

# Ep 14 (Upload Nov. 23) Emerging States Podcast

📅 Mon, Mar 27, 2023 11:44AM ⏱ 59:17

## SUMMARY KEYWORDS

state, people, cannabis, higher yields, mississippi, stephanie, legalization, medical, ballot, patients, adult, legalize, industry, ballot initiatives, market, put, year, long, idaho, licensed

## SPEAKERS

Stephanie Till, Peter Prevot, Adam Kulbach

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### A Adam Kulbach 00:13

Hello, and welcome to the higher enlightenment podcast, brought to you by higher yields cannabis consulting. My name is Adam, and I am part of the higher yields creative team. Today's subject will be emerging states. Today on the show, we have Stephanie to who is the founder and CEO of green rush index beta, and also leads the mirror project, which he will explain to us shortly. It's great to have you on the show, Stephanie. Good to be here. Our other guest is Peter Primo, who is the Senior Business Consultant of bridge West CPAs. Thanks for joining us, Peter.

### P Peter Prevot 00:57

Thanks, man. It's great to be here.

### A Adam Kulbach 01:00

So Stephanie, could you tell us about green rush index data.

### S Stephanie Till 01:05

So the the big name is actually the reason why it's green rush index data is because it grew out of the mirror project. And so that started in 2016. And it's still going on. And it's a collection mission. It's a collecting mission, to collect and preserve any and all information I can get on the start and evolution of the cannabis industry in this quasi illegal period before it becomes federally legal. Because as we learned with casinos and some other industries, if you don't collect ephemera, so like do tubes, little promotional items that gets sent out at at events and whatnot, if you don't collect some of these things, they get lost in the wind, and nobody ever sees them. And to me, it's important because packaging is changing all the time. How you're allowed to market yourself changes constantly. And so seeing how that evolves and how these companies are pivoting to ensure compliance and continue to operate, it was very important to

me just from the start as a patient. But I also saw a need for research and compliance tools that are affordable to social equity clients. And honestly, as somebody who was working on applications, I got sick, tired of buying reports that were like 700 to \$1,200. And not even having a full useful page on that I needed the information on and thinking, well, if I just had time to do this bit of research by myself for a little bit, I'd have had way more information, our community impact piece for applications would be so much stronger. But that's hard as a consulting firm to do. And so due to some disagreements in how things should be run, in terms of I'm very research focused on on everything I'm very data driven. And wanting to focus more on that I decided to create green rush index data, which is just a different way of saying cannabis archive. Because all index data is an archive. The green Rush is cannabis. So it's a very long winded way of saying I study cannabis. But it also, it also keeps me off of the IRS is little list of marijuana things. So it makes it a little easier there too.

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Adam Kulbach 03:55

Yeah, I can understand that. Okay, Peter, could you explain your position,

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Peter Prevot 04:00

I'm Senior Business Consultant at Bridgewater CPAs. And then with the firm for several years now. And we're basically function much like a traditional CPA firm. And the company was founded in 2009, in Colorado by our current CEO, Jim Marty, and Jim had been a CPA in the Denver Metro area for quite some time. And he began to get approached by existing clients and also people within the community there in Denver early on in 2009. And he was one of the few CPAs willing to tackle this to at issue head on and it brought him a tax court and brought him all sorts of places. And you know, I've been lucky to have Jim as a mentor and someone to kind of guide me through this process. And I'm a I'm a native of New Orleans, Louisiana. So I do work remotely for the firm and it's one of the things I love about it, though, is we bring a lot of different perspectives together over there. You know, we've got the Denver office, which is where we started, got a big team up in Minnesota, myself down south and then we've also got some associates out in California now as well. also, you know, we pretty much cover every state where marijuana is legal in about 400 licensed clients and a lot of different work everything from 280 e to bookkeeping, valuations, mergers, sales, and then obviously public public company filings and full gamut of accounting services.

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Adam Kulbach 05:18

So higher yields cannabis consulting along with green rush index data, and bridge West CPAs. Just partnered up back in March, and we're working on a project involving emerging states, could you to elaborate on what the partnership is and what we mean and what we are working towards when we say emerging states.

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Stephanie Till 05:41

For me, the emerging states are states that are looking to either finally legalize medical marijuana or expand access to adult use. And so, for us, when I spoke with higher yields earlier this year. I asked. What's the one thing that you're really wanting to do in capturing the

this year, I asked, what's the one thing that you're really wanting to do in capturing the attention of potential candidates. And they said, We want to be the most knowledgeable. So that was the conversation I had with Cory is want to make sure that everybody knows we know our stuff we know about these states before we go in. And for me, that was perfect. That dovetails really well with what I was wanting to do, which is make sure that consulting firms did have the tools to be knowledgeable about the state's before they went in and did these licensing applications to be able to better serve their clients. And so the emerging states report came out of that need to understand which states look like they're going to be legalizing soon, or expanding access. So we know, generally, timelines of when applications might start becoming available, what that will look like for owners, and also from a tax standpoint, which has been really helpful with bridge West CPAs. Help us see, what kind of a market are we looking at if they do actually legalize? how beneficial would that be to the state's economy and so on?

