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Opportunity

The background is a solid dark blue color. It features a faint, light blue DNA double helix structure that spans the width of the image. On the right side, there is a vertical column of small, light blue dots that form a starburst or particle trail shape, extending from the top towards the middle of the page.

Structurally, Why Are We Here?

- State Legal, still Federally Illegal
- Institutions tried and largely got kicked out (demand suppressed)
- Thinly traded market (CSE / NEO / OTCBX) so private companies trading on spot / grey market
- "Cruptober" impact on supply / pricing for 4Q21 into 1Q22
- Comparable growth stymied by stimulus and heavy demand during COVID lockdown

1. Debt – Rates Getting Better / More Supply Available

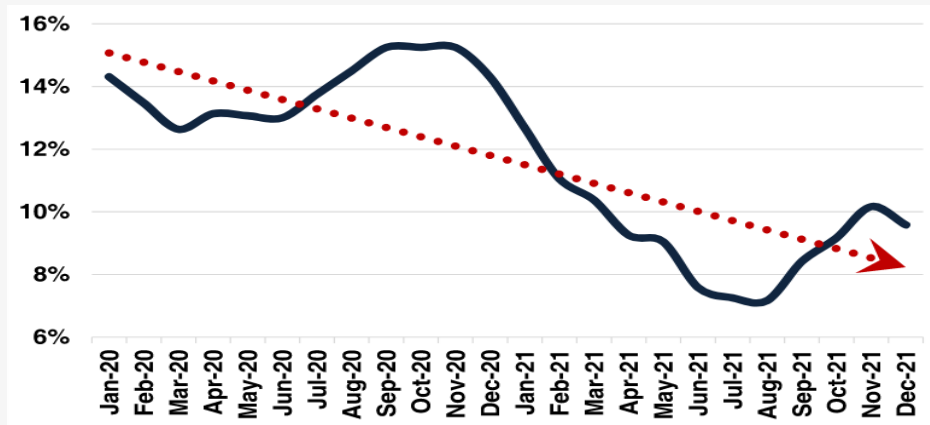


Chart from Needham Securities December 20, 2021, report, titled “12 thoughts on the Cannabis Industry & Outlook in 2022” shows the average coupon cost for CURA, CL, GTI, TRUL, AYR, CCHW, TER, AWH, and VRNO. “Cost of debt for top MSOs has fallen drastically as debt markets acknowledge improving fundamentals and MSOs seek non-dilutive capital in an equity price suppressed environment.”

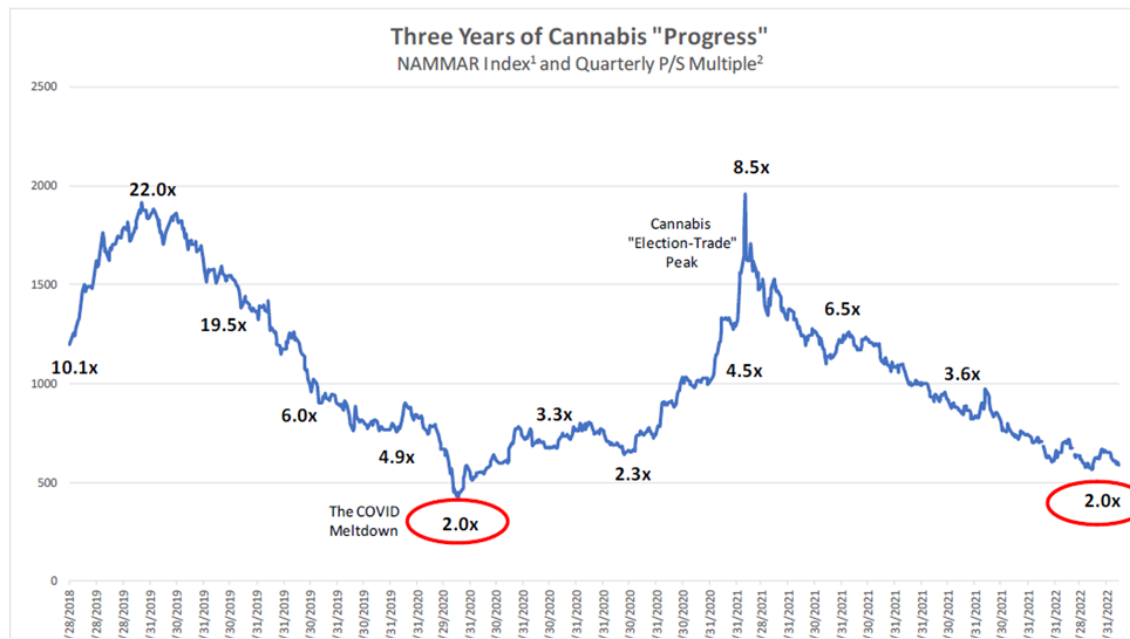
- Michigan cannabis company [Fluresh](#) arranges \$48M in new debt, refinancing (April 28, 2022) – Senior secured note with a 5.75% annual interest rate from FDIC-insured bank.
- [AFC Gamma](#) enters into \$60 Million Senior Secured Revolving Credit Facility with Commitments from Two FDIC-Insured Banks (May 2, 2022) – rate of Prime + 0.50% subject to floor of 4.00%.
- Fintech lenders go big on cannabis industry – [Bespoke Financial](#) is first fintech lender to provide debt financing (May 2, 2022).

Where is Upside / Fundamentals / Valuation?

