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This is a program about medical and recreational marijuana. Today we're going to focus on how you can help potential clients prepare to do an application to get a license to sell recreational marijuana. Some of the program is going to be addressed toward attorneys who are already representing people who have a license to work in the medical marijuana area. As many attorneys have probably noticed, the way the law evolves for marijuana is states look at the Medical prop possibilities associated with marijuana. And often we'll decide to regulate for medical marijuana use first. And then from that sort of test case, will end up moving toward recreational marijuana largely for the tax revenue. So we're gonna look at some of the different states and how many of the regulatory areas are the same. But some of the specific regulations vary from state to state, and then also differences that attorneys need to look for, as far as the difference between having a medical marijuana license and trying to get a recreational marijuana license. So the first thing we're going to look at is what you need to know in general, one of the things that makes this area a really interesting area for attorneys is that it's difficult. We address several different areas of law, when you go from the initial client contact to completing an application to obtain a license. The cut, the areas that you will cover between those two points are extensive. And so what you'll need to understand first is what areas of the law involve marijuana in your state. In most states, the criminal area does come up because many of your potential clients will have criminal backgrounds. And most of the states limit applications as far as who can apply and who can't or even who can work in a marijuana entity based on a criminal record. You have to look at torts because loss prevention is a very, very important area. in starting a marijuana business and conducting a healthy business and maintaining your assets. The corporate area of course comes up because when you have someone who comes to you, they often don't have a corporate entity even put together yet. They don't know what kind of Corporation they want to have. Administrative Law is probably the area where we spend most of

our time because this is such a tightly regulated area of the law. Tax Law comes up because marijuana businesses have tax concerns even further than regular corporations. So we'll touch on that I was surprised to learn myself how often the area of family law may come up in the cannabis area, because it is such a tightly regulated industry. And because other tightly regulated industries don't want to mix with cannabis, you may have a situation where two people who want to be together have to look at which license is more important to them as an economic unit, along with other personal concerns. And then as with any area of law, ethics comes up in this area, perhaps more than others because you're trying to take someone usually with some knowledge of growing producing or selling cannabis from the black market to the legal market. So you have to watch out for conflicts of interest as far as representing clients as in any other area, but also making sure the representations to your government bodies are accurate. So that's in general the areas of law that come up and the issues you need to address. In general, it is really too big of a task, task and too complex have a task for an attorney with no experience in the area. To do an application and take a business or a person from the black market to the legal business world. You often need at least a member of the team who has some experience or an outside consultant who specializes in the area of marijuana

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applications. Now as far as look Looking at your particular state, what you need to know is, does your state have one or the other licenses available? the defacto position is no, because cannabis continues to be illegal on a federal level. So you have to look at what states have one or both of the areas you have to look at. If the recreational area is being regulated by a different governing body, you have to look at what's important in your state, what are your regulators looking for when they decide whether or not to grant this license? We will, in today's program, touch on whether or not recreational laws impact the federal law and how those laws are carried out. When you have a potential new client, you have to look at whether or not they can pass a background check. In general, every state has enough limitations that your client has to meet some kind of threshold background check clearance. You have to look at whether or not the regulations differ between medical and recreational in the state where you want to work or where your client wants to work. Is the stat is the tax structure different between these two areas? Are the building codes or zoning laws different when you're trying to open a recreational business rather than a medical business? Are the potency serving or weight differences relevant as as between the two areas? Does the packaging need to be different for medical than for recreational This is one area where you may find that medical is actually more strict than recreational. And then how do those restrictions and ownership impact your client? So what we are finding it for one very important fact, attorneys who work in this area have to constantly be monitoring for changes in the regulations or law where they practice. It's an evolving area of the law. It tends to evolve from a more restrictive pattern to a looser pattern. However, in the states that were most receptive to medical marijuana early on, such as put in particular California, also

with regard to Washington, the regulations are actually becoming more strict rather than more more loose. But in general, you're taking it from a place of complete illegality, through a place of heavy record regulation and very limited licenses to a recreational status where the regulations might be a little bit less restrictive, and there may be more potential licenses available. Your marijuana entity will need a local permit. And then they will have to apply for a state license. So in general, you have to look at not only the state law that permits the activity to go on, but also look at the regulations, which is where the devil of the practice lies. That's where most of the issues will arise in the regulations. So usually, at the local level, you'll have probably three different areas that you have to look for regulations. One isn't just in the building and zoning is a very important area. Health and Human Services often has regulations. And then in some states, you have a new department in marijuana, they have the Department of marijuana in California, excuse me, they have the Department of marijuana that oversees the most specialized regulations for both medical and for recreational. In Nevada, we have the taxation department, regulating recreational marijuana. So you have you know, a few different areas where you have to look for the laws, ordinance rules or regulations that you need to comply with and where you need to file different documentation for your clients. So again, it's quite complicated and there are very different issues depending on which state you're in. And then also different issues depending on if you're doing medical, recreational or both.

