CANADIAN CANNABIS STOCKS SIMPLIFIED

A How-To Guide for the Budding Investor

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I’m grateful to have a support network of “honourary moms” and “besties.”

Special thanks to Christine Musgrave. Thanks for your support hammering out my tag line, making sure I’m fed and housed, helping me run errands, all your care packages, and being an encouraging friend.

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A sweeping thanks and gratitude to my extended family and friends for your ongoing support in getting me to this point. A very special thanks and debt of gratitude to every cannabis grow-op farmer, dealer, and customer who has risked their credibility and freedom for the past century.

On the note of those who have risked it all for cannabis I would like to give a special salute to Cheech and Chong. Cheech Marin and Tommy Chong are the most iconic characters associated with cannabis. Although known internationally, Tommy Chong is Canadian-born. The comedic duo, like Jerry Lewis and Dean Martin, or John Belushi and Dan Aykroyd, gained legendary status that will forever link one with the other. Cheech and Chong’s careers hit a pinnacle with the 1978 movie Up in Smoke. The comedy followed two simple but lovable characters on their weed smoking adventures. Given the taboo subject of cannabis, the movie was financed inexpensively and was expected to gain a moderate return. However, the comedy was an unanticipated financial success ranking it the 15th highest grossing film of 1978 (Wikipedia, Up in Smoke (Wikipedia, accessed April 2018, https://en.wikipedia.org/wiki/Up_in_Smoke).

Despite being successful, the movie forever associated the actors/comedians with the illegal substance of marijuana. It was not Cheech and Chong’s intention to be the beacon of the cannabis culture movement. They were just a couple of actors who were happy to have some success making people laugh. Cheech and Chong did not publicly endorse cannabis. Although, over the decades, they have posed the thought provoking questions, “What if we’re right? What if marijuana is good for you?” (Marijuana News, “High in Hawaii: Cheech and Chong Talk Marijuana and Donald Trump” [420 Intel, 2016], accessed April 2018, http://420intel.com/articles/2016/05/06/high-hawaii-cheech-and-chong-talk-marijuana-and-donald-trump).
In real life, the actors found themselves persecuted by various legal authorities. Their personal characters were stigmatized and their careers stagnated. Chong tried to capitalize on his fame by financing and marketing a family run business which sold cannabis paraphernalia. During a US Attorney’s drug operation, Chong’s son was under investigation regarding their business. A violation of laws occurred when the “sting-like” operation requested a mail-order bong be sent to a fictitious town that was 31 miles beyond a county border. That county wasn’t permitted to sell bongs. Tommy Chong took a plea deal in exchange for having all potential charges dropped against his son and wife.

Commencing October 2003, Chong was imprisoned for nine months plus was fined penalties of more than $100,000 USD. Of the 55 business owners that were investigated, Chong was the only one without a prior criminal record to receive jail time. Chong supporters (I amongst them) saw this as an unfair balance of justice. The tactics used were questionable, the law broken was minor, and the punishment was severe. The US Attorney’s office justified the unusually harsh punishment by arguing Chong’s fame to market the bongs and his finances to create the business made him a danger to children. In response, Chong said, “When they put me in jail, that’s when they turned me into an activist. Up until the time I went to jail, I was just a comedian.” (Brainy Quote, Tommy Chong Quotes [Brainy Quote, accessed April 2018], https://www.brainyquote.com/quotes/authors/t/tommy_chong.html).

In this book, I suggest the biggest challenge to the emerging cannabis industry is the undoing of 100 years of oppression and stigma. Mr. Chong’s story is the perfect example. Since his imprisonment he has said, “To be in a situation where you have no rights whatsoever is something I wish everybody could experience. People’s attitudes would change. It would be a better place.”

