



Let's Toke Business



March 15, 2024

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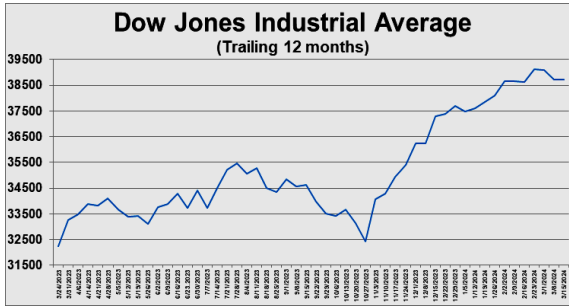
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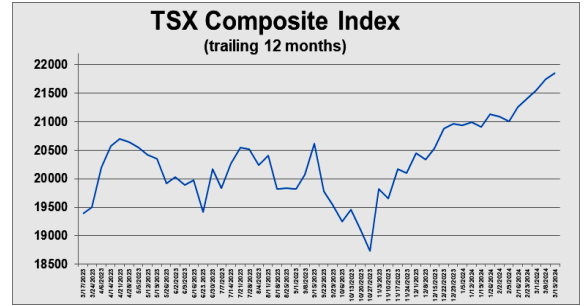
Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk -1.2% 1 mo -5.1% 3 mo -10.0% 6 mo -28.8% 1 yr -43.6%

The blue chip stocks stayed in neutral as the Consumer Price Index raised a couple of issues discussed below. The Federal Open Market Committee (FOMC) meetings scheduled for Tuesday and



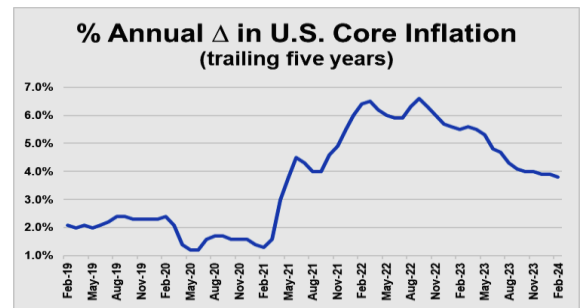
Wednesday (March 19th and 20th) of next week were initially believed to be the time for the Federal Reserve to announce the initial interest rate cuts for the next



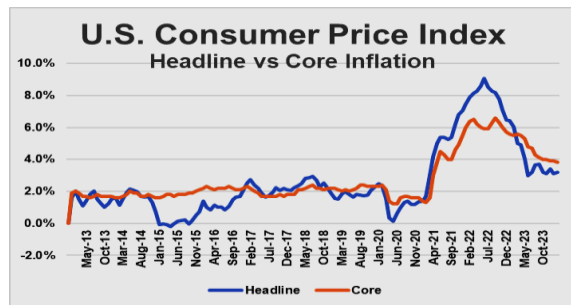
stage of the cycle. Now it seems clear the market, at least, expects the FOMC will leave interest rates at the current 5.25% - 5.50% level and continue its policy of selling bonds from its portfolio. After next



week there will be four more rounds of FOMC meetings before the election, the next coming on June 11th and 12th with the last pre-election huddle

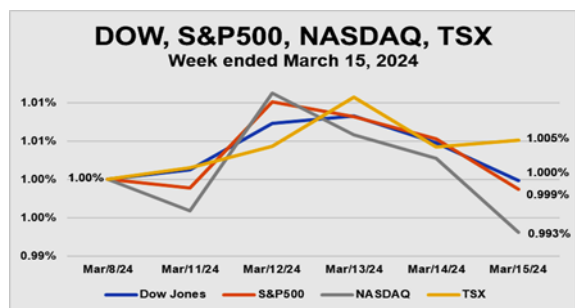


coming on September 17th and 18th. The next FOMC meeting will be on November 6th and 7th, that is, starting the day after the election. As we move from now until September, any actions by the Fed will be seen as “politically” motivated. The two charts above and the one to the left show the Consumer Price Index (CPI) in February was a little hotter than expected. The Headline CPI rate in February rose unexpectedly to 3.2% compared with 3.1% in January and 3.1% which was the consensus estimate. The Core inflation

