



Let's Toke Business

The Commerce of Cannabis

www.letstoke.biz

Ted Ohashi MBA, CFA

Week Ended November 3, 2023

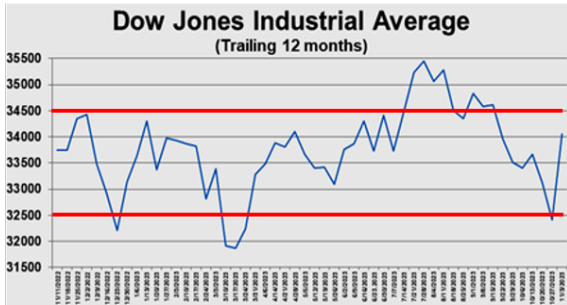
Blue chips rebound based on dovish news from the Federal Reserve.....	p2
Cannabis stock recover from the Mike Johnson correction.....	p3
Question of the Week.....	p5
Reader calls “Bull” on Predictmedix’s recent news releases.....	p5
The Cannabis Report Model Portfolio.....	p6
Special Report: Is it time to revisit the States Reform Act?.....	p7
Conditions in the Middle East are becoming more dangerous by the day.....	p9
British American Tobacco invests another \$124.6 million into Organigram.....	p9
Health Canada issues three new licenses for an adjusted total of 980.....	p10

If you would benefit from additional input on timing your buys and sells, subscribe to the paid version of this called “The Cannabis Report” written by Let’s Toke Business author Ted Ohashi and hosted by InvestorsHub in Europe. For a monthly subscription, or a discounted annual subscription click [Subscribe Here](#).

Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk +2.3% 1 mo -5.4% 3 mo -15.8% 6 mo -29.5% 1 yr -49.3%

The blue chip stocks rebounded smartly last week as investors repoded positively to the message to Federal Reserve Board Chairman Jerome Powell's latest commentary. In a nutshell,



the Fed is promising interest rates will stay "higher for longer." This does not mean interest are going up in the near future. It



means interest rates will stay closer to current levels while at the same time, will not likely start coming down until next fall. A CNBC survey of 31 economists, investment strategists and analysts confirms the following consensus:

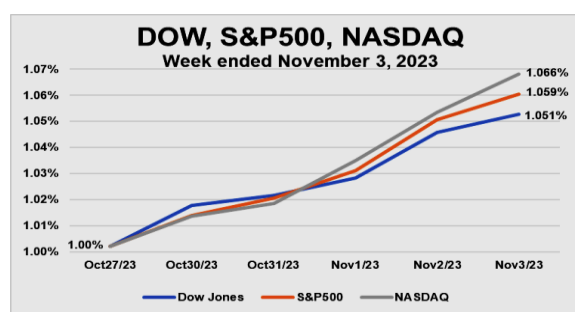
- (a) No interest rate reductions are expected until September 2024 at which point 57% of respondents expect an interest rate cut.
- (b) Given the Fed Funds rate currently stands at 5.38%, a slight increase is expected to 5.42% by the end of this year, a further decline to 4.62% is anticipated for the end of 2024, falling to 3.74% by the end of 2025.
- (c) 49% of those surveyed expect to see a recession in the next 12 months.
- (d) The chances of a soft landing comes in at 42%.
- (e) In 2023, the U.S. economy is expected to grow +2.4% but falling to 0.73% in 2024.
- (f) The Consumer Price Index Headline Inflation is currently 3.7% but is expected to decline to 2.9% by the end of 2024 and 2.6% by the end of 2025.
- (g) The Fed's 2% targeted rate of inflation remains elusive. Some 60% of respondents think it will not be reached until 2025 or later and almost one in five don't see the Fed ever getting to 2%.
- (h) Unemployment is expected to rise from its current level of 3.8% to 4.5% in 2024.
- (i) 100% of the group are concerned about the growth rate in the Federal budget deficit while 87% are worried about the level of government debt.