Chong has found himself as an unwitting martyr and activist for the cannabis cause, and he has done it with grace and humour. I would like to thank him for the laughs. I am appreciative to count him a fellow Canadian. I’m beholden for his beacon. And I’m grateful Cheech and Chong have both lived long enough to be vindicated with their questions: “What if we’re right? What if marijuana is good for you?”
Two decades ago, when I first started writing this book, it would have been illegal to write and prohibitive to discuss cannabis in many areas. The fact that laws have relaxed in Canada is delightful.

It is an unprecedented time, with an estimated $7 billion a year illegal industry (Health Canada, A Framework for The Legalization And Regulation Of Cannabis In Canada [Health Canada, December 2016]), about to be legalized across this country. Most analysts estimate this number could double in the first five years after legalization. The flood of money investing in legal cannabis operations is reminiscent of the Gold Rush era.

I’m a former stockbroker. My technical title was Investment Advisor. My first professional job was with McDermid St. Lawrence, which at the time was considered Canada’s largest independent brokerage house. The firm’s focus was venture capital underwritings for the oil and gas and mining sectors in Calgary, Alberta. I assisted three senior underwriters while managing my own client base. In addition to oil and gas and mining stocks, I was part of the tech boom years in the 1990s. I have experienced an inflated emerging industry and have witnessed roller coaster economic forces at work. I have also had the opportunity to wear many other hats during my career in the investment
industry, including discount broker, investor relations, and compliance manager.

During my years as a discount broker, I became adept at explaining basic principles for stock trading to amateur investors. I used to keep a detailed list of the most popular customer questions. Next to the questions, I kept a tally of how many times each question had been asked. The data I collected established and verified the basic questions most asked by unsophisticated investors: This has formed the basis for this how-to book.

For decades, I have been close to a subversive culture of cannabis users during a sociopolitical climate of oppression, social stigma, and illegality. I have seen the blue collar working class fight the hardest battles around legitimizing cannabis. These were the grow op farmers, distributors, dealers, and consumers who risked their freedom and covertly contributed to what’s been said to be a $7 billion annual industry.

My informal assessment is that most of these people do not have the experience or knowledge to make money on cannabis in the stock market. When I socialized with individuals in cannabis circles, I would find myself explaining how to buy cannabis stocks. Also, I heard complaints about it seeming unfair that sophisticated white-collar investors were reaping the profits from the road paved by the blue-collar working class. I realized I could help balance this unfair turn of events.

This book will help the budding investor who can afford to take some risks and wants to invest in cannabis stocks. Understand that risk means you may never get your investment back. Any investment in the cannabis industry is considered high risk. This is because all cannabis stocks are part of an emerging industry, and stocks in an emerging industry are brand new. Brand new stocks are venture stocks. Venture stocks are extremely high risk. There are no guarantees. New companies may come along; companies may close; some might change names and restructure along the way. There is risk. However, because it is a high-risk industry, it could mean great rewards.

This book is not intended to provide technical analysis for established day traders or sophisticated investors, though it would help them more effectively navigate the cannabis industry because I do list many publicly traded cannabis companies in Canada. I have also provided an independent thumbnail sketch analysis of the Licensed Producers (LPs) under Health Canada’s new rules.
Also included are some investment strategies for consideration, and the manual intended to teach basic principles to trade stock.

Please note, all currencies are reflected in Canadian dollars unless otherwise specified.
This book is a how-to investment guide for Canadian stocks associated to the emerging cannabis industry. Other investment self-help books explain a variety of subjects including penny stocks, OTC markets, day trading, budget planning, portfolio returns, and get rich strategies. As the Canadian cannabis market emerges, stock analysts are starting to write reports via investment newswires. Although a handful of books discuss American opportunities, until now it has been a challenge to find a Canadian cannabis stock book.

