

Ep 11 (Post October 23rd) Legalization vs. Decriminalization...

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SPEAKERS

Emily Seelman, Jim Marty, Cory Waggoner, Stephanie Till, Chris Teegarden, Adam Kulbach, Peter Prevot



Adam Kulbach 00:11

Hello and welcome to the higher enlightenment podcast brought to you by higher yields cannabis consulting your seed to sale Cannabis Business Solutions team and the creators of the innovative cannabis consulting business solution system, higher enlightenment. My name is Adam. I'm your host and part of the creative design team here at higher yields. today's podcast is about decriminalization vs. legalization. Let's start by having our panel of experts introduce themselves. Let's start with you, Chris. Could you tell us a little bit about your background and what you do?



Chris Teegarden 00:50

My name is Chris Teegarden. I'm the former mayor of Edgewater, Colorado, the first municipality in the world to codify and regulate recreational cannabis. I am the director of government affairs for higher yields consulting a vertically integrated cannabis consulting company. While I was out in Denver as a mayor, I also was vice chair of the First Judicial criminal justice Coordinating Committee, which encompasses two counties in the Denver Metro area, and served about 600,000 people and we were doing high level policy initiatives for that area in direct collaboration and working with the federal, state and local jurisdictions, I was also the chair of the metro mayor's caucus homelessness and hunger Committee, and the Metro mayor's caucus was a gathering and group of 42, mayor's and the Front Range region, talking about high level policy on many initiatives, and criminal justice was also one of those initiatives. So that's my background.



Adam Kulbach 02:02

Impressive. Thank you, Chris. Stephanie, can you please introduce yourself?

S

Stephanie Till 02:07

Very thing. I'm Stephanie. Tell. I'm a cannabis industry historian, and the founder and CEO of green rush index data, which is just a fancy way of saying, we do a lot of research and we try to preserve it. We try to preserve cannabis industry history. For those who want to understand it better later on, because the cannabis industry is evolving at such a rapid pace that something that was true six months ago may not be true now. And fellow historians haven't quite understood that. So I'm one of I think, I've only heard of to myself and one other person in Colorado who are doing the kind of work that I do. And I've been a historian for cannabis since 2016. And then greenrush started this year. So basically, I do research on factum lead researcher with higher yields, and help with compliance because to know all these regulations is to love them, especially as a policy one. And with education. And like I said, preservation so when people have topics that they want taught, I can go in build curriculum, teach it if they need it, and if they want to preserve their packaging, or older policies, or literally anything about their business, up to an including their own story about why they got into the industry. That's what I do.

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Adam Kulbach 03:49

Thank you, Stephanie. Jim, can you tell us a little bit about what you do?

J

Jim Marty 03:56

So I'm Jim Hardy, I'm CEO and founder of Bridgewater CPAs. It's a CPA firm that started in Denver, Colorado, and we serve as our niches the cannabis industry. We have about 400 license holders as clients around the country. We do their tax returns, audited financial statements, due diligence for mergers and acquisition, business valuation, profitability consulting, and as this group knows, I also write a lot and post a lot of blogs and do a lot of webinars. So very busy person. Sometimes the hours and hours before you even get out of my chair, with all the emails and video and zoom calls that I have, and bridge West. We're a subsidiary of a large CPA firm. So altogether, we're about 160 people.

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Adam Kulbach 04:55

Okay, thank you. Peter, Primo, could you tell us a little bit about yourself

P

Peter Prevot 05:01

So I'm also reg West. I'm a I'm a consultant and a CPA at the firm. I do focus on our southern markets. I'm based in New Orleans, Louisiana. So I run our office here and help with our clients in the south. And in addition to that, also work with a trade association based in Louisiana called Louisiana association for therapeutic alternatives. And we represent the nine marijuana pharmacies in Louisiana at the Capitol. And so we've done a lot of work with the Board of Pharmacy and also the state legislature on the program here.

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Adam Kulbach 05:30

Okay, thank you. Emily, could you tell us a little bit about yourself?

E

Emily Seelman 05:34

Hi, my name is Emily Stillman. I am the Senior Technical Writer here at higher yields. Prior to my work here, I was actually an attorney, I was practicing civil litigation. In other words, I was a trial attorney in Pittsburgh, Pennsylvania. During my time in Pittsburgh, I worked in the background kind of the legal background of cannabis, including the research involved in the decriminalization of cannabis in the city limits of Pittsburgh. And then after that, I got into the cannabis industry and so far as helping people apply for licenses on the state level. And now I'm here at higher yields, helping the company with clients who are looking to apply on a local and state level and acquiring licenses to operate cannabis operations in businesses.