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Peter Prevot 07:14

Yeah, and I think to echo what Stephanie just said, I mean, totally agree, like, you know, from our perspective and CPA firm, so much of the work that we're doing is it's related to last month, it's related to last quarter, you know, and obviously, we have our projections, and we have things that we're watching for the future, but just the nature of accounting is that we're usually working in last quarter or last year. And so we saw this partnership as an opportunity to, to kind of work with people that are more forward looking in the industry and Stephanie's expertise and tracking legislation and tracking regulations, and higher yields, knowledge on application work, we just saw it as a great, great marriage, if you will, where we could come in and bring our expertise, but at the same time, be getting this exact data that Stephanie's talking about and getting it in real time. Because, you know, we just don't always as a firm, when we're focused solely on the federal government and their taxation of this plant, you know, we don't always have time to follow legislation in every state. And so it's been really good for us, I think, to kind of open up our horizons on that and to be thinking more holistically and thinking about new markets, you know, earlier on than we would have been haven't been able to with our staffing. How much

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Adam Kulbach 08:21

do you think COVID-19 has affected the legislation and frameworks that go into expanding these things? Has it hurt

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Stephanie Till 08:30

some states, I'd say for some states that were they were so close, like New York was so close, they had had a disk dispute. Last year over I think how they were going to allocate funds and some other you know, the last little legislative chewing the fat over what exactly goes where, but for the most part, they had had a framework, they just couldn't meet the deadline to actually hash all of that out. And so the hope of it this year, it was in the Governor's bill, I think it was 1617. See, and the way that it's outlined, you can see exactly what they're looking to go for. And they're going to be very social equity heavy in New York for the adult use licenses. So that would have been a really big boon for them this year, if they could have done that, because it would have opened up licensing by early 2021. In fact, they were supposed to have

a legislative framework in place before July 1. So we could have seen where that was going to go. But with the legislature with state legislatures having to close because it just wasn't possible to meet in person and some, you know, some legislators were hesitant to meet at all and in person or digitally. Others have actually chosen to meet digitally and make that work. And so you'll see like smaller municipalities He's in California had done that because they had a licensing period open and had to extend the deadlines for application materials because it used to be for them that you had to deliver all these materials in person and that just wasn't going to work. Not with the spread of the virus. So. So it's been a mixed blessing in that the state, there were plenty of states that were looking to have it either on the ballot or deal with it through the legislature that just couldn't. I think Missouri was trying to get something on the ballot that didn't work. Idaho was going to have it on the ballot and to get it got pulled off. I'm trying to think of another one Nebraska was able to get it in there, which is good. So Nebraska, it's on the ballot. And it is also I believe it will be for Arizona, they're the only one that still kind of up in the air as to whether or not it's it is or isn't on the ballot at this point in time. But yeah, definitely change the picture a bit because I am. For higher yields. I did a report in January called the cannabis legalization report 2020, just to see who was out there who was looking to do that. And at the time we had for months, we had Vermont, Arizona, Florida, New Mexico, New Jersey, Rhode Island, New York, Montana, Missouri, Idaho, South Dakota, Tennessee, all looking to make some sort of change in their cannabis laws that would benefit patients and be kind of a boon for the industry. And some of them were considered long shots then and have dropped off. And others that surprised me like Nebraska kind of surprised me. I really wasn't sure if they were going to be able to pull that out. And so I'm really glad to see that it did make it to the ballot. Yeah, COVID definitely changed the landscape from where we thought we'd be in January. For sure.

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Peter Prevot 12:06

Yeah, definitely agree with that. And I can give some some anecdotal stories from being on the ground of the legislative session on Louisiana, which is when you lose a third of it right, when they take away a full 40 days or 35 days out of a 90 day session. That's a big deal. And you know, a lot, we're still we're still able to get accomplished in a short period of time. And I will say, I guess the silver lining was that yeah, it slowed down the government, it slowed down some of the activist groups, but it also slowed down the opposition, you know, people had other stuff to worry about, you know, like, and so that's really, I guess, the only bright spot I could see is that, you know, some of the opposition groups were just not as concerned about this issue as maybe they would have been in a non COVID session.

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Stephanie Till 12:51

Well, that and cannabis got labeled an essential business. I mean, that's something that's huge. If you think about it for the industry, they very well could have just said no, they have to close to but they didn't. And I sincerely hope that plenty of businesses did the best they could with that, that they could because it These are trying times. And I know that a lot of the sales numbers dropped and so a lot of people would have had to let go of some staff. But the hope is that it didn't have as negative impact on the cannabis industry as it could have if they weren't considered essential.



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Adam Kulbach 13:35

Okay, just to clarify, you read off a pretty long list of states that we were looking at at the beginning of this year. Some of them actually made it to the ballot. Could you go over which ones did make it to the ballot? I think we are looking at South Dakota, Mississippi and New Jersey as I recall. Is that correct?

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Stephanie Till 13:55

Yes. So South Dakota, Mississippi, New Jersey, and just as recent as I believe last week, Nebraska did finally say yes, we did make it some ballot. Arizona, it's still just seeing when the signatures get validated if they made the number, because they they were fairly certain that they had the right number. But of course it has to go through that validating process. And so if they're off even by just a couple, it won't make it to the ballot. And that's that's been kind of a heartbreaker for the campaigns in Arizona, because the reason it didn't pass in 2016 was because the bill or not the bill, sorry, the initiative that they had just wasn't as protective of patient rights. It didn't. It didn't protect them people they really wanted to protect and ultimately the people who originally put it up, no longer backed it. This time around, they've made the adjustments, so hopefully it does make it to the ballot because I know there are plenty of people in here Arizona would love to see it. Go full adult use.

