



Canopy Growth Corp's (TSX:WEED) Latest Acquisition Is Full of Uncertainty

Description

Last week, **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) announced the biggest deal we've seen in the cannabis industry thus far – a US\$3.4 billion acquisition of **Acreage Holdings Inc.** (CNSX:ACRG.U). Although it's a significant transaction for Canopy Growth that would make it a big player in the U.S. overnight, it may take a while before we see the deal finalized, as there is one very big caveat that could push the deal back significantly.

According to the press release, one of the stipulations of the deal preventing it from being passed is that there is "a requirement to do so at such time as cannabis production and sale becomes federally legal in the United States."

How long will that take?

Given how slow the progress has been in the U.S. in legalizing cannabis, we're likely not going to see marijuana become legal at the federal level for at least a couple of years. In total, [10 states have legalized recreational marijuana](#), although many more have legalized it medicinally. The [inconsistency](#) between some individual states permitting cannabis while the drug still being illegal on a federal level has caused a lot of confusion. However, there is hope that there could be a resolution to this.

Currently, there is a bill in the U.S. government, the *Strengthening the Tenth Amendment Through Entrusting States (STATES) Act* that would allow individual states to essentially be free to make their own laws on cannabis, meaning that companies and individuals wouldn't have to worry about federal enforcement in states where marijuana has been legalized. While the bill wouldn't make cannabis legal federally, it would provide protection to individuals and corporations that are following individual state laws.

While we haven't seen any repercussions to date for cannabis users or companies in states where marijuana is legal, that hasn't been due to a written law but to the federal government simply choosing not to interfere in those matters. Putting the STATES Act into law would put that into writing and remove any assumptions or concerns that there is a possibility of federal enforcement.

In its release, Canopy Growth didn't name the STATES Act specifically, however, it could be the piece of legislation it is waiting on to move forward on this deal. But the problem is that even if the STATES Act were passed into law, it's still not clear whether would be enough for Canopy Growth's acquisition to go through. The bill wouldn't technically legalize marijuana federally, which is the wording in the press release. The other problem is that cannabis bills have been very difficult to pass in the U.S. and there's no guarantee that it would happen anytime soon, if at all.

Bottom line

There's no question that this would be a huge deal for Canopy Growth if the deal were to go through, as Acreage has a footprint in as many as 20 different states and would give Canopy Growth significant market access. And although investors were very excited by the news, the requirement for cannabis to be legal federally is a significant barrier that's likely not going to be cleared for years if we are talking about true legalization across the U.S.

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