the first half of 2019. More than two-thirds (69%) of the deals were equity-based, but the share of debt financing in the market has dramatically risen, nearly doubling from 16% in 2017 to 31% this year.

The average deal size also soared since 2017. The average equity deal is now three times larger (\$7.4 million compared to \$24.2 million) while the average debt deal value has risen tenfold (\$4.9 million versus \$47.1 million).



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New Frontier Data expects deal flow to continue increasing in the second half of 2021, as marijuana equity prices maintain their ascent and venture capitalists jostle for competitive advantage. Mergers and acquisitions (M&As) are fostering greater efficiencies in the marijuana industry, which historically has been plagued by operational redundancies.

In the pandemic era, corporate consolidation is the name of the game. Even the hint of a big merger can hand investors enormous returns. We're seeing global giants in the food, beverage and cosmetics industries gobble up marijuana companies, to incorporate their branded pot offerings with mainstream products.

New Frontier found that infused products such as edibles and beverages accounted for 14% of total U.S. cannabis sales last year, the third largest category behind flower (37%) and vape (32%).

The new green rush

The bull case for the marijuana industry remains strong. Legalization of both medicinal and recreational marijuana continues apace; it's highly unlikely that politicians are willing or able to stop the trend. Besides, federal and state governments in the U.S. and abroad are getting addicted to the tax revenues generated by marijuana. Few policymakers would be willing to stop the gravy train.

The mega-cap consumer goods companies are fully aware of these realities; hence the surge in deal-making. The consumer "big boys" get instant marijuana cachet; the smaller, acquired pot companies get access to well-established retail and supply chains. At the same time, large multi-state marijuana growers are making land grabs, pushing up the prices of available farmland. It's the green rush, 2.0.

Chapter 30

Marijuana Stocks Are on a Roll Again

Billionaire super-investor Warren Buffett probably put it best: “Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble.”

For marijuana investors, it’s time to put out the bucket. After a tough 2019 and shaky 2020, the cannabis sector has regained momentum.

As a slew of legal initiatives in the U.S. and around the world seek to legalize cannabis, investors are getting excited again about marijuana stocks. We witnessed a brutal shakeout in late 2019, when (as I predicted at the time) the overvalued cannabis sector had its day of reckoning and crashed.

Marijuana stocks bottomed out in the first half of 2020. Since the November 2020 election, they’ve been on fire. Marijuana-friendly Democrats currently control the White House, the U.S. Senate, and the U.S. House.

After a round of post-crash mergers and acquisitions (M&As), as well as bankruptcies, the industry is in leaner, fitter shape. More pot companies are hiring seasoned corporate managers. Consolidation combined with rising demand for marijuana products has boosted the top and bottom lines of quality marijuana companies, lifting their share prices. The doom-and-gloomers were wrong.

The benchmark **Amplify Seymour Cannabis ETF** (CNBS) has greatly outperformed the S&P 500 year to date, 52.44% versus 12.53% respectively.

CNBS is an actively managed exchange-traded fund (ETF) that provides exposure to the cannabis industry by investing in securities of companies that generate 50% or more of their revenue from cannabis

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and hemp products and services. This ETF is an excellent proxy for the entire cannabis/hemp financial ecosystem.

Marijuana momentum plays

Think of current bullish conditions as the second wave of the green rush. The restructured marijuana industry affords opportunities for investors who pinpoint plays that benefit from the momentum of M&A and new venture partnerships.

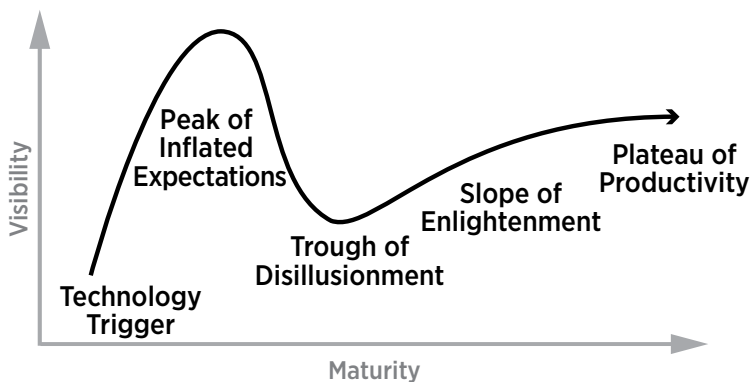
Some of the biggest marijuana profits can be found by identifying smaller, specialist companies that are likely takeover targets by mega-cap food, beverage, and medical multinationals.

The Gartner Hype Cycle

For insights on how to exploit this investment method, let's turn to the Gartner Hype Cycle (*see graphic*).

The cycle is a graphical presentation developed and used by technology research and advisory firm Gartner for representing the maturity, adoption, and social application of specific technologies.

Each Hype Cycle describes five crucial phases of a technology's life cycle. For our purposes here, let's consider marijuana to be a technology. As a product relatively new to the business and consumer mainstream,



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marijuana has been as revolutionary as any emerging technology, especially in the field of pharmaceuticals.

1) Technology Trigger: A technology breakthrough kicks things off; excitement builds.

2) Peak of Inflated Expectations: Early publicity spawns a flurry of success (and failure) stories. Some companies adapt; others fall by the wayside.

3) Trough of Disillusionment: Interest diminishes as reality fails to live up to the hype. A shake out ensues, but the smartest early adopters survive and continue to invest and experiment. (This phase describes the marijuana industry in 2019.)

4) Slope of Enlightenment: The technology becomes better understood and implemented. Second- and third-generation products emerge.

5) Plateau of Productivity: Mainstream adoption takes off.

The Hype Cycle can be incorporated into your investment toolkit to take advantage of momentum. Fear and greed always move markets, but in the early developmental stage of a technology where information can be lacking, the effect of these emotions are considerably amplified in share prices.

If an industry is in the hype phase, you could decide to take on more risk by riding the momentum. Marijuana companies already have passed through their “hype” period and now occupy phases four or five, which in turn translates into sustainable, long-term growth.

Part VII

A Real Trip (to the Bank)

*When the men on the chessboard
Get up and tell you where to go
And you've just had some kind of mushroom
And your mind is moving low
Go ask Alice
I think she'll know...*

Those lyrics are from the iconic drug culture anthem “*White Rabbit*,” written and sung by Grace Slick of the 1960s psychedelic rock band Jefferson Airplane. I’m a big fan of the band and its “San Francisco sound,” forged in the Summer of Love.

I’m also a big fan of making money, hence this section’s topic.

We’ve come a long way since the Airplane played the “Human Be-In.” The event, held at the Golden Gate Park in San Francisco in January 1967, was organized in opposition to the prohibition of LSD, magic mushrooms, and other psychedelics.

The Be-In was spearheaded by a group of lawbreaking drug enthusiasts known as “The Brotherhood of Eternal Love.” About 30,000 people attended the event, which introduced the concept of psychedelics to suburbia.