With all of this in mind, I have focused this book on two subjects: Canadian cannabis stocks, and tips for inexperienced investors. You don’t need to be wealthy, educated, or sophisticated to benefit from this book. You just need the desire to take some risk to join the venture. I will cover the basic mechanics, to teach someone who has never entered a stock trade. I will also give you a road map to Canadian cannabis stocks that are currently available (at time of writing). These are the minimal tools required to invest in cannabis stocks. I’m gratified if this helps budding investors who need a few simple pointers to join in the “green rush.”
1. **What’s in a Name?**

It has been called marijuana, pot, ganja, bud, green, product, Mary Jane, wacky tabacky, Maui Wowie, herb, green, salad, weed; the list goes on. “Weed” is incorrect because cannabis is not a weed, it is a plant. The word “marijuana” is politically incorrect because it is a slang term which has racist connotations and origins. The word “cannabis” is Latin in origin and comes from ancient Greek.

Cannabis is the more appropriate term and is acceptable by today’s social, political, and economic climate. Previously, those who have used cannabis have been labelled “stoners.” This term has negative connotations and does not fairly reflect cannabis users. To neutralize the stigma of people who use cannabis, the suggested new politically correct term is to call the use of cannabis a “lifestyle choice.”

2. **Cannabis History**

Cannabis has existed for as long as recorded history. The plant is indigenous to Asia and has been documented for more than 12,000 years. The Chinese recorded the use of cannabis as an anesthetic. It is listed as one of the 50 fundamental herbs in traditional Chinese medicine.
The cannabis leaf is prominently displayed in Egyptian art, and cannabis seeds have been found with mummies. There is evidence of it 2,000 years ago in India, where they called it ganja in ancient Sanskrit. The Vikings grew hemp for rope, but cannabis seeds have also been found with the remains of Viking females, suggesting they used them for medication.

It has previously been considered the fashionable narcotic of the upper class and amongst such, evidence suggests Shakespeare and Queen Victoria were users. Cannabis was a prominent part of western medicine, used as a pain reliever until the middle of the 19th century. Also, cannabis seeds were a staple in the world’s diet until about the mid-1850s.

So how is it that in less than 200 years, a plant that was so much a part of a normal human life for tens of thousands of years was then declared an enemy on planet Earth?

The persecution of cannabis began at the turn of the 19th century. When cannabis seeds were brought to Latin America, the plant flourished. It was common for Mexicans to mix alcohol with cannabis consumption. When added to alcohol, cannabis increases inebriation. In the south western United States, racial tensions increased during the Mexican Revolution as immigrants crossed the border. The border itself was in dispute and some American land owners were on the losing side. The word marijuana began as a racist term that indicated an intoxicated Mexican who smokes cannabis. It became a term of social shaming and prejudice.

To control an unruly problem, the US was the first to prohibit cannabis, specifically in towns bordering Mexico in 1914. From there, powerful forces collided and merged with greed, arrogance, censorship, and ignorance to create an immense global movement. That’s the nucleus to almost a century of worldwide persecution, prohibition, and oppression of cannabis.

North of the US border, Canada was having its own issues. It was a time of mass immigration for the developing nation. European immigrants were flocking to central Canada to farm and build railroads. Some brought alcohol. Chinese immigrants were flocking to western Canada to build railroads. Some brought opium. It was a volatile time for a young nation trying to find its way.

Despite well-documented problems with opioids and alcohol, a historian will struggle to find any evidence of issues with cannabis. The first attempts at substance control and prohibition were the
Canadian Temperance Acts of 1864 and 1878. The purpose of these Acts was to control alcohol. Thirty years later, the Opium and Other Drugs Act of 1911 was passed. The purpose was to control the opium drug dens in Canada’s west.

The War Measures Act of 1914 allowed the provinces to enact alcohol prohibition. All provinces, with the exception of Prince Edward Island, repealed prohibition by 1924 and created the provincial alcohol control systems that are still in place today. While alcohol prohibition was being repealed, the Opium and Other Drugs Act was being amended to include opiate derivatives. Records show cannabis was not on any drafts of the bill amendment except the final. Other than mere notation by the Health Minister that cannabis was being added to the amendment there are no records to indicate who added it to the bill or why. In 1923, without any parliamentary debate, discussion, or consideration Canada was the first country to make cannabis illegal for an entire nation.