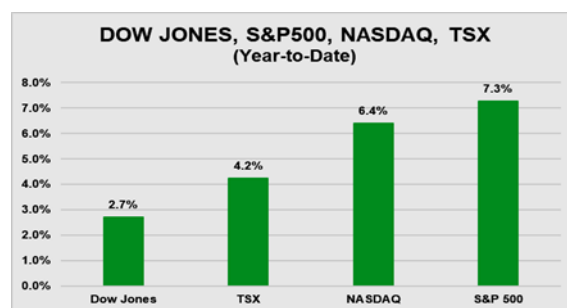


rate, that is, the CPI taking out the usually more volatile food and energy prices, dropped to 3.8%, down from 3.9% in January but above the expected 3.7%. We came into 2024 expecting five or six interest rate cuts and that is highly unlikely now as the economy, the labour markets and inflation continue to run higher than expected.

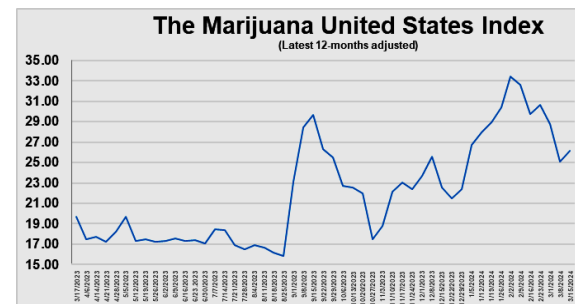
The chart below left shows the large cap indexes remained tight and lower early last week with the Toronto Stock Exchange edging higher and the others all coming in flat to lower. It is worth noting that



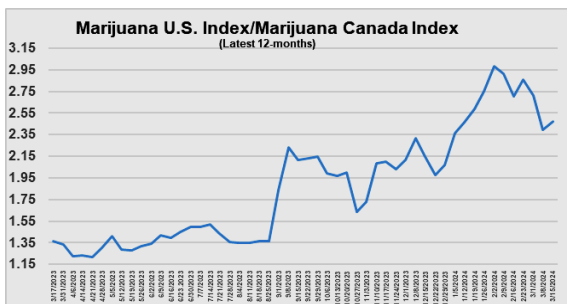
the corrections are relatively small and that is consistent with the corrections I expect in the Dynamic Phase of a bull market.



The Marijuana United States Index rebounded last week but it all came after Vice President Kamala Harris held a meeting in the White House. I have more to say about this below the charts.

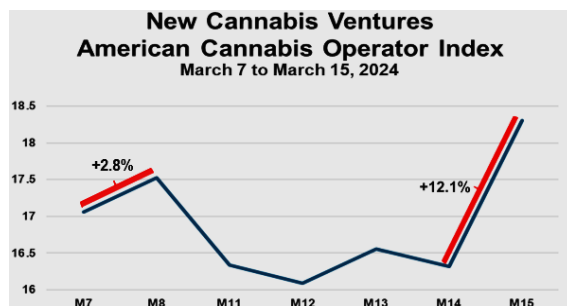


The charts show that after several weeks of decline and underperformance relative to the Marijuana U.S. Index, the shares of U.S.



operators experienced a comeback with the index gaining +4.3% on the week.

As shown in the chart below right, the U.S. cannabis stocks were weak before they got a boost on Friday when Vice President Kamala Harris urged for the reclassification of marijuana at a White House meeting. I have extended the chart back to March 7, 2024 because President Biden also included cannabis in his State of the Union (SOTU) address. The first rally was one day after the SOTU with an increase of +2.3% that fell flat and the second is after VP Harris' comments on Friday. We may see some positive momentum in the American marijuana sector carry over into next week but again I doubt it will result in establishing an uptrend in the group. I've said it before and I'll say it again: rescheduling won't produce a sustained rally in U.S. cannabis stock prices until the DEA indicates they intend to reschedule.

