



EIGHTH
REVOLUTION



ARCVIEW
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Cannabinoid MONTHLY PLAYBOOK

April 2022



TABLE OF CONTENTS

In This Issue	5
Does "Green" Experience Matter?	7
Mergers and Acquisitions Outline	8
 MARKETS	
CBD vs THC Flower	10
Wholesale Hemp Genetics Pricing	11
Minor Cannabinoid Wholesale Pricing	12
Wholesale Biomass Pricing	13
Wholesale Derivative Pricing	15
Sector Market Analysis	16
 GLOBAL PERSPECTIVE	
Jurisdiction Roundup	17
International Update	18
 MISCELLANEOUS	
Hot in the News	19



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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

April 2022

Welcome to spring in the cannabinoid industry, domestic crude CBD oil supply running low?

Kellen Finney, Eighth Revolution

April could prove to be a pivotal month in the development of both the cannabis and hemp industries. We will start with the hemp CBD industry, which we believe has finished its consolidation, and operators who weathered the storm are poised to reap the reward. This was prevalent through our own experience this month when sourcing CBD crude oil for a client, which turned out to be quite the challenge. Two years ago, obtaining a Certificate of Analysis (CofA) was the simple part of a wholesale transaction. Recently for our clients, the task has proven to be the biggest obstacle for crude oil transactions, suggesting a shortage of crude oil in the wholesale market. This could be due to the lack of operators providing intermediate products and only focusing on finished goods or due to the diminishing number of operators producing oil.

Cresco to acquire Columbia Care

Bryan Fields, Eighth Revolution

The cannabis industry continues its march towards consolidation with two of the biggest players combining forces; Cresco Labs (OTCMKTS: CRLBF) agreed to purchase Columbia Care (OTCMKTS: CCHWF) for \$2 billion in stock creating the largest US cannabis company by sales, dethroning Trulieve (OTCMKTS: TCNNF). The acquisition also gives Cresco access to key positions in 7 of the top 10 potential cannabis markets.

This also positions the new entity for significant success as it will no longer be directly competing in the emerging markets of New York and New Jersey. Acquisitions and mergers will continue to dominate cannabis industry headlines; however, we believe the only real catalyst for the industry will come from federal policy changes.

“

**"New York To Let
People With
Marijuana
Convictions Open
Dispensaries Before
Big Businesses Can
Enter Market"**

Does “Green” Experience Matter?

As the East Coast's markets are set to come online, major excitement is brewing.

Creative, experienced, eager parties are ready to make the move into the green rush. As projected numbers for total addressable markets get released, many believe this is their gold rush and are flocking to throw their hat into the ring.

We have fielded numerous calls with experienced, successful individuals looking to apply for licenses and use their outside industry experience in cannabis.

Some of the conversations sounds like this.

“I have been successful in X and am confident that it will apply to Y.”

Those statements are never met with disagreement from our side and are usually followed up with a simple, “does anyone on your team have a “Green” background?”

The response 99 out of 100 times is “is that necessary or important?”

Necessary? No. Important? Likely.

Allow us to explain...

Cannabis is hard.

Challenges exist inside cannabis that are hard to truly understand until you're in the space.

Go-to platforms that are typically used for selling products may not be an option. For example, if you are starting an ecommerce brand that's Direct to Consumer, you can forget about using Stripe

If you are looking for standard, non-plant touching insurance, prepare yourself for 300% markup.

Looking for an SBA loan to finance your operations? No can do.

This is where experience is valuable.

The learning curve of the industry is steep and the velocity at which organizations operate is hyperspeed. These variables are counterintuitive.

Layered on top of that is the inability to receive basic funding, making decisions regarding capital extremely critical.

East Coast businesses won't just be competing with new, inexperienced players, they will be up against some of the biggest MSO titans in the space.

Their experience in understanding how the cannabis game is being played allows them to navigate these landmines swiftly.

That being said, does having a green background matter? Absolutely.

The bottom line is, if you want to be successful, you need to understand the rules of the game, and most of the time that means dealing with challenges and learning through experience. Solutions for all your obstacles exist. They are just not readily seen until you're navigating the unknown path forward.

Mergers and Acquisitions Outline

By Marc Brandl

As an entrepreneur building and running a business you are always seeking greater market share, cost reductions, or new niche offerings. Acquiring or merging with another company is a popular route to achieving these, pushing your company's mission to the next level. If your company is acquired it's also a chance to get a nice exit for yourself and your investors.



In 2021 there was a record number of mergers and acquisitions (M&A) in the US cannabis industry, with 209 deals worth a total value of \$10.1 billion in the US alone, according to Viridian Capital Advisors. The total value and number of deals outpaced 2019 and 2020 combined. M&A took place in every part of the cannabis supply chain with publicly traded Multi-State Operators (MSO) leading the charge, buying up other MSOs, brands and software companies.

