



CANNABIS DEALMAKERS

NEW YORK CITY

MAY 28, 2019 | 1-6 PM



"We have a mission as part of our platform, to create a billion dollars in value and to positively impact a billion lives and we're going to do that through a series of programs that we host with Cannabis Dealmakers but we're also pleased to announce that we've launched our own Cannabis Venture Fund at Bonaventure Equity, raising fifty million dollars to invest in late stage venture cannabis companies. I'm pleased to announce that we just recruited the former President of Mexico, Vicente Fox, to join our advisory board so our mandate to impact a billion lives is going to take us globally."

Ross O'Brien
Founder & CEO, Bonaventure Equity



Cannabis Dealmakers convened for the second annual Investor Forum in New York City on Tuesday, May 28, at New York University with more than 150 attendees, panel discussions from active investors and presentations from innovative and emerging Cannabis companies.

STATE OF CANNABIS REGULATIONS IN NY & NJ

This year there has been much anticipation for legislative progress in New York and New Jersey to move to a regulated adult-use cannabis market. As we've followed the developments from advocates and stakeholders on the ground, the political climate, and the swell in public support, we're pleased to see the progress that is building for the next steps for both of these cannabis markets.

Matt Kumin, Attorney and Cannabis Advocate has been working to impact cannabis regulations in meaningful ways for more than a decade, his experience in empowering local factions to affect change in legislation offered valuable insight into the natural cycles that investors are trying to understand in navigating the risks and rewards of potential regulatory change. In moderating the discussion on the State of Cannabis regulations for New Jersey and New York, Matt brought together local legal thought leadership in Paul Josephson of Duane Morris, Brent Johnson of Hoban Law, Joe Bondy of the Law Offices of Joe Bondy and included Nelson Guerrero, Executive Director of the Cannabis Cultural Association who has been working diligently alongside the legislature to drive reasonable regulations.

"New York almost passed adult-use legalization, almost a month ago in April where it was going to be introduced through the budget. Groups like mine and many others made a big stink about it and it didn't pass because it had no equity provisions. It had nothing for folks that had been formerly incarcerated, and unfortunately it was going to make New York a free-for-all for the current existing operators, and make it very expensive to open up businesses. It was through the work of groups like ours that we were able to shut that down and fortunately what has been introduced is much more progressive and is much more beneficial to all." **Nelson Guerrero**, Executive Director, Cannabis Cultural Association

"...the Marijuana Regulation Taxation Act was filed and will be hopefully the subject of a successful vote in the coming two weeks and if successful we will have legalized recreational cannabis in New York." **Joe Bondy**, Principal, The Law Offices of Joseph A. Bondy

In New Jersey, officials are having the discussion now, the adult-use bill was rolling along but failed to pass by a shortage of two votes and since delays developed in adult-use the legislature has shifted attention to the ongoing developments for the medical marketplace with a focus on expungement and on decriminalization efforts.

"We are probably a couple of months ahead of where New York is, our adult-use bill which has built-in, as it developed over the course of the last year, a lot of the social equity



programs, micro licenses, conditional licenses...” **Paul Josephson**, Partner, Duane Morris

While New Jersey has shown promise, there has been push back to try and delay the legislation for the potential of a possible voter referendum that is assembling at this time which brings concerns given the difficulty other states have had in enacting a voter referendum that lacks the sophistication or organization required to effectively execute on the deliverables in promises.

“The bottom line is a referendum really only slows us down in New Jersey because the referendum will not have all of the regulatory details it needs to have.” **Paul Josephson**, Partner, Duane Morris

Hemp and CBD continues to drive questions and interests from our audience of high net-worth investors and Family Offices and with ongoing developments in many States it is no wonder that interest continues to grow from the agricultural sector in participating in the emerging cannabis industry through the cultivation of hemp.

“New York we are now calling the ‘Hempire’ State now. The application process remains open for people who are looking to cultivate, it’s open right now for people who are looking to process, for food or fiber or seed. The window recently closed on the application for CBD processing. I think there were about 352 applications to get a CBD processing license in New York & only 15 were granted.” **Joe Bondy**, Principal, The Law Offices of Joseph A. Bondy

“On the Hemp side, even though it’s Federally legal now, the FDA still has to come up with regulations they’ve been tasked with putting the regulations in place and we hope to see a draft of these regulations by the end of summer, but that’s also going to hold up the state’s because each state has to adopt their own program and regulations.” **Brett Johnson**, CEO, Hoban Law Group

There was some concern presented from investors who are beginning to explore the space with regards to the questions of Federal regulation and legality as there are many optimistic, forward-reaching cannabis companies emerging to secure attention in the burgeoning CBD & Hemp markets and there is still confusion on how a near or distant change in Federal

law will impact investor risks, or rather, reduce the potential in its impact on the ability for institutional capital to consider stepping in to fuel the demand for growth capital in cannabis. There is little doubt as to the current position of the Federal law with regards to cannabis and the funds derived as profits from these businesses.

“The Federal issue, this is illegal Federally, this is a conspiracy up here to violate Federal Law, right here in this room, that is still true technically.” **Matt Kumin**, Attorney, The Law Office of Matt Kumin

While there is ongoing debate and pressure on the DEA and Federal Legislators to address the growing divide between State medical and adult-use cannabis laws and existing Federal Law and Cannabis’ placement on the Federal drug schedule, there is little to fear for investors who are backing emerging companies, beyond the risks they may take in alternative investments. There are complex challenges that could emerge from regulatory changes but in the current climate it is extremely unlikely that an investor is at risk of prosecution for investing in a cannabis business.

