



SPECIAL REPORT STATE OF THE CANNABIS INDUSTRY

2024

MARCH 14, 2024
SIVA ENTERPRISES INC.
412 West Broadway, Suite 300, Glendale, CA 91204
info@sivallc.com | #SIVAKnowsBest

“When you want to help people, you tell them the truth. When you want to help yourself, you tell them what they want to hear.”

~ ~ ~

Thomas Sowell

Table of Contents

Disclaimer	7
Copyright.....	7
About SIVA Enterprises.....	8
About the Author.....	8
Executive Summary: State of the Cannabis Industry	9
Introduction.....	11
1. Federal Reform.....	12
1.1 Historical Context	12
1.1.1 The War on Drugs: Foundations and Implications.....	12
1.1.2 DEA’s Schedule of Drugs and Cannabis Classification	13
1.2 Current Efforts and Proposals.....	14
1.2.1 Legislative Initiatives.....	14
1.2.2 Advocacy and Public Support.....	14
1.3 Challenges to Federal Reform.....	15
1.3.1 Political Hurdles	15
1.3.2 Legal and Regulatory Complexities.....	15
1.3.3 Societal and Cultural Attitudes.....	16
1.3.4 Economic Implications	16
1.3.5 Coordinating State and Federal Laws	16
1.4 Recent Developments in Federal Cannabis Policy	16
1.4.1 HHS Recommendation to Reschedule Cannabis	17
1.4.2 Marketed Benefits of Schedule III Rescheduling.....	17
1.4.3 Critical Analysis of Schedule III Rescheduling and Its Implications	18
1.5 Looking Forward: Scenarios and Strategic Considerations	21
1.5.1 Scenario 1: Rescheduling to Schedule III	22
1.5.2 Scenario 2: DEA De-schedules Cannabis Entirely	22
1.5.3 Scenario 3: Cannabis Remains a Schedule I Substance	23
1.6 Accountability and Action in Cannabis Reform.....	23
1.7 Opinion on Federal Strategy to Move Cannabis to Schedule III	24
2. State Regulatory Environment and Regulators	26
2.1 Diverse State Regulatory Landscape.....	26

2.1.1 The Genesis of Diversity	27
2.1.2 Regulatory Frameworks: A Comparative View	27
2.1.3 Challenges Posed by the Patchwork Landscape	28
2.2 Overregulation and Its Challenges	29
2.2.1 The Burden of Excessive Regulation.....	29
2.3 Taxation and Economic Impacts	30
2.3.1 The Complexity of Cannabis Taxation	30
2.3.2 Economic Impacts on Businesses	31
2.3.3 Unintended Consequences for State Objectives	31
2.4 Government as an Unwitting Partner.....	32
2.5 Market Dynamics and the Black Market	32
2.5.1 The Unintended Support of the Black Market	33
2.5.2 Factors Fueling the Black Market.....	33
2.5.3 Implications for the Legal Cannabis Market	34
2.5.4 Addressing the Black Market	34
2.6 Regulators	35
2.6.1 Examples of Regulatory Approaches	36
2.7 Revisiting Free Market Principals	37
2.7.1 Misalignment with Free Market Principles	38
2.8 Opinion: Embracing Individual Merit and Minimizing Regulatory Overreach	39
3. Social Equity	41
3.1 Social Equity Intentions.....	42
3.1.1 Social Equity Program Goals	42
3.2 The General Structure of Equity Programs	43
3.2.1 General Criteria	43
3.2.2 Rationale Behind Equity Program Criteria and Limitations	44
3.3 Why Social Equity Programs Have Failed.....	44
3.3.1 Challenges Identified by Equity Program Stakeholders	45
3.3.2 Cause of Social Equity Program Failures.....	46
3.4 Government’s Role in Providing Solutions	48
3.5 Opinion on Social Equity	50
4. State of Licensing.....	52
4.1 Historical Licensing Methods	52

4.2 Evolution of The Cannabis Licensing Thought Process	53
4.2.1 The Early Days: A Cautionary Approach	53
4.2.2 Shift in Regulatory Perspective	53
4.2.3 Licensing as Authorization of Activity, Not the Business Itself	54
4.3 Social Equity Licensing: Illusion of Opportunity	55
4.3.1 Farce of Opportunity	55
4.3.2 The Impact on Equity Initiatives and General Applicants	56
4.3.3 Toward Genuine Equity and Opportunity	56
4.4 Opinion: Rethinking Licensing in the Cannabis Industry	57
5. Organized Labor in the Cannabis Industry	59
5.1 The Role of Unions	59
5.1.1 Hierarchy of Union Interests	59
5.1.2 Pros of Unions	60
5.1.3 Cons of Unions	61
5.2 The Role of Unions in the Modern Regulatory Environment	61
5.2.1 Labor Contracts and At-Will Employment	62
5.3 Job Positions vs Wage Levels	62
5.4 Government Involvement in Union Discussions	64
5.4.1 Overregulation and Compliance Burdens	64
5.4.2 Politicization of Labor Relations	64
5.4.3 Erosion of Employer-Employee Direct Relations	64
5.5 Union Efforts to Adapt: UFCW’s Apprenticeship Program	65
5.6 Opinion: The Role of Unions in the Cannabis Industry	66
6. Industry Associations	69
6.1 The Reality of Current Associations	70
6.1.1 Diversification and Fragmentation	70
6.1.2 Conflicting Interests and Representation	70
6.1.3 The Erosion of Influence	70
6.1.4 Self Serving Leadership and Transparency Concerns	71
6.1.5 The Need for Specialized Representation	71
6.2 Examples of Effective Industry Associations	71
6.2.1 United Cannabis Business Association (UCBA)	72
6.2.2 US Cannabis Council (USCC)	72

6.2.3 Commonalities and Lessons	72
6.2.4 Comparison: The American Medical Association	73
6.3 Opinion: A Critical Juncture for Cannabis Industry Associations	74
7. Multi State Operators (MSOs) and Public Companies	76
7.1 Defining MSOs and Their Path to Public Markets	77
7.1.1 Significance of MSOs in the Cannabis Industry	77
7.2 Analysis of MSOs' Viability and Challenges	77
7.2.1 Federal Rescheduling Impact	77
7.2.2 Perceived Moat	79
7.2.3 Future Access to Capital Sources	80
7.2.4 Soured Relations with Legacy Cannabis	82
7.2.5 Overbuilt Facilities and Lack of Brand Equity	83
7.2.6 MSO Organizational Turnarounds	84
7.3 Investing in Public Cannabis Companies: A Cautious Perspective	85
7.3.1 The Current State of Cannabis Stocks	85
7.3.2 Bankruptcy Protections and Industry Implications	86
7.3.3 Not All Cannabis Stocks are Created Equal	86
7.3.4 Tradable vs. Investable	86
7.4 Opinion: Navigating the Future for MSOs	87
8. Politics, Policy, and Cannabis: The Disconnect Between Promises and Action	89
8.1 Main Issues Politicians and Regulators Campaigning On	90
8.1.1 Veterans Issues	90
8.1.2 Children with Epilepsy and Dravet Syndrome	92
8.1.3 Equity Applicants	93
8.1.4 Legacy Operators and Farmers: The Forgotten Pillars of the Industry	94
8.1.5 The Broader Promise of Reform	96
8.2 Opinion on Politics, Policy, and Cannabis: The Reality Behind the Rhetoric	98
9. Stakeholder Recommendations	100
9.1 The DEA	101
9.2 Political Parties (Democrats and Republicans)	102
9.2.1 Democrats	103
9.2.2 Republicans	104
9.3 Opponents of Legalization and Federal Reform	105

9.4 Activists.....	107
9.5 Operators	108
9.6 General Stakeholders.....	110
10. Conclusion: The State of the Industry	112

Disclaimer

This report is prepared and published by SIVA Enterprises Inc. (SIVA) The information and analysis provided herein are for informational purposes only and are not intended as legal, financial, or professional advice. While every effort has been made to ensure the accuracy and completeness of the information contained in this document, SIVA makes no guarantees regarding the applicability or impact of any information or analysis in specific situations or to individual entities.

The views and interpretations expressed in this report reflect SIVA's perspective on the industry based on the information available at the time of writing. They are not to be taken as an exhaustive or definitive analysis of the subject matter. Readers are encouraged to consult with professional advisors for advice specific to their circumstances.

This document is not an endorsement of any particular course of action and should not be interpreted as such. SIVA assumes no liability or responsibility for any errors or omissions in the content of this report or for any decisions made or actions taken in reliance on the information contained herein.

Copyright

© 2024 SIVA Enterprises Inc. All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other noncommercial uses permitted by copyright law. For permission requests, write to the publisher at 412 West Broadway Avenue, Suite 300, Glendale, CA 91202 or email send an email to info@sivallc.com.

About SIVA Enterprises

SIVA Enterprises stands as one of the pioneering consulting firms in the cannabis industry, boasting a legacy of leadership, innovation, and success since its inception. As one of the oldest and most established consulting companies in the space, SIVA has been at the vanguard of the cannabis movement, witnessing and contributing to the evolution of markets across the United States and beyond. Our depth of experience and broad perspective empowers us to navigate the industry's complexities and dynamic changes with unmatched expertise.

Our comprehensive suite of services is designed to address every facet of the cannabis business, from licensing and compliance to operational efficiency, brand development, and market expansion. SIVA Enterprises is dedicated to transforming vision into success, offering personalized strategies that align with our clients' unique objectives and market opportunities.

SIVA's extensive history in the cannabis industry not only illustrates our enduring commitment but also provides our clients with a panoramic understanding of market trends, regulatory shifts, and strategic opportunities. We've seen firsthand the myriad ways the industry has grown and transformed, equipping us with the foresight and agility to anticipate future changes and position our clients for lasting success.

About the Author



Avis Bulbulyan is the CEO of SIVA and a distinguished strategist, entrepreneur, and turn-around specialist, renowned for his groundbreaking work in the cannabis industry. With an astute business acumen, Avis has navigated the complex landscape of the cannabis industry, pioneering novel strategies that have propelled him to the forefront of the field.

Avis's contributions extend beyond entrepreneurship, as he has actively shaped cannabis policy. Previously serving on the State Advisory Committee in California and as President of the Los Angeles Cannabis Task Force, he dedicated substantial time to refining cannabis regulations, fostering a balanced approach to legalization. His insights have informed the development of policies that prioritize public health and safety while nurturing a thriving market at both the local and state level.

Throughout his career, Avis has exemplified resilience and ingenuity, adeptly revitalizing struggling ventures and steering them towards success. His expertise in cannabis state licensing, combined with his strategic prowess, has solidified his reputation as a trailblazer in the industry. Avis Bulbulyan's legacy resonates through his multifaceted accomplishments, underscoring his unwavering commitment to driving positive change in cannabis entrepreneurship and policy.

For more information or to contact us:

Sivallc.com | info@sivallc.com | 818-562-3362

Executive Summary: State of the Cannabis Industry

The cannabis industry stands at a pivotal juncture, marked by rapid evolution and an expanding influence on society, economy, and policy. This executive summary distills the essence of a comprehensive analysis, underscoring the critical themes and insights that shape the current and future landscape of the cannabis sector.

- 1. The Central Role of Government and Policy:** Central to the challenges and opportunities facing the cannabis industry is the role of government and its policies. Across every issue, domain, and sector within the industry, government action—or inaction—emerges as a primary driver of the current state of affairs. The path to progress is often mired in policy complexities, underscoring the need for thoughtful, informed, and forward-looking governmental engagement.
- 2. Diverse Stakeholder Ecosystem:** The cannabis industry is characterized by a richly diverse stakeholder ecosystem, encompassing legacy growers, licensed operators, medical professionals, activists, and policymakers. Each group brings to the table unique perspectives, challenges, and objectives, highlighting the complexity of navigating the industry’s landscape and the imperative of inclusive policy and business strategies that address the multifaceted needs of all involved.
- 3. The Regulatory Quagmire:** A significant barrier to the industry’s growth and development is the regulatory quagmire that stifles innovation, complicates compliance, and hampers operational efficiency. This tangled web of regulations at federal, state, and local levels creates a challenging environment for businesses to thrive and for consumers to access safe and effective products, calling for a streamlined and rationalized regulatory approach.
- 4. Political Will and Policy Reform:** At the heart of the cannabis industry’s evolution is the critical need for political will and policy reform. Despite widespread public support for cannabis legalization and recognition of its benefits, political action has often lagged. Bridging the gap between political promises and tangible legislative achievements is essential for advancing the industry, requiring bipartisan collaboration and decisive leadership.

5. **Social Equity:** A critical dimension of the cannabis industry’s future is the pursuit of social equity. Addressing the historical injustices of cannabis prohibition and ensuring fair access to the burgeoning market for all, especially those disproportionately affected, remains a pressing challenge.
6. **Opportunities Ahead:** Despite the hurdles, the cannabis industry presents a landscape rich with opportunities for economic growth, social justice, medical advancement, and cultural acceptance. As the industry continues to mature, the potential for innovation, market expansion, and positive societal impact is immense. Stakeholders across the spectrum have the chance to shape a dynamic future for cannabis, driven by visionary entrepreneurship and progressive policy.
7. **Special Section Highlight:** In a pivotal addition to our comprehensive report, we dedicate a special section to deliver direct messages to key stakeholders, including both political parties and the DEA. This segment underscores the urgent call for action and collaboration to foster the cannabis industry. It calls for stakeholders to look beyond traditional divides and focus on the collective good, leveraging the unique moment in history to reshape the cannabis industry's landscape for the better.

Conclusion

The state of the cannabis industry reflects a complex interplay of challenges and opportunities, governed significantly by the landscape of government policy and the diversity of its stakeholder ecosystem. As we navigate forward, the call to action for all involved—from government officials to industry players and activists—is clear: to collaborate, innovate, and advocate for a future where the cannabis industry can realize its full potential for growth, equity, and positive impact on society.

Introduction

In the face of mounting challenges and internal discord, the cannabis industry stands at a crossroads. This report aims to cut through the noise, offering a clear, comprehensive view of the cannabis industry as it stands today. The cannabis industry, with all of its challenges and internal complexities, is often viewed through narrowly focused lenses. Each stakeholder, from policymakers to entrepreneurs, consumers to activists, holds a perspective shaped by their specific interests, experiences, and objectives. This fragmented approach, while useful in navigating immediate concerns, often obscures the broader picture and the intricate web of interdependencies that define the industry.

This report is guided by a fundamental belief: to truly understand one sector, it's imperative to expand your lens, to see beyond the immediate and into the heart of what makes the industry tick by understanding the other sectors. This report aims to present an unvarnished look at the industry. It seeks to broaden perspectives, offering a panoramic view of the various sectors and domains.

This report does not shy away from the difficult conversations or the uncomfortable truths. Instead, it invites readers to look deeper, to question and to understand the multifaceted nature of the industry. By understanding the landscape of federal reform, social equity, organized labor, and beyond, the goal is to provide a comprehensive overview that reveals the interconnectedness of issues and opportunities. By embracing transparency and confronting the realities head-on, we pave the way for meaningful dialogue and, ultimately, actionable change.

The objective is clear: to equip all stakeholders with the knowledge and insights needed to appreciate the full scope of the industry and its potential. It is only with a complete understanding of the intricate dynamics at play that one can truly grasp the challenges and opportunities of one's own sector. Through this report, we aim to expand the lens through which the industry is viewed, fostering a more informed, nuanced, and holistic understanding that transcends traditional boundaries.

1. Federal Reform

The landscape of federal reform within the cannabis industry is a complex tapestry woven from years of regulatory practices, legislative efforts, and the ever-evolving societal understanding of the industry's role. At the heart of the federal reform debate is a simple, yet profound question: How can legislation evolve to reflect contemporary attitudes and scientific understandings while ensuring safety, fairness, and economic growth? The significance of federal reform goes beyond mere regulatory adjustments; it symbolizes a pivotal shift towards reconciling national policies with the realities of an industry poised for transformative growth.

As we delve into the intricacies of federal reform, it's crucial to recognize that these efforts are not just about changing laws; they're about reshaping the framework within which the industry operates. This section aims to unpack the layers of federal reform, offering insights into its potential trajectory and the profound impact it could have across the industry's spectrum.

1.1 Historical Context

1.1.1 The War on Drugs: Foundations and Implications

The War on Drugs, initiated in the early 1970s, marks a pivotal era that has profoundly influenced the regulatory framework and societal perceptions surrounding the cannabis industry. Characterized by stringent drug prohibition policies, aggressive law enforcement strategies, and heavy penalties, this campaign aimed to eradicate drug use, production, and trafficking. Its legacy, however, has been marked by a series of both maliciously intended and unintended consequences that have echoed into the present-day including mass incarceration of specific and targeted communities.

Critics of the War on Drugs point to its role in exacerbating mass incarceration, disproportionately affecting minority communities, and fostering social and economic disparities. Moreover, it entrenched a stigma around drug use that has complicated efforts to reform policies based on

health, science, and human rights. The campaign also strained international relations and fueled conflicts in drug-producing regions, further complicating the global landscape of drug policy.

In the context of federal reform, understanding the War on Drugs is crucial for several reasons. First, it highlights the historical reluctance of federal authorities to shift away from punitive approaches toward more progressive policies. Second, it provides insight into the social and political barriers that contemporary reform efforts must navigate. Lastly, it underscores the importance of grounding future reforms in evidence-based practices and social justice principles to rectify past harms.

1.1.2 DEA's Schedule of Drugs and Cannabis Classification

Central to the War on Drugs was the enactment of the Controlled Substances Act (CSA) in 1970, which established a schedule for classifying drugs based on their accepted medical use, potential for abuse, and safety or addiction risk. Cannabis was classified as a Schedule I substance, deemed to have a high potential for abuse, no currently accepted medical use in treatment in the United States, and a lack of accepted safety for use under medical supervision. This classification placed cannabis in the same category as heroin, significantly limiting research into its potential benefits and legitimizing its criminalization.

The placement of cannabis as a Schedule I drug has been an obvious focal point of contention and debate, highlighting the discrepancies between federal policies and evolving scientific understanding, as well as shifting public sentiment towards cannabis use and its potential therapeutic benefits. This classification has not only impacted the legal landscape surrounding cannabis but also influenced societal attitudes, contributing to the stigmatization of cannabis use and complicating efforts for reform.

1.2 Current Efforts and Proposals

The landscape of federal cannabis reform is marked by a series of legislative efforts and advocacy movements aimed at addressing the long-standing challenges posed by the drug's Schedule I classification. These initiatives reflect a growing consensus on the need for a more rational, science-based approach to cannabis policy, one that aligns with shifting public attitudes and the growing body of research supporting cannabis's therapeutic benefits.

1.2.1 Legislative Initiatives

Several key legislative proposals have emerged in recent years, signaling a potential shift in federal policy. These include:

- **The MORE Act (Marijuana Opportunity Reinvestment and Expungement ACT):** Proposes to remove cannabis from the Controlled Substances Act, effectively decriminalizing it at the federal level, and introduces measures to expunge certain cannabis-related offenses.
- **The SAFE Banking Act (Secure and Fair Enforcement Banking Act):** Aims to provide legal cannabis businesses access to banking services, addressing a significant operational hurdle for the cannabis industry.
- **The STATES Act (Strengthening the Tenth Amendment Through Entrusting States):** Seeks to amend the Controlled Substances Act to exempt state-approved cannabis activities from federal enforcement, acknowledging the rights of states to set their own policy.

These initiatives represent a cross-section of the efforts to reform federal cannabis policy, each addressing different facets of the legal and regulatory challenges facing the industry. For one reason or another, including a lack of political will and a divide between political parties, these initiatives have in one form, or another failed to pass.

1.2.2 Advocacy and Public Support

Advocacy groups and public support play a crucial role in driving the conversation around federal reform. Organizations such as the National Organization for the Reform of Marijuana Laws

(NORML), the Marijuana Policy Project (MPP), as well as different associations and stake holders have been instrumental in educating the public and policymakers about the benefits of reform and the need for change. Public support for cannabis legalization has reached an all-time high, with national polls consistently showing upwards of 80% of Americans are in favor of legalizing cannabis for medical use.

1.3 Challenges to Federal Reform

Despite the momentum behind these legislative efforts, significant regulatory challenges remain. The discrepancy between state-level legalization and federal prohibition creates a complex legal landscape for businesses and consumers alike. These obstacles stem from a complex interplay of legal, political, and societal factors that have historically impeded efforts to change cannabis's legal status at the federal level.