Speaking at the Be-In, counter-culture guru and psychedelics advocate Dr. Timothy Leary coined the now-famous phrase: “Turn on, tune in, drop out.”

As momentum builds to lift restrictions from psychedelics such as psilocybin fungi, it’s opening a range of opportunities for established companies that have already launched profitable cannabis products.

A Real Trip (to the Bank)

The operable phrase now should be: *Turn on, tune in... make money*. It won't be long before publicly traded marijuana companies start adding branded products predicated on magic mushrooms, for recreational as well as medicinal purposes.

Go ask investors. I think they'll know. There's money to be made from magic mushrooms...

Chapter 31

Profit From the “Shroom Boom”

Aggressive efforts are underway throughout the country to legalize magic mushrooms and other psychedelics, which makes these substances the next big investment theme.

Several mushroom species naturally contain the compound psilocybin, which has hallucinogenic properties. Magic mushrooms are a colorful part of cultural lore, but to this day they're still illegal on the federal level and throughout most states and localities.

The U.S. Department of Justice lists psilocybin as a Schedule 1 controlled substance.

“Scheduling” is a system by which the U.S. Drug Enforcement Agency decides which substances are dangerous and which substances are medically useful. The Controlled Substances Act, the legislation surrounding the scheduling system, was created in 1970, when the nation's War on Drugs was getting into full swing under the Nixon administration.

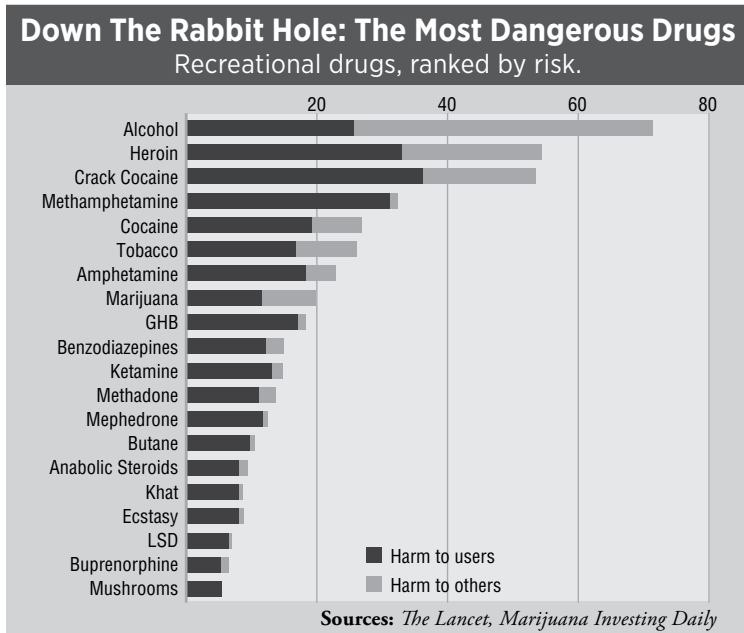
Official federal policy states that psychedelic fungi have no medicinal properties and are prone to abuse. Accordingly, it's illegal to cultivate or possess psilocybin producing mushrooms for either personal consumption or distribution.

The consuming of psychedelic mushrooms has been associated with anti-establishment hippie types, akin to pot. But as I'll explain, that's changing.

There are several varieties of psychedelic mushrooms, with different potency levels. According to the research group Global Drug Survey,

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mushrooms are the safest recreational drug.⁴⁸ The respected medical journal *The Lancet* recently came to the same conclusion (*see chart*). Notice that booze ranks as number one.



Psychedelic mushrooms have been popular long before rock rebels such as Jefferson Airplane and The Doors sang about their virtues. For centuries, Indians in the Americas have revered hallucinogenic mushrooms as sacred. Some Indian tribes even call these mushrooms “god’s flesh.”

To this day, the plant is widely used around the world. The legal status of psilocybin mushrooms varies from country to country. Whether

50 A.R. Winstock, C. Timmerman, E. Davies et al., “The GDS 2020 Psychedelics Key Findings Report,” Global Drug Survey, 2021.0

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out in the open or covertly, the mushrooms are deployed in social and religious rites to conjure spiritual visions and treat illnesses. Shamans, mystics, and seekers eat the mushrooms to explore their inner worlds and contact spirits.

Take that smirk off your face. There's an expanding body of medical research that empirically proves how psilocybin can treat a host of physical ailments, such as arthritis, as well as psychological ones. Medical researchers in the U.S. are developing a treatment for depression using psilocybin. For chronic diseases that resist conventional treatments, mushrooms often work magic.

Oregon consents to blow your mind

On March 16, 2021, Gov. Kate Brown (D) of Oregon announced the members of the state's newly created Psilocybin Advisory Board. Included on the board are top doctors and researchers from Oregon Health & Science University, fungi experts from Oregon State University, therapists, health experts, and licensed social workers.

Measure 109, the Psilocybin Program Initiative, was on the ballot in Oregon as an initiated state statute on November 3, 2020. It was approved, with 55.75% of the vote. The move made Oregon the first state in the nation to allow the use of psilocybin, the psychoactive ingredient of hallucinogenic mushrooms, in therapy.

A second, separate ballot measure in Oregon also was approved that decriminalizes possession of small amounts of LSD, heroin, cocaine, oxycodone and other drugs. Oregon now has the most liberal drug laws in the nation.

Under Measure 109, the Oregon Health Authority (OHA) is mandated to create a program to permit licensed service providers to administer psilocybin-producing magic mushrooms to individuals 21 years of age or older. The goal is to make it safe and easy for any adult to take a therapeutic psilocybin trip with a trained guide.

There's an expanding body of medical research that empirically proves how psilocybin and LSD can treat a host of physical ailments,

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such as arthritis, as well as psychological ones. Medical researchers in the U.S. are developing a treatment for depression using psilocybin. For chronic diseases that resist conventional treatments, mushrooms often work magic.

LSD has long been a part of psychiatric talk therapy for the wealthy upper class. In fact, in the 1950s and early 1960s, LSD was all the rage among Hollywood’s elite.

Notably, the actor Cary Grant was an avid advocate of LSD and took more than 100 trips under the aegis of his psychiatrist, to deal with his traumatic childhood (as well as his failed marriages). That was before LSD was made illegal in the U.S. in 1966.

Meanwhile, in the Mile High City

Denver, Colorado, in 2019 became the first jurisdiction in the U.S. to decriminalize psilocybin fungi. The historic legal change spawned a wave of similar efforts throughout the country.

The Decriminalize Denver campaign defied the status quo and the odds. Psilocybin was starting to receive acceptance in the medical community for its efficacy in reducing physical pain and psychic anxiety, but there were no well-funded pharmaceutical lobbyists pushing for the ballot initiative. Just grassroots activists with passion.

Since that historic vote in Denver, a nationwide movement has arisen. States and localities are rushing to follow the Mile High City’s lead. Campaigns to decriminalize magic mushrooms resemble early initiatives to normalize marijuana.

