

JLS Fund Report

A Psytech Venture Fund

July 2021

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Declaring a Truce in the War on Drugs: The State of Psychoactive Substances in U.S. Policy

Last month marked the 50th anniversary of the War on Drugs.

Generally, we tend to think of anniversaries as happy occasions, but this is not the case here.

Arguably the deadliest and costliest war the U.S. has ever waged, the War on Drugs has not only failed miserably, but it has also set mental health research back by decades.

Prior to the passage of the Controlled Substances Act between 1953 and the early 1970s, the federal government spent \$4 million (around \$35 million today, accounting for inflation), to fund 116 studies of LSD and psilocybin that involved nearly 2,000 subjects. Those substances were tested on patients suffering from everything from alcoholism to schizophrenia. And the results were promising. So promising, in fact, that there were calls for even more research. But that research came crashing to a halt as a result of the War on Drugs.

Fortunately, we've seen a lot of progress since the Controlled Substances Act was passed, particularly in the case of psychedelics, where the industry has quickly transformed from one that largely existed underground to one that is now attracting billions of dollars in investment capital. Now, a number of studies are being fast-tracked through clinical trials with the blessing of the FDA. In fact, the FDA has helped facilitate some of this momentum by designating breakthrough therapy status for a number of companies actively running clinical trials on a variety of psychedelic compounds.

Meanwhile, particularly in June 2021, we've seen some very significant and promising policy action geared towards the decriminalization and legalization of psychedelics. Perhaps the most well-publicized was the announcement on June 1st that the California Senate approved a bill to legalize the possession of psilocybin mushrooms, DMT, ibogaine, LSD, and MDMA for adults 21 and older.

The fact that this legislation would effectively repeal a California law that prohibits the cultivation or transportation of any spores of mycelium that contain psychoactive substances is worth noting.

On June 30th, the decriminalization bill cleared its first major hurdle after the California Assembly approved the bill. It now must move through California's Public Health Committee and the Appropriations Committee before it can move to the floor.

While the state of Oregon was the first to decriminalize psychedelics and legalize the use of psilocybin mushrooms for therapeutic purposes through a ballot measure, the impact of a successful decriminalization effort in California will not go unnoticed since the Golden State is the fifth largest economy in the world.

Outside of California, we also saw a number of new policy initiatives that will certainly benefit the psychedelics industry.

One week after the California Senate approved a bill to legalize the possession of multiple psychedelic compounds, the governor of Connecticut, Ted Lamont, signed legislation that requires the state to study the therapeutic potential of psilocybin mushrooms.

A working group charged with this responsibility is required to submit its findings to the state legislature within six months.

In Texas, Governor Greg Abbott approved a bill that requires the state to study the therapeutic potential of psilocybin, MDMA and ketamine for military veterans. This will be done in partnership with a designated military medical center and the Baylor College of Medicine.

In addition to policy progress in Texas, California, and Connecticut, a number of federal officials were quite vocal in their support of policy changes regarding psychedelics.

Just last month, Dr. Francis Collins, the director of the NIH, testified on psychedelics at a Senate committee meeting, saying:

"There's been a resurgence in interest in psychedelic drugs which, for a while, were sort of considered not an area that researchers ought to go after. And I think as we've learned more about how the brain works, we've begun to realize that these are potential tools for research purposes and might be clinically beneficial."

I just mentioned one, which is psilocybin, which has now been tied to no less than three randomized controlled trials for depression and is showing a signal there of potential interest, and this could be quite exciting because we are looking for new approaches to that.

Had you told me just ten years ago that the director of the National Institute of Health would be discussing the benefits of psilocybin and psychedelics at a Senate hearing, I'm not sure I would've believed you. Yet here we are."

Also noteworthy was a recent comment from Sean Belouin, a senior science policy advisor with the Substance Abuse and Mental Health Services Administration, who spoke about new psychedelics research and how the federal government should be involved as individual states and cities decriminalize psychedelics -- regardless of federal prohibition statutes.

"Many of the safety and ethical considerations of psychedelics reform will rapidly become front-and-center regulatory and policy issues for states and municipalities who are either debating or passing initiatives that decriminalize and medicalize psychedelics, particularly in plant form."

A federal official representing a federal health agency that's seeking to work with jurisdictions that are decriminalizing psychedelics is something that cannot be trivialized.