Conclusion: First we need to remember these are forecasts and forecasts are almost never precisely accurate and subject to revision and change. However, if this outlook is generally accurate, I see at least three groups that will be impacted:

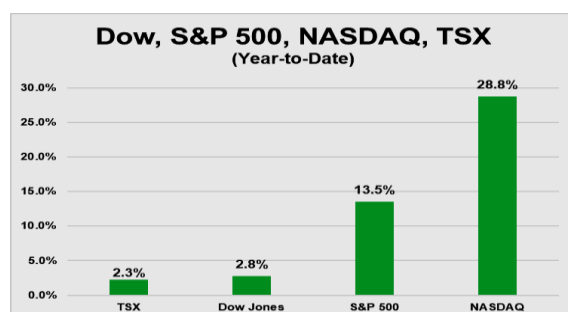
1. **Investors:** I think common stocks will tend to trade in the bands as indicated in the charts above. The drivers for change will be economic reports that might alter the consensus expectation. For example, the general view is that inflation will remain flat through the last two months of the year. If actual results should indicate that inflation will be higher, the markets will probably move lower. If, economic results point to lower inflation, stock prices will likely head higher.

2. **The average person:** “higher for longer” means the chances of being impacted by negative economic factors increases. For example, if you have a mortgage that has to be refinanced in the near future, you probably face a greater risk that your interest costs will be higher. You may be more at risk of losing your job since unemployment is expected to climb.
3. **The 2024 election:** It will likely be harder for Democrats to be re-elected. Not only are President Biden and Vice President Harris riding record low approval ratings, the expectations are voters will be impacted by higher interest rates, higher unemployment rates and possibly a recession. If Democrats lose control, cannabis operators will be forced to turn to Republican Nancy Mace and her States Reform Act that would regulate marijuana the way alcoholic beverages are regulated.

The chart below left shows the large cap markets were very strong last week. Stock prices were moving higher before and after Chairman Powell’s speech with the major indexes posting gains of

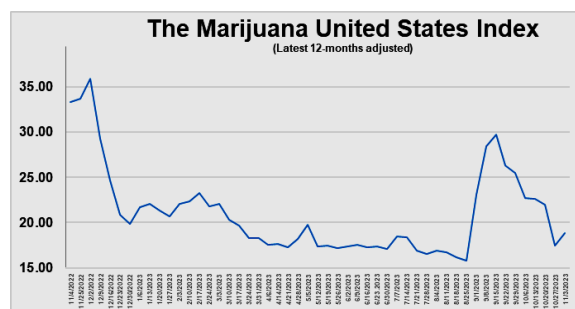


+5.1% to +6.6% for the week. As has been the pattern recently, the NASDAQ and S&P 500 led the way with their higher technology

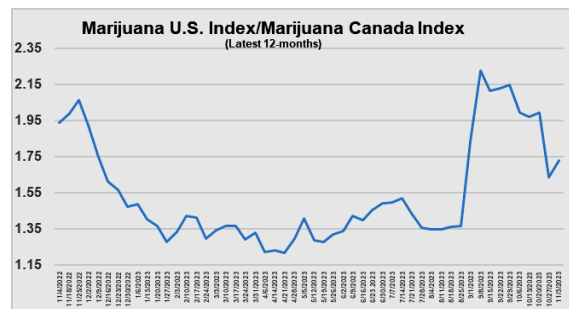


weighting while the Dow lagged. This is also consistent with November and December being two of the strongest market months of the year. The chart above right shows the Dow Jones Industrials and the Toronto Stock Exchange Composite moved back into the green year-to-date.

The growing threat of the Republicans sweeping into power in 2024 essentially killed the rally in American cannabis stocks. The selection of Mike Johnson as Speaker of the House gave markets

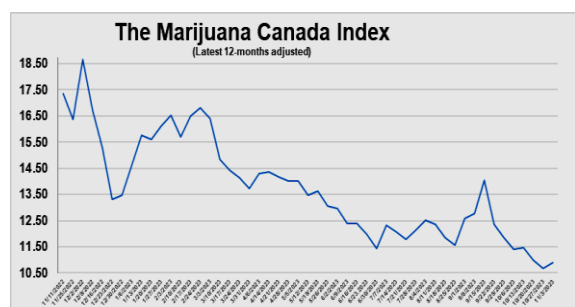


a foreshadowing of what can be expected for marijuana under a Republican administration. As I said when Nancy Mace (R-SC) introduced

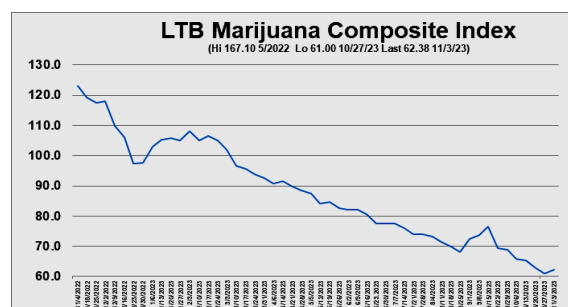


the States Reform Act two years ago, there are some positive aspects to her proposal. It would remove marijuana from Schedule I and the Control Substances Act in favour of a regulatory process more like the regulation of alcoholic beverages. Marijuana growers would be regulated by the U.S. Department of Agriculture while medical marijuana would fall under the U.S. Food and Drug Administration. The bill is alive as it was re-introduced by Mace on October 30, 2023 with the addition of four Democratic co-sponsors. See more on the States Reform Act below.