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Adam Kulbach 06:25

Okay, thank you. Next we have Corey Wagner. Corey, could you tell us a little bit about yourself and what you do?

C

Cory Waggoner 06:32

My name is Corey Wagner, I'm the CEO and founder here at higher yields consulting. We're a vertically integrated consulting firm helping businesses who are just in the startup phase as well as businesses that are already operational. We've worked with a couple 100 businesses around the world. And a couple of years ago, we actually worked on some federal regulations with the government of Mexico.

A

Adam Kulbach 06:55

Thank you. Okay, let's get started by discussing some of the relevant terms like decriminalization. What exactly does that mean? Stephanie?

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Stephanie Till 07:06

Well, the most. The most distinct way of putting decriminalization is that its simplest definition as it relates to cannabis is a law that reduces or removes the criminal penalties related to low level cannabis possession, typically at a personal level.

A

Adam Kulbach 07:26

Okay, how about legalization through schedule or D scheduling from the CSA?

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Stephanie Till 07:33

So, legalization through rescheduling would change where marijuana or cannabis are on the Controlled Substances Act list. So it changes who would have availability to get into the market, but it would still be considered a controlled substance whereas D scheduling completely removes it from the Controlled Substances Act list and therefore opens the doors much wider to who can be involved in the cannabis industry. And so it completely removes any related issues that go with being a controlled substance if it's the schedule.

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Adam Kulbach 08:18

Okay, so what's amended scheduling?

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Stephanie Till 08:20

So an amended scheduling is something like what we saw with the states act, what they were hoping to do is with that particular act was take cannabis that is regulated in state markets, and say, anything that's not happening in a regulated state market is still illegal. Anything that's occurring in that regulated space and in compliance with those laws is legal and not subject to these penalties associated with the Controlled Substances Act.

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Adam Kulbach 08:57

All right, for my first question, how would decriminalization at a national level impact the cannabis industry? Who wants to take that? I mean,

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Jim Marty 09:10

well, this has been an ongoing discussion in recent months. And the concern people have is, you know, what would it look like? If cannabis was all of a sudden drop down below, scheduled to on the controlled substances that are even completely the schedule? And the right now we have a thriving pretty much a small business industry. Most people in Colorado started very small. There's a few that have emerged as larger players. But even the larger players around the country are not that big stay compared to other consumer products like Kellogg's cornflakes or Ritz crackers or Marlboro cigarettes or Budweiser beer. And that's a term that I and many others have that if it becomes really normalized, then your big industry will come in big ag, Big Pharma, big alcohol, big tobacco. And the industry as we know it today could disappear entirely. And we would be down to having to two or three brands just like in, in Deer, where you have Budweiser and Miller dominating the market, along with, you know, many, many smaller craft beers. But you basically have two brands, same in cigarettes with Marlboros. And Winston, you have other brands, but you have one or two that probably have, you know, 75% of the industry. So that's one shoe to drop. The other concern is, if cannabis did become more of a normal product, legal product, who would be the first federal agency to come visit you? Would it be the Department of Health, alcohol firearms, the FDA, you name the

alphabet soup of government agencies at the federal and state level levels, basically at the federal level, because the state's regulated right now. So people who said they want to legalize marijuana, really? There could be a lot of unintended consequences.

S Stephanie Till 11:30

Yeah, but decriminalization wouldn't necessarily impact the industry other than you might have more consumers who are who are less reluctant to try it. Because at a consumer level, it would be legal for them, it just doesn't change anything for operators, there'd still be operating in a federally illegal environment. Because decriminalization all it does is decriminalize possession. It doesn't do anything about about manufacture, or production of it, or retail sales of it. So I mean, decriminalization by itself isn't going to be the thing that that busts it wide open, it's going to be some level of legalization that does that.

J Jim Marty 12:17

That's right. That's one point. Definitely. Because that's the purpose of this is try to educate people that these terms have a lot of different meaning a lot of different ramification. I think, you know, some people running for office right now, in the upcoming election in a few weeks, they talk about legalization, without really knowing exactly what that means. Even decriminalization, I think we'd like to know, we think what it means what it means that according to this data, but in the end, it may not be it may not come out that way in the end. But those are making very good points. That's like I said, the purpose of this presentation.