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Adam Kulbach 15:05

Okay, so New Jersey, I understand is going full legalization including recreational. Is that true?

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Stephanie Till 15:12

Yes. So they already have a medical program that they've are continuing to work on. I know for a while there, they didn't even allow the use of pesticides of any pesticides, because there aren't any that are federally allowed for cannabis use, which is interesting. I mean, the Garden State was basically saying, unless there's one that is on the federal EPA list of something that you can use, you couldn't use it. But cannabis is illegal. So there wouldn't have been one. So they were in a bit of a catch 22. And they found out that what happens when you have very limited pest management procedure options available is that you end up with some buggy weed, there was a lot of that. So they did make changes to that, but they're actually looking to amend their constitution with this particular ballot amendment. So it's not just putting in a law that says, Okay, you have to do this Absolutely. A huge change in their constitution in their state constitution to basically say, No, this is a right, that you're that they adults should be allowed to possess a certain amount, you know, they shouldn't be penalized for utilize utilizing cannabis. So that will be huge. And it opens the door to the northeast, because once New Jersey goes, then you're going to see New York, Connecticut, and basically all the neighboring states working together to try to cobble together a framework that works for all of them so that the state laws aren't that different from state to state, in the northeast, because they're all so closely together. If one of them's more beneficial than the other, as as much as we try to detract from going over state lines to get your cannabis that doesn't stop people from doing it.

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Adam Kulbach 17:08

Adam Rabinovitch 17:00

Now, how about South Dakota? What are they doing there?

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Stephanie Till 17:12

So South Dakota is interesting in that it has two ballot initiatives, one that would just legalize medical marijuana and one that legalizes both medical and adult use at the same time, and requires a framework for it. So all of so tackling all three of those issues at once is kind of a huge, separate, it's a first and in my knowledge. And I could be wrong. But I think it's the first time that we've seen both medical and adult use addressed in the same ballot initiative, and the masking for this basically demanding that the state comes up with regulations for hemp as well. And so it'll be massive, because then it allows for South Dakota to basically have a marijuana market overnight, not just medical, medical and adult use. So it makes it a little bit difficult and trying to project what kind of a market size it is. And I and I think Peter can actually speak to this a little bit more. Because I know for me, it's a it's a big thing, in that it allows expanded access across the board. So people don't have to be on a list. They don't have to disclose their medical history or go to a doctor just to be able to get this particular kind of medication, which I know, here in Nevada was a big deal for why question two was ultimately successful, because we had a lot of people who didn't want to be on any kind of list, who didn't want to risk losing VA benefits or anything else like that, just so that they could get a medication that was less harmful than what was or at least they believe is less harmful than what they're being prescribed. So

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Peter Prevot 18:48

there has to be some instead of for the medical consumer, right, like, you know, all the negative things you just named that way negative. But the drawbacks to red tape being on the list being, you know, on the hook with the VA potentially or maybe if you own a firearm, I mean, lots of different reasons why people wouldn't want to disclose it, they're doing this it's it's fair, federally illegal. So, I mean, obviously, there has to be some incentive for the medical consumer to go through all that trouble. And obviously, you know, we expect that there will potentially be lower tax rates on the medical side, but maybe it's higher, higher concentration in the product, higher milligram limits, higher possession limits. So I think that's certainly an interesting experiment that we haven't seen before. I mean, typically, we're seeing a several year gap between that medical transition to adult use. And so, you know, as with a lot of things in this industry is like, kind of gonna get my popcorn ready for that when there's gonna be some interesting data. So come out of that, should it go down that way?

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Stephanie Till 19:44

I totally feel like a policy nerd. Just kind of be like hi, are they gonna make this work? Because from states who had a medical program if they didn't do something to protect it, people dropped off of it precipitous least like it happened here, I've, I think it happened to a certain degree in Colorado. I know it did in Oregon. And in California, their numbers are hard to tell for, for a fact, how many people actually dropped off, because there's a lot of people who will use California as a way to get an out of state cannabis card, so their numbers are a little harder,

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Peter Prevot 20:25

almost like California was a seesaw, everyone got really excited about recreational and then it took a long time to get off the ground. So people had to go back and renew their medical card for a year that they probably wouldn't have. So California very hard to read on that. In that regard.