Although the Denver ordinance doesn’t legalize the mushrooms, it would “prohibit the city from spending resources to impose criminal penalties” on those who have them. (Denver’s mushroom initiatives highlight the semantic difference between “legalization” and “decriminalization.”)

Small businesses are sprouting up in Denver to meet the growing demand for mind-altering mushrooms. It won’t be long before these cottage industries mushroom (pun intended) into a multi-billion-dollar industry.

The Wide World of Weed and Psychedelics

We saw it happen with cannabis. First it was marijuana to evolve from illicit counter-cultural activity to mainstream consumerism.

Now... and perhaps it was inevitable... come psychedelic mushrooms.

An unstoppable trend

Oregon's and Denver's permissive stances on mushrooms have triggered a cascade of similar initiatives across the nation that seek psychedelics reform.

Activists in more than 100 cities across the U.S. are now mobilizing to reform their own policies on psychedelics such as magic mushrooms and LSD.

Oakland and Santa Cruz have gone even further than Denver and decriminalized a wide range of entheogenic substances such as ayahuasca and ibogaine. An entheogen is a psychoactive substance that induces alterations in perception, mood, cognition, or behavior for the purposes of fostering higher spiritual consciousness in sacred contexts.

In New York, a lawmaker recently introduced a bill in the State Assembly to decriminalize psilocybin mushrooms by removing the main active ingredient from the state's list of controlled substances. And a Vermont lawmaker has introduced legislation to decriminalize psychedelics, and an Iowa legislator has called for the legalization of psilocybin in another bill.

Recent medical research has found that psilocybin and ibogaine are effective at helping individuals overcome addiction. Psilocybin has been shown to alleviate post-traumatic stress disorder and depression.

Companies that grow, process, and sell magic mushrooms are in their infancy, as was the case when marijuana legalization was about to take off. The penny stocks of fledgling companies devoted to developing magic mushrooms and other psychedelics for medical and recreational purposes are starting to appear on global stock exchanges.

The trend toward psilocybin legalization spells early investment opportunities, as states and localities rush to follow Denver's lead.

Companies that grow, process, and sell magic mushrooms are in their infancy, as was the case when marijuana legalization was about

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to take off. The best time to profit from accelerating trends is early, before the rest of the investment herd catches on. The movement to legalize psychedelic mushrooms is an exciting development that will make proactive investors wealthy.

My writing is normally devoted to marijuana investing, but “psilocybin profits” is an ancillary topic that I will be closely monitoring. As the move to legalize magic mushrooms gathers speed, the trend is likely to propel the already established movement to legalize cannabis. What’s more, we’ll probably start to see cannabis companies branching out into psychedelics.

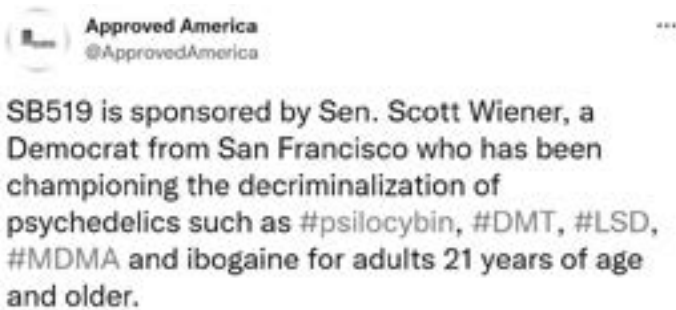
Chapter 32

Psychedelic Investing: Experience the Profits

When rock musician Jimi Hendrix released his debut album *Are You Experienced* in 1967, he was referring to the life-changing experience of lysergic acid diethylamide (LSD).

These days, a lot of ordinary consumers are becoming experienced with LSD, and efforts are accelerating to lift prohibitions against the drug.

Latest case in point: Currently under consideration in the California Assembly is a bill that would allow those 21 and older to possess LSD for personal use and “social sharing.” The proposed bill also covers psilocybin (the hallucinogenic component of magic mushrooms), dimethyltryptamine (DMT), ibogaine, mescaline excluding peyote, and 3,4-methylenedioxymethamphetamine (MDMA, often called ecstasy). *See the following tweet, posted last week:*



The proposed psychedelics law was passed by the California Senate during this year’s legislative session and was taken up by the Assembly, which is the lower house of the California State Legislature. Deliberations over the bill are expected to carry over into 2022.

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California was the first in the U.S. to decriminalize medical marijuana in 1996; the Golden State seems poised to be the first to do the same for LSD.

The potential for investors to profit from the increasing respectability of LSD is enormous. Pharmaceutical companies are engaged in a race to develop LSD-based treatments. Marijuana companies are making plans to branch out into psychedelics, for medical as well as recreational purposes. A new industry is in the throes of being born. Early investors stand to make fortunes.

Lucy in the sky, with profits

LSD is a Schedule I substance, which means the U.S. Food and Drug Administration designates the drug as one of the most dangerous substances and it's banned on the federal level. Possessing any amount and any form of LSD is illegal in all 50 states. But efforts are underway in several states and localities to follow California's lead in various capacities, including Washington DC, Michigan, Massachusetts, and Oregon.

Known colloquially as acid, LSD is synthesized in the lab. Discovered in 1943 by a Swiss chemist, LSD was used in various CIA and U.S. Army "thought control" experiments during the Cold War. The drug seeped into civilian society and became popular with the youth movement of the 1960s, spawning that era's psychedelic culture.

As Beatle John Lennon once said: "We must always remember to thank the CIA and the Army for LSD."

But LSD isn't just for rebels and long-haired rock musicians anymore. An increasing body of research shows that the drug has medicinal benefits, and it can help alleviate depression, post-traumatic stress disorder, and other psychological ailments.

Lawmakers on Capitol Hill in recent days have introduced a series of drug policy-related amendments to the Pentagon's budget appropriation for 2022, including proposals to expedite research on the benefits of psychedelics (e.g., LSD and magic mushrooms) for active duty military personnel.

The doors of perception

So how exactly does LSD work?

Scientists generally agree that LSD is non-addictive with low potential for abuse. That said, LSD sometimes causes adverse psychological reactions, such as anxiety and paranoia, depending on the individual. In drug culture argot, it's known as a "bad trip," and it's why some health experts remain opposed to lifting bans against the drug.

There are many ways to take LSD: tablets, liquids, thin squares of gelatin, or soaked in blotter paper. The latter is the most popular.

LSD causes its hallucinogenic effects through its interaction with the brain's serotonin receptors. Serotonin is a neurotransmitter that governs behavior, mood, senses, and thoughts. The drug breaks down the parts of the brain that usually separate different functions (such as vision, sound and movement) to create a more integrated experience.

Usually, the first effects of the drug when taken by mouth are felt 30 to 45 minutes after ingestion, peaking at two to four hours, and may last about 12 hours or more. "Flashbacks" have been known to occur several months (or even years) later.

LSD's effects include hallucinations; distorted visual perceptions of shapes and colors; distorted sounds; and euphoria. It also causes rapid heart rate; higher body temperature; and dilated pupils.