JLS Fund: Investments and Advisories

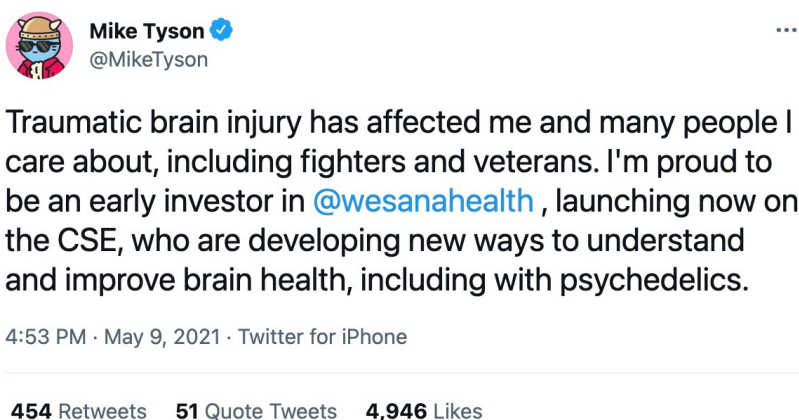
JLS was formed to invest in the exciting intersection of science and technology, leveraging the enormous potential of plant-based and psychedelic medicines to heal illness and enhance wellness. We focus on the development of drugs for intractable mental and physical conditions and the enabling technology and tools that can accelerate and enhance the delivery of those therapies.

While we took our position in Wesana prior to its IPO, we have been encouraged by the positive media coverage that seems to be attracting a lot of retail investor interest. This will increase significantly, too, once the company gets its OTC listing -- which is expected shortly -- as this will allow U.S. investors to take part.

Wesana's relationships in the world of professional sports and popular media has also allowed the company to enjoy a higher level of media coverage than other psychedelics companies that aren't as well connected to those worlds.

In addition to featured coverage in Forbes and ESPN, the company was also discussed at length on a recent episode of the Joe Rogan podcast, which boasts about 200 million downloads per month.

Even Mike Tyson shared this tweet with his 5.6 million Twitter followers:



Of course, while high-level media coverage is incredibly valuable for a start-up in this space, operational advances are what allow us to watch our early-stage investment blossom into the 10X return we're expecting from Wesana. So we've been very pleased with how active the company has been since going public.

Just last month, in fact, Wesana announced its partnership with the University of South Carolina to develop and build a bespoke facility for advanced research and product development related to treating traumatic brain injury and improving neurological performance.

The new facility, which has been dubbed the BrainStorm lab, will serve as a hub for neurological and cognitive improvement research, formulations, protocols, technology and product development. It is here where researchers will build programming, protocols and FDA-approved medications to address some fundamental problems in the traumatic brain injury space, including diagnostics, prophylactic training and neuroprotectant supplementation.

The team will develop, refine, or validate use of diagnostic tools to measure cognitive performance and post-concussion effects of TBI, especially deficiencies across critical brain systems in order to facilitate rehabilitation and enhance human performance.

Here's what CEO Daniel Carcillo had to say:

"Through the BrainStorm Lab and our partnership with University of South Carolina, we will be on the cutting edge of research and what collision and non-collision sports athletes, military operators and TBI survivors can be doing now, to enhance cognitive and athletic performance, inherently protecting themselves from future injury."

Wesana's partnership with the University of South Carolina is a very big deal and should not go unnoticed. There are few psychedelics companies that have university deals like this in place, and even fewer that are focusing psychedelics research on TBI. Wesana is laying the groundwork to become a very influential player in the space.

In fact, just a few weeks ago the company announced the acquisition of PsyTech, Inc., which will dramatically enhance Wesana's current business, including a new SaaS platform (software-as-a-service), called Tovana Solutions, the integrated mental health practice network Tovana Clinics, and PsyTech Connect, which is currently the industry's largest professional psychedelics practitioner community, conferences, and educational courses.

Carcillo noted that this acquisition will help Wesana rapidly accelerate its ability to understand, analyze and improve neurological health and performance by providing a data platform on which it will build its technical strategy, clinics in which to apply and accelerate the company's neuroscience research and relationships with thousands of practitioners who will leverage Wesana's medicines, diagnostics and technology to help a lot of people suffering from TBI.

Wesana has additional deals in the works right now, too, and once those deals are made public, we will be certain to share the details with you.



Tripp Locks in \$11M

Tripp, a psychedelic VR meditation startup locked in its second round of funding last month, putting another \$11M into its coffers.