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Stephanie Till 20:39

I think California is harder to read because it there were so many things that they weren't accounting for when we went to recreational, there are two adult use, in that California didn't really have a regulatory framework for their medical program there. I mean, there were some, but not as expansive as Colorado, Washington, Oregon, Nevada, like even Alaska had regulations that were stiffer than what California had. And so California went from being very kind of loosely regulated, to be very heavily regulated overnight, and a lot of companies just couldn't compete in, in that system. And also, they weren't having to do quality assurance testing for their cannabis products. And they were buying from patients in a lot of places, creating somewhat of a gray market. Except that when you start testing the cannabis for the longest time 20% Or better of it was failing. Which is just when you think about how many patients with immune, who are immunocompromised, were smoking cannabis that had mold that, you know, wasn't maybe that maybe had hard metals, or heavy metals or pesticides in them. Like, you don't want to make the situation worse, with the thing that's supposed to be making you better. So I don't I'm a huge proponent. And yeah, I'm definitely for testing cannabis products, both for potency and for quality, to make sure that there aren't all these other things in it, so that you know what you're getting. And you can have a general idea of how clean the operations are from the people who are making what is essentially your medicine or your recreational product. Like you wouldn't want to tour an Anheuser Busch facility and see a bunch of rats or people just, you know, not taking standard Good, good manufacturing practices. Why would anyone expect that in cannabis.

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Adam Kulbach 22:57

So Mississippi, they have something on a ballot surprising to many, from my understanding they have they do have something on a ballot, but there were two different bills. And they seem kind of deceptive in how they sit side by side. So starting with you, Stephanie, could you elaborate on that?

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Stephanie Till 23:17

So yeah, I can a little bit. Mississippi was definitely not one I anticipated being on the 2020 bandwagon for legalization just because the Bible Belt has been very slow to move that needle. So to see Mississippi on there. And Nebraska, which is more Heartland state, for me is very encouraging for the whole legalization movement, because it says we are whether they're successful or not, we're getting there. We may not be there yet, but we're getting there. And Mississippi is a really great example of this because they do have a very good medical layout for what they're looking for that has is open to quite a few different ailments for ballot initiative 65. But 65 A which was put in place, it was added to the ballot by the state legislature is

actually more restrictive, there are fewer elements allowed to access that as a medication. And it gives much greater government oversight over any potential industry that would arise. So 65 a there are a lot of people who are suggesting that that was put in place to split the vote confused voters basically make it to where 65 just doesn't succeed. And so there's a whole lot there's a whole lot on the team who are promoting ballot initiatives, ballot initiative 65 to make sure their messaging is clear. Make sure that that voters really know which one is the one that they want. But

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Peter Prevot 25:00

they'll speak on that for a moment as well. So 65 I think has 22 qualifying conditions. 65 A doesn't list any right? It just says terminally ill 65 has possession when it's I think it's two and a half ounces 65 days silent on that one CD, I will keep going back and forth your toggling. One lays out tax rates, one because that powers the legislature. So it certainly seems very deceptive. And, you know, unlike Stephanie, whenever she said she was surprised to see Mississippi gather the signatures, I actually was not living in a neighboring state. You know, I've traveled through Mississippi a lot and a lot went to college, a lot of people from there, I know that there is a culture of this in Mississippi, it's just very much hit, you know, all secrets hide in plain sight. And so I was not surprised that Mississippi would get the signatures. I was very surprised whenever the state legislature decided to come in and try to, you know, push this off the rails in such a deceptive manner. And if you guys will allow me I'll actually read the two ballot initiatives to you right now, because it'll it just blows me away. So initiative 65. This is should Mississippi allow qualified patients with debilitating medical conditions as certified by Mississippi licensed physicians to use medical marijuana? Very simple. That's all it says. Now, when you read 65, eight, it says almost the exact same thing, shall Mississippi establish a program to allow the medical use of marijuana products by qualified persons with debilitating conditions? Those two things, it's the wording is practically identical. And so if your average person doesn't have the, you know, information in front of them or doesn't know, to drill down, is it's going to be interesting at the ballot box. And I just definitely, it's kind of like a, I guess, a double edged sword here. It's like you're super excited to see it come but you know, also concerned about the fact that it's going to be a hard one.

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Stephanie Till 26:57

Absolutely. Well, and this year, it's going to be very difficult to know, on election night, whether or not it passes or fails. Because there are so many people who are calling for mail in balloting. Just for a safety standpoint, which I absolutely understand. But as somebody who's trying to watch the How these things play out, it is going to be sort of a nail biter that lasts for like a week to two weeks before we really know how well any of these initiatives end up doing. So in November, I plan on basically stocking up on Tom's and and some fine, fine, Guinness, you know, alternative routes we, oh, anxiety and just either celebrating or commiserating with some friends over how some of these things go. But a lot of these are looking good. So I mean, Mississippi, I'm hopeful I really am

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Peter Prevot 27:59

what I that something's definitely we should maybe even talk about this after but so what happens if they both pass? I feel like that's a long shot in a state like Mississippi, but I haven't



even dug deep enough to know that myself as someone who does, you know, kind of nerd out on this, so to speak. i That's a question. I keep coming back to what if they both passed? I don't know what happens then. But I guess that's

**S** Stephanie Till 28:19

because it because then they would be put in the position of having to make both law. And one is far more expanded in its access. So yeah, I don't know, because they it was with them specifically saying it has to be terminally ill. Oh. That cuts the number down immensely. I wonder. A total aside. Would it be possible because I know that you said trying to split ball the size of a medical market is a little difficult because you have to know how many people generally speaking, have the qualifying conditions, when it's very loosely worded as to what qualifies that opens up Pandora's box and that we really can't know exactly what the size of the medical market is. But the terminally ill one, we know exactly how narrow that market is going to be. I wonder if we could almost kind of take a look at that and sort of spitball a projection as to which one would be more beneficial realistically, if 65 goes or 6065. A, mainly because I think that's something that if we were talking about it, that's gonna catch the attention of the people who are actually running this campaign. So

**P** Peter Prevot 29:35

yeah, definitely. I mean, we can dig into those numbers and play around with it a little bit. I think that'd be super interesting. But just even just going off the top of my head and seeing what's happening when Louisiana you're talking, you know, under 10,000 patients if it's just terminally ill and if it's very few license holders, I mean, it's not going to get traction for quite some time. And that may be the intention here. It's hard to it's hard to really know the truth from you. Go back to the layers here.

