

Episode 27 Southern State Podcast

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SPEAKERS

Emily Seelman, Adam Kulbach



Adam Kulbach 00:10

Hello and welcome to the higher enlightenment podcast brought to you by higher yields cannabis consulting your seed to sale Business Solutions team. My name is Adam, your host and part of the creative team here at higher yields. Today's episode number 27 deals with the state of the southern states concentrating on Virginia, Mississippi, Georgia, Florida, Louisiana, Texas and Alabama. Today's guest is Emily Steelman, Senior Technical Writer here at higher yields. So let's get on with the show. Welcome, Emily, can you give us a little introduction to yourself?



Emily Seelman 00:52

Hi, my name is Emily Steelman. I'm the Senior Technical Writer here at higher yields consulting, I help the team out with the application side of things local and state regulatory work and compliance work. And I am a what I like to call myself a recovering lawyer which was a term used by a colleague of mine who actually he's also on our writing team here. So we've got a writing team of a lot of different industry experts in their own right. So we have some lawyers just like me, we have some individuals who are former federal procurement individuals, employees, things like that. So they worked in our naval nuclear program from the for the federal government, with the federal government. We've also got engineers and compliance individuals, individuals who have worked within the realm of FDA and pharmaceuticals. So it's a really great team that I work with, and we help our clients in the application space to obtain licenses, whether on a local permitting process or all the way up to their state's cannabis industry.



Adam Kulbach 02:00

Thanks, Emily. As far as the states that we're discussing here, Virginia, Mississippi, Georgia, Florida, Louisiana, Texas and Alabama. Could you go through each state and tell us how they're doing as far as legalization goes?

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Emily Seelman 02:16

Yes, Alabama was obviously the the probably one of the most exciting states to happen. That was the most recent, I believe it was the end of May was around May 24, of this year to 2021. That the governor signed the bill that was Alabama Senate Bill 46, or SB 46. And that is really geared towards medical cannabis patients. And there's a significant amount of patients who would benefit from medical cannabis. So the senator, he was a very vocal about this bill, as well as a woman named Shea Garrigan. She's the executive director of the Alabama Cannabis Industry Association. And I had the opportunity to actually interview her a few weeks ago, and just talk to her about that process of getting this thing through the door. And they are in the process of setting up their regulations now. But the bill itself was really a learning process for them, because they merged a lot of the knowledge that had been acquired from other states like Pennsylvania and Florida and their programs, which is how a lot of these states operate. So you'll see some overlap between these different states. So Alabama, just kind of starting there, it has been probably the most exciting state for me just because it's deep South. It you know, I live in the Bible Belt, I think it's considered the Bible Belt. I live in South Carolina, most of the year. So, you know, I always laugh at the fact that we're I'm in this industry, and we're probably going to be the last state to legalize cannabis. But Alabama was really kind of setting precedent here by doing that. And then you've got states like you had mentioned, like Virginia, and they became the first state really to begin their process of legalizing adult use. And that was this year as well. So there's a lot of movement this year that I'm super excited about. So yeah, Virginia being that first state and then we've got Mississippi, there is a little bit of a, a little bit of an issue in Mississippi, as most of these states, you'll see these are consumer initiated, these are advocate initiated measures that come through. So what's really exciting about them is that the louder the voices of the people get the faster these states move. And Mississippi is an example that it was just January of last year of 2020. That medical marijuana 2020 was the bill it was the effort the measure to legalize medical cannabis in Mississippi that went through and it qualified for the November ballot. And that was I remember that going back and forth and everyone wondering if it was going to pass and if it was going to qualify for the ballot and it did and Mississippi residents worked hard to do that. So qualified for the November ballot. And then it was overwhelmingly approved by Voters, it was something around 74% of voters who approved that. And, of course, as is all, you know, very typical with politics, they've had some legislative issues recently, but the state is working hard to implement that program by summer of this year. So we'll see what happens there. I don't expect things to move super fast in the state of Mississippi simply because of all of those issues. And there were some, I believe, some alleged constitutional issues involved in measure 65. So we'll see what goes on there. But you know, Mississippi is a great example of well, it wasn't the first southern state to get jump on board, it was certainly an example of how the citizens can really push a program forward. So, Georgia was another state that you had mentioned, I really liked Georgia's program, just because it was so the way that they did the protest issue. So cut to kind of backtrack. So it allows only low THC oil, the state only allows low THC oil. There are some huge problems with this program. This is similar with every other state. This is not particular to Georgia, there's a huge push in Georgia by advocates, particularly individuals like Joshua Terrell, who was a veteran, and he advocates for cannabis use by veterans for PTSD. So he and a number of other individuals really pushed for the legalization of cannabis in Georgia. And Georgia ultimately, did permit low THC oils specifically for the patients. So that's really great. It's a start. And once that started happens, it's, you know, there's no stopping it after that. What's interesting, though, is that the program itself and what I liked about the program is that it was very well thought out as in terms of the application process. So they allow for a protest period in the middle of the application process. So if you felt like something was unfair, or what unfairly disadvantaged dis,