LSD also is capable of generating mystical experiences and ego disillusion. Many religions and spiritual beliefs, especially Buddhism, teach that the path to enlightenment involves effacement of the ego. Psychedelics such as LSD help toward this goal, as described by Aldous Huxley in his 1954 book "The Doors of Perception" (from whence the rock group "The Doors" got its name).

From mushroom caps to small-caps

These days, everyone from Silicon Valley executives to suburban soccer moms are taking LSD, often in micro-doses, to treat physical or psychological pain or to tap creative energies. Of course, these "trips" are technically illegal. But not for long.

Chapter 32: Psychedelic Investing: Experience the Profits

It all adds up to enormous momentum for companies involved in marijuana and psychedelics. In recent months, the first biotechnology firms to develop medical treatments from psychedelic drugs such as LSD and magic mushrooms (psilocybin) have gone public on Canadian stock exchanges. The small-cap markets have been invaded by a slew of psychedelics stocks to watch, thanks to new company initial public offerings.

Cannabis already is Big Business and as such, the major pot players are getting ready to co-opt the psychedelics movement through internal investments and mergers and acquisitions. Marijuana stocks have been surging so far in 2021; cannabis companies that are flush with cash are eyeing LSD and magic mushrooms as strategic investments.

Chapter 33

Day Trippers: Will Psychedelics Conquer Medicine?

It took a half century for psychedelic drugs to move from elliptical allusions in the pop songs of my youth (“Day Tripper,” “White Rabbit,” “Purple Haze,” “Lucy in the Sky With Diamonds”... the list is endless) to mainstream medical research. But the transformation is finally happening.

And psychedelics are going corporate, too. For investors who seek the “next big thing,” these developments are exciting news.

Let’s turn our attention away from rock music to neuropsychopharmacology.

Neuropsychopharmacology is a fancy word for the study of the neural mechanisms that drugs act upon to influence behavior. One of the hottest areas of research in this field is psilocybin fungi, aka magic mushrooms or “shrooms.” This research is paving the way for the creation of a huge and profitable industry.

Psilocybin fungi are mushrooms that contain a naturally occurring psychoactive and hallucinogenic compound called psilocybin. Magic mushrooms create altered perceptions of reality, causing users to see, hear, and feel sensations that don’t really exist outside of the mind’s eye.

But magic mushrooms aren’t just for getting stoned and staring at lava lamps. Empirical research shows they can help ease physical pain, depression, anxiety, chronic headaches, and a host of other ailments. Magic mushrooms are destined to play key roles in the future of therapy, in medicine and psychiatry.

The latest case in point: In the June 2020 issue of *Neuropsychopharmacology*, the most influential publication in the field, scientists released a first-of-its-kind study that shows how magic mushrooms

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“dissolve the ego” (using layman’s language) in a benign way that opens the door to treating psychological disorders.

The authors of the magic mushroom study wrote:

Implications of these findings also extend far beyond understanding the neurobiology of the acute psychedelic experience and drug-induced ego dissolution. There is growing evidence that psychedelics can provide therapeutic relief for individuals suffering from increasingly common and difficult to treat disorders such as depression, anxiety, addiction, and post-traumatic stress disorders. Thus understanding the mechanisms by which psychedelics provide symptomatic relief may identify novel therapeutic targets. Interestingly, the degree of ego dissolution has been found to correlate with long-term clinical outcomes and increases in well-being.⁴⁹

Research on magic mushrooms is accelerating. Notably, Johns Hopkins Psychedelic Research Center is studying the possible beneficial effects of psilocybin on Alzheimer’s patients.

The legal landscape

Official federal policy (erroneously) states that psychedelic fungi have no medicinal properties and are prone to abuse. Accordingly, it’s illegal to cultivate or possess psilocybin producing mushrooms for either personal consumption or distribution. The prohibition is a legacy of the War on Drugs launched by the Nixon administration.

Magic mushrooms are currently legal in Brazil, Bulgaria, Jamaica, the Netherlands, and Samoa. Many other countries have decriminalized the possession and cultivation of mushrooms.

In the U.S., magic mushrooms remain illegal in all states except Oregon. However, the cities of Denver, Colorado, and Oakland and

49 N.L. Mason, K.P.C. Kuypers, F. Muller, et al., “Me, Myself, Bye: Regional Alterations in Glutamate and the Experience of Ego Dissolution With Psilocybin,” *Neuropsychopharmacology*, vol. 45, May 23, 2020, pp-2003–2011.

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Santa Cruz in California, have passed laws to decriminalize magic mushrooms, paving the way for medical research into their benefits.

A magic mushroom industry is beginning to take shape. It helps that recent research by the respected medical journal *The Lancet* shows mushrooms to be a relatively benign recreational drug.

Mushroom advocates throughout the nation are pushing for wider decriminalization, in a trend that brings to mind the early efforts to normalize marijuana laws.

The movement to decriminalize psychedelics is gathering momentum around the U.S., reminiscent of the early days of marijuana decriminalization. Psychedelics reform bills have been introduced in several state legislatures and activists are lining up ballot initiatives.

Initiative 81

The movement even reached the nation's capital, with a measure called Initiative 81 on the ballot in November 2020. I-81 sought to decriminalize a wide range of psychedelics in the District. And it passed.

According to a poll by FM3 Research, three-in-five voters in Washington, D.C., were in favor of I-81. FM3 Research conducted the poll of 620 likely DC voters from August 16–24, 2020. Support for the measure increased significantly as more residents became informed about the proposal, rising nine percentage points since the previous poll was conducted in April.

Sixty percent of survey respondents said they would vote in favor of I-81, which would make entheogenic substances such as psilocybin mushrooms and ayahuasca among the lowest local law enforcement priorities in the nation's capital city. Only 24% said they would vote “no,” with an additional 16% undecided.

Initiative 81 leaders stated in a press release:

[This] polling shows unequivocal support for ensuring DC residents using plant and fungi medicines to overcome depression, anxiety, PTSD, and other conditions are not law enforcement targets. This polling also underpins what we learned talking to D.C. residents

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in all eight wards while collecting over 35,000 signatures to place Initiative 81 on the ballot. It is clear that D.C. residents are ready to reform outdated laws for entheogenic substances.

High hopes for IPOs

In 2020, the first biotechnology firms to develop medical treatments from psychedelic drugs such as LSD and psilocybin went public on Canadian stock exchanges.

An increasing number of neuro-pharmaceutical companies are operating clinical drug trials of psychedelic treatments and some have even gotten the green light for testing from the U.S. Food and Drug Administration. These trials are a legal means for fledgling for-profit companies to perform research on otherwise illegal drugs.

Marijuana has undergone a similar transition from illicit substance to miracle wonder drug. As the medical benefits of marijuana become increasingly apparent, a wave of states and cities are legalizing cannabis.

Now it's the turn of magic mushrooms, a class of drug that's taking nascent steps into becoming an everyday consumer product.

