



EIGHTH
REVOLUTION



ARCVIEW
CONSULTING

Cannabinoid MONTHLY PLAYBOOK

May 2022





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Dear Reader,

We want to thank you for your trust, and most importantly, your time. With the endless amount of resources at your disposal, we appreciate you leaning on us as your guide through the muddy waters of this industry's limitless news and intelligence.

In an industry that changes as aggressively as ours, we can't stress the importance of effective decision-making enough. Though the information in the report is never meant to dictate specific actions or guarantee certain outcomes, we hope that we're able to provide another voice in the room, one that illuminates, simplifies, and supports you.

If you find one area more helpful than others and want us to expand on it, please never hesitate to reach out. For any suggestions or questions, we can be reached directly at info@8threv.com

Welcome to the Revolution



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IN THIS ISSUE

May 2022

Welcome to May in the cannabinoid industry.

Kellen Finney, Eighth Revolution

The cannabis industry celebrated its favorite holiday with 420 and New Jersey opened its doors to the first recreational cannabis sale. The hemp genetics section of the supply chain continues to experience a strong 2022, with seed and clone prices up 70% year over year. The industry continues to navigate financial, logistical, agricultural, political, and supply chain-based issues with more farmers and acres being planted in the southern states. We believe this is the driving force behind increased genetics prices this year.

With the northeastern states bringing recreational cannabis programs online, further support for the hemp industry will follow. States with legal cannabis programs tend to have higher CBD consumption and provide more support to their hemp programs from a government level. The perfect example is New York recently expressing that it will allow provisional marijuana licenses to hemp cultivators already licensed in the state. This essentially provides a lifeline to struggling CBD companies and helps the state shore up any potential inventory shortages that could force consumers back to the legacy market. Legal cannabis will no doubt be good news for operators in states currently lacking one.

New Jersey is Live!

Bryan Fields, Eighth Revolution

New Jersey kicked off adult-use cannabis sales on April 21.

Will this help to expedite New York's timeline for announcing a go-live date? With each passing day, it is expected that millions of dollars in tax revenue will cross the bridge. How much will New York's inability to hurry their timeline inflate New Jersey's exploding cannabis sales numbers? Either way, this is another massive step forward as the east coast continues to make waves.

“

**“The good news is that
as soon as New Jersey
turns on, we’ll not have
to spend a dollar in
additional sales,
marketing and
administration expense”
- CEO Ben Kovler**

Do MSO's lobby AGAINST federal legalization?

As it stands today, the cannabis industry is incredibly challenging. Operating in the cannabis industry requires a skilled understanding of how the game is played and the foresight to balance how it is played today vs. in the future.

Given its current federally illegal status, large outside titans have taken on creative partnerships when placing bets on organizations within the business.

We've seen it with Molson Coors & Hexo, Anheuser-Busch & Tilray, and Altria & Cronos group.

Recently, we had Troy Datcher, CEO of The Parent Company on The Dime Podcast to discuss the industry and legalization.

When asked about federal legalization and how the status alters the viewpoint of the cannabis industry for large titans like Clorox, Pepsi, etc, he said:

"They're going to acquire companies. Look, they want the benefit of owning it, but they're not going to integrate. So, they'll leave them on the sideline."

He added: "I think none of them will integrate these companies into their portfolio right away."

Why do they hesitate to integrate them into their portfolio? Is it because of the "cannabis stigma"?

On the flip side, the longer cannabis operates in a bubble, with limited licenses in key markets with massive potential, the longer the big fish continue to build their current moat without the potential fear of new, big challengers to the space.

Think about that... The way cannabis operates today, Curaleaf, Trulieve, Green Thumbs and other large MSOs are the biggest fish in the pond. Like the rockstar athletes at small private schools, they mostly compete amongst themselves with limited capacity. The markets they are expanding into are completely untapped. On day one, they are growing market share with massive upside.

When federal legalization occurs, their small private school will be sucked into the public school system with all of the biggest/strongest forces that run global empires with endless resources.

Some seem to believe that the leaders are working towards the greater good of the industry, while others argue that it essentially makes more business sense to work against it. For example, what may be best for the Curaleafs of the world may be counterintuitive to what is best for the cannabis industry.

Boris Jordan, Chairman of Curaleaf, doesn't work for the cannabis industry. He works for the Curaleaf shareholders. Same idea applies to Kim River, Ben Kolver, etc. They likely want to improve the industry and right the wrongs of the war on drugs, but they also want to grow their moat and organization.

At the end of the day, aligning with those interests isn't necessary. This is exactly how all other industries operate in which the CEO of a publicly-traded company doesn't work for their respective industry. Instead, they work for the shareholders.

