



The GreenWave Buzz

SCHEDULE III: THE RECALIBRATION OF MEDICAL CANNABIS

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SUMMARY

Federal rescheduling, from Schedule I to III, is a watershed moment. President Trump's December 2025 executive order to move cannabis from Schedule I to Schedule III portends to be the most consequential federal cannabis action to date. It aligns federal policy more closely with 40 state medical programs and unlocks research, investment, and regulatory clarity that has been blocked for decades. Cannabis reform is broadly consistent with the Trump agenda, and incremental regulatory developments over recent years point to a **low probability of the policy remaining unchanged**.

Immediate economic impact: taxes, investment, and growth. As new state markets continue to open, public support remains overwhelming, and the economic benefits become increasingly evident, the issue has undoubtedly gained relevance at the federal level. Schedule III eliminates the punitive 280E tax rule (cannabis companies are currently taxed on gross profit), materially improving cash flow, access to capital, and valuations. Rescheduling broadens the lender and investor universe (banks, institutional funds, pharma, private equity, public markets), accelerates job creation, small business growth, and tax revenue. Legal U.S. cannabis sales are estimated at a whopping ~\$32B in 2025, with much larger pharmaceutical and wellness market opportunities ahead.

Medical cannabis is being "recalibrated" into mainstream medicine. Reduced research barriers will drive clinical trials into FDA-approved drugs, standardized dosing, and physician adoption. Cannabis-based therapeutics target massive unmet markets (pain, inflammation, sleep, neurological diseases). Increased demand expected as large pharmaceutical firms contend with a growing wave of patent expirations in the coming years (estimated in the hundreds of billions of US\$). Precedents like Epidiolex and the \$7.2B GW Pharma acquisition by Jazz Pharmaceuticals validate the pharmaceutical potential.

Hemp-CBD and intoxicating hemp products face a regulatory reset. Farm Bill loopholes allowed unregulated, psychoactive hemp products into the market (delta-8, delta-10), creating public safety issues and market chaos. Anticipated legislative reform and potential cannabis rescheduling are expected to close these loopholes, favoring compliant operators and restoring stability across the CBD market, **including CBD for pet dogs and cats (a large, untapped market)**. A Medicare CBD pilot (up to \$500/year for seniors) creates a potential ~\$30B TAM if clarified and implemented cleanly. Glass House Brands (OTCMKTS: GLASF) in particular, is strategically positioned to benefit from these developments.

Rescheduling is a prelude—not the endgame. Schedule III sets the stage for federal standardization, improved banking access, enforcement clarity, and eventual de-scheduling/legalization. National testing, quality, and labeling standards are likely to materialize before full legalization. Industry normalization (enabling up-listing to major stock exchanges, capital market flows, talent, stigma reduction) is expected to follow, accelerating long-term growth.

BACKGROUND

On December 18, 2025, President Donald J. Trump issued an executive order directing Attorney General Pam Bondi to move marijuana from Schedule I to Schedule III of the Controlled Substances Act, on an expedited basis. This action represents a significant initial step toward federal cannabis reform and marks a defining moment for the U.S. cannabis industry.

State-regulated medical marijuana programs have operated in legal tension with federal law since 1996, when California became the first state to legalize medical cannabis. Despite ongoing federal prohibition, state-level reform has expanded steadily over the past three decades. As of today, 40 states have approved the use of cannabis for medical purposes, and 24 of those states have also legalized cannabis for adult recreational use.

Although the federal government has maintained marijuana's prohibitive legal status, pressure from numerous state statutes that have decriminalized and regulated its use has gradually fostered greater confidence in business development. To put in perspective, we estimate legal U.S. retail sales reached approximately \$32 billion in 2025.