Chapter 34

Shroom to Grow: The Mainstreaming of Psychedelics

I remember reading Aldous Huxley's *The Doors of Perception* (1954) in high school. It blew my teenage mind. In the book, Huxley ruminates on the spiritual and psychological insights that he gained from taking psychedelic drugs. The rock group The Doors got their name from his book.

Huxley would have been astonished to learn that psychedelics are on the verge of becoming a mainstream consumer product. The movement to decriminalize psychedelics is accelerating throughout the U.S., giving birth to an exciting new investment theme.

According to research released on May 3, 2020 by [Green Horizons](#), a consumer research firm focused on the cannabis and holistic health industry, four in 10 (38%) U.S. adults feel that psilocybin fungi (aka “magic mushrooms”) should be legal under at least some circumstances; 25% believe they should be legal under limited circumstances, such as medical or religious reasons; and 13% believe they should be legal under all circumstances.⁵⁰

Support for legalization varies by age. Among 18–34 year olds, 45% believe psilocybin mushrooms should be legal under at least some circumstances; among 35–49 year olds, 40%; and among 50+, just 23%. Support also is closely correlated with how much adults know about psychedelics. Seven in 10 (71%) 18–34 year olds say that they know a little or a lot about psychedelics; this drops to 59% among 35–49 year olds and 49% among 50+.

The following infographic tells the story:

52 “Green Horizons Research Shows Desire for Psychedelics Market Is Strong,” Green Horizons, May 23, 2020.

Chapter 34: Shroom to Grow: The Mainstreaming of Psychedelics



Psychedelics' reputation is changing, which in turn influences support for legalization. According to the Green Horizons study, 27% of U.S. adults feel that psychedelics, when used in moderation, are less dangerous than other legal substances, such as alcohol and tobacco. Three in 10 (29%) believe that psychedelics can be beneficial for a wide variety of mental health and physical issues, including treatment-resistant depression, anxiety, post-traumatic stress syndrome, and addiction.

Among those who say they have at least some knowledge of psychedelics, 43% feel that psychedelics can be less dangerous than other legal substances and nearly half (47%) believe psychedelics can be a beneficial medical treatment. Furthermore, among those who say they have some knowledge of psychedelics, support for legalization of psilocybin mushrooms rises to 53% (35% under limited circumstances; 18% under all circumstances).

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The survey's methodology: 1,000 online surveys among U.S. adults 18+ fielded in October 2019. Data has been weighted to ensure it is representative of U.S. adults.

High-fashion fungi

Two recent signs underscore the inexorable mainstreaming of psilocybin fungi, aka “magic mushrooms.” One is a poll of voters in Colorado (more on that below). The other involves my wife. Let's start with her.

My wife, Carole, is a voracious consumer of a wide variety of media, making her a handy barometer for the cultural zeitgeist. She pays attention to certain TV shows, magazines, and sections of the newspaper that I tend to ignore but which reflect popular trends that can affect the investment world.

One day, she pointed out to me an article on magic mushrooms in an issue of *Marie Claire*, a glossy hard-copy women's fashion magazine that's a fixture on our coffee table. She knows I write *Marijuana Investing Daily* and she figured I would find the article of interest. How right she was.

Here's an excerpt of the magazine article, titled “How to Feel Better Now,” in the “Beauty” section of the publication:

The exploration of psychedelic drugs (like psilocybin, LSD, and, more recently, MDMA) for medicinal versus recreational purposes is many decades old. In recent years, though, psychedelics have been experiencing a bit of a renaissance...Now, the drugs are further seeping into the mainstream via microdosing.

Defined as an extremely low, sub-hallucinogenic dose of a substance, usually 1/10 to 1/20 of a typical recreational dose, a microdose might slightly alter perception yet not impair one's ability to function... microdosing is a way of tinkering with the serotonin system... and we know that augmenting it in a chronic way can help with depression.⁵¹

53 Fiorella Valdesolo, “How to Feel Better Now,” *Marie Claire*, June 16, 2020.

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The article goes on to relate the personal experiences of young “power” women who microdose magic mushrooms to be more effective at home, at work, and (you guessed it) in the bedroom.

And there you have it, folks. Compelling evidence that psychedelics are entering mainstream society, which spells a big payday for early investors.

Psychedelic fungi are experiencing a bonanza that goes beyond their recreational or health benefits. They’re entering the world of soccer moms, yoga pants, and lattes. Perhaps one day, next to the perfume case at Macy’s, we’ll see bottles of designer psilocybin.

The time to invest in these nascent “megatrends” is ahead of the curve, before they become entrenched, pervasive and obvious. Proactive investors get rewarded, whereas the Johnny-come-latelys miss out.

That’s why you should jump aboard the magic mushroom express right away, before the guests on Oprah Winfrey’s podcast start raving about the beauty secrets of psychedelic fungi. By then, the opportunity to reap massive investment gains will have passed.

Money-making Magic

Magic mushrooms contain a naturally occurring psychoactive and hallucinogenic compound called psilocybin. This compound creates altered perceptions of reality, causing users to see, hear, and feel sensations that don’t really exist outside of the mind’s eye.

But magic mushrooms aren’t just for getting high and wandering in the desert like Jim Morrison. Scientific research shows they can alleviate physical pain, depression, anxiety, chronic headaches, PTSD, and a host of other ailments. Magic mushrooms are on track to play vital roles in the future of therapy, in medicine and psychiatry.

Case in point: Half of likely Colorado voters would support a statewide measure to decriminalize possession of psilocybin mushrooms and establish a system of legal cultivation and sales of the psychedelic fungi, according to a new poll. The poll results are motivating pro-mushroom activists to launch a campaign to put the policy change on the ballot in 2022.

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Held in 2020, about one year after Denver became the first city in the U.S. to decriminalize possession of magic mushrooms, the survey shows that voters are willing to legalize the fungi to allow its use as a treatment for a variety of mental health issues.

Here's the language of a hypothetical ballot initiative that 500 likely voters in Colorado were asked to evaluate:

Shall there be a change to the Colorado Revised Statutes concerning psilocybin mushrooms, decriminalizing sale and possession for personal use of psilocybin mushrooms by persons 21 and older; allowing qualified mental health providers to authorize access to psilocybin mushrooms for people with depression, anxiety and other qualifying conditions including terminal illnesses; enacting necessary fees and licenses for qualified medical facilities run by qualified owners; requiring the State to license and regulate the cultivation, processing and sales of psilocybin mushrooms as well as impose penalties for violations of such regulations; and requiring that a review panel appointed by the Governor report annually on the implementation of this revised statute?