2. Multiple Contraction

...And Are Downright Cheap Today

EMPIRE
FINANCIAL RESEARCH



1. Index line is NAMMAR from December 2018 to April 14, 2022.

2. Price-to-Sales multiple are forward looking and include 18 prominent cannabis stocks (12 US and 6 Canadian)

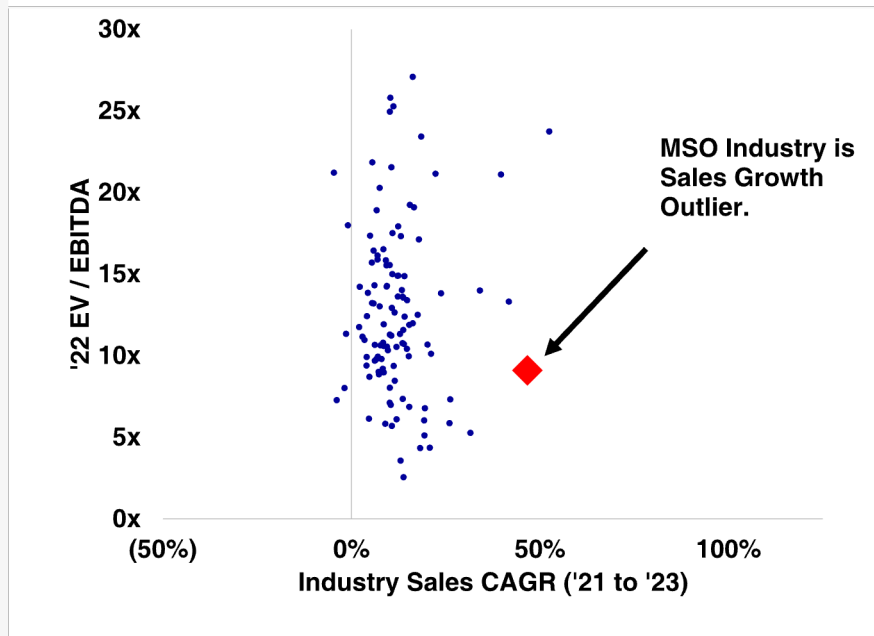
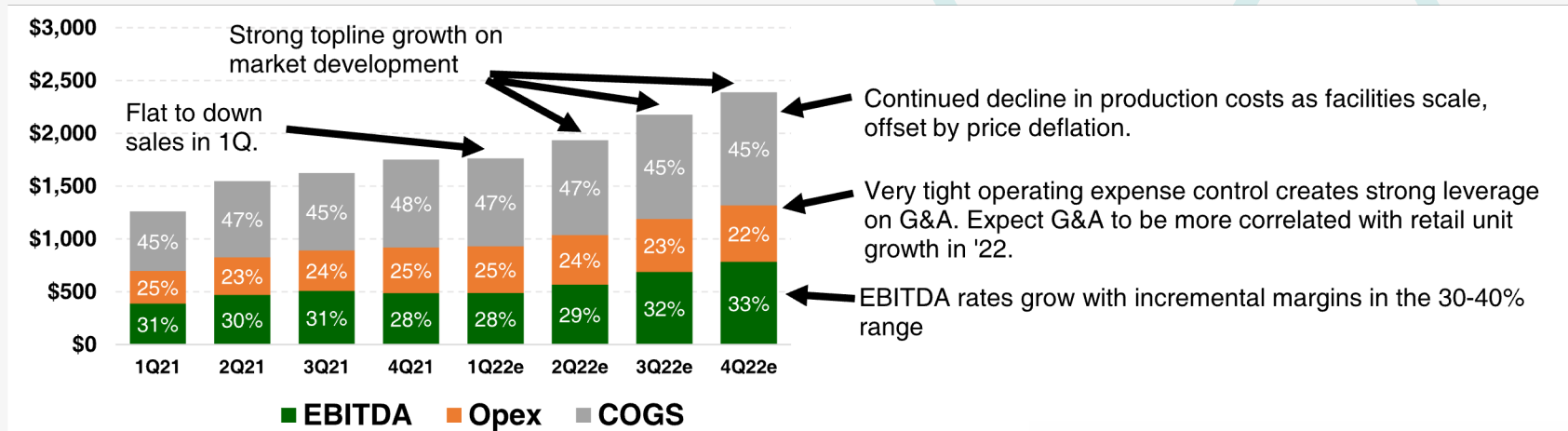
Source: FactSet, company reports, Empire Research estimates

<https://empirefinancialresearch.com/articles/my-presentation-this-morning-at-the-benzinga-cannabis-capital-conference>

Ticker	EV / Projected Sales		
	2022	2023	2024
USA			
CURA	3.24x	2.47x	1.90x
GTII	3.34x	2.64x	2.00x
VRNO	2.48x	1.86x	
TRUL	2.39x	1.88x	1.70x
CL	2.37x	1.70x	1.41x
TER	4.24x	1.77x	2.48x
AYR	1.36x	0.81x	0.77x
CCHW	1.44x	1.08x	0.84x
AAWH	1.03x	0.61x	
JUSHI	1.69x	1.10x	

Ratios based on Bloomberg projections and data.. As of April 29, 2022.

3. Growth and Margin Rates (Fundamentals) Not Translating in Valuations



MSOs not being Valued on Fundamentals

Look at traditional CPG where ROCE is critical value driver



Chart above produced by Capital IQ in May 2022 report.