Nonetheless, many core priorities of the Trump Administration align directly with cannabis reform initiatives. These include national security, economic growth, public health—particularly under the Make America Healthy Again (MAHA) framework—and government accountability:

- From a national security perspective, establishing a regulated domestic cannabis market reduces reliance on illicit supply chains, limits the influence of transnational criminal organizations, and strengthens border enforcement by shifting demand away from illegal imports.
- Economically, cannabis reform supports job creation, small business development, and tax revenue generation, while rescheduling would alleviate the punitive 280E tax treatment that currently constrains capital formation and operational efficiency within the industry (cannabis companies are taxed on gross profit, not operating income like most corporations).
- In the public health arena, expanded research access resulting from a Schedule III reclassification would enable more rigorous study of cannabis-based therapies, promote standardized manufacturing and labeling, and support evidence-based medical use. These outcomes align with MAHA objectives focused on transparency, consumer safety, and improved health outcomes.
- Finally, cannabis reform advances government accountability by reconciling longstanding inconsistencies between federal law and state-regulated programs. Clarifying the federal framework would enhance regulatory coherence, improve enforcement efficiency, and provide greater legal certainty for patients, providers, and state governments operating in compliance with established laws.



TRUMP ADMINISTRATION PRIORITIES BODE WELL FOR CANNABIS REFORM

PRIORITY	THE ISSUE	SOLUTION	IMPACT ON CANNABIS
NATIONAL SECURITY <ul style="list-style-type: none"> Department of Justice Department of Homeland Security Drug Enforcement Agency Department of the Interior Department of Defense 	Drug cartels (CCP/Mexican) and vicious transnational gangs are infiltrating our streets.	Designate drug cartels and transnational gangs as Foreign Terrorist Organizations and empower law enforcement to arrest and deport. ✓	Decreases supply of the illicit market which mitigates price compression and leads to revenue growth. ?
ECONOMY <ul style="list-style-type: none"> Department of the Treasury Department of Commerce Office of Management & Budget Department of Labor Small Business Administration Securities & Exchange Commission 	Unfair and hostile trade practices; U.S. reliant on other countries for critical goods like food, pharmaceuticals, and materials. Fair Banking/Capital Markets Access Canadian Cannabis Operators can list on major exchanges; U.S. Cannabis Operators cannot which keeps Institutional Investors on the sidelines.	Allow for Cannabis Exports ? Fair Banking Executive Order ✓	Incremental revenue growth from Cannabis export. Enable U.S. to dominate the global Cannabis market. ? SAFE Banking ? Up-listing (NYSE; NASDAQ) ? <hr/> <ul style="list-style-type: none"> Tax Revenues (ongoing) ✓ Job Creation (ongoing) ✓
MAKE AMERICA HEALTHY AGAIN <ul style="list-style-type: none"> Department of Health & Human Services Department of Veterans Affairs 	Rise in Fentanyl and Opioid deaths. Lack of standard protocols on Cannabis lab testing and packaging.	Move Synthetic Fentanyl and Opioid to Schedule I drug. ✓ Develop national protocols on testing and labeling. ?	Cannabis does not kill; Other Schedule I drugs do. ✓ Prelude to de-scheduling. ✓
GOVERNMENT ACCOUNTABILITY <ul style="list-style-type: none"> Department of Government Efficiency 	Government Corruption	Identify and eliminate government corruption within the cannabis ecosystem. ?	Investor confidence is supported with a fair and equitable market. ?

Source: Whitehouse.gov; GWA

✓ complete ? in progress/to do

Even prior to the Biden Administration's directive to the Department of Health and Human Services to review the scheduling of cannabis, efforts to expand federally authorized research were already underway. During the first Trump Administration, the Drug Enforcement Administration initiated a significant policy shift in 2020 by finalizing a rule titled "Controls to Enhance the Cultivation of Marijuana for Research in the United States."

This rule established a new framework to increase the number of federally registered marijuana manufacturers and to diversify the sources of cannabis available for scientific study. By modernizing research controls and moving away from a single-source supply model, the policy aimed to facilitate more rigorous, scalable, and representative research into cannabis medical applications, risks, and benefits. The rule laid important groundwork for subsequent federal review of cannabis scheduling by addressing long-standing barriers to research access and regulatory oversight.

Signals from Washington: The Federal Cannabis Policy Trajectory

- 2014+** Rohrabacher–Farr Amendment – Feds won't go after state regulated Medical Marijuana businesses (renewed in later spending bills)
- 2020** Final Rule Published : Controls To Enhance the Cultivation of Marijuana for Research in the United States
- 2022+** 8 Bulk Manufacturing licenses awarded.