1.3.1 Political Hurdles

One of the most significant barriers to federal cannabis reform is the political landscape. Despite increasing bipartisan support for cannabis reform, deep divisions remain, particularly in Congress, where differing opinions on the extent and nature of reform create a stalemate while political ideologies kill any reasonable compromise. The political will to push through comprehensive cannabis legislation varies, influenced by ideological beliefs, constituent pressures, and lobbying efforts by both proponents and opponents of cannabis legalization.

1.3.2 Legal and Regulatory Complexities

The legal and regulatory framework surrounding cannabis is complex. The Controlled Substances Act (CSA), federal banking regulations, and interstate commerce laws present significant hurdles to reform. Changing cannabis's schedule under the CSA, for instance, requires navigating a rigorous review process that involves multiple federal agencies. Additionally, ensuring compliance with international drug control treaties adds another layer of complexity to efforts to reform cannabis laws at the federal level.

1.3.3 Societal and Cultural Attitudes

While public support for cannabis legalization has grown, societal and cultural attitudes present another challenge. Misconceptions about cannabis and its effects, rooted in decades of prohibition and anti-drug campaigns, persist. Overcoming the stigma associated with cannabis use and addressing concerns about public health, safety, and the potential impact on youth remain critical challenges for advocates of federal reform.

1.3.4 Economic Implications

The economic implications of federal cannabis reform are also a point of contention. Concerns about market regulation, taxation, and the impact on existing state-level cannabis industries complicate the debate. There is also the issue of how to fairly integrate and support those who have been adversely affected by previous cannabis prohibition laws, particularly in communities of color, in the newly reformed federal landscape.

1.3.5 Coordinating State and Federal Laws

Finally, reconciling state and federal laws is a significant challenge. With a patchwork of cannabis laws varying significantly from one state to another, creating a cohesive federal framework that respects state rights while ensuring national consistency is a complex task. This requires careful consideration of how federal reform will impact existing state markets, regulatory frameworks, and law enforcement practices.

1.4 Recent Developments in Federal Cannabis Policy

The landscape of federal cannabis policy has seen noteworthy developments in the past year, signaling a potential shift in the government's approach to cannabis classification and regulation. These changes are particularly significant in the context of longstanding debates over cannabis's legal status and its classification under the Controlled Substances Act (CSA).

1.4.1 HHS Recommendation to Reschedule Cannabis

In August 2023, the Department of Health and Human Services (HHS) made a groundbreaking recommendation to move cannabis to a less restrictive schedule under the DEA's classification system. This recommendation followed an extensive review of the scientific, medical, and legal considerations surrounding cannabis, marking a pivotal moment in the federal government's stance on cannabis policy.

This recommendation was in response to a directive issued by President Biden in October 2022, in which he called upon HHS and the Department of Justice (DOJ) to conduct a comprehensive review of cannabis's current scheduling.

Shortly after HHS made its recommendation, on December 19, 2023, Michael Miller, the acting chief of the DEA's Office of Congressional Affairs, issued a letter to Congress declaring that while the DEA is currently reviewing the HHS recommendation, "...the DEA has the final authority to schedule, reschedule, or de-schedule a drug under the Controlled Substances Act (CSA)."

1.4.2 Marketed Benefits of Schedule III Rescheduling

There are obvious benefits to rescheduling cannabis from schedule I to schedule III. Advantages highlighted and marketed by proponents include:

- 1. Relief from IRS Tax Code 280E:** Under the current classification, cannabis businesses are subject to Section 280E of the Internal Revenue Code, which prohibits them from deducting otherwise ordinary business expenses because cannabis is a Schedule I substance. Moving to Schedule III would alleviate this burden, allowing businesses to claim deductions and potentially improving operational efficiencies, cashflow and profitability.
- 2. Increased research Opportunities:** Reclassification to Schedule III is marketed as a pathway to significantly enhance research into cannabis's medical benefits. The current

Schedule I status imposes strict regulations that limit research, and reclassification could facilitate a broader scientific understanding of cannabis.

3. **Regulatory Clarity and Access to Banking:** Transitioning cannabis to a less restrictive schedule could provide much-needed regulatory clarity and improve access to banking services and financial markets. This would address one of the most pressing operational challenges facing cannabis businesses today.
4. **Potential for Medical Advancement:** Proponents argue that Schedule III status could streamline the process for cannabis-based medications to gain FDA approval, thereby expanding treatment options for patients and legitimizing cannabis as a medicinal product.

1.4.3 Critical Analysis of Schedule III Rescheduling and Its Implications

Despite the marketed benefits, there are significant concerns regarding the potential reclassification of cannabis to Schedule III. These concerns center around the long-term impacts on the industry, stakeholders, and the original intentions behind cannabis legalization and reform. While not an exhaustive list, these concerns include:

1. **Legal and Operational Challenges for State-Licensed Operators:** Despite being deemed less restrictive, Schedule III status still places significant regulatory demands on handling, manufacturing, and distributing Schedule III controlled substances. State-licensed cannabis operators, currently operating under state laws in a Schedule I regulatory environment, would face new challenges in a Schedule III regulatory environment. Without the proper DEA licensures for dealing with a Schedule III drug, these operators will find themselves in a legally precarious position, mirroring their current federal illegality despite compliance with state laws. Current state-legal cannabis operations will in effect still be federally illegal just under a different pretext.
2. **Shift Towards a Nutraceutical Industry:** By moving cannabis to Schedule III, the federal government is effectively consolidating the dual state industries of medical and adult use into a predominantly nutraceutical industry. This shift could sideline the

broader health and wellness applications of cannabis in favor of a more limited, supplement-like market for State licensed businesses.

3. **Pharmaceutical Industry Domination:** Moving cannabis to Schedule III paves the way for the pharmaceutical industry to dominate the medical cannabis market. This shift risks marginalizing existing operators in the cannabis industry who have built the foundation of the current market, potentially leading to a monopolization of the industry by large pharmaceutical companies. Currently, the competition in the cannabis market is amongst State license holders. Schedule III creates a competitor in the pharmaceutical companies who have the resources, capital, motivation, and as demonstrated in the past, the inclination to neutralize their competition. While competition in the free market is healthy and desirable, the dual regulatory environments created by Schedule III tilts the scale in favor of the pharmaceutical companies drastically at the expense of everyone else.
4. **No Guarantee of Interstate Commerce:** Without the proper licensure from the DEA required to manufacture, handle, and distribute a Schedule III drug, State licensed cannabis companies would not be able to conduct interstate commerce.
5. **Increased FDA Oversight:** The transition to Schedule III introduces increased FDA oversight, a scenario for which pharmaceutical companies are well-prepared for due to their resources, infrastructure, and capital. In contrast, state-licensed cannabis companies typically lack the necessary resources to navigate the FDA approval process for drugs. This discrepancy threatens to edge out state-licensed operators in favor of large pharmaceutical entities, potentially monopolizing the medical cannabis market.
6. **Compliance and Marketing Limitations:** With FDA oversight comes stringent regulations regarding product safety, efficacy, and marketing. State-licensed cannabis companies, previously operating under less restrictive state regulations, will find themselves unable to make certain health or therapeutic claims without FDA approval. This regulatory shift could severely limit these companies' ability to market their products effectively, contrasting sharply with pharmaceutical companies' capability to promote FDA-approved drugs.
7. **Dual Regulatory Framework:** The rescheduling of cannabis to Schedule III introduces the creation of two separate markets and supply chains for cannabis (medical

and nutraceutical) under two distinct regulatory regimes complicating compliance further. While pharmaceutical companies navigate a single, albeit complex, federal pathway under Schedule III, State licensed cannabis companies must continue to juggle compliance with both state and federal regulations continuing to deal with patchwork state to state regulations, high state taxes imposed by States, and continue to be federally non-compliant under Schedule III. The dual frameworks could lead to inefficiencies, increased costs, and confusion among consumers and patients about the legal status and availability of cannabis products.

- 8. Potential for Increased Enforcement with Schedule III:** Enforcement dynamics under Schedule III could drastically change. Businesses that flourished under state regulations might find themselves navigating a complex web of federal laws without the infrastructure or resources to comply fully. This scenario could lead to legal battles, disruptions in operations, and, in some cases, closures of businesses unable to withstand the heightened regulatory pressure. More concerning for the industry as a whole:
- a. Refreshed Federal Compliance:** Moving cannabis to Schedule III changes the regulatory landscape, bringing renewed focus to federal compliance. While cannabis's placement in Schedule I was widely criticized and led to a somewhat lenient enforcement stance against state-compliant businesses, reclassification could be perceived as legitimizing federal oversight. This shift potentially resets the enforcement narrative, placing state-licensed cannabis businesses under closer federal scrutiny.
 - b. Pharmaceutical Industry Pressure for Enforcement:** Pharmaceutical companies have extensive experience navigating federal regulatory environments. With vested interests in controlling the medical market, these entities may advocate for stricter enforcement against federally non-compliant state license holders to eliminate competition and solidify their market position.
 - c. Incentivized Federal Enforcement:** The transition from Schedule I to III not only legitimizes cannabis under federal law but also provides a clearer framework for enforcement. With pharmaceutical companies poised to benefit from Schedule III's regulatory environment, there is a potential for shift in enforcement priorities. Federal agencies might be more incentivized to enforce

compliance, especially if lobbied by powerful pharmaceutical interests seeking to protect their stake in the market.

9. Stagnation of Federal Reform Efforts: An often-overlooked consequence of rescheduling cannabis to Schedule III is its potential to effectively halt the momentum for more comprehensive federal reform. The reclassification would be perceived as a significant enough change to satisfy the immediate calls for reform, effectively silencing the ongoing discourse around full legalization or more substantial regulatory overhaul. This perceived progress will diminish the urgency among policymakers, advocacy groups, and the public to continue pushing for more inclusive and expansive reforms.

a. Long-Term Consequences: Once cannabis is rescheduled to Schedule III, this new status quo may become entrenched, making it exceedingly difficult to initiate further reform efforts. Fresh reclassification would likely quell the momentum for additional changes, potentially delaying any further federal reform efforts for decades. The political capital and public support necessary to challenge and move beyond Schedule III classification might not materialize again for a considerable time.

b. Impact on Advocacy and Public Perception: The shift to Schedule III will also alter public perception and advocacy focus. With the immediate issue of cannabis's legal status partially addressed, the broader goals of the reform movement would lose prominence and support. This shift could sideline important aspects of the cannabis reform agenda, leaving critical issues unaddressed.

1.5 Looking Forward: Scenarios and Strategic Considerations

As we navigate the uncertainty of federal cannabis reform, it's clear the industry has reached a critical size and complexity that defy simple regulatory solutions. The interplay between state initiatives and federal oversight presents a dynamic landscape with several potential scenarios unfolding. Stakeholders must be prepared for these scenarios, each carrying its own set of challenges and opportunities.

1.5.1 Scenario 1: Rescheduling to Schedule III

Legislative Protections for State-Licensed Businesses: A move to Schedule III, while potentially shifting medical cannabis under FDA and pharmaceutical control, is likely to prompt Congress to enact legislation protecting state-licensed cannabis businesses. Measures such as the SAFER Banking Act or the STATES Act could provide crucial safeguards, ensuring some level of operational continuity and protection against federal interference.

Impact on the Industry Structure: While this scenario may offer relief from tax burdens like Section 280E, it essentially leaves the broader industry's regulatory environment unchanged, creating a bifurcated market that separates pharmaceutical-grade medical cannabis from nutraceutical and adult-use products.

1.5.2 Scenario 2: DEA De-schedules Cannabis Entirely

Growth and Development Opportunities: Removing cannabis from the Controlled Substances Act altogether would allow the industry to continue its growth trajectory unfettered by federal restrictions. This scenario would enable both the expansion of the state-licensed cannabis market and the development of pharmaceutical applications, without the latter undermining the former or vice versa.

Broad Benefits Retained: De-scheduling cannabis maintains all the potential benefits of a Schedule III reclassification, such as facilitating research and improving banking access, without confining medical cannabis to pharmaceutical control. This approach supports a more integrated and expansive industry future. Realistically, considering the size of the cannabis industry, the fact that the majority of States have enacted State regulations, and how widely accepted cannabis is with the general public, the single defining difference between rescheduling to schedule III and fully de-scheduling cannabis is the control that pharmaceutical companies and the FDA would have. There are many drugs, scheduled and not scheduled that have a far worse harm profile than cannabis.

1.5.3 Scenario 3: Cannabis Remains a Schedule I Substance

Congressional Action Required: Should cannabis remain under Schedule I, the onus falls on Congress to enact meaningful reforms that align with public sentiment and the economic realities of a burgeoning industry. This scenario demands legislative efforts to expand access and opportunities for not just licensed businesses, but for patients and consumers, moving beyond mere political maneuvering.

Continued Advocacy and Mobilization: In the absence of DEA action, sustained advocacy and public pressure become even more critical. Stakeholders must mobilize to push for legislative changes that support industry growth, ensure patient access, and promote social justice within the cannabis space.

1.6 Accountability and Action in Cannabis Reform

As we consider the potential paths forward for cannabis policy and industry development, three pivotal elements stand out in shaping the future of federal cannabis policy. Each carries significant weight in the ongoing dialogue around reform and has a direct impact on the direction and efficacy of efforts to align federal policy with the realities of state-level progress, public sentiment, and the economic implications of the cannabis industry.

1. **The Central Role of the DEA:** First and foremost, the Drug Enforcement Administration (DEA) holds considerable authority in the matter of cannabis scheduling. As stated on record, the DEA possesses the sole power to reschedule, de-schedule, or maintain the current classification of cannabis under the Controlled Substances Act. This authority places the DEA at the heart of the reform debate, underscoring the agency's capacity to enact change and shape the regulatory landscape. The decision-making process within the DEA, therefore, becomes a critical focus for stakeholders advocating for reform, highlighting the need for transparency, evidence-based policy making, and responsiveness to shifting public and scientific consensus.
2. **Presidential Promises and Accountability:** President Biden's promises and subsequent assurances to address federal cannabis reform have raised expectations among advocates, patients, and industry participants. The commitment to reform has

- been a cornerstone of broader discussions on justice, equity, and economic opportunity for his administration. Any outcome that falls short of full de-scheduling of cannabis would not only diverge from these promises but also signify a missed opportunity to rectify longstanding disparities and injustices perpetuated by outdated federal policies. Holding the administration accountable for these promises is not merely a matter of political scrutiny; it's a demand for integrity and action in policy making that reflects the will and welfare of the people.
3. **Legislative Leadership and Responsibility:** The role of legislators, particularly influential figures such as Senator Chuck Schumer and Cory Booker, is paramount in advancing cannabis reform legislation. The need for genuine leadership extends beyond mere political maneuvering or vote-seeking. It calls for a dedicated effort to craft and pass legislation that comprehensively addresses the complexities of reform, including economic development, and public health. The history of legislative attempts at reform has been marked by challenges, including internal divisions and strategic missteps. Moving forward, legislators must prioritize the interests of their constituents and the broader community, fostering bipartisan support and overcoming obstacles to meaningful reform.

As we stand at a pivotal juncture in the history of cannabis reform and industry development, the potential rescheduling of cannabis under federal law presents both opportunities and challenges. The path forward requires a nuanced understanding of the implications of these changes and unintended consequences, not only for current stakeholders but also for the broader societal and economic landscapes.

1.7 Opinion on Federal Strategy to Move Cannabis to Schedule III

In addition to the professional analysis provided, it's crucial to express a viewpoint on the strategic underpinnings of the move to reclassify cannabis to Schedule III. This potential rescheduling is not as a genuine effort to support or legitimize the cannabis industry but rather as a strategic

maneuver by the federal government and this President's administration to covertly undermine and reappropriate control over an industry it previously failed to regulate effectively.

This reclassification effort, under the guise of progress and support, appears to be a calculated attempt to consolidate power within federal agencies, such as the FDA, and to shift the industry's trajectory towards a model that favors pharmaceutical monopolization and federal oversight. Such a move starkly contradicts the spirit of the grassroots movements and state-level policies that have nurtured and grown the cannabis industry from its inception. Rescheduling cannabis to a Schedule III substance is nothing more than prohibition rebranded.

The implications of this strategy extend beyond mere regulatory adjustments. They signal a profound shift in how cannabis is perceived, controlled, and capitalized upon, potentially sidelining the very stakeholders who have championed cannabis reform and built the industry into what it is today. This perspective is informed by years of observation and engagement with the cannabis community and its legislative battles.

It is imperative for those within the industry to critically assess the long-term intentions and consequences of federal reclassification efforts. Stakeholders must question whose interests are being served and at what cost to the broader objectives of cannabis reform, social justice, and economic opportunity.

2. State Regulatory Environment and Regulators

As the cannabis industry continues to evolve under the shadow of federal inaction, state governments have emerged as the principal architects of the regulatory landscape that governs this complex and burgeoning market. Each state, leveraging its autonomy, has crafted a regulatory framework that reflects its unique socio-political climate, economic aspirations, and public health considerations. This state-led regulatory experiment, while innovative, has resulted in a fragmented patchwork of laws and regulations that vary significantly from one jurisdiction to another, underscoring the challenges and inefficiencies inherent in a decentralized approach to cannabis policy.

The absence of a cohesive federal strategy has not only compelled states to navigate these waters independently but has also isolated them from each other, creating barriers to uniformity and cooperation. This scenario has laid the groundwork for a diverse array of regulatory experiments, from the laissez-faire to the overly prescriptive, each with its own set of outcomes and unintended consequences. Amidst this regulatory diversity, issues such as overregulation, heavy taxation, and the influence of activism on policymaking have come to the forefront, prompting a critical examination of their impacts on the industry's health, the black market's resilience, and the equitable access to cannabis for consumers and patients alike.

This section delves into the state regulatory environment and the roles of regulators, dissecting the layers of complexity that define the current state of the cannabis industry. It aims to shed light on the intricate balance between safeguarding public health, fostering economic growth, and ensuring social justice within the cannabis sector, all while navigating the tightrope of state autonomy in the absence of federal guidance.

2.1 Diverse State Regulatory Landscape

The cannabis industry in the United States operates under a complex tapestry of state regulations, each crafted to align with the unique character and priorities of the individual state. This diversity

has led to a broad spectrum of regulatory frameworks, impacting everything from cultivation practices to consumer access. While this state-led approach offers the flexibility to adapt regulations to local needs and values, it also creates a patchwork landscape that poses significant challenges for businesses, multi-state operators, policymakers, and stakeholders aiming for consistency and fairness in the cannabis market.

2.1.1 The Genesis of Diversity

The absence of federal guidance on cannabis legalization has necessitated that states take the lead, resulting in varied approaches to regulation. States like Colorado and Washington pioneered legalizing cannabis for adult use, developing regulatory frameworks that have served as initial blueprints for others. Conversely, states with more recent legalization efforts have had the advantage of learning from the experiences of their predecessors, sometimes leading to more refined or conservative regulatory schemes.

2.1.2 Regulatory Frameworks: A Comparative View

While there are many variations of regulations across the different states, the main differences between the states are:

- 1. Licensing and Market Access:** Some states have opted for a more open market with fewer barriers to entry, while others have established highly competitive licensing processes that limit the number of operators in the market. For example, Oklahoma's medical cannabis program is noted for its relatively easy entry for businesses, in contrast to Florida's tightly controlled market.
- 2. Taxation and Revenue Allocation:** The approach to taxation significantly differs among states, impacting the price consumers pay and the revenue generated for state budgets. States like California face criticism for high tax rates that fuel the black market, whereas others have sought a balance that discourages illicit sales without overburdening legal businesses.
- 3. Product Testing and Safety Standards:** There is considerable variance in product testing requirements and safety standards, with some states mandating rigorous testing

for potency and contaminants, while others have less stringent protocols or none at all. This inconsistency can lead to disparities in product quality, consistency, and safety across state lines.

4. **Social Equity Program:** The commitment to social equity in cannabis licensing and industry participation varies widely. Some states have implemented comprehensive social equity programs to address the historical injustices of cannabis prohibition, while others have only nominally addressed these concerns or not at all.
5. **License Types:** While some states issue a single license and expect businesses to be vertically integrated, other states such as California identify and issue licenses across several different categories including cultivation, manufacturing, distribution, retail, and laboratory testing with restrictions on which combination of licenses a company may possess.