E Emily Seelman 13:00

I think that brings up the broader issue too, which is education on this subject. And cannabis in general, is usually way behind any sort of legislative or regulatory change, which can be an issue because the public doesn't quite understand what these terms mean. And as a result, they can get themselves in trouble. I saw that on a local level in Pittsburgh. And that was the same type of issue that happened across many cities, in many states. Usually decriminalization at a city level takes place first, and it usually ushers in the next way, which is state medical legalization, and then it's all used. But when it's decriminalized on the city level, a lot of people don't understand that. That's just within that city's limits, you can still get some sort of ramification for being in possession of cannabis. And everyone tends to think when they hear decriminalization, that means it's completely legal. Everyone's going to be smoking and everywhere. I mean, there's a lot of options of the way the imagination can go when they hear the word decriminalization. So I'm really glad we're having this this episode, because it's important to understand and keep up with the educational side of this issue, so that you can really understand what's actually occurring when terms like these come up and when regulatory and legislative changes happen.

S Stephanie Till 14:22

Very true. I think it also it helps us as, as consultants is policy wonks, and really anybody who's having to deal or have communications with people who are policy makers, if we can make sure that we're all speaking the same language, because like you said, there, there's a vast

sure that we're all speaking the same language, because like you said, there, there's a vast divide between what people think it means and what ultimately ends up being because decriminalization in some States doesn't mean that people don't still get arrested for cannabis crimes. So and it also doesn't decriminalization does nothing to inhibit the illicit market, that just means that people aren't going to prison. In theory for for simple possession.

A

Adam Kulbach 15:14

Okay, what about the effects of D scheduling or rescheduling cannabis on the CSA? What effect would that have on the cannabis industry from the way it is now?

P

Peter Prevot 15:24

I mean, one, one comment that I'll make on that. And something we talk about a lot around the office as a CPA firm that specializes in the industry of taxes. You know, it's been widely publicized that to add is really, really hard on the industry. And it takes a takes a lot for these companies to keep their cash flow positive. And really, a lot of ways seems like they're paying an unfair share of taxes when we observe tax rates, you know, a seamless 60 to 70% effective tax rate is not uncommon in this space. So one, one big piece of D scheduling or rescheduling is that it would presumably change the taxing structure, which will be very positive for the industry and allow a lot a lot of these companies to truly, finally see the fruits of their labor.

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Adam Kulbach 16:10

Okay, would anybody else like to chime in on it?

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Stephanie Till 16:13

I didn't want to kind of. So yeah, on my part, it does. Also, it does do that. It does also encourage larger players come in when you have it rescheduled, that means big pharma can now kind of come into it, because they are already used to dealing with scheduled to or, you know, other controls, since they're already in a position to operate within the FDA, and the DEA frameworks for that. And so, they also are more moneyed interests. So they could, in theory outperform all these smaller corporations, they might be big in our industry, but compared to some of these pharmaceutical giants, their mom and pops?

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Adam Kulbach 17:00

Uh huh, do you see the pharmaceutical giants and big corporations preparing for upcoming changes,

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Stephanie Till 17:07

they've been dipping their toes with creating synthetic THC for the last four years. So I see them having an interest in it. But because you have the to add component because it can affect

your ability to have banking. If you're handling anything with relation to marijuana, I see them being hands off. As long as those barriers still exist. Once those barriers don't exist, I don't see any other reason why they wouldn't jump in. And start,

E Emily Seelman 17:41

I haven't even started,

S Stephanie Till 17:44

I was gonna say a start and start looking at who they want to take on and consolidate because they don't necessarily have to start their own thing they can literally buy at anybody who's been exhausted by years and years of trying to make this work with an effective tax rate around 70%. I mean, if you could sell for multiple for multiple millions of dollars, after you've invested years of your life and your savings and whatnot into a company, it's hard to argue that somebody would Yeah,

