



Let's Toke Business

The Commerce of Cannabis

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Week Ended September 8, 2023

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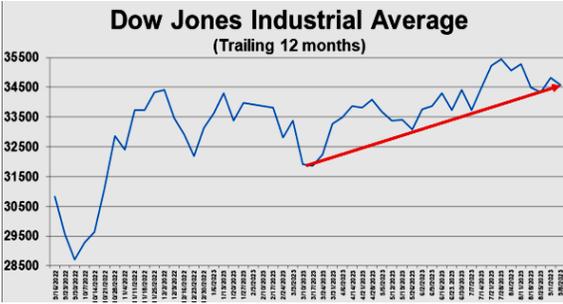
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Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk +1.6% 1 mo +3.3% 3 mo -10.3% 6 mo -27.7% 1 yr -47.7%

The blue chip indexes were lower last week as September did, indeed, get off to a bumpy start as I warned last week. All three of the Dow Jones Industrials, Standard & Poor's 500 and the

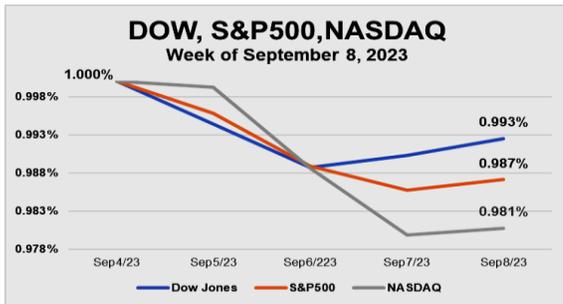


NASDAQ Composite were lower on the week. Investors were troubled by rising oil prices, a stronger than expected jobs report and China's

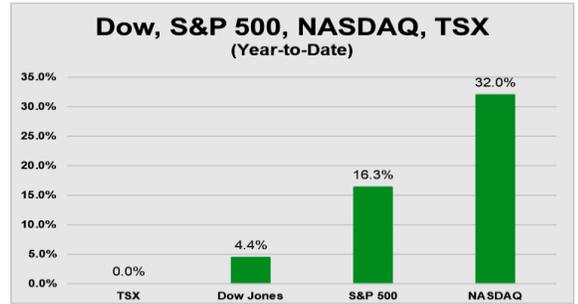


iPhone ban that pared \$190 billion in market cap off Apple in two days. This suggests next week will probably get off to a slower start as investors await the Consumer Price Index (CPI) report on Wednesday. As I have explained, the CPI faces harder comparisons moving forward from the inflation peak of June 2022.

The weakness in Apple shares resulted in the NASDAQ recording the largest weekly decline followed by the S&P 500 and the Dow. As the chart below right shows, all of the major markets except the TSX give up ground last week.

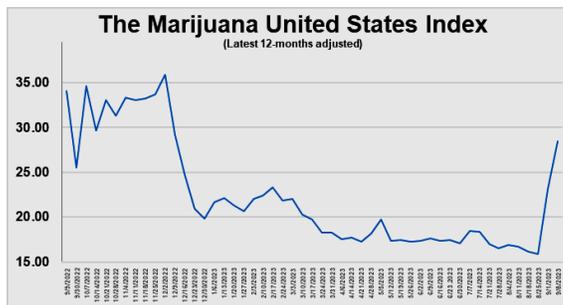


The Dow has dropped back to a mediocre level as the S&P and NASDAQ still hold the promise

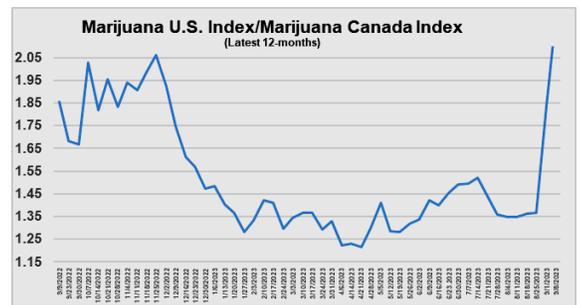


for excellent returns in 2023. I have mentioned on several occasions that the Federal Reserve has not delivered clear guidance with respect to monetary policy and that has left investors sitting on their hands on the edge of their seats. This will make next week's inflation report and the Fed's response even more important.

