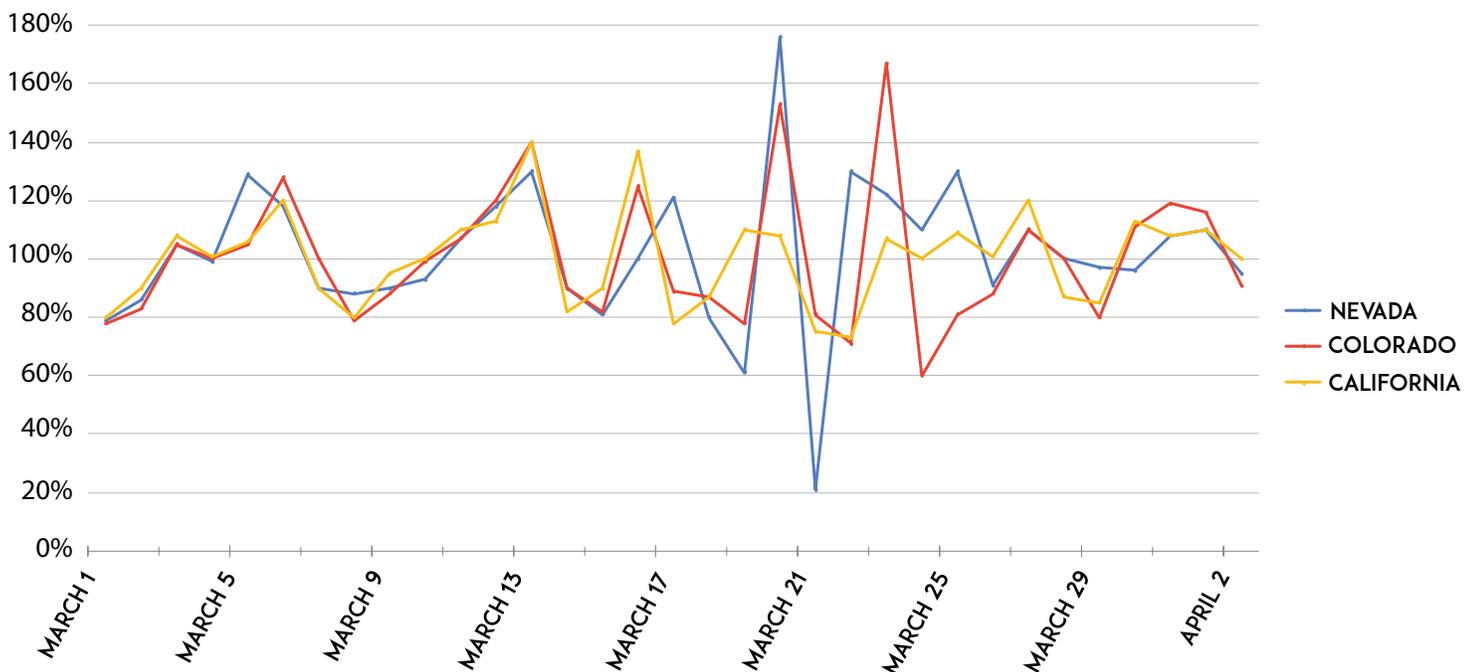


CORONA & THE CANNABIS INDUSTRY

Some retailers are comparing the increase in sales volume due to consumers stocking up for social distancing to the sales volumes seen during 4/20 and Black Friday.¹² Caliva CEO reports seeing less foot traffic, but a 70% increase in web traffic, a 109% increase in delivery, and a 600% increase in new customers.

Cannabis delivery service Ganja Goddess Delivers ships cannabis legally to users statewide, and have reported month over month sales traffic spiking first 20%, then 50%.¹² The graph below shows that customers seem to be stocking up on cannabis products as COVID-19 (or coronavirus) spreads across the US. While retailers are reporting lower foot traffic, they're seeing significant growth in customer purchase volumes.



The graph above shows huge fluctuation in sales during the outbreak of Corona and demonstrates the unpredictability of the current market.¹³

Cannabis retailers that remain open are taking extra precautions during this time to insure the safety of themselves and their customers. The governor of Colorado ordered all businesses (with certain exemptions for critical businesses) to reduce their in person work force by 50% continuing until April 10, 2020. Employers are encouraged to stagger work schedules to reduce the proximity of employees during work hours and to keep employees on payroll.