so what the state allowed, what I thought was very interesting about the application process was that they allowed for a protest period in the middle of the round. And so it allowed people to actually say, Hey, I don't like what this process is doing, or I don't like how this is going to unfairly bring me a disadvantage over another group that's applying. And it was kind of their way of offering a voice for people during the the round, I did actually stall the end of the round. Because of that there was a protest admitted by multistate operator, a lot of people went back and forth as to whether that was a legitimate protest, or if they were just trying to stall time to get their application completed. There was some pushback there. So that was an interesting little bit of drama that happened. We helped some clients there. And it was a really, really great experience for us, because our clients there had such a passion for helping people. But I'm sure we'll be talking about the social equity program later in this this podcast episode. So that protest period kind of aligns with what they attempted to do with social equity, because they didn't really have much there. And for fear of talking too much, I'll just kind of wrap up or summarize Florida, but 2016 was when voters passed amendment two that was known as the Florida Medical Marijuana legalization initiative. And that legalized medical cannabis for patients. So that was a one of the first programs to start there and really set a precedent for other states to look to, like I had mentioned Alabama look to Florida when it was drafting that bill. So it's a heavily regulated industry, it really only provided an opportunity for multi state operators, in my opinion, just because of the cost and the barriers of entry there. Louisiana, just recently they approved a bill in the committee to impose fees instead of a marijuana business licensing system. So if legalization is enacted, so there's also actually another measure to bring the state's hemp program up to speed. So federal legalization was also advanced there. But all in all, I think it it could stall simply because it would the proposal would only take effect if that bill to legalize cannabis goes through. So it's that's probably going to be a tough one. Got a lot of work to do there. And Texas, I think is the last state that you had mentioned. Correct. Yep. So Texas passed the Compassionate Use Act a long time ago, it was around 2015. That's a that's a millennium and cannabis years. So 2015 lawmakers passed a Compassionate Use Act, and that was really geared towards individuals with epilepsy. And again, it was low THC oil, similar to Georgia and even Virginia's model. So that's, that's interesting. It's an interesting start, but like I said, it opened the door for legalization. And sure enough, just this spring, the House passed House Bill 1535 and that raise the cap on THC levels in the product so it actually takes it from zero point 5% to 5%. And I added it expands the conditions that someone can actually get approved to use it. It's a shame that it has taken so long just to increase THC levels and expand the medical issues that are permitted to be used to get into this industry as a patient. But, again, it's a start and you've got politics involved in it's a southern state. So it's been interesting. I expect in the next five years, the states will move for pretty quickly, even Texas simply because younger Republicans are seeing the value and are vocal about the value that cannabis brings as an industry and for patients. So, you know, you got old school Republicans who have been, you know, the stereotype is old school Republicans are anti cannabis. Democrats are verbally pro cannabis, I have yet to see that actually be implemented on a federal level. In fact, the Biden administration has said they would side with the IRS with 280 E, which really hurts cannabis businesses and and is no longer considering the issue of federal legalization. So to me, it's never a democrat or republican Republican thing. It's just a politics thing. But what I do see and what is hope gives me hope, as that younger Democrats and younger Republicans are both seeing the benefit of cannabis as a market as an opportunity to create tax revenue for states and an opportunity to allow for some, some ability for individuals to enter into this industry who have been disproportionately impacted by prior cannabis laws through social equity programs. So I know that was a very long answer. But those are some really exciting states, I really wanted to be thorough.

