



BUSINESS

Day 2: Dispatches from the 2019 Institutional Capital and Cannabis Conference

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Julia Barajas @Julia_P_Barajas



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LA native, graduated from Columbia Journalism School after working in education for several years. Her work has also appeared in La Opinión, the Columbia Journalism Review, and La Prensa Gráfica.

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On Friday, *Cannabis Wire* published coverage of Day 1 of the third annual Institutional Capital and Cannabis Conference in Los Angeles, which you can read below. As investors gathered late last week to discuss what to expect at the national, state, and local level, we took note of two major themes: equity and pharma.

On day two of the conference, investors came together for another panel entitled “The Changing Face of Cannabis Investing,” during which the speakers reiterated that the heyday of the cannabis industry in Canada is running out—and that significant investment in the United States is about to take off.

For instance, when asked to share his thoughts on what he takes into account when building out his portfolio and raising capital, Peter McCullagh, founder and managing partner at TenX Ventures Inc, said that recent months have brought about “a new world order” and that he believes cannabis is “going to come off the Schedule I, maybe as early as this year.”

Of the investment surge in Canada, he said, “forty billion dollars has gone into Canada in the last seven years and, really, for one reason: it’s the only place.” He continued, “the largest speculative investment boom in the history of humankind is going to occur in this space, in this country. If forty billion dollars goes to Canada, it’s going to be five hundred billion dollars of foreign capital coming to the United States in the next five to six years . . . We think it’s as big a disruption as the internet or blockchain or anything else.”

McCullagh then turned his attention to the pharmaceutical industry, which was a hot topic on [Day 1](#). “Why aren’t lobbying groups going and complaining that the pharmaceutical companies are trying to get CBD put as a Schedule V drug so that only pharmaceutical companies can use it?” he asked. “Nobody seems to be fighting that yet. I don’t understand why we’re not. We should be, like, up in arms and freaking out about that.”

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In a subsequent panel on investment opportunities in other international markets, Kyle Detwiler, CEO and co-founder of Northern Swan, an investment firm focused on cannabis investments “in geographies where the sector is federally legal,” spoke to the challenges of doing business abroad.

To avoid pitfalls and unfavorable press when seeking out low-cost production, Detwiler encouraged investors to really do their research. He pointed to Colombia, where Northern Swan has invested in a company called Clever Leaves, as an example. There, he said, “funny business” is always around real estate. “If you’re on land that was created through displacement due to the civil strife,” he noted, dispossessed people “can remediate that land.” Also, “if you’ve been affiliated with narco trafficking or political corruption in the last fifty years, the government can repossess the property.” That, said Detwiler, was one of the problems he encountered with the first property he secured. “And so,” he said, “we obviously had to pass and keep looking.”

The conversation then turned to the presence of women in the cannabis industry. To this end, Detwiler underscored that more than seventy percent of the employees at Clever Leaves are women, most of whom are single mothers.

“Are women on your board?” asked fellow panelist Barbara Paley, founder and CEO of Art Assets.

“Uh, not yet,” said Detwiler.

“We had this conversation two years ago,” Paley replied.

Day 1

During a panel on the U.S. regulatory landscape at the third annual Institutional Capital and Cannabis Conference in Los Angeles this week, investors gathered to hear what to expect at the national, state, and local level. *Cannabis Wire* took note of two major themes: equity and pharma.

Rob Kampia, executive director of the Marijuana Leadership Campaign, moderated the event and began by saying that many other jurisdictions will be following in Los Angeles’ tracks on social equity. Kampia then asked Alexander Freedman, Deputy City Attorney at the Los Angeles Department of Cannabis Regulation: “How do you see the program taking shape in LA . . . and what should investors understand about this?”

The social project to redress members of communities that were disproportionately targeted under prohibition, said Freedman, is “still being tested.” Monitoring of relationships between investors and social equity applicants, who must own 51% of the business, he added, is extremely challenging for local governments. However, this task, which he compared to “picking up the trash, cleaning up the streets, and putting out fires,” is necessary to ensure that social equity applicants and their partners succeed.

