



EIGHTH  
REVOLUTION



ARCVIEW  
CONSULTING

# Cannabinoid MONTHLY PLAYBOOK

May 2022





# NOTICE

The information contained in this document is intended for the sole use of the designated recipients. This information can not be shared. If you have received this information in error, any review, dissemination, distribution or copying of this information is strictly prohibited and is an infringement on copyrights. Please notify us immediately if you have received this information from a source other than Eighth Revolution or The Arcview Group. Thank you in advance for supporting copyright laws and integrity in the industry.

**For questions or concerns,  
please contact**

[info@8threv.com](mailto:info@8threv.com)

[inquiries@arcviewconsulting.com](mailto:inquiries@arcviewconsulting.com)

516.653.2006

[arcviewgroup.com](http://arcviewgroup.com)

[eighthrevolution.com](http://eighthrevolution.com)

[arcviewconsulting.com](http://arcviewconsulting.com)

# TABLE OF CONTENTS

Letter from the Team	7
Interview with Industry leader: Troy Datcher	8
Jurisdiction Roundup	9
International Update	10

## MARKETS

CBD vs THC Flower	11
Hemp Genetics Pricing	12
Minor Cannabinoid Pricing	13
Biomass Pricing	14
Hemp Derivative Pricing	16
Sector Market Analysis	18

## MISCELLANEOUS

Distressed assets for cannabis operators	19
Hot in the News	21

# 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](mailto:info@8threv.com)

## Welcome to the Revolution

---



### **Bryan Fields**

*Managing Director &  
Co-Founder  
Eighth Revolution*



### **Kellen Finney**

*CSO & Co-Founder  
Eighth Revolution*



### **David Abernathy**

*Principal  
Arcview Consulting*



### **Jason Malcom**

*Principal  
Arcview Consulting*

# 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](mailto: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

Powered By **Fyllo™**

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 [helloyfyllo.com](https://helloyfyllo.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


## 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



# DISCLAIMER

The information contained in this document should not be relied on as the basis for any decision or action. It is general advice only and you should exercise your own independent skill and judgment. In some cases, the material in this document may incorporate or summarize information or recommendations of third parties or comprise materials contributed by third parties (*'third party material'*). Such third-party material is assembled in good faith but does not necessarily reflect the considered views of Eighth Revolution or indicate a commitment to a particular course of action.

---

We make every effort to ensure that links included in this document are kept up-to-date. The accuracy of the links is dependent upon the owners of those sites letting us know of any changes. If you find a link that does not work, please contact us by emailing [info@8threv.com](mailto:info@8threv.com).

To the extent permitted by law, Eighth Revolution and its employees and agents are not liable for any loss or damage arising from the use of, or reliance on, the material contained in this document whether or not caused by a negligent act or omission.

You obtain access to this document at your own risk, and Eighth Revolution accepts no responsibility for any interference, loss, damage, or disruption to your own computer system which arises in connection with your use of the document or any linked website. You must take your own precautions to ensure that the process which you employ to obtain access to this document does not expose you to the risk of viruses, malicious computer code, or other forms of interference which may damage your own computer system.

info@8threv.com  
(516) 653-2006  
[www.eighthrevolution.com](http://www.eighthrevolution.com)