Charts (on the left) from Needham Securities April 28, 2022 report titled "1Q22 Preview & Outlook: Green Thumb, Curaleaf, & Ascend Wellness."

Chart on bottom left, shows '22 EV/EDITDA versus Industry Sales CAGR ('21 to '23).

4. High Growth and Volatile Sectors Getting Grouped without regard to fundamentals



Comparing ARKK to MSOS: despite notable differences in the underlying fundamentals the charts are almost identical since MSOS launched in September of 2020.

Chart and ratios as of April 2022.

	LQA FY'21 P/S	LTM FY'21 P/S	LQA FY'21 P/OplIncome	LTM FY'21 P/OplIncome	LQA FY'21 P/Adj EBITDA	LTM FY'21 P/Adj EBITDA
ARKK Top 10 / 58.74% (top approx 60%)	9.38x	10.79x	72.05x	134.84x	44.51x	55.75x
MSOS top 58.74% (top approx 60%)	2.77x	3.12x	24.81x	30.06x	9.04x	9.53x

	YOY Rev Growth		Proj. YoY Rev Growth		YoY EBITDA Growth		Proj. YoY EBITDA Growth	
	2020	2021	2022	2023	2020	2021	2022	2023
ARKK Top 10 / 58.74% (top approx 60%)	70.16%	100.51%	24.57%	29.26%	357.08%	93.00%	6.82%	62.64%
MSOS top 58.74% (top approx 60%)	162.97%	103.18%	31.61%	26.53%	526.63%	110.46%	29.85%	32.00%

Analysis of the top ten holdings of the ARK Innovation ETF (ticker symbol: ARKK) and the AdvisorShares Pure US Cannabis ETF (Ticker symbol: MSOS) using publicly available information for the publicly traded securities thereto.

- No real/true Federal advancement in legislation (social justice or otherwise)
- Slowed or delayed state rollouts
- Macro market sell-off/flight to quality
- Inflation (fertilizer, transportation)
- Sales and pricing pressures in established markets

- Onboarding high population markets (NM, NJ, CT, NY in '22/'23)
- Europe expansion (Germany speeding up reform)
- Movement at any Federal Branch (Executive, Judicial, or Legislative)
- CSE new tier
- Normalization of cannabis use as part of natural health

- Social justice for Federal reform, or the “+” for SAFE Banking
- Functioning state regulations for expanding markets & constructive changes for established markets
- Access to Financial Services (SAFE Banking)
- Tax reform: States (NY addressing 280e, California reducing rates) & Federal (280e reform)
- Scientific research on cannabinoids, flavonoids, terpenes and other components of the plant

Cannabis isn't about getting high; it's about getting well.™

Given longstanding legalities, we've arrived at a unique juncture in scientific history: the pending realization that properly-dosed cannabinoids promote health and wellness in all living things and beings.

We believe medical efficacy will lead to FDA approvals and CSA reclassification; and the global mindset will shift from "reefer madness!" to "Wait – it's good for me?"

We believe institutions will follow the money to the fastest growing industry on earth; and it will encompass disease treatments, wellness supplements, anti-aging creams and assorted vanities, sleep remedies, pet food and therapies, nutraceuticals, industrial hemp and more; all while alleviating the societal dependence on opioids.

And we believe this strategy has the ultimate edge – our bodies are already hardwired for success.





Todd Harrison

Chief Investment Officer
Founding Partner

Todd Harrison is the Founding Partner of CB1 Capital Management and our Chief Investment Officer. Mr. Harrison has spent three decades on Wall Street managing risk, navigating booms and busts and researching global market strategies. His institutional experience includes Morgan Stanley Global Equity Derivatives (VP), The Galleon Group (MD-Derivatives) and Cramer, Berkowitz LLC, where he served as President and Head of Trading.



Loren Defalco

Director of Research
Partner

Loren DeFalco is a Partner of CB1 Capital Management and our Director of Research. He has over 20 years of industry experience and has been covering the cannabis sector for almost a decade.

Loren cured himself of an epilepsy condition ten years ago through an ECS-focused diet, exercise and a regimen of cannabinoids that he developed based on his research of the ECS. We believe that his unique experience and his in-depth research of the ECS (through medical journals and scientific developments) and related nutraceutical arena make him an ideal choice to lead our research efforts.



Jon Tyras

Chief Operating Officer & CFO
Partner

Jon Tyras is a Partner of CB1 Capital Management and our Chief Operating Officer, Chief Financial Officer and Chief Compliance Officer. He has spent over 25 years in the industry. Jon was most recently the Chief Financial Officer and General Counsel of the public securities platform of Brookfield Asset Management, a leading global alternative asset manager with over \$550 billion in AUM. Prior to spending over a decade at Brookfield, Mr. Tyras spent eight years as a capital markets attorney at Paul Hastings and four years at Ernst & Young.



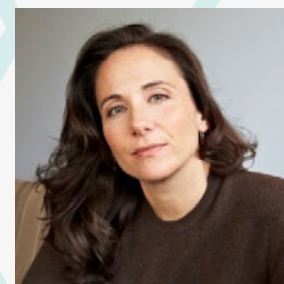
Gary Johnson

Twenty-ninth governor of New Mexico, two-time Presidential candidate. Founder, Big J Enterprises; Former CEO of Cannabis Sativa, Inc.