2.1.3 Challenges Posed by the Patchwork Landscape

This regulatory patchwork presents multiple challenges:

1. **Interstate Commerce and Standardization:** For future interstate commerce opportunities post federal policy reform, the lack of uniformity complicates interstate commerce and hinders the development of national standards for product safety, labeling, and quality. Even at the present, despite the inability to conduct interstate commerce, these issues remain to a certain degree for licensing deals for brands looking to expand from one state market into another.
2. **Compliance Costs:** Businesses operating in multiple states must navigate a unnecessarily complex web of regulatory requirements that include different packaging and labeling requirements, significantly increasing compliance costs and operational complexity.
3. **Market Fragmentation:** The disparities in regulations can lead to market fragmentation, where products and practices acceptable in one state may be illegal in another, confusing consumers, and businesses alike.

The diversity of state regulatory landscapes, while reflective of the federalist structure of the United States, underscores the need for harmonization and the development of best practices that can guide states towards more consistent and effective cannabis regulation. Such efforts could benefit from interstate compacts, shared regulatory frameworks, and federal guidance that respects state autonomy while promoting public safety, market fairness, and social justice.

2.2 Overregulation and Its Challenges

The aspiration to create a safe and equitable cannabis market has led many states to implement comprehensive regulatory frameworks. However, this well-intentioned approach often manifests as overregulation, creating a series of unintended consequences that can and has stifled the growth of the industry, discouraged innovation, and inadvertently supported the persistence and expansion of a black market. This section explores the multifaceted challenges posed by overregulation in the cannabis industry.

2.2.1 The Burden of Excessive Regulation

No matter how promising an industry, excessive regulations create an undue burden on the businesses and will create a myriad of issues including:

- 1. Barriers to Entry:** High regulatory hurdles, including costly licensing fees, complex application processes, and stringent operational requirements, have deterred small businesses and entrepreneurs from entering the market. This barrier to entry not only limits market diversity but also consolidates the industry into the hands of a few large players with the resources to navigate the regulatory landscape.
- 2. Operational Inefficiencies:** Overregulation has led to cumbersome and sometimes conflicting requirements for cannabis businesses. These can range from overly prescriptive cultivation and manufacturing practices to rigid product testing and labeling standards that go beyond ensuring consumer safety. The result is increased operational costs and reduced agility, leaving businesses less able to adapt to market changes and consumer demands.

3. **Innovation Stifling:** A heavily regulated environment can dampen innovation within an industry. When businesses are preoccupied with compliance and navigating bureaucratic red tape, less time and resources are available for product development, technological advancements, and service improvements. This stifling effect on innovation hinders the industry's ability to evolve and meet emerging market opportunities.
4. **Staggering Licensing Costs:** Excessive regulations have driven the cost of initial licensing to an absurd amount. In a best-case scenario, the cost to simply enter the cannabis industry is several hundreds of thousands of dollars just to receive a state license and open the doors to the business. Besides the financial burden, the average length of time to go through the process is a state like California from start to issuance of a state license is upwards of two (2) years if not more.

2.3 Taxation and Economic Impacts

The economic implications of cannabis taxation policies are profound, influencing not only the viability of businesses within the industry but also consumer behavior and the broader market dynamics. While taxation is necessary for generating state revenue and funding essential public services, the approach to taxing cannabis businesses and products often leads to overtaxing, creating layers of financial burden that have several unintended consequences.

2.3.1 The Complexity of Cannabis Taxation

Cannabis taxation varies significantly across states, with structures ranging from straightforward sales taxes to more complex systems that include cultivation taxes based on weight or potency, excise taxes, and local municipality taxes. This complexity can lead to a cumulative tax burden that significantly inflates the retail price of cannabis products, impacting both businesses and consumers. In California,

1. **Compounded Taxation:** Cannabis products are subjected to multiple layers of taxation, which result in compounded effects where taxes are applied on top of other

- taxes. This system not only increases the cost for the end consumer but also complicates tax compliance for businesses. In California, the cumulative taxes throughout the different points of the supply chain and multiple layers of government average upwards of 40% by the time the final product makes it to the customer! In some parts of the state, the cumulative taxes exceed that amount!
2. **Price Disparity and the Black Market:** The high cost of legal cannabis products, driven up by excessive taxation, makes them less competitive compared to black market alternatives. Consumers, especially those who are price-sensitive, may and generally do opt for the black market, undermining the legal industry and state revenue objectives.

2.3.2 Economic Impacts on Businesses

For cannabis businesses, the high tax burden can significantly narrow profit margins. After taxes, and after accounting for the costs of compliance with state regulations, licensing fees, and operational expenses, the remaining profits are further reduced by IRS Tax Code 280E which disallows deductions for ordinary business expenses, making licensed cannabis one of the least profitable enterprises.

The anticipation of high taxes acts as a deterrent for potential new entrants, including investors, but especially smaller operators who might lack the capital to absorb these costs initially. This stifles competition and diversity within the industry.

2.3.3 Unintended Consequences for State Objectives

States should realize that overtaxing legal cannabis drives consumers to the black market, where products are untested and potentially unsafe. This undermines public health objectives that were central to the arguments for legalizing and regulating cannabis in the first place.

Ironically, yet not surprisingly, the objective of generating significant state revenue through high cannabis taxes can be self-defeating. If over taxation leads to decreased sales in the legal market and increased black market activity, the actual tax revenue collected falls short of projections. Additionally, at some point, licensed cannabis businesses fail to or stop paying taxes all together. In California alone, the California Department of Tax and Fee Administration (CDTFA), the tax authority of the state, has recently reported the legal cannabis industry owes just under \$300,000,000.00 in taxes!

2.4 Government as an Unwitting Partner

In the landscape of cannabis regulation and taxation, government entities have inadvertently become significant stakeholders in the industry, though perhaps not in the manner most businesses would prefer. Through layers of taxation, excess regulations, and regulatory fees, the government effectively positions itself as a silent partner in cannabis enterprises, extracting a substantial share of the revenue without the risks involved in owning and operating a business. In essence, the state of California enjoys 40% of the upside of its licensed cannabis businesses without any risk exposure to the downside. This partnership, however, comes with a set of challenges and implications for the industry that merit closer examination.

The financial involvement of the government, through constrictive regulations and heavy taxation, creates a market environment that is less conducive to small and medium-sized entrepreneurs. The capital required to launch and sustain a cannabis business, considering the government's share, can be prohibitive, skewing the market in favor of larger operators with deeper financial reserves.

2.5 Market Dynamics and the Black Market

The persistence and growth of the black market within the cannabis industry represent significant challenges to the goals of legalization and regulation. Despite the advancement of legal cannabis markets across various states, the illicit trade of cannabis continues to thrive, driven by factors directly related to the regulatory and taxation strategies employed by state governments. This

section explores how overregulation, high taxation, and government involvement contribute to the black market's resilience and what it means for the legal cannabis industry.

2.5.1 The Unintended Support of the Black Market

One of the most significant unintended consequences of overregulation and over taxation is the bolstering of the black market. When legal cannabis products become too expensive or difficult to obtain due to regulatory-induced costs, consumers turn to the black market, where products are more affordable and accessible, albeit untested and potentially unsafe.

2.5.2 Factors Fueling the Black Market

1. **Price Disparity:** One of the most significant factors contributing to the black market's endurance is the price discrepancy between legal and illicit cannabis products. The cumulative effect of high taxes, extensive testing requirements, excessive compliance costs, and operational inefficiencies leads to higher prices for legal cannabis products compared to their black-market counterparts. This price disparity drives consumers, including those who may prefer the safety and reliability of legal products, to purchase from the black market. Most of the time, the consumer unwittingly gets diverted to the black-market dispensaries because of the price disparity without ever realizing they're purchasing from an unlicensed dispensary.
2. **Accessibility and Convenience:** In areas where overregulation has limited the number of legal dispensaries or significantly delayed market opening, consumers may find it more convenient to turn to the black market. This accessibility issue is compounded in rural or underserved areas where legal cannabis businesses are sparse.
3. **Regulatory Overreach:** Overly complex regulations can make compliance difficult and costly for legal cannabis businesses, limiting their ability to compete with the unregulated black market. When the legal market is perceived as being overburdened by government interference, consumers and businesses may seek or return to the black market.

4. **Licensed Operators:** Driven by the high cost of business in the licensed market and soured by the promises not kept by policy makers, licensed operators have been keeping one foot in the licensed market and the other in the black market to serve short term financial goals.
5. **Lack of Enforcement:** Enforcement of the black market in recent years has been relatively non-existent despite the hundreds of millions states generate through heavy taxation and licensing fees.

2.5.3 Implications for the Legal Cannabis Market

1. **Undermining Legal Businesses:** The competition from the black market, places legal cannabis businesses at a disadvantage, challenging their profitability and sustainability. This competition can deter new entrants and discourage investment in the legal market.
2. **Public Safety Concerns:** The black market's lack of regulation around product quality and safety poses significant risks to consumers. The legal market's growth is partly justified by the promise of safe, tested products, a promise undermined by the persistence of illicit trade.
3. **Lost Revenue for Government:** Ironically, the very factors that contribute to the black market's resilience—high taxation and strict regulation—also result in lost potential revenue for state governments. When consumers opt for the black market, the anticipated tax income from legal sales diminishes.
4. **Negative Public Perception:** The general public doesn't recognize or understand the difference between a licensed operator and an unlicensed one. When issues arise from the black market, they cast a shadow on the licensed and regulated businesses.

2.5.4 Addressing the Black Market

Effectively combating the black market requires a nuanced understanding of its drivers and a willingness to adapt regulatory and taxation strategies. Fundamentally, policy makers need to understand the black market is filling a market need. That market need is simple, 1. Access and 2. Price point. Reducing the price discrepancies between legal and illicit products, increasing the

accessibility and convenience of legal cannabis, by streamlining regulations to ease the burden on legal businesses will help shift the balance in favor of the regulated market. Stated plainly, the way to clean up the black market is by cleaning up the regulated market. Moreover, enforcement efforts should be intelligently targeted to disrupt illicit operations without penalizing consumers who, in many cases, turn to the black market out of necessity rather than preference.

The dynamics between the legal cannabis market and the black market are complex, influenced by the regulatory and economic environment established by state governments. Recognizing and addressing the factors that contribute to the black market's appeal is crucial for the success and safety of the legal cannabis industry, as well as for the realization of the broader goals of legalization.

To address the challenges posed by the black market, state regulators and policymakers must consider strategies that focus on reducing the disparities and the barriers driving consumers and businesses towards illicit operations. These strategies could include simplifying regulatory frameworks, adjusting tax rates to make legal products more competitive, and enhancing access to legal cannabis through increased licensing and geographic distribution of dispensaries.

2.6 Regulators

In the evolving landscape of the cannabis industry, the role of regulators is paramount. Their responsibilities extend beyond mere enforcement of laws and regulations; they are stewards of the industry's development, responsible for ensuring fairness, transparency, and accountability. However, recent observations indicate a deviation from these principles, highlighting a critical area for improvement in regulatory practices.

1. **Regulator Focus vs Social Causes:** The primary responsibility of a regulator, especially those in executive positions within regulatory bodies, is to develop and administer policies that foster a healthy, competitive, and fair industry. While social causes are important, regulators must not allow these to overshadow their core duties.

If a social cause becomes a regulator's primary focus, it might be more appropriate for them to pursue roles specifically dedicated to those causes, ensuring that their primary regulatory responsibilities are not compromised.

2. **Engagement with Stakeholders:** Effective regulators actively listen to and engage with industry stakeholders, understanding their concerns and using their position and knowledge to address challenges and improve conditions. This engagement is crucial for informed policy-making that genuinely reflects the needs and realities of the cannabis industry.
3. **Avoiding Activism:** Some regulators have unfortunately shifted towards activism, relying on a closed circle that does not necessarily contribute to constructive solutions. This approach can stifle diverse perspectives and hinder the development of well-rounded, effective policies.
4. **Cronyism:** Cronyism within regulatory bodies can lead to a lack of accountability and qualifications, eroding trust in the regulatory process.

2.6.1 Examples of Regulatory Approaches

In contrasting styles and approaches, the following highlights the two extremes of how different regulators approach their role and the consequences for the stakeholders:

- **Effective:** Lori Ajax, former Chief of the Bureau of Cannabis Control in California, exemplifies effective regulatory leadership. Her willingness to listen to stakeholders and adopt appropriate policies demonstrated a commitment to practical, and informed policy making. When CA was initially a 3-tier alcohol distribution model, distribution was set to be separate and independent from the rest of the supply chain. After seeking input from stakeholders and the public, one of her first actions as the bureau chief was to strip away the 3-tier alcohol distribution model.
 - **Results:** If you poll the industry in CA, Ms. Ajax is sorely missed. Under her leadership, the industry was blossoming. Since her departure, the industry in California has been in a free fall.

- **Borderline Criminal:** In contrast, Damian Fagon, the Chief Equity Officer at the New York State Office of Cannabis Management, represents a troubling approach to regulation. Recent allegations of retaliatory measures against a license holder for raising concerns about the black-market activity in New York raise serious concerns about fairness, transparency, and the role of regulatory bodies in supporting a healthy industry. After a recorded phone call was leaked wherein Mr. Fagon allegedly acknowledged his office was aware but reluctant to enforce against black market activity, the New York Office of Cannabis Management issued the first product recall in its history on the license holders' product. When the license holder later attempted to go public with a news outlet to clear her name, her processing facility was raided less than one week later and effectively shut down.
 - **Results:** A climate of fear and intimidation where stakeholders are afraid of petty and punitive retaliation. Where a license holder is now facing bankruptcy and loss of her home, but the New York Office of Cannabis Management hasn't so much as investigated the incident.

Regulators wield significant influence over the cannabis industry's trajectory. Their responsibilities should center on fostering an environment that promotes growth, equality, and compliance. By prioritizing stakeholder engagement, focusing on their primary regulatory duties, and maintaining professionalism and impartiality, regulators can significantly contribute to the industry's success.

2.7 Revisiting Free Market Principals

The regulatory framework surrounding the cannabis industry provides a unique case study for the application—or misapplication—of free market principles. By critiquing current regulatory approaches through the lens of economic theory, we can uncover the ways in which these regulations align with or deviate from the ideals of a free market and propose adjustments that could lead to a more efficient, equitable, and prosperous industry.

2.7.1 Misalignment with Free Market Principles

Current cannabis regulations often impose significant barriers to entry, restrict competition, and stifle innovation—actions that are fundamentally at odds with free market principles. These principles, which include the freedom to enter and exit markets, competitive price mechanisms, and minimal government intervention, are designed to foster an environment where the most efficient and customer-oriented businesses thrive.

1. **Barriers to Entry:** High licensing fees, complex application processes, and stringent operational requirements disproportionately impact small and emerging businesses, limiting market entry to well-capitalized entities. This contradicts the free market ideal of open access for all market participants.
2. **Restriction of Competition:** Overregulation often leads to a market dominated by a few large players, reducing competition. In a truly free market, competition is the driving force behind innovation, quality improvement, and price reduction.
3. **Stifling Innovation:** Excessive and prescriptive regulations can hinder the natural evolution of products and services by imposing a one-size-fits-all approach to compliance. Free markets rely on the innovation of market participants to meet consumer demands and drive the industry forward.

To realign cannabis regulations with free market principles, the following adjustments are suggested:

1. **Lower Barriers to Entry:** Simplify licensing processes and reduce fees to encourage more participants in the market. This diversification can lead to increased competition, innovation, and consumer choice.
2. **Encourage Competition:** Regulators should aim to create a level playing field where businesses of all sizes can compete based on the quality, safety, and value of their products. This may involve reassessing regulations that inadvertently favor larger operators.
3. **Foster Innovation:** Adopt a regulatory approach that sets safety and quality standards without prescribing how these standards must be met. This flexibility allows

- businesses to innovate and find the most efficient ways to satisfy regulatory requirements.
4. **Regulatory Sandbox:** Consider implementing a "regulatory sandbox" approach where new and innovative business models can be tested under a temporary, relaxed regulatory framework. This can help identify beneficial practices and inform future regulations.

By revisiting and realigning cannabis regulations with free market principles, there is an opportunity to foster a more vibrant, competitive, inclusive, and innovative industry. Such an approach not only benefits consumers through improved products and services but also promotes economic growth and social equity by lowering barriers to entry and encouraging broad participation in the market. It is through the careful balance of regulation and market freedom that the cannabis industry can achieve its full potential.

2.8 Opinion: Embracing Individual Merit and Minimizing Regulatory Overreach

In the concluding remarks of this section, it's imperative to reflect on a fundamental principle that should guide not only the cannabis industry but all sectors of the economy and society at large: the freedom to succeed or fail based on one's own merits. This principle underpins the very essence of a free market and individual liberty, advocating for an environment where entrepreneurs and businesses can innovate, grow, and contribute to society without undue hindrance from regulatory bodies.

The cannabis industry, in its journey from the fringes to the mainstream, exemplifies the need for a balanced approach to regulation—one that safeguards public health and safety while fostering an ecosystem where businesses can thrive. Excessive regulatory intervention, often well-intentioned but misguided, risks stifling innovation and forcing entities into bankruptcy, not due

to a lack of demand, innovation, or effort, but as a consequence of an overly cumbersome and disconnected regulatory framework.

Regulatory bodies must adopt a posture of facilitation rather than obstruction. This involves a commitment to understanding the unique challenges and opportunities within the cannabis industry and working collaboratively with stakeholders to develop regulations that are sensible, pragmatic, and conducive to growth. It is not enough for regulators to simply enforce rules; they must strive to understand the intricacies of the industry they regulate and seek to enhance its development and maturation.

Moreover, the importance of allowing businesses to operate on a level playing field cannot be overstated. This means ensuring that regulations do not disproportionately benefit certain entities at the expense of others, especially smaller, locally owned businesses that are often the backbone of the industry. A competitive market, free from undue regulatory burdens, is essential for innovation, quality, and consumer choice.

The ethos of the cannabis industry—and indeed, any industry—should be grounded in the principles of freedom, fairness, and the pursuit of excellence. Every individual and entity deserves the opportunity to succeed or fail based on their own merits, talents, and efforts.

3. Social Equity

The conversation surrounding social equity in the cannabis industry is both a reflection of broader social justice movements and a unique exploration of how these movements intersect with emerging markets. As states across the United States have moved to legalize cannabis for medical and adult use, a critical narrative has emerged, spotlighting the historical injustices perpetrated through the War on Drugs. These policies disproportionately affected marginalized communities, leading to higher rates of incarceration and long-term socio-economic disadvantages. In response, social equity programs within the cannabis industry have been conceptualized and implemented with the intention of rectifying these historical wrongs, offering a pathway to participation and prosperity in a newly legalized market.

The inception of social equity initiatives marks a pivotal attempt to integrate principles of justice and fairness into the fabric of cannabis legalization and regulation. These programs aim to ensure that the economic opportunities generated by the legal cannabis industry—ranging from cultivation and production to retail and ancillary services—are accessible to those who have been most adversely affected by previous cannabis prohibition policies. By prioritizing licensing opportunities for eligible individuals and communities, states endeavor to level the playing field and foster a more inclusive industry.

This section aims to critically explore the intentions behind social equity in the cannabis industry, examine the structure and outcomes of equity programs, and offer insights into the future of equitable cannabis policy and market participation. Through this exploration, we seek to understand not just the mechanisms of social equity programs, but also their impact on individuals, communities, and the industry at large. With all the support any cause could ask for, at the heart of this analysis are two questions:

1. Why are equity programs across the country failing?
2. What can be done to align equity programs with the initial intent behind them?

3.1 Social Equity Intentions

The spirit behind the original intent of social equity in the cannabis industry was to provide tangible opportunities for those individuals and communities most harmed by cannabis prohibition to benefit from the industry's legalization and growth. This intent is deeply rooted in a desire to address and rectify the historical injustices stemming from the War on Drugs. These policies disproportionately targeted marginalized communities, resulting in higher incarceration rates, economic disenfranchisement, and long-term social stigma against cannabis use.

3.1.1 Social Equity Program Goals

The primary goals of social equity programs are multifaceted, aiming not only to correct past wrongs but also to build a foundation for future prosperity within affected communities. Key objectives include:

1. **Ownership and Employment Opportunities:** Facilitating access to cannabis business ownership and employment for individuals and communities disproportionately impacted by previous cannabis laws.
2. **Economic Empowerment:** Offering financial assistance, education, and business support to empower historically marginalized groups to participate fully in the cannabis industry.
3. **Community Reinvestment:** Channeling a portion of cannabis-related revenues back into communities that were adversely affected by cannabis prohibition, funding education, healthcare, and other social services.