While being the fastest-growing digital psychedelic wellness platform, boasting more than 2 million wellness sessions since 2018 and tripling its user base within three years, the company has become a darling for investors in the psychedelics space looking for an opportunity to capitalize on the psychedelics boom without focusing solely on drug discovery and development. And this latest round further legitimizes the company as a serious player, both within the psychedelic therapy space and beyond.

As CEO Nanea Reeves explains:

"Many people that will never feel comfortable taking a psychedelic, this is a low-friction alternative that can deliver some of that experience in a more benign way. The idea is to take mindfulness structures and video game mechanics together to see if we can actually hack the way that you feel."

Tripp is actively developing new partnerships that we expect will expand its exposure to the psychedelics space. Once the details on those partnerships have been confirmed, we will share them with you.



Psilera Locks in \$2.5M Seed Round

Last month, we completed our most recent investment in Psilera Biosciences.

This is a company we've been working with for well over a year, but not until 2021 did our due diligence bear fruit.

This started in February when the DEA gave Psilera the green light to study new DMT and psilocybin treatments for central nervous system disorders. Along with the University of South Florida (USF), the company is now initiating research programs that will lead to the development of non-invasive, patient-friendly delivery methods for DMT.

The company has developed a patent-pending DMT transdermal patch to be assessed in a Phase 1b clinical trial with an investigational new drug (IND) filing anticipated later this year.

Transdermal administration can deliver drugs directly into the bloodstream and reduce DMT metabolism while providing steady, low-dose therapies.

Innovative delivery methods combined with DMT's short duration of action could lead to a revolutionary new line of psychiatric medicines.

If you're unfamiliar, DMT is a natural compound produced by over 50 plant species and has even been found naturally in humans. It has several advantages over other more popular psychedelics such as LSD and psilocybin, too, such as:

Humans do not appear to form a tolerance to DMT as they do with other psychoactive substances

Shortens the time needed for in-patient psychedelic therapies

One of the only psychedelics shown to maintain neurological activity at sub-psychedelic doses, also known as "microdoses."

Prior to recent DEA approval, Psilera researchers were chemically synthesizing a variety of compounds at USF's incubator program. Those psychedelic analogues will now be evaluated for safety and efficacy at the USF Health Neurosciences Institute while the company's DMT delivery device will be assessed through forthcoming research partnerships that will be announced shortly.

In terms of the science we've been reviewing, Psilera's is certainly worthy of attention. In fact, the company has already been in talks with one of the biggest Pharma players in the world and has also received some very serious interest from a larger psychedelics company seeking new acquisitions.

As you know, we place great importance on IP, and as already evidenced by early interest in the company, Psilera's IP is very valuable. Spending so much time with the Psilera team allowed us to access this seed round at a very attractive valuation that will never be seen again. And we're looking forward to sharing with you some very exciting announcements from Psilera in the coming months.

Research Highlights

- Sleep Quality Improvements After MDMA-Assisted Psychotherapy for the Treatment of Posttraumatic Stress Disorder: <https://onlinelibrary.wiley.com/doi/10.1002/jts.22696>
- Co-administration of cannabidiol and ketamine induces antidepressant-like effects devoid of hyperlocomotor side-effects: <https://www.sciencedirect.com/science/article/pii/S0028390821002343>

Future Plans for JLS

To date, JLS Fund has taken positions in Wesana, Tripp, Psilera, Gilgamesh, and atai Life Sciences. The latter just went public on Nasdaq, and now has the highest market cap in the psychedelic space while also owning a substantial share of the second largest company in the sector, Compass Pathways.

In addition to those investments, we have a solid pipeline of new companies that we're actively doing due diligence on right now, with a few that we plan to add to the portfolio within the next few months.

We're still seeing some amazing deals and, thanks to our connections and reputation in the space, getting access to the kinds of valuations that won't be around much longer now that the industry is expanding so rapidly. Certainly we're eager to lock these in.

Personal Note

Last month we spent three days together in New York City, hosting investors, company execs, and some of the brightest minds in psychedelics space while negotiating access to some of these new deals which we expect to further enhance the value of our portfolio.



I'm not going to lie...

Being this early in the game and, of course, having the connections we have, is certainly getting us preferential treatment, which is resulting in some of the best deal terms anyone has seen in the psychedelics space. And we couldn't be happier to know that you'll be directly benefiting from this.

If you have any questions or would like to set up a call to discuss our progress, learn more about any of these companies or increase your investment into the fund, feel free to contact us at <https://tinyurl.com/4v6j7eat>.

In gratitude,

Jeff, Lindsay, Simeon and the entire JLS Team