E Emily Seelman 18:17

I will just add to that, you know, based on what Stephanie said, there's already movement there, especially from big pharma. So what I think a D scheduling station would do is actually allow more people and more players to get involved because, as far as I've seen it for the past few years, I mean, I mean, we can even look at it in the patent that the federal government has put in not patent was called cannabinoids as antioxidants and neuro protective. And that patent allowed the federal government to basically have their hand in that particular part of CBD. And the studies around that without anyone else being allowed to have access to it. And then a couple there were two players and Big Pharma that were able to lease essentially lease that patent for lack of better words, and, and use that to perform research to come up with products using different cannabinoids in order to produce medicines, and all that all of that said, because it was still a schedule one drug because it's still highly restricted. No other players can really get in the market easily. So once that's the schedule, you're gonna have a rush of new people, new ideas, the free market coming into play that's allowed to that's allowing people to come up with their own uses for different products and different medicines through cannabis. So I think that's great. And then on a practical level, it just changes the stigma stigma. So cannabis being a schedule on right now aids in the argument that it's this toxic poison the devil's lettuce, it's in the same category as heroin, when everybody knows that there's actual medical use. So schedule one by definition means that It's highly addictive, but has no medical benefit. And we all know that cannabis does not fit there. And so just to to just shift it on that list would be, I think, a huge benefit to that. The D stigmatization of that of cannabis. And then to pick it off of the schedule, if at all, I think its entirety would just change the industry from a consumer perspective entirely.

A Adam Kulbach 20:26

Okay, what did it also wait and where people doing research

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Stephanie Till 20:30

rescheduling would help open doors D scheduling would would open the floodgates for research. Because when it's no longer controlled substance, it can actually people researching it can qualify for federal grants, as long as it's legal at a federal level. That's one of the biggest things that holding up research is its legal status, it makes it um, not gonna say it's impossible to get federal grants, it's just very, very difficult to navigate those waters. Yeah,

C

Cory Waggoner 21:04

like, like Emily was saying to, you know, being able to have that research would really help, in my opinion, the end user, because if doctors are prescribing this right now, it's it's it's so hairy of like some states, it's okay for doctors, other states, doctors are really concerned to put their name on any sort of recommendation for cannabis. But having that research and having that transparency from the doctor to the patient, and knowing what they're getting and why they're getting it and not having to be worried about and being able to prescribe it like any other medicine, in my opinion, would be a huge benefit to the medical community.

S

Stephanie Till 21:42

That's true. Even if it's just rescheduled. Yes, being able to have it prescribed by your doctor would be huge, it would make a big difference.

A

Adam Kulbach 21:53

So who are the stakeholders who are antagonistic to cannabis legalization? And what would they be losing if cannabis becomes legal?

E

Emily Seelman 22:03

I mean, you've got the whole issue of I mean, the political issue, there's a lot of conservative politicians who are, I would say old school Republicans who are still against cannabis. I'm not sure what the purpose or the underlying cause for that is. I think New, newer younger Republicans are more. I think they're, they're more amenable to cannabis legalization. I think you've got even right now while it's still on schedule one, I mean, Big Pharma has been a huge problem in allowing or permitting or, or D scheduling cannabis, because especially the two groups that have access to that patent, they're the ones making money off of the product. And as long as it's held as a schedule one, and it's federally illegal. They're the two companies that are making the most money off of it at this stage. And as soon as that happens, where it's scheduled, then those two groups probably have the most. And then you've got the whole topic of cannabis eating used as an alternative medicine, as opposed to Big Pharma. So that's, I think they would, in my opinion, Big Pharma, pharma, the pharmaceutical industry has made most cannabis companies

C

Chris Teegarden 23:25

Yeah, and you then you start going into, you know, the government picking winners and losers. On this subject matter. You know, a lot of people coined the term crony capitalism. So really, what what, to me when I look at this higher structure on the federal level is, you see these big time lobbyists with deep deep pockets that can outspend pretty much anybody keep their equity going over these bumps and hurdles, while the feds are working on this, and price out anybody at any point in time, because they're in it for the long game. And that's, that's really what's kind of upsetting on the on the federal level, and you start looking at that, and then if you're going to start looking at the criminal justice system unto itself, you know, you have, for instance, just go quick through the timeline, you have the arrest, then you have, you know, bail, then you go to court, then after sentencing, whatever happens with that, whether that's jail time, or even during jail time or not, jail time, you have a group of professionals, therapists, substance use counselors, mental health, that have built up around the subject and when it's mandated by the state. They're insured payment by this. And so I don't want to necessarily, you say it's an absolute racket but there is big business wrapped around this and a lot of cash flow from taxes that support this pipeline of cannabis prohibition through probation proved through through the entire two Then through the entire spectrum of the criminal justice system, I have sat on a, you know, when I was vice chair, the first judicial criminal justice Coordinating Board, we had all those stakeholders at the table as well. I mean, when we were doing that it was legalized. But there were always always issues of, of that operational level of looking at who's gonna lose money. He's gonna lose money with recreational of making it a punitive measure within within the system itself.