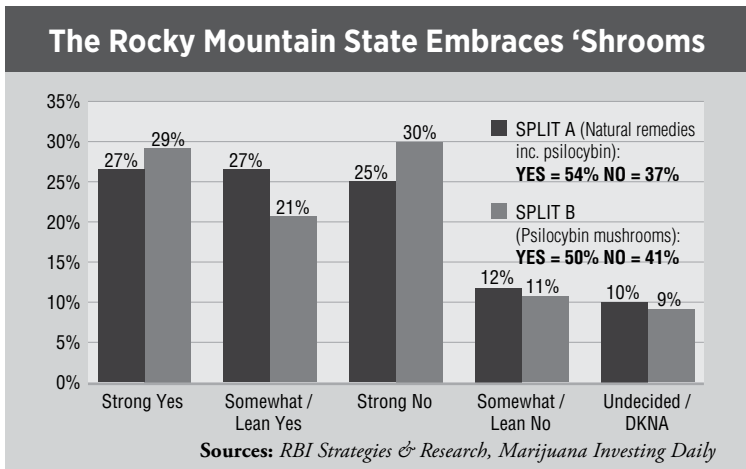
Fifty percent said they would back such a measure, including 29% who said they were a “strong yes.” The poll was conducted by RBI Strategies & Research from March 17–19, 2020 (*see chart*).

The poll also asked respondents about alternative language. A majority of likely voters (54%) said they would favor a proposal to decriminalize and legalize “certain natural remedies including psilocybin.”

Entrepreneurial businesses are popping up to serve the growing demand for magic mushrooms. Cannabis already is Big Business and as such, the major pot players are likely to co-opt the psychedelics movement through internal investments as well as mergers and acquisitions.

Psychedelic drugs make new inroads

Overheard at a party: “People tell me that magic mushrooms do more than get you high. Longer term, they can increase mental acuity and physical well-being. I’m curious to try them.”



Snippet of dialogue from a hippie “love in” at Haight-Ashbury in 1967? Nope. It was my neighbor, a guy who’s a college biology teacher, making small talk at a barbecue in my suburban backyard last Sunday.

He was citing scientific literature that attests to the psychological and medical benefits of psilocybin fungi (better known as “magic mushrooms”). Looking for the investment world’s next big thing? Look to shrooms and other psychedelics.

Magic mushrooms are the new middle-class drug of choice.

Chapter 35

The Rise of the Drug-Addled, Sex-Crazed Zombie Insects

The title of this chapter is reminiscent of the drive-in “B” movies that I avidly attended as a teenager. But I assure you, it’s the precise description of a legitimate news story.

The drug involved in this weird but true tale is psilocybin, the psychoactive compound found in “magic mushrooms.” Psilocybin is the object of intense medical (and investor) interest. In a minute, I’ll get back to the investment opportunities in psilocybin. But first, back to our horror story about zombie insects.

Researchers have discovered a population of cicadas that are being ruthlessly infected by a parasitic fungus that controls their minds, compels them to frenetically mate, and causes them to infect other insects.

Scientists are calling these unfortunate creatures “zombie cicadas,” because they’re under the spell of *massospora*, a psychedelic fungus that contains psilocybin.

Infected with the psychedelic substance, the cicadas furiously copulate. Then these fungal spores eat away at the cicadas’ genitals, butt, and abdomen. These devoured body parts are replaced by spores that transmit the fungus to other cicadas. By controlling and sexually stimulating its hosts via the psychedelic drug, the fungus creates a way to replicate. In the final stage, the newly created fungal abdomens erode away and the bugs perish.

Think of it as a psychedelic Summer of Love for cicadas (who presumably die happy).

The presence of psilocybin in the fungal spores is startling scientists, because heretofore the compound had only been detected in magic mushrooms.

Acid trips to the bank

Psilocybin already has emerged as a hot area of medical research. You don't need a PhD to know that psilocybin and LSD (lysergic acid diethylamide) create altered perceptions of reality, causing users to see, hear, and feel sensations that don't really exist outside of the mind's eye. But they convey uses beyond just getting high.

Magic mushrooms and LSD are on track to play vital roles in the future of therapy, in medicine and psychiatry. For people with psychological disorders (e.g., traumatized veterans), psychedelic therapy combines drugs like psilocybin with traditional psychotherapy to re-boot the brain and create new neural pathways.

A recent report published in *Psychiatry Research* provides empirical evidence that psilocybin is effective in the treatment of depression and anxiety.⁵² Separately, a team of researchers at the Johns Hopkins School of Medicine recently documented the beneficial mind-alerting effects of magic mushrooms, via a clinical study using a group of volunteers (*see graphic*).

The recent discovery of the psychedelic drug within infected cicadas is opening a new path of pharmacological research that focuses on areas of the brain involved in motor function.

The idea of mind control has fascinated the popular imagination for centuries.

In 1943, a scientist at drug giant Sandoz dosed himself with an experimental substance that gave him remarkable mind-bending sensations. The U.S. government learned of these experiments and procured a supply of the new drug for federal research. After World War II, this powerful hallucinogenic substance was studied by the CIA as a potential “mind control” weapon to fight the Cold War.

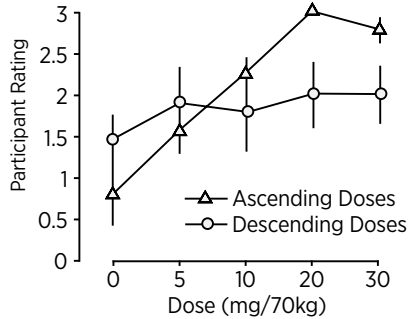
54 Simon B. Goldberg, Brian T. Pace, Christopher R. Nicholas, et al., “The Experimental Effects of Psilocybin on Symptoms of Anxiety and Depression: A Meta-analysis,” *Psychiatry Research*, vol. 284, February 2020.

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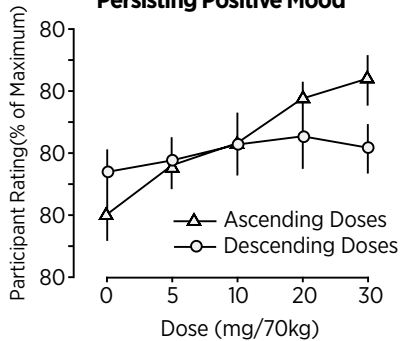
Magic Moods

The psychological effects on volunteers in a Johns Hopkins study of psilocybin fungi.

Increased Well-Being and/or Life Satisfaction



Persisting Positive Mood



Sources: John Hopkins, Marijuana Investing Daily

The substance? Lysergic acid diethylamide, otherwise known as LSD. Although still illegal, LSD is now experiencing a surge of investor interest.

The CIA conducted LSD experiments on hundreds of human beings (often without their knowledge or consent) during the 1950s and 1960s in a program called MK-ULTRA.

The covert CIA program was rife with abuses. Some individuals who were deliberately given massive overdoses either died or suffered permanent psychic scars. The program eventually was discontinued,

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without the CIA ever achieving its goal of finding a drug that could render humans into obedient automatons.

The great irony? The CIA inadvertently popularized LSD and in so doing, revolutionized civilian society. People who safely took LSD under the auspices of MK-ULTRA went on to become enthusiastic advocates of the drug. Their evangelizing for LSD kick-started the psychedelic counter-culture of the 1960s.