CORONA & THE CANNABIS INDUSTRY

Retailers are increasing social distancing by encouraging online ordering with home delivery or drive-through pick-up (where available). Online delivery marketplace Eaze reported first-time delivery orders spiked over 50%. In San Jose, Airfield Supply Co. announced free delivery and experienced a 100% increase in sales in two days.

Sanitation is being prioritized by cannabis businesses across the nation. Native Roots, Colorado's largest cannabis retailer, has enhanced cleaning and sterilization of "high-touch" objects and surfaces, such as door knobs, countertops, display cases, etc. Employees are following strict and frequent handwashing protocols, as well as close monitoring of people coming in and out of the facility. Theory Wellness in Massachusetts is requiring that employees wear gloves, as well as having a gloved doorman open doors. Preordering is also encouraged. The MED emergency rules are now prohibiting in-store sales, but curbside pick up is now an option.



Monica Trajcevski, budtender for Homegrown Cannabis Company, delivers a curbside order to a customer.¹⁴

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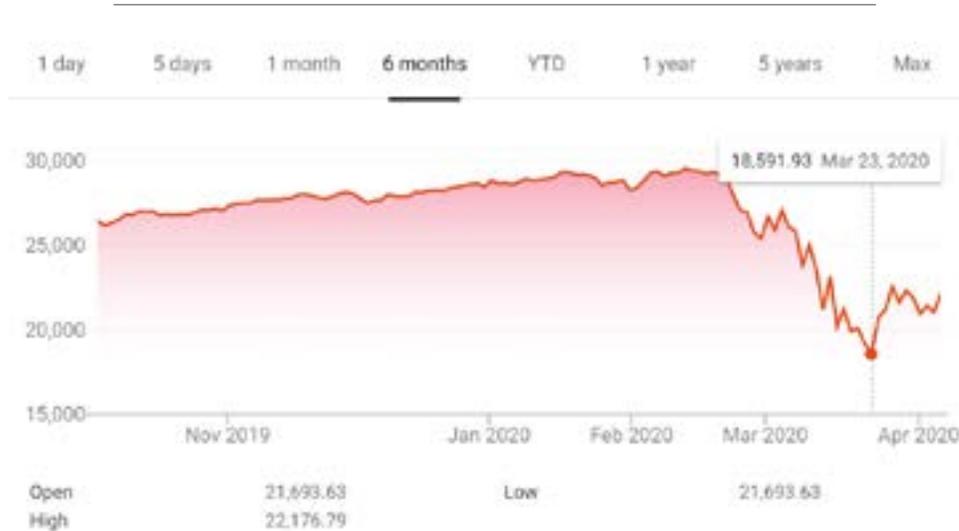
Washington is specifically one state allowing curbside services to medical cannabis patients. Vendors must be licensed cannabis dispensaries with medically compliant products. Dispensaries can temporarily sell cannabis to patients outside of their businesses, but they must remain within their property line.¹⁵ Mcallister Garfield, P.C. Cannabis consultant said "The main thing I think is funny now is that it is curbside pickup, only pay with cash. Translation: Meet me in the parking lot with cash and I'll give you your weed."



CORONA & THE CANNABIS INDUSTRY

Many retailers are prioritizing medical cannabis patients before adult recreational users as well. Some companies, like MOCA Modern Cannabis, are suspending recreational sales altogether to focus on medical cannabis patients.¹⁶ Stores that would have been opening up, such as the Greenhouse of Walled in Michigan, postponed their grand openings due to the virus.

DOW JONES INDUSTRIAL AVERAGE



The Dow Jones Industrial Average plummets with the spread of the Corona virus.¹⁷

COVID-19 is also negatively impacting the stock market, and the cannabis industry is not immune. This year, we have seen many cannabis companies make efforts to raise revenue, as the industry is still so new. Cannabis was already experiencing a difficult market correction, and now coupled with the likely recession, there are strong indications that some cannabis businesses may be forced to shut down. According to an article by Forbes, “with no bankruptcy protections available to cannabis businesses in the United States, the ripple effect will be impactful, as creditors will be challenged to collect their debts.”¹⁸ Even before the virus began wreaking havoc on Wall Street, cannabis stocks were already starting to drop. All of these factors together may call for the need for a bail out for many cannabis businesses. The issue here is that cannabis is still illegal at the federal level, so cannabis businesses cannot take advantage of any federal financial assistance.

Not only is the virus affecting the retail side of the cannabis industry, but it has its effects on cannabis and hemp testing as well. Testing labs may utilize adjacent properties to the licensed premises to allow for social distancing.



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