



Let's Toke Business



January 19, 2024

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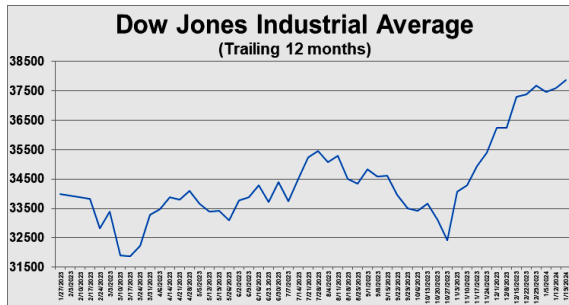
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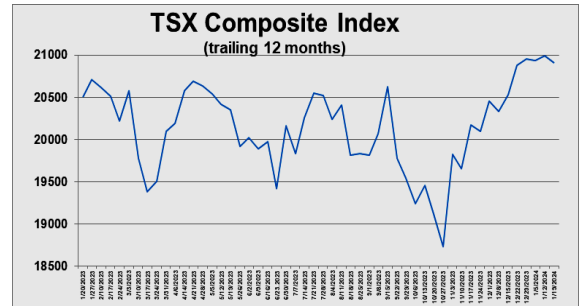
Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk -0.7% 1 mo +3.8% 3 mo -13.2% 6 mo -23.3% 1 yr -46.4%

The blue chips continued to demonstrate positive momentum as the with the Standard & Poor's 500 hitting its all-time high on January 19, 2024. The tech heavy NASDAQ and Standard & Poor's



500 led the way although the Dow Jones Industrials was able to tack on a small advance as well allowing it set a second record



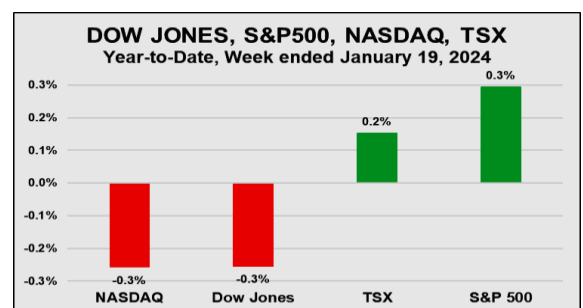
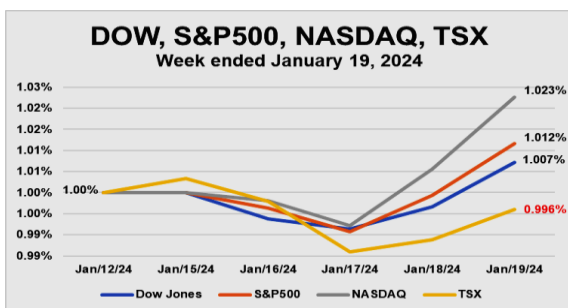
high in 2023. The economic news was mixed last week. Existing-home sales dropped to their lowest level since 1995, however, most of the damage was done earlier in 2023 when interest rates were high and rising. In recent months there have been signs of improvement as interest rates have topped out and may be starting to decline. In addition the University of Michigan Consumer Sentiment Index rose another 13% in early January which makes a total advance of +29% since November. This was the largest two-month recovery since 1991 and was recorded broadly across many demographics including age, income, education and location. The only negative news in consumer sentiment is the index is still around 20% lower than it was just before the pandemic hit.

As we are into the Presidential election year, the economy will have an important influence on voters at the polls in November. This means there are three economic variables that bear close assessment: inflation, unemployment and interest rates.

As the chart below left shows, the large caps extended their recovery with the NASDAQ and

S&P 500 indexes leading the way.

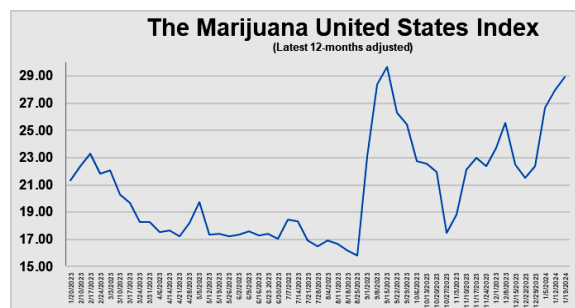
On a year-to-date basis, the returns are very close with the NASDAQ and Dow still down slightly with the