Notably, LSD was used in the early 1960s by beat author Ken Kesey (author of the novel *One Flew Over the Cuckoo's Nest*) as part of his participation in MK-ULTRA and then later with a group of San Francisco-based friends that included rock musicians such as The Grateful Dead.

So yes, there's a line from former CIA Director Allen Dulles to LSD advocate Timothy Leary. And that line is leading to your local pharmacy counter. LSD, the subject of Cold War spy craft, and counterculture lore, is poised to become a mainstream consumer product.

From Woodstock to Rite Aid

In a recent survey, the influential medical journal *The Lancet* recently found that LSD (when taken properly) is among the safest recreational drugs.

A new study in the July 2020 issue of the journal *Drug and Alcohol Dependence* reports that LSD use in the U.S. increased 56% between 2015 and 2018, including a huge 223% increase among individuals aged 35 to 49.⁵⁵ Welcome to the Psychedelic Renaissance.

Known colloquially as acid, LSD remains illegal. However, it's currently undergoing above-board research by federal authorities that's nothing like the previously nefarious efforts of the CIA.

The heads of the Food and Drug Administration (FDA) and the National Institutes of Health recently evaluated the status of research

55 R. Andrew Yockey, Rebecca A. Vidourek, and Keith A. King, "Trends in LSD Use Among U.S. Adults: 2015–2018," *Drug and Alcohol Dependence*, vol. 212, July 2020.

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into psychedelic drugs such as psilocybin and LSD and attested to the therapeutic potential of these federally prohibited controlled substances.

Johns Hopkins University has been performing studies on psilocybin and LSD and their effects on a wide variety of mental disorders, including depression, anxiety, post-traumatic stress disorder (PTSD), and adult attention-deficit/hyperactivity disorder.

In November 2019, the FDA gave psilocybin, a hallucinogenic compound found in magic mushrooms, its second “breakthrough therapy” designation. The designation fast-tracks the development and review of drugs. An increasing number of neuro-pharmaceutical companies are operating clinical drug trials of psychedelic treatments.

And a 2020 report from the federal Creating Options for Veterans Expedited Recovery Commission (COVER) appointed by President Trump and congressional leaders recommended expanding research into the potential of marijuana and psychedelics such as LSD to treat military veterans with PTSD and other maladies.

The COVER final report was released in February 2020, after 18 months of meetings. The commission issued this recommendation:

The VA Department should *“engage with other federal agencies, as appropriate, to research the potential short- and long-term risks, as well as benefits, of medical cannabis and psychedelic drugs.”*

It all adds up to enormous momentum for companies involved in marijuana and psychedelics.

Cannabis already is Big Business, and as such, the major pot players are likely to co-opt the psychedelics movement through internal investments and mergers and acquisitions.

Chapter 36

Investors Take a Psychedelic Holiday

You know a trend has truly gone mainstream when it gets its own global holiday that's catered to by travel agents.

We already have 4/20 as "Weed Day," the international marijuana holiday. We also have 4/19 as "Bicycle Day," the anniversary of when Sandoz (now Novartis) chemist Albert Hofmann in 1943 ingested LSD and hopped onto his bike to ride, high as a kite, through Basel, Switzerland.

And now we have Global Magic Mushroom Day, which occurs every 9/20. Most countries ban magic mushrooms. In the U.S., mushrooms are illegal on the federal level but states and localities are increasingly lifting restrictions. At 2021's global celebration on Sunday, September 20, attendees vowed to make mushrooms legal everywhere.

Global Magic Mushroom Day has become a magnet for small businesses and entrepreneurs that cater to magic mushroom customers. As further evidence that mushrooms are going legit, you can find tourism agencies that will book for you an all-inclusive magic mushroom retreat as a vacation, in a country (e.g., Jamaica) where mushrooms are legal. The number of bookings tend to spike on and around 9/20.

As the Donovan song goes: "Fly Translove Airways, gets you there on time."

Global Magic Mushroom Day also is attracting the interest of investors, who scour the festivities looking for potential money-making opportunities. We're seeing the emergence of a major new industry. In March 2020, a microcap psychedelics company called **Mind Medicine** (NEO: MMED) (OTC: MMEDF) made history by becoming the first psychedelics pharmaceutical firm to go public.

Providential origins

Back in 2015, Nicholas Reville, a mushroom advocate from Providence, Rhode Island, proclaimed September 20 as an “educational day of action.”

The holiday has mushroomed (pun intended) into a major series of global events intended to raise awareness about the mental and physical benefits of psilocybin, the main psychoactive compound in magic mushrooms.

In 2021, the activities were largely virtual, due to the social distancing strictures of the coronavirus pandemic (as was the case with 4/19 and 4/20).

Nonetheless, mushroom advocates partook of the substance, enjoyed music, festivities and workshops, and delivered speeches for the legal normalization of shrooms.

According to the manifesto of Global Magic Mushroom Day: “Our mission is to bring together as many people as possible to encourage dialogue, raise awareness and create community around the intelligent and beneficial use of psychedelic psilocybin mushrooms.”

Safer than booze

Psilocybin, LSD, and cannabis are showing promise in medical research for the treatment of anxiety, depression, post-traumatic stress disorder, and a wide range of other mental ailments.

Myths about these psychotropic substances are falling by the wayside. According to a recent study by the Independent Scientific Committee on Drugs, mushrooms are the safest recreational drug. The most harmful? Alcohol.

Global Magic Mushroom Day is trying to get the word out about the safety and benefits of mushrooms. As Reville puts it: “9/20 was chosen because it marks the beginning of autumn, when mushrooms are most plentiful; because it is close to the equinox, representing a change in direction; and because it echoes 4/20 and the successful movement for marijuana decriminalization and legalization.”

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How did pot enthusiasts settle on the numerals 420? Therein hangs many an urban legend. Perhaps the most credible story is about five students at San Rafael (CA) High School in the early 1970s who would meet at 4:20 p.m. every day to partake, saying “420” to each other as code for marijuana. (The school’s extracurricular activities would end at 4:20 p.m.)

Fact is, no one really knows the exact derivation of 420. Regardless, over the past four decades, April 20 has become an international holiday for marijuana, when people get together to celebrate, consume and advocate for marijuana.

The Political Seachange for Psychedelics

“Magic mushrooms” aren’t just for getting high and playing your old *Iron Butterfly* albums. These versatile fungi are entering the consumer mainstream, and they’re evolving into a major investment theme.

Magic mushrooms are wild or cultivated mushrooms that contain psilocybin, a naturally occurring psychoactive and hallucinogenic compound. An increasing body of research is showing that these mushrooms confer medical and psychological benefits. They can help alleviate physical pain, depression, anxiety, chronic headaches, PTSD, and a host of other ailments.

Voters on November 3, 2020, in Oregon and the District of Columbia approved ballot initiatives to decriminalize the consumption of magic mushrooms, by margins of 56% to 44% and 76% to 24%, respectively.

Magic mushrooms are destined to play key roles in the future of therapy, in medicine and psychiatry. From coast-to-coast in the U.S., there’s increasing activity to lift legal restrictions on shrooms.