A

Adam Kulbach 11:41

No, thanks. I love long answers. There was a lot of information packed in there. So what are the social equity programs in these states, like,

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Emily Seelman 11:51

still waiting to see a little bit more information on what Alabama's gonna look like it's still so early on in the process that we probably won't really see what's going on there. Just yet, they've got a huge opioid issue, similar to Pennsylvania, Ohio, and West Virginia, there's a little area kind of right in between those states that have just been hit really hard with opiates. So similarly, Alabama, is going through that same thing. And that has prompted them to establish this bill. So I think their priority from the get go has been to help alleviate a lot of those issues, the addiction that has happened, and to really correct those, what I consider big problems in the state. And that is, you know, it's not necessarily the individuals fault. It's the, it's the industry of pharmaceuticals. But But besides that, so I think Alabama is really focused on that right now. And then they will start to build out their social equity program is what I suspect. So that one will be interesting to see. For Virginia, the social equity applicants are supposed to be given first priority when their licensing opens up. And that's not going to happen until around 2023. That's the expected date is around July 2023. And social equity applicants will be given first consideration. So it's gonna be dependent at first blush, that sounds great. The challenge will be who qualifies as a social equity applicant, because what we have seen in other states is that they build these seemingly beautiful social equity application processes. And then everyone who's not a social equity applicant puts in a straw man or a token individual to qualify, because generally to be a social equity applicant, you have to have majority ownership by a social equity individual. And a social equity individual or one who qualifies as a social equity applicant is generally one who's been disproportionately impacted by prior cannabis laws. And that's just the long way of saying they've been arrested for small possession at a time when there were high arrest rates for small possession and, and this state has suddenly opened an industry and offered millions of dollars of revenue for people who participate in it. There's a lot of people who are throwing their hands up and saying, Well, wait a minute, I was in jail for this I got a felony for this, this completely changed the trajectory of my life. So social equity applicants or social equity programs are meant to rectify that issue. So just to kind of get that a backdrop. So that's why I say in Virginia, at first blush, the fact that they're given first consideration or priority grading in their own separate application window, would then prompt us to think okay, they're given first priority, which means they will be graded first they will be approved. First, they will get their licenses first and then they get first stab at the market. They get that shareholder, their, their hold of the market, they get customer loyalty, brand loyalty, all that stuff, if they do it right. The challenge is who will qualify as a social equity applicant, so that is still to be seen, and I'm excited to see how they play that out because As they can put in as many regulations as they want a ramble, what I've seen is when it comes to grading applications, how do they discern between true social equity applicants, and then individuals who are not really social equity applicants, but paid someone 500 bucks to be on a license, and that person isn't the wiser, they don't realize they're supposed to have 51% ownership and control of that company. So that will be an interesting thing to see how that plays out. And interesting state, Mississippi, there's a pending expungement initiative. That's all they're out right now. I'm sure there will be some public pressure to prompt a bigger social equity program. Georgia actually didn't really have a social equity program. They did prioritize teams who submitted applications with a focus on community and groups that they were helping. So if you were helping disabled veterans and things like that, and that's not uncommon because it's a it's

