



Let's Toke Business



The Commerce of Cannabis

Ted Ohashi MBA, CFA

Since 2014 an Independent Weekly Investors' Compendium of the Global Business of Marijuana.

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Enterprise Group; Lead Sponsor for 'Let's Toke Business: The Commerce of Cannabis.'

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On March 6th, our Sponsor, [Enterprise Group, Inc. \[TSX: E\]](#) (a consolidator of services to the resource and energy sector in Western Canada) announced that it had entered into an LOI [divesting itself](#) of one of four subsidiaries, CT Underground for \$21 million dollars. E shares are up approximately 40% YTD and upon close the Company would be debt free. Next step is to look for businesses that will continue and grow E's leadership in the industrial resource equipment rental market, initially in Western Canada.

The industrial rental market is expected to grow significantly into the 2020's. Enterprise shares have outperformed the markets Year-to-date. Shares are now trading at \$0.425 up an impressive 40% since January 2nd 2018 while the S&P has taken a Trumping and is up only 4.25% YTD. Lots more to come.



Since the resource decline began in 2014-15, the Company has been cashflow positive, and mounted a decisive return to profitability with Q4 2017 EPS of \$0.02 and Q3 2017 EPS of \$0.01. The Company is pleased with the activity in the first part of Q1 2018.

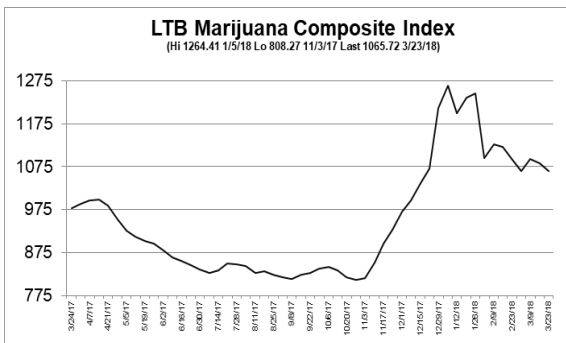
See Ted Ohashi's latest articles on Seeking Alpha

- New** [If You Like Sunniva Buy it Now; If You Don't Like It, Buy It Now Anyway](#) March 23, 2018
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[Sunniva - Two Key Puzzle Pieces Fall in Place.](#) February 28, 2018
[Sunniva – an amazing site visit and interview](#) February 20, 2018
[Where are we in the cannabis stock market cycle?](#) February 13, 2018
[Cannabis Stocks: not a Dot-Com Bubble...Yet](#) January 25, 2018
[Sunniva: Leading the World's Two Largest Legal Cannabis Markets](#) January 10, 2018
[Canadian Cannabis Stocks 2018 Outlook](#) January 3, 2018
[How to Make Money on Cannabis Stocks in the Next Three Months](#) November 27, 2017

New Ted Ohashi to speak at the [Real Estate Wealth Expo](#) in Toronto on April 7, 2018

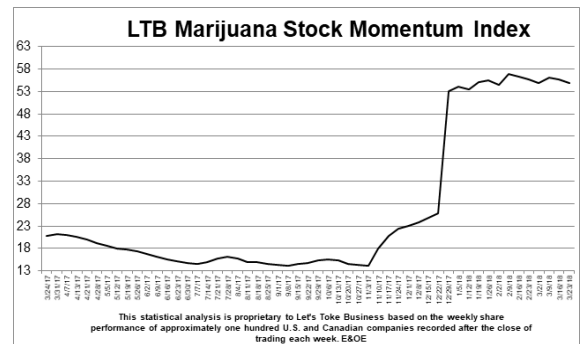
Marijuana Stock Market Review & Outlook

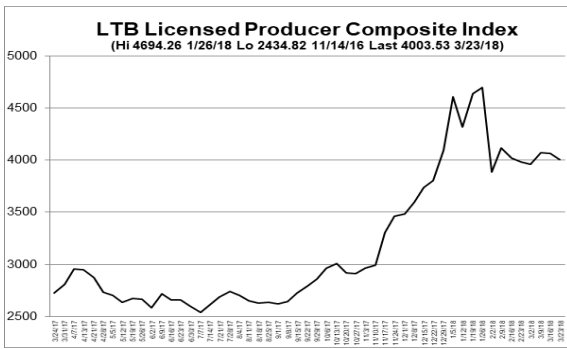
LTB MJ INDEX: 1wk -1.5% 1 mo -2.3% 3 mo -0.6% 6 mo +28.8% 1 yr +9.0%



The Let's Toke Business Marijuana Composite Index dropped 1.5% last week sent lower by a misleading report led by the CBC with other media reports joining in. The CBC made it seem as if the Cannabis Act would be killed by the Senate on second reading. Of course, it passed second reading by a vote of 44 – 29. The problem with the CBC attempting to make the news instead of reporting it is the inexperienced investor suffers. Cannabis stocks dived as the CBC fanned the rumor and it was mainly inexperienced retail investors who sold. This is called selling low and the financial damage hits the retail investor.