J

Jim Marty 25:39

But I would also say that you certainly have your special interests, you know, your prison lobby and others like that pharmaceutical lobby. But the bright side is that two very big things have happened in the last 10 years, as we've seen, you know, medical marijuana Come on, followed shortly on its heels by adult use. Every time it's on the ballot, not every time, but I would say 90% of the time is with us and more. So as time goes on. Alabama's gonna have a medical marijuana program on its ballot. So a feeder might have a comment on the southern take on cannabis, which has been a little more harsh, I think, than some of the liberal northern cities. But you know, when Alabama's voting for medical marijuana came over. The other point I would make is that. You know, it just winds on the bell. The other point is, we've seen 10 years now of legal marijuana and virtually nothing bad has happened. We all know you can't die and overdose on marijuana. We have not seen significant increases in traffic fatalities in Colorado, they've stayed right around 600. Actually, way back in 2002. Before there was any legal marijuana, we had about 1200 traffic fatalities a year. Today, we're down to around 600. So cannot say marijuana is causing a spike. Last year, we went from like 600 to 650. And they tried to blame adult use marijuana. But what's really going on is people are much more aware of drinking and driving. And you also have the technological change brought about by Lyft. And Uber and your cell phone, where there's virtually no reason to get behind the wheel. If you're gonna go out and have a good time at night, Peter, it was a little southern perspective.

P

Peter Prevot 27:46

Yeah, um, you know, I'd say the opponents of legalization in the south, I mean, it is in line with kind of the comments that were made earlier, you certainly see the big the single biggest opponents will be the sheriffs in the RAS. And they use their lobbyists to come to the Capitol

opponents will be the sheriffs in the BAS. And they use their lobbyists to come to the Capitol and typically speak in opposition. And they, they use a moral justification for doing so. But it's hard to ignore the fact that this is what funds their budgets is that they use marijuana as a way to keep people in jail and as a way to search people and to you know, criminalize them in ways when they otherwise would not be any criminal, considerably criminal. And so the sheriff's and the DEA is that's probably the biggest opposition. In addition, you see religious groups in the deep south that fight this. I, even after years of interactions, still don't necessarily, Dan, why they oppose it so much is that it's just an old way of thinking that they are, you know, they've bought into the, the reefer madness and, you know, dated their thought process to look at what's happened in the past 10 years, right. And there's still kind of an old way of thinking there with the religious groups. We also do see your your rehab facilities come out and speak in opposition to these bills quite a bit. And I think that's kind of in the same vein, as the sheriffs and the BAS where it's, you know, statement AMS then it cuts into their budget. So they're, they're protecting their interest. And that's what it comes down to is that, you know, someone like myself, who works in the industry, when I go out and I'm working in support of this, it's, it's similar because I'm protecting my interests, but those religious groups, the sheriff's to the A's, they're doing the same thing. In the south, I've not seen as much pushback from you know, we talked about the pharmaceutical companies really, but I think that's because they're fighting us on a federal level. And they're not really in tune to what's going on in the States as much as they are on the federal side, these these large multinational corporations, that the biotech industry specifically.

C

Chris Teegarden 29:49

And, and you know, and to piggyback on and what everybody's been saying, and also, you know, going back to what Emily said is that currently I live in a probe I should state in Wisconsin, there are no ballot initiatives, everything has to run through the legislature. And I am working with younger Republicans that are for legalization and the full package. One of the things that state rep that I have been working with him, said that, you know, when it comes down to people cutting checks for campaigns, cutting checks for lobbying, and that movement when you start getting into that process that if cannabis is not in that game, then his narrative on camera that cannabis is not going to be as strong as some of the other stakeholders who are actually putting money and resources behind running candidates. And we're going to see, I'm going to assume of all the people that I've talked to you up here in Wisconsin, the both chambers of the legislature will still be in Republican hands. And they will be doing those they will be writing those districts when that when redistricting come. So we're looking at 10 years. And so I'm really pivoting toward a lot of that language on the Republican side of what is limited government, what is individual responsibility and choice, and what is free market principles, and how to leverage those within the cannabis space and making sure that we are taken seriously, especially in the prohibition states.