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So I'm in California, for example, we have a situation that exists now under the initial law that allowed medical marijuana entities to open as nonprofit corporations. It lacked The regulations that they really needed to ensure that there was a lot of legal activity and not a lot of black market activity. And they were trying to set it up as a nonprofit type of structure, that has not worked very well. So what we have now is a completely new law. And in California, it's much more strict than the previous law. In California, it's the A N A, that you would be looking at. So before, like one of the main areas, obviously, in California is Los Angeles, they had proposition D, and that allowed most type of entities. However, it's as always an evolving area. So going back to one of the areas that you're going to have to look at at the very beginning of a consult with a client is the real estate issues. local zoning ordinances can be extremely restrictive. for recreational laws, this is one area where your state may be actually tightening up, or your local ordinances may actually be tightening up, as opposed to what they had for medical. This is an area in California where the local entities are applying much more strict ordinances, because they found that they had many, many more marijuana entities existing than they wanted. In general, your marijuana business cannot be located near schools, parks or other areas where children are likely to gather diversion. Black Market sales to children is one of the most important issues that states local governments and the federal government looks at. So if you have a client who comes to you, one of the things that you want to find out immediately is if they already own or have a lease on a building that they want to use for this business. And then you want to find out if that location

could possibly have a medical marijuana business locating within, and if not, then whether or not your local governing agency has a procedure you can use to try to get what's called an exception to the zoning law. The building specifications for a marijuana business are often extremely restrictive. There are many, many safety, safety issues that come up, particularly with the production of marijuana. But even with the grows, there's a crossover there between the security and diversion risk, and the safety issues that come up in production. So what we have found through experience here in Nevada, is that leasing a building for a marijuana business can be extremely risky. Often the modifications that you need to the building to run a marijuana business in compliance with the regulations are extremely expensive, it can run several $100,000 to take your average commercial building to a place where it can accommodate a legal marijuana business. So if you're leasing that building, you're taking a huge risk. Because if you run into a situation where your owner does not want to rent to your business any longer, you could be out hundreds of 1000s of dollars. So obviously, your client is in much better situation if they own the building, where they want to work. And, of course, if that business, if that piece of property isn't an area that can accommodate a marijuana business. So real estate issues, real estate law, you're going to either be willing to learn a lot of new issues, or have someone on the team who has been practicing in real estate, particularly in the zoning area.

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In Washington and Oregon, you had a situation where the prior medical marijuana regulations were pretty loose. In Washington in particular, they were loose and it was not taxed. The Washington or initial program was meant to benefit patients who need marijuana. That's what the initial goal was. But what's happened now is that the medical marijuana program has essentially been consumed by recreational Pay patients or actually have to pay a much lower tax rate, they have a whole different structure. And they have deduction options. Businesses that work in the medical area have deduction options that recreational businesses don't have. Oregon has a very highly regarded program, they have tight regulations, they have laboratory testing, they have a lot of the safeguards that we have here in Nevada, to try to guarantee or at least make it most likely that the ultimate consumer is going to have a consistent product. If they want to buy the same strain and potency from the same vendor on a repeat basis that they're going to have a similar experience. That really is the end goal of many of the regulations. And it should be an important goal of any business that you represent in this area to try to maintain a consistency of product. So I'm in California is new program is going to be largely modeled on the Oregon program because it has received accolades for basically the strict nature of the program. Nevada's program has a similar set of safeguards, and we expect to work very nicely for our national audience that we try to attract here in Nevada. It's important for clients to know that when a new marijuana law passes, for example, allowing recreational possession or use of marijuana, that does not permit a business to open right away. That just means for marijuana businesses that one of the departments in the state is going to be drafting regulations, and taking