Any discussion of last week's cannabis stocks has to start with the U.S. operators. For several weeks, I have said the sector would probably lay low until after Labor Day. The reason was my expectation that the



Senate was under some pressure to get some pro-cannabis legislation passed quickly. The week before, the De-

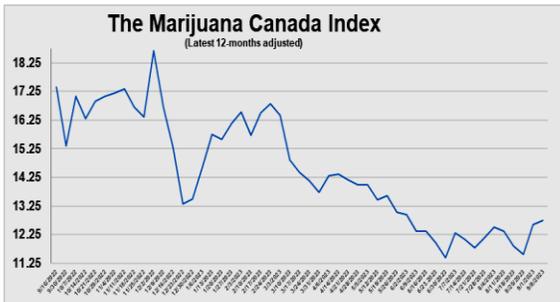


partment of Health and Human Services (HHS) upstaged my forecast when it recommended to the Drug Enforcement Administration (DEA) that marijuana be rescheduled from a Schedule I to Schedule III drug the week before Labor Day.

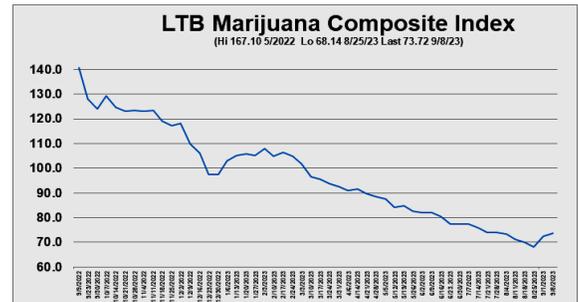
This resulted in a huge rally in the U.S. cannabis operators that I concluded was not enough to sustain the higher stock prices that resulted. I said we still needed progress on the SAFE Banking legislation. The charts above show just how powerful the response has been.

Almost immediately upon returning to Washington after the summer break, Senators began to move their lips. For example, the office of the lead Republican sponsor Senator Steve Daines (R-MT) said lawmakers had "...very productive talks over the recess." Senate Banking Committee Chairman Sherrod Brown (D-OH) said a vote on a cannabis banking bill was "imminent." This excited the markets further and the cannabis indexes, especially those focussed on American operators, continued to rocket higher. (see article below for more details).

The Canadian operators have joined in the rally in a much smaller way as they are really riding the coattails of the U.S. operators. This might be a time to exercise some caution. Canopy

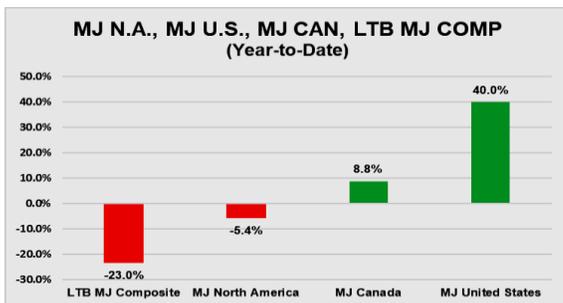


Growth (TSX: WEED) (NASDAQ: CGC) is a good example. On August 28th CGC was trading at US

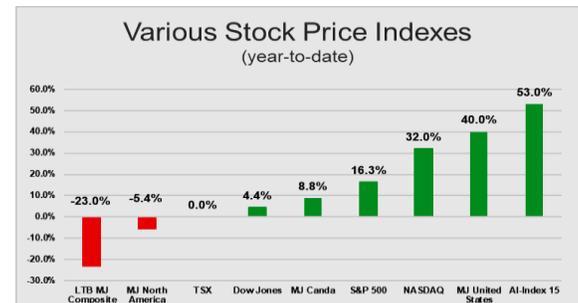


\$0.39 per share and eight trading sessions later it was up about 140% to US \$0.932 per share. It seems much overdone given that passage of SAFE Banking through the Senate is far from a sure thing if you remember the Senate has rejected seven versions of the bill passed by the House. .