S

Stephanie Till 31:37

One of the things that I noted when I have been watching some of these campaigns on ballot initiatives is while we are seeing some pharmaceuticals and some larger donors who have connections to substance abuse programs, I could mention one, but I will he happens to own a very large casino and newspaper out here. So you know, here in Nevada, so anyone with who does their homework will know exactly who I'm talking about. Chris is laughing He know who I'm talking about. But we also saw alcohol lobbyists who were putting money in against

legalization efforts, especially adult use, they weren't so much against the medical marijuana programs. But as soon as you start seeing adult use on the ballot, then you start seeing Alcohol Tobacco a little bit, but mostly it's been alcohol. And the reason for that, as we start to see as the states are starting to legalize, the number of people who are using alcohol or alcohol sales have dropped. Maybe not by large amounts, but significant enough that it brought some attention to it.

C

Chris Teegarden 32:57

Oh, boy, you're absolutely right. Stephanie kaisa in point going back to Wisconsin, the tavern League of Wisconsin is a very powerful lobbying group and as a whole, they are fully against legalization.

A

Adam Kulbach 33:14

Okay, so what's the what's the best option going forward for the keeping the cannabis industry close to what it is now? And and to have it grow in the future in a healthy way? So what's the best options for that? Do you see happening?

S

Stephanie Till 33:32

My personal preference was the state's act, because it's, it's slower. But it does. And it's more measured in its approach. It allows the states to be this proving ground. And it still gives states like Wisconsin or Indiana the option to say we don't want it here until they're ready to have it there. Because like Chris and I had been had talked about it before Indiana's probably going to be the last state in the union to legal cannabis. Just because, I mean, they were so it took so long for them to be okay with alcohol. Cannabis is like lightyears ahead of where they're at right now in terms of comfort level. And the state's act the way that it was written, it would, in my opinion, and Jim and Peter could speak more to this I believe it actually would tackle that to add hurdle for cannabis businesses which would allow them to thrive a lot better if I'm right. Jim Peter, either way you want to, am I right about that, but the state's Act would have affected to ad E.

J

Jim Marty 34:48

Yes. The same set should depending how the final version turns out, but it was designed to fix both banking into a II, we have some people on this call who are very astute politically. And so they know that, you know, in politics, you can only get so much each time. But depending on how that Bill turns out with politics, they say, you know, in the United States, we have 50 laboratories. So each state is free to deal with whatever the federal government does not provide. So that's how our constitution is set up, that it's not specifically saying what the states can do. The states can do anything, politically that they want to, as long as it doesn't interfere with the federal government, in the very limited number of things the federal government is constitutionally authorized to do. So that said, that's where we're going with that is. The state's rights, though, would send the state's bill would say, we're going to keep cannabis illegal at the federal level. But the 50 states are free to regulate cannabis as they choose. And, well, I I'm not

a lawyer, I'm an accountant. So I can't tell you exactly why. But that should allow banking. And when I say banking, right now, many of our cannabis clients have checking accounts, but they don't have banking services. MasterCard, and visa are not on board. So if your local dispensaries accepting credit cards, they're probably doing some level of deception with MasterCard and Visa. Although for some reason, debit cards seem to be okay. But you're lucky to have a checking account. If the state's bill passes, then you now start to get merchant services, credit cards, bank loans, car loans to people who own dispensaries, it opens up a full range of banking services. And it also should fit to add as well. So it's a good solution. It's very bipartisan, being sponsored, initially by Elizabeth Warren and Cory Gardner. As we think everyone saw last week that a cannabis Bill and I don't know if it was a very good bill, but I didn't study it. To some sort of news, it's actually legalization did not get out of the house, because of democratic vote. We're definitely frozen until after November 3, and probably really till after November 23, January 20. When we have a new Congress and post the inauguration of either Trump or fight. So those are my comments on the state sec. It's a good solution. It doesn't mess up the industry as it is now. And it does no harm. First rule is do no harm. And then from there, hopefully, we'll come a normal industry. But in this election year, you never hear anybody really talked about marijuana, which is good. I like it. You know, we want to fly under the radar. Price. The only time you hear about marijuana is when people are accusing the other side of putting young black men in jail for marijuana. So it's actually pro marijuana pro legalization pro decriminalization coming from both the Republican and the Democrat side. So very interesting time right now. And probably we're frozen in time for three or four more weeks.

S

Stephanie Till 38:38

Oh, and also, if something like the state SEC were to actually pass, which, like you said, we're not gonna see anything before 2021 on that realistically. If we did see any movement on that, it would surprise me. That being said, if it does offer the kinds of financial opportunities that you were talking about access to banking, basically not having the 280 hurdle anymore, when that then free up some more money to be able to have lobbyists of our own to push that. Push things a little bit further. Chris, I think you know, more on that than I would.