a low THC state right now, which means their real focus is on helping patients helping veterans suffering from PTSD helping individuals with cancer. So then that's their focus. They're usually adult use programs will prompt the social equity initiatives where they are saying, Okay, now this is an open market. This is a legalized substance for adults. So let's create a program that offers some benefit for everybody to enter into this industry. So that's kind of what Georgia is like that, in my opinion. I, I know people would see that and say, Okay, well, Georgia doesn't care about social equity applicants, Georgia cares about patients right now. That's what their focus is. But I also understand from an economic perspective, there's still an opportunity to make a lot of money in a medical route or an eye low THC round. So there's multi state operators who are coming into the state looking really only at the revenue, not at the patients. And they're the ones who get the first dibs on these types of industries in these states, because they're the ones with the money and the ability to do that. So I'll be interested to see how Georgia plays out when it comes to adult use. Florida has four provisions that arguably provide social equity in the industry. So one is reserving one of the 10 licenses that were supposed to be available in 2017. For a black farmer, that was a class member have a case that came to court in 1999. A second was requiring applicants to have a strong diversity plan, which many states today require that the third was requiring applicants management, ownership and employment to reflect the involvement of minorities and veterans. Now, that's not uncommon either. So this is arguably a social equity program. But this is actually something that states across the board look to, to provide extra points for. And then the fourth one was allocating \$10 of the identification card fee, to a research division in the university for the purpose of educating minorities about medical cannabis use. So these provisions are kind of steps in the right directions, I would say. But they're not necessarily a social equity provision that offers an opportunity for individuals to enter into the market. The other thing to be said to is, people mistake, social equity for being diverse, and that I at first, so there's a couple, I think things to note, social equity is not based on race, it is based on arrest rates, and it's based sometimes on where people live. So economic impact areas, which are in areas that are established by this census, as high poverty rates, dilapidated areas, individual or areas that may have seen a boom, like in Pennsylvania, the steel industry that went down, things like that. So you've got that aspect of it. But why why it's tends to go back to minorities is because minorities, individuals believe that data supports that minorities have been arrested at higher rates than Caucasians for cannabis use. So there's a lot of data behind that there's a lot of ways that that conversation can go some individuals believe that, you know, maybe they were arrested for more, but it was written down on a ticket as a, you know, just a minor possession fee, things like that. But there's all kinds of arguments there. But generally speaking, African Americans have been the ones who have been arrested at higher rates than Caucasian. So that is why social equity programs tend to be discussed in the light of offering minorities opportunities, because they're generally the ones who have been arrested at higher rates and been convicted with felonies and things like that or gone to prison. So either way, I know I've heard different arguments around what the actual statistics are, but It cannot be denied that there are individuals who have felonies on their records for being arrested for minor cannabis charges. And their lives have drastically changed. And this is an opportunity to give them and access into this industry and make money and provide for their families and create generational wealth. So I'm a fan of it. So and then Louisiana, no social equity program at this point, Texas, none currently, but again, it's a low THC state. So again, I believe their priority is on patients right now. So that's kind of where it stands.

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Adam Kulbach 20:35

So what are the biggest challenges being faced by applicants in these different states?