The Canadian cannabis stocks have been riding the coattails of the U.S. sector and a pattern of rising less when the U.S. sector rallies and falling more when the U.S. sector drops is what I

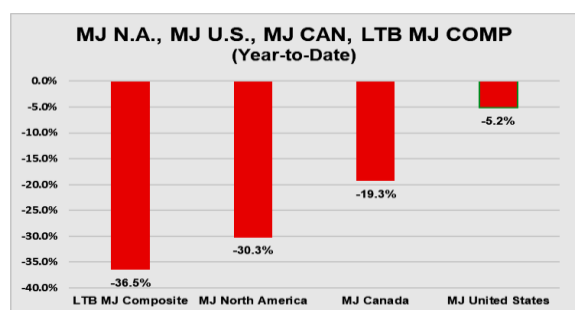


expect to see moving ahead. At the same time, however, equilibrium in the supply-demand balance in Canada continues to move

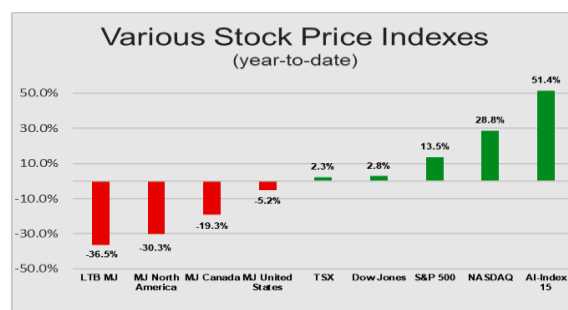


closer. In the weeks ahead, I expect to hear more from Speaker Mike Johnson on his views for marijuana reform. I don't expect to see a change in his long held anti-marijuana positions. As a result, although I do expect the U.S. cannabis operators to outperform in the short term, that could change if Johnson's anti-marijuana position is solidified while the fundamentals in the Canadian market move more into balance.

The chart below left shows the year-to-date (y-t-d) returns for the cannabis indexes. It shows that all four indexes remain in negative territory. The chart below right shows of the indexes we follow on a



regular basis, only the cannabis indexes are in the red year-to-date. The best performing sector is the Artificial Intelligence (AI) group



that is up +51.4% year-to-date. The NASDAQ and Standard & Poor's 500 are in second and third positions primarily due to their AI content. Although some traders are reducing their AI holdings, these have tended to be short term moves. I think the AI sector will continue to dominate for at least a year and perhaps many years ahead. Speaking of the short term, don't forget November and December are historically the two strongest months for share prices.

Conclusion: Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP) seems to have settled in to a trading range of \$0.045 to \$0.05 per share. The diplomatic problems between Canada and India appear to have settled down although it may take some time to get back to normal. In the meantime, the potential growth remains in place in a market where positive cash flow is critical to success. **1933 Industries (CSX: TGIF) (USOTC: TGIFF)** has slipped back slightly with a cloud hanging over passage of the SAFER Banking Act. Still at \$0.02 per share, the potential return for investors remains well above average. **Lexaria Bioscience (NASDAQ: LEXX)** has been performing exceptionally well in recent weeks although there has still not been any news regarding the Investigational New Drug (IND) application. However, I think it is clear that with everything going on, LEXX is extremely undervalued in its

own right. **Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF)** has corrected back reflecting the changing expectation for passage of pro-cannabis legislation in the U.S. Again, in the \$0.02 per share range, JUSH remains an attractive holding. JUSH will have its earnings call on November 14, 2023. **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** had a strong week on the markets reflecting a leading position in the Canadian industry as well as positive moves in the international markets. **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)** that is in a difficult spot with CEO Alvaro Torres doing everything in his power to help KHRN survive the situation.