Do CEOs of vertically integrated cannabis companies want federal legalization? We know for certain that they want to continue to expand operations with limited competition, leveraging their advanced understanding of the industry's nuances.

The next time that you go on Twitter to reply to one of them, as you are frustrated with their share price, or to respond to a question about federal legalization, remember they work for their shareholders and no one else.

"Does this drive shareholder value?" is likely the question that they are thinking when lobbying for a change in this industry.

Bryan Fields can be reached at @ Bryan@8threv.com



The Dime



Listen Now

A weekly podcast covering the entire cannabis industry

Influencing Culture with Industry-Leading Brands

On why he made the leap from Clorox to Cannabis to join the Parent Company

Six months ago, I was sitting at my desk at Clorox managing supply issues during a worldwide pandemic. You can probably say my job was pretty cake as the leader of global sales for a disinfecting products company.

The purpose piece was the reason why I came over. Other than that, I would've never, never left my opportunity at Clorox. I've been with the organization for 22 years, and you develop a bit of comfort. I was part of the DNA of the company. I'd been around for a large part of that hundred years and was shaping culture as a company. I had a lot of freedom to be who I am and there's a lot of covers that comes with that. But this was just too interesting an opportunity to pass up for sure.

What were the first days like leading a vertically integrated company?

Observation. On, day two, I got a chance to meet with folks from Jay-Z's team to really understand the quality that's expected from Monogram and the rules of engagement with them.

On day three, I was out on a delivery route with my delivery drivers to better understand that part of the operations. I spent the better part of the week in our operations to understand cultivation. We call it, the back-end work that goes into developing a product and spent some time in our dispensaries next to our budtenders.

And they're making recommendations to folks as they enter our location. So, I really spent time across the entire ecosystem just trying to observe and learn. I think one of my jobs is to serve as a general manager for the business, say, looking at all the puts and takes of building a great organization, that includes seeing everything from seed. So, my job is really to just listen.



Troy Datcher, CEO of The Parent Company

you know, one of the things that we've seen over the last past year for us is a mainstreaming location and where our dispensary is. You know, I've got a couple of locations now that are in parking lots of big retailers like Costco. I've got some locations that we had at the very beginning of legalization in California that looked like you're going down an industrial road to do a drug deal. Right? It feels like, like, why would I go down this road? Like it is only to do a drug deal.

And so, the more that we can actually mainstream it, I think, the American sentiment is already there. It's about how we catch up with zoning laws and all these other things. Get those things fixed so that we can bring the center closer to the reality.

If you could sum up your experience in a main takeaway or lesson learned to pass onto the next generation?

Take the risk. I'd say don't be afraid to make the leap



*** The following transcript is AI generated and some words have been removed for spacing. Please listen to the episode for full context.

Jurisdiction Roundup

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The Fyllo Regulatory Database creates unparalleled visibility at every level of government, with access to more than 4,300 sources in 1,450+ jurisdictions across the country. Today's leading MSOs, SSOs and law firms rely on Fyllo to accelerate research, track licensing opportunities and make better decisions. To learn more or schedule a demo, please visit hellofyllo.com.



California

Senate Bill 1326 was set for a hearing on April 18th, 2022 which if moved forward and approved would allow interstate contracts between California and other states for cannabis related business transactions. If passed, the California governor could enter into agreements with neighboring states to allow for licensed cannabis entities to work together across state lines making it a first of its kind bill and expanding industry opportunities.



Maryland

Maryland voters will be able to make their voices heard when adult-use cannabis will be on the ballot. Two bills that place the question on the ballot and establish licensing and operational regulations have been allowed to go into effect without the Governor's signature. HB 1 is the bill placing the referendum on the November 2022 ballot and does not require a final signature by the Governor while HB 837 establishes the rules for the adult-use cannabis program if the ballot measure passes. Governor Hogan announced he would allow HB 837 to pass without his signature to provide regulatory guidance if the ballot measure is approved.



Michigan

Two years after initially allowing recreational cannabis in Michigan's largest city, the Detroit City Council has approved an ordinance permitting sales to begin. When cannabis was first approved in the city the plans to give native Detroit residents preference in licensing was met with lawsuits ultimately leading to a judge ruling it likely unconstitutional. In the time since then, there have been numerous iterations of an ordinance to cater to the city's needs while also providing a fair chance for a variety of applicants.