While the intentions and goals behind social equity initiatives are commendable, translating these goals into effective, impactful programs has proven challenging. Issues such as defining clear and fair eligibility criteria, ensuring adequate funding and resources, and creating meaningful and sustainable opportunities for participation have been significant hurdles. Additionally, the overarching challenges remain: how to measure the success of these programs in terms of actual social and economic impact, rather than merely by the number of licenses issued or businesses opened.

3.2 The General Structure of Equity Programs

The foundation of social equity programs in the cannabis industry is built upon specific eligibility criteria designed to identify individuals and businesses that have been disproportionately impacted by cannabis prohibition. While these criteria vary by state, they generally include several key factors aimed at ensuring that the benefits of these programs reach the intended recipients. Additionally, certain limitations are placed on participants to preserve the integrity and goals of social equity initiatives.

3.2.1 General Criteria

1. **Low Income Status:** Applicants are often required to demonstrate income below a certain threshold to qualify for social equity status. This criterion aims to ensure that the economic opportunities generated by the cannabis industry are accessible to those who might otherwise be excluded due to financial barriers.
2. **Prior Cannabis Conviction:** Given the disproportionate impact of cannabis-related arrests and convictions on certain communities, individuals with a history of cannabis offenses are frequently given priority in social equity programs. This criterion acknowledges the long-term consequences of these convictions on individuals' lives and aims to offer a form of restitution.
3. **Residency Requirements:** Many programs mandate that applicants must have lived for a certain number of years in areas identified as disproportionately impacted by the war on drugs. This criterion is based on geographic indicators of cannabis prohibition's adverse effects, including high arrest rates and economic disinvestment.
4. **Equity Ownership:** To ensure that social equity programs genuinely benefit the intended participants, there are often requirements regarding ownership and control of the cannabis business. Applicants may need to maintain upwards of 51% equity in the company, preventing dilution of their ownership and ensuring that the benefits do not disproportionately accrue to outside investors.
5. **Limitations on License Transfer:** To prevent the exploitation of social equity licenses by parties not impacted by cannabis prohibition, there are typically restrictions on the

transfer of these licenses. Such limitations aim to preserve the spirit and goals of social equity programs by ensuring that licenses remain in the hands of those directly benefiting from them.

3.2.2 Rationale Behind Equity Program Criteria and Limitations

These criteria and limitations are designed not just to identify and support individuals disproportionately affected by cannabis prohibition but also to safeguard the programs from abuse. By establishing clear guidelines and restrictions, states strive to create a more level playing field in the cannabis industry, fostering diversity and inclusion while addressing historical injustices.

However, the implementation of these criteria and limitations is not without challenges. States must navigate complex issues of verification, fairness, and the practical impacts of these rules on program participants as well as others. Balancing the need to enforce these criteria with the flexibility required to accommodate a range of individual circumstances is a delicate task that requires ongoing attention and adjustment.

3.3 Why Social Equity Programs Have Failed

Beyond the spirit of Social Equity programs, the actual equity programs are failing because they are fundamentally ill conceived and flawed. They are failing because the core requirements necessary to qualify individuals to participate in the program are exactly what is preventing social equity applicants from participating in the business of cannabis. When the fundamentals of a program are flawed, the administration of it will be nothing short of divisive, and perhaps, worst of all, damaging to the communities the program intends to serve.

The issue isn't a question of whom to provide with the business opportunity. The issue is how to provide it to extend beyond feel-good, yet ineffective policies and in a way that is practical and aligned with the spirit of what this movement was intending to accomplish.

3.3.1 Challenges Identified by Equity Program Stakeholders

Equity programs within the cannabis industry have encountered numerous obstacles that have hindered their success. While the intentions behind these initiatives are often well-founded, their execution and the realities of the market have led to challenges that undermine their effectiveness. Stakeholders including activists, regulatory departments, and social equity organizations have pointed to several key factors contributing to these failures, but they fail to identify the root causes:

1. **Lack of Access to Capital:** One of the most significant barriers for social equity applicants is the difficulty in securing the necessary funding to start and sustain a cannabis business. Despite some states offering financial assistance, the capital-intensive nature of the industry often exceeds the available support, leaving equity applicants struggling to compete.
 - a. This is not unique to social equity applicants, and it is a universal reality of the cannabis industry. Additionally, the criteria set forth by regulations that dictate the financial structure of the business create a business environment where the equity applicant's business is not investible.
2. **Regulatory Capture by Corporate Cannabis:** Critics argue that large, corporate cannabis entities have influenced regulations and licensing processes to favor their interests, a phenomenon known as regulatory capture. This influence can create an environment where small, equity-focused businesses face insurmountable barriers to entry and success.
 - a. Almost all regulatory discussions and requests for specific regulations regarding social equity are being conducted by advocates, associations, and equity stakeholders. While corporate cannabis is involved in a wide range of regulatory discussions, the topic of social equity is one that most shy away from.
3. **Misalignment with Intended Beneficiaries:** There have been instances where applicants benefiting from equity programs do not align with the intended demographic focus, particularly individuals from Black or Latino communities who have been disproportionately affected by cannabis prohibition. This misalignment raises concerns about the effectiveness of eligibility criteria and the allocation of resources.

- a. While the War on Drugs did impact Black and Latino communities, it also impacted other communities. The legacy cultivators in Northern California were also harmed and so were many individuals that are not Black or Latino. If equity programs are intended to right past wrongs, they must be inclusive of all individuals and communities that suffered the consequences of the War on Drugs.
4. **Reflecting Community Demographics:** There is a call for cannabis businesses, to reflect the demographics of the communities they serve. This principle is seen as key to ensuring that the economic benefits of legalization are equitably distributed and that businesses are attuned to the needs and values of their local areas.
- a. This position is incredibly dicey, divisive, and counter intuitive. If nothing else, this approach would not favor equity applicants. It would reduce the number of licenses issued to equity applicants, would limit their opportunity, and in the final analysis creates a segregated cannabis industry landscape.

3.3.2 Cause of Social Equity Program Failures

While external factors play a role in the challenges faced by social equity programs within the cannabis industry, a critical examination reveals that the root cause of many of these failures can be traced back to government actions and policies. Overregulation, prescriptive regulations, and flawed program designs have all contributed to the ineffectiveness of these initiatives. This section delves into the specific ways in which government-driven factors have hindered the success of social equity programs.

1. **Overregulation:** Excessive regulation has emerged as a significant barrier to the success of social equity programs. The cannabis industry, particularly for social equity applicants, is often bogged down by a complex web of regulatory requirements that can be difficult to navigate and expensive to comply with. This overregulation stifles entrepreneurship and limits the ability of equity businesses to launch, let alone to operate flexibly and efficiently.
2. **Prescriptive Regulations:** Social Equity policy imposes regulations that dictate specific business and financial terms for cannabis businesses. These include limitations

- on where businesses can be located, how they can operate, with whom they can do business, and guides the specific business and financial relationship. Such prescriptive regulations can inhibit the growth and sustainability of equity businesses by restricting their ability to make decisions that are best for their unique circumstances.
3. **Creating Unequal Licenses:** In an effort to promote social equity, regulatory frameworks have established restrictions and limitations unique to equity licenses. While well-intentioned, these special conditions have inadvertently created a tiered licensing system that places equity licensees at a disadvantage compared to their non-equity counterparts, limiting their market competitiveness and growth potential. All things being equal, a license issued under an equity program with all the restrictions and requirements is significantly less valuable than a standard license without the same restrictions and requirements.
 4. **Emphasis on License Ownership:** The heavy emphasis on license ownership, as a means to achieve social equity and economic empowerment, gives undue significance to these licenses. More important, the emphasis on license ownership disregards all other opportunities including well-paying jobs, as well as plant touching business opportunities within the cannabis industry that do not require license ownership. The belief that license ownership in the cannabis industry is a direct pathway to creating generational wealth has driven intense competition and scrutiny of equity programs. While ownership can offer significant economic benefits, the complex realities of the cannabis market mean that success is far from guaranteed.
 5. **Expectation of Private Support:** Social equity frameworks operate under the expectation that other private businesses and individuals, whether within or outside the cannabis industry, are responsible for, supporting and propping up equity businesses. While partnerships and mentorships can be valuable, relying on these relationships as a cornerstone of program success places an unsustainable burden on the private sector and detracts from the government's responsibility to provide a conducive regulatory environment.
 6. **Failure to Provide Tools for Success:** A fundamental issue with many social equity programs is the failure to equip participants with the tools necessary for long-term success. There is often a lack of comprehensive support that addresses business

development, market access, and ongoing operational challenges. This gap leaves many equity businesses ill-prepared to navigate the competitive cannabis market assuming they ever receive a license in the first place.

Government actions, through overregulation, restrictive program designs, and a lack of adequate support, play a pivotal role in the challenges faced by social equity programs in the cannabis industry. Recognizing and addressing these government-driven factors is essential for reforming social equity initiatives to truly fulfill their promise of equitable opportunity and justice for communities disproportionately affected by cannabis prohibition.

3.4 Government's Role in Providing Solutions

In addressing the shortcomings of current social equity programs within the cannabis industry, a reimagined approach that treats equity initiatives as distinct from regulatory frameworks can offer greater flexibility and effectiveness. Recognizing the government's pivotal role in both the origin of these issues and their resolution, this section proposes solutions to fundamentally transform the landscape of social equity programs.

The government's involvement in supporting social equity programs needs a fundamental shift towards empowerment and community reinvestment:

1. **Educational Support:** Use tax revenues to fund scholarships or grants for social equity applicants to attend community college or vocational training programs. Focus on courses that teach essential skills for business operation, such as accounting, business management, and marketing, to equip applicants with the knowledge they need to succeed. In many instances, a handful of classes at a local community college will go a long way towards self-sustenance.
2. **Community Reinvestment:** Allocate a portion of the revenue generated from cannabis taxes specifically towards the communities most harmed by the war on drugs. This

- investment can support education, health services, and economic development initiatives and doesn't need to be cannabis focused.
3. **Vendor Incentives:** Create an incentive program and request for service providers to provide legal and business guidance to qualified social equity participants. Currently, support is expected to come from nonequity applicants and financiers without much incentive to do so.
 4. **Additional Business and Employment Opportunities:** Identify business opportunities in the industry beyond license ownership and create a separate program that applicants meeting eligibility requirements could elect to participate in. Not everyone looking to participate in the industry wants to own a license. Many are looking to advance their career within the labor sector.
 5. **Investment Incentives:** Currently, there are no incentives to attract investments to the social equity program. In fact, the opposite has been demonstrated where normal and general business incentives have been stripped away.
 6. **No License Caps:** A stinging reality in the world of business is that most startups fail. With the obstacles inherent in the cannabis industry, there is no reason why equity licenses should be limited. Rather, free market dynamics should be allowed to determine how many businesses survive.

These proposed solutions aim to streamline the process for equity applicants, remove unnecessary barriers including unnecessary financial burdens, and provide meaningful support that goes beyond mere priority processing for licenses. Ultimately, the goal is to foster an environment where social equity in the cannabis industry translates into tangible opportunities for success and community upliftment.

It is important to understand that no single policy of handful of licenses is going to be enough to right the past wrongs from the War on Drugs. A system must be created that systematically churns out opportunities.

3.5 Opinion on Social Equity

The path toward meaningful social equity in the cannabis industry is fraught with complexities, many of which stem from the very institution responsible for decades of disproportionate harm: the government. As we reflect on the role of social equity programs and the challenges they face, it becomes imperative to recognize the central responsibility of government in righting the wrongs of the War on Drugs—a responsibility that cannot and should not be offloaded onto private businesses that played no part in those historical policies.

The War on Drugs, a government-led initiative, has left deep scars on communities, disproportionately affecting specific communities and exacerbating cycles of poverty, incarceration, and social disenfranchisement. It is, therefore, a government obligation to lead the charge in healing these wounds, using the legalization and regulation of cannabis as a vehicle for social and economic restoration. However, the approach to social equity within the cannabis industry has been misdirected. Rather than empowering individuals and communities to seize the opportunities presented by this burgeoning market, government policies have erected additional barriers, complicating the path to success for those they aim to support.

The notion that private businesses should bear the brunt of correcting historical injustices not only diverts attention from the government's accountability but also sows division within an industry that could, under the right conditions, offer unprecedented opportunities for growth, innovation, and community development. The cannabis industry possesses the potential to be a beacon of progress, but only if we rethink the role of government—not as an overbearing parent dictating terms and conditions, but as a facilitator that removes obstacles, simplifies regulations, and genuinely supports equitable growth.

In practice, this means stepping away from a heavy-handed regulatory approach that tends to stifle rather than stimulate development. It involves recognizing that support for equity applicants should not translate into creating a labyrinth of rules and limitations that hinder the entire industry's

progress. True support equips individuals with the tools, knowledge, and freedom to navigate the market—succeeding on their own merits and contributing to a vibrant, diverse industry landscape.

Moreover, by inadvertently turning supporters of equity against each other, government policies have fostered an environment of opposition rather than collaboration. The blame for the challenges facing social equity programs and the broader tensions within the cannabis industry lies not with the businesses striving to operate within this space, nor with the communities yearning for justice and opportunity, but with the governmental structures that have failed to aptly construct and implement policies that truly serve their intended purpose.

Holding the government accountable for its role in the cannabis industry's evolution is not just about critiquing past and present failures. It's about demanding a shift in perspective and approach—a shift towards empowering every individual with the opportunity to contribute to and benefit from the legal cannabis market. This industry, if nurtured correctly, can indeed offer a way forward, not just for those directly affected by past injustices, but for society as a whole.

4. State of Licensing

The landscape of cannabis licensing in the United States has undergone significant evolution, reflecting the complex interplay between regulatory aims, market dynamics, and social justice objectives. As states navigate the transition from prohibition to regulation, the approaches to licensing cannabis businesses have varied widely, each with its own set of advantages, challenges, and implications for the industry's development. This section delves into the state of licensing within the cannabis industry, examining historical methodologies, current practices, and visions for future improvement, with a particular focus on the integration of social equity licensing as a critical component of this ecosystem.

4.1 Historical Licensing Methods

The strategies for issuing cannabis licenses have been diverse, reflecting each state's regulatory philosophy, market goals, and social equity considerations:

1. **Merit-Based Application Process:** Characterized by a scoring system, this method evaluates applications based on a set of criteria, such as business plans, security measures, and community benefits. Top-scoring applicants are awarded licenses, ensuring a competitive selection process aimed at identifying operators most capable of meeting state standards.
2. **First-Come, First-Served:** Under this approach, licenses are issued in the order applications are received, provided they meet the minimum eligibility criteria. This method is lauded for its simplicity and transparency but criticized for potentially favoring well-prepared, resource-rich applicants over smaller, less experienced ones.
3. **Lottery System:** Some states have adopted a lottery system to distribute licenses, aiming to level the playing field among applicants. While this method introduces an element of chance, reducing potential biases, it may not always result in licenses being awarded to the most qualified or prepared applicants.
4. **Grandfathering:** This approach acknowledges businesses operating compliantly with local regulations prior to the adoption of broader state regulations, offering them a

pathway to legalization. Grandfathering can smooth the transition for existing operators but may raise concerns about market diversity and competition.

4.2 Evolution of The Cannabis Licensing Thought Process

The journey of cannabis licensing from its inception to the current state reveals a significant evolution in regulatory philosophy, understanding, and approach. Initially, the absence of precedent and a general lack of regulatory education regarding cannabis businesses led states to adopt a cautious, if not overly restrictive, stance. This section explores the shifting thought process behind cannabis licensing, highlighting the transition from the early days of heavy-handed regulation to a more nuanced and informed approach that better reflects the industry's maturity and diversity.

4.2.1 The Early Days: A Cautionary Approach

In the nascent stages of legal cannabis, states embarked on uncharted territory, with minimal guidance on how to regulate this emerging industry. The lack of existing state-licensed cannabis businesses meant that both regulators and applicants were navigating a new landscape together. This uncertainty led states to adopt a cautious, heavy-handed approach to licensing, akin to handling "plutonium." The emphasis was primarily on security, anti-diversion measures, and ensuring that applicants had the financial and operational capability to adhere to stringent regulatory standards. This approach inherently favored well-capitalized applicants with traditional business and finance backgrounds, who could afford the high costs of compliance and security infrastructure.

4.2.2 Shift in Regulatory Perspective

As the industry has matured and both regulators and the public have become more educated about cannabis, the thought process behind the licensing approach has evolved slightly, but generally remains unchanged. The initial scarcity of applicants has given way to a much more saturated applicant pool, reflecting a broader range of backgrounds, business models, and visions for

cannabis enterprises. This diversification challenges the necessity of the originally heavy-handed, capital-intensive licensing process, calling for a more balanced approach that recognizes the varied facets of the cannabis industry beyond traditional cultivation and retail models.

4.2.3 Licensing as Authorization of Activity, Not the Business Itself

A pivotal shift in the cannabis licensing thought process should be the recognition that a license is not the business but rather an authorization for specific activities within the broader cannabis ecosystem. Early on, securing a license was often synonymous with establishing a vertically integrated cannabis business, with licenses being both scarce and broadly defined. Today, the understanding must mature to recognize that businesses may require specific licenses tailored to specific activities—be it cultivation, processing, retail, or distribution—without the obligation to engage in all aspects authorized by a more general license.

This evolution reflects a more nuanced appreciation of the cannabis industry's complexities, where different business models may contribute to the industry's growth and innovation without fitting into a one-size-fits-all licensing framework. It acknowledges that the most qualified applicants may not necessarily be the most capitalized but those with the most innovative, community-focused, or efficient business models that can meet consumer needs and regulatory standards.

The lack of evolution of the cannabis licensing thought process underscores the need for regulatory frameworks that are adaptive, inclusive, and reflective of the industry's current state. As the industry continues to evolve, so should the criteria and processes for licensing, moving away from capital-intensive models that favor a narrow subset of applicants. Embracing a more flexible, activity-specific licensing approach can open the industry to a wider range of participants, fostering innovation, equity, and a more representative reflection of the communities it serves. This shift is essential for the continued growth and maturation of the cannabis industry, ensuring that licensing processes support rather than hinder the development of a diverse and dynamic market.

4.3 Social Equity Licensing: Illusion of Opportunity

Within the broader context of cannabis licensing, social equity initiatives have been heralded as a pivotal step towards rectifying historical injustices and ensuring that the burgeoning cannabis industry benefits all sectors of society, especially those disproportionately affected by previous cannabis prohibition policies. However, in practice, the implementation of social equity licensing has often fallen short of these lofty goals, creating an illusion of opportunity that fails to materialize into tangible benefits for intended beneficiaries. Moreover, this process has unintended consequences for general applicants, contributing to a more convoluted and contentious licensing environment.

4.3.1 Farce of Opportunity

Social equity licensing programs were designed with the noble intention of leveling the playing field, but the reality has proven to be more complex and less effective. Almost every instance of social equity licensing can be viewed as an illustration of what not to do.

1. **Complex Application Processes:** The complexity of the application process for social equity licenses often serves as significant barriers to entry for the very individuals these programs aim to support. The bureaucratic maze, coupled with the need for substantial financial, legal, and business planning resources, places a disproportionate burden on social equity applicants.
2. **Insufficient Support:** While many social equity programs promise comprehensive support, the reality is that the provided resources are often inadequate to overcome the systemic barriers faced by equity applicants.
3. **Regulatory Bottlenecks:** In some jurisdictions, the focus on social equity licensing has led to regulatory bottlenecks that delay the issuance of licenses for all applicants. This not only sidelines general applicants but also creates a competitive disadvantage for equity applicants who are caught in the same slow-moving process, undermining the speed to market that is crucial for business success.
4. **Tokenism vs Structural Change:** There is a growing concern that social equity licensing, as currently implemented, amounts to tokenism rather than substantive

structural change. By not addressing the deeper regulatory issues that hinder equitable participation in the cannabis industry, regulators risk maintaining a facade of opportunity while perpetuating the status quo.

4.3.2 The Impact on Equity Initiatives and General Applicants

The unintended consequences of the flawed execution of social equity licensing extend beyond the equity applicants themselves, affecting the broader applicant pool and the industry at large:

1. **Frustration Among General Applicants:** General applicants, many of whom support the principles of social equity, find themselves sidelined by a process that seems more focused on optics than outcomes. This can lead to frustration and disillusionment with the regulatory process, dampening enthusiasm for participation in the legal cannabis market.
2. **Erosion of Support for Equity Initiatives:** As the challenges and inefficiencies of social equity licensing become more apparent, there is a risk of eroding support for these initiatives among the wider cannabis community. This would be a significant setback, as broad-based support is crucial for the success of social equity efforts.