applications for entities who want to sell or otherwise deal in the marijuana business. And that process is one that can take several months. As far as the initial draft of regulations, usually there's a public comment period, then there are changes to the regulations. And then a final issue will come out, when those final regulations come out, that's when the attorneys work really becomes full time for a marijuana client. Because whatever type of corporate structure the client wanted to use, or however they wanted to run their entity or produce their product, all of those concepts have to be brought into the regulatory scheme. And usually it's the attorney who is going to be guiding the potential license holder in how to transition those concepts to an actual application, and hopefully a business license. That's where a lot of legal fees can be earned. And it's an extremely important area, the law is just one that lets people know that there will be commercial sales of marijuana at some point. In Oregon, the recreational law is quite different than the medical law, the labeling the THC limits, the packaging, even the tax rate. All those regulations are different from marijuana that is sold for medical purposes, as opposed to recreational purposes. So even in states where they have a bureau of marijuana, you will have two sets of regulations as exist in Oregon. And that is also the status here in Nevada, where we have one set of regulations that's already in use for the medical marijuana program, and no new regulations will be passed here in Nevada. Obviously, we're hoping that there will be a lot of consistencies, but there will be differences. And we're going to talk about those differences in in a few minutes. In Oregon, they have Indian tribes that want to participate in the legal marijuana business. But the Indian tribes are going to have to get federal approval to engage in that

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activity. So right now you have a situation where obviously we have a national government as of January 2017,

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that is in transition. And so whether or not those licenses are going to get granted and what type of restrictions will apply for Indian tribes is really difficult to say because, you know, when we had the Obama administration, we were relying on a certain attitude about whether or not federal marijuana laws would be imposed and whether or not convictions would be sought. And now that expectation must evolve with the new administration. So what we expect to have happen is that Indian tribes who want to work in cannabis will only be allowed to work in medical, if at all. So that that group is, is in flux. One of the areas where you can always look for regulations is an advertising. And we have a slide here on the advertising in Washington, because it's an interesting state, they have a rule that is sort of like a patent protection in that state. You the patent law, as exists right now is a federal law. So your cannabis company that is spending 10s of $1,000 on advertising hundreds of 1000s of dollars on developing a brand, and consistency of product as associated with that brand. Can't really protect that brand. And that's a real problem

for cannabis companies that are wanting to work in several different states and ultimately, you know, have the the dream of having a publicly traded marijuana company. Because that trademark has significant value. And right now, they can't really protect it. It's hard on consumers as well, because you could have a brand or a strain that's really well known in an informal way on social media. But when it comes right down to it, when that cannabis consumer goes out to a dispensary, they really don't have any way of knowing that the product that they're purchasing, that is being referred to as strawberry Cush, for example, is actually that product, and it's a real problem. In Washington, you can trademark your logo. And so that's a really great thing about that state. You know, as in most states, they have regulations that restrict what type of logo you can have. In all of the states that have legal cannabis businesses, they have some kind of restriction about the business not being permitted to appeal to children. You always know your cannabis business won't be able to be located where children gather, and they will not be permitted to have a logo, or a little cartoon character that is a stereotypically childish theme or appeals to children. That's true in Washington, it's true in Nevada, it's it's an ideal that you know, that's true in California, in Colorado, which is one of the places that didn't have that type of attitude about cannabis products, but has evolved over their time in this industry, which is now going on 10 years. So, um, it's, you know, it's a tough thing when people are trying to develop their brand. And I will mention that one of the things that the businesses do, when, if they're not located in Washington, and they can't do some kind of state procedure to protect their trademark or their logo, is they try to trademark the ancillary goods that are sold with, you know, in conjunction with that product, it's a very tough thing to accomplish. But if you have the original person who developed the strain that's, you know, has a specific name, then you try to apply that name to this type of vape. And this vape is only sold along with that product. It seems to attract negative attention from regulators, they will visit to see that this so called trademark is being only used on the ancillary goods. So it's it's an evolving issue. It's not up to the level of the banking issue, which we'll talk about in a moment, but it's a very important issue. Other things that we expect to be dealing with in California.