INTERNATIONAL UPDATE

CANADA

Health Canada referred almost 500 cannabis-related cases to federal police over 2-year period

SPAIN

Spanish police take down 'Europe's biggest' cannabis farm

ALBANIA

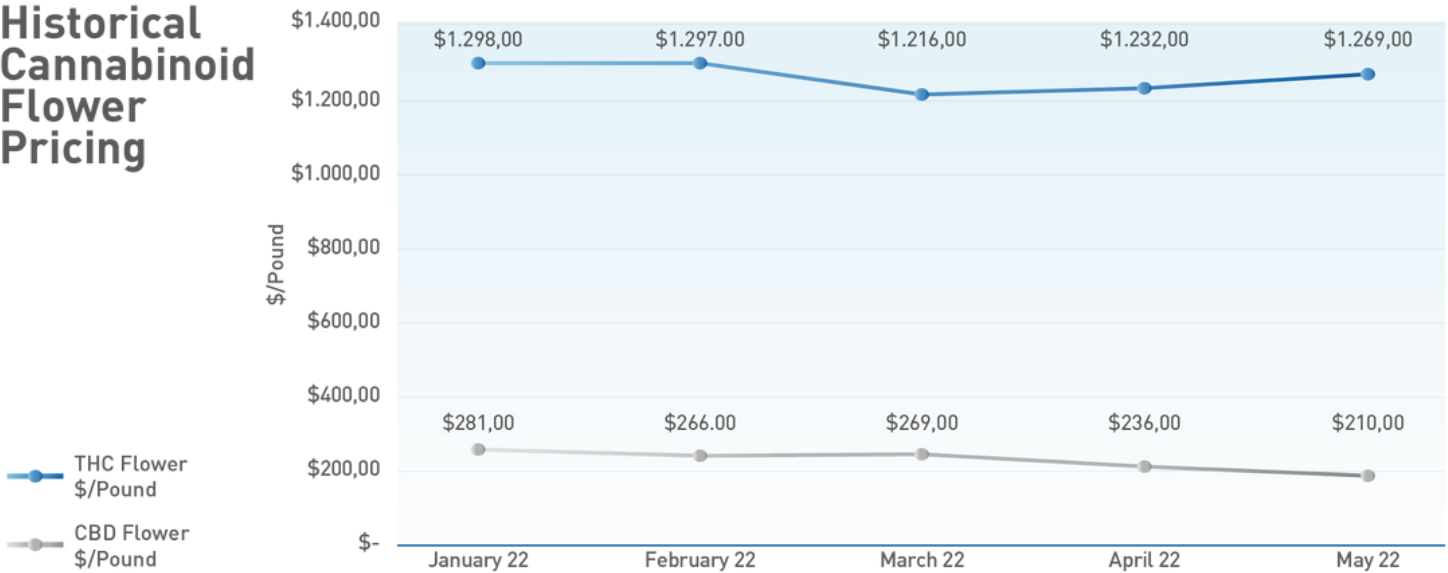
Albania to Legalize Cannabis after Citizens' Support



WHOLESALE FLOWER PRICING

CBD vs THC Flower

Historical Cannabinoid Flower Pricing



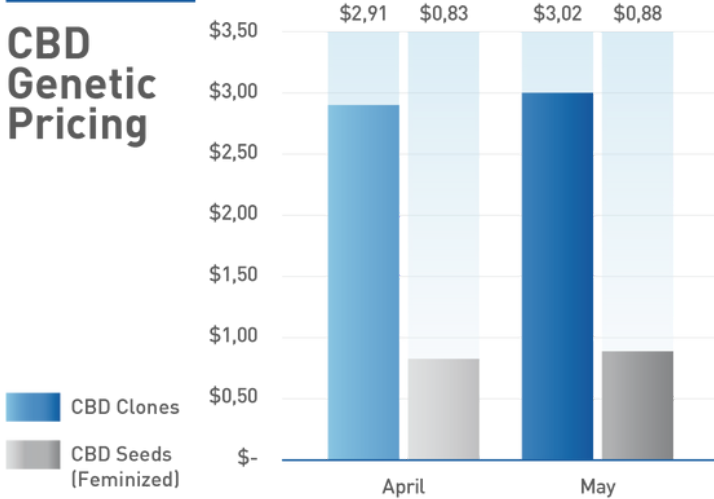
Smokable CBD flower prices have decreased 25% since January of this year, with the average price now hovering at \$210 / pound. The category is more complex as it encompasses indoor, greenhouse, and outdoor CBD flower, all of which have different market values. Indoor CBD flower tends to average around \$450 / pound whereas outdoor average around \$142 / pound.

Neither of these prices compares to the value the same growing conditions provide if the crop was Cannabis THC flower, which averaged \$1,269 / pound in May. Wholesale cannabis has recovered from its low in March of \$1,216 / pound, up 4%. Historically speaking the price of cannabis is down 18% year over year, with one pound of cannabis valued at \$1,554 last year at this time. Since cultivators in both industries are dealing with lower returns on their crop along with increased outputs from inflation, the next 18 months will require strategic decision-making to grow market share.