4.3.3 Toward Genuine Equity and Opportunity

As we reflect on the state of social equity licensing within the cannabis industry, it's clear that while intentions might be noble, the road to equity is fraught with obstacles—some anticipated, many unforeseen. The aspiration to correct historical injustices through targeted licensing initiatives is commendable, yet the execution often reveals a chasm between ambition and reality. The consequence is a landscape where the promise of opportunity for marginalized communities becomes obscured by regulatory complexities, insufficient support, and unintended setbacks for all applicants.

The primary responsibility for these challenges lies not with the communities these programs aim to support, nor with the general applicants striving to navigate the regulatory maze. Rather, it rests

on the shoulders of the regulators and policymakers who craft these frameworks. It is their duty to ensure that social equity licensing transcends the realm of symbolic gestures to effectuate meaningful, structural change.

First and foremost, social equity cannot be viewed as a mere adjunct to the broader licensing process. It requires a dedicated, nuanced approach that genuinely understands and addresses the barriers to entry faced by historically marginalized communities. This involves not only simplifying application procedures and enhancing support mechanisms but also reevaluating the foundational assumptions that underpin these initiatives.

Moreover, the challenges facing social equity licensing underscore a broader issue within the cannabis industry and regulatory bodies: the need for agility, adaptability, and a willingness to learn from missteps. The path forward must be paved with continuous dialogue between regulators, applicants, industry veterans, and community representatives. It is only through collaborative effort and shared commitment to justice that the cannabis industry can hope to embody the principles of equity it espouses.

4.4 Opinion: Rethinking Licensing in the Cannabis Industry

In evaluating the evolution and current state of licensing within the cannabis industry, it becomes evident that the journey from prohibition to regulation has been marked by significant learning curves, challenges, and adaptations. Initially driven by a cautious, risk-averse approach that treated cannabis businesses with exceptional scrutiny, states have gradually transitioned towards more nuanced regulatory frameworks. However, this progression has not been without its stumbling blocks, particularly in the realm of social equity licensing, which, despite its noble intentions, has often fallen short of delivering on its promises.

The current licensing models, varying from merit-based systems to lotteries, first-come-first-served processes, and grandfathering provisions, reflect a diverse regulatory landscape. Yet, this diversity also underscores a fundamental challenge: ensuring that licensing not only facilitates market entry but does so in a manner that is just, and reflective of the broader societal goals associated with cannabis legalization.

Critically, the government's role in the licensing process, especially regarding social equity initiatives, has come under scrutiny. The aspiration to rectify historical injustices through such programs has frequently clashed with the realities of bureaucratic processes, lack of adequate support, and unintended consequences that affect both equity and general applicants. This situation has necessitated a reevaluation of how licenses are awarded and managed, highlighting the need for a paradigm shift in regulatory thinking.

A more effective approach to licensing would entail treating equity programs as distinct entities from general licensing, thereby allowing for greater flexibility and focus on achieving equity goals. Moreover, it is imperative that the government reassesses its role—not as a mere gatekeeper or facilitator of revenue generation but as an active partner committed to fostering an inclusive and thriving cannabis industry.

As we move forward, the lessons learned from past licensing endeavors must inform future regulatory strategies. Emphasizing simplicity, transparency, and fairness in the licensing process can help demystify entry into the cannabis industry, making it more accessible to a broader range of participants.

The state of licensing in the cannabis industry calls for a thoughtful, informed, and responsive regulatory approach. By acknowledging past oversights and adapting to the evolving needs of the market and its participants, regulators can pave the way for a licensing framework that truly embodies the principles of opportunity and fairness.

5. Organized Labor in the Cannabis Industry

The engagement of labor unions within the cannabis industry encapsulates a complex relationship that has evolved significantly over time. Labor unions have played a pivotal role in supporting the development of the industry, advocating for operators, facilitating access to resources, and contributing to the sector's legislative successes. However, in recent years, the dynamics between labor unions and the cannabis industry have shifted, at times becoming contentious. This section aims to dissect the role of unions, their market function, the benefits and drawbacks of union involvement, and strategies for fostering a constructive relationship between the industry and organized labor.

5.1 The Role of Unions

Labor unions have historically been instrumental in advocating for workers' rights, fair wages, and safe working conditions. In the cannabis industry, unions initially served as vital allies, supporting not just workers but also helping operators navigate the complexities of a burgeoning market. Their advocacy and organizational support were crucial in the early days of legalization and market establishment.

5.1.1 Hierarchy of Union Interests

In the conversation surrounding labor unions within the cannabis industry—and indeed, across various sectors—the prioritization of interests forms a critical point of analysis. The primary interest of a union is often the union itself, followed by its dues-paying members, with broader considerations potentially falling on the wayside. This hierarchy of interests can have profound implications for the cannabis industry, the workforce, and the broader economic landscape.

1. **The Union Itself:** The sustenance and growth of the union as an entity often emerges as paramount. This priority manifests in efforts to increase membership, enhance bargaining power, and secure the union's financial and institutional stability. While unions undeniably play a role in advocating for workers' rights, the strategies deployed

- can sometimes focus more on preserving the union's influence than on addressing the nuanced needs of its members or the industry's broader health.
2. **Union Members:** The welfare of union members, while a core objective, sometimes becomes secondary to the overarching goals of the union's self-preservation. This can lead to situations where the benefits negotiated by unions—while advantageous to members in the short term—may not always align with long-term sustainability or the well-being of the wider workforce and industry.

In addressing the topic of labor unions within the cannabis industry, it's crucial to dispel a common misconception regarding the relationship between union members and the unions themselves. Union members are not employees of the union. Rather, they are dues-paying members who work within the industry and contribute to the union for representation, support, and advocacy.

The union itself employs a separate staff whose role is to organize, negotiate, and provide various services to its members. These employees work directly for the union, not within the broader industry sectors that the union represents. This distinction is vital for understanding the dynamics of labor unions in the cannabis industry and recognizing the role that both dues-paying members and union employees play in advocating for workers' rights, fair labor practices, and industry standards.

5.1.2 Pros of Unions

Union participation in the cannabis industry comes with a lot of benefits, including:

1. **Worker Advocacy:** Unions play a crucial role in advocating for workers' rights, ensuring that employees in the cannabis industry receive fair wages, benefits, and safe working conditions. This advocacy is fundamental in sectors like cannabis, where rapid growth and evolving regulations can leave workers vulnerable.
2. **Industry Standards:** By advocating for high standards in wages, safety, and working conditions, unions contribute to the professionalization of the cannabis industry. This, in

turn, can lead to greater consumer trust and industry stability, benefiting the broader market and community.

3. **Collective Bargaining:** Unions bring the power of collective bargaining to the table, enabling workers to negotiate more effectively with employers for improved terms of employment. This collective strength often leads to better compensation packages and workplace policies than individual employees might secure on their own.

5.1.3 Cons of Unions

Union participation in the cannabis industry does come with limitations and concerns, including:

1. **Increased Operational Costs:** Unionized workplaces often face higher operational costs due to increased wages, benefits, and compliance with union standards. For cannabis businesses operating in a highly competitive market, these added costs can impact profitability and growth potential.
2. **Contentious Relationships:** The process of unionization and ongoing labor negotiations can sometimes lead to conflict between employers and employees, or between different employee groups. This can disrupt workplace harmony and affect productivity and morale.
3. **Limitations on Flexibility:** Union contracts can introduce rigidity into employment practices, making it more challenging for businesses to adapt quickly to market changes or operational needs. This can limit a company's ability to innovate or respond agilely to new opportunities or challenges.
4. **Regulatory Complications:** When the government mandates union involvement or certain labor standards, it can complicate the regulatory environment, potentially stifling business flexibility and innovation.

5.2 The Role of Unions in the Modern Regulatory Environment

In today's regulatory environment, where worker protections are extensively covered by state and federal regulations, such as those enforced by OSHA (Occupational Safety and Health

Administration), the additional protections offered by unions can appear redundant. Workers already benefit from comprehensive legal frameworks designed to ensure their safety, fair treatment, and rights to collective bargaining. The question then arises: what unique advantages do unions offer in an era where their traditional roles in worker protection may be largely covered by existing laws?

5.2.1 Labor Contracts and At-Will Employment

Labor contracts, a fundamental tool in the union arsenal, introduce a shift away from the at-will nature of employment, which is predominant in the U.S. This transition can have mixed implications:

- **Potential Benefits:** For employees, labor contracts can offer increased job security and clearly defined terms of employment, including wages, benefits, and working conditions. This security can contribute to greater workforce stability and employee satisfaction.
- **Drawbacks:** Conversely, the rigidity of labor contracts can limit an employer's ability to make timely adjustments in response to market conditions, operational needs, or employee performance issues. This rigidity could potentially stifle innovation, adaptability, and overall business competitiveness.

5.3 Job Positions vs Wage Levels

In exploring the strategic priorities of unions, particularly within the context of the cannabis industry, a revealing example concerns the preference for job structures that maximize union membership—and consequently, union dues—over configurations that might offer higher wages to fewer employees. This preference underscores a fundamental tension between expanding union influence and optimizing worker compensation.

Consider a scenario in a cannabis retail facility where technological advancements could streamline operations, thereby increasing productivity and potentially allowing for higher wages due to gains in efficiency. However, implementing such technology might reduce the total number

of positions needed. Unions, prioritizing the expansion of their membership base, might resist these changes, advocating instead for maintaining or even increasing the number of lower-paying, manual labor positions. This stance, while increasing union dues through higher membership, could limit employees' potential for higher earnings and career advancement within a more technologically advanced setting.

Analysis:

1. **Union Priorities:** The preference for more job positions aligns with the union's interest in sustaining and growing its financial base and bargaining power, which are bolstered by higher membership numbers. This strategy ensures a steady stream of dues and maintains the union's role as a key stakeholder in labor negotiations.
2. **Impact on Employees:** While creating more job opportunities might seem beneficial, this approach can inadvertently cap employees' earning potential and career growth. Workers might find themselves in roles with limited upward mobility and wages that do not reflect the possible efficiencies and value generated by modernized operations.
3. **Broader Implications:** This dynamic has broader implications for the cannabis industry, which is rapidly evolving and increasingly reliant on innovation and efficiency to compete. The resistance to technological adoption and process optimization in favor of maximizing union membership can hinder the industry's overall competitiveness and its ability to attract and retain top talent.

This example highlights a critical consideration for unions and the industries they operate in: finding a balance between expanding membership and advocating for practices that ultimately benefit the workforce and industry at large. In the cannabis sector, where growth and change are constants, the challenge lies in aligning union strategies with the long-term well-being of employees and the health of the industry. Navigating this balance requires open dialogue, adaptability, and a shared commitment to the future of cannabis and those who work within it.

5.4 Government Involvement in Union Discussions

The intersection of government involvement in union discussions and labor negotiations can have a profound impact on the dynamics of the labor market, especially within industries like cannabis that are navigating complex regulatory landscapes. While government oversight is often intended to protect worker rights and ensure fair labor practices, its involvement can sometimes lead to unintended consequences that may not serve the best interests of either employees or employers.

5.4.1 Overregulation and Compliance Burdens

When the government plays a heavy-handed role in union discussions, one of the primary concerns is the tendency towards overregulation. This can manifest in overly prescriptive laws and regulations governing union activities, labor relations, and collective bargaining processes. Such overregulation can impose significant compliance burdens on businesses, particularly small and medium-sized enterprises in the cannabis industry, which may already be grappling with a complex regulatory environment. The additional layer of regulatory complexity can divert resources away from growth and innovation, potentially stifling the industry's development.

5.4.2 Politicization of Labor Relations

Government involvement in union discussions can also lead to the politicization of labor relations. Labor policies and union activities can become entangled with broader political agendas, with decisions and policies being influenced more by political considerations than by the needs and interests of workers and employers. This politicization can undermine the neutrality and effectiveness of labor negotiations, creating an environment where decisions are driven by political expediency rather than the pursuit of fair and equitable labor practices.

5.4.3 Erosion of Employer-Employee Direct Relations

Government intervention in union discussions can also erode the direct relationship between employers and employees. When government agencies become heavily involved in mediating or dictating the terms of labor relations, it can diminish the capacity for direct dialogue and

negotiation between employers and their workforce. This can lead to a reliance on government intervention rather than fostering a culture of mutual respect and collaboration, which is essential for addressing workplace issues and advancing collective interests.

5.5 Union Efforts to Adapt: UFCW's Apprenticeship Program

In the rapidly evolving cannabis industry, one particular labor union has sought ways to adapt and modernize their approach to better align with the sector's unique needs and opportunities. A notable example of such efforts is the initiative undertaken by the United Food and Commercial Workers Union (UFCW), which aimed to bridge the gap between labor representation and industry growth through the development of a training and apprenticeship program tailored specifically for the cannabis sector.

Recognizing the burgeoning potential of the cannabis industry and the critical need for skilled labor, the UFCW embarked on an ambitious project to establish an apprenticeship program. This program was designed to support both the business side of the cannabis industry and its employees by offering structured training pathways that would enhance workforce skills, ensure compliance with industry standards, and promote career advancement opportunities within the sector.

To ensure the program's relevance and effectiveness, the UFCW constituted a board comprising 24 members, evenly split between organized labor representatives and private cannabis business stakeholders. This collaborative structure was intended to facilitate a balanced input from both sides of the industry, reflecting the dual priorities of protecting worker rights and fostering business development.

Despite the innovative approach and the potential benefits of the UFCW's apprenticeship program, it struggled to gain significant traction. One of the primary hurdles faced by the program was the issue of funding. Securing the necessary financial resources to launch and sustain a comprehensive

apprenticeship initiative proved challenging, particularly in an industry still grappling with banking restrictions, limited access to conventional funding sources, and the complex regulatory environment that governs cannabis operations.

The lack of funding not only impeded the program's ability to enroll participants and deliver training but also highlighted the broader challenges of aligning labor union initiatives with the rapidly changing dynamics of the cannabis industry. Without adequate support and investment, even well-conceived programs can struggle to achieve their intended impact.

The UFCW's attempt to develop a training and apprenticeship program for the cannabis industry represents a forward-thinking effort to adapt union activities to the needs of a new and fast-growing sector. While the challenges encountered in implementing the program underscore the difficulties of navigating the cannabis industry's unique landscape, they also reflect a broader need for innovative solutions to support workforce development and labor representation in this emerging field.

The experience of the UFCW's apprenticeship program serves as a valuable lesson for both labor unions and industry stakeholders: collaboration, flexibility, and secure funding are crucial for the success of initiatives aimed at modernizing labor relations and supporting industry growth. As the cannabis industry continues to evolve, the ability of unions to adapt and engage constructively with business interests will play a critical role in shaping a labor market that benefits employees, employers, and consumers alike.

5.6 Opinion: The Role of Unions in the Cannabis Industry

As the cannabis industry continues to navigate its complex and rapidly evolving landscape, the role of labor unions, particularly that of the United Food and Commercial Workers Union (UFCW), deserves a nuanced and balanced examination. The UFCW's involvement in the cannabis sector

has undeniably been a driving force behind many of the advancements and protections that workers enjoy today. From advocating for fair wages and safe working conditions to supporting legislative efforts that benefit both employees and employers, the union's contributions have been instrumental in shaping the industry's current state.

Throughout the industry's journey from marginalization to mainstream acceptance, the relationship between unions and the cannabis sector has experienced its share of fluctuations. Like any dynamic relationship, interactions between labor organizations and industry stakeholders have witnessed periods of alignment and contention. Despite recent tensions and disagreements, the underlying fact remains that the cannabis industry is arguably better off with union participation than without it.

Union involvement has not only led to significant progress in worker rights and industry standards but has also provided a framework for constructive dialogue and negotiation that benefits the broader cannabis community. However, achieving a harmonious balance between advancing workers' interests and supporting industry growth requires thoughtful consideration from union leadership. Actions such as calling for strikes on significant industry days like April 20th may not always serve the best interests of either party, potentially undermining the collective goals and the spirit of collaboration that have driven the industry forward.

It is crucial for unions to prioritize their alliance with the cannabis industry, recognizing that the success of one directly contributes to the prosperity of the other. While advocacy and negotiation are inherent aspects of union activity, these efforts should be guided by a shared commitment to the industry's long-term viability and growth. This approach necessitates a nuanced understanding of the cannabis sector's unique challenges and opportunities, ensuring that union strategies are aligned with the needs and realities of the industry they serve.

The cannabis industry's relationship with labor unions, specifically the UFCW, is a testament to the complex interplay between worker advocacy and industry development. As the sector continues to mature, both parties must navigate their partnership with a sense of mutual respect, understanding, and a shared vision for the future. Striking the right balance between union participation and industry support will be key to fostering an environment that benefits all stakeholders—enhancing the industry's capacity to innovate, grow, and thrive in an increasingly competitive marketplace.

6. Industry Associations

In the early stages of the legalized cannabis industry, industry associations played a pivotal role in uniting stakeholders under a common banner, advocating for legalization, regulation, and the nascent industry's growth. These organizations served as the voice of a community navigating uncharted legal, social, and economic territories, laying down the foundational advocacy required for the industry to flourish. As the cannabis industry has matured, evolving from a monolithic entity into a complex ecosystem with diverse interests and needs, the role and effectiveness of these industry associations have come under scrutiny.

The rapid expansion and diversification of the cannabis sector have exposed the limitations of a one-size-fits-all approach to industry representation. Early associations that once encapsulated the entire industry's interests are now faced with the challenge of addressing the nuanced and sometimes conflicting priorities of their varied constituencies. From cultivation and production to retail and ancillary services, each segment of the cannabis supply chain presents unique considerations that demand specialized attention.

Furthermore, as the industry grows, so does the scrutiny of the operations and motivations behind these associations. Allegations of associations serving more as vehicles for personal or business gain rather than for the collective advancement of the industry raise questions about their relevance and integrity.

This section aims to dissect the current state of industry associations within the cannabis sector, examining the shift from unified advocacy to a landscape where focused, segment-specific representation might better serve the industry's multifaceted needs. It will explore the challenges of adapting to an industry in flux, the potential conflicts arising from broad-spectrum representation, and the pathways forward for associations striving to remain relevant and effective in an ever-evolving market.

6.1 The Reality of Current Associations

As the cannabis industry has burgeoned into a multi-faceted and highly competitive market, the role and effectiveness of industry associations have come under increased scrutiny. What was once a relatively homogenous group of advocates pushing for legalization and basic regulatory frameworks has splintered into a diverse array of stakeholders with varying—and sometimes conflicting—interests. This evolution has exposed the limitations of current associations and highlighted the need for a more nuanced approach to industry representation.

6.1.1 Diversification and Fragmentation

The cannabis industry's expansion has led to the diversification of business models and interests within the sector. From growers to retailers, manufacturers of ancillary products, and technology service providers, each segment has developed its own set of priorities and challenges. This diversification has naturally led to a fragmentation of interests that a single association often finds challenging to represent adequately.

6.1.2 Conflicting Interests and Representation

One of the most pressing issues facing current industry associations is the inherent conflict of interest that can arise when attempting to represent the entire supply chain. For example, regulatory changes that benefit producers might adversely affect retailers, and vice versa. These conflicting interests make it difficult for associations like the National Cannabis Industry Association (NCIA) or the California Cannabis Industry Association (CCIA) to advocate effectively on behalf of all members, leading to dissatisfaction and the perception that the association may not fully represent certain segments' interests.

6.1.3 The Erosion of Influence

As associations struggle to keep pace with the industry's growth and evolving needs, their influence and relevance have begun to wane. Some associations have seen their membership decline as businesses seek more specialized groups that can more directly address their specific concerns.

This erosion of influence is compounded by a perception that some associations have become more focused on self-preservation or advancing the interests of a select few rather than driving meaningful progress for the industry as a whole.

6.1.4 Self Serving Leadership and Transparency Concerns

There is growing concern that some industry associations have become platforms for individuals or businesses to advance their personal agendas. Instances where leadership positions within associations are used to promote private business interests or where lobbying efforts seem disproportionately aligned with the goals of a few members have raised questions about transparency and integrity. This dynamic not only detracts from the association's mission but also undermines trust among the broader membership.

6.1.5 The Need for Specialized Representation

The current reality underscores a pressing need for industry associations to adapt and specialize. As the cannabis industry continues to mature, there is a clear demand for associations that can provide focused representation and support for specific segments of the market. This specialization would allow for more effective advocacy and services tailored to the unique needs of different industry sectors, ultimately contributing to a more cohesive and united industry.