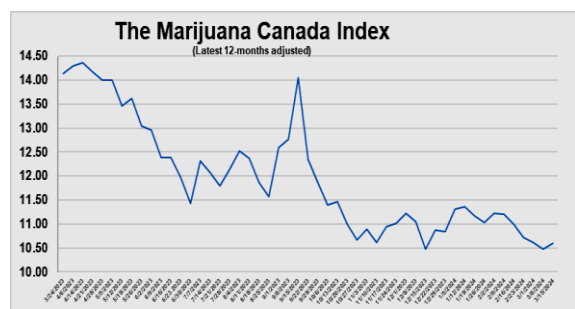


It appears the Vice President can generate a stronger response than the President right now from a White House meeting compared with the SOTU address and that is a sad state of affairs. While I'm at it, I might as well get all my political comments out of the way. I don't appreciate the politics of being promised the world every four years with nothing between. It plays cannabis operators/voters for

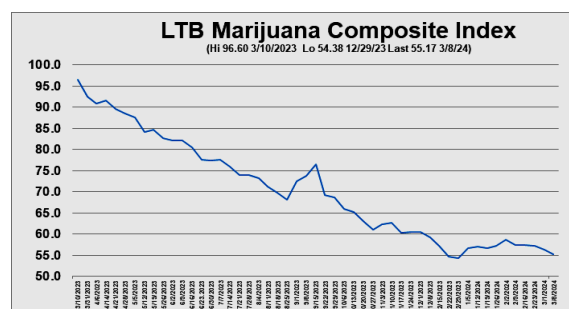
fools. What is shaping up is the worst case scenario I drew up many months ago. The Democrats blew their chance in the first two years of the Biden administration when they had absolute control of Congress because Charles Schumer, Cory Booker and Ron Wyden tried to jam their bill through ahead of SAFE Banking and failed. It turned out as they held up SAFE Banking, they would lose their majority in the House. Now if they lose the election in November, cannabis reform could be set back four to eight years. At this point I will take anything I can get from the Democrats to help the marijuana operators. Keep your fingers crossed.

As far as the Drug Enforcement Administration (DEA) goes, to me their silence is deafening. I warned readers the DEA has had a clear, anti-cannabis bent over the years and that has been especially clear over the past couple of months when I saw the DEA attempt to reinforce their sole authority to determine the scheduling of drugs. So, when the VP calls it absurd to classify marijuana as more dangerous than fentanyl and points out that scheduling means marijuana is considered as dangerous as heroin, it doesn't matter. It is up to the DEA to determine the scheduling. I hope the pressure directed toward the DEA produces the intended result but I wouldn't count on it.

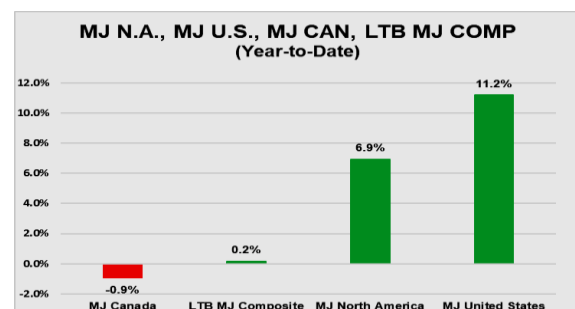
The Canadian cannabis stocks shadowed the U.S. operators but on a lower scale. The pattern last week was similar as the Canadian operators caught a bit of the updraft created by the U.S.