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There's sort of a consensus among people who work in the industry, which is largely largely black market at this point, is that the record recreational laws seem to be written for corporate America. There's a lot of issues that are addressed and the recreational laws that are geared toward profitability, and tracking of investments and being able to assess the actual profitability or the actual losses of a business. Whereas there is not a lot of money being spent or time being spent on regulations having to do with preventing youth from using marijuana or education about the risks of using marijuana in California, vertical integration is going to be allowed in your larger license grows. And what that basically means is that if your client wants to apply for the large license grow, and they actually get that license, that means that they can also produce and sell their own marijuana products. And that is a huge advantage as far as profitability goes, because

when you move the product from one entity to another, say from a cultivation to grow to a dispensary if you do not have vertical integration, often there's excise tax involved with that transfer. Aside from the security risk and the cost of packaging and repackaging, it's a huge advantage. If you can do a vertical integration in California, that was not allowed at all before. With the new law, you can do that if you get a large grow license. And there is another sort of mid level license where they can also do vertical integration, the smaller licenses will be in many ways easier to get, but they won't be as profitable because you can't do the vertical integration. Um, another interesting area, in California, we had a special license for people to distribute marijuana in the new law, that requirement has been changed, you're still going to have to know who's carrying what amount of marijuana from place to place, but they don't have a special distributor license. In Nevada, we're going the opposite direction. Whereas under the medical law, you could have an employee of an entity who has an agent card, deliver marijuana to another entity, what we're going to be doing under the new law is having a special license for distributors. People who have a license or entities I should say, who have a license to distribute alcohol are going to have the first crack at those special distribution licenses for marijuana. Also, in California, you have an issue where the initial law that legalized marijuana for medical purposes and created the nonprofit entities was not really controlling the black market. And also there were just dispensaries. There were too many dispensaries for the local governments. So some of the local governments already started legislating marijuana out of their communities. So we have a new state law that intends to tighten up enough so that the initial result should be fewer marijuana businesses. And then what you will have is the number of legal marijuana businesses in California will will gradually increase and you'll have entities that are complying with much tighter regulations. So you have a more consistent product and consumers have some protections. If you have a client in California now that is working in the medical marijuana business, they should be working toward 100% local compliance with the existing law or what is now a recent previous law. Because one of the first things that your California license, the examiners are going to look at is whether or not your business has been complying with the previous law. And whether or not they have had any complaints or issues with regulators.

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The number of licenses that are going to be granted in California under the recreational statute is going to be limited. And so that's the reason that you probably have some decrease in the actual businesses because at the same time that you're going to have a limited number of licenses available, you're going to have law enforcement cracking down on existing businesses that don't have the appropriate license. So your legal clients, your clients who are following the tighter regulations are going to want law enforcement to crack down on those who are not in compliance. Obviously, entities that are not in compliance are going to have a lot of financial advantage over those that are complying. So that's the reason that you find that once you have a significant number of legal entities, people who are in the legal marijuana business will resent

people who are in the the kind of gray area where they're holding themselves out as being legal, but they're not really legal. They're not really compliant. And those people who have the stricter license and are complying with that stricter license are investing more money in trying to have a product that's compliant and so they're gonna want their local government to try to prevent people from operating on the black market or in the gray market. So, in California, though, you will have businesses that are doing medical now that are going to apply for the recreational license, and they'll get it. And so we'll have one storefront that can have both medical and recreational both of these types of businesses will be governed by the Bureau of marijuana in California. So we're going to turn now to Nevada, Nevada is my home state. So I'm located just outside of Las Vegas, and this is where I, I practice on a day to day business on a day to day level. Medical Marijuana is regulated here by the division of Health and Human Services. The recreational law has the Department of Taxation as the entity that's responsible for drafting the new regulations and enforcing compliance with those regulations. The medical marijuana certificates were limited for all types of businesses. So we had a certain defined number of licenses that went out. That was decided upon by the legislature based on the population of each county. So Clark County, which is where Las Vegas is located, has 40 medical marijuana dispensaries right now. That was the number of licenses available, and those are the dispensaries we have under the new law, the Department of Taxation is going to draft regulations. And then for 18 months after those regulations have passed, there won't be any new licenses issued or even applications accepted for new licensees. And then when that 18 months has ended the balance of the licenses available after the medical marijuana entities have applied for and received if they wish a recreational license, the balance of the number is going to be what's available. So again, using Clark County as an example, where you have 40 dispensary licenses, that number under the rec law is going up to a total of 80. But we expect that 40 of those ad licenses are going to go to existing businesses. So we'll really have 40 recreational licenses available for new applicants. It's not really expected that there will be many, if any medical marijuana businesses that don't want to get licensed to do recreational because even if they keep their business as emphasizing medical marijuana, it doesn't really benefit them to have another entity enter that can compete with them in their market. One of the things that we see with our new law here in Nevada is that under the recreational law, there won't be a limit to the number of growers or production facilities that can be licensed. So you're gonna have a lot of competition among growers and production places, but the number of dispensary licenses is limited. So the dispensaries are obviously going to enjoy much less competition, then the grows and productions. So that's a huge advantage for the dispensaries as opposed to the other type of licensees. The medical marijuana businesses that exist right now can apply for recreational licenses. Now, and about half of the total licenses recreational licenses will be held by existing medical businesses.