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Emily Seelman 20:40

That's a great question. It kind of goes back to where they're at in their social equity programs, I think and, and really the challenges of just entering into the industry in general. So Alabama, I think it's too soon to tell what that's going to look like as far as challenges for individuals similar with the Texas just based on the fact that it's a low THC oil state, Georgia, the fact that it's a low THC oil state, Georgia and Texas, the challenge there for applicants is just entrance into the market. Like I said, it's not built yet to provide opportunities for everybody to enter their priority is making sure cannabis stays out of the wrong hands. And it's heavily regulated, it is monitored. It's an all cash business, it's all cannabis business. So it's still a federally illegal substance, it's a schedule one substance. So these states are looking to make sure they do this initial stab at a program correctly, that they don't waffle on this, that they don't botch this whole thing, the challenge with the fact that their focus is there, and not on opening up the market to everybody in the way that Oklahoma has done it Oklahoma took a very free market approach to it, it they kept the cost the barrier to entry very low, which meant anybody could apply. And anyone could, generally speaking, if they pass certain qualifications and standards, of course, background checks, things like that, they could own a license. And what happens is it becomes less lucrative for big companies to gain a large foothold in the market. But it also allowed everybody to be able to enter. And then when you've got that free market working, the best businesses will stay alive. Places like Georgia and Texas, they are heavily regulating it, which means they're limiting licenses. And they're making that cost the licenses cost a lot of money to apply for. And you have to do your part when you're applying to make sure you have the best chance of winning. So arguably, that means you need lobbyists uni, obviously you need consultants, you need attorneys, things like that, you can't just put together an application by yourself, these things take like six months, and it's a full time job. We've got a huge writing team that supports our clients on these things. So someone who's trying to get an A GA in that round that just occurred, they would never be able to do this on their own, and have a fighting chance of winning in my opinion. So Georgia and Texas just by nature of the fact that they're low THC states, that makes the barrier to entry much higher, it's not going to be easy or even potentially doable for just regular people with no support, no help, no capital investment to really enter into until it becomes adult use. And then they open up programs that allow more people to access the industry. Places like Virginia, I would say the challenges there. Right now it looks like there will be caps on licenses. So it will be about 400 or so cultivation, I believe it's 450 cultivation licenses, 400 retail stores, if that's the case, if they are going to it, they will not build a commission. So the regulations can actually set basically the cap, a commission is put together and they can set a further cap on licenses. And by cap I mean a limit to the licenses that will be awarded. So if the regulations provide that there's going to be 450 cultivation facilities allowed. And a commission says well, we're going to limit that to 50 right off the bat, then you may have an influx of applicants who are trying to get into the state of Virginia. And then you would have a very competitive application process. So Illinois by example. They kept their retail facility licenses to 75. There were over 4000 applications submitted for that, and that was with social equity provision. So it was highly competitive. Now they're going through their own legal issues right now in that state, but and it's delayed severely delayed. The issuance of licenses, but Virginia may model that if they kept their licenses lower than the 450 cultivation 60 manufacturing 25 wholesale 400 retail stores. If they don't now you've got a greater opportunity and expanded market for people to enter and it's starts to look a little bit more like Oklahoma. So that and by a little bit more like Oklahoma, I mean, just more opportunity to enter, more people will win. But at the, the revenue that you would expect in a state like Illinois that has a cap on licenses won't be there. For individuals

who are applying in Virginia, there's still great revenue there. And if you're a good business, you can still create brand loyalty and loyalty and create a great company. So I'm not saying run away from it. But if the barrier to entry does become lowered in Virginia, then and again, it's going to come down to cost to apply, how political is it? Do you need, you know, are you competing against huge conglomerate companies? And is there a cap on licenses and what the social equity program looks like? And if there's points allocated to female owned businesses and individuals living in impacted areas, so once we determine and every other states kind of looking at that, looking like that same thing, we have to understand a little bit more about what the states are going to look like, with their programs are going to look like what their application process will be like and what the cap on licenses will be to understand better if you know, the challenges that will occur with individuals looking to apply.

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Adam Kulbach 26:12

So what are the most significant opportunities for applicants and social equity applicants in the States?