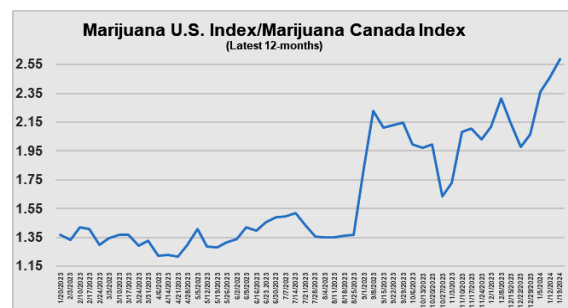
TSX and S&P 500 leading the way. As I pointed out in a recent letter, the conventional market pattern has been to close the year strong in November and December and to pause in January. When the January Barometer was first introduced in 1942 and for most of the years since, the stock market performance was an indicator of stock performance for the rest of the year. If stock prices rose in January, it was an indication that stock prices would rise for the rest of the year and vice versa. But as

that pattern started to break down in recent years, it has morphed into predicting stock market performance in January. Currently, January is neither one of the three best or worst months of the year for stock market performance.

The cannabis sector, the U.S. operators in particular, continued to move higher. The Marijuana United States Index gained +3.4% last week. The U.S. sector has had a flow of news to keep the



pot boiling, if you will. Last week, Health and Human Services Secretary (HHS) Xavier Becerra reported that HHS has been in touch



with the Drug Enforcement Administration (DEA) with respect to the HHS recommendation to reschedule marijuana. Becerra said, “We put it all out there for them. We continue to offer them any follow up, technical information if they have any questions.”

Because the DEA has the final authority to decide the scheduling of a drug and they reaffirmed this in a letter that I reported to you recently, what we are witnessing is pro-cannabis Democrats attempting to pressure the DEA to reschedule quickly. Along these lines, Representative Earl Blumenauer (D-OR) delivered what he described as an angry speech on the House Floor about the failure of pro-cannabis reforms to advance. Blumenauer has been a strong supporter of the cannabis cause for many years.

There is some reason to doubt that the DEA is resistant to pressure as I have warned for some time. When the U.S. Food and Drug Administration (FDA) approved GW Pharma’s CBD-based Epidiolex® investors jumped to the conclusion that the DEA would reschedule marijuana. After all, of the two major reasons for keeping marijuana as a Schedule I drug, the lack of an accepted medical use was gone. The Epidiolex® approval was five years ago and the DEA had taken no steps forward in the interim.

Complicating the matter is the instruction from the White House to Health and Human Resources on October 6, 2022 was in the form of a Statement from President Biden on Marijuana Reform. It was not a bill passed by congress and it was not an Executive Order. It was a statement in which President Biden made three points:

1. “...a pardon of all prior Federal offenses of simple possession of marijuana. I have directed the Attorney General to develop an administrative process for the issuance of certificates of pardon to eligible individuals.”
2. “...I am urging all Governors to do the same with regard to state offenses.”
3. “...I am asking the Secretary of Health and Human Services and the Attorney General to initiate the administrative process to review expeditiously how marijuana is scheduled under federal

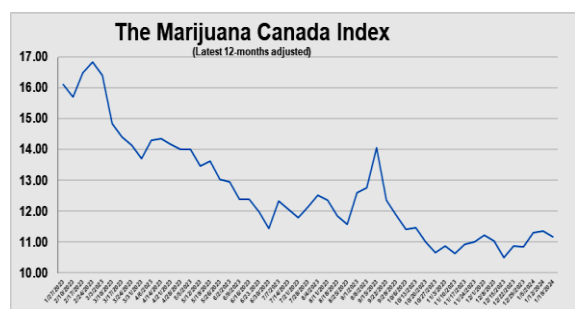
law. Federal law currently classifies marijuana in Schedule I of the Controlled Substances Act, the classification meant for the most dangerous substances. This is the same schedule as for heroin and LSD, and even higher than the classification of fentanyl and methamphetamine – the drugs that are driving our overdose epidemic.”