- 2022** Biden directed HHS to review Cannabis scheduling
- 2022** Medical Marijuana and Cannabidiol Research Expansion Act (2022) - Directs The DEA to register (1) practitioners to conduct marijuana research, and (2) manufacturers to supply marijuana for the research.
- 2023** HHS Recommends to the DEA Reclassifying Cannabis to Schedule III.
- July 2025** Supply contract with University of Mississippi was terminated because of a broader shift in federal policy to allow more licensed growers to supply a greater variety of research-grade cannabis.
- Sept 2025** President Trump posted a video on Truth Social that promoted the use of hemp-derived CBD for seniors' healthcare, advocating for its coverage by Medicare
- Nov 2025** Farm Bill loophole closed with "Continuing Appropriations and Extensions Act, FY2026. Amends Federal definition of Hemp. Enforcement largely begins Nov 2026 after a transition period.
- Dec 2025** Executive Order signed.

A RECALIBRATION OF MEDICAL MARIJUANA

"Medical marijuana as it exists today will recalibrate as the pipeline of new, more targeted medications becomes available and as the medical profession gains more comfort in "pushing" a marijuana treatment rather than a patient having to "pull" a recommendation from a doctor." *The GreenWave Report (2014)*

If completed, rescheduling would deliver tangible and immediate benefits as it would substantially ease barriers to medical research by reducing registration, storage, and security requirements for researchers. These changes would streamline approval timelines, lower compliance costs, and expand the number of institutions capable of conducting federally sanctioned cannabis research.

Increased research capacity would support more robust clinical trials, facilitate comparative effectiveness studies, and improve understanding of dosage, safety, and therapeutic applications. This, in turn, would enable regulators, healthcare providers, and policymakers to rely on higher-quality evidence when evaluating cannabis-based treatments.

In July 2025, the HALT Fentanyl Act was signed into law with the dual aim of addressing the ongoing fentanyl crisis and streamlining certain administrative hurdles for research on Schedule I substances, including cannabis. While the Act represents an important step toward normalizing research procedures and reducing regulatory bottlenecks, its full potential will not be realized until marijuana is reclassified to Schedule III as illustrated below.



<u>INSTITUTION</u>	<u>HALT FENTANYLACT</u>	<u>SCHEDULE III</u>
Universities	Easier research	Normalized research
Hospitals	Research only	Research + treatment
Biotech/Pharma	Early R&D help	Full drug development
Prescribing	✗	✓ (FDA-approved only)
Federal grants	Safer	Routine
Long-term impact	Limited	Transformational

BROADER MARKET FOR HEALTH AND WELLNESS

Medical cannabis should see increased demand as large pharmaceutical firms contend with a growing wave of patent expirations in the coming years (estimated in the hundreds of billions of US\$). Additionally, a Medicare pilot program announced by the Trump Administration that would cover physician-recommended CBD products could serve as another catalyst for revenue growth.

Category	Estimated 2030 Market Potential	Notes/Sources
Global Cannabis Pharmaceuticals	~\$70 B – \$100 B+	Rapid CAGR driven by regulatory changes and new approvals. (Cannabis Industry Data)
U.S. Cannabis-Derived Prescription Drugs	Tens of billions USD	Expanded research and commercialization under Schedule III policy; specific forecasts vary. (Reuters)
CBD-Based Medical Applications	~\$30 B by 2033	Pharmaceuticals form a key segment of the broader CBD growth trajectory. (Grand View Research)

More specifically, treatment categories include: Chronic Pain, Inflammation, Sleep Disorders and Neurological Diseases. The addressable markets include:

Category	Addressable Market
Chronic pain treated with opioids	~\$82B global market ; ~\$140bn by 2031
Inflammation treated with steroids	~\$100B global market ; ~\$250bn by 2032
Sleep disorders treated w/ sedatives	~\$65B global market ; ~\$90 B by 2030
Neurological diseases limited	~\$60B, scaling to ~\$90bn by 2031

Source: *Precedence Research; Spherical Insights; Emergen Research; Growth Plus Reports*

Additionally, reclassification to Schedule III is expected to broaden the investor universe by enabling participation from institutions focused on federally compliant, medical marijuana-based therapeutics.