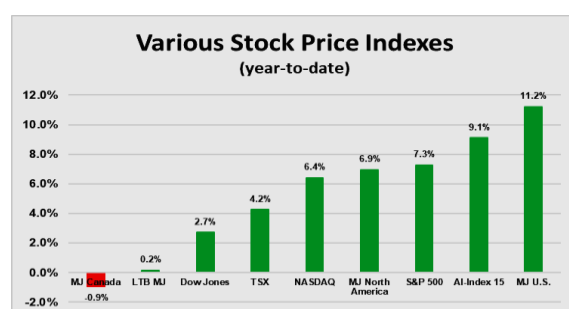
stocks on Friday. The result was a small gain after several weeks on the downside. The Marijuana Canada Index added +1.2%



while the LTB Marijuana Composite dropped -1.2%. The Canadian sector might get an unexpected boost from the committee engaged to review the Cannabis Act of Canada on its five year anniversary reports this months. I pointed out it was definitely a Government created committee with a bunch of academics and no business people on it. But assuming the committee files its report on time, it will be reporting in the next two weeks.



The chart to the left shows the cannabis stocks have been holding their own with three of the four indexes I follow still in positive



territory in 2024. The chart to the right has had some shuffling in the performance order. The

Marijuana U.S. Index advanced four positions to lead the 2024 parade as the AI stocks dropped back into second place. At the bottom end we still have the two Canadian cannabis indexes bringing up the rear. Both the U.S. and Canadian cannabis groups have the potential for regulatory news over the next few weeks.

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. Here is a question sent in this week.

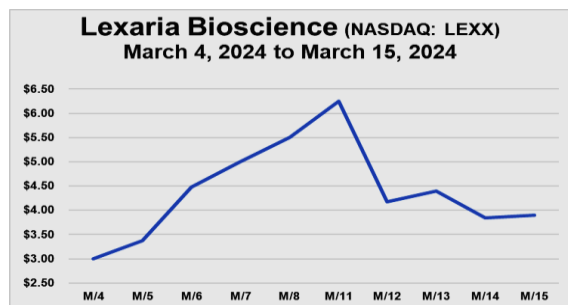
The Cannabis Report Model Portfolio

Another positive week for the model portfolio which advanced 10% or more for the second week in succession. 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 representative positions are **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** and **Jushi Holdings Inc. (CSX: JUSH) (USOTCQX: JUSHF)**. Cash is around 17%.

Special Report

Lexaria's Shakespearian Correction – Much Ado About Nothing

On March 12, 2024, **Lexaria Bioscience (NASDAQ: LEXX)** issued a Form S-1 to the Securities and Exchange Commission (SEC). A Form S-1, a.k.a. the registration statement under the Securities Act of 1933, the SEC Form S-1 is the initial registration form for new securities required for public companies based in the U.S. In this case, the Form S-1 was required to register the shares and warrants issued in the March 16, 2024 units offering. As the chart shows, LEXX was in a strong uptrend through March 11, 2024 but when the initial draft of the Form S-1 was filed on March 12, 2024, the stock dropped precipitously.



Before I explain my thoughts on what happened and what is going on, here are a couple of facts:

- (a) This Form S-1 will register the securities issued to the two investors that purchased the units in the offering that closed on February 16, 2024. When the registration process is completed, they will be able to trade the shares acquired on February 16, 2024.
- (b) The investors in the February 16, 2024 LEXX offering were Armistice Capital Master Fund Ltd. and Intracoastal Capital. In addition, the Placement Agent was H.C. Wainwright & Co. and as part of their compensation received warrants to purchase up to 54,546 shares at an exercise price of US \$2.8875 for five years. This Form S-1 allows only these shareholders to sell their shares.
- (c) According to the complexities of U.S. securities law, Lexaria as the issuer of the securities in question and is required to file the Form S-1 within 60 days of the closing of the offering.
- (d) Issuing the Form S-1 does not mean the owners of the securities in question intend to transact in the securities. It simply means they will be able to, that is, it provides them with liquidity. For your information, the Form S-1 filing was not completed late last week when I spoke to LEXX CEO Chris Bunka so technically the investors should still own their shares. As I explain in more detail below, that might be the case, they might have hedged their position at any time along the way using options and it is even possible all these shares have been sold.

Here is one of many questions I received last week that touches the points that I believe readers are asking themselves.