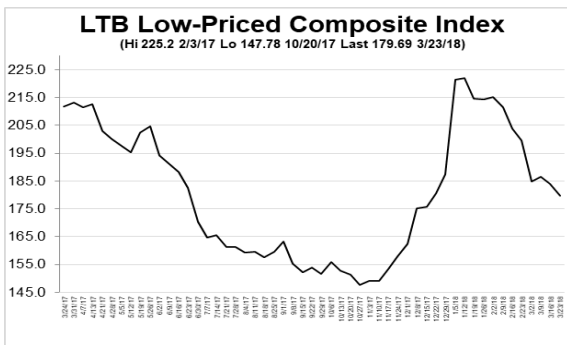
Momentum continues to hold up well and this points to higher cannabis stock prices ahead. Momentum withstood the assault from the poorly conceived reporting by the CBC and the stories circulating about Aphria insiders profiting from the company's takeover offer for Nuuvera. Recently Nuuvera issued 20 million shares for \$20,000 or a price of \$.001 per share. Some of the buyers were Aphria insiders, as confirmed by management, who are now involved in buying Nuuvera's shares for around \$5.40 each in cash and shares. So Aphria management is using its shareholder's money to line their own pockets. This is disappointing at best and illegal at worst.





The LTB Licensed Producer Index followed the overall market posting a similar decline of 1.5%. This was actually a positive result given that the CBC scare story impacted LPs the most and Aphria is a Licensed Producer. A great comment by Warren Buffett, generally acknowledged as one of the great American investors of all time, is "Only when the tide goes out do you discover who has been swimming naked." We have come to the conclusion that Aphria has been swimming naked and we will not recommend them again until the entire management team is replaced.

The Canadian Cannabis Composite Index, published by Davis and Associates Capital Corp. gave back 2.6% last week. The pattern duplicated the week before - a strong start and strong finish with weakness in between. We found the 3Ci to be very useful following intraday changes: on Thursday as the CBC scared investors into selling their cannabis stocks and on Friday as stock prices rebounded when the CBC was proven wrong. ([see the 3Cindex here](#))



The LTB Low-Priced Composite recorded a drop of 2.4% last week as the low priced cannabis stocks continued their pattern of underperformance. The index has now retraced almost 60% of the gain it made in the last up leg that is more than the 50% most technical analysts look for. So we don't expect much downside in the index from here. As we said last week, before the end of this cycle, we expect to see the junior cannabis stocks become the speculative darlings of the market.

Conclusion: we find it unsettling to think that the CBC news would try to convince investors to sell their cannabis stocks because the senate might stop the passage of the Cannabis Act. The fact is the Cannabis Act is a virtual cinch to receive approval of the Senate on or before June 7. Of course, there is a risk because that promise was made by Conservatives in the Senate. But there are lessons to be learned from every situation. If you spoke to your advisor/broker last week as the cannabis stocks were plummeting, you should have been warned to ignore the ridiculous CBC report and advised to hold on to your holdings and perhaps take advantage of the drop to buy more. If that happened, you probably have a professional advisor. If, on the other hand, you didn't receive that advice, chances are you should be looking for a new broker.

Marijuana Matters

Technavio has issued a recent market research report forecasting 21% compound annual growth for the global medical marijuana market between 2018 and 2022. Around the world, there are 29 countries that allow medical marijuana including 12 that have put laws in effect in the past two years. But only Canada and the Netherlands allow export of cannabis giving Canadian companies an advantage in international markets.

This week we will complete our global review with a look at the Middle East and Australasia.

Once again, we remind readers we are using this information to provoke investment thinking and ideas. This is NOT LEGAL ADVICE for persons travelling and using cannabis in these regions. Our statements are general and not intended to deal with specific legal issues which may vary from country to country.

Middle East: cannabis use is generally illegal in the region, specifically in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates and Yemen. Iran has decriminalized cannabis and Turkey allows medical use.