The Opium and Narcotic Drug Act was updated in 1929 and its penalties were severe. There was a provision for up to a 7-year prison sentence. In 1954, the penalty increased to a maximum 14 years in prison. In 1961, the Narcotic Control Act amended prison sentences as an indictable offence to a minimum of 14 years instead of a maximum.

Prime Minister Pierre Trudeau dared to challenge the cannabis prohibition. His government established The Le Dain Commission of Inquiry for Non-Medical Use of Drugs. In 1972, the commission recommended decriminalizing cannabis possession and allowing personal cultivation. A bill to remove cannabis from the Narcotic Control Act was passed by senate, but failed to pass the House of Commons. So, the laws remained unchanged. By the 1980s it was a crime to publish an opinion of cannabis punishable up to $300,000. This was challenged in court and ruled as a stifle to freedom of expression and therefore overturned in the Province of Ontario in 1994. In 1996, there was a change that saw the Narcotic Control Act repealed and replaced with the Controlled Drugs and Substance Act (CDSA). The Act decreased the penalties to six months of prison and/or a $1,000 fine for possession of up to 30 grams of cannabis.

In 2000, a court ruled Canadians had a constitutional right to medical cannabis, and in 2001 Canada became the first country to legalize cannabis for the terminally ill. The Medical Marihuana Access Regulations (MMAR) was created to establish legal access to patients from authorized producers. In 2013, this was changed to the Marihuana for Medical Purposes Regulations (MMPR) shifting focus.
from small local growers to large scale operations thus giving birth to the Licensed Producers (LPs). 2013 was also the year when British Columbia held a referendum to legalize cannabis. Also in 2013, federal Liberal leader Justin Trudeau announced his party platform which included the legalization of cannabis for recreational purposes. Trudeau won in 2015 and the MMPR was replaced by the Access to Cannabis for Medicinal Purposes Regulation (ACMPR) in 2016 which is paving the way for future changes.

Canada is a member of three international treaties that criminalize marijuana. As a sovereign nation, it may change its domestic laws. Canada has the right to withdraw from United Nations (UN) conventions after giving one-year notice. On April 20, 2016, the Canadian government announced at the UN its intentions to introduce legalization for recreational cannabis by spring of 2017. Other UN nations have changed their cannabis laws without sanction. Uruguay was the first nation to legalize recreational cannabis.

On April 13, 2017, the Cannabis Act was introduced to parliament. This time (as opposed to the previous attempt in 1972), it would seem there is enough incentive and momentum to pass this law. The house passed the third reading of the bill November 27, 2017 and sent it to senate. At the time of this writing, the senate had passed two of three readings. The suggested goal is to have recreational cannabis available in retail locations by summer 2018.

3. The Science of Cannabis

Cannabis is a plant with many unique and beneficial properties, which have been extremely difficult to verify. During the century of oppression, cannabis research was prohibitive. In the mid-1960s, a team in Israel dared to defy the global prohibition and conducted legitimate scientific research. Dr. Mechoulam is the scientist accredited for discovering cannabis’s main active ingredient delta-9-tetrahydrocannabinol (THC). The field is new and emerging and the discoveries thus far are fascinating and encouraging.

3.1 Cannabinoids

Cannabinoids are chemical compounds secreted by cannabis plants. More than 60 cannabinoids and 600 compounds have been identified. These are the most discussed:

- THC delta-9-tetrahydocannabinol (THC) has properties that increase mental activity and stimulate appetite. It can be euphoric,
muscle-relaxing, anti-epileptic, antiemetic, bronchial dilating, hypotensive, antidepressant, and an anesthetic. High-potency cannabis contains at least 15 percent THC.

- Cannabidiol (CBD) has sedative and analgesic effects.
- Cannabinol (CBN) is mildly psychoactive and aids in sleep and pain relief.
- Cannabigerol (CBG) has sedative and antibiotic effects, as well as acts to lower intraocular pressure.
- Cannabichromene (CBC) has mood-enhancing effects.