C

Chris Teegarden 39:25

Well, obviously having a good strategic game plan, whether that's on the local state or federal level and being able to back that up with coordinated efforts, coordinated messaging, and some capital behind that. On whatever kind of strategies that you're trying to use to move political opinion or even getting candidates are much more friendly in in the office. I I. I see. Nothing but positives on at least the Cannabis industry unto themselves of taking that next level, and having a more coordinated efforts on that lobbying side of things,

P

Peter Prevot 40:09

you know, when we're talking big picture, and you know, what, what is the long term solution? I, it's a difficult topic. But I would say that, you know, with everyone else on the call, I do agree that the state's Act is a great next step. But it's hard for me to see that as kind of a final solution. And so, you know, I think that some sort of hybrid between maybe what we saw with the more Act and what we see in the states Act, or maybe even like a tiered approach, where

we have a bill that comes in in the states that we have something similar the states act, and we're given a timeline, okay, this is this is where you're operating for the next three to five years. And then we've kind of got to step after that. I think that might be too big of an ask from Washington is to ask them to, you know, to do something today, and also have a plan for the future. But that's that's kind of my thought process on it. I like the state sector where the industry is at today. But is it the real long term solution? Because at the end of the day, I think everyone on this call and everyone who got into this, you know, we want to see this go nationwide. We want to see it in Texas, we want to see it in Wisconsin, we want to see it in all those states. And my worry with the state's Act is that, you know, the feds are not really putting any real incentive or pressure to move the needle, we still end up with a patchwork of laws. I think it's a great short term solution. But I do have trouble seeing that as the long term endgame.

S

Stephanie Till 41:26

Yeah, I would say more or less that the state's act is it's not the final solution. But it's the solution that we need right now to get things to move a little bit further to be able to develop a framework that can be consistent because the more act for as many wonderful things as it would do. It's gonna be like we saw with California, if you try to throw people into this, who have not had to regulate it, something like this before. How many times have we seen states that don't really, they'll learn lessons from other states, but then they decided to go one step further, in a weird direction, that doesn't make sense on the land either either end up having to back it off, or other people will adopt it, I liked the idea of having the states act for a certain amount of time, because one and it gives the states the ability to kind of come up with a framework that actually works so that when we are ready at a federal level to legalize this, we can then codify at least some basics that we all can agree on. Because at the end, like best case scenario, when government works the way it should, not everybody is going to be totally thrilled with the outcome, but it's at least the outcome that we can live with, that we that we can all live with. And I think we will get a lot closer to that. If we do have this in between period where it is still quasi legal, but much more so than it has been and at least gives a state or gives the banks the opportunity to be able to bank with this industry. Because they are there's a lot of risk in banking with this industry right now with the laws that are on the books as they are today. I think if we can prove that one, we're responsible enough to have bank accounts and credit cards and all that. And that we're not going to ruin the youth of America, then yeah, we will, we'll gain more followers. And at the federal level, we'll gain more allies, not necessarily followers will gain more allies at the federal level. And we'll make it a lot easier to build responsible legislation, as opposed to oh, we're just gonna legalize it, we'll figure it out from there. You know,

C

Chris Teegarden 43:51

definitely, you know, and I think, you know, different states and utilizing different practices in their regulatory structure, you know, the better stuff is going to rise to the top and then you're just going to have a more more solidified standard industry practice across the board. And another thing that we're also seeing in the we're trying to do at higher yields, is really educate legislators on what is happening in each state, you know, what's happening on the licensing structure, the application structure, you know, we've just seen what's happened in Illinois and some of the issues that have come out in their competitive pricing process. And what's the

difference between what Colorado does is a non competitive state as compared to what Illinois is doing as that they have a finite number of licenses that they issue each year and what does that do to the industry? What does that do to the local impact and you know, that's, that's a big thing to look out for. And so when we, we have these regulations across the nation that are different and Each state those those rise to the top, and that could probably be stamped as this is standard industry practice.

A

Adam Kulbach 45:08

So which state is doing it best so far?

S

Stephanie Till 45:12

I think you'll get different. I think I know who Jim thinks does the best.