The primary drivers for cannabis sector M&A are different from traditional companies in the tech or financial spaces. Federal prohibition of cannabis remains intact for the foreseeable future, therefore interstate commerce is off the table. Additionally, each state has its own complex system of licenses and regulations to navigate. For example, obtaining and developing property and getting licensed in a heavily regulated state like California can take years. If you are a well-capitalized or public company and want to expand into more states, it's often easier to acquire existing licensed operations in those states, rather than start from scratch. Acquiring or merging with a company can cut that waiting time down drastically, even if you are paying a premium to do so.

Large publicly traded cannabis companies often have M&A as a core part of their long-term strategy. Canadian LP Canopy Growth has made 12 acquisitions and 3 investments totaling \$4.6 billion in the past five years alone. In addition to the large deals, multiple smaller deals happen all the time. This year we've seen Harborside, a publicly traded California retailer lead a merger with cannabis brand and producer Loudpack, and UrbnLeaf a San Diego-based dispensary with eight locations to form Statehouse.



Mergers and Acquisitions Outline

By Marc Brandl

This deal perfectly illustrates cannabis M&A, as Harborside and the other companies are partnering together to gain as much market share in the world's largest legal cannabis state. They combined forces to create a dominant brand, give access to the public markets, and increase their geographical reach with locations throughout the state.

The first quarter of 2022 has started out with a bang with the \$2 billion acquisition of Columbia Care by Cresco Labs; a record M&A deal for the US cannabis industry. However, the number of deals compared to Q1 2021 is down. This is in part due to rough waters for many public cannabis companies, the rise and affordability of debt financing, concerns about the macroeconomic environment going forward and the perceived lack of any real prospects for substantive federal reform this year. These are all legitimate headwinds in 2022 but M&A will continue to play an important role in shaping the industry going forward. New markets are opening up, most notably New Jersey, New York and Connecticut. While more states continue to pass adult recreational laws, which will open up new markets, existing multibillion-dollar states like California, Illinois and Michigan are still growing rapidly every year. Companies are betting that expanding into as many markets as possible now through M&A will pay off handsomely. When banking is normalized, and federal legalization and interstate commerce arrive the industry will see massive expansion and national mainstream adoption.

Cannabis brands face their own set of challenges that M&A can help conquer. The Holy Grail of cannabis brands is building a recognizable national brand with a product line consumers recognize and demand when they order online or walk into a retail location. In addition to federal prohibition, severe restrictions on advertising on Google and social media platforms are additional obstacles. Merging with or acquiring a cannabis brand can greatly accelerate state expansion, economies of scale, diversification, greater market share and a larger marketing and sales budget and staff.

If you are a company looking to enter the M&A marketplace on either the buy or sell side and don't know where to start? Connect with our Director of Business Development Sarah Falvo sarahfalvo@arcviewconsulting.com – we have deep connections through the North American cannabis ecosystem and would love to assist you and your company through this process.

SECTOR ANALYSIS*

INDICES	3 MONTH%	6 MONTH %
S&P 500	-7.09%	-5.92%
DOW JONES	-2.06%	-0.72%
NASDAQ	-12.29%	-6.59%
GLOBAL CANNABIS	-21.21%	-44.45%
AMERICAN CANNABIS	-7.76%	-32.06%



"We have the war, the reminder that the pandemic is endemic and significant, long-lasting disruptions to supply chains," said Vincent Reinhart, chief economist at Dreyfus and Mellon"

*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	-7.85%	-14.04%
TECHNOLOGY Sector	-12.5%	-10.38%
INDUSTRIALS	31.00%	31.19%
FINANCIALS	-0.33%	2.05%
CONSUMER CYCLICAL	-11.26%	-5.85%
CONSUMER NON-CYCLICAL	-1.04%	1.81%
BASIC	8.49%	6.68%
ENERGY	23.82%	32.43%
UTILITIES	1.56%	5.46%
ALTERNATIVE HARVEST ETF (MJ)	-19.17%	-37.24%
MULTI-STATE OPERATORS (MSOS)	-20.54%	-37.44%

*Information retrieved from NCV and E*trade.

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.



Michigan

In an effort to continue stimulating business growth while preserving safe consumer access to marijuana, the Marijuana Regulatory Agency (MRA) adopted a new administrative ruleset with the intention of growing the industry and keeping patient access safe. New license types/allowed activities include:

- New Class A Microbusiness license
- New Adult-Use Educational Research License
- Contactless and limited contact transactions – including curbside service and drive-thru operations – are allowed, with municipal approval

Fees, applications, and guidance will be updated in conjunction with the new rules and the MRA is advising that old application forms will not be accepted.