CANNABIS AS A RECALIBRATED SCHEDULE III DRUG – INVESTOR CLASSES

<u>INVESTOR TYPE</u>	<u>RATIONALE</u>
Institutional Investors	
Mutual Funds	Can legally prescribe
Pension Funds	Lower regulatory risk
Hedge Funds	
Insurance Companies	
Biotech & Pharma Focused VC	
Drug development	Clinical trials are allowed
Clinical-stage biotech	Exit paths (IPO, acquisition) are realistic
CNS, pain, addiction, or mental health therapies	
Private equity (PE)	
Usually comes in later-stage, when:	Cash flow is more predictable
A drug is FDA-approved or close	Compliance is manageable
Manufacturing and distribution are scaling	Roll-ups and acquisitions are common
Strategic investors (Big Pharma)	
Buying startups	A Schedule III drug treats a large unmet medical need
Licensing compounds	
Co-developing drugs	It can fit into an existing sales pipeline
High-net-worth individuals & family offices	
Angel rounds	High upside
Specialized biotech funds	Medical innovation
	Sometimes personal or mission-driven reasons (e.g., addiction treatment, mental health)
Public market investors	
Retail investors	Schedule III status makes these companies
Healthcare ETFs	investable for funds that cannot touch Schedule I
Biotech index funds	substances

Rescheduling – A Prelude to De-scheduling

“While the first stop on the road to reform is rescheduling, we do believe that subsequently, full legalization will occur that will serve to not only provide universally clear standardization but will in most probability merge the medical and adult use markets.” GreenWave Report, 2014

Because current statutes governing legalized marijuana vary significantly from state to state, one consistent trend has emerged: legislators, health officials, and cultivators alike are placing increasing emphasis on product testing and quality

assurance. Across jurisdictions, there is growing recognition that standardized testing protocols, accurate labeling, and rigorous quality control are essential not only for consumer safety but also for building public trust and supporting the continued expansion of state-regulated markets.

It is reasonable to assume that before federal legalization occurs, uniform national testing and operational standardization protocols will eventually be implemented at least as a baseline binding thread that will steadfastly assure consumers of an expectant consistency of product. (*The GreenWave Buzz*, It's time to FOCUS on Product Safety, July 2024).

INVESTMENT OPPORTUNITIES EMERGING

International developments highlight the potential for clinical innovation. Canada, which legalized cannabis in 2018, has made notable progress in the development of botanical-based drugs (Avicanna (AVCN:TO) and Andira Pharmaceuticals, privately held). Similarly, in the United States, GW Pharmaceuticals (U.K.-based) developed Epidiolex, a cannabis-derived medication effective for severe epilepsies. FDA approval in 2018 marked the first cannabis-derived prescription drug in the U.S., validating cannabinoid science and opening the door for further research. GW Pharmaceuticals was acquired by Jazz Pharmaceuticals (NASDAQ:JAZZ) for \$7.2 billion in 2021, underscoring the commercial and therapeutic potential of cannabis-derived therapeutics.

Beginning in 2022, the DEA further issued bulk manufacturing licenses “to facilitate and expand scientific and medical research by ensuring a legal, federally compliant supply of marijuana and its constituents,” with eight licensees currently authorized by the DEA under this framework. While still in the early innings, investment opportunities are beginning to emerge.

<u>Entity</u>	<u>Current Role</u>	<u>Schedule III Readiness</u>
BRC Therapeutics	Delivers pharma-grade cannabinoid API's and research material	Clinical trials in progress
Royal Emerald Pharmaceuticals	cGMP/GACP manufacturing and extracts	Outputs geared toward clinical/pharma standards
Groff NA Hemplex LLC	Broad cannabinoid products & dose forms for research	Established formulation and testing capacity
Irvine Labs, Inc.	Custom cannabinoid formulations & research supply; Research includes Animal health	Flexible supply chain and cannabinoid portfolio
Maridose, LLC	Bespoke cannabis strains, extracts & dosage forms	One of the pioneer DEA growers
National Center for Development Natural Products	Federal research supplier	Longstanding federally recognized institution (U Miss)
Scottsdale Research Institute	Research focused	Clinical trial facilitation and research
PharmAGRI Capital Partners <i>Publicly Traded ((OTC: BGXXQ)</i>	In the process of acquiring Bright Green	Positioned for scale and capital access

Source: Company data; GWA

Reclassification of cannabis to Schedule III is expected to further stimulate academic and pharmaceutical interest. By expanding research capacity, reducing regulatory burdens, and providing a federally compliant framework, Schedule III classification could accelerate clinical studies, drug development, and the translation of cannabinoid science into approved therapies. This alignment between federal policy and scientific research would position the U.S. to compete more effectively and eventually lead in the global cannabinoid pharmaceutical market.