**S** Stephanie Till 30:02

Yeah, I think it would have to, it would really require a deeper dive into who's in the legislature where they really sit on this issue to see exactly why they would feel the need to stump this in such a way. Is it that they're afraid of having the cannabis industry there? Or is it that there's a fear that things might move really fast, because I know that, in some states, the push to not have medical is because it's never enough. Once we have medical, then in a few years, we're going to have full legalization. And that's too fast for a lot of places, which I can understand there's still plenty of states where you can't even buy alcohol on Sundays. So why is slower moving?

**A** Adam Kulbach 30:45

I'd like to throw in a third option. Some of these states and Georgia reminds me of this a little bit. I think they're fine with legalizing medical or adult use and some of these states, but they're really not fine with letting anybody control it. In my opinion, it almost seems like

Mississippi would be fine with it as long as the political network benefits from it, friends, family, etc. Making sure the right people are owning the cannabis licenses in that state. Not to get too political. But would you agree that that might be the third option?

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Peter Prevot 31:24

I think so it's definitely I mean, to cut you off, but looking at you know, we'll talk about Georgia and Louisiana, both of those are putting a lot of a lot of stock in this university basis, right, which goes right in line with the comment you just made about controlling, you know, who gets it and having those people vetted. But don't discount in the south, especially the southeast, the power to sheriffs and the DBAs associations and those lobbies, like they still have a lot of power down here. And they are they along with rehab centers, and also some religious groups are pretty much the only people fighting it. And you really look at that holistically like we have polling numbers, right. I mean, we have lots of polling data, and it suggests the public by a landslide is ready for this. But the sheriffs and the DBAs, and some of those other groups that I mentioned are not. And for better or for worse, those folks are still powerful in the south and have a lot of sway.

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Stephanie Till 32:19

Well, and that kind of you bringing up the people who are opposing this, every single one of those people benefit in some way with keeping this illegal. Rehab Centers for all the good that they can do. And I'm not gonna say that rehab centers don't do good. But out of all of the substances that are out there, cannabis has zero deaths attributed to its use to just straight cannabis use zero. So are there people who may make it into a harmful habit for themselves? That's always a possibility with any substance. But the way that some people who own these rehab centers have kind of position themselves as this is absolutely dangerous, it's super harmful. It's a gateway drug, when that's been proven not to be the case. There are other things that are more of a gateway into Harder. Harder drugs and alcohol use. And it usually stems from trauma not from Oh, my desire to smoke a joint now I want to try heroin, it just doesn't work that way. But yeah, sheriff's departments. Prison for profit prisons, like governor's have to keep for profit prisons at a certain level or they have to pay. They actually have to pay the prisons for not having at a certain capacity. And so one of the ways that makes it very easy to keep that at capacity is to continue to charge people with marijuana crimes up there. Because most of the time people who go in aren't going in strictly for marijuana crimes. That was one of the things we found out here in Nevada, which made it so difficult to try to correct some of the mistakes of the drug war was like if somebody's in jail just for weed right now. They really shouldn't be it's legal now and coming to find out that one, we don't exactly have full figures in a lot of states on how many people are in for cannabis crimes. Illinois does a great job and in tracking them, but I know Nevada doesn't have anything where we can, as researchers just go to a website, pull data, it's having to go through Freedom of Information, Act requests, and wait months for data to come in. So, you know, decriminalization and legalization pose a very real threat to anyone who drives their income from continuing to criminalize this plant and the people who use it.

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Adam Kulbach 35:08

So what states personally introduced you to and why we can start with you, Stephanie.

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**Stephanie Till 35:18**

So for me watching what has happened with Idaho, seeing that they dropped it, but it was even considered in Idaho, which is a super conservative state. I mean, the penalties for possession in Idaho are pretty stiff. And it's just not. Typically the state culture doesn't seem to be one that is very open to that. And that could be that it's, the things are shifting. So for me, I like following these states that are somewhat poster children for the regions that they're in, right, because it is kind of like having a thermometer in that room just kind of testing. What's the temperature? Like how close really how warm? Are we, on that idea? Are we still a few years off? Are we getting closer than we were, because even whether Mississippi makes it or not so like Idaho, Mississippi, South Dakota, those are my big three right now to watch, because the Northeast is going to be doing their own thing. And they'll probably work collectively, like I was saying before, to cobble together regulations that worked for that Northeastern region and make sense for them. Pennsylvania might be an interesting holdout. But when you look at states like Idaho, and South Dakota, which have traditionally not been overly fond with having cannabis there, and the fact that South Dakota has two different initiatives on the ballot for people to choose from, they can either choose to just go medical at this point in time or go full. But I think that's very big, it will signal where they really are in terms of the level of comfort that they have with cannabis in their state. It doesn't, to me, these all show a shift towards greater legalization will be closer to national legalization than we have been. And seeing how Mississippi pans out and South Dakota will should be able to give us a little bit better indicator of how long we have to wait on the national level. Because if these conservative standouts are willing to consider it, we may be closer than we have thought to, at least on a national level being a lot more comfortable with it. And it may not be a federal crime for much longer. So hopeful.