Israel is a special case. Certain medical applications are allowed, recreational use is effectively decriminalized and Israelis between the age of 18 and 65 have the highest annual rate of cannabis usage in the world. This means 27% have used cannabis in the previous twelve months compared with 16% of Americans.

Israeli scientists Raphael Mechoulam and Yechiel Gaoni first identified THC as the main psychoactive ingredient of cannabis in 1964. Since then Israel has played an active role in cannabis science and is now considered a global leader in medical cannabis research and innovation. At the present time there are some 120 trials underway in Israel based on components of cannabis.

Among Canadian companies with business links to Israel are: MedReleaf ([TSX: LEAF](#)), an early mover making an exclusive arrangement with Tikun Olam, the largest government approved producer of medical cannabis in Israel; Cronos ([TSXV: CRON](#)) entered into a strategic joint venture to grow and produce with Kibbutz Gan Shmuel; Namaste ([CSE: N](#)) has signed a letter of intent to import cannabis from BRLEV Agricultural Crops and soon to be public Khiron has executed an MOU with an Israeli partner for medical grade strain genetics.

Australasia: generally includes Australia, New Zealand, New Guinea and Papua New Guinea. Australia has legalized medical and scientific uses and most territories have decriminalized other cannabis use. Although Australia is relatively small with a population of 24.5 million (53rd in the world) it is much higher ranking 13th by size of economy just behind Russia and just ahead of Spain. The government is also taking an aggressive approach with Health Minister Greg Hunt saying they would like Australia to be "...the world's number one medicinal cannabis supplier." They have also adopted the approach that they will learn from international producers before doing it themselves.

Cannabis is still illegal in New Zealand but the current government has promised a referendum in 2020 and indications are this will lead to some changes. Illegal in Papua New Guinea but widely produced and used.

Canopy Growth ([TSX: WEED](#)) was an early entrant into Australia with an agreement to be exclusive supplier as well as a shareholder to the AusCann Group, a leading Australian company in their relatively new industry. The current plan is to begin with the transfer of a range of medicines for research and commercialization. Aurora Cannabis ([TSX: ACB](#)) and CannTrust ([TSX: TRST](#)) are exporting product to Australia, MedReleaf and MYM Nutraceuticals ([CSE: MYM](#)) are moving into growing there.

Conclusion: Australia demonstrates the opportunities that exist for Canadian cannabis companies in international markets. Canadian expertise opens the doors and gives our operators a chance to get involved before anyone else. Ultimately when Australia is being handled primarily by Australians, the Canadian companies will be there with ownership and networks. Of course, we mustn't forget the revenue and income potential from a market like Australia. They have regions of wide open spaces with endless sunshine that is ideal for growing low cost cannabis product.

Breaking & Corporate News

We hope the misleading report by the CBC and other mainstream media last week didn't scare you into selling your cannabis holdings. The CBC reported that the vote following second reading in the Senate would be close and if it was voted down, cannabis legalization in Canada would be back to square one. We think this was irresponsible reporting on the part of the CBC. The CBC is drinking the Kool-aid mixed by people like Thornhill, Ontario Conservative MP Peter Kent who said a few months ago that allowing Canadians to grow cannabis plants at home is "...virtually the same as putting fentanyl on a shelf within reach of kids." Even worse is Sarnia-Lampton Conservative MP Marilyn Gladu who is also the party's Health Critic asked the Senate to "keep our great country safe from all the weed" in a poem that must have been written by a 3 year old Conservative. I guess Kent and Gladu didn't learn a lesson when former Prime Minister Harper lost the last election because, in part, he chose to use scare tactics by lying about cannabis.

The major problem with the CBC and others behaving in what we would consider an irresponsible manner, is it is mostly the less experienced investor investing smaller amounts of money who are hurt.

In our November 24, 2017 issue, we reported that Health Canada would ask for input on certain aspects of cannabis legalization. Health Canada said it heard from more than 3,200 Canadians and 450 stakeholders over the course of the 60-day consultation. None of the conclusions are final.

According to the report, regulations will require cannabis products packaging to be of a single, uniform colour with a standardized font style. All packaging will include a "universal symbol" as shown. Producers can use their brand name and logo once on the packaging, subject to size limitations. Other graphics and images and special coatings and embossing are banned. The size, shape and material used in the packing can vary. It is clear that the universal symbol is in the shape and colour of a traffic stop sign.