Cannabinoid receptors are sites throughout the brain and body to which cannabinoid binds. It was a significant breakthrough in scientific research in the mid-1980s when cannabinoid receptors were discovered in mammals, fish, reptiles, and birds.

Scientific research has concluded positive impacts from cannabis to help minimize seizures in humans with epilepsy. Cannabis has been clinically tested on children with cancer taking chemo treatment to help alleviate symptoms with positive results. Research also suggests that cannabis may be able to help reverse some effects of Alzheimer’s and cancer, and is being studied in this regard. It has proven to be a powerful pain reliever, is an anti-inflammatory, relieves ocular pressure, and is antidepressant. That is just the beginning of the potential benefits of the cannabis plant.

There are two types of cannabis plants: sativa and indica as discussed in the next sections.

3.2 Terpenes

Terpenes are found in most plants and contribute to taste and smell. They may work with cannabinoids to attune our body’s natural receptors.

3.3 Cannabis sativa

Sativa is the type of cannabis plant that is THC dominant. THC has stimulating properties. It is taller and lankier and characterized by short thin leaves. Its primary effects are that it is stimulating, uplifting, energizing, and is said to enhance creativity. Benefits are said to be that it reduces depression, relieves pain, reduces nausea, and stimulates appetite. Sativa is supposed to be generally good for daytime use.
3.4 **Cannabis indica**

Indica is the type of cannabis plant that is CBD dominant. CBD has sedative properties. Indica plants are normally shorter and stockier with wide leaves. Its primary effects are said to be stress and anxiety relief. Benefits are relaxation, sedation, pain reduction, sleep aid, reduction in inflammation, headache and migraine relief, reduction in nausea, and appetite stimulation. Indica is good for nighttime use.

3.5 **Hybrid crosses**

Hybrid crosses are the result of cross pollination of indica and sativa strains. Usually one strain will be dominant. Effects tend to reflect the dominant strain.

4. **Cannabis Consumption**

Cannabis needs to be heated above 120 degrees Celsius to activate the cannabinoids. There are two basic ways to consume cannabis: Inhalation or ingestion. Although, with a lesser degree of effectiveness, in a salve form, it also can be applied directly on skin to relieve aches and pains.

4.1 **Smoking**

Rolling a cigarette-style joint or using a pipe is the traditional form of inhaling cannabis into the lungs. Effects are felt immediately and may intensify for the first 20 minutes. Euphoric effects can last for a couple of hours, although some beneficial cannabinoids and terpenes can be destroyed in the combustion.

4.2 **Vaporizers**

Vaporizers are a tool used to inhale cannabis buds and oils. “Vaping” works like a mini-oven. Vaporizers will effectively release up to 95 percent of the cannabinoids and the effects are similar to those you would feel from smoking the cannabis.

4.3 **Oils**

Cannabis oil is a concentrated substance of THC and CBD created by extracting the active ingredients of the cannabis plant. Cannabis oil is efficiently digested by the stomach and liver. It takes the human body 30 to 90 minutes to feel the effects, which can last an hour or
two longer than with smoking. Using a cannabis oil can be preferable to those who do not like to smoke or inhale cannabis. Also, the dosage can be more exact to maintain a consistent balance.

Oils can be administered with a droplet under the tongue or incorporated into edibles. Some producers flavour the oils with the essence of cinnamon, mint, lemon, coconut, etc., to make them more palatable for ingestion under the tongue.

Benefits to oil consumption are that the user is avoiding the harsh combustion intake of smoking, but more importantly, the ability to control the dosage of oils. There is no burning off of some of the beneficial compounds.

4.4 Edibles

Cannabis’ active ingredients are extractable in fat and alcohol; from this, baked goods and tinctures can be produced. The stem of the plant which is commonly referred to as “shake,” is less valuable for combustibles because it is less potent. But potency increases when cannabis is ingested thus making shake ideal for edibles. Shake is preferable for baking and may also be used to make tinctures and the stems for teas. The effects of edibles are similar to those of oils.