The charts below show how much the picture has changed. Two weeks ago, all four cannabis indexes in the chart below left were in the red where they had been all year. With the HHS recommendation to reschedule marijuana from I to III, the U.S. cannabis index moved into the green and with the positive



rumblings about SAFE Banking, two cannabis indexes are in positive territory year-to-date. In two weeks, the MJ United States Index has gone from deep in the red year-to-date to the second best return on our chart above right only behind the Artificial Intelligence stocks.



Usually the Model Portfolio that I run is available on a subscription only basis only, however, I sold half my holding of **Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF)** because it had more than doubled in a week. The trade has worked out in a small way as JUSH has dropped over 10% since the

transaction but this is not the time I want to be underweighted in the U.S. cannabis sector. I will probably cover right away.

Conclusion: As I just mentioned, I took some profits on American multistate operator **Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF)** and although I am in good shape on the trade, I think will cover right away. **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** is my representative Canadian operator and followed through with a small gain last week. I am keeping a close eye on **Lexaria Bioscience (NASDAQ: LEXX)** as the delay on their Investigational New Drug application has been delayed. My conclusion based on further discussions with management is the delay is likely to be weeks rather than months but waiting is nerve wracking. I wrote last week of the potential impact of the G20 Summit in India and how it could positively impact **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)**. The ink on my comment had barely dried when NVIDIA, the latest member of the trillion dollar market cap club announced an Artificial Intelligence (AI) deal with two of India's largest companies: Reliance Industries and Tata Group. This is a significant indication that by going after the Indian medical industry with its AI products, PMED is headed in the right direction. I am a little surprised that there hasn't been more a market reaction in **1933 Industries (CSX: TGIF) (USOTC: TGIFF)**. I guess TGIF is going to be one of those sleepers that investors will stumble across looking for better values in the U.S. sector. As I reported recently, **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)** continues to work toward completing its audit and I will report progress from time to time..

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 will 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.

The Cannabis Report Model Portfolio

The two largest holdings are **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** and **Lexaria Bioscience NASDAQ: LEXX** followed by **Khiron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC)**. The two smallest positions are **Kiaro Holdings Corp. (TSXV: KO)** that has undergone a major overhaul of ownership and **Speakeasy Cannabis Club (CSX: EASY)**, **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** provides portfolio exposure to the Canadian market while **Jushi Holdings Inc. (CSX: JUSH) (USOTCQX: JUSHF)** is our choice for the U.S. market. and income guidance numbers and **1933 Industries (CSX: TGIF) (USOTCQB: TGIFF)** is, in my view, a turned around company. Cash is around 15%.

Special Report

SAFE Banking is not a done deal. Yet.

Since around the start of the summer, I have been saying the cannabis group would be quiet until Congress stepped up and passed much needed legislative changes. The most advanced legislation was the Secure and Fair Enforcement (SAFE) Act also known as the SAFE Banking Act. I expected that to happen after Labor Day and before Christmas.

The week before Labor Day, the Department of Health and Human Services (HHS) recommended the Drug Enforcement Agency (DEA) reschedule marijuana from Schedule I to Schedule III and the U.S. cannabis stocks exploded. Currently under the DEA Controlled Substances Act (CSA), marijuana is categorized as the drug equivalent of heroin and LSD and rated more harmful than cocaine and fentanyl. According to the non-binding recommendation from the HHS, this would all change with marijuana being moved from a Schedule I to Schedule III drug. Lending some credibility to the recommendation is the fact that the Food and Drug Administration (FDA) led the scientific work under the direction of HHS. The scientific and medical evaluation is binding on the DEA but the recommendation isn't. The final decision on scheduling remains with the DEA that has definitely not been a supporter of cannabis in the past.

What are the major changes if marijuana is rescheduled from I to III?