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**Peter Prevot 37:49**

Yeah, I'd say here. On my side, it's definitely a slightly different answer. The Florida market has always fascinated me, it's also a neighboring state from where I grew up, and I am a seasonal resident in Florida. And so I just watching that market develop and start out as basically a high CBD program and then start with five licenses and then go to have most of them issued through legal challenges. And then watching you know, one, one particular company kind of run away with the market take 60% of it, and the rest of the group trying to play catch up the whole debacle with flour, the supreme court challenges and whether you can grow at home, then seeing some of the industry money come in and how that changed Florida and competing ballot initiatives and then differing differing ballot initiatives. I mean, to me, it's just a super fascinating state, and it's a huge prize 20 plus million people, much like I talked about Mississippi earlier, you know, it's not front and center, like a state like California or Oregon or Washington, but there's a huge culture for cannabis in this state. And I don't know, I just kind of wonder where Florida goes next, like what happens? Do we see this, you know, cartel style oligopoly play out for another 10 years to do it? Do people come in and make changes? I mean, it just it's one of those markets. When you look at the numbers, you know, you really look at the raw sales numbers and you look at the profitability and the fact that one of the only cashflow positive companies in the entire industry is making their their money here. It's a very fascinating state to me from a numbers perspective. Another state that really I like to watch a lot lately is Missouri and that's because we've done a lot of work there as a firm, Missouri's one

that kind of surprised me, I wasn't following it before it happen and kind of goes back to the whole value of Bridgewater participating in this in this group is that, you know, we can start to be more real time with our decisions and where to deploy our people and you know, where we think we need to be working Missouri's one, I have a lot of clients there. I've made a lot of friends there. And I know a lot of folks that have moved from other states in the region to go work there in this industry. So I'm hopeful that was theory, you know, for better or for worse, they've got their problems with like any other new state. But I'm just very curious to see what this new launch looks like. And what happens. And Missouri is one I'm keeping a very close eye on. And then home state of Louisiana had a lot of changes made this legislative session. I mean, this is something I've been personally working on since 2014. So it's been a lot of ups and downs. And I'm hopeful that where we're at today, while there's still so much to do, I'm just very curious to see what happens with the supply chain there because you only have two, two cultivators, right, and they're university based, limited canopy, they can pretty much grow as much as they want. But there's just it's had a hard time getting off the ground, the changes that got made this past session, were really involved around. Basically doing away with the list of qualifying conditions and allowing that catch all provision, like we talked about earlier, so any any debilitating condition that a doctor sees that took away some of the red tape for a physician to actually register, right, so now if you're licensed and in good standing with the Board of Medical examiners, they no longer have additional regulatory authority over what you do as a doctor. And so you know, it's baby steps, but it's definitely it's one that I'll always be paying attention to, because it affects my day to day life.

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Stephanie Till 41:19

Those are absolutely huge baby steps. By the way, I was gonna ask you if that if those really were successful, because I know that they were working on them. And then it was

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Peter Prevot 41:26

first August 1, all those take effect. Basically, everything that was out there this year passed except for flour, and for inland Louisiana. So you know, we got there some other little tidbits that are in there. There's some banking protections for state for state licensed banking or financial institutions, which, you know, that to me was almost a feel good deal. Feel good bill, you know, because the real problem on that side is with the FDIC and the federal regulators. So, you know, hey, I'd rather see that exist than not right, because right now, there's only two banks in the state that are willing to bank the industry. So maybe that'll help ease things up. Maybe it more in normalizes it more. Also, another small tidbit from this year was criminal immunity for the hospital systems, right? We have a lot of, you know, we have a lot of patients who are in the hospital system that have an interest in this, but you big hospital systems in the state, basically put gag orders, if you will, and their physicians and said, No, you can't do this, because it's illegal. And so now we've put in some immunity on the state level for that, to find what a recommendation is, or is not because our recommendation was very prescriptive before. I mean, you literally had to say what product and the dosage form and all that it wasn't a recommendation at all. It was a, it was a prescription disguised as a recommendation. So that got legally defined. And then they also added in some additional language about, you know, the metered dose inhaler. And that product has been legal for a year now. And it's still not to market. And that speaks back to me with wondering like Kansas supply chain and really do what it needs to do. And I think it can, I really do. I mean, I have a lot. I mean, first off an LSU