“Below is a link to a prospectus recently released by Lexaria on March 12th. Could you kindly enlighten us on the key insights we should glean from it and its potential impact on the future trajectory of the stock price if any? Thank you!” [lxrp_s1.htm \(fast-edgar.com\)](#)

Prospectuses are legal documents that is a lawyer's cure for insomnia. I stayed up until 2:30 a.m. one night last week reading this one and I knew this was a case where Chris Bunka, CEO of LEXX could help out.

This was a Securities and Exchange Commission (SEC) Form S-1 that is required to be filed for a company to issue new shares to the public. On February 15, 2024, LEXX announced a placement of 1,558,443 at US \$2.31 per share for gross proceeds of approximately US \$3.6 million and concurrently the issuance of 1,558,443 warrants at an exercise price of US \$2.185 for five years by private placement. On February 16, 2024, the very next day, LEXX announced the closing of the offering. This triggered the need to complete an issuance of the Form S-1 within 60 days of the closing of the offering. The form was submitted by LEXX to the SEC on March 12, 2024 is not complete meaning investors cannot sell their investment yet.

The 2024 offering used pre-funded warrants, a warrant that is paid for up-front by the investor in the total proceeds of the offering. If the pre-funded warrants are exercised by the investors, there will be no cash moving to LEXX. But if the regular warrants from the February 16, 2024 offering are fully exercised, LEXX will receive approximately US \$3,562,700. With LEXX hitting a price of U.S. \$6.85 per share in the most recent rally, the warrants from the 2021 financing came back in play. There were 1.5 million warrants exercisable at U.S.\$6.58 per share. If all of these warrants are exercised that would bring in another U.S. \$10 million. On a back of the napkin calculation, I

estimate this could cover all of LEXX's capital needs through 2025 with the exception of the hypertension study.

Let me move from the specifics of the LEXX offering to the general to provide readers with some perspective. In this next section, I am talking in generalities learned from my past experiences.

(a) **I am surprised by the extent of the negative reaction in the market:** once the issue was closed, everything that has followed in terms of issuing the Form S-1 is required by the SEC and LEXX is simply fulfilling its regulatory obligations.

(b) **Investors obviously want liquidity and a Form S-1 provides it.** This doesn't mean the investors will dump their shares; it doesn't even mean they will sell their shares. Prior to this, LEXX had been trading between 500,000 to 1,000,000 shares a day. So, if the selling shareholders had sold their shares in a sensible manner, the market could take the additional selling over a few weeks or a month.

(c) **In the past, I have known instances in which the investors have already sold their shares.** I refer to an earlier case I heard about in which an underwriter shorted the stock of the offering company driving the price down knowing they can cover with the shares offered in the underwriting. The markets today are probably far more sophisticated but the result is the same.

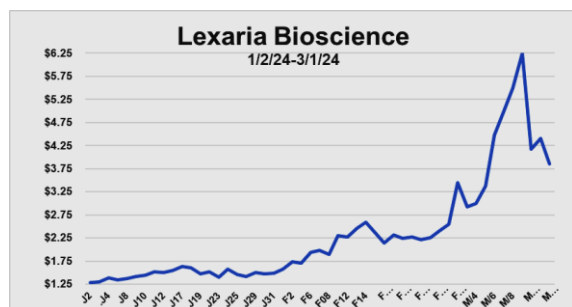
(d) **Even in 2024, I see the share price of companies edge higher days or hours ahead of a positive news report.** It could just be a coincidence but it happens more often than for it to always be a fluke.

(e) **Sometimes individual investors, the "retail market," misinterprets what is happening.** They conclude that management or insiders are setting up a scheme to sell their shares. Getting back to the specific, I hope I have shown that is not the case with LEXX.