J

Jim Marty 45:19

You know, we do have a lot of different models. So Colorado has unlimited licenses, we have over 1200 active cannabis licenses, including cultivation, extraction, and retail. Also, Colorado, partially thanks to me and my lobbying efforts since 2012, or 13, has allowed all deduction on the state tax return. So there is no to E in Colorado. There's always a debate on whether a limited license state is better than a unlimited licensed state. I don't have strong feelings about that. Because it seems like in the end, you limit you're gonna have natural limiting on cannabis businesses, just because there's only so many places in a state that are property, not near a school or a church in an industrial area, in a community that will except cannabis businesses. So there's a lot of moving parts to the structure. We've we've found a pretty good equilibrium in Colorado. So unlimited lives 1200 active businesses, and yet our wholesale prices are ticking up. So we don't have the overproduction issue that Oregon has. We don't have that much outdoor in Colorado, we have some that a lot of outdoor. So yeah, we've seen our wholesale prices from a low year ago, about 800 to 800 to \$1,000. We're now back up to 2000 or even higher per pound at wholesale. So I think Colorado has shown the way of what an unlimited licensee can look like. We also have the benefit of being surrounded by states that don't have a del sol de Mexico does not have adult use. Utah is medical only. I don't think Wyoming has medical. And then Kansas on the other side on the eastern side doesn't have Iowa. So the border dispensaries get a lot of out of state traffic. We have some clients doing very, very well down in what they call the Four Corners area. That's where Colorado, New Mexico, Arizona and Utah and Arizona still is medical home. And so we get a lot of adult use cross border travel on Colorado as well. Pretty similar situation in Massachusetts, where they're surrounded by states that don't have adult use.

S

Stephanie Till 47:54

I would say while Nevada is not perfect, and I don't think it's there are plenty of people who in Nevada who think it's the gold standard and would love to believe it is there some like any state there's kinks that need to be ironed out. But, um, I, I prefer Nevada in terms of the lab testing and the availability of information you can have as a consumer about the products that

are on the shelves. So in that respect, especially from a consumer standpoint, I like Nevada's structure. I also, Nevada is a limited license state. But I think that works in its favor, too, because so much of our traffic is from visitors, we have 42 million visitors, usually to our state a year. And in times like this, where we've had COVID, we have not had that many visitors. And it could have been much worse, if we had had unlimited licenses, we'd have seen a lot of fallout from that. I think having a limited number of licenses meant that we were not oversaturated by product, we were not oversaturated in terms of a labor pool that would have had to be laid off. Because there just wasn't the sales there. I mean, we lost at worst 30% of what we'd normally be made what we'd normally have in sales. But we also in April had 30% of a 30% unemployment rate. So, you know, the fact that it was only that big of a difference when the state had such a massive unemployment rate kind of at least showed that there was some buffering on the financial side and some protection by having a limited number of licenses out there. So I don't know that there's any one state that's absolutely doing it right. Colorado is a model for A lot of states, it certainly was for Nevada. But I think there's lessons that can be learned from each of the states.

C

Chris Teegarden 50:06

So let's stay has the best expungement

S

Stephanie Till 50:10

Oh, I wanted to say Illinois, but it's been problematic. I don't really know, Chris, because I mean, I have more on that.

C

Chris Teegarden 50:26

I don't know, either. But you know, if we're talking about the criminal justice system, and being retroactive with the criminalization of you know, if we all agreed policy wise, the should have never been illegal in the first place. And those that have taken the hit on the war on drugs are barred. If they have a felony working in the industry, they are barred from even going to get other jobs. It's a really tough thing, you know, and I was in mental health working in vocational trainings, and my wife runs statewide programs, both in Colorado in Wisconsin and helping people with mental health issues, get jobs and we would bump up against felony cannabis convictions all day long. And that very narrowly, narrowly. shrinks their job opportunities and their job pools. So I think not only, you know, when we talk criminal decriminalization, yeah, you're just not punishing people for accessing the illicit market. So all of us in the industry say, Okay, let's let's cut to the chase and go with the legalization piece. But also that expungement piece has to be a big deal, because that's still going to lock locked down a lot of people that have went to the illicit market and been punished for it.

S

Stephanie Till 51:55

Yeah, they definitely agree. I think that's one of the downsides. Certainly, in my state, we didn't have expungement still don't. That not that there are some efforts to, to clear criminal records. There have been. But yeah, it's not codified in law. And as long as it's not, then you're at the

mercy of whoever's in power at that point in time.

A Adam Kulbach 52:14

Well, that's about all the time we have for today. I'd like to thank you all for being aboard. And I think it was very interesting. We'd love to have you all back someday. Thank you very much.

J Jim Marty 52:27

Sounds good. Thank you.

C Cory Waggoner 52:29

Thank you. Thanks. Thanks, everybody. Thank you.

A Adam Kulbach 52:35

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