alumni, I love the school, Southern University is a great institution, these are both big agricultural colleges. And they can hire as many subcontractors as they want, right? So if LSU wants to bring in 10 of the best companies in the world, to grow over there, they can do that. So there's a lot of flexibility with that. But it's also I also worked at a university for five years. I know that universities a lot like government, there's a lot of bureaucracy involved, and you know, it's extra baggage, it's extra costs for the patients. And so to me, I'm just, you know, really standing by and seeing these changes that happened this year. And I'm like, Okay, well, where does this go? And can can these guys execute on this? And that's, that's, that's what TBD at the moment. Nord is almost like three states and one then that you know, you have the East Coast Park, you know, St. Augustine, beach, Jacksonville, all the way down to the keys, right? That's the Atlantic side. Then you've got the panhandle region, which is to me, it's an almost an extension of Alabama. Like, just when you drive around that area versus other areas, they look totally different. And then that leaves Central Florida, which is its own beast altogether. And so you really have a lot of different cultures. Like you said, people with transient businesses are not transient, but they bring their their culture from their home state and they sell you know, the New York style pizza here. And so I'm super I mean, I get I know how he spoke on it, but just Florida to me to have been watching it for a long time just to watch the roller coaster ride that it has been. It's literally three states and one.

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Stephanie Till 44:34

Great, well, and when you when you've mentioned Florida, and did you know that earlier this year that there was a proposal or a bill proposal to no longer allow for vertical integration? Because because of the monopolization that's been going on in Florida cannabis that like we cannot allow from this point forward anymore. I'm vertical integration. And unfortunately, that wasn't successful. But I think I think they were onto something at least in markets, where it's clear that some companies are able to gobble up other ones rather quickly and take a disproportionate market share. It certainly doesn't help the patients or the or adult consumers, one that's legalized it from a price point standpoint, if there's only one really horse to go to

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Adam Kulbach 45:33

federal legalization versus federal decriminalization. What, what do you think is the difference between these two models? And what do you think are the pros and cons of legalization and decriminalization on the federal level? Let's start with you, Stephanie.

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Stephanie Till 45:51

I see you this is one of those times where I would have been like, oh, go with Peter first, because he can at least tell you from the financial side what that could mean. But I can tell you from I know that it seems like an either or there's there's really probably three decent options. So decriminalization would just make it to where it's you're less likely to be charged with a crime for it. But it's not full legalization in that you can actually cultivate sell, produce products or anything else like that. So decriminalization is generally the foot in the door to getting legalization. And we've seen that in other states, where it's just basically like, Okay, well, we're not going to focus on that, right, in terms of enforcement, we're just not going to deal with it anymore. The problem with that is that there are in multiple states and even at the federal

level, plenty of people who make money off of criminalization of cannabis. So there's going to be immense pushback from them. So just from the decriminalization standpoint, it's going to affect law enforcement, it's going to affect the prison industry, it's going to affect any industries that rely on prison labor, to decrease their cost of production. Legalization comes with the potential to actually kill the cannabis industry as we know it, because once it becomes fully federally legal. There's nothing to stop the Philip Morris's of the world. You know, the alcohol industry, Big Pharma, depending on how they legalize, it would determine which of those three main sectors would benefit most in investing in cannabis. And we won't see the culture that we have even now. I mean, the cannabis culture has changed just in the last four years. Let alone and depending on which market you're looking at in Colorado, I'm sure that the cannabis culture completely shifted, once you saw adult use because there was a much stronger patient culture here in Nevada before we had adult use and and that that change dramatically, almost overnight. As soon as people could have legal sales, a lot of the products that were available for patients weren't available anymore, because there just wasn't enough demand for them when you have limits on the sizes for the adult use, or recreational consumer. And if they're buying bigger bulk. From the company standpoint, it doesn't make them as much money to make the medical products and they're losing out if they're making them more potent, but only getting like a small amount for it because that was medical, whereas now they can stretch it out a little bit more. And you know, they can make a little bit better money. So a lot of the CBD flower products that we saw, kind of disappeared from our market. So flower that was more of a one on one is a lot rarer in this particular market because of legalization. If you go to a full legalization without doing something to safeguard the state markets, what you're going to have is a whole lot of people who may not know that much about cannabis as a product or as a plant and or how it even worse, like the fact that it's an entourage effect that gives you the effect that you get from each strain and why each one feels a little bit different when you consume it. If you have people in charge who don't understand that they're just gonna go for potency, and they're gonna go for the least expensive options for making it which is not good for anyone. So the third option that I said was the state's act which is the one that Elizabeth Warren and Cory Gardner, put forward? I think that's the best one so far, in that it protects the state's right to make a choice to have these markets, and basically says the federal government will stay out of that decision. Is it a perfect solution? No. But until we dismantle all of these other systems that profit off of putting people in jail for cannabis use, or possession, we're not going to be able to see it be effective at a federal level, like we're, we're gonna push back from those people who still profit off of it being illegal, I guess, is where I'm wanting to go with that. When I saw you nodding a few times, Peter.

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Peter Prevot 50:50

Yes. I mean, so much to unpack here. First off, and you know, I will use a, very much a go to CPA phrase and be like, Well, it depends. Because there's so many factors that go into this. But, you know, if you did talk to me, in January of 2020, before COVID, and before all the all the things that have happened this year, I would have almost said legalization is a foregone conclusion that it will happen. And we don't know when but it's going to happen. I think deep down, I still do believe that. But my my crystal ball is not working as good as I thought it was. And so yeah, I'll kind of start by unpacking some of the deep grim talk. And I feel like there's more and more of that happening today than there was even a year ago. And I think that's for obvious reasons, because of the election, and just because of certain circumstances and things that have been made public. And I think, you know, the Decrem, like Stephanie said, it was a pathway to legalization. I agree with that. But I'm gonna say there's a cop out, it's like, oh, we can't figure this out right now. So let's just kind of throw a patch on it and see what happens.