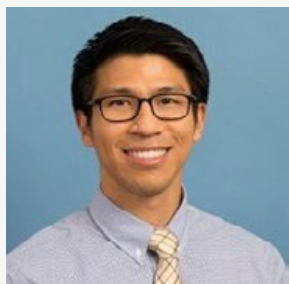
Lorne Gertner

Chairman of HG2 Capital Corp, CEO of Hill & Gertner Capital Group; Co-Founder, The Cronos Group; Director, Emblem Corp.; Co-Founder & Chairman Tokyo Smoke; Investment Partner and Director, Green Acre Capital.



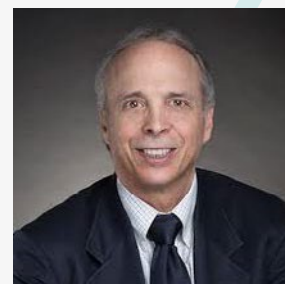
Dr. Julie Holland

Psychiatrist and psychopharmacologist, Author of the bestsellers “Weekends at Bellevue” and “Moody Bitches”, editor of “The Pot Book: A Complete Guide to Cannabis”, medical monitor for a clinical study examining the efficacy of using cannabis in the treatment of PTSD in veterans.



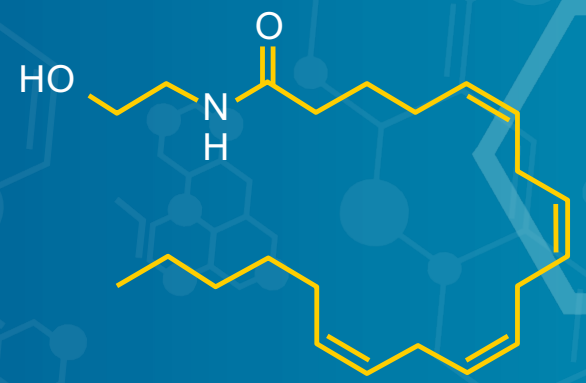
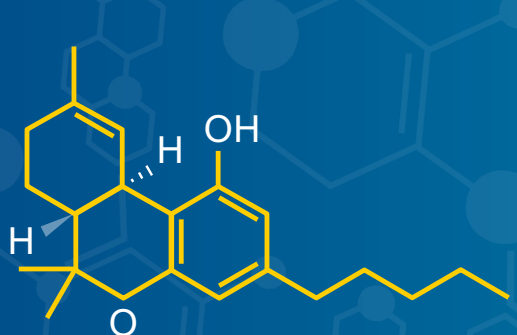
Dr. Jeff Chen

Founder/Executive Director of the UCLA Cannabis Research Initiative. Co-founder, managing partner, investor, and advisor to companies, not-for-profits, and venture firms in the life science, sustainability, tech, and media sector. David Geffen Fellow, U.S. patent holder, Mentor for U.S. National Institutes of Health Innovation CORPs, part of the Medical Team at Healthline. MD and MBA from UCLA, B.S. from Cornell.

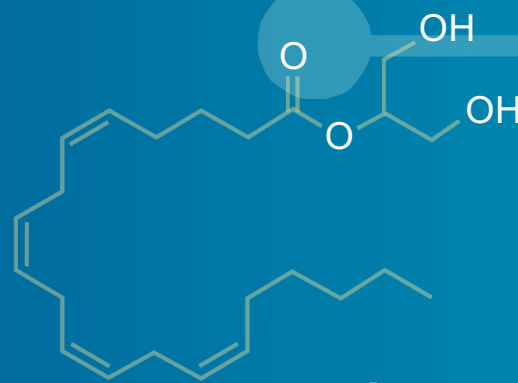
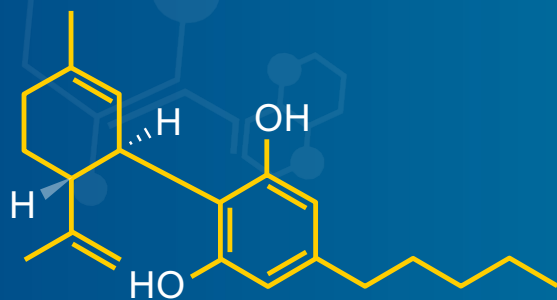


Dr. Ethan Russo

Board Certified Neurologist, psychopharmacology researcher; Director of Research & Development, International Cannabis and Cannabinoid Institute (ICCI), former Senior Medical Advisor, GW Pharmaceuticals; former Medical Director, PHYTECS.



History



History

Cannabis has had a relationship with humanity since ancient times...



26,900 BC

Evidence of human use of cannabis goes back about 30,000 years with hemp rope dating back to 26,900 BC found in Czechoslovakia.

2737 BC

Emperor Shen Neng of China introduces first pharmaceutical uses of cannabis “ma” prescribing it for gout, malaria and rheumatism.



1500 BC

Ancient Egypt's Papyrus Ebers notes possible use of cannabis as a way to alleviate pain and inflammation.



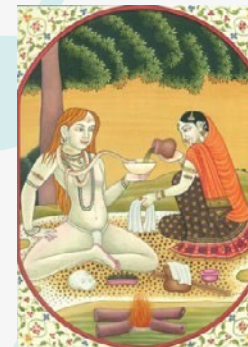
6000 BC

Cannabis seeds and oils used for food in China.



2000-1400 BC

Cannabis spreads from China to India with the sacred Indian Atharvaveda listing cannabis as a holy plant that could relieve stress and anxiety.



