

Federal Marijuana Legalization Is Close, Suggests Canopy-Acreage Deal

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I cover various facets of the cannabis culture.

Sometimes it is necessary to read between the lines. So, when the largest cannabis company in the world enters into a multi-billion dollar deal with a well-known American cannabis firm -- one that is set to take effect only after the federal government repeals marijuana prohibition -- it is hard not to consider the possibility that someone knows something and that maybe, just maybe we are closer than we think to living in a time when marijuana is taxed and regulated nationwide in a manner similar to alcohol and tobacco.

It was just last week that Canopy Growth signed a \$3.4 billion agreement to acquire the medical marijuana firm Acreage Holdings. You might remember Acreage for its failed attempt at getting a cannabis advertisement approved as part of the sporting circus known as Super Bowl LIII. The basis of the agreement is that as soon as the U.S. government finally musters up the guts to end marijuana prohibition once and for all, Canopy will -- snap, bang, boom, just like that -- assume the Acreage properties and hit the ground running as the most powerful cannabis seller in the United States.

Although the deal is still contingent on several details -- like stockholder agreement and regulatory approval by both the U.S. and Canada -- neither company seems concerned that their mingling will be contested.

"Our right to acquire Acreage secures our entrance strategy into the United States as soon as a federally-permissible pathway exists," Bruce Linton, co-CEO for Canopy, said in a press release. "By combining Acreage's management team, licenses and assets with Canopy Growth's intellectual property and brands, there will be tremendous value creation for both companies' shareholders."

There are a few rather interesting aspects of this arrangement. The first of which is the fact that Constellation Brands, maker of the beers Corona and Modelo, owns 37 percent equity stake in Canopy, and has an opportunity to take controlling interest in the next few years. So it is conceivable that, regardless of how much the cannabis industry fights to become its own entity with its own set of unique rules, one of the largest brewers in the world is also poised to become the most significant cannabis producer in the United States. Considering that Constellation is already working with Canopy to devise THC-beverages for the Canadian market, all of which is being done in experimental preparation for when the United States goes fully legal, it is difficult to see the point where they might opt out. Indeed, Big Alcohol is becoming Big Cannabis.

And then there is the John Boehner factor. The former House Speaker sits on the board of Acreage Holdings and is also the honorary chairman for an enthusiastic gang of pot lobbyists known as the National Cannabis Roundtable (NCR). This group is reportedly heavily funded by the cannabis trade, with foot soldiers in DC right now, persuading federal lawmakers to show support for issues ranging from medical marijuana research to getting the federal government to

fall in line with the marijuana standards of today. One piece of legislation that this group is particularly motivated to get on the books is the STATES Act, which would allow states to legalize marijuana any way they see fit without the possibility of federal interference. It's the one cannabis-related bill that President Trump has said he would "probably" sign if Congress can come to terms.

Boehner has alluded in the past that he has a grip on how the votes will shake out in Congress when the time comes to get serious about ending prohibition.

"I've been having more and more meetings with my friends and colleagues on the Hill about this — some of the most conservative politicians around and their views are evolving on cannabis, too, just like the American people," he said last year during a speech at the American Cannabis Summit.

Boehner has also indicated that full-blown legalization is already a hot topic of discussion and on its last leg. "I have a strong suspicion we won't be waiting five years to see the federal government legalize cannabis," he said. "I've got to choose my words carefully. What I'm hearing behind closed doors is pretty sensitive."

But the latest deal between Canopy and Acreage suggests that a timeline for nationwide marijuana legalization may already be established. After all, why would a company shell out a \$300 million deposit on an acquisition that may never come to pass? It is even a stretch to suggest that a company, even one as seemingly well off as Canopy, would toss such a hefty chunk of investment capital into American weed without some kind of assurance that the laws were on the verge of change.

I guess what I'm trying to say is: if you're reading between the lines, this contract between Canopy and Acreage was signed, presumably, because Boehner has the 4-1-1 on the Congressional cannabis chatter and has convinced all of the parties involved that U.S. pot prohibition is coming down — and like, sooner than later.

But will it be this year or next?