When I heard HHS’s response to President Biden on August 29, 2023, two thoughts immediately came to mind:

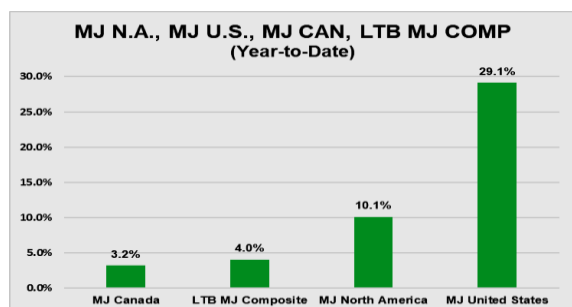
1. Wow. That was fast. In checking the dates, it was approximately 11 months from Biden’s statement to the HHS response. Even if the DEA moved as quickly, that would be late July 2024. But the market’s message seems clear: Reschedule quickly and U.S. cannabis stocks will soar. Delay and we may be in store for a significant reversal.
2. I was also surprised to see a recommendation to reschedule marijuana because I did not recall that was what Biden requested. In fact, Biden’s statement was “...to initiate the administrative process **to review expeditiously how marijuana is scheduled under federal law.**” In making the re-scheduling recommendation, I think HHS went beyond the mandate they were given.

Conclusion: I am still a little nervous about the market’s dependence on the DEA changing the scheduling of marijuana. The DEA has a record of being anti-cannabis and shown a willingness to take a stand on such positions on its own. I at least question whether the DEA will approve rescheduling marijuana in eight months when it took the HHS eleven months and that was considered light speed in the bureaucracy. In the meantime, however, my investment philosophy is to follow the trend the market lays out and that is what I suggest here. Continue to have exposure in portfolios in U.S. marijuana operators for at least another couple of months.

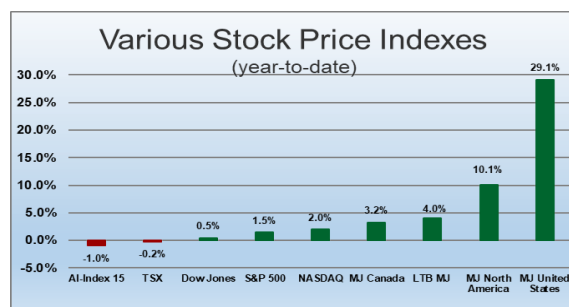
The Canadian cannabis stocks had a bit of a pause last week after riding the coattails of the American operators since Christmas. Last week, the LTB Marijuana Canada Index dipped -0.7%



The chart below left shows the positive note on which the cannabis sector started 2024 continues. This is clear in the chart below left. The chart below right shows that common stocks have gotten off to a



strong start building upon the gains made in 2023 that were excellent. With a stronger tone to the U.S. economy than was



generally expected, we may see equities remain in positive territory. It will be interesting to see how the presidential campaign plays into this stock market cycle. There are some unusual possibilities that we might see before November 5th. We have two of the oldest presidential candidates in incumbent President Biden was already the oldest President to be elected to office who was 78 when sworn into office and will be 82 should he win a second term. Donald Trump, the previous President was the oldest President when sworn into office at age 70, nearly age 71. If he runs and wins he will be extend his current record as the second oldest President to take office.

As I keep reminding readers, I am a Canadian and we have our own problems. It I speak of U.S. politics it is a less passionate look as I do not have a vote. But here are some things that could happen between now and the election:

- (a) President Biden at age 81 could become incapacitated before the election. He also demonstrates that his physical and mental acuity is somewhat challenged.
- (b) Short of a catastrophic health event, the Democratic party might be forced to replace the Biden/Harris ticket which would most likely happen at the Democratic National Convention from August 19 to August 22, 2024.
- (c) The same can be said of presumed Republican challenger Donald Trump who is 77 years old and appears healthier but anything can happen. The Republican National Convention is scheduled to run from July 15 to July 18, 2024.
- (d) Vice President Kamala Harris is problematic for the Democrats because Biden's approval ratings are dismal but Harris's are even worse.
- (e) Given that President Biden will be 86 years old by the end of a second term, the threat of Vice President Kamala Harris becoming President before the 2028 election may be a major problem for voters forcing the Democrats to make a change to the VP side of the ticket. In other words, the Biden/Harris ticket might be more electable if Harris is removed.
- (f) Donald Trump has not selected a Vice President for his ticket yet and his choice might be greeted with approval or disapproval. It is hard to see how he could pick someone worse than Kamala Harris but Trump always has the potential to be his own worst enemy.
- (g) Finally, as the election has become so personalized, the most important factor may be how voters react after the election is over and a winner has been declared. Will the Republicans accept Biden

for a second term? Will the Democrats accept Trump? If the election doesn't determine the winner, what will?