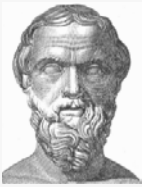
4000 BC

Pollen deposits found at Pan-p'o village provide earliest evidence of cannabis cultivation by people.

1400-500 BC

Scythians and other nomadic Central Asian peoples are thought to have spread cannabis use into Eastern and Northern Europe.





207

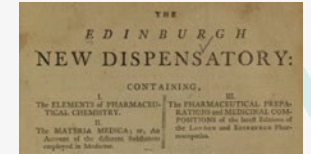
Hua T'o becomes the first recorded physician to use cannabis as an analgesic, using a mixture of cannabis and wine to anesthetize patients.

1532

French monk and writer François Rabelais writes of a plant called Pantragruelion identified as cannabis said to have healing powers, ease gout pains, cure horses of colic and treat burns.

1764-1794

The *New England Dispensatory* recommends hemp roots to treat inflamed skin and the *Edinburgh New Dispensatory* prescribes cannabis oil for incontinence, coughs and venereal disease.



440 BC

Herodotus writes of Scythian funeral ceremonies where cannabis seeds are ritually burned for euphoric effect.



77-79 AD

Pliny the Elder notes use of cannabis root tea for the relaxation of the joints, for gout and similar maladies.



900

Persian physician Abu Bakr Muhammad ibn Zakariya al-Razi, known in the West as Rhazes, is accounted to have used cannabis to treat epilepsy.

1838-1840

Cannabis introduced to modern Western medicine for numerous maladies by Irish physician William O'Shaughnessy, increasing its popularity.



200

Roman doctor Claudius Galen writes about use of cannabis and notes analgesic properties if consumed in large amounts.



1619

A decree by King James I requires all American colonists to grow "Indian hemp" for export to England.



1860

Ohio State Medical Society meets to summarize medical uses of cannabis, noting favorable outcomes for treating pain, inflammation and cough.



1860-1900

Cannabis can be readily found in over the counter pharmaceuticals for the treatment of a variety of ailments from chronic cough, menstrual cramps and even fussy babies.



1906

The U.S. Food and Drug Administration (FDA) is created to prevent another morphine addiction crisis as many people became addicted to unregulated drugs like heroin, opium and morphine.

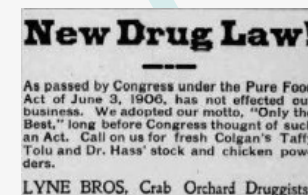


By the late 19th century, people living in Europe and America could buy cannabis extracts in pharmacies and doctors' offices to help with stomach aches, migraines, inflammation, insomnia and numerous other ailments. More than 100 papers had been published on its therapeutic uses.

In addition to cannabis being widely available, so were many other substances like morphine, opium, heroin and cocaine; each were causing large-scale social and health problems...

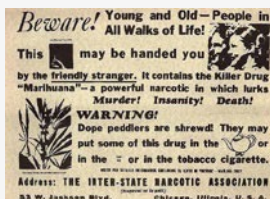
1914

The Harrison Narcotics Tax Act is passed regulating and taxing certain drug use with those moving to criminalize drugs making baseless, racially charged arguments to bolster support for the bill.



1914 AD

El Paso becomes the first city in the United States to ban cannabis in a panicked response to the flood of immigrants crossing the southern border fleeing the Mexican Revolution. First recorded use of the word “Marahuana.”



1930s

Use of the word “marihuana” in American English increases, being preferred as an exotic-sounding name for prohibitionists during debates on cannabis use. By using the newly emerging mass media and support from publisher William Randolph Hearst, Anslinger propels anti-marijuana sentiment.

1936

Reefer Madness film is released.



Go to: <https://vimeo.com/295187841>

1930

The Federal Bureau of Narcotics is established within the Department of the Treasury. Harry J. Anslinger is appointed as the first commissioner by Secretary of the Treasury, Andrew Mellon.

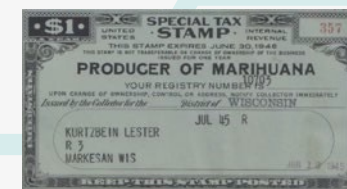


1933

Anslinger is credited with saying, “There are 100,000 total marijuana smokers in the US, and most are Negroes, Hispanics, and entertainers.” The 21st Amendment repeals the 18th, ending Alcohol Prohibition.

1937

The Marihuana Tax Act of 1937 is passed levying taxes on hemp products and sales of cannabis products. Farmers could pay for tax stamps for the cultivation of fiber hemp, physicians were charged a tax for prescribing cannabis and pharmacists taxed for selling cannabis. The American Medical Association strongly opposed the act citing that use of the largely unknown word “marihuana” prevented physicians from realizing the Act meant they would lose cannabis as medicine.



BILLION-DOLLAR CROP



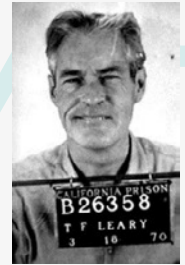
1938

Popular Mechanics publishes the “Billion Dollar Crop” article proclaiming Hemp the next great cash-crop as mechanical decorticators solve a problem over 6,000 years old, processing hemp in large quantity.

“...Postulated theories include the cotton industry, the paper industry, the petrochemicals industry, the alcohol industry and/or the emerging pharmaceuticals industry had various collusive efforts to see government further regulate, criminalize and demonize the cannabis plant and its uses. This only speaks to the versatility and disruptive impact cannabis has across numerous industries...”