- (a) Cultivation, production and sale of marijuana will still violate federal law. As a result, it is unlikely to make traditional banking and perhaps insurance services available to the industry. But the HHS recommendation might encourage legislators returning from the summer break to act with more urgency on passing SAFE Banking legislation. **This certainly seems to be the case.**
- (b) It would eliminate the taxation problems for the cannabis industry created by Section 280E that only applies to Schedule I and II substances. Marijuana operators will be relieved of the restrictions of Section 280E that prohibit the deduction of otherwise ordinary business expenses in calculating taxable income. This would be a major step forward in ensuring the cannabis industry is taxed at rates similar to other legitimate businesses. I have observed in the past that fixing 280E is more important than passing SAFE Banking for many U.S. cannabis operators.
- (c) It will open up interstate commerce. Moving Schedule I drugs across state borders is illegal. The result is one state with an oversupply of marijuana cannot ship excess amounts of cannabis to another state with an undersupply of marijuana. This should promote more equilibrium in the supply and demand across the U.S.
- (d) The problem is the Drug Enforcement Agency (DEA) has not been supportive of cannabis in the past. One glaring fact is that a Schedule I drug has "...no currently accepted medical use and a high potential for abuse." While you can argue either side of this statement, the FDA approved Epidiolex in 2018. For five years, a marijuana-based medicine has been approved.
- (e) A DEA review will cover marijuana's potential for abuse, potential for medical use and the extent to which marijuana is unsafe or addictive. Given the completion of the HHS administrative review in under a year is considered governmental light speed, a DEA review could take longer and given their anti-cannabis history, the outcome is at least uncertain.
- (f) My conclusion was that rescheduling marijuana could easily be dragged until after the 2024 Presidential election. In that case, investors will be disappointed by the delay and if the Republicans win, all bets are off.

What has caught the attention of investors is my original thesis seems to be taking hold: a version of SAFE Banking is alive and well and might get a senate vote sooner than expected. Here are some points to consider:

1. SAFE Banking is anything but a certainty. Remember variations of this legislation have been passed by the House and rejected by the Senate on seven occasions in the past. However, the bill appears to have garnered sufficient bipartisan votes to surpass the 60 votes required to pass. As a result, SAFE Banking 2023 has a chance. See point 4. Below.

2. The political winds are blowing in our favour more strongly every day. One of the fastest growing sectors of cannabis use is the elderly who are using marijuana to treat a wide range of ailments. The thing about older people is they talk to each other and a high proportion of them vote. Finally, recent polling indicates people have reached the point of saying they will change their vote on the issue. These are issues that influence politicians.
3. Congress, as always, is facing another shutdown threat on October 1, 2023 unless a spending bill is approved in the next few weeks. The more congressional time that is consumed by trying to pass a spending bill, the less time there will be for consideration of a marijuana bill.
4. Senate Banking Committee Chairman Sherrod Brown (D-OH) said he has spoken to Senate Majority Leader Chuck Schumer (D-NY) and Brown now hopes to push SAFE Banking forward to a vote in “the next six weeks.” That puts it in October after the government spending deadline. So it all fits a possible timetable.
5. It is hard for me to forget that Schumer with his cohorts Cory Booker and Ron Wyden actively blocked SAFE Banking legislation over the past couple of years when Democrats controlled the White House, the House and the Senate. This has elevated the risk that SAFE Banking could fail to pass the House that is now controlled by the Republicans. So I consider anything these three have to say with a large dose of skepticism. But I am ever the optimist.
6. SAFE Banking has 42 cosponsors including eight Republicans and three Independents. So the required 60 votes needed to pass the bill is clearly within reach.

Conclusion: politics is unpredictable and the market has been acting as if it isn't. The rescheduling decision rests with the DEA and that makes a pro-cannabis decision anything but a certainty. In addition, the balance of power in Congress has shifted recently with the Republicans in control of the House. So there are pitfalls on the road to pro-cannabis legislative changes. My sense is that the market reaction is overenthusiastic and some of the risks are being ignored. However, the chance that the issues with Section 280E and access to banking services might be resolved in the near future is too important to ignore.

Marijuana Matters

In case you were wondering if **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** chose well by focussing on India, this report should put your mind at ease and set your heart racing. **NVIDIA Corp (NASDAQ: NVDA)** has entered into an agreement with Indian conglomerates **Reliance Industries (National Stock Exchange of India (NSE): RELIANCE)** and **Tata Group** that has over 100 subsidiaries of which 19 are listed on the NSE (the National Stock Exchange of India) and the BSE (formerly the Bombay Stock Exchange).