Also included in the packaging must be the name and contact information of the processor, product description, THC and CBD content, potential allergens and the statement "Keep out of reach of children." Packaging must also feature a health warning message inside a yellow box printed in the largest font on the label. Similar to cigarette packaging, the messages will rotate and include messages such as "Cannabis smoke is harmful," "Do not use if pregnant or breastfeeding" and "Regular use of cannabis can increase the risk of psychosis and schizophrenia."

Other regulations include:

1. advertising may not make any health or therapeutic claims
2. advertising may not associate cannabis with driving or other skilled activities while impaired
3. advertising may not use sexual or violent language or imagery in the names for strains
4. advertising may not use characters, animals or activities that appeal particularly to young people
5. producers can explain why their product is better than that offered by the underground economy
6. producers will be restricted to advertising in media with over 70% of the audience over the age of 18

The Coalition for Responsible Cannabis Branding together with the Canadian Medical Cannabis Council and the Cannabis Canada Association submitted its own recommendations called "Adult Use Cannabis Advertising and Marketing Guidelines for Licensed producers. Their recommendations were guided by five principles:

1. producers will only promote brand preference and not the consumption of cannabis
2. producers will not encourage non-users to become consumers
3. producers will not direct their marketing at people under the province's legal age
4. all advertising will contain responsible use statements, and,
5. producers may voluntarily submit advertising for pre-clearance with Ad Standards Canada and agree to abide by the provisions set out in the Canadian Code of Advertising Standards.

Clearly, Health Canada went much further. “Branding and marketing are essential for consumers to make informed decisions,” said David Clement, North American affairs manager for the Consumer Choice Center. “Limiting branding will make it more difficult for consumers to make informed decisions when purchasing legal cannabis. In addition to that, we know from branding bans on other products that uniform packaging restrictions make it significantly easier for black market actors to pass their contraband as legal product.”

All of the new proposals will apply to medical use cannabis products once the Cannabis Act is passed. Medical cannabis packaging currently does not require health warnings and there are few restrictions on the colour, branding and images on packaging.

These regulations, if approved, will make branding and marketing very difficult for cannabis producers.

When President Trump signed the \$1.3 trillion omnibus bill last week, it extended the Rohrabacher-Blumenauer amendment (RBA). The RBA prohibits the Department of Justice from using federal funds to interfere with state-legal medical marijuana programs. The RBA was first passed in 2014. It was a bit of a compromise as it turned out. Attorney General Sessions had asked congressional leaders to exclude the RBA from the appropriations bill in a letter in May 2017. On the other hand, 69 pro-cannabis senators tried to get the amendment extended to apply to recreational marijuana as well (the McClintock-Polis amendment). However, that was cut out just before the bill passed. The omnibus bill expires in September 2018.

Sunniva (CSE: SNN) is one company that will benefit from Rohrabacher-Blumenauer. The company is currently building out Phase One of construction at the California Campus located at Cathedral City. Some investors had expressed concern that the Department of Justice might disrupt their project but that is now not likely to happen. We should also add that these bills have typically remained in effect for several months beyond the September deadline.

Lexaria Bioscience Corp. (OTCQX: LXP) reported it received a new Notice of Allowance from the United States Patent and Trademark Office (USPTO) providing for “composition of matter” claims that protect the specific combination of substances which enable improved taste and bioabsorption properties of its DehydraTECH™ technology for the delivery of cannabinoids. This is a significant addition to Lexaria’s existing manufacturing “method of use” patent rights previously granted. John Docherty, President said, “This allowance has been granted by the USPTO upon review of the compelling scientific data Lexaria has amassed demonstrating its significant bioavailability performance enhancement properties.” There is no opposition period between allowance and issuance. LXP has additional patent applications that remain within the USPTO process, of both the composition of matter and process varieties.

LXP continues to add to its portfolio of Intellectual Property. Taken together, the value of this portfolio will be an important contributor to the company’s value.

Canopy Growth reported this week that it is not in acquisition talks with Alcaliber. In our March 9, 2018 edition we reported that according to Bloomberg, Canopy Growth Corporation (TSX:WEED) is the leading candidate of three to acquire Alcaliber at a price between €200 million and €275 million (CAN\$315 to \$435 million). Bloomberg was incorrect in its reporting.

