

NEW YORK DAILY WEED REPORT

MEWS AND INFORMATION ON NEW YORK MARIJUANA LEGALIZATION

STATE-BY-STATE VERSES COUNTRYWIDE SPREAD

Joshua S. Bauchner discusses the impact of Canada and Mexico's cannabis legalization policies on the US.

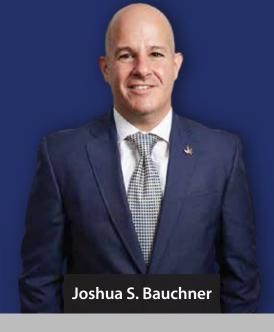
By Angela Underwood



S tate-by-state, the U.S. is legalizing adult-use cannabis while entire countries are accepting its legality in one fell swoop.

While the Marijuana Regulatory Agency announced Wednesday that Michigan will be the 11th state to allow recreational weed as of Dec. 1, Canada and Mexico are showing its American neighbor it can be done on a larger scale and a lot quicker.

Global X Research Analyst Pedro Palandrani, who oversees the group's Thematic Suite of exchange-traded funds (ETFs), said Mexico's pending legalization just continues to show how



cannabis could generate meaningful economic growth and tax revenues.

"For example, since allowing recreational retail distribution of cannabis in 2014, Colorado's monthly sales figures offer more recent insights into the potential growth trajectory of newly legalized markets," Palandrani said.

Palandrani, a former equity research analyst for Cabot Wealth Management, said recreational sales started at \$14 million per month in 2014, growing to over \$122 million by June 2019, representing a 48% compound annual growth rate (CAGR).

"The meaningful economic benefits, along with rising social acceptance, have played a major role in swaying policymakers from other states to support legalizing cannabis sales," he added.

Palandrani notes state-by-state, legalization has been slower than expected in certain states like New York and New Jersey that Global X assumed would be quicker.

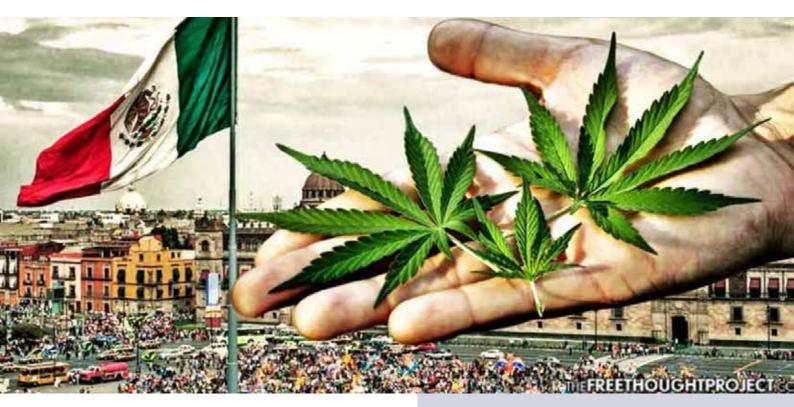
"Overall, we think that budgetary pressures and rising social acceptance will get state legislatures to push legalization bills forward in

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coming years," he said.

Take, for example, Bernie Sanders, who Palandrani said has probably been the most vocal presidential candidate to address legalization thus far.

"In 2020, we expect a pickup in attention to this topic," he said. "It's going to be a point of focus given that, by many estimates, about 2/3 of Americans support full legalization, and it touches on other important political topics like jobs and taxes."

As for Mexico, it's pending legalization is another piece in what Global X believes is a domino effect.

"Countries will continue to navigate a potential legalization by understating its economic and social impact," Palandrani said. "At some degree, cannabis represents a counter-recessionary investment strategy, and it is more likely that other states in the U.S. and countries will pursue full legalization if we enter into a recession or fear of its increase significantly."

Ansell Grimm & Aaron PC Attorney Josh Bauchner said Canada's present and Mexico's pending legalization should not have a huge effect on the U.S., using Nevada's 2017 adult-use legalization as an example.

"The governor called on the National Guard because the

lines around the dispensaries were so long because there wasn't enough supply and people were lined up for hours waiting," he said. "The irony there is you go right across the border to Humboldt County California and they had a massive surplus, but they just couldn't transport it across state lines."

If everyone was just ignoring borders that would have been an issue, he added.

Bauchner also used Colorado as a case, noting the "green mile" of freshly paved roads and newly painted schools from the Denver airport into downtown is due directly to cannabis tax revenue."

"Abandoned warehouses are now cannabis operators, you can smell it when you drive by, so the incentive is really there for localities and states," he said. "I don't think Mexico or Canada are going to incentivize the U.S. to nationalize because of the tax revenue."

Black market weed crossing America's northern and southern borders also isn't an issue, according to Bauchner.

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"The lawfully operating dispensaries in Canada, and frankly the lawfully operating dispensaries in the United States, don't want to get involved in any kind of black market," he said. "They are so highly regulated, and their licenses are worth so much money it's not worth their time or the risk to try to sell illegally."

When asked where New York falls in state-by-state legalization, **Bauchner** said Gov. Andrew Cuomo's "national ambitions and playing games of sort with

respect to kind of being half in and half out," keep legalization in the Empire State up in the air.

"I do think that if New Jersey would have gone 'rec' or adult use, Cuomo would have considered that as a catalyst for the New York program because of the tax going out of New Jersey, Massachusetts, and Pennsylvania borders," Bauchner said. "He can't stand that loss."