Glass House Brands (OTCMKTS: GLASF) has already established a strategic collaboration with the University of California, Berkeley to advance hemp and cannabis cultivation research focused on improving crop yields and operational efficiency. The partnership provides access to state-funded research grants and enhances the company's intellectual property, agronomic capabilities, and long-term cost structure. Management expects the collaboration to support incremental growth opportunities, including international export markets and the potential development of a Medicare-reimbursable CBD category. The company is executing a disciplined strategy across hemp and international initiatives to expand its total addressable market and drive sustainable, long-term shareholder value in the U.S. and globally.

Companion animal CBD represents a large, under-penetrated growth opportunity. As pet ownership and spending on pet wellness continue to rise, consumers are increasingly seeking natural alternatives to traditional pharmaceuticals for issues like anxiety, pain, inflammation, and mobility. The category remains early-stage due to regulatory uncertainty and limited mainstream retail adoption, leaving the market fragmented and without dominant national players. This creates a meaningful advantage for compliant, scalable operators that can build trusted brands and expand distribution as the regulatory environment evolves and veterinary acceptance increases.

HEMP-CBD RESET LOOMING

The 2018 Farm Bill legalized hemp and hemp-derived cannabinoids, including CBD, creating significant commercial opportunities in functional foods, textiles, and wellness products. However, the legislation also created a regulatory gap by failing to address intoxicating hemp derivatives such as delta-8 THC. This loophole has allowed a rapidly growing but largely unregulated market to develop, with psychoactive products sold in gas stations, convenience stores, and online marketplaces.

For legitimate CBD operators, this market proliferation has created disruption and reputational risk. Unregulated psychoactive products often vary in potency, lack accurate labeling, and may not meet basic quality standards, undermining consumer confidence in compliant CBD products. Health authorities, legislators, and industry stakeholders have increasingly emphasized the need for consistent testing, labeling, and quality assurance to protect consumers and maintain market integrity.

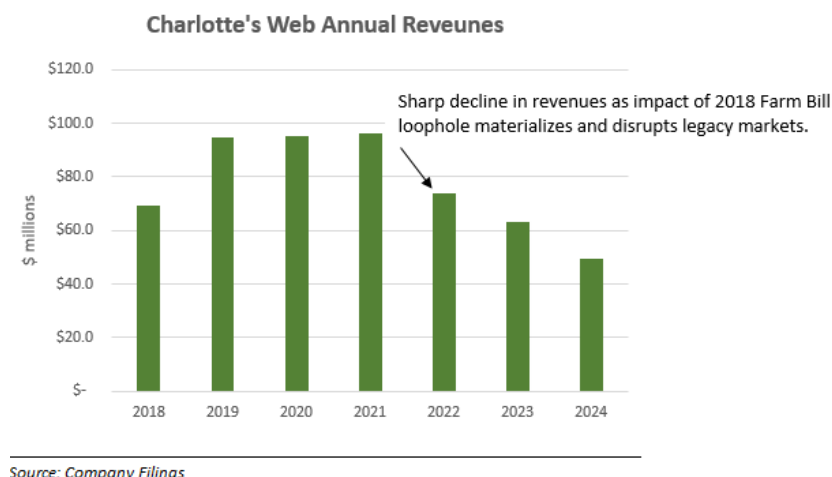
Closing the Farm Bill loophole is essential to addressing these public safety concerns. Federal rescheduling of cannabis to Schedule III could provide a critical mechanism for regulatory alignment. By clearly distinguishing between non-intoxicating hemp-derived cannabinoids and federally regulated cannabis, Schedule III classification would empower agencies such as the DEA and FDA to develop enforceable standards for psychoactive hemp derivatives. This approach would enhance consumer safety, reduce market confusion, and stabilize the CBD and hemp sectors.