“The issues that you see because of Federal prohibition have to do with money, not with loss of personal freedom and liberty and I believe that is essentially what you’re facing, and if you’re an investor and the point is to invest and make money, well then you’ve got to really watch where you’re going.” **Matt Kumin**, Attorney, The Law Office of Matt Kumin

Recently the progress and developments in New York and New Jersey have experienced opposition and consequently delays in what many anticipated to be a year of early victories for these states. Although the process has not come without a fight, it is due in large part to the efforts of stakeholders and advocacy organizations on the ground that the regulations that are now progressing in both New York and New Jersey, carry specific protections and provisions for social equity and inclusion that create a proliferation of entry points in the industry at a lower cost.

“When we talk about making these investments, obviously having a local counsel that understands the local regulatory schemas is critical, but when you’re making these investments, there is another investment you have to make. That is the investment in folks like Nelson, and in

organizations like his. This industry will not thrive and will not grow if we don't help our grass roots. It is not enough to come in here with a bank roll and say I'm going into the CBD business, or I'm going into the THC business. Just like you have to pay that '280e' surcharge to get involved in this business, another piece that is really critical, and look at it as a matter of self-interest, if you want to protect your investment, if you want that investment to move, it's not simply enough to invest in the business, you have to invest in the advocacy groups that make this business possible."

Paul Josephson, Partner, Duane Morris

MEET THE INVESTORS

With all of this industry excitement, there is an obvious boom in investments. Cannabis Dealmakers invites top active investors to participate in a "Meet The Investors" panel which consisted of Mitch Baruchowitz from Merida Capital, Brett Finkelstein from Phyto Partners, Brian Sheng from Arcview Ventures, Robert Hunt from Linnaea Holdings, Andi Goldman of Equitas Partners Fund, Jon Trauben of Altitude Investment Management, Ryan Ansin from Revolutionary Clinics and our own Ross O'Brien from Bonaventure Equity. Building on last year's pitch investment pitch format, we have expanded the programming to bring added value and insights into the issues that continue to drive the greatest concerns for investors and as one of our key speakers Ryan Ansin expressed, "The way I look at it from my own portfolio is how quickly can we make money back on the core assets and then how do you bring in other companies like what Brett invests in in order to leverage your core assets off of that. I look to get my money back through real estate acquisition and ownership nearly immediately... You can't make a lot of money if you're very late to the dance and you're already selling into a commoditized market so your margins are compressed while you're trying to pay back."

Brett Finkelstein from Phyto Partners shared what they look for in investments "Like Ryan, we have been looking recently at a lot of these things that are disruptive and maybe come out of venture places like Menlo Park or Boston, for us it's really about users and adaptability... We invested in twenty-five companies that make the industry more effective, efficient and compliant. We're not bearish on cultivation, obviously we have to support it, we're investing in companies that can support this whole supply chain."

While some admitted not being interested in investing in cultivation, Linnaea Holding's Robert Hunt disagreed. Robert has spent the last fourteen years as an attorney, a consultant, an operator and as the VP of one of the larger private equity firms in the space

"There is a tremendous backlash in the investment community against cultivation and I think that's a misguided

belief because yes, commoditization and price compression will happen on specific parts of the cultivation side but differentiated products still works. A report that came out from BDS Analytics and CannaCorp last week a full 78% of the market is still predicated on terpene driven, flavinoid driven products in this market which means that cultivation is largely the driver of that so when you say you are bearish on cultivation, you should be bearish on cultivation that's not differentiated."

"I wouldn't rule out any sectors and say I don't invest in it anymore, what I would say is I don't invest in venture anymore. I'd much rather leave some money on the table early stage, lose on the upside and have mitigated downside risk by getting involved in companies that are far enough along that I can identify them as winners"

Arcview's Brian Sheng recommended looking in not only the States, but abroad. "It's a totally different game the way I look at it. If you look at cannabis in the states it's obviously state by state, but because it's cannabis there are a lot of regulatory barriers. In Asia where I am looking at it, it's a lot more Hemp related and the regulatory barriers are a lot lower. In a lot of other parts of the world we're talking about really large plantations that are going to come online but that does not really play to the current ecosystem of what's happening in America.

ACTIVE INVESTMENT OPPORTUNITIES

In the midst of the top-level panels, the Forum also brought active investment opportunities to the program. Cannabis Dealmakers brings together the leading industry innovators and our expanding network of investors and industry leaders we included presentations from Lucid Green, Novium, Green Sky Labs, Leafworks and Industrial Hemp Farms.

These presentations offer an intimate setting for cannabis business executives to present their business models and discuss their goals and strategies for growth along with the opportunity to outline any current or planned offerings for raising growth capital for their businesses.

If you'd like to learn more about these opportunities, contact us at info@cannabisdeal makers.com or visit these websites:

lucidgreen.io

noviumrx.com

greenskylabs.com

leafworks.com

industrialhemp farms.com

96% 

of attendees were "very likely" to invest in cannabis in the next 12 months

46% 

of investors expect to spend over \$1m in the next 12 months

70% 

of investors said it was "not important" to wait for federal legalization before investing

42%

of attendees blamed a lack of good ideas for what would prevent them from investing