Question of the Week

Thank you for sending in your questions and I hope you will keep them coming. It's your questions that keep this feature interesting and useful. Send your questions to: ltbletter@gmail.com Include your initials or a pen name we can use along with your city and country of residence. Questions might be edited for clarity and brevity.

The objective of the 'Question of the Week' feature is to allow readers to ask questions about investing about investing that is on their minds rather than have me guess what you are wondering about.

"I CALL BULL_____ from a favourite poker game. The update from Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP) is nothing more than a verbal runaround. Then the shocker: 2 million options to would you believe "management consultants". Do we have a guarantee that our management is not related any way to our newly found and necessary consultants?"

By the way Ted I doubt that even a couple of hundred hospitals in India could afford this equipment so telling us there are 60,000 hospitals in India makes no sense to me and belittles your enthusiasm for this revenue less company."

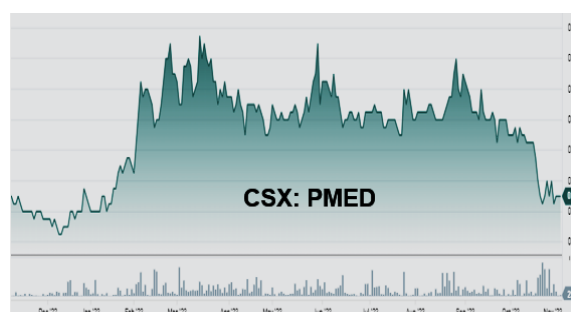
L.M., British Columbia, Canada

The press release you refer to was an update of what was accomplished on the recent management trip to India. Here are some of my observations:

- (a) I have to say at the outset that, in my opinion, Dr. Rahul Kushwah is an honest person. He is a PhD, a Banting Fellow, he developed the world's first genetic test for cannabis pharmacogenetics, and was previously on the National Research Council for the Government of Canada in Human Health Therapeutics. These credentials and accomplishments certainly add to his credibility.
- (b) I understand that shareholders are upset that the stock recent dropped from around \$0.10 to \$0.05 per share. But timing the stock price decline suggests it had nothing to do with what was accomplished on the trip and everything to do with the recent diplomatic blowup between the Canadian and Indian governments. It is an excellent example of a "black swan" event, that is, a high impact, virtually unpredictable event.
- (c) The summary of what management accomplished on the trip was not a "verbal runaround" in my opinion. Such reports must be factual and not too promotional which I think was the case.

- (d) The payment to the two consultants was not options but shares. With the stock trading at \$0.05 per share, the compensation to the consultants was \$50,000 each that was not excessive although it is difficult to know because, as you point out, their identity and services were not disclosed. However, questioning whether they are related to Dr. Kushwah is going a little too far unless you have some factual basis for, what amounts to, an accusation.
- (e) I cite the 69,000 hospitals in India (not 60,000) to give readers an indication of the market potential. India is now the most populous country in the world and 69,000 is a large number. If you think that only “a couple of hundred” or .003% of the total can afford to buy PMED’s equipment, I think you are grossly underestimating the market potential.

Conclusion: Investors tend to equate a higher stock price with success and a lower stock price with failure. The fact is a company’s stock price tends to trade above and below its true value. During periods of prolonged optimism, also known as a bull market, stock prices on average will rise above true value leading to shorter periods of declining prices in which the average stock comes to trade at below true value. In my opinion **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** at current levels is trading well below true value. By definition, during bear markets, investor psychology turns negative because that is what creates extended periods of stock price decline. The next phase is the bull market which is coming and I promise you that shareholder opinions of management will improve as stock prices rise.



The Cannabis Report Model Portfolio

The two largest holdings are **1933 Industries (CSX: TGIF)(USOTCQB: TGIFF)** and **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** while **Lexaria Bioscience (NASDAQ: LEXX)** and **Khi-ron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC)** remain prominent holdings. The two smallest positions are **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** and **Jushi Holdings Inc. (CSX: JUSH) (USOTCQX: JUSHF)**. Cash is around 17%.

Special Report

Is it time to re-visit the States Reform Act?

When the selection of Mike Johnson as Speaker of the House sent the U.S. cannabis operator stocks for a loop in the most negative sense, it gave us a peek at what the marijuana industry might look like under a Republican administration. Johnson has voted against cannabis banking, research and legalization. The National Organization for the Reform of Marijuana (NORML), a Washington, D.C. organization that advocates for the reform of marijuana laws, gives Johnson an “F” rating, their lowest possible rating.