WHOLESALE DATA

WHOLESALE HEMP GENETICS PRICING

CBD Genetic Pricing



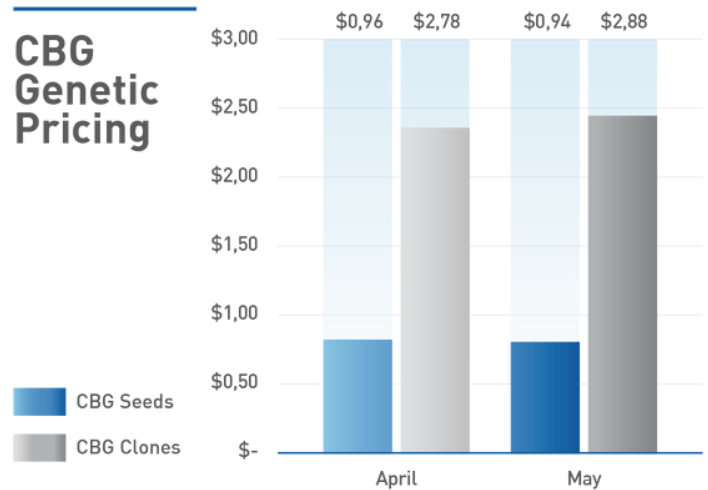
Good news for genetics vendors- the average price per seed and clone increased again from last month. CBD clones increased 4% to \$3.02 / clone and feminized CBD seeds increased 6% to \$0.88 / seed. The price increase is consistent with seasonal demand increase, as farmers look to plant their crops going into the summer growing season. One other factor influencing price increase could be the limited supply since data shows there are fewer total acres being planted than in previous years.

CBD clone prices
up 70%
year over year



The CBG clone market also experienced growth from last month with prices increasing by 4%. As noted by Hemp Benchmarks, when March 2022 genetics prices are compared to March 2021, CBD clone prices are up 70%, feminized CBD seed prices are up 29%, CBG seed prices are up 8%, and CBG clones' prices are up 25%. The price increase across the board could be a sign of inflation paired with decreased supply after several challenging years for businesses.