But realistically, I think it'll do almost more harm than good. Because, you know, it'll take away the incentive for the states to figure it out. But it will keep the private prison industry and all these groups that we're talking about well funded, at the same time, and incentivizes criminals to go out and do what they do. And I use the word criminal loosely, but, you know, just strictly defining it as like, it's going to incentivize people to break the wall. Maybe they're not criminals by nature, but, you know, taking that approach and saying, Oh, well, it's not illegal anymore. Unless you do this, this business didn't entirely leave. And so you know, the deepgram. To me, I just feel like it's a cop out. And I think that, you know, as a, as a country, and as individual regions, I think that we're a little bit more sophisticated than that at this point, right? We've seen this experiment unfold, so many times already. And there's a lot of data out there. But we've just spent, you know, an hour here, and we've barely scratched the surface on some of the data that's out there. So I think if the government's you know, whether it be states or federal, if they really spent the time and the energy, they see the solutions that are out there. And granted, none of them are perfect, and there will always be a work in progress. But I would prefer and I do think that industry would probably benefit more from seeing some sort of state's act or some sort of some sort of legislation that makes it legal, but full well, knowing like, I know that certain states will never give up the power, right, like certain states are going to roadblock those until the end. And so it almost has to be some sort of piecemeal system like that. Even if you go back and look at the hem, you know, the the hemp legislation that passed in 2018, states still have a lot of power in alcohol industry, right? states still have a lot of power that we talked about earlier, some places don't allow you to sell liquor on Sunday, and Utah, the beers weaker and you know, so I think that, you know, the answer is already out there. We just need to keep pushing to show it to people and then have, you know, have the buy in. And other big piece, and I've talked about this before with this group is, you know, to share us the DEA is these groups, they rely on this enforcement for their budget. And I think one of the big pieces that's missing today is the DUI technology. You know, we've talked about this in our calls before, but I think that the moment, there is a reliable way to tell when someone's really intoxicated and behind the wheel. And then you can find them like you do with alcohol or like a lot of other substances, even prescription pills. If you have a way to enforce that, they really enforce it and holds up in court. I think that alleviates a lot of the concerns that we keep going back and forth on and a lot of it is driven by budgets, state budgets, and that stuff's only getting tighter right now. So that's my roundabout way of answering that question.

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Stephanie Till 54:39

You mentioned technology. I know that Oklahoma just recently put money towards a breathalyzer. Some breathalyzer technology that they think will work. It will certainly be interesting to see if it actually does, because the DUI issue is one of the hurdles that a lot of us states have with even legalizing it. Because how are you gonna tell if somebody's driving under the influence. And for those people who are patients who have gotten DUIs because of it, and because they test your blood, and of course, the analytes are in your blood, that are in your system for a very long time, depending on your health, and, you know, body fat ratio, and all sorts of other factors. So having the technology to be able to solve the DUI question would be huge. I think that would take away a lot of reservations. But, but, you know, it also depends on how people are feeling on the social justice issue of it all. Because really, at the end of the day, making cannabis legal taking away that incentive to put people behind bars for a plant would be a massive boon for social justice, because it's, it has destroyed a lot of families, it's destroyed a lot of lives just in the enforcement of it. Because it's, it's not even we've seen that in numerous states that it's not even on who's getting arrested, who's getting charged, and how those sentences are prescribed, you know, I mean, it just, it would be huge in terms of

social justice, when we finally get to the point where in this country, being in possession of cannabis doesn't risk your livelihood, it doesn't risk your freedom, you know. So, I mean, I'm, I'm ever the optimist, and I'm hopeful that we'll get there very, very soon. But I'm looking at the data. I'm a little leery to, I don't, I wasn't a fan of Bernie Sanders option to just legalize it, and it through executive order, because the reason why it's taken so long with the states is to navigate these concerns of law enforcement, the concerns of, you know, parents, groups and religious groups and the medical community. And so it sweeping legislation isn't the answer, if there's not enough, not enough input from the community and the stakeholders in it.

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Peter Prevot 57:20

I guess what's on that same vein, let's like think about the amount of capital that's gotten deployed since 2010. In this industry, right, every state has built their own system from the ground up practically every state that's doing it. And so to just ignore those stakeholders at this juncture, and say, Oh, well, you know, I get that you, you know, you just built all this stuff. We gave you a license a year ago, but you know, now what are we care about that? Like that, to me is a disservice to, to everyone that that kind of blazed the trail here. I know a lot of your state lawmakers don't care about that. But those are their constituents, those those people pay taxes. Like that, to me is a big deal and it shouldn't be ignored. Exactly.

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Adam Kulbach 58:03

So that's about all the time we have for today. It was great to have you guys on and it was very informative. We hope to have you back very soon. So stay safe, guys. Have a great week.

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Peter Prevot 58:16

I look forward to and have we get to talk more soon.

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Adam Kulbach 58:23

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