Supreme Cannabis (TSXV: FIRE) has invested C\$10 million for a 10% stake in Medigro Lesotho, a Licensed Producer in The Kingdom of Lesotho in southern Africa. The plan is to grow cannabis and convert it to cannabis oil in Lesotho for eventual export to Canada and other international markets. Concurrent with the completion of the Investment, FIRE and Medigrow have agreed to enter into a long-term global distribution partnership for medical cannabis oil as defined in the *Access to Cannabis for Medical Purposes Regulations*. The cannabis oil will be produced by Medigrow in Lesotho and subject to all government, and international regulatory approvals, the oil will be exported to Canada and other international markets. We

think the production side of the equation is excellent. Lesotho probably has extremely cheap labor and excellent climatic conditions for growing. We suspect the more difficult part will be convincing consumers of the product quality is up to North American standards.

One new Licensed Producer approved last week raising the total to 94. Muskoka Growth of Ontario was been licensed for cultivation. Ontario still has over half of all approved Licensed Producers.

Applications Watch

Muskoka Growth has been approved as for cultivation in Ontario. This brings the total to 94 Licensed Producers approved. There have been ten new LPs approved this year. In the past 44 weeks there have been 52 new Licensed Producer approvals. Of the 94 LPs: 32 are Cultivation & Sale, 57 are Cultivation and 5 are Sale Only. On the list of Fresh Marijuana & Oil producers, there are 30 LPs approved: 19 as Production & Sale, 7 approved for Production and 3 approved as Sale Only. In the category “Sale of Starting Materials,” 10 LPs are approved to sell starting materials: 8 approved to sell plants and 2 approved to sell seeds.

There are now 28 public companies that are LPs or own an interest in one or more LPs.

Licensed producers by province are Ontario (51 or 54%), British Columbia (19 or 20%), Quebec (6 or 6%) Alberta (4 or 4%), Saskatchewan (4 or 4%), Nova Scotia (3 or 3%), Manitoba (2 or 2%), New Brunswick (2 or 2%), and Prince Edward Island (1 or 1%). Percent totals may not add up to 100% due to rounding.

Producer	Prov	Dried Marijuana	Fresh Mari & Oil	Sale Start Materials
1. 7 Acres	ON	Cultivation & Sale		
2. Abba Medix	ON	Cultivation		
3. ABCann Medicinals	ON	Cultivation & Sale		
4. A.B. Laboratories	ON	Cultivation		
5. Acreage Pharms	AB	Cultivation		
6. Aero Farms	ON	Cultivation		
7. AgMedica Bioscience	ON	Cultivation		
8. Agrima Botanicals	BC	Cultivation	Production	
9. Agri-Médic ASP.	QC	Cultivation		
10. Agripharm Corp.	ON	Cultivation & Sale	Production & Sale	
11. Agro-Biotech	QC	Cultivation		
12. Agro-Greens Natural Prod	SK	Cultivation	Production	
13. Aphria	ON	Cultivation & Sale	Production & Sale	
14. Aqualitis	NS	Cultivation		
15. Aurora Cannabis	AB	Cultivation & Sale	Production & Sale	
16. Aurora 2 nd site	QC	Cultivation		
17. Aurora 3 rd site	AB	Cultivation		
18. BC Tweed Joint Venture	BC	Cultivation		
19. Bedrocan Canada	ON	Sale		
20. Bedrocan Canada 2 nd site	ON	Cultivation & Sale	Production & Sale	
21. Beleave Kannabis	ON	Cultivation	Production	
22. Bloomera	ON	Cultivation		
23. Bonify	MB	Cultivation		
24. Breathing Green Solutions	NS	Cultivation		
25. Broken Coast Cannabis	BC	Cultivation & Sale	Production & Sale	
26. Canada’s Island Garden	PEI	Cultivation & Sale		
27. Canna Farms Ltd	BC	Cultivation & Sale	Production & Sale	Plants
28. Cannatech Plant Systems	BC	Cultivation		