6.2 Examples of Effective Industry Associations

In the evolving landscape of the cannabis industry, where many associations struggle to keep pace with the market's diversification and complexity, some organizations stand out for their effectiveness and clarity of mission. The United Cannabis Business Association (UCBA) and the US Cannabis Council are two such examples, each serving distinct roles but sharing a commonality in their focused and results-driven approach.

6.2.1 United Cannabis Business Association (UCBA)

The UCBA primarily represents license holders in Los Angeles, a critical hub for the cannabis industry in California and by extension, the United States. This association has demonstrated a remarkable capacity for advocating on behalf of its members, addressing local regulatory challenges, and ensuring that member licensed businesses can operate in a fair and competitive environment. The UCBA's effectiveness is largely attributable to its clear focus on the specific needs and concerns of Los Angeles-based license holders, allowing it to tailor its advocacy and support services accordingly. Through targeted lobbying efforts, public awareness campaigns, and close collaboration with regulatory bodies, the UCBA has secured significant wins for its members, reinforcing the importance of localized, specialized representation within the broader cannabis industry.

6.2.2 US Cannabis Council (USCC)

Positioning itself as the "voice of America's regulated industry," the US Cannabis Council has carved out a significant role in the push for federal cannabis reform. Representing a coalition of larger Multi-State Operators (MSOs), the USCC has effectively utilized its platform and resources to advocate for policy changes at the national level. Their focus on federal reform—a critical issue for the industry at large, but especially pertinent for businesses operating in multiple states—has allowed them to concentrate their efforts and messaging, resulting in impactful advocacy. Despite the contentious nature of federal cannabis policy, the USCC's targeted approach and unified voice have helped advance the conversation around legalization and regulation at the highest levels of government.

6.2.3 Commonalities and Lessons

The effectiveness of both the UCBA and USCC can be attributed to their specificity in representation and a focused approach to advocacy. By honing in on particular segments of the industry—whether it be local license holders in Los Angeles or larger MSOs with a stake in federal policy—these associations have been able to deliver tangible results for their members. This

specificity enables them to navigate the complex regulatory and political landscapes with agility and precision, making them influential players in the industry.

The success stories of the UCBA and USCC underscore a vital lesson for industry associations within the cannabis sector: the importance of targeted, focused representation. By clearly defining their constituencies and honing their advocacy to specific interests and goals, associations can not only survive but thrive within the competitive and rapidly evolving cannabis industry. These examples serve as models for how associations can effectively champion the interests of their members, driving progress and fostering a supportive environment for the cannabis community at large. Whatever your opinion about either association or what they seek to do, there is no denying their effectiveness.

6.2.4 Comparison: The American Medical Association

In exploring the evolution and potential future directions of cannabis industry associations, it becomes instructive to draw comparisons with established entities in traditional business sectors. The American Medical Association (AMA) stands out as a particularly compelling example. Renowned for its extensive influence within the healthcare industry, the AMA transcends the conventional role of an association, functioning simultaneously as a labor union for physicians and a gatekeeper of industry. This dual role offers valuable insights into how cannabis industry associations might evolve to more effectively serve their members and shape the industry.

The American Medical Association has adeptly positioned itself at the nexus of advocacy, education, and industry regulation. By advocating for physicians' rights, influencing healthcare policy, and establishing medical standards, the AMA effectively protects its members' interests while ensuring the integrity and advancement of the medical profession. This comprehensive approach has solidified its status as a pivotal player in healthcare, guiding both the professional development of physicians and the broader industry's evolution.

6.3 Opinion: A Critical Juncture for Cannabis Industry Associations

As the cannabis industry continues to navigate through its dynamic and rapidly evolving landscape, the role and efficacy of industry associations are at a pivotal juncture. With the sector's growth and diversification, the necessity for these associations to refine their focus and genuinely consider the interests of their members above all has never been more pressing. It is a time for introspection and recalibration, where associations must align their missions and operations with the needs of the industry sector they represent.

The fundamental purpose of an association is to serve as a collective voice for its members, advocating for their interests, providing valuable resources, and facilitating a supportive community. However, this purpose can only be fulfilled when the focus remains steadfast on the members rather than on the individuals leading the associations. There has been growing concern that some associations have drifted from this member-centric approach, allowing personal or external interests, including those of lobbyists, to influence their direction and priorities. This shift not only undermines the associations' core missions but also risks alienating the very members they aim to support.

For associations to remain relevant and effective in the current cannabis industry environment, a critical reassessment of their strategies and governance is necessary. Handing over the reins to lobbyists or allowing the associations to be swayed by individual interests is a recipe for disconnect and disillusionment. Associations must strive for transparency, inclusivity, and responsiveness to the shifting needs of the industry, ensuring that their advocacy and services are directly aligned with the goals and challenges of their members.

The stark reality is that, like businesses, associations that fail to adapt to the new environment risk obsolescence. The industry is in a state of flux, with new challenges and opportunities emerging regularly. The potential for associations to effectuate meaningful change is significant, but seizing

this potential requires a willingness to evolve and a commitment to placing the collective interests of the their members at the forefront of their efforts.

Now, more than ever, the cannabis industry needs strong, focused association representation. The traditional model of operation, which may have sufficed in the industry's earlier days, is no longer adequate to address the complex landscape stakeholders navigate today. The market of needs is relentless, and should current associations fail to rise to the occasion, alternative voices and leaders will inevitably emerge to fill the void.

The call to action for cannabis industry associations is clear: recalibrate, refocus, and realign with the needs of the industry. By doing so, not only can they secure their relevance in the evolving cannabis landscape, but they can also play a crucial role in shaping the industry's future, championing the interests of their members, and contributing to the sector's overall growth and success. The time for change is now; the opportunity to lead and make a lasting impact awaits.

7. Multi State Operators (MSOs) and Public Companies

The cannabis industry has seen a dynamic shift in its landscape with the rise of Multi-State Operators (MSOs) and the entry of cannabis companies into public markets, notably through Reverse Takeovers (RTOs) in Canadian exchanges. This significant evolution marks a pivotal moment in the cannabis sector's journey from an emerging market to one that increasingly mirrors traditional business structures and practices. The advent of MSOs and the public listing of cannabis companies have not only altered the financial and operational strategies within the industry but have also played a crucial role in shaping its regulatory, competitive, and public perception landscapes.

MSOs, with their operations spanning multiple states, have emerged as powerhouse entities driving the expansion and integration of the cannabis market across the U.S. Their ability to navigate complex regulatory environments, coupled with the financial muscle afforded by public market access, has positioned them as key players in the industry's growth and maturation. Through RTOs in Canadian exchanges, these companies have tapped into new capital sources, providing them with the necessary resources to scale operations, and execute strategic acquisitions.

However, the ascent of MSOs and the proliferation of public cannabis companies bring to the fore a multitude of considerations and challenges. Analysts, investors, and industry stakeholders are now tasked with dissecting the nuances of operating within an industry that remains federally illegal in the U.S. yet is burgeoning at a state level. Issues such as federal rescheduling, market saturation, regulatory changes, and the integration of corporate practices into an industry rooted in counterculture present unique dilemmas for MSOs and public companies.

This section aims to delve into the intricate world of MSOs and public cannabis companies, offering insights into their operational dynamics, the significance of their emergence in public markets, and the multifaceted challenges they face. By examining the impact of federal rescheduling, assessing their competitive moats, exploring their operational hurdles in markets like

California, and evaluating their future prospects for capital access and market share, this analysis seeks to provide a comprehensive overview of the current state and future potential of MSOs and public companies within the ever-evolving cannabis industry.

7.1 Defining MSOs and Their Path to Public Markets

Multi-State Operators (MSOs) are companies that own, operate, or have a significant stake in multiple cannabis facilities across various states, encompassing cultivation, processing, and retail operations. Given the federal illegality of cannabis in the United States, MSOs have turned to Canadian exchanges for public listings through Reverse Takeovers (RTOs). An RTO is a process where a private company acquires a publicly traded shell company, thereby bypassing the traditional initial public offering (IPO) process, to access capital and public markets more rapidly.

7.1.1 Significance of MSOs in the Cannabis Industry

MSOs have played a crucial role in demonstrating the viability and economic potential of the cannabis industry to a broader audience, including investors and regulators. By accessing public markets, MSOs have been able to secure significant capital investments, driving expansion and professionalization within the sector. This visibility has also contributed to shifting perceptions, underscoring the industry's transition from a fringe to a mainstream economic player.

7.2 Analysis of MSOs' Viability and Challenges

While MSOs have garnered attention from analysts and media, there's a gap in the depth of understanding and scrutiny applied to these entities, particularly concerning the unique challenges and considerations of the cannabis industry.

7.2.1 Federal Rescheduling Impact

The potential federal rescheduling of cannabis to Schedule III under the Controlled Substances Act is poised to have profound implications for the cannabis industry, particularly for Multi-State

Operators (MSOs). This rescheduling, by far, positions MSOs as the primary beneficiaries, possibly even outpacing pharmaceutical companies in terms of the advantages gained. However, the ramifications of such a shift are nuanced and merit a closer examination to understand fully how MSOs stand to gain and the contingent challenges that may arise.

With cannabis currently trapped in a bifurcated market of medical and adult use under state regulations, a move to Schedule III would herald significant changes. The medical market, as it stands, would likely transition into the hands of pharmaceutical companies, leaving the adult-use market and the existing state-regulated medical market to consolidate further. In such a scenario, MSOs, with their established operations across multiple states and substantial market presence, are primed to be the first in line to capitalize on the consolidation wave.

Another critical benefit for MSOs would be the alleviation from the onerous tax burdens imposed by Section 280E of the Internal Revenue Code, which currently disallows businesses dealing in Schedule I or II substances from deducting ordinary business expenses. Moving cannabis to Schedule III would potentially save MSOs tens to hundreds of millions of dollars, significantly enhancing their profitability and operational efficiency.

Despite these benefits, the transition to Schedule III is not a panacea for all of the industry's challenges, nor does it automatically unlock all potential opportunities for MSOs. One of the most significant misconceptions is the assumption that rescheduling would immediately facilitate listings on U.S. exchanges and open the floodgates to institutional investors. The reality is more complex.

Similar to other Schedule III substances, the manufacture, handling, and distribution of cannabis would require proper licensing from the Drug Enforcement Administration (DEA). This means that MSOs, like any entity wishing to engage in the Schedule III drug market federally, must navigate the DEA's licensing process, which could impose additional regulatory hurdles and

operational constraints. Furthermore, compliance with DEA requirements and achieving uplisting to U.S. exchanges would likely require further legislative action beyond mere rescheduling.

While federal rescheduling to Schedule III undeniably offers significant advantages to MSOs, it also introduces a new set of strategic considerations and potential regulatory challenges. The shift would markedly benefit MSOs in the short term, particularly in terms of tax relief and market consolidation opportunities. However, the long-term landscape would demand a sophisticated understanding of and adaptation to the regulatory requirements and competitive dynamics introduced by such a change. For MSOs to fully capitalize on the benefits of rescheduling, proactive engagement with regulatory processes, legislative advocacy, and strategic planning will be essential to navigate the complexities of a post-rescheduling environment effectively.

7.2.2 Perceived Moat

Multi-State Operators (MSOs) in the cannabis industry often tout the existence of a competitive "moat" around their businesses, a concept borrowed from traditional investment theory indicating a company's ability to maintain competitive advantages over its rivals. For MSOs, this moat is largely predicated on the limited availability of licenses in the markets where they operate, affording them a certain level of market control and reduced competition. However, this perceived moat is becoming increasingly tenuous as the regulatory landscape evolves and states begin to liberalize their licensing frameworks.

The value of the MSOs' moat is directly challenged by the expansion of licenses in various states, a trend that is gaining momentum across the country. For instance, New York's decision to significantly increase its number of cannabis licenses serves as a prime example of how state actions can dilute the competitive advantages that MSOs have historically enjoyed. As more licenses are issued, the barriers to entry for new market participants lower, thereby increasing competition and eroding the exclusivity that underpins the MSOs' moat. Future potential inter-

state commerce would potentially erode any moat that's based on operating in a limited license market.

The experiences of MSOs in more open markets, such as California, further illustrate the limitations of relying on restricted license availability as a sustainable competitive advantage. In California's expansive and highly competitive market, MSOs have struggled to capture and retain significant market share, facing challenges from a plethora of local and smaller operators who are more agile or have stronger community ties. This has led to most MSOs either exiting the California market or having never entered it. This situation underscores the vulnerability of the MSOs' business model in environments where market access is not as tightly controlled.

The trajectory of the cannabis industry suggests a move towards more liberalized licensing policies, with many markets that MSOs currently operate in poised for expansion. This trend is likely to continue as states seek to maximize the economic benefits of the cannabis industry, including job creation and tax revenue generation, by allowing more participants to enter the market. As this expansion occurs, the competitive moat that MSOs currently rely on is expected to diminish, compelling them to adapt their strategies to a more competitive landscape.

7.2.3 Future Access to Capital Sources

The question of future access to capital sources remains a critical consideration for Multi-State Operators (MSOs) and public cannabis companies as they navigate the evolving landscape of the cannabis industry. Despite the potential for broader access to capital markets, MSOs may encounter significant challenges in raising the necessary funds to fuel their continued growth and operations. Several factors contribute to this potentially constrained access to capital, reflecting both past performance issues and structural financial concerns within these entities.

The cannabis industry, particularly in its early years of rapid expansion, attracted considerable investor interest and capital influx. However, the subsequent performance of many MSOs and public cannabis companies has led to substantial financial losses for investors, resulting in a marked souring of sentiment towards the sector. The adage "burned once, shy twice" aptly describes the current cautiousness of investors, who may be hesitant to allocate additional funds to an industry that has yet to deliver consistent and sustainable returns on investment. This wariness is compounded by high-profile failures and financial struggles within the sector, such as the challenges faced by companies like Med Men.

A significant factor complicating MSOs' future access to capital is the substantial debt burden carried by many of these companies. As MSOs expanded rapidly to capture market share and establish a multi-state presence, they often incurred high levels of debt. Faced with the choice between investing in heavily indebted MSOs or newer companies with cleaner balance sheets, investors are likely to prefer entities free from the encumbrances of existing liabilities. The reluctance to invest in companies where a substantial portion of the capital injection would be directed towards servicing or paying down existing debt further limits MSOs' attractiveness to potential investors.

Compounding the issue of debt, there is a perception among investors that many MSOs have not effectively utilized the capital previously raised, leading to misallocation of resources, underperformance, and, in many cases, financial distress. Examples of MSOs that have struggled to maintain their market position or have been delisted underscore the risks associated with investing in the sector. The consequence of these missteps is a growing distrust among investors, who are increasingly cautious about backing companies that have not demonstrated prudent financial management or a clear path to profitability.

7.2.4 Soured Relations with Legacy Cannabis

The rise of Multi-State Operators (MSOs) in the cannabis industry marks a significant shift from the sector's grassroots beginnings to its current state as a burgeoning commercial enterprise. However, this transition has not been seamless. As MSOs have expanded their footprint across the United States, a growing rift has emerged between these corporate entities and the legacy cannabis community. This divide is characterized by strained relationships and deep-seated mistrust, factors that could significantly impede MSOs' ability to integrate into and thrive within established legacy markets, particularly in the event of market liberalization and the advent of interstate commerce.

The legacy cannabis community, comprising small growers, independent dispensaries, and activists who have been at the forefront of the legalization movement, often views MSOs with skepticism. This mistrust stems from several perceived grievances:

- **Cultural Disconnect:** Many in the legacy community feel that MSOs, with their corporate structures and focus on scalability and profitability, lack an authentic connection to the cannabis culture and its roots in advocacy, medicinal use, and community.
- **Market Dynamics:** The aggressive expansion tactics employed by some MSOs are seen as a threat to the viability of smaller, community-oriented businesses. There is a fear that the consolidation of the market in the hands of a few large operators will marginalize those who have nurtured the industry from its early days.
- **Regulatory Influence:** There is also concern that MSOs leverage their financial clout to influence regulations in a manner that favors large-scale operations, potentially at the expense of smaller entities and the broader principles of equitable market access.

Should the regulatory environment evolve to permit interstate commerce, MSOs aspiring to enter or expand their presence in legacy markets such as California will face daunting challenges. California's market is emblematic of the broader tensions between corporate cannabis and the legacy community. The state's rich history of cultivation and activism, combined with a fiercely independent and diverse market structure, creates a challenging landscape for MSOs.

- **Market Penetration:** The perception of MSOs as external, corporate entities runs counter to the ethos of California's legacy market, making market penetration a significant challenge. Overcoming the community's wariness requires more than competitive pricing or product offerings; it necessitates a genuine engagement with and respect for the market's cultural and historical complexities.
- **Building Trust:** For MSOs to successfully navigate legacy markets, building trust and demonstrating a commitment to the values held by these communities are essential. This involves transparent business practices, collaboration with local businesses, and active support for issues important to the community.

7.2.5 Overbuilt Facilities and Lack of Brand Equity

The strategic decisions by Multi-State Operators (MSOs) to heavily invest in constructing large-scale cultivation and production facilities across multiple states reflect an ambitious bet on the continued compartmentalization of the cannabis market due to federal restrictions on interstate commerce. However, the potential shift towards permitting interstate commerce poses significant challenges to the sustainability of this approach, highlighting concerns regarding overbuilt facilities and the lack of substantial brand equity.

MSOs have allocated substantial resources towards building extensive cultivation, processing, and distribution infrastructures within individual states to comply with current federal laws that prohibit cannabis from crossing state lines. This strategy, while logical in a fragmented market landscape, could quickly become obsolete if federal reforms allow for interstate commerce. In such a scenario, the necessity for multiple, similar facilities across states diminishes, as operators could streamline operations to capitalize on efficiencies and cost savings offered by centralizing production in locations with optimal growing conditions, lower operational costs, or both.

The prospect of interstate commerce introduces the risk that many of these state-specific facilities could become redundant, leading to underutilized assets, and inflated operational costs that no longer contribute to competitive advantage but rather to financial strain.

Compounding the issue of overbuilt facilities is the general lack of significant brand equity and consumer loyalty among MSOs. While some operators have made strides in developing recognizable brands within their respective state markets, the cannabis industry, by and large, still leans heavily towards consumer preferences for quality, locality, and authenticity—attributes often associated with smaller, craft-oriented producers.

This presents a considerable challenge for MSOs attempting to expand their market reach beyond state lines in a post reform world. The question arises: will consumers in a market like California, renowned globally for its high-quality cannabis, be interested in products grown in states like New York or Florida, where the cannabis culture and growing conditions are markedly different? The current market dynamics suggest a steep uphill battle for MSOs to build the kind of brand loyalty and recognition needed to compete effectively in out-of-state markets, especially in regions with deeply entrenched cannabis cultures and preferences.

7.2.6 MSO Organizational Turnarounds

A critical aspect that merits attention is the challenge of organizational turnarounds. Numerous MSOs have embarked on turnaround attempts, with some navigating through multiple efforts to revitalize their operations. A common thread among these endeavors is a fundamental shortfall in comprehending the intricate business and operational environment specific to the cannabis sector.

The unsuccessful turnaround attempts often share a similar flaw: a strategy overly reliant on adjusting financial metrics, with plans that amount to little more than reconfiguring numbers on a spreadsheet. While financial restructuring is a vital aspect of any turnaround strategy, these attempts have consistently overlooked the necessity of a compelling, coherent direction for the

company. The absence of effective leadership exacerbates this issue, leaving the organization adrift without a clear vision or path forward; ultimately resulting in a 360 degree turnaround heading back in the same direction.

Turnaround efforts that fail to incorporate a deep understanding of the unique dynamics of the cannabis industry, including regulatory challenges, market trends, and consumer behavior, are significantly less likely to succeed. Moreover, without strong, visionary leadership to steer the organization towards a new direction, MSOs often find themselves cycling through strategies that lack cohesion and long-term viability.

For a turnaround to be successful, it must go beyond mere financial recalibration. It requires a comprehensive reevaluation of the company's strategic direction, operational efficiencies, and market positioning. Effective leadership is crucial in this process, providing the vision and direction needed to guide the company through its transformation. Only with these components in place can MSOs hope to achieve a genuine and sustainable turnaround.