All of this is another way of saying the next ten months may be one of the most interesting in U.S. politics and depending on what happens, how will it impact the markets?

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.

The Cannabis Report Model Portfolio

The two largest holdings are **Lexaria Bioscience (NASDAQ: LEXX)** and **1933 Industries (CSX: TGIF)(USOTCQB: TGIFF)** while **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** and **Khiron 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

Congressional Research Service Explains the Impact of Rescheduling Marijuana

The Congressional Research Service (CRS) is an institute of the U.S. Congress operating within the Library of Congress that works for members of Congress and their committees on a confidential, non-partisan basis. Recently, a current report from the CRS was released that explains the effect of re-scheduling marijuana. The importance of this report is it covers what rescheduling marijuana from Schedule I to Schedule III will and won't do.

In a report published on Tuesday, the Congressional Research Service (CRS) explained the "legal consequences" of moving cannabis from Schedule I to Schedule III of the Controlled Substances Act (CSA). [\(Read full report here\)](#) This change has been recommended by the U.S. Department of Health and Human Services (HHS) to the Drug Enforcement Administration (DEA) following its comprehensive scientific review. The message is clear. Even if marijuana is rescheduled from I to III, there are still areas in which state cannabis markets will conflict with federal law. As the CRA report states, "Moving marijuana from Schedule I to Schedule III, without other legal changes, would not bring the state-legal medical or recreational marijuana industry into compliance with federal controlled substances law."

Here are some of the key issues identified by CRS:

- Rescheduling would relieve the cannabis industry from the Internal Revenue Service (IRS) 280E issue. Under 280E, cannabis operators dealing with Schedule I and II drugs are treated like illegal drug growers and distributors. There are many normal business expenses they are not allowed to deduct to calculate the income on which income taxes are calculated. If marijuana is changed to a Schedule III drug, marijuana businesses will be allowed to deduct business expenses on federal tax filings. According to many U.S. cannabis operators, this is the most beneficial change that can be made.
- If marijuana is moved to Schedule III, applicable penalties for some offenses would be reduced. But Controlled Substances Act (CSA) penalties that apply to activities involving marijuana specifically will not change. The report says, "...so long as the current rider remains in effect, participants in the state-legal medical marijuana industry who comply with state law would be shielded from federal prosecution."
- Schedule III substances have an accepted medical use and may be legally dispensed with a prescription. Schedule I drugs can not. However, for marijuana to be legally prescribed, the Food and Drug Administration (FDA) must approve its use. To handle FDA approved drugs, manufacturers and distributors must register with the DEA and comply with regulatory requirements. Users of medical marijuana must obtain valid prescriptions from medical providers.
- There are considerations for Congress. The report points out, if lawmakers want to change the legal status of marijuana, it has broad authority to do so regardless of a scheduling decision. CRS references its September 2023, report that focused on how rescheduling would have implications in areas such as taxes, housing, immigration, military eligibility and gun rights.
- CRS concluded it is "likely" the DEA will abide by the HHS recommendation.

Conclusion: The report from the Congressional Research Service (CRS) clearly establishes the complexity of the rescheduling issue facing the Drug Enforcement Agency. The report says categorically that rescheduling will remove state legal cannabis companies from the clutches of 280E which most cannabis operators say is the most important regulatory change that can be made at this time. Finally, although the CRS believes the DEA will comply with the HHS recommendation to reschedule marijuana, the question for investors is when.

Marijuana Matters

In explaining my optimism for **Lexaria Bioscience (NASDAQ: LEXX) (NASDAQ: LEXXW)** I listed the news events I thought we would begin to see starting in January 2024. These were:

☑ **January 2024:** this news was not on my original list but LEXX announced on January 4, 2024, that DehydraTECH™-powered semaglutide outperformed Rybelsus, an orally delivered drug for the treatment of Type 2 diabetes in sustaining higher levels of semaglutide in blood, improved blood glucose level control, faster achievement of peak drug delivery and reduced side effects. This is a potentially positive precursor to (3) below.

(1) **January/February 2024:** LEXX receives the remaining data needed to submit the Investigational New Drug (IND) application on hypertension to the Food and Drug Administration (FDA).

☑ **January 2024:** LEXX will likely announce details on a new follow up study to the GLP-1 study relating to weight loss and diabetes. This will be the largest study LEXX has undertaken.