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The grows under the recreational law are the ones who have to pay the new tax which is an 18%

excise tax, that has to get paid by the cultivation licensee when it sells to a production or a dispensary. The grows also have to pay for the lab testing. And here in Nevada, you have to take a sample from each batch of marijuana to be tested in a lab and we test for all sorts of contaminants. Pesticides, those need to be limited to a certain amount the labs test for that. And then contaminants like moles and things like that and heavy metals that can enter into the the water supply or soil and find their way into the plant all of that will be tested. Here we defined a batch as a specified amount of marijuana that's harvested harvested and was planted at the same time. So you take a sample that gets tested. If for some reason that sample fails the lab testing, one of two things can happen It's possible that under our regulations, the entire batch has to be destroyed. Obviously, that's huge loss. So there are certain circumstances where the cultivation house can request a retest. But if you request a retest or you try to salvage the marijuana, basically, you have to check the regulations, consult your attorney about whether or not you're even permitted to try to salvage because there's certain types of contaminants that are like a permanent fail, and you can't even try to salvage and you know, it's somewhat difficult to salvage a batch. So obviously, there's a huge financial risk it has happened here in Nevada, a lot of our cultivators the first time around when they were tested at the lab, they failed and they had to re replant and and start all over again. So it's, it's a really important aspect of the law, that the growers are have the burden of doing that testing. here in Nevada, we already have advertising restrictions, you have to actually submit any proposed logo or advertising to the division to be pre approved. And that pre approval process is still going to be happening with recreational. And basically, they're checking for two main categories. One is that you're not making promises that you can't keep, you're not guaranteeing any sort of outcome or health benefit, because at least as far as the technology and the knowledge of the plant exists today, no one can really guarantee the exact amount of THC even let alone contaminants, or cannabinoids what type of impact that's going to have on a person's body, it varies person to person, and the product varies batch to batch, and then also based on production methods. So you can't guarantee any kind of outcome and you can't guarantee the presence of anything, you should be able to guarantee the absence of many things and they will be able to guarantee that it's been lab tested. Things of that nature, then the other category of things are looking for is to make sure that it's not an undignified type of advertisement either appealing to children, or with a heavy reference to partying or like stereotypical types of phrases that were coined in the in the recreational setting. That's really what they're looking for. So that pre approval process is a really important thing. Because before your client invest any money in advertising dollars, or creating special packaging or anything like that, they want to make sure that they can use the logo and the worrying that they want to use. So that's an important factor to look at here in Nevada. Another thing that we have in Nevada that is not going to change from medical to recreational is that there's only certain people who can work in the industry. owners and employees and even contractors have to pass a pretty extensive background check, before they