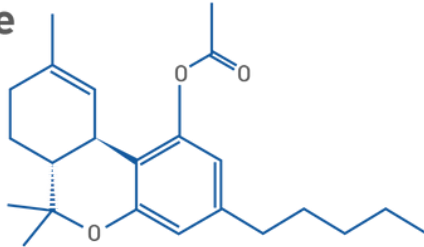
CBG Genetic Pricing



Minor Cannabinoid Wholesale Pricing

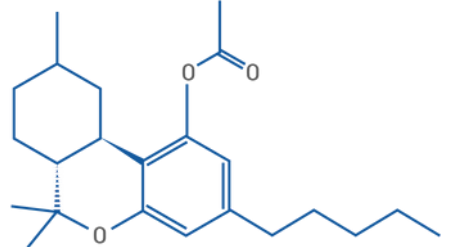
THC-O-Acetate Distillate

Apr 22	\$ 980.00 / kg
May 22	\$ 975.00 / kg



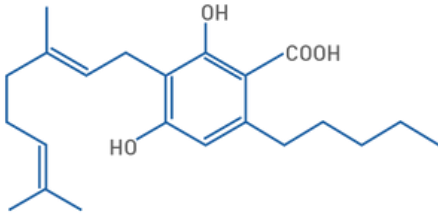
HHC-Acetate Distillate

Apr 22	\$ 2,900.00 / kg
May 22	\$ 2,660.00 / kg



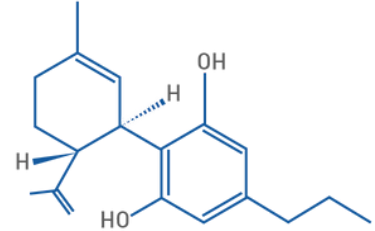
CBGA Isolate

Apr 22	\$ 5,116.00 / kg
May 22	\$ 4,700.00 / kg



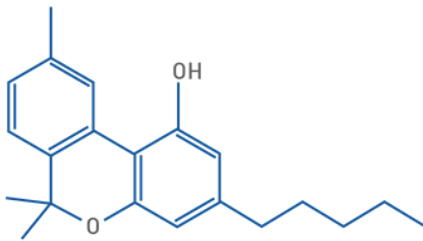
CBDV Distillate

Apr 22	\$ 3,000.00 / kg
May 22	\$ 2,750.00 / kg



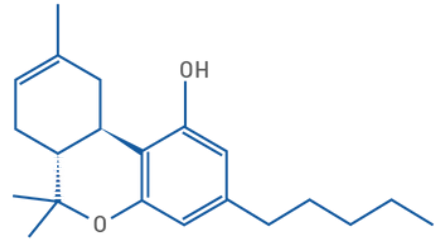
CBN Isolate

Apr 22	\$ 4,435.00 / kg
May 22	\$ 3,563.00 / kg



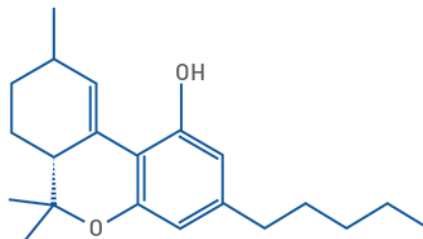
Delta-8 THC Distillate

Apr 22	\$ 624.00 / kg
May 22	\$ 678.00 / kg



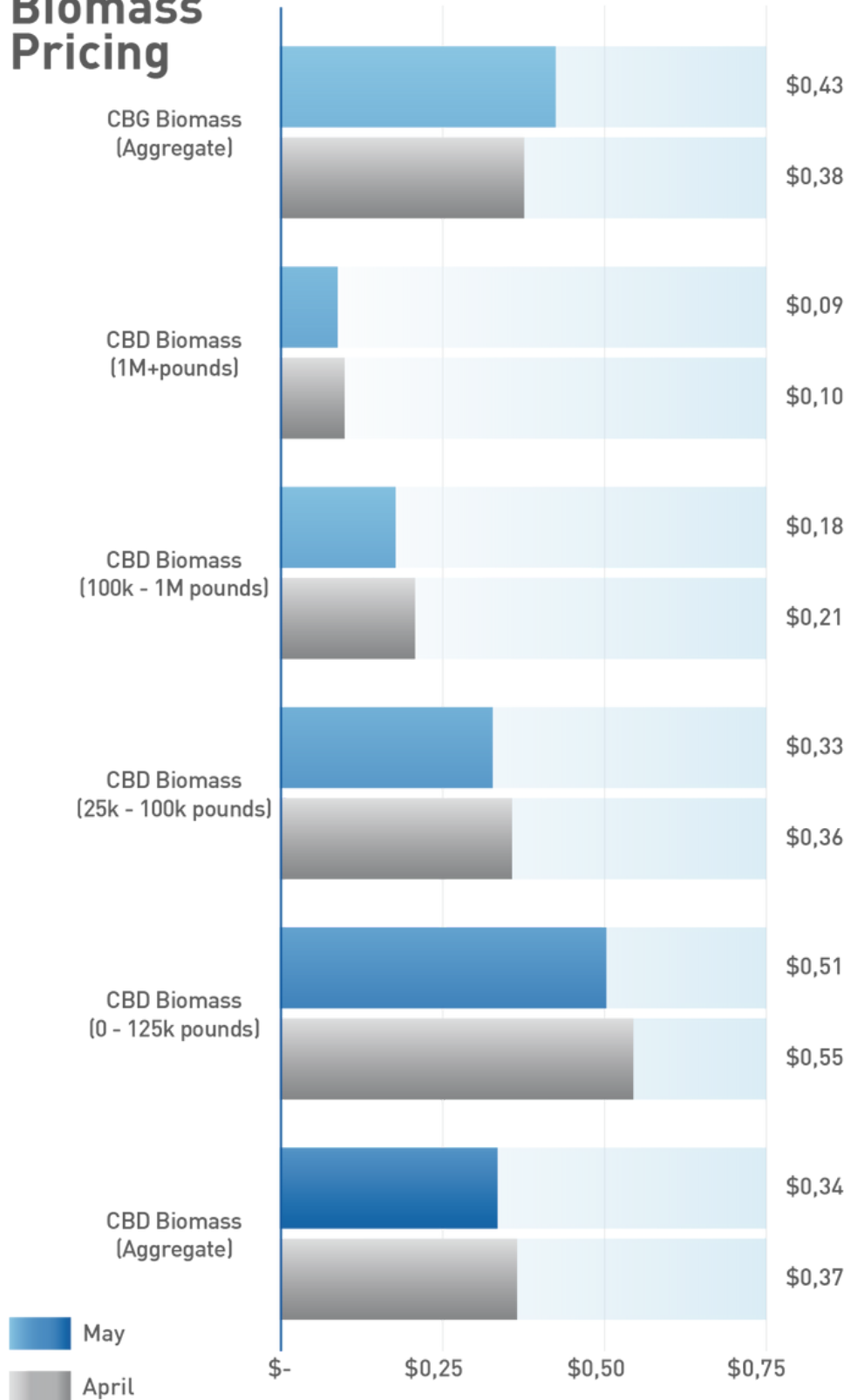
Delta-10 THC Distillate

Apr 22	\$ 2,289.00 / kg
May 22	\$ 1,861.00 / kg



WHOLESALE HEMP BIOMASS PRICING

Biomass Pricing



WHOLESALE HEMP BIOMASS PRICING

Prices for CBD biomass dropped across the board, with prices for orders between 100K – 1M pounds dropping 14% from last month. The aggregate price of CBD biomass was \$0.34 / % CBD / pound, which is \$0.13 lower than the previous year's price representing a 27% price drop. This should be good news to larger operators as the price savings can be passed along to the consumer, hopefully increasing consumer demand for CBD products.