1969

Leary v. United States, Supreme Court declares Marijuana Tax Act unconstitutional.



1970

Nixon signs the Controlled Substances Act and cannabis is assigned Schedule 1 classification as a drug with high potential for abuse and no accepted medical use alongside heroin and cocaine.

1942

Hemp for Victory encourages hemp production for the war effort.

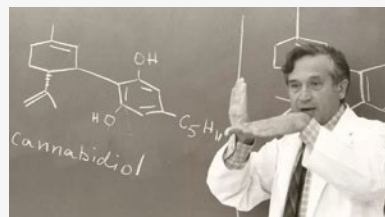


1961

Single Convention on Narcotic Drugs ratified by the U.N.

1964

Raphael Mechoulam isolates the molecule tetrahydrocannabinol (THC).



1968

The Federal Bureau of Narcotics never exceeds 330 employees or a budget of \$3 million. Nixon campaign speech asserts “Narcotics are a modern curse of American youth... I will take executive steps necessary to make our borders more secure against the pestilence of narcotics.”



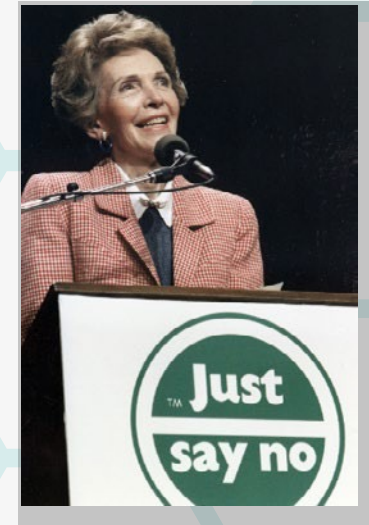
“This is your brain on drugs”

1973

The DEA is created to replace the Federal Bureau of Narcotics.

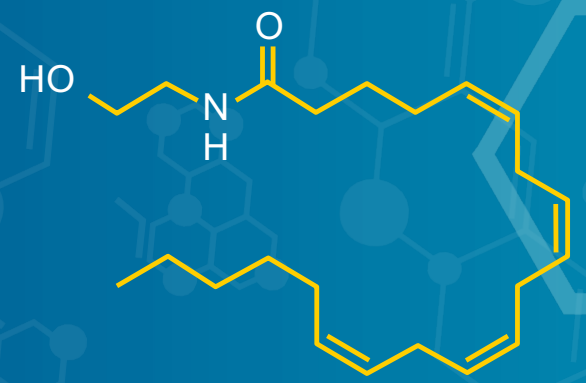
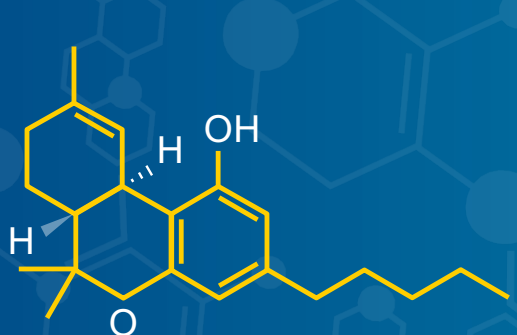


Video - click to play or go to: <https://vimeo.com/295188127>

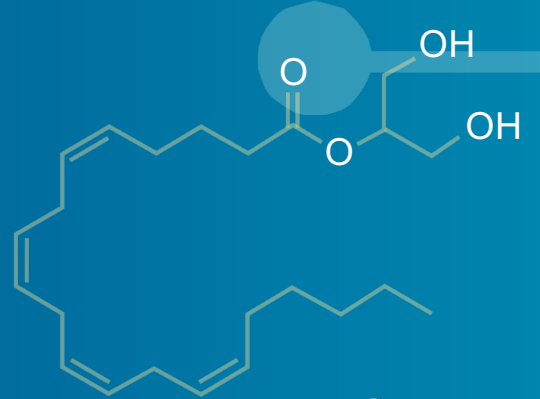
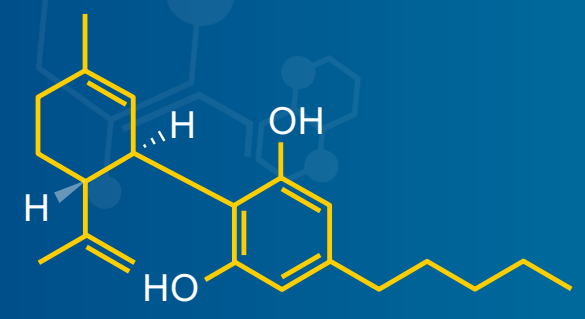