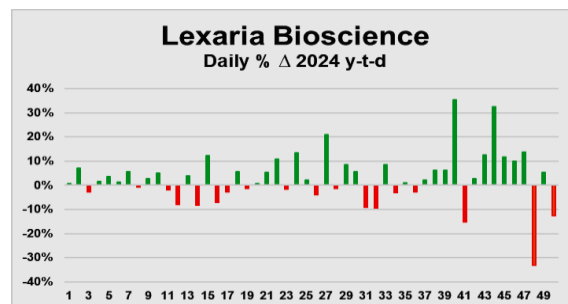
(f) **Why don't the regulators do something about it?** It's a matter of economics. For an organization like the SEC with almost 5,000 employees many of which are highly skilled and compensated lawyers, an investigation probably needs to have a potential value of well over \$100 million to make it worthwhile winning. Certainly under \$10 million won't cut it.

Let me address the impact of all this on LEXX. This is where I combine the specifics and the general and try to come to a conclusion that will help readers.

The reporting of the Form S-1 submission has resulted in a major reaction the LEXX stock price which I think has been seriously overdone. These two charts summarize the year-to-date performance of LEXX with the peak in the chart below left coinciding with the Form S-1 report.



(a) First, we should not overlook the fact that LEXX so far in 2024 has risen to a high of +384% and even after a recent



correction of -38%, LEXX is still up 198% year-to-date.

(b) I think the correction has been greatly overdone. The issue of a Form S-1 is routine following an offering of stocks and warrants. This looks to me like a case of “nothing to fear but fear itself” resulting in a major drop in LEXX’s stock price.

(c) The recent rally in LEXX’s stock price changed the nature of LEXX as an investment. As the LEXX market cap rose above \$30 million, I said to you that I didn’t think we would ever see LEXX drop back to a \$25 million market cap company again. I stand by that statement. In the latest rally, the LEXX market cap approached U.S. \$75 million and that represents another positive threshold.

(d) You could look at this as part of the LEXX shareholder base transitioning from cannabis investors to biopharma investors and from a primarily retail market to one that has attracted the interest of smaller, American institutional investors. LEXX began to transition to a biotech company in 2020 when management made the decision to list on the NASDAQ and has continued ever since. My sense is that transition is substantially complete and that this is positive.

(e) We spoke briefly about the new Chief Financial Officer, Nelson Cabatuan, CPA. LEXX management decided it was time to upgrade their internal financial leadership and found Cabatuan through an extensive Internet advertising search that resulted in approximately 75 applicants. Cabatuan is located in Florida, they have been “working” together for a few weeks prior to the announcement and he has already proven his value. LEXX is very pleased with Cabatuan’s addition.

Conclusion: I believe investors talked themselves into worrying about the Form S-1 submitted by **Lexaria Bioscience (NASDAQ: LEXX)** last week. The impact of the form is to simply provide investors in the financing that closed February 16, 2024; liquidity with respect to their investment as is required by the SEC. It tells us nothing about the investor’s intentions with their holdings past, present or future. It does not impact any other shareholders in any way. It should have been almost a non-event to the market.

LEXX shareholders have been a little spoiled with the stock moving up sharply with almost each passing day. Having said that, at a U.S. \$50 million market cap, I believe LEXX is substantially undervalued. At the present time, LEXX is well financed, they have beefed up their management team and are planning other additions and LEXX has some study programs that the market is showing interest in.



Unfortunately, the market has had a break in the positive momentum it had built up since the start of 2024 and earlier so it may take some time to get that rekindled. I expect to see LEXX build a base at around the US \$4 level which means there might be a little bit of volatility, a few ups and downs, before the stock begins to move steadily higher

again. It probably won't take too long; weeks rather than months. When this happens, I anticipate the price moving above its recent high of US \$6.85 per share.

Cannabis Recommendations

Lexaria Bioscience (NASDAQ: LEXX): As I have been saying including this week, LEXX is now a bioscience company and not a cannabis stock. In any event, as I have described in more detail in other parts of this week's letter, the market appears to have overreacted to an SEC Form S-1 submission. This is a routine filing, and this one applies to only the two investors in the February 16, 2024 underwriting and the agent who received some warrants as compensation. My sense is the market will need a couple of weeks to establish a base around the current US \$4.00 level before moving ahead to a new high. I would not sell or short LEXX at this level and I would be a buyer.