One of the biggest drivers of biomass demand will be consumer demand for CBD-infused products. Once these products become affordable to the everyday consumer, the total addressable market will increase exponentially.

CBG biomass has shown a different trend than CBD biomass as its aggregate price increased 13% to \$0.43 / % CBG / pound. The value manufacturers can get from CBG biomass significantly outweighs the value from CBD, but that is only on paper. The truth is that sales volume and velocity for CBG products remain significantly lower than for CBD products.

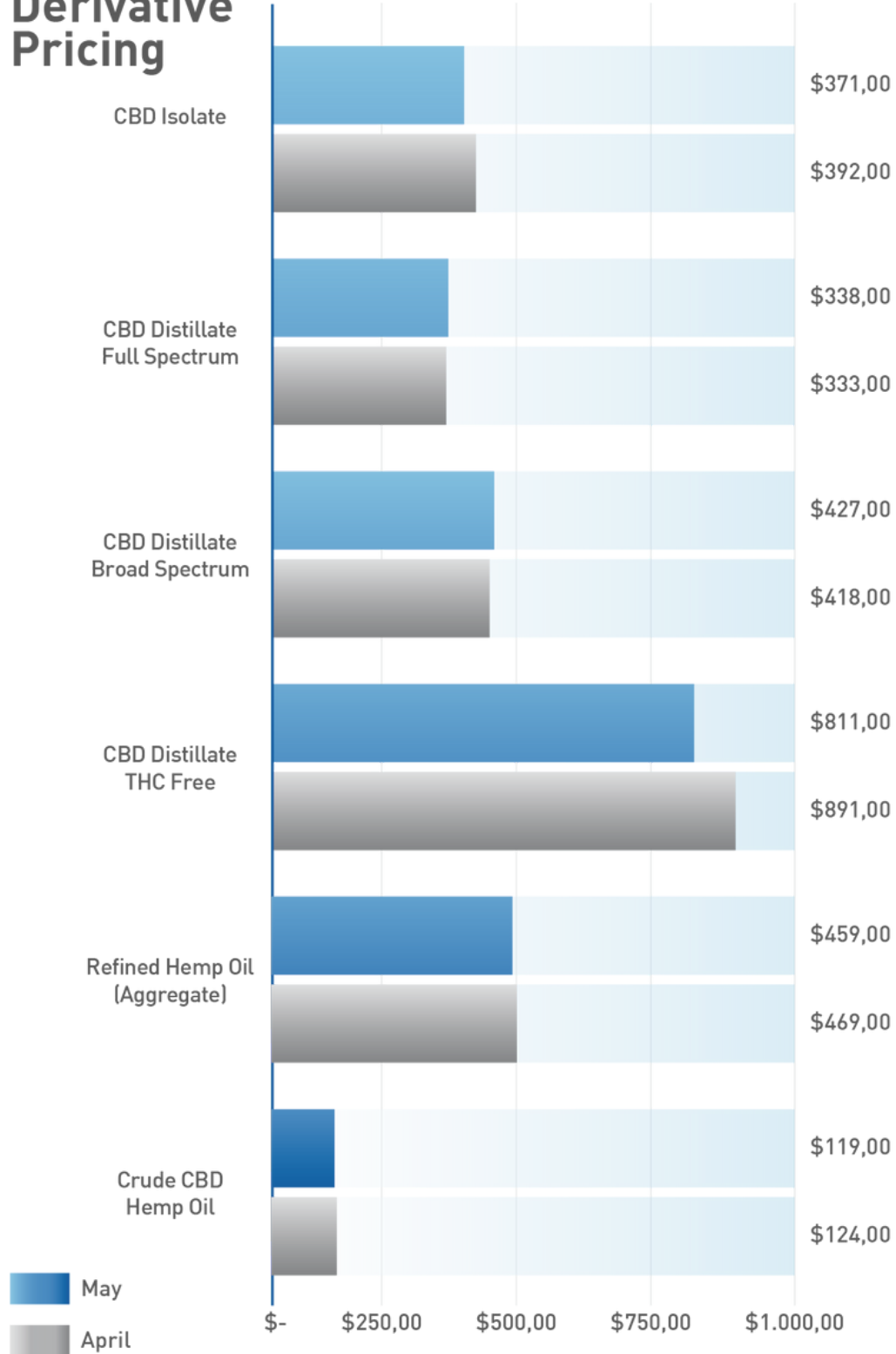
CBD biomass price
drops
by 27%
since 2021