29. CannMart	ON	Cultivation		
30. CanniMed Ltd	SK	Sale	Sale	
31. CannTrust	ON	Cultivation & Sale	Production & Sale	Seeds
32. CannTrust 2 nd site	ON	Cultivation	Production	
33. Canveda	ON	Cultivation		
34. DelShen Therapeutics	ON	Cultivation		
35. Delta 9 Bio-Tech	MB	Cultivation & Sale		
36. Emblem Cannabis	ON	Cultivation & Sale	Production & Sale	
37. Emerald Health Botanicals	BC	Cultivation & Sale	Production & Sale	
38. Emerald Health 2 nd site	BC	Sale	Sale	
39. Emerald Health Farms	BC	Cultivation		
40. Evergreen Medicinal	BC	Cultivation	Production	
41. Experion Biotechnologies	BC	Cultivation		
42. FV Pharma	ON	Cultivation		
43. Green Relief	ON	Cultivation & Sale		
44. Greenseal Cannabis	ON	Cultivation		
45. GrenEx Pharms	AB	Cultivation		
46. Hydrothecary	QC	Cultivation & Sale	Production & Sale	
47. HydRx Farms	ON	Cultivation		
48. Indiva	ON	Cultivation		
49. IsoCanMed	QC	Cultivation		
50. International Herbs	BC	Cultivation		
51. Int'l Herbs 2 nd site	NB	Cultivation		
52. James E. Wagner Cultivation	ON	Cultivation		
53. Maricann	ON	Cultivation & Sale	Production & Sale	Plants
54. Maricann 2 nd site	ON	Sale	Sale	Plants
55. Medical Marijuana Group	ON	Cultivation		
56. Medical Saints	ON	Cultivation		
57. MEDIWANNA	ON	Cultivation		
58. MedReleaf	ON	Cultivation & Sale	Production & Sale	
59. MedReleaf 2 nd site	ON	Cultivation & Sale		
60. Mettrum Bennett North	ON	Cultivation & Sale	Production & Sale	
61. Muskoka Growth	ON	Cultivation		
62. Natural Med	ON	Cultivation		
63. Natura Naturals	ON	Cultivation		
64. Northern Lights	BC	Cultivation		
65. Original B.C.	BC	Cultivation & Sale		
66. Organigram	NB	Cultivation & Sale	Production & Sale	
67. Peace Naturals Project	ON	Cultivation & Sale	Production & Sale	Plants
68. Potanicals Green Grow	BC	Cultivation		
69. Prairie Plant Systems	SK	Cultivation	Production	
70. PureSinse	ON	Cultivation		
71. Quality Green	ON	Cultivation		
72. Radicle Medical Marijuana	ON	Cultivation		
73. RedeCan Pharm	ON	Cultivation & Sale		
74. RedeCan Pharm 2 nd site	ON	Cultivation	Production	
75. Rock Garden Medicinals	ON	Cultivation		
76. Solace Health	ON	Cultivation		
77. Spectrum Cannabis	ON	Cultivation & Sale	Cultivation & Sale	
78. Sundial Growers	AB	Cultivation		
79. Tantalus Labs	BC	Cultivation		

80. THC Biomedical	BC	Cultivation & Sale	Production & Sale	Plants
81. THC Inc	NS	Cultivation & Sale	Production & Sale	
82. Green Organic Dutchman	ON	Cultivation & Sale		
83. Thrive Cannabis	ON	Cultivation		
84. Tilray	BC	Cultivation & Sale	Production & Sale	
85. Tweed Grasslands	ON	Cultivation		
86. Tweed Farms	ON	Cultivation & Sale		
87. Tweed Inc.	ON	Cultivation & Sale	Production & Sales	Seeds
88. United Greeneries	BC	Cultivation & Sale		
89. UP Cannabis	ON	Cultivation	Production	
90. Vert Cannabis	QC	Cultivation		
91. We Grow B.C.	BC	Cultivation		
92. WeedMD	ON	Cultivation & Sale	Production & Sale	Plants
93. Whistler Medical Marijuana	BC	Cultivation & Sale	Production & Sale	Plants
94. WILL Cannabis Group	ON	Cultivation		

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Sunniva: If You Like It, Buy It Now; If You Don't Like It, Buy It Now Anyway

Summary

Sunniva's stock has declined in a quiet period while management closes a \$25 million bought deal financing.

I see a number of newsworthy announcements coming down the road over the next couple of months.

The value of the agreement with Canopy Growth has been substantially overlooked in a generally negative cannabis stock market.

News could include additional presale contracts to dispensaries in California, non-dilutive financing of construction in Oliver, B.C., the startup of the California extraction plant and related sales contracts, finalization of licensing with the state and the revenue contribution from Natural Health Services.

As these announcements are made, more and more investors will be attracted to the Sunniva story. That is why I say, "Sunniva: If You Like It, Buy It Now; If You Don't Like It, Buy It Now Anyway."

Introduction: Based on the number of comments and questions on Sunniva ([OTCQF: OTCQX:SNNVF](https://www.otcmarkets.com/stock/SNNVF)) that currently exceed 1,250 and rising, I conclude it is prudent to update my views so readers will not miss out. Just to be clear, I remain very optimistic about their prospects and see this pause as potentially, a final buying opportunity.