7.3 Investing in Public Cannabis Companies: A Cautious Perspective

Investing in public cannabis companies presents a unique set of considerations, given the industry's nascent state, regulatory uncertainties, and the tumultuous performance of cannabis stocks in recent years. While the sector has seen significant growth and investor interest, the overall market sentiment has been characterized by volatility, with many stocks experiencing substantial declines. This situation prompts investors to question the future trajectory of cannabis stocks and the viability of investing in the sector.

7.3.1 The Current State of Cannabis Stocks

Cannabis stocks have indeed taken a beating, with many companies witnessing a dramatic fall in their market value. This downturn raises two critical questions for potential investors:

1. **Potential for Further Declines:** While it might seem that cannabis stocks have bottomed out, the possibility of further declines cannot be ruled out. Factors such as regulatory setbacks, market saturation, and operational inefficiencies can contribute to continued downward pressure on these stocks.
2. **Prospects for Recovery:** The assumption that stocks near their bottom necessarily have only an upward trajectory is optimistic but not guaranteed. Recovery depends on a myriad of factors, including federal reform, market consolidation, and individual companies' operational success.

7.3.2 Bankruptcy Protections and Industry Implications

One peculiar aspect of the cannabis industry is the absence of bankruptcy protections due to the federal illegality of cannabis. This lack of protection means that financially distressed companies often linger without the option of formally reorganizing or dissolving through bankruptcy proceedings. Should federal reform change this dynamic by providing bankruptcy protections, the industry may witness a wave of filings as companies seek to address their financial challenges. This potential development could significantly impact the investment landscape, with implications for both current investors and overall market stability.

7.3.3 Not All Cannabis Stocks are Created Equal

Among the plethora of public cannabis companies, only a select few boast financials and operational metrics that might warrant investment consideration. The challenge for investors lies in discerning these viable opportunities from the broader pool of underperforming companies. This differentiation requires diligent research, a deep understanding of the industry, and a clear assessment of each company's competitive position, management team, and growth strategy.

7.3.4 Tradable vs. Investable

Another perspective on public cannabis stocks is viewing them more as trading instruments than long-term investment opportunities. However, even from a trading standpoint, many cannabis

stocks suffer from low daily trading volumes, which can hinder liquidity and the ability to execute trades efficiently. This limitation adds another layer of complexity for investors looking to engage with the sector actively.

7.4 Opinion: Navigating the Future for MSOs

As the cannabis industry continues to mature, the spotlight increasingly falls on Multi-State Operators (MSOs), whose expansive operations and strategic maneuvers have positioned them as pivotal players in the sector's growth and development. While their achievements in scaling operations across multiple states, navigating complex regulatory frameworks, and accessing public markets are commendable, the path forward, considering potential federal reforms, presents a labyrinth of challenges and uncertainties.

MSOs have indeed pioneered a path through uncharted territories, leveraging scale, capital, and operational efficiencies to build a formidable presence in the cannabis industry. Their role in pushing the envelope of what's possible within the confines of state-specific regulations and fragmented markets has been instrumental in driving the industry forward. However, as we stand on the cusp of potential federal reform, notably the reclassification of cannabis to Schedule III, the landscape is poised for a seismic shift, one that demands a recalibration of strategies and expectations.

The move to Schedule III, while opening doors to reduced tax burdens, enhanced banking relationships, and possibly broader market access, also introduces a new set of complexities. The immediate benefits perceived by MSOs in such a scenario hinge on the assumption that their current operational models and market strategies will continue to thrive in a radically altered regulatory environment. Yet, this assumption overlooks the nuanced realities of the industry and the intricacies of consumer markets.

Firstly, the prospect of interstate commerce fundamentally challenges the premise upon which many MSOs have built their empires: the necessity of extensive, state-specific cultivation and production facilities. The efficiency gains and cost reductions of centralized production may render many existing facilities redundant, requiring MSOs to rethink their asset utilization and operational footprints drastically.

Secondly, brand equity and market penetration emerge as critical concerns. MSOs have yet to solidify their brands in the hearts and minds of consumers to the extent that ensures loyalty and preference, especially in a landscape that could soon allow for cross-state product movement. The challenge of building and sustaining brand equity in legacy markets, renowned for high-quality cannabis and deeply ingrained consumer preferences, underscores the formidable task ahead.

Moreover, the transition to Schedule III does not automatically erase the financial complexities and burdens that many MSOs currently face. The heavy debt loads and the operational inefficiencies that plague some operators could hinder their agility and responsiveness in a post-reform market, where competition intensifies, and the rules of engagement transform.

For MSOs, the journey ahead is fraught with both opportunity and peril. The potential reclassification of cannabis opens a Pandora's box of regulatory, operational, and competitive dynamics that will test the mettle of even the most well-established operators. Success in this new era is contingent upon MSOs' ability to demonstrate unprecedented levels of strategic foresight, adaptability, and consumer-centricity.

As the industry evolves, the narrative of MSOs will undoubtedly be one of innovation, resilience, and, inevitably, transformation. The extent to which they can navigate the impending changes, recalibrate their strategies, and truly connect with their consumer base will determine their place in the future of the cannabis industry. The path to success in a Schedule III world is uncharted and fraught with challenges, underscoring that, for MSOs, nothing is guaranteed.

8. Politics, Policy, and Cannabis: The Disconnect Between Promises and Action

The intersection of politics and policy within the cannabis industry is a complex and often contentious arena where the aspirations and realities of reform frequently diverge. As the call for cannabis legalization and regulation gains momentum across the United States, politicians and regulators have positioned themselves as champions of change, voicing support for various causes within the cannabis community. These causes range from veterans' healthcare and pediatric epilepsy treatment to social equity in cannabis licensing and justice for those incarcerated under prohibition-era laws.

However, a closer examination reveals a significant gap between the rhetorical support and the tangible actions undertaken to address these critical issues. The cannabis sector, with its unique blend of social, medical, and economic considerations, has become a fertile ground for political promises. Yet, stakeholders from various impacted groups often find that when the dust settles, the much-discussed reforms are either watered down, stalled in legislative processes, or lost in political maneuvering.

This section aims to unravel the intricate dynamics at play between politics and policy in the cannabis industry. It will scrutinize how political agendas influence policymaking, the disconnect between public promises and legislative action, and the real-world implications for those directly affected by these policies. From veterans and children with severe medical conditions to equity applicants and legacy operators, the stakes are high, and the need for genuine, impactful reform is urgent.

Furthermore, the broader landscape of cannabis reform, underscored by notable promises from figures like President Biden and legislative efforts by senators such as Chuck Schumer and Cory Booker, will be explored.

Navigating the promise versus reality divide in cannabis politics and policy requires a critical understanding of the interests at play, the barriers to progress, and the potential pathways forward. This introduction sets the stage for a deeper dive into these issues, aiming to shed light on the political intricacies that shape the present and future of the cannabis industry.

8.1 Main Issues Politicians and Regulators Campaigning On

Veterans, children with epilepsy and Dravet syndrome, equity applicants, legacy operators and farmers, and individuals incarcerated for simple possession represent groups whose needs and challenges have been leveraged by politicians seeking to garner support. Yet, when the time comes for action, these groups often find themselves caught in the crosshairs of political maneuvering, their needs sidelined in favor of broader political agendas.

8.1.1 Veterans Issues

Politicians have long leveraged the compelling narrative of cannabis as a potential salve for the wounds of war, particularly for veterans grappling with PTSD and other service-related health issues including suicide. This rhetoric, often amplified during campaigns and legislative debates, paints a picture of a political establishment deeply committed to veteran welfare. Yet, the stark reality presents a glaring contradiction: while veterans' struggles with mental health, chronic pain, and alarmingly high suicide rates are deemed worthy of mention in speeches and platforms, substantive action remains conspicuously absent.

The statistics on veteran suicide are not just numbers; they represent a harrowing crisis, a direct consequence of the nation's failure to provide adequate support and care for those who have served. It is estimated that an average of 18 veterans take their own lives each day in the United States—a staggering testament to the depth of the crisis. The potential of cannabis to offer relief should not be relegated to mere campaign fodder but recognized as an urgent public health imperative.

The hypocrisy embedded in the political discourse around veterans and cannabis reform is palpable. Politicians, quick to extol the virtues of sacrifice and service when it suits their narrative, display a startling disregard for the actual needs of returning service members. The irony of asking individuals to lay down their lives for their country, only to deny them access to a plant that could alleviate their suffering, is a stark illustration of the misalignment between political rhetoric and action.

Veterans, in search of the relief that cannabis and psychedelics promise, often find themselves in a paradoxical situation. While they have served their country honorably, upon return, they are met with barriers and bureaucracy that deny them access to potential lifesaving treatments. Some are even forced to seek refuge and medicine beyond the country's borders—a damning indictment of the nation's approach to veteran healthcare and cannabis policy.

The argument that cannabis cannot be embraced as a viable option for veterans until it undergoes extensive DEA scrutiny and approval is a convenient political shield, one that delays necessary reform under the guise of caution. This stance not only undermines the existing body of research indicating cannabis's therapeutic potential but also disregards the lived experiences of veterans who have found solace in cannabis where traditional medicines have failed.

The time for using veterans' healthcare needs as a political lever, only to abandon them once the ballots have been cast, must come to an end. The failure to enact meaningful cannabis reform for veterans is a glaring breach of the social contract between a nation and its protectors. As service members continue to bear the brunt of wars waged in their country's name, the least a grateful nation can do is ensure they have access to all possible avenues of care upon their return. The call for cannabis reform, especially for veterans, should not be mired in political gamesmanship but propelled by a genuine commitment to their well-being and recovery.

8.1.2 Children with Epilepsy and Dravet Syndrome

The plight of children suffering from severe epilepsy and Dravet Syndrome starkly illuminates the dissonance between political rhetoric on cannabis reform and the urgent medical needs of the most vulnerable. Despite compelling evidence and heart-wrenching testimonials regarding cannabis's efficacy in drastically reducing seizures in children, the response from politicians and regulators remains tepid and ensnared in bureaucratic inertia. The contrast between the readiness to prescribe heavy pharmaceuticals and the hesitancy to embrace cannabis-based treatments underscores a disturbing reality: for those in power, political calculus often outweighs the imperative to alleviate human suffering.

The narrative surrounding the use of cannabis to treat severe pediatric epilepsy disorders has gained significant public attention, thanks in part to high-profile advocacy and media coverage. Dr. Sanjay Gupta's documentaries on CNN and books like "In Search of A Miracle: A Parent's Quest For A Cure" by Ray Mirzabegian bring to light the transformative impact of cannabis on children's lives. Yet, these powerful stories of hope and healing clash with a regulatory and political environment that remains stubbornly resistant to change.

Charlotte Figi's battle with Dravet Syndrome became a beacon for the medical cannabis movement, showcasing the profound difference that cannabinoid therapy can make. Charlotte's story, which saw her daily seizures drop dramatically with the use of CBD-rich cannabis, exemplifies the potential for cannabis to offer not just relief but a semblance of normalcy to families grappling with devastating diagnoses. Despite this, the reluctance to legitimize and facilitate access to cannabis as medicine persists, trapping families in a cruel limbo between legal barriers and their children's unmet medical needs.

Organizations like Realm of Caring, dedicated to supporting families navigating the use of cannabinoid therapy, confront the heartbreaking reality of insufficient resources and restrictive regulations daily. Their efforts to provide assistance and hope are frequently hamstrung by a lack

of funding and an unfriendly regulatory landscape, leaving parents to contend with the added anguish of finding life-saving treatments for their children on their own.

The narrative of cannabis as a potential lifesaver for children with severe epilepsy disorders like Dravet Syndrome is not just a medical discussion; it is a moral imperative that has been politicized to the detriment of those in need. The inertia and obstructionism displayed by politicians, who wield the power to enact meaningful reform yet choose to prioritize votes over lives, represent a failure of governance and a betrayal of public trust. The cost of this failure, measured in the lives of children who could have been saved or afforded a better quality of life, is a stain on the political establishment. The need for urgent, compassionate reform in cannabis policy transcends political divisions, demanding recognition of our shared humanity and the imperative to do right by the most vulnerable among us.

8.1.3 Equity Applicants

In the evolving landscape of cannabis legalization and economic opportunity in general, the concepts of equity, inclusion, and diversity have become rallying cries for politicians eager to align themselves with progressive ideals. These terms are often brandished as tokens of commitment to correcting the historical injustices perpetuated by cannabis prohibition. However, for many equity applicants—those individuals and communities disproportionately affected by past cannabis laws—the journey from political promise to policy implementation reveals a chasm between rhetoric and reality.

States like California and New York have become emblematic of the broader challenges facing equity programs across the nation. With grand declarations of intent, they've vowed to prioritize equity applicants in the licensing process, assuring that the mistakes of other states would not be repeated. Yet, despite the lofty promises and the genuine hope they inspired, many potential licensees find themselves entangled in a bureaucratic quagmire that betrays the initial promise of fairness and opportunity.

The application process for cannabis licenses, particularly for those designated as equity applicants, is fraught with financial and emotional burdens. In New York, encouraged by the promise of a more equitable system, thousands submitted applications, each accompanied by significant fees that contributed to a considerable financial windfall for the state. Beyond the application fees, applicants often invested tens of thousands more in preparing their submissions, securing locations, and navigating the complex regulatory requirements—expenditures made in the belief that the system would honor its commitment to equity.

The disillusionment reached a crescendo in New York when, after amassing substantial application fees and raising expectations, the state introduced a random queue system to process and award licenses. This abrupt shift in approach not only undermined the trust of equity applicants but also highlighted the systemic failings of a process that was supposed to prioritize fairness and reparative justice. The randomness of the queue, a stark departure from initially promised process, served as a bitter reminder of the gap between political assurances and the operational realities of cannabis licensing.

The plight of equity applicants in the cannabis industry underscores a pervasive issue: the ease with which political figures deploy terms like equity and inclusion, yet falter when it comes to enacting meaningful, impactful policies. The disillusionment of those who took states at their word, investing time, resources, and hope into a system that promised to be different, reflects a broader betrayal. As the cannabis industry continues to grow, the need for genuine, actionable commitment to equity, diversity, and inclusion becomes ever more critical. For equity applicants and the communities they represent, enough is indeed enough. The time for empty promises has passed, and the demand for accountability, transparency, and tangible action is now at the forefront of the cannabis equity conversation.

8.1.4 Legacy Operators and Farmers: The Forgotten Pillars of the Industry

The cannabis industry, now burgeoning and complex, owes its existence and vibrancy to the legacy operators and farmers whose dedication and resilience have been instrumental in its establishment.

These individuals, who navigated the risks and uncertainties of cannabis cultivation and distribution long before legalization entered the political mainstream, represent the foundational spirit of the industry. However, the transition from a clandestine operation to a regulated market has not honored the contributions of these pioneers as promised. Instead, many find themselves marginalized by a system that seems to have forgotten its roots.

In the lead-up to cannabis legalization and regulation in various states, regulators and policymakers made concerted efforts to engage with legacy operators, recognizing their importance in the industry's ecosystem and more importantly, recognizing the need for their support. Promises were made, assurances given that their voices would be heard, and their interests protected in the new legal landscape. There was talk of inclusivity, of ensuring that those who had borne the brunt of prohibition would not only have a place in the legalized industry but would thrive.

Yet, as regulations took shape and the industry began to formalize, the rug was indeed pulled from under the feet of many legacy operators and farmers. Regulatory frameworks, often designed without a genuine understanding of the nuances of cannabis cultivation or the realities of small-scale operations, imposed burdensome requirements that many found impossible to meet. Licensing fees, compliance costs, and the shift towards favoring well-capitalized newcomers over seasoned cultivators left many legacy operators struggling to find their footing in the very industry they helped build.

The consequences of this regulatory oversight have been profound and heartbreaking. Legacy farmers, once hopeful about the prospects of legalization, have faced financial ruin, with the burdens of compliance and competition driving some to the brink of bankruptcy. The emotional and psychological toll has been equally devastating, with reports of hospitalizations and thoughts of suicide surfacing within the community. These stories paint a grim picture of abandonment and despair, a far cry from the inclusive, equitable industry that many had envisioned.

The plight of legacy operators and farmers in the cannabis industry is a stark reminder of the consequences of regulatory oversight and the importance of honoring the contributions of those who paved the way. As the industry continues to evolve, it is imperative that regulators and policymakers revisit their commitments to these foundational members, ensuring that the spirit of inclusivity and fairness translates into actionable policies. This industry must not lose sight of its origins, nor of the sacrifices made by those who nurtured it from the shadows into the light. Recognizing, supporting, and integrating legacy operators and farmers is not just a matter of rectifying past oversights—it's a crucial step towards fostering a truly sustainable and vibrant cannabis industry.

8.1.5 The Broader Promise of Reform

In the fervor of political campaigns and the rhetoric that shapes them, promises made to the electorate are often viewed as the cornerstone of a candidate's commitment to change. President Biden's campaign promises to reform federal cannabis policy ignited hope across a nation where cannabis reform represents not just a regulatory shift but a broader movement toward justice, equity, and economic opportunity. However, as the administration's term progressed, the gap between promise and action has become increasingly apparent, leaving many to question the sincerity and feasibility of political commitments to cannabis reform.

The recent memorandum from the Department of Health and Human Services (HHS) to the Drug Enforcement Administration (DEA) suggesting a reevaluation of cannabis scheduling has been heralded by some as a step toward reform. Yet, critics argue that without substantive legislative action, such gestures amount to little more than prohibition rebranded. The memo, while a bureaucratic acknowledgment of the need for change, falls significantly short of the comprehensive federal reform promised on the campaign trail, leaving the core issues of cannabis prohibition largely untouched.

President Biden's remarks during his State of the Union address, emphasizing that "no one should be in jail simple possession," spotlighted the administration's purported commitment to addressing

the injustices of cannabis criminalization. However, the President's assertion glosses over the nuanced reality that federal prisons seldom house individuals solely for simple possession charges if any at all. For all of the President's promises and campaign sound bites, none of his pardons has released a single person from federal prison for cannabis offenses. Furthermore, the administration's actions, or lack thereof, regarding pardons for cannabis convictions have left advocates and affected individuals alike questioning the depth of commitment to rectifying past wrongs.

Adding layers of complexity and irony to this administration's stance on cannabis reform is Vice President Kamala Harris's prosecutorial record in California, which includes pursuing charges against individuals for cannabis-related offenses. This history stands in stark contrast to the progressive reform narrative advanced during the campaign, highlighting a dissonance between past actions and current promises. The juxtaposition of the Vice President's record with the administration's reform promises encapsulates the broader challenges and skepticism facing political commitments to cannabis policy overhaul.

The broader promise of federal cannabis reform under the current administration encapsulates a tale of unmet expectations and the complexities of translating campaign rhetoric into tangible policy achievements. While the conversation around cannabis has undoubtedly progressed, the actions taken thus far have left advocates, stakeholders, and the affected communities yearning for more substantive change. The path to fulfilling the promises of cannabis reform requires not just administrative gestures but meaningful legislative action and a reconciling of past practices with future commitments. As the call for change grows louder, the onus falls on political leaders to bridge the gap between promise and practice, ensuring that reform efforts reflect the urgency and depth of the change so many have been promised.

8.2 Opinion on Politics, Policy, and Cannabis: The Reality Behind the Rhetoric

In the intricate dance between politics and policy within the cannabis industry, a stark dichotomy emerges between the fervor of campaign promises and the tangible realities that follow. This narrative is not merely a tale of political maneuvering but a reflection of the profound consequences that such promises hold for those on the receiving end. The discourse surrounding cannabis reform underscores a fundamental truth: for the communities, individuals, and families impacted, these are not mere talking points but matters of life-changing significance.

Campaign promises, particularly those concerning cannabis reform, often serve as pillars of hope for veterans seeking relief, parents of children with debilitating conditions, individuals ensnared by the criminal justice system, and legacy operators who have nurtured the industry from its roots. The disparity between the lofty rhetoric employed during electoral cycles and the ensuing lack of substantive action inflicts real and often severe consequences on these groups. For many, the failure to deliver on these promises translates into continued suffering, financial ruin, or the perpetuation of systemic injustices that policymakers claim to oppose.

The narrative that unfolds in the arena of cannabis politics and policy brings into sharp relief a fundamental axiom of governance: when there is a genuine political will, action invariably follows. The inertia that characterizes the approach to cannabis reform at various levels of government is not a symptom of insurmountable legal or regulatory hurdles but rather a lack of collective resolve to prioritize human over political capital.