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Emily Seelman 26:19

That's a great question. I think a lot of it's to be determined by the state's I think it's obviously going to require them to wait until adult use rounds open in some of these states, because, you know, like I said, states like Texas states, like Louisiana states like Georgia, they're not going to have anything yet, Mississippi, I'm interested to see what the expungement initiative is, that might just be that they're allowing expungements for people and it doesn't really carry into their licensing program. But again, this all requires advocacy. And it all requires people to get behind a movement, and a voice that says we are thankful for this program. But we we see how it can be improved, and then help them model what a good program looks like. So I think all of that is to be determined. But I am hopeful that there will be some advocacy to get to get some opportunities for individuals similar to what's been happening in New York and New Jersey, advocate advocates have pushed for programs of inclusivity in the States, and these are heavily regulated highly political states. And to their I think it's it's that in and of itself, I think when you come into states like New York, New Jersey, where it's all about politics, and you've got such a heavy handed government, it, it really prohibits the ability to get into this industry. So I'm a big fan of more of the Oklahoma model. I don't you know, I see how it hurts, I wouldn't say hurts, I would I see how it removes the opportunity for a smaller number of number of people to gain a lot of money in an industry. But like I said, I would rather see more competition in a state like Georgia, then just a handful of groups that are probably multi state operators who are focused more on gaining a foothold across the country than they are on quality products, in my opinion. So a place like Oklahoma, and I'm hopeful some of these states that we are talking we're discussing today, we'll do the same thing. I'm hopeful that they would model it more in the way of allowing opportunities for more people and just opening it up let people compete for a great quality of great quality product.

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Adam Kulbach 28:33

Absolutely. So what can higher yields consulting do to help people who are applying in these different states?

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Emily Seelman 28:41

Well, we provide competitive and non competitive application services to individuals in every state. So similar to ever say we've worked in thus far we'll be working in these states, we have worked in some of these states already that had their programs opened up already. So we're familiar with the regulatory construct of these states. We're familiar with how these programs work. And it helps clients of ours avoid a lot of mistakes that are costly, and time and money, reputation, energy, all of those things. So we help clients in a very full service perspective, from local permitting, and zoning, all of those types of things, land acquisition, property acquisition all the way through state licensing, and then build out support, compliance, oversight, all of those things. So I would say as a state start to look like it's opening up and their regulations are established, I would start the application process then do not wait until the actual application is opened. Because that usually gives you a 30 to 60 day window to apply. That is not enough time to become competitive. That's not enough time to go up against these multi state operators who are your competition. So that's my recommendation. And then when it comes to social equity programs, I would be an advocate. And it's similar to what we do with social equity Apple Get advocates ourselves, many of us just use our voice just like this, we go on podcasts, we use our time to do that, because it just takes constant conversation, advocacy, getting in supporting financially through volunteerism, all of those things to really support these types of changes in tangible ways. So we worked with the state of Illinois by example, and helping their social equity program and providing free education for individuals looking to apply. And we talked for hours about, you know, different questions that they had on the application that they just couldn't necessarily afford, or did not want to spend their money on a consultant to answer those questions. And we we did that we participated with the state of Illinois to provide those questions and the Trump school to provide those answers to those questions and help them through the process, because going about it alone is very challenging. So in smaller capacities, we also offer just review of applications. So people who are doing it in house, we offer reviews of full applications, or we piecemeal, you know, ala carte type of pieces to prepare for individuals who feel they have a good handle on their application. Overall, though, like I said, I It's a huge monumental undertaking. I am a big advocate for full, full service provisions of applications simply because it is something that people just consistently do not realize takes so much effort and time and they come to us every single round, then the 11th hour saying I did this on my own, I didn't listen, and I need help. Now I'm scrambling and usually we have to say it's too late, it would be stealing from you to take your money to review this at this point, because you're not going to have the time to make the changes you need to and you know, so our goal isn't to, to steal from anybody it's to it's to truly help people get into this industry and, and help them become competitive in this space. So, you know, that's that's how we help people and kind of a broad stroke, I suppose. So. A great question, though. Thank you for asking.

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Adam Kulbach 32:03

Well, thank you so much, Emily. I think that's all the questions we have for today. You're a great fan of knowledge, and I really appreciate you being here today.

E

Emily Seelman 32:13

Thank you so much. I appreciate it

Thank you so much. I appreciate it.

A

Adam Kulbach 32:23

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