Stock Price: Underlying much of the feedback is the perception that SNNVF shares have been performing poorly. The chart below shows the trading in SNNVF since it opened on January 10, 2018. Although the stock has not lived up to investor expectations, the performance hasn't been "poor." Recently the stock was trading close to the opening price eleven weeks ago.



Shortly after my initial recommendation and riding on the coattails of the strong rally in cannabis stocks in the fourth quarter of 2017, the stock rocketed up to \$16. But since it failed to keep rising, investors have expressed disappointment.

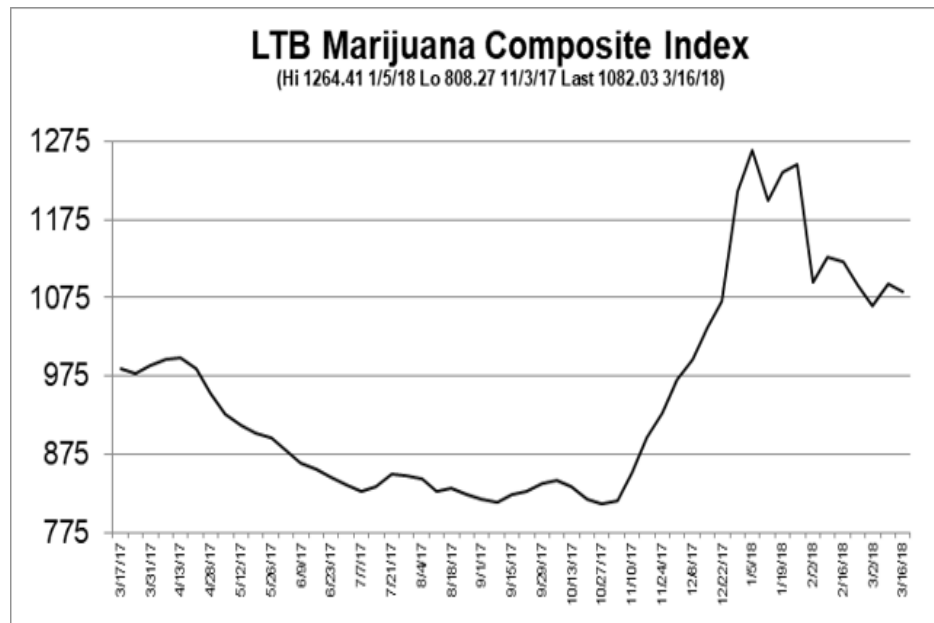
In my subsequent article [Where We Are In The Cannabis Stock Market Cycle](#) I tried to point out that the cannabis stocks have entered a more volatile, trading phase where trends do not last as long. That has certainly been the case since. The message is portfolio strategy in the 'trading phase' should be different than in the preceding 'dynamic phase.' In the preceding stage, what I refer to as the dynamic phase, buy and hold is appropriate. The uptrends are more persistent and last much longer.



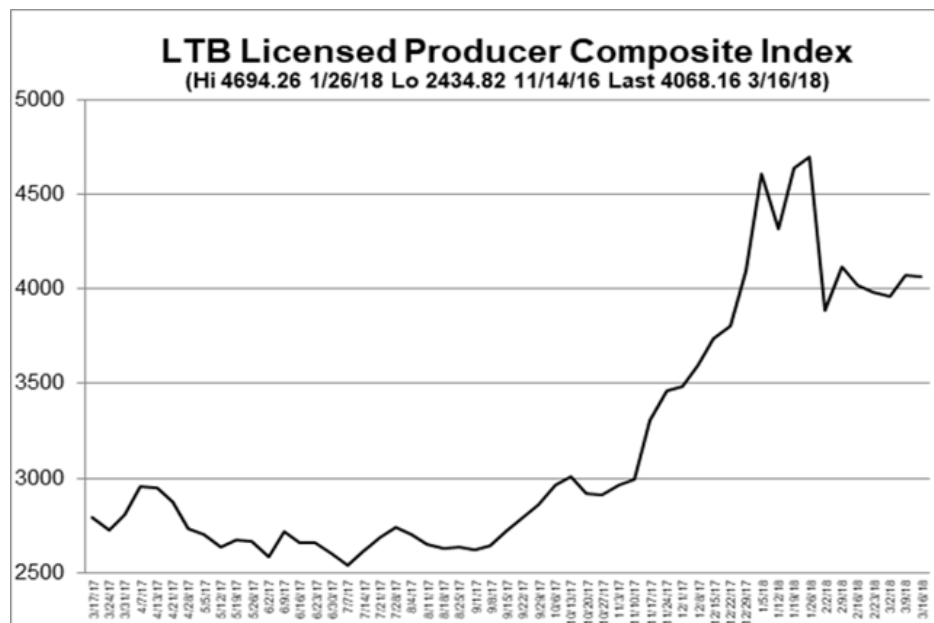
But when you get into a trading market, the most appropriate strategy is to buy on weakness and sell on strength. You take advantage of price dips to buy and price rallies to sell building a cash position as you go.