This observation becomes particularly poignant in the context of recent promises and half-measures. The reassessment of cannabis under federal guidelines, while positioned as a step forward, often falls short of the comprehensive reform needed to address the complex web of issues entwined with cannabis policy. Similarly, declarations of intent to rectify the injustices of

past cannabis convictions ring hollow in the absence of widespread, concrete action to liberate those still bearing the consequences of such policies.

As the conversation on cannabis continues to evolve, the disparity between political promises and the reality of policy implementation remains a critical barrier to progress. For the countless individuals and communities directly affected by these policies, the stakes extend far beyond the political arena, touching the very fabric of their lives. The ultimate measure of political commitment to cannabis reform will not be found in the eloquence of campaign speeches or the grandeur of legislative proposals but in the tangible, positive changes enacted in the lives of those who stand to benefit. In the final analysis, the path to meaningful reform in the cannabis industry is illuminated not by the rhetoric of promises made but by the resolute actions of promises kept.

9. Stakeholder Recommendations

As the cannabis industry continues to evolve amidst a complex backdrop of legal, social, and economic considerations, the role of diverse stakeholders becomes increasingly critical. Each group, from regulatory bodies and political figures to medical professionals, activists, and industry operators, holds a unique position of influence and responsibility. The trajectory of the cannabis industry—its capacity for growth, its regulatory environment, and its societal impact—hinges on the actions and decisions of these stakeholders.

This section aims to provide a series of practical recommendations tailored to key groups involved in the cannabis sector. With a focus on advancing the industry in a manner that is responsible, inclusive, and forward-thinking, these suggestions are crafted to encourage positive engagement and collaboration. The intention is not to offer a one-size-fits-all solution but to highlight pathways for constructive participation that acknowledge the complex interplay of factors shaping the cannabis landscape today.

The recommendations seek to bridge divides and foster a shared commitment to addressing the challenges and opportunities facing the cannabis industry. Whether it's navigating the regulatory hurdles, advocating for policy reform, engaging in community education, or ensuring ethical business practices, each stakeholder group has a pivotal role to play.

As we delve into the recommendations for each stakeholder, the overarching goal is to catalyze action that supports the sustainable development of the cannabis industry. It's about harnessing the collective expertise, influence, and passion of all involved to create an environment where the cannabis industry can thrive, contributing positively to economies, communities, and individuals' lives.

9.1 The DEA

You are presented with an unprecedented opportunity to make history, transcending the partisan political landscape that has long dictated the narrative around cannabis in the United States. This moment is not just about policy adjustment; it's a chance to profoundly serve the American people in ways that elected officials have failed to do.

The comprehensive body of research and information already available provides a solid foundation for a significant policy shift. If there's genuine intent to reform cannabis scheduling, the action should aim for a classification lower than Schedule III, if not a complete removal from the Controlled Substances Act (CSA) schedules. Such a move would not only align with scientific evidence and public sentiment but also demonstrate a commitment to public health and justice.

The distinction between placing cannabis in Schedule III and removing it entirely from the CSA schedules is critical, particularly concerning the potential impact on pharmaceutical companies and the existing state market. It's important to recognize that de-scheduling cannabis does not preclude the development of pharmaceutical-grade cannabis medicines. Moreover, moving cannabis to Schedule III could inadvertently limit research opportunities and maintain unnecessary barriers for the state-regulated cannabis market.

At no other point in history has a law enforcement agency held the potential to influence public policy and societal well-being as profoundly as the DEA does now concerning cannabis regulation. This is your moment to bridge divides and implement change that reflects the nation's needs and values. By taking decisive action, the DEA can demonstrate a genuine care for the well-being of American citizens, embracing a role that extends beyond enforcement to include advocacy for policies that support public health, advance scientific understanding, and foster a more just society.

9.2 Political Parties (Democrats and Republicans)

The reality we face today is not framed by whether cannabis *should* be integrated into our legal and economic frameworks; rather, it's shaped by the recognition that cannabis is already an integral part of many Americans' lives and the economy at large. In the current political landscape, where partisanship often overshadows the collective will of the electorate, cannabis reform stands out as a unifying issue. It is a domain where the interests of the people align across party lines, offering a rare bridge in our divided political landscape. This overwhelming approval is mirrored in the actions of individual states, which have moved forward with regulating and structuring the cannabis industry, regardless of the federal stalemate.

As representatives of the people, both major political parties bear a responsibility to heed the voice of their constituents. The bipartisan agreement among the American public regarding cannabis presents a rare opportunity for lawmakers to align with the interests of the people they serve, setting aside party loyalties in favor of actionable reform. The reality is that cannabis is now an integral part of American society and economy; opposition to its legalization and regulation is not only futile but out of touch with the prevailing public sentiment. This inevitability does not signal defeat for those historically opposed but rather an opportunity—a call to action for both parties to shape the framework of reform in a manner that reflects their party's core principles and visions for governance.

For Democrats and Republicans alike, the path forward requires a pragmatic acknowledgment of cannabis's permanence in American culture and commerce. The debate is no longer about whether cannabis *should* be legal but how it can be integrated into our society responsibly. The unique opportunity before you, as representatives of your respective parties, is to demonstrate why your party's principles are best suited to steward the burgeoning cannabis industry.

9.2.1 Democrats

As stewards of progressive values and champions of reform, the Democrat Party has long positioned itself as an advocate for the legalization and regulation of cannabis. This stance, deeply ingrained in the Democrat's platform, resonates with a broad spectrum of voters who see in cannabis reform not just a policy issue, but a reflection of broader principles such as justice, equality, and personal freedom. However, as we navigate another pivotal presidential campaign year, the gap between promises made and actions taken on cannabis policy has become a point of contention and disillusionment among your base.

The cannabis industry, with its grassroots origins and vocal stakeholders, embodies the spirit of community and activism that the Democrat Party prides itself on. This industry offers an unparalleled opportunity for the Party to demonstrate its commitment to its core principles.

As the Democrat Party faces the critical task of mobilizing its base and appealing to undecided voters, the call for concrete action on cannabis reform has never been more urgent. The Party's historical advocacy for cannabis legalization now demands a transition from rhetoric to meaningful legislative achievements. The risk of inaction is not merely a missed policy opportunity but a potential fracture in the Party's relationship with its supporters.

The cannabis community's frustration with unfulfilled promises is palpable, and the expectation for the Democrat Party to lead on this issue is clear. In a political landscape where the margin for error is slim, the ability to deliver on cannabis reform could prove pivotal in retaining voter support. The Democrat Party must seize this moment to align its actions with its stated values, demonstrating to voters that its commitment to progress extends beyond campaign slogans to real, impactful change.

The time for action is now. By embracing the mantle of cannabis reform, the Democratic Party has the chance to solidify its reputation as a champion of the people, ready to tackle the pressing

issues of our time with courage, vision, and integrity. Let this be the year when promises become policy, when the Party's core principles find their fullest expression in the transformation of our nation's approach to cannabis.

9.2.2 Republicans

In the shifting sands of American politics, where traditional party lines often dictate the course of legislative action and public opinion, the issue of cannabis reform emerges as a unique and untapped frontier. This is a golden opportunity for the Republican Party to showcase its foundational principles—lower taxes, fewer regulations, and minimal government intervention—not just as ideological tenets but as pragmatic solutions to contemporary challenges. The burgeoning cannabis industry, with its potential to create hundreds of thousands of jobs and generate billions in tax revenue, stands as a testament to what Republican governance can achieve in new and evolving markets.

The states that have pioneered cannabis legalization and regulation offer a patchwork of models, none without their flaws, presenting an opportune canvas for the Republican Party to demonstrate the efficacy of its approach to business and governance. By advocating for a regulatory framework that embraces free-market principles, ensures low tax burdens to stimulate growth, and minimizes bureaucratic hurdles, the Republican Party can position itself as the champion of a vibrant and prosperous cannabis industry. Much of the work has already been done, it just needs cleanup.

Moreover, the Party's traditional stance on personal freedom and skepticism towards pharmaceutical monopolies resonates with the growing disillusionment among voters with the existing healthcare paradigms. By aligning with the push for cannabis reform, Republicans can articulate a vision for an industry that prioritizes consumer choice, innovation, and access to alternative therapies.

The current political climate, marked by stark divisions and hardened ideologies, presents a unique inflection point. Cannabis reform offers a rare issue that transcends conventional political boundaries, carrying minimal risk for the Republican Party in terms of alienating its base. On the contrary, embracing cannabis could serve as a strategic move to attract disenchanted voters from across the aisle and engage with younger generations often perceived as distant from Republican values. This issue provides a platform for the Party to rejuvenate its image, presenting itself as in tune with contemporary issues and responsive to the evolving needs of the electorate.

In essence, cannabis reform is a political gift, one that encapsulates the very essence of Republican principles and offers a bridge to voters who may have never before considered the Party's approach as viable for their concerns. Ignoring this opportunity would not only be a strategic misstep but a dismissal of a chance to lead on an issue with widespread public support and significant economic implications.

As the Republican Party contemplates its strategy for the coming election cycles, the call to action is clear: seize the moment to lead on cannabis reform. This is not merely a policy issue but a statement of values and vision. It's an opportunity to demonstrate that Republican principles of governance can successfully navigate the complexities of a new industry, fostering growth, innovation, and freedom. By doing so, the Party can not only expand its appeal but also affirm its relevance and responsiveness in an ever-changing political and social landscape.

9.3 Opponents of Legalization and Federal Reform

The debate surrounding cannabis legalization and federal reform has reached a juncture where opposition increasingly appears disconnected from the societal, scientific, and historical realities of cannabis use. The resistance to cannabis reform must confront the undeniable fact that the landscape has fundamentally shifted—access to cannabis, for both medicinal and adult use purposes, is a matter of public demand and, more critically, a matter of public health.

The argument against legalization often overlooks a crucial ethical consideration: the fundamental human right of individuals to access potentially life-saving medicine. With no recorded instances of fatal overdose from cannabis use—a fact supported by centuries of use dating back to ancient civilizations—the moral imperative leans heavily towards providing access rather than withholding it on grounds that are increasingly indefensible.

The origins of cannabis prohibition, rooted in racially motivated policies rather than grounded scientific evidence, further challenge the validity of continued opposition. This historical context, coupled with the modern understanding of cannabis's relatively low risk profile compared to both legal and illegal substances, underscores the necessity of reevaluating the stance against legalization.

Regarding concerns about underage access, the current regulatory environment of legalized states offers a compelling counterpoint. Licensed dispensaries operate under strict compliance regulations, including stringent age-verification processes, significantly reducing the risk of underage sales compared to the unregulated black market. The reality is that cannabis is already accessible to teenagers, with or without legalization; the crucial difference is that a regulated market offers controls and education that the black market cannot and does not wish to provide. Put simply, the black market dealer isn't going to card its customer.

Opponents of legalization, many of whom have built careers advocating against cannabis, must reckon with the changing tides. The fight against cannabis reform is not just waning; it is fundamentally misaligned with the direction in which society, informed by evidence and empathy, is moving. It is time for a reassessment of priorities and perhaps a pivot towards engaging constructively in the dialogue about how to manage and regulate cannabis in a way that maximizes public health benefits, addresses legitimate concerns, and rectifies the historical injustices associated with cannabis prohibition.

In closing, the call to opponents of legalization and federal reform is not an invitation to continue a futile resistance but an encouragement to participate meaningfully in shaping the future of cannabis policy—a future that acknowledges the complexities of cannabis but is committed to navigating these with reason, compassion, and a commitment to public well-being.

9.4 Activists

The cannabis industry owes its existence and continued evolution to the tireless efforts of activists. From the early days of advocating for medical access to the current push for comprehensive federal reform, activists have been the lifeblood of progress, challenging societal norms and legislative barriers alike. The victories achieved thus far are a testament to the relentless pursuit of justice, access, and equity. However, as the industry matures and enters a new phase of its development, the role of activism must also evolve.

The journey of cannabis reform is far from over. The foundational work of activists has laid the groundwork for the current state of progress, but complacency now could undo years of hard-fought gains. It is crucial that activists continue their advocacy with the same fervor as before, yet with a renewed focus on the challenges ahead. The fight now is not just for legalization but for fair regulations, equitable opportunities, and the dismantling of remaining barriers to access and acceptance.

In recent years, some aspects of cannabis activism have become mired in division, losing sight of the common goals that unite the movement. It is essential to remember that the strength of activism lies in its unity and purpose. Sowing division within the community only serves to weaken the collective voice necessary for overcoming the remaining obstacles to reform. Activists must strive to build bridges, not walls, remembering that the ultimate goal is a fair, inclusive, and accessible cannabis industry for all.

One of the most significant challenges facing the cannabis industry today is the development and implementation of regulations that genuinely serve the best interests of the community, particularly small businesses, and equity applicants. Activists must recognize that while regulations are necessary for safety, quality, and accountability, they can also inadvertently favor larger, well-capitalized entities over the small operators and pioneers who have been integral to the industry's growth. Advocating for regulations that strike a balance—protecting consumers and communities while also fostering a competitive, diverse market—is paramount.

Activism is most effective when it acknowledges the complexities of the issues at hand. The expectation that capitalism alone will rectify the injustices of prohibition ignores the nuanced interplay of market forces and regulatory frameworks. Activists should champion policies that address these complexities, promoting an industry that reflects the principles of opportunity.

Activists have been, and will continue to be, the catalysts for change in the cannabis industry. As we move forward, it is crucial to honor the legacy of past activism by adapting strategies to the changing landscape. By maintaining a united front, focusing on constructive solutions, and navigating the challenges of regulation and market dynamics with clarity and purpose, activists can ensure that their efforts continue to drive the industry toward a future that benefits all stakeholders. The path ahead demands collaboration, innovation, and a steadfast commitment to the ideals that have guided cannabis activism from the beginning.

9.5 Operators

In the dynamic world of the cannabis industry, operators come from varied backgrounds, each bringing their unique experiences and challenges to the fore. This section is directed towards two distinct groups of operators — the legacy growers who have been foundational to the cannabis movement, and the licensed operators navigating the legal market today. Both play critical roles in the evolution of the industry, and both face unique challenges and responsibilities.

To the legacy growers, the pioneers who have nurtured and defended the cannabis culture through its most challenging times, your journey is emblematic of resilience and dedication. The path has been anything but easy, marked by legal challenges, regulatory shifts, and the constant threat of being overshadowed by the burgeoning legal market. However, the contributions you've made are invaluable, serving as the bedrock upon which the current industry stands.

It's crucial to remember that your efforts and sacrifices have laid the groundwork for the cannabis movement's successes. Now, more than ever, it's important to maintain a laser-like focus on the end goal. Despite the hurdles and the allure of despair, the fight for recognition, integration, and fair treatment within the legal framework is far from over. Your legacy and knowledge are indispensable to shaping an industry that honors its roots while embracing progress. Engage with the evolving market, seek opportunities for collaboration, and continue advocating for policies that recognize and incorporate the legacy sector's value. You haven't come this far to have only come this far.

To the licensed operators who have successfully navigated the complex regulatory landscape to establish a foothold in the legal market, you carry a mantle of responsibility. Operating within the confines of stringent regulations may be challenging, but it's imperative to honor the commitment to legality and transparency you made when entering this space. Having one foot in the legal market and the other in the illicit market undermines the integrity of the industry and jeopardizes the progress made thus far.

You have the unique opportunity to demonstrate the potential of the legal cannabis industry to regulators, skeptics, and the wider community. By prioritizing compliance, ethical business practices, and social responsibility, you contribute to a narrative of success and legitimacy. This isn't just about individual or corporate success; it's about fostering an industry that can serve as a model of innovation, safety, and community benefit. Collaborate with fellow operators, share best practices, and engage in advocacy to refine the regulatory environment. Your actions can pave the

way for a future where the cannabis industry is recognized not only for its economic contributions but for its commitment to ethical standards and societal well-being.

For both legacy growers and licensed operators, the road ahead is filled with both challenges and opportunities. The legacy of the cannabis industry is a shared one, built on the foundations of perseverance, community, and a vision for a more just and inclusive market. As we move forward, let us remember that the strength of the industry lies in its diversity and its roots. By working together, maintaining integrity, and focusing on the collective good, operators can ensure the continued growth and success of the cannabis industry, honoring those who paved the way and setting a course for future generations.

9.6 General Stakeholders

For everyone involved in or impacted by the cannabis industry, from consumers and advocates to investors and entrepreneurs, the path forward requires a collective effort and a shared understanding of the challenges and opportunities that lie ahead. Amidst the rapidly evolving landscape of the cannabis industry, it's crucial to remember that progress is most effectively achieved through unity and a clear focus on common goals.

It's easy to perceive fellow participants in the cannabis industry as competitors or adversaries, especially in a climate that often pits various interests against each other. However, the reality is that the industry's success depends on the ability of all stakeholders to recognize that they are part of a larger ecosystem. The true challenge comes not from within but from external barriers to progress, including outdated laws, regulatory hurdles, and lingering social stigma. By focusing on what unites rather than divides, stakeholders can amplify their voice and influence in shaping the industry's future.

Stakeholders should focus their efforts on advocating for change that reflects the collective will and best interests of the community. This includes pushing for laws that facilitate access, ensure product safety, and recognize the medicinal value of cannabis. By presenting a united front and delivering a consistent message, the cannabis community can increase the political cost of inaction or opposition, encouraging lawmakers to take the necessary steps toward reform.

By recognizing the value of unity, focusing on the critical issues at hand, and holding elected officials accountable for their decisions, the community can drive the change needed to ensure the industry's growth and success.

The renowned economist, Milton Friedman was once asked about people in congress and what can be done about them not representing the will of their constituents. Mr. Friedman's response was *"...people in congress are in the business of votes. The same congressman will change his vote if it's politically profitable...**the way you solve things is by making it politically profitable for the wrong people to do the right things...**"*

Making it politically profitable for the wrong people to do the right things, as Milton Friedman suggested, is not just a strategy for cannabis reform—it's a blueprint for fostering an industry that is sustainable, equitable, and aligned with the broader public good.

10. Conclusion: The State of the Industry

As we conclude this comprehensive state of the industry report, it's imperative to recognize that the cannabis industry is not defined by a singular set of interests or challenges. Rather, it represents a vast and vibrant ecosystem, encompassing not only the direct cultivation, production, and sale of cannabis but also a wide array of ancillary services that support its operation. This report has endeavored to capture the multifaceted nature of the industry, highlighting the diverse perspectives, challenges, and opportunities that exist within this unique space.

The cannabis industry, much like any other sector, faces a range of operational challenges, including regulatory burdens and taxation. While these issues might appear magnified within the context of cannabis, owing to its legal and social history, they are not unique to this industry. Other industries also grapple with similar concerns, underscoring the importance of effective advocacy, sound policy-making, and responsible business practices across the board. The conversations around crippling taxes and overregulation serve as a reminder of the broader dialogue needed around how industries are supported and regulated in our economy.

Importantly, anyone connected to cannabis, whether through direct involvement in the industry or as a consumer, advocate, or observer, recognizes the significance of this moment in history. The current state of the cannabis industry is a reflection of collective efforts, challenges overcome, and the ongoing pursuit of legitimacy and acceptance. It stands at a pivotal juncture, transitioning from a period of grassroots advocacy and initial legalization efforts to a phase of mainstream acceptance and integration into the broader commercial landscape.

This transition presents an array of opportunities for growth, innovation, and improvement. The industry's evolution into a recognized and respected sector of the economy is within reach, but it requires continued collaboration, adaptation, and commitment from all stakeholders involved. The path forward is paved with the lessons learned from the past, the challenges of the present, and the

shared vision for a future where the cannabis industry operates with the same legitimacy, respect, and opportunity for success as any other.

In closing, the state of the cannabis industry is indeed what we collectively make of it. It remains an area ripe with potential, not only for economic gain but for societal benefit, through medical advancements, and community development. As we look to the future, the industry's journey is far from complete. The next steps in its evolution will be defined by the actions taken today—by operators, advocates, policymakers, and the public at large. The opportunity to shape a fair, prosperous, and inclusive cannabis industry is the industry's to seize, marking this moment as not just a chapter in the history of cannabis but as a defining era in the story of progress and change.



To discuss this report, please contact:

Avis Bulbulyan, CEO

818-562-3362

avis@sivallc.com

info@sivallc.com

<https://www.linkedin.com/in/avisbulbulyan/>

<https://twitter.com/AvisBulbulyan>

To learn more about our firm, please visit:

www.sivallc.com

<https://twitter.com/SIVAKnowsbest>

<https://www.instagram.com/sivaknowsbest>

#SIVAKnowsBest