Effectively closing the Farm Bill loophole would therefore not only enhance public safety but also stabilize the market, provide legal certainty for compliant operators, and create a regulatory environment conducive to responsible innovation and investment.

There is growing recognition of the potential of plant-based medicines and natural products as consumer preferences shift towards more natural and holistic approaches to health and wellness.

We could see a heightened level of investment by traditional CPG companies into Hemp-derived CBD brands (i.e. similar to BAT investment in Charlotte's Web).

The exploitation of regulatory loopholes in the Farm Bill has materially disrupted incumbent hemp-derived CBD operators, creating near-term market dislocation (for example, Charlotte's Web sales fell sharply as shown below). However, the U.S. regulatory framework for CBD remains unsettled, and eventual federal clarification has the potential to meaningfully alter industry growth trajectories and competitive positioning.



Federal policymakers are actively evaluating how hemp-derived cannabinoids — including certain CBD products — should be regulated going forward, potentially within a broader framework tied to marijuana rescheduling. Resolution of this uncertainty is expected to catalyze an industry reset, favoring scaled, compliant operators and reshaping the competitive landscape.

Charlotte's Web (TSX: CWEB) (OTCQX: CWBHF)

Well-established leader in hemp-derived CBD products, with widespread retail distribution and strong brand recognition.

1. Nov 2022 – Received \$56.8M investment (convertible debenture for 19.9% equity stake) from British American Tobacco (signals confidence from a major consumer-goods player)
2. Jan 2024 – JV with BAT and AJNA Bio Sciences PBC to develop botanical drugs

NextEvo (Privately Held)

Early-stage, science-focused play on CBD delivery technology and premium formulations, which may appeal to investors targeting innovative niche wellness brands with technology differentiation.

LIKELY PROGRESSION

Rescheduling eliminates a critical element of risk and uncertainty that has kept some institutional investors on the sidelines. There are still many complexities and unknowns, but for now, individual state regulated recreational and

medical markets will likely remain status quo. In years past, the DoJ has established parameters for law enforcement with regard to state regulated Cannabis markets:

- Ogden Memo – Oct 2009 (updated June 2011) clarifies enforcement with respect to Medical Marijuana.
- Cole Memo – August 29th 2013 (updated Feb 2014) addresses recreational use cannabis (which anecdotally, exactly 10 years later August 29th 2023”, the HHS made its recommendation to the DEA).
- Bondi Memo (perhaps) – Timing TBD guidance on re-scheduling as it relates to existing state medical and recreational use markets.

Active and unrestricted capital market access is needed to maximize potential economic (and social) benefits. Safe Harbor provisions for banks and SEC-regulated activities (investment banking, custody, stock exchanges, etc.) remain in question, but the potential for economic growth is significant and promising.

With a rescheduling, updated FinCen (US Treasury Department) that includes such protections may suffice without specific legislation (such as SAFER Banking).

The rescheduling could also mark a significant step towards industry normalization that will inspire an ‘uplift’ of professional pedigree, which will propel the industry further and eliminate the stigma associated with cannabis, a promising development for the industry.

NEXT STEPS FOR RESCHEDULING

Ongoing rulemaking (administrative completion).

The executive order pushes DOJ/DEA to finish the pending rulemaking — including resolving procedural issues, hearing record, and legal requirements — so that the final rule can be issued.

Final rule publication.

DEA must publish the final rescheduling rule in the Federal Register reflecting Schedule III status. Only this publication would legally change cannabis federal schedule.

Public and legal response period. After publication, there will be a period for judicial review. Lawsuits from opponents or industry groups are likely and could delay the effective date further.

Implementation. Once effective, federal law would treat cannabis as a Schedule III substance — this affects research, taxation (e.g., § 280E), and regulatory frameworks — but does not legalize recreational use federally.

There’s no fixed date yet but legal experts expect the final rule and effective rescheduling could occur sometime in 2026, but it might be later depending on litigation, administrative timelines, and agency priorities.

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