As a result, I think this is a good time to review the States Reform Act introduced by Nancy Mace (R-SC) in November 2021 as a way Republicans might regulate it. I said at the time that the States Reform Act (SRA) had some positive aspects to it. In fact, I said her proposal was probably more attractive than what the Democrats were trying to accomplish.

The States Reform Act was reintroduced on October 30, 2023 and this time it had four Democratic co-sponsors. If there is a change in power in the November 2024 election, there is pro-cannabis legislation which is not a certainty, it will likely be the SRA.

The SRA would remove marijuana from the Controlled Substances Act in favour of a regulatory process more like that used for alcoholic beverages. Marijuana growers would be regulated by the U.S. Department of Agriculture. Marijuana products would fall under the Bureau of Alcohol, Tobacco, Firearms and Explosives and the Alcohol and Tobacco Tax and Trade Bureau. Medical marijuana would fall under the U.S. Food and Drug Administration. Other points are:

- (a) A three percent (3%) excise tax on cannabis products with revenue going to fund law enforcement, small business and veterans mental health. The Democratic proposals called for an excise tax of 10% rising to 25%.
- (b) Safe harbor for state medical marijuana programs and patient access to medical cannabis. It specifically protects use for arthritis, cancer, chronic pain, sickle cell disease, HIV/AIDS and post-traumatic stress disorder.
- (c) Under SRA, persons in prison for federal nonviolent cannabis related offenses and the expungement of the related records. Cartel members or agents of cartels and persons convicted of driving under the influence will not be eligible for relief. Mace's office estimates 2,600 people would be released under the SRA.
- (d) The SRA would make cannabis legalization a fully state decision leaving the Federal government out of the picture.
- (e) If you asked the Multi-State Operators, I think everyone would prefer the States Reform Act over SAFER or the other bills the Democrats are focussed on.

The most likely scenario I see for the pro-cannabis Secure and Fair Enforcement Regulation Banking Act (SAFER Banking Act) legislation moving forward now is passage in the Senate with Speaker Johnson stalling it in the House which means it will die on the docket in this Congress until after the 2024 election. If Republicans regain control in Washington in the election now less than a year away, it might delay any meaningful legislative reform until 2028 or 2032.

If this happens, I lay the blame on Senate Majority Leader Charles Schumer (D-NY) with his cohort Senators Cory Booker (D-NJ) and Senate Finance Committee Chair Ron Wyden (D-OR). This trio let it be known they were bringing forward a comprehensive legalization bill called the Cannabis Administration and Opportunity Act (CAOA) which they finally did in July 2022. But in their attempt to pass

their own CAOAs, Schumer blocked the House attempts to pass the SAFE Banking Act on several occasions.

I issued two warnings at the time. First, CAOAs had no chance of passing because the history of pro-cannabis legislation was not in singular giant steps but in a series of smaller changes. In addition, a major bill such as CAOAs that would fully legalize cannabis that is not introduced until July of an election year could not be passed in an election less than six months away in November. Second, I said the Democrats could lose control of the House or the Senate or both in the upcoming midterms (November 2022) and if that happened, passage of pro-cannabis legislation could be lost for a decade. At the time, it seemed to me that the Republicans could wipe out the Democratic majorities in both the House and the Senate and two years later they could lose the White House for as much as two terms. Although that did not happen, I suggested that Schumer, Booker and Biden should be recognized as pariahs by the cannabis industry. That's what we're looking at today. Although the Democrats did better than expected in the 2022 midterms, they lost the House and that's how we ended up where we are today.

Although Mace had reportedly received a promise to schedule a markup hearing in the House from then House Speaker Kevin McCarthy, it didn't happen. When McCarthy was ultimately replaced by current speaker Mike Johnson, the hope for such a hearing was at least delayed and perhaps indefinitely.

But make no mistake, the sorry position the cannabis industry finds itself in was caused by Senate Majority Leader Charles Schumer (D-NY) with his cohort Senators Cory Booker (D-NJ) and Senate Finance Committee Chair Ron Wyden (D-OR). While they may crow that the Senate passed the SAFER Banking Act and it was the Republican's that blocked it in the House, that's one of those half-truths that politicians use. It was Schumer, Booker and Wyden that blocked SAFE Banking several times when the Democrats controlled the White House, the House and the Senate in the hopes of passing their own CAOAs. That was the action that brought us to this point and these are the three Senators totally responsible for that happening.