(2) **February 2024:** LEXX reports submission of the IND application for hypertension to the FDA.

(3) **March/April 2024:** receive a response from the FDA on the IND application for hypertension submitted in February and I anticipate a positive response.

(4) **March/April 2024:** start receiving initial data from the new GLP-1 study started in January. Confirmation of initial results would be positive. An improvement is potentially spectacular.

The second of these events, the details of a new follow up study to the GLP-1 study relating to weight loss and diabetes, was announced last week. This will be the largest study LEXX has undertaken in its history.

As reported in the press release, the objective of the new studies is to help determine the commercial applicability of DehydraTECH to at least three GLP-1 drugs (semaglutide, liraglutide, and tirzepatide) which together have produced billions of dollars of revenue. The new planned studies to be undertaken are as follows:

(a) Chronic Dosing Animal Study: Targeted start March/April, 2024. This will be an obese rat diabetic-conditioned study similar to LEXX's previous study with approximately 12 study arms and 6-10 animals per arm. The study is expected to run for 12 weeks to allow time to study weight loss, PK, and blood sugar control over time, followed by full data analysis and reporting. Varied DehydraTECH formulations of semaglutide and liraglutide, alone and together with DehydraTECH-CBD, will be evaluated. We also expect to be evaluating DehydraTECH-processed semaglutide with and *without* the salcaprozate sodium "SNAC" technology currently found within Rybelsus® tablets. LEXX will collect data and report interim results prior to the end of the study.

(b) Human Pilot Study #2: Targeted start date March/April, 2024. This human pilot study in up to 8 healthy volunteers, will study a single dose of oral ingested DehydraTECH-semaglutide capsules in a similar design to Human Pilot Study #1. We also intend to study an oral dissolvable DehydraTECH-semaglutide tablet formulation (dissolvable into sublingual/buccal tissue) to determine whether GLP-1 drug absorption via this route is effective and well tolerated as an alternative to the conventional oral ingestible route which often presents with gastrointestinal side effect issues. Tolerability, PK, and blood sugar control will all be evaluated. The DehydraTECH compositions for this study will be compound-formulated using commercially available Rybelsus tablets as the semaglutide input material.

(c) Human Pilot Study #3: Targeted to start in May/June, 2024. This human pilot study in up to 8 healthy human volunteers will study a single dose of oral ingested DehydraTECH-tirzepatide capsules (to be compound-formulated using Zepbound® by Eli Lilly) to evaluate tolerability, PK, and blood sugar. Zepbound® is currently administered by injection only and will be used as the

tirzepatide input material for production of the DehydraTECH-tirzepatide capsules to be studied. Importantly, this study will evaluate DehydraTECH effectiveness in humans with a dual action GLP-1 + glucose-dependent insulintropic peptide (aka “GIP”) drug while also doing so without the SNAC ingredient found in the Rybelsus® semaglutide composition from Human Pilot Studies 1 and 2.

(d) Chronic Dosing Human Study: Targeted start Q3, 2024. This chronic human study in 70 to 90 pre-diabetic and type-2 diabetic human patients will dose daily using oral DehydraTECH capsules for 12 weeks and will evaluate tolerability, PK, weight loss, blood sugar levels and more. The primary goal of this study will be to compare DehydraTECH-processed semaglutide capsules (from compound-formulated Rybelsus® tablets as the semaglutide input material) to DehydraTECH-CBD capsules alone - and together in combination - relative to a placebo control over an extended period of time. Inclusion of DehydraTECH-CBD in this study will be undertaken to determine if the improvements in glycemic control and weight loss witnessed in Lexaria’s previous animal study are evidenced in humans.

(e) Long Term Stability Testing: Lexaria plans to study the chemical and microbiological purity and stability of select DehydraTECH compositions that it prepares for the above planned upcoming animal and human studies over an extended duration of 6-12 months. Along with improved tolerability, PK and efficacy performance, long term stability is crucial if oral variants of GLP-1 drugs are to be seriously considered as replacements for currently injectable versions of these drugs.

All the programs above are subject to change or substitution; dates are targets only; and some are subject to raising sufficient funds. All human studies will be investigator-initiated non-registrational studies and will require certain approvals before beginning. All studies will utilize third-party laboratories.