1983

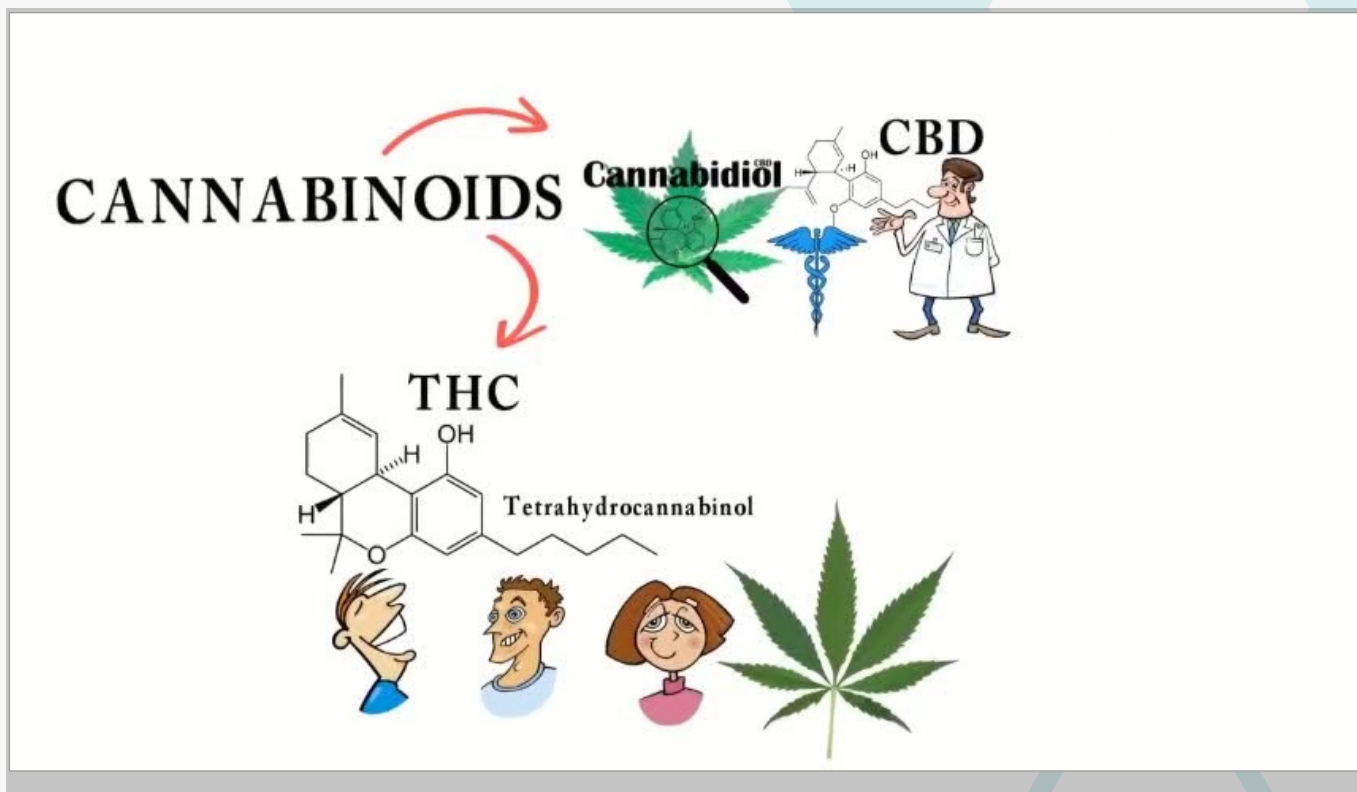
Both D.A.R.E. program and “Just Say No” campaign are launched.



Research



What is a Cannabinoid?



Video - click to play or go to: <https://vimeo.com/295188180>

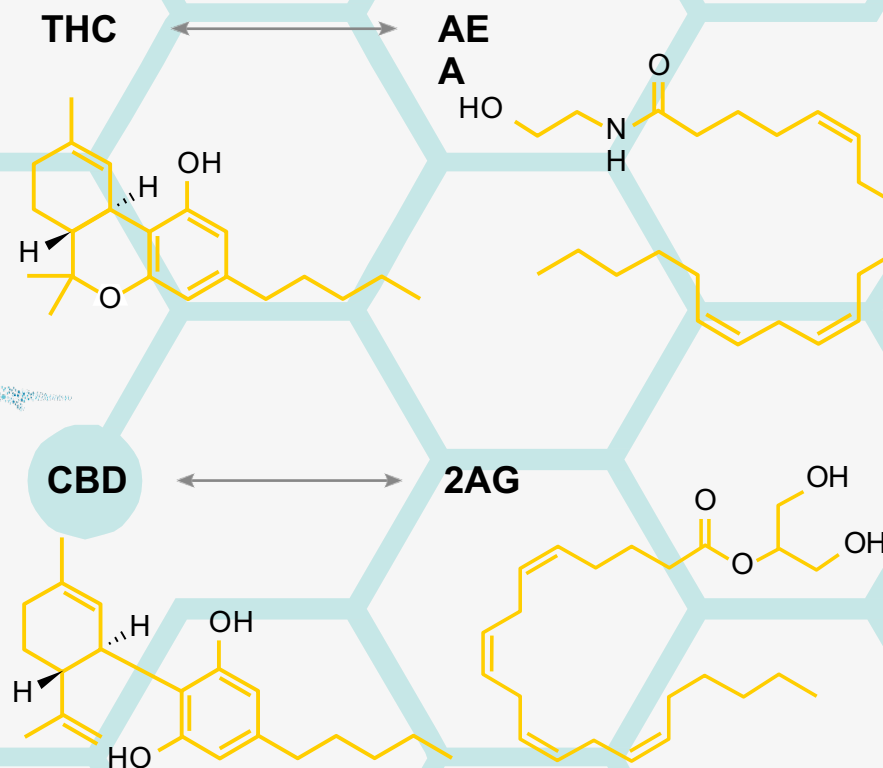
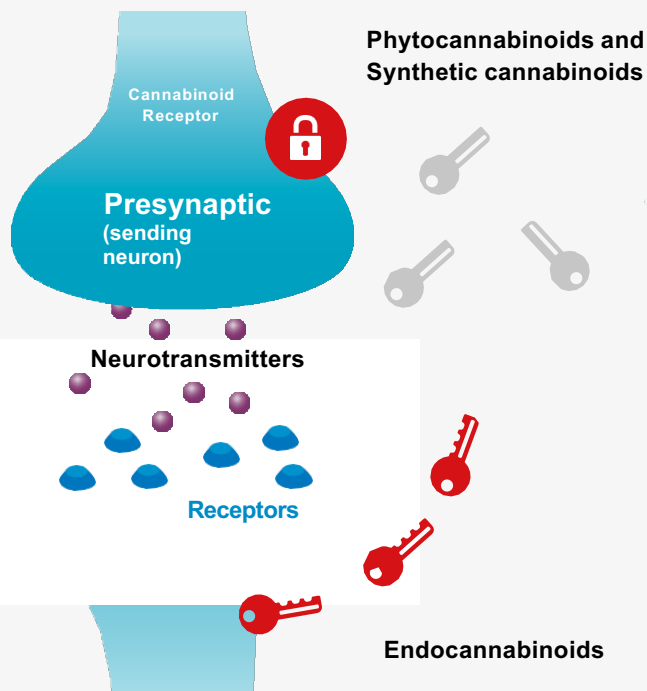
What is the Endocannabinoid System (ECS)?