The war in Ukraine will affect the cannabis and hemp industry two-fold. First, the total hemp acres planted has decreased as farmers look to grow more commodity staples such as wheat and corn. Second, fertilizer prices are skyrocketing and some vendors are struggling to obtain nutrients for key clients. This is evident with Potassium Chloride (Muriate of Potash) spot price at 562.50 USD/mt, up over 177.8% from one year ago at the time of writing. Additionally, Russia and Ukraine accounted for ~10% of the total nitrogen fertilizer worldwide according to Statista.

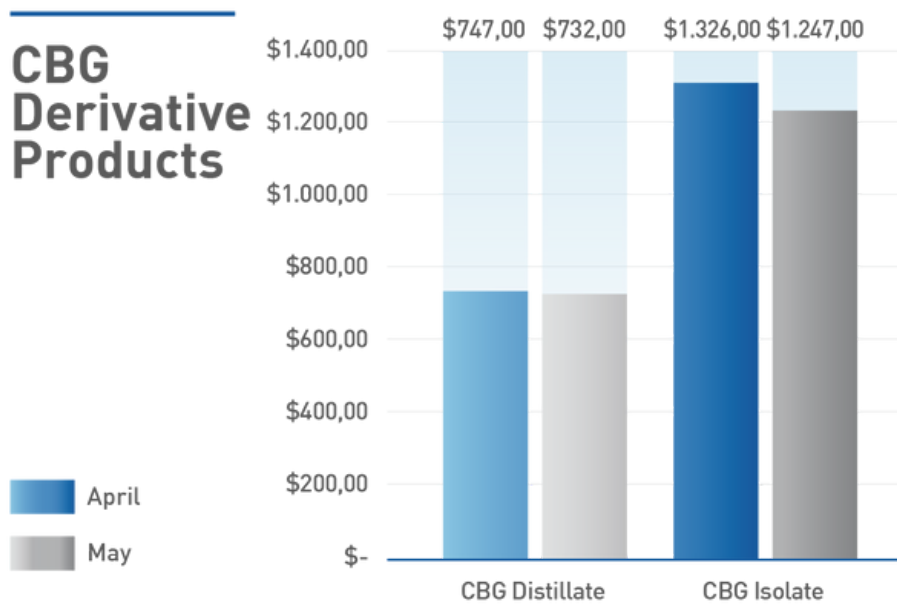
WHOLESALE DERIVATIVE PRICING

CBD Derivative Pricing



WHOLESALE DERIVATIVE PRICING

Most derivative products for CBD experienced single digit price drops from the previous month. CBD Distillate – THC free saw a \$80 / kilogram price decrease placing the average price at \$811 / kilogram. There has been a significant decrease in acres planted and more farmers will end up growing staple commodities this year over the risky hemp crop. These variables will not effect the derivative market until the fall or even 2023 when the crop inventory from 2021 starts to run low. Pair this Hemp Benchmarks reports that financial filings from Charlotte’s Web and cbdMD indicate that retail sales of CBD are stagnant, inventories of unsold products and inputs to manufacture them are significant and we anticipate the downward trend to continue.



The CBG market has historically marched to the beat of a different drum compared to the CBD wholesale market. However, the downward trend in wholesale pricing for CBG derivatives followed the CBD market. CBG isolate was down 6% from last month with the price dipping below \$1,300 for the first time.

Again, we believe that with lower prices, the market is poised to expand through increased consumers. Affordability will be the path toward widespread consumer adoption.


SECTOR ANALYSIS*

	INDICES	3 MONTH%	6 MONTH %
	S&P 500	-5.02%	-3.00%
	DOW JONES	-3.08%	-3.26%
	NASDAQ	-10.05%	-10.36%
	GLOBAL CANNABIS	-15.63%	-42.66%
	AMERICAN CANNABIS	-16.45%	-31.11%



"Cannabis chain Green Thumb Industries (ticker: GTBIF) pointed to the delay in New Jersey as one of the reasons behind narrower-than-expected fourth-quarter profit margins. The company invested \$228 million in 2021 to build new supply capacity in the state."

*This text expresses the opinion solely of the writer. The thoughts expressed are independently formed and the writer is not compensated by any third party.