New York

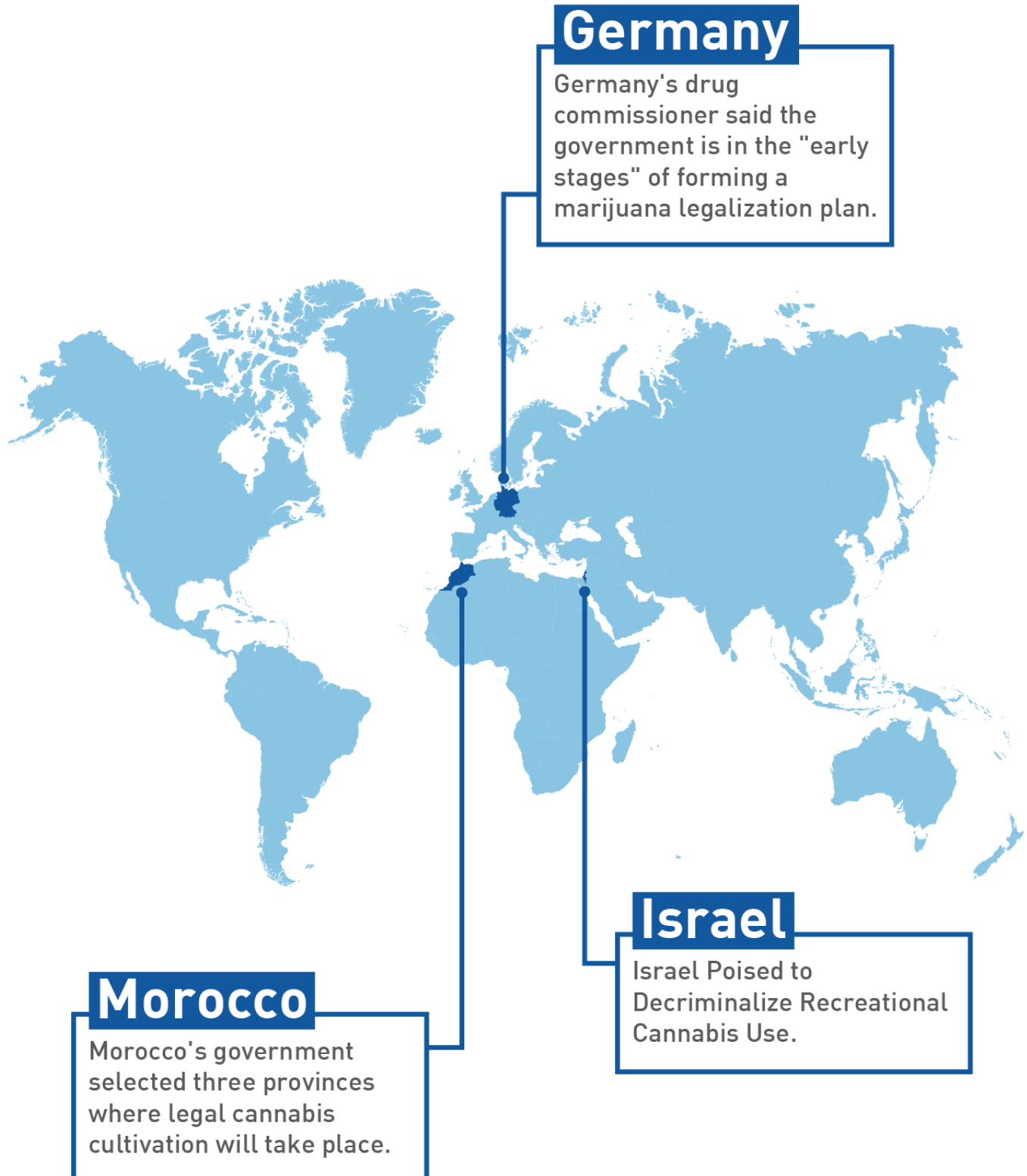
Recently, New York released plans that aim to make the state's cannabis industry more equitable. Governor Kathy Hochul explained that the first adult-use retail licenses in the state will go to those with prior cannabis-related offenses. The program is called the Seeding Opportunity Initiative. The initiative includes conditional adult-use dispensary licenses for social-equity applicants and those conditional licenses for hemp farmers, in addition to the \$200 million social equity investment program outlined by Hochul's 2023 Executive Budget. However, the 2022 potential start date is unexpected, as it was previously indicated that adult-use licenses would not be awarded until at least the spring of 2023.



South Dakota

A Senate-approved bill (SB 3) that would have legalized cannabis in the state went on what seemed to be a roller coaster ride, which unfortunately ended in a downturn. The bill was first defeated by the House State Affairs Committee, was then revived by a legislative process known as a smoke-out, to end up in the House for consideration, where it was ultimately killed by lawmakers. The matter of legalization now falls onto an activist group that is working to get a proposal in front of voters for November's election.

INTERNATIONAL UPDATE



HOT IN THE NEWS

March 2022

Top marijuana executives to push for federal reform in DC meetings

College Students Who Use Marijuana Show Signs Of Greater Motivation Compared To Non-Users, Study Finds

Congress Keeps D.C. Marijuana Sales Ban In Place But Continues Protections For Medical Cannabis States In Spending Legislation

Emerald Scientific Teams Up With Eighth Revolution To Highlight 'A Heavy Focus On Quality & Analytics' In Cannabis

TerrAscend Completes Acquisition of Gage Cannabis

Department of Cannabis Control Launches CannaConnect, a New Resource to Support California's Cannabis License Holders

New Jersey prepares to launch \$2 billion recreational cannabis market

New Yorkers With Marijuana Convictions Will Get First Retail Licenses



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