Conclusion: I’ve been talking about shares of **Lexaria Bioscience (NASDAQ: LEXX)** being under



accumulation. I think these two charts make my point. The chart below left shows the one-year chart of LEXX while the chart to



the right shows the last six months. My case for buying and owning LEXX is a substantial flow of positive news I expect to see over the next year. That news flow has started and I believe the uptrend shown in the six month chart will continue and even accelerate.

Cannabis Recommendations

Lexaria Bioscience (NASDAQ: LEXX): As I have repeated with great regularity in recent weeks, including this week, I laid out a flow of news on LEXX that I expect to see over the next several months. In fact, this flow of news has started and I think it will continue. In The Cannabis Report Model Portfolio

that I also help publish, LEXX is the largest holding. I think aggressive growth investors should have LEXX in their portfolios and, if you see the potential that I do, it should be one of the largest if not the largest holding.

1933 Industries (CSX: TGIF) (USOTC: TGIFF): is a Nevada-based cannabis company focussed on the cultivation and manufacturing of a large portfolio of cannabis consumer-packaged goods in a variety of formats for both the wholesale and retail markets. In 2020, Paul Rosen was parachuted in to rescue the business. This was no easy task. It was in the middle of the COVID pandemic and Rosen could not even travel to Nevada but he took a very hands on approach and worked with the people who were there. But when I listened to his plan, I decided he was worth supporting. After four years of an aggressive cost cutting plan that I followed closely and watched put into action by Rosen, I can say with some confidence, we are on the upside of the turnaround. TGIF's fiscal year ends July 2024 and, of course, the calendar year ends in December 2024 and it is in this time frame that I project TGIF will turn cash flow positive that I think will result in a favourable valuation shift in the shares of the company.

Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP) provides rapid health screening solutions and remote patient care solutions powered by proprietary artificial intelligence (AI). The PMED system is totally non-invasive meaning the individual does not have to provide bodily fluids or blow to the results to be generated. I think PMED is great opportunity because:

1. The most advanced product to date is the Safe Entry Station that can be used to analyse and identify 19 physiological vital parameters such as heart rate or blood pressure, fatigue, various mental illnesses including depression and anxiety and impairment by drugs or alcohol.
2. PMED has targeted the healthcare industry for its initial market which many AI experts agree will be one of the early, high growth markets for AI.
3. PMED is focussing on high growth Asian markets like India and Indonesia. AI requires data to base its predictions on and data is easier to collect in these markets. PMED recently reported completing 250,000 scans. Over time, Intellectual Property (IP) has the potential to be an important asset.
4. The business model is one of relatively high gross margins that mean PMED can be cash flow positive based on the sale of a comparatively small number of units in the field.

PMED has provided little news since returning from their business trip to India. I suspect they have made some progress and will be issuing press reports soon.

Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF): is a vertically integrated cannabis company, a multi-state operator (MSO) with a strong management team schooled in Investment Banking. As a result, JUSH's growth strategy includes "...opportunistic acquisitions, distressed workouts, and competitive applications." I am concerned that the U.S. operators are overly optimistic about rescheduling of marijuana and there may be some disappointment ahead. But I am more than comfortable having a representative U.S. operator in my portfolio and JUSH is my choice. JUSH has outperformed as the U.S. sector has again shown strength on speculation of rescheduling of marijuana. But based on my outlook for rescheduling as explained above, I am keeping an extra close eye on the stock.

Organigram Holdings (NASDAQ: OGI) (TSX: OGI): is a Canadian Licensed Producer of cannabis for medical and recreational consumers with an excellent portfolio of adult use products. OGI has a partnership with British American Tobacco (BAT) that is currently in the process of increasing its ownership through a \$124.6 million equity investment. A substantial share of this cash will be used to expand OGI's international footprint. The Canadian cannabis market is coming into supply/demand balance and with BAT's support, OGI will be adding to its international presence. As a result, I expect to see OGI provide superior performance in 2024 which has already been the case.

Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC): has been halted since May 8, 2023. I have contacted CEO Alvaro Torres regularly, most recently in December 2023 when I noted a small improvement in operating conditions. KHRN is certainly not out of the woods yet but for the first time in over a year, there is some reason for hope.

Applications Watch

Health Canada issued one new license last week bringing the adjusted total number of licenses to 1,010. Last week, a new license was issued to 1355039 BC LTD of British Columbia for micro-cultivation and sale. 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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