	SECTOR	3 MONTH	6 MONTH
	HEALTHCARE	-2.18%	-6.74%
	TECHNOLOGY Sector	-10.84%	-10.38%
	INDUSTRIALS	232.13%	234.68%
	FINANCIALS	-9.80%	-4.74%
	CONSUMER CYCLICAL	-9.13%	-4.80%
	CONSUMER NON-CYCLICAL	0.77%	8.69%
	BASIC	9.55%	17.28%
	ENERGY	23.72%	32.01%
	UTILITIES	8.76%	14.86%
	ALTERNATIVE HARVEST ETF (MJ)	-13.97%	-36.52%
	MULTI-STATE OPERATORS (MSOS)	-25.13%	-38.30%

*Information retrieved from NCV and E*trade.

Risks and Opportunities: Distressed assets for cannabis operators

By Marc Brandl

The US cannabis market continues to grow at a rapid pace, with less than \$4B and 2 legal adult recreational markets to over \$24B and 18 markets in less than ten years. Even with some headwinds from Congress and the public market cannabis operators should be doing great, right?

As we've noted here before, being a cannabis operator is tough whether you are a small independent company or a large-cap MSO. The lack of safe banking and 280E cuts your profit margins; strict regulations, high taxes, and a legacy market that can beat you on price also don't help. Amidst any gold rush, inexperienced operators show up with green dollar signs in their eyes, but with little management acumen and a less-than-stellar business plan.

This is where distressed assets come into play. Distressed assets can be defined as assets such as licenses, property, and equipment that an owner must liquidate to pay creditors, or a company that is going out of business and needs to sell those assets in a hurry at less than fair market value.



What is the difference between traditional M&A activity and buying or selling distressed assets?

- **Timetable:** Distressed assets may be sold rapidly, sometimes in a few days. Traditional M&A with formal due diligence can take months to complete.
- **Risk:** Frequently there is limited due diligence, the asset(s) may have underperformed due to management, regulation or location, and incomplete information is often all that is available in this type of sale.
- **Court Involvement:** If the business being sold is in a formal insolvency proceeding, the sale may be overseen by a court of law. Keep in mind that plant-touching cannabis businesses are not covered by US federal bankruptcy protections.

Like most transactions between market actors, there are advantages for both buyers and sellers of distressed assets.

Risks and Opportunities: Distressed assets for cannabis operators

By Marc Brandl

Cannabis businesses, especially start-ups, may find that they need to pivot their business model quickly. Their initial assumptions about the market and their place in it may have been incorrect, and selling assets quickly, even at lower than market prices, gives the start-up valuable capital to extend its runway, which is the amount of funds it needs to operate before reaching profitability.

Even three extra months of runway from the sales of assets and other measures can mean the difference between success and failure, as the pivot to a new strategy plays out.

Buying existing assets quickly and at a discount, like a merger or acquisition, means you don't have to start from scratch and develop your own cultivation, retail storefront or apply for a new license that may take months, or years to be granted.

Buying distressed assets can be advantageous for existing operators. For example, a cannabis retailer that has expanded to a handful of locations can cut costs and integrate their supply chain by buying a struggling cultivation operation, and increase their access to capital going forward. This is because increased margins and growth can allow operators to raise money easier and at better terms down the road.

To take advantage of these fleeting asset sales, a company needs to be prepared to act fast, have money or financing readily available and be ready to undertake rapid fire due diligence.

Here are some steps to make sure you are prepared:

- Identify what assets are being purchased
- Review contracts and licenses attached to the asset
- If a receiver or trustee hasn't been appointed, talk to the management team to make sure one is in the queue.
- Are there other risks involved with the assets? Common liabilities might be labor, environmental concerns, and recent changes in local or state legislation that makes the asset less valuable going forward.
- Fraudulent representation of assets and licenses for sale – do your work, do your due diligence upfront – if a deal seems too good to be true, it probably is.

As the cannabis industry grows and undergoes rapid change, distressed assets will be part of the industry landscape. For the cannabis industry, restructuring the loss of capital through distressed asset sales helps create new capital through more efficient and creative use cases of these assets. If you are a cannabis operator looking to grow during an uncertain economic and regulatory environment, distressed assets can be one important ingredient in capital efficient allocation.

HOT IN THE NEWS

May 2022

1 Ascend Wellness Expands to Pennsylvania with \$53 Million Completed Roll-up

2 Politicians And Government Agencies Celebrate 4/20 As Marijuana Legalization Movement Spreads

3 Thirteen cannabis dispensaries in NJ will be open for recreational sales Thursday. Here's where to find them.

4 Cresco's marijuana asset sales could hit \$500 million after Columbia Care deal, analysts say

5 New York issues first recreational cannabis cultivation licenses

6 Cannabis MSO TerrAscend continues Michigan acquisition spree

7 Curaleaf Releases Inaugural "Rooted in Good" Social Impact Report

8 Legal Marijuana Sales Expected to Start Within Weeks in New Jersey



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