This means with each successive trade you buy less and sell more. The cash becomes a defensive position and also ensures you have some ability to take advantage of a major decline when it occurs.

Where are the cannabis stocks today? Here are two charts that reveal quite clearly where we are. The first is the Let's Toke Business Marijuana Composite Index. This index is down 14.5% since reaching its recent high on January 5, 2018 and the chart seems to suggest we are in the early stages of a trading market.



The next chart is the Let's Toke Business Licensed Producer Index which is down 13.4% since its high on January 26, 2018. This chart also appears to be in the early stages of a trading market.



How does this apply to Sunniva? SNNVF began trading on January 10, 2018 at \$7.00 and currently sits at \$7.11 per share. Riding the tag end of the strong rally through the end of 2017 and starting this year the stock touched \$16.00 in between. So SNNVF has come back sharply from its short term peak. So the stock is very low in a market that is low and seems ready to rally.



What will fuel a rebound in SNNVF? There are a number of possibilities all based on progressing the business plan.

1. Closing the \$25 million bought deal financing at \$9.75 per share. Although some investors have questioned this funding, I think it is important for SNNVF as it will provide the liquidity needed for the balance of 2018. Unless a large, unexpected opportunity arises, I don't foresee further equity financing in the near term.
2. Coming as it did when the market and the stock were both weak, the presale contract with Canopy Growth ([USOTC:OTCPK:TWMJF](#)) has gone underappreciated and not reflected in the share price. These presales from production at the Canadian campus in Oliver, British Columbia are important for the size and the fact it is with world's largest cannabis company. This combination makes it a very bankable contract.
3. I believe there will be similar presale contracts announced for the Cathedral City campus. Because of the industry structure in California, these contracts will be with dispensaries. Presales to Canopy in Canada and dispensaries in California are part of SNNVF's business plan to reduce operating risk.
4. There should be an announcement in the near term with respect to the financing of construction at Oliver, B.C. The budget is \$100 million and management has disclosed its intention that 60% - 65% of this amount will come from a Tier I financial institution. In Canada that means a big five chartered bank. The remaining 35% - 40% is expected to be a private, subordinated loan. While other Licensed Producers sell shares to raise funding for construction of facilities, I believe SNNVF will be successful in using positive leverage in lieu of shareholder dilution.
5. The California extraction plant is due to open shortly as I noted in my report ([Sunniva: Two Key Puzzle Pieces Fall In Place](#)) I expect a break-in period using cannabis purchased from other growers. I also anticipate presales contracts for the extraction products moving forward. Each additional presale contract for cannabis or extracts represents a further proof of concept for SNNVF's business plan.
6. As construction in California progresses, SNNVF will begin to finalize its licensing with the state. In today's skeptical cannabis stock markets, filling in with these licenses will address more issues that appear to be bothering some investors.

7. Natural Health Services (NYSEMKT:[NHS](#)) continues to be overlooked and underappreciated in my view. They own and operate a network of eight medical clinics in Canada located in Alberta, Ontario and Manitoba and specialize in medical cannabis under the Access to Cannabis for Medical Purposes Regulations (ACMPR). NHS has over 125,000, active medical documents up from 100,000. There are over 95,000 active patients, up from 75,000. SNNVF will soon report its fourth quarter and year and NHS will make an important contribution to the top line results.
8. The word on SNNVF will continue to spread moving forward. We are still in the early days for the company as trading began less than three months ago. As more people encounter the SNNVF story, they will become shareholders and the share price will better reflect inherent value.

Conclusion: These are some of the key milestones that will be attained in the weeks ahead. As these pieces fall in place, I believe the share price will begin to reflect the true value of the company. That is why I say, "Sunniva: If You Like it, Buy it Now; If You Don't Like it, Buy it Now Anyway."

Disclosure: I/we have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.

I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

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