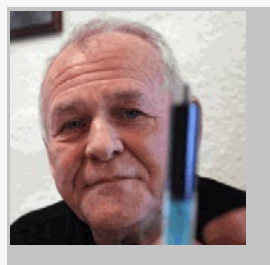
We can easily recount bodily systems such as the respiratory system, lymphatic/immune system, cardiovascular system, nervous system or others. The endocannabinoid system may ultimately be seen as equally important in time.

The ECS is a group of neuromodulatory lipids, enzymes and receptors involved in numerous behavioral and physiological processes, ubiquitous in all people.

CB1 & CB2 receptors are two ECS receptor sites where cannabinoids (either the body's own endocannabinoids or the plant's phytocannabinoids) engage with endocannabinoid receptors, facilitate neurotransmission and promote homeostasis.

The ECS produces many cannabinoids including anandamide, AEA, which is identical in action to THC, and 2-Arachidonoylglycerol, 2AG, which is a phytocannabinoid mimetic to CBD.





1988-1990

The first human cannabinoid receptors (CB1 and CB2) are discovered.

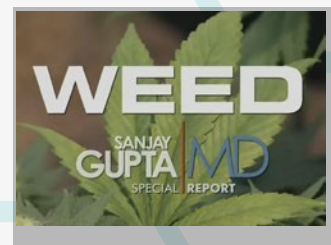
1996

California passes Proposition 215 allowing the use of medical cannabis.



1998

GW Pharmaceuticals is founded by Dr. Geoffrey Guy and Dr. Brian Whittle, commencing clinical trials evaluating cannabinoids.

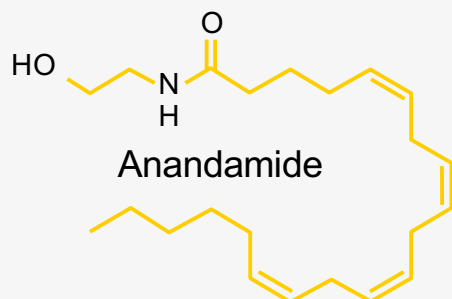


2013

CNN documentary "Weed" featuring Charlotte Figi increases cannabidiol awareness and highlights CBD efficacy in epilepsy. Charlotte's Web brand CBD begins.

1992

Anandamide (AEA), a cannabinoid compound produced by the human body, is discovered.



...The complete human endocannabinoid system comes into full view...

2003

Rick Simpson uses concentrated cannabis oil to treat his cancer symptoms and began distributing it free of charge to patients in need.

2018

Food and Drug Administration approves GW Pharmaceutical's New Drug Application for Epidiolex, for the treatment of certain orphan pediatric seizure disorders.



cannabisculture.com
<https://www.cannabisculture.com/content/2017/12/28/cannabis-roots-humanitys-ancient-plant-ally/>

advancedholistichealth.org <http://www.advancedholistichealth.org/history.html>

“History of medical cannabis” Jan 2016

“Understanding Marijuana: A New Look at the Scientific Evidence” by Mitch Earleywine **wikipedia.org**
https://en.wikipedia.org/wiki/History_of_medical_cannabis

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<http://www.visualcapitalist.com/wp-content/uploads/2018/06/history-of-medical-cannabis.html>

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civilized.life <https://www.civilized.life/articles/5-facts-about-how-cannabis-was-used-during-the-renaissance/>

hightimes.com <https://hightimes.com/culture/high-history-cannabis-in-the-ancient-world/>

history.com <https://www.history.com/news/why-the-u-s-made-marijuana-illegal>

popularmechanics.com
<https://www.popularmechanics.com/science/environment/a19876318/popular-mechanics-billion-dollar-hemp/>

wikipedia.org https://en.wikipedia.org/wiki/Harrison_Narcotics_Tax_Act

leafly.com <https://www.leafly.com/news/cannabis-101/facts-about-the-marijuana-tax-act-of-1937>

druglibrary.org
<http://www.druglibrary.org/Schaffer/hemp/taxact/woodward.htm>

theguardian.com <https://www.theguardian.com/society/2018/jan/29/marijuana-name-cannabis-racism>

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