- **Nvidia Corporation** is an American company that is currently a darling of Wall Street and the most recent member of the \$1 trillion market cap club. Nvidia is a dominant supplier of artificial intelligence hardware and software.
- **Reliance Industries** is a Fortune 500 company and the largest private sector corporation in India. It is an Indian multinational conglomerate, the largest public company in India by revenue and market capitalization and the 100th largest company in the world. Reliance was the first \$200 billion market cap company in India although it has eased back since.

- **Tata Group** is a conglomerate of over 100 subsidiaries that operate as separate entities. Tata is considered a more global brand than Reliance although financially the two are very similar with Tata having somewhat higher revenues and a similar estimated market capitalization.

The three have formed AI partnerships with Reliance Industries and Tata Group to develop cloud infrastructure and language models, as well as AI generative applications. This is a collaboration to develop India's own foundation large language model trained on the nation's diverse languages and tailored for generative AI applications to serve the world's most populous nation. The companies will work together to build AI infrastructure that is over an order of magnitude more powerful than the fastest supercomputer in India today.

NVIDIA will provide access to the most advanced an AI supercomputing service in the cloud. The NVIDIA-powered AI infrastructure is the foundation of the new frontier into AI for Reliance Jio Infocomm, Reliance Industries' telecom arm. The global AI revolution is transforming industries and daily life. To serve India's vast potential in AI, Reliance will create AI applications and services for their 450 million Jio customers and provide energy-efficient AI infrastructure to scientists, developers and startups across India.

Tata Consultancy Services (TCS) is India's No.1 software services exporter and its role will be to build and process generative AI apps and a supercomputer. TCS will also upskill its 600,000-strong workforce by leveraging the partnership. This transaction will catalyze an AI-led transformation across the Tata Group ranging from manufacturing to consumer business, the companies reported.

Conclusion: the rule of thumb among investors is to track and follow the smart money and Nvidia and its trillion dollar market cap certainly represents the smart money in the Artificial Intelligence movement at present. The fact that Nvidia Corporation selected India and has entered into an Artificial Intelligence agreement with the two largest companies in the country is significant. If a tech giant entered the U.S. market and made agreements with Apple and Microsoft, it would be an attention getter. Nvidia entering India making deals with Reliance and the Tata Group is exactly the same thing.

Here is why I believe this is important to **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP):**

- Nvidia is the most recent Artificial Intelligence company to attain a \$1 trillion market cap and they have just selected India as their major bet for the future. This means Nvidia has considered their opportunities and chose India to have the best combination of economic outlook and government policy. In fact, Jensen Huang, CEO of Nvidia met with Narendra Modi, the president of India just before the G20 summit that I reported to you about last week. PMED AI is going to India where Nvidia has decided to go. It is fair to conclude that **the AI opportunities in India are the best available.**
- Reliance and Tata Group are the two largest corporations in India and they have joined Nvidia in this major undertaking. This ensures all levels of government, the economy and the population now realize AI is going to be an important development in their lives over the next twenty years and more. When PMED AI approaches the healthcare industry in India, everyone will have heard of the value of PMED AI's technology and have an awareness of how AI is going to be important in India's short term future. **This paves the way for PMED AI's growth in the immediate future.**
- Finally, we may be watching India take its place as one of the world's leading economies. At the present time, India ranks fifth in size of economic activity behind the (1) the U.S., (2) China,



(3) Japan, and (4) Europe. I have watched the U.S. rise to the top after World War II and maintain its position to today warding off challenges from Japan, Europe and China. Next it will be India's turn to rise up the ladder. **Clearly, India's future will be driven by the Artificial Intelligence revolution and PMED AI can be expected to do very well under such circumstances.**

The case for owning Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP) is virtually undeniable. This is not a time to "over wait." It is a time to "over weight."

Applications Watch

Health Canada issued no new licenses last week for an adjusted total number of licenses of 994. 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 [\(here\)](#)

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