Just one week after voters in Oregon and D.C. passed by wide margins ballot measures to scale back prohibitions on psychedelics, California senators on November 10 vowed to introduce a bill to decriminalize the substances in their state.

The following tweet, posted on November 10, 2020 by the leader of the California effort, tells the story:

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The California senators announced they will file a bill to decriminalize psychedelics in the state in 2021. At the same time, San Francisco activists are lobbying the state's district attorney to make psychedelics the lowest local law enforcement priority.

Marijuana legalization also racked up big wins in last Tuesday's general election, with the passage of several legalization measures at the state level.

Big Pharma's long, strange trip

Magic mushrooms have earned a special place in story and song, but they're illegal on the federal level and throughout states and localities.

The U.S. Department of Justice lists psilocybin as a Schedule I controlled substance. "Scheduling" is a system by which the U.S. Drug Enforcement Agency decides which substances are dangerous and which substances are medically useful. The Controlled Substances Act, the legislation surrounding the scheduling system, was created in 1970, when the nation's War on Drugs was getting into full swing under the Nixon administration.

But these days, citizens are successfully waging war... against the war on drugs.

In 2018, the U.S. Food and Drug Administration (FDA) granted psilocybin "breakthrough therapy status," putting the substance on the fast-track to legality as treatment for mental health.

Big Pharma has jumped aboard the psilocybin bandwagon to take advantage of the FDA's fast-track status for the substance.

Biotech stalwarts currently increasing their research into the medical efficacy of magic mushrooms include **Pfizer** (NYSE: PFE); **Teva Pharmaceutical Industries** (NYSE: TEVA); **Johnson & Johnson** (NYSE: JNJ); **Allergan**, which is a subsidiary of **AbbVie** (NYSE: ABBV); and **Merck** (NYSE: MRK).

The psilocybin research will take months if not years to bear results, but it's a vivid example of how the corporate establishment is putting billions of dollars behind a substance once associated with hippie

Chapter 36: Investors Take a Psychedelic Holiday

outlaws. These firms also are looking into marijuana for its potential use in medical treatments.

Cannabis already is a huge global industry and as such, the major pot players are likely to co-opt the psychedelics movement through internal investments and mergers and acquisitions.

The stock market gets trippy

On August 28, 2020, a psychedelics company called **Compass Pathways** filed to go public in the U.S., to trade on the NASDAQ Global Market under the ticker CMPS.

Based in London, Compass is backed by **PayPal** (NASDAQ: PYPL) and billionaire tech investor Peter Thiel. Since 2016, Compass has raised nearly \$116 million from venture capitalists such as Thiel. Compass is researching mushrooms as a treatment for depression and intends to take its mushroom-infused products through clinical trials.

In March 2020, a microcap psychedelics company called **Mind Medicine** (NEO: MMED) (OTC: MMEDF) made history by becoming the first psychedelics pharmaceutical firm to go public. Mind Medicine (DBA MindMed) is developing psychedelics derived from mushrooms and other substances to address medical challenges such as the opioid crisis.

Psilocybin is following in the footsteps of cannabis. A movement is growing across the country to legalize and celebrate magic mushrooms.

Health experts don't consider psilocybin to be addictive, but the substance fell under the net of the federal government's War on Drugs. States and localities are stepping into the breach.

Cannabis already is a huge global industry and as such, the major pot players are likely to co-opt the psychedelics movement through internal investments and mergers and acquisitions.

Chapter 37

Far Out Vacations: The Rise of Psychedelic Tourism

*Save up all your bread and fly Translove Airways to San Francisco
U.S.A.*

Then maybe you'll understand the song; it will be worth it.

If not for the sake of this song but for the sake of your own peace of mind.

Those lyrics are from *San Franciscan Nights* (1967), performed by Eric Burdon and The Animals. It's now the year 2021, and many tourists are indeed saving up all their bread, for just such a trip.

During the counterculture of the 1960s, dealers who provided mind-bending drugs such as LSD were euphemistically called “travel agents.” It's no longer a euphemism. Travel agents that specialize in organizing psychedelic retreats, to such exotic locales as Jamaica, Costa Rica, and Mexico, are sprouting up like mushrooms (pun intended).

Psychedelic tourism, dabbled with the patina of the wellness industry, is a booming business. If you want your share of the investment spoils from this trend, you need to be proactive. Below, I steer you in the direction of the most profitable opportunities.

Groovy getaways

According to a report released in October 2021 by Global Industry Analysts, the psychedelic drugs market is set to reach a value of \$6.3 billion in 2026, up from \$3.2 billion in 2021. That's a compound annual growth rate of 14.5% during the five-year forecast period.

The research firm estimates that treatments for depression will comprise the largest chunk of the disease indication segment with more than 40% market share by the end of 2021. The World Health

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Organization estimates that 264 million people around the world suffer from depression, often chronic and resistant to treatment. Psychedelics, in conjunction with talk therapy, are a proven remedy.

But emerging as a significant cottage industry is psychedelic-enhanced recreational tourism.

As psychedelics are increasingly legalized in the U.S. and around the world, they're invading the daily lives of consumers. We're seeing a proliferation of shaman-led tours, five-star resorts, and best-selling travel guides all predicated on psychedelics as a tourist activity. It's a reminder that capitalism is ingenious at co-opting and monetizing every conceivable experience.

Micro-dosing business trips have become all the rage, too. Gone are the days of Don Draper drinking martinis. Now, executives are dropping acid on sales trips and corporate retreats.

Speaking for myself, I doubt my publisher would ever approve LSD as an item on my expense account. But from Manhattan to Silicon Valley and all points in-between, top managers are turning on, claiming that psychedelics enhance creativity and "outside-the-box" thinking.

Wake and bake

The rising trend of psychedelic-infused vacations mirrors what started earlier in the marijuana industry: the emergence of a sub-industry that caters to pot tourists. Canada, in particular, has become home to a growing number of "bud-and-breakfasts." The country nationally legalized marijuana in 2018 and it's considered a pioneer in weed normalization.

The marijuana tourism industry also is thriving in states such as Colorado, the second-largest marijuana market in the U.S. and a state already known for spectacular scenery and easy-going lifestyles.

LSD, mescaline, ayahuasca, and psilocybin (the active ingredient in magic mushrooms), and other psychedelic drugs aren't just for long-haired hippies anymore. An increasing body of research shows that these drugs bestow significant medicinal benefits.

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According to a recent survey by the National Academy of Sciences, the use of psychedelics is increasingly common among the general U.S. population (*see chart*). The adherents of psychedelics argue that when self-reflective thinking turns into a well-worn rut, the ego becomes oppressive. Depression can set in. That's where psychedelic compounds can help. By muting repetitive negative thoughts that reinforce depression, these compounds can loosen the ego's grip on the mind and facilitate uninhibited free association that leads to new insights.

So who needs a trip to Disneyland, when you can plumb the depths of your unconscious mind, in the comforts of a luxury seaside cabana? All-inclusive buffet thrown in.