Priority licensing, he later added, “in no way addresses the scale of the problem.” Social equity programs, Freedman said, must also take expungement and community reinvestment into account.

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Neal Levine, CEO of the Cannabis Trade Federation, mirrored Freedman’s points when discussing the STATES ACT, the SAFE Banking Act, and the Marijuana Justice Act, which he described as “the most comprehensive piece of legislation out there.”

(For more on the cannabis bills currently in Congress, check out this [page](#).)

The Cannabis Trade Federation, Levine said, supports “all positive cannabis reform.” The reason why the group is “so focused on the STATES Act,” he added, “is because the President of the United States said he would sign it into law” and because Attorney General Bill Barr recently said during a hearing that it would be better than the status quo. He added, “that’s our best shot to make fundamental change at the federal level.”

However, he noted, “there is a growing drumbeat from the left of the House that anything, any proposition to end prohibition must include some form of equity . . . And, to that point, you know, it is a fact that the War on Drugs disproportionately targeted people and communities of color . . . So, there is no solution for legalization where we do not account for the societal harms that these disastrous laws have created. There’s no other way out of this. The industry needs to be a partner in this discussion.”

Kampia wrapped up the panel by asking everyone in the room to pitch in \$1,000 to support an initiative to allow for medical cannabis in Mississippi, slated to be part of the 2020 general election. State Representative Joel Bomgar (R), who is spearheading the initiative, assured the audience that he “attempted to do medical marijuana through the legislative process.” However, after failed attempts, he determined that while “the people are ready, the politicians are not quite there yet.”

At another panel, “Impact Investing: Medical Efficacy and Societal Impact of Legal Cannabis,” Dr. Jeff Chen, director of the Cannabis Initiative at UCLA, noted that “pharma spent all this money in

developing their CBD drug, and now they're being undermined, if, indeed, the FDA allows CBD to be sold as a supplement, as an ingredient over the counter. And that's actually a very scary notion for pharma. Not scary because they can no longer sell their \$36,000 CBD drug for epilepsy, Epidiolex. It's a scary proposition because now all of their drugs are under threat."

To further explain, Chen asked the audience to take a guess at the amount of pharmaceutical sales in the United States. "What does that dollar figure look like? Take a wild stab. Somebody shout it out," he said. The audience obliged, but no one came close.

The figure, said Chen, is \$500 billion per year, or half of the pharmaceutical industry's global revenue.

"So," he added, "if cannabis can be purchased over the counter or grown in a backyard or widely used, even 10% of that figure, that's 50 billion dollars a year that pharma stands to lose. What do you think, as an industry, you would do to preserve 50 billion dollars a year in revenue?"

Moving forward, Chen said he expects the pharmaceutical industry to move to prevent "plant from being sold over the counter."

"It's not just about releasing some cannabinoid-based drugs," he added. "It's to prevent an existential threat to your income."

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NEW YORK

NYC Bar Panel: It's Springtime for Cannabis in New York

"I think we have to be careful on taxes, because this is an incredibly economical, or cheap, product to make," said the assistant counsel of Governor Cuomo for Health.



Alyson Martin

MAY 10, 2019 6:55AM EDT



BUSINESS

Cannabis Companies Eye Federal Program Meant to Spur Investment in "Low-Income" Areas

"Take advantage of one of the most radical and important changes in tax legislation in decades," a Las Vegas Expo program, which includes the cannabis industry, reads.



Julia Barajas

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TEXAS

Medical Cannabis: Once Again, Texas Teeters on the Edge of Reform

Two bills headed out of the Texas House have advocates hopeful, but the Senate has sent mixed messages. The state has edged up to cannabis reform before, only to retreat.



Stephen Paulsen

MAY 8, 2019 6:55AM EDT

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