Marijuana Matters

I remain convinced that the Israeli/Hamas conflict is going to get much worse before it gets better. The major and most visible problem is Iran that the U.S. State Department has designated a State Sponsor of Terrorism. Iran supports terrorist groups in Palestine (Hamas), Lebanon (Hezbollah), Iraq (Kata'ib Hezbollah), Syria (Hezbollah), Bahrain (al-Ashtar Brigades), Yemen (Houthi militants), and in other countries throughout the Middle East. I have selected an example of group in each region. In the past decade, these groups have allegedly attacked Israel or U.S. assets in the region.

Iran has signed treaties repudiating Weapons of Mass Destruction (WMD) such as biological and chemical weapons and a uranium stockpile sufficient to create as many as ten nuclear weapons although

these stockpiles are supposed to be reduced. The difficulty is the inability to independently confirm stockpiled weapons.

As a result, when Iran threatened the U.S. of “consequences” if they do not secure and enforce a ceasefire in Gaza, it means something. Mohammad-Reza Ashtiani, Iran’s Minister of Defense said that if the Americans do not immediately implement a ceasefire, “they will be hit hard.”

For a President who campaigned on the promise to end U.S. involvement in the “forever wars” such as Afghanistan and the Middle East, Biden has ended up in an unexpected position. He did get out of Afghanistan but the exit turned out to be a major fiasco and now he is running the risk of getting more involved in the Middle East, especially if Iran begins to flex its muscles.

Conclusion: I remain concerned about the economic and stock market risks that could result from this conflict. For the Israelis, the Hamas attack on innocent people attending an outdoor concert might be the straw that broke the camel’s back. Based on everything said by Prime Minister Benjamin Netanyahu, Israel seems intent on doing to Hamas what Hamas has always said they want to do to Israelis. President Biden offered unconditional support for Israel at the outset but now seems to be taking a softer line. Iran has threatened action on the part of militant groups in the Middle East if the Americans don’t engineer and maintain a ceasefire. Although the U.S. has great influence on Israel, I suspect they don’t have the ability to have them agree to a ceasefire if the Israelis don’t want to. I suggest there are elements in play in the region that could lead to a very dangerous outcome.

Cannabis Quickies

Investors were delighted when **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** announced that British American Tobacco (LSE: BATS) (NYSE: BTI) is increasing its investment in the cannabis company by \$124.6 million by purchasing 38.7 million shares over three tranches. Of the total, \$83.1 million will be used to create a strategic investment pool designed to expand OGI’s geographic footprint and to capitalize on emerging growth opportunities with \$41.5 million used for general corporate purposes. This investment will increase BAT’s voting equity interest to 30% and its overall equity interest to 45%. To see the details of the transactions, right-click [\(here\)](#)

Conclusion: I was interested to note that the main use of funds is to increase OGI’s “geographic footprint,” that is, outside of Canada. Part of the reason might well be that OGI was founded in Canada and has done very well but part of it is may also be a comment on a less attractive outlook for the Canadian cannabis market. The news was well received by the market as the stock closed up +18.9% on the day. I would continue to hold OGI for excellent long term growth potential.



Applications Watch

Health Canada issued three new licenses last week for an adjusted total number of licenses of 980. Last week, new licenses were issued to Adrian Tornifoglia of Ontario cultivation, processing and sale; Ecology Earth of Manitoba for micro-cultivation and micro-processing and Killin' Time Cannabis of British Columbia micro-cultivation. Over 40 public companies are LPs or own an interest in one or more LPs. For a complete list of LPs and related information, Ctrl-Click [\(here\)](#)

(For a free copy of this newsletter or to have your name removed or to contact us with feedback, industry and corporate news, email ted@letstoke.biz)

This report is a news report for informational purposes only. It is not a solicitation to buy or sell any products, services or securities mentioned herein. Although the information contained herein was gathered from usually reliable sources, the editors are not responsible for the veracity of any statements or to correct any information that proves to be inaccurate. Certain statements contained herein regarding a Company and its operations may constitute "forward-looking statements." All statements that are not historical facts, including without limitation statements regarding estimates, plans, objectives, assumptions or expectations of future performance, are "forward-looking statements." Such "forward looking statements" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Please do your own due diligence and consult your professional advisor before making investment decisions. E&OE