1933 Industries (CSX: TGIF) (USOTC: TGIFF): is scheduled to report on April 1, 2024 and I have been expecting the results to be positive. But last week, TGIF issued a statement that said they are "suspending" its Canna Hemp™ CBD consumer packaged goods subsidiary. TGIF points out the demand for hemp-infused CBD products has continued to decline since the COVID pandemic due to increased competition, the closure of brick-and-mortar stores and customers exiting the CBD category. My plan is to contact Paul Rosen, Chief Executive Officer of TGIF and try to arrange an interview shortly after April 1, 2024 to get a full update.

Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP) has settled into the \$0.045 to \$0.05 per share range which is getting closer to my target range buying range. If we get to that range then all that will remain is some sales results out of the Indican and Indonesian markets where management invested considerable time and money in 2003 that formed the basis of many problems made to investors. This is the same position I took when LEXX had a delay in submitting their IND application. I waited and when the news came, I was fully supportive of LEXX management in the shares soared higher. An improvement in PMED's stock price is certainly warranted but at this point management must deliver on its past promises if that is going to happen.

Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF): reported for its fiscal fourth quarter and year for the period ended December 31, 2023. Here are some highlights:

- *maintained strong gross profit margin of 40.2% in Q4 2023 and 43.1% for the fiscal year of 2023*
- *net loss of \$18.0 million in Q4 2023 compared to \$139.9 million in Q4 2022*
- *improved adjusted EBITDA and adjusted EBITDA margin to \$11.3 million and 16.7% respectively in Q4 2023 and \$40.8 Million and 15.1% respectively for FY 2023*
- *bolstered margins and achieved JUSH-branded product sales of approximately 53.4% of total retail revenue across JUSH's five vertical markets in Q4 2023*
- *enhanced product and brand offerings with the debut of 175 new unique SKUs in Q4 2023*

Chief Executive Officer, Chairman and Founder of Jushi said, “Our fourth quarter was a strong finish to an incredible year for Jushi as we successfully increased our margins through our commitments to reducing operating expenses and driving operational efficiencies across the business. Looking ahead we expect to continue to strengthen our profitability through further optimization of our grower processor facilities, including reducing green waste, increasing our yields and potency, and introducing higher margin products in our vertical markets. In addition to our improved profitability, we continue to focus on de-levering our balance sheet.”

Mr. Cacioppo continued, “During the year, we launched new SKUs into the market that were developed using the proprietary retail data and consumer insights we have gathered across our footprint. Focusing on proprietary retail data and consumer insights during the development process has helped us develop products that are in demand and fit into the marketplace enabling us to add more Jushi-branded products on shelves. These new products, including Sèchè Kind Grind and Fine Grind, have been performing exceptionally well and have helped grow our Jushi-branded sales to approximately 53% of our total retail revenue across our vertical footprint in Q4 2023.”

Mr. Cacioppo concluded, “I am incredibly proud of what our team has accomplished this past year, and we believe we are extremely well-positioned and ready for potential new adult-use markets to come online in key states such as Virginia and Pennsylvania.” [\(for the full report, Ctrl-Click here\)](#)

Conclusion: Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF) remains my pick of the U.S. cannabis operators group. JUSH has been able to improve margins to more than offset a small reduction in revenue, increase gross margins and make a massive reduction in losses.

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. OGI also stands to benefit from a review of the Cannabis Act that is now underway.

Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC): has been halted since May 8, 2023. I have been in touch with CEO Alvaro Torres regularly, most recently in February 2024 and I reported KHRN remains in survival mode. The government in Colombia is attempting to nationalize the health insurance business and in this attempt, companies like KHRN are becoming collateral damage. Companies like KHRN are in an ever tightening spot and all that they can do is try to hang on until the government is finished. Torres is professionally and personally committed to keep KHRN going as long as it can.

Applications Watch

Health Canada issued no new licenses last week bringing the adjusted total number of licenses to 983. 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)

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