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can even apply for an entity license or get an agent card, which they have to show the entire time that they're at work. So um, most of the purpose of the background check and basically for the owners is looking for criminal irregularities as well as financial irregularities. So if your client is applying for a license in Nevada, as an entity, as an owner of an entity they have, they can't have any bankruptcies that have not been explained to the board satisfaction. And then they can't have any of the excluded felonies, which are basically felonies that involve Violence, Drug Trafficking, or financial things like theft and things like that. Now, it's an important thing to know that felonies that happened more than 10 years ago, and such that all of the like jail or prison time and probation was completed at least 10 years earlier will not be considered. So if you have a client who was released from probation as of 2007 for today's standard because it's January of 2017. They can still apply for and we'll get an agent card. But if they were convicted of a crime in 2006 But they weren't released from prison, and then released from probation until 2010. They still have three years to wait. I usually tell my employers, my entity licensees that they should background check on their own the potential employees or partners before they submit a name, date of birth, etc, to the state for that process. These you don't want to be submitting applications with people who can't pass the background check, because you're drawing negative attention to your entity. And it's pretty, it's not really expensive to get a pretty solid background check these days, so that you know what should show up on the formal background check. That's one thing you can do that actually will save on costs in the end, because there are a lot of people who want to work in marijuana that have criminal backgrounds. And there's also a lot of misunderstanding about what are the the people that can pass the check, in spite of the fact that they haven't excluded felony, because a lot of people think that it just has to be that the crime was 10 years before the application, when in fact, it has to be you complete with not just the jail time or the prison time, but their probation time as well. And for a felony that's that's has to be by definition more than a year. And it's often several years difference. Now your entities, or even people who are employees of an entity that need to work on the premises on a regular basis, all of those individual people have to have an agent card. here in Nevada, we boil the marijuana issue is boiled down to people always you can't really do anything as an LLC in this state to work in marijuana, you have to be able to attach every action to an actual person. And that person 99% of the time has to have a background check in an agent card. Obviously, at this particular time, we have a lot of new businesses. So there's a lot of construction happening at marijuana companies. And there is an exception, if there's like a contractor who's working for a short period of time and has limited access to the facility. But even in that circumstance, the person who owns the business, the owner of the entity that holds the contract has to have a background check and an agent card. So and we expect that to be the same and the regulations for the recreational industry. So it's really important when you get into the new marijuana field. I mean, I think for attorneys, it's obviously a developing business area, and therefore there's an opportunity to meet and have clients in this new and developing area. But it's really important to know that there are a lot of issues that come up. You see, we see a lot of criminal attorneys who try to branch into the

legal business, but actually the criminal law area is is not that important in the business entity, the only time it really comes up is with regard to the background check. And then the only thing you really have to know is whether or not you can seal the record yet. And the procedures that you follow for seal for sealing.

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A lot of criminal attorneys are aware of those procedures. But really, that's the only issue that comes up in the area of criminal law. If you want to be in the corporate entity business, you really need someone on the team who has corporate law experience because your entity needs all of the same corporate protections, you know, an LLC at and for the bigger companies have formal corporate entity to protect them from liability. There's significant tax issues that come up. There's a federal tax code for ot 402 e that has to do with what exemptions they can write off. It's a really specialized thing, but the bottom line is that dispensaries cannot write off any costs of production, because they're still considered to be in a drug trafficking business. And there's actually a code section I think it's actually five ot to eat not 402 e where it identifies the caustic and right off and it's it's practically none. So really your dispensary is paying taxes on the gross income of the business rather than net. And so that's kind of an important issue that comes up. And another area where it's surprising that we really need to know about is is in family Because this is such a highly regulated area of law, there's, there are many people who can't work in this area. And what we find is that there are many people who can't have any financial benefit from marijuana businesses. And so what happens is if someone who has a license in the cannabis business wants to marry someone who's in the banking industry, they may have a problem because they can't take money from a cannabis business and mix it into the funds that are held or controlled by an owner of bank. And I am here in Nevada, we have the gaming business, which is also highly regulated. The Nevada Gaming Commission has said specifically that anyone who holds a license, a gaming license can also hold or benefit from a cannabis license, because they don't want income from a cannabis business, you know, mixing into the money supply of the gaming business. So it's counterintuitive, but very, very important because you could hold very valuable gaming license, or a very valuable license to own part of a cannabis company. And if you want to merge those two assets, one of those assets is going to drastically reduce in value. So it's important thing to look at, it's also important to know about the advertising issues that come up, it's important to know about tort and loss prevention, because your marijuana products are exposed to product liability claims that's already happening. And in the medical area, the uses of cannabis and what you can say and what you can't say about it is a really important area. So it's important for, for you as the practitioner to understand too, that when you're in this tightly regulated area, and you're trying to bring people who were working in cannabis businesses in the black market, into the legal market, there's a lot of special steps that you have to take. That's the reason that another area of law that comes up is ethics, because you have a client who comes in to you that could potentially be $100,000 fee, because from for if you go from start to finish on an

application, that's what a lot of law firms charge to, to provide that service. But they have a criminal background, or they are married to someone who has a gaming license. And they may come to you with the express purpose of trying to figure out how they can go into the legal cannabis business. It really the intent of the regulations of both in this state gaming law and cannabis law is that the two areas can't mix. And so really, you have to be very careful of your ethics. And then you also have situations

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excuse me, where you have people who come into the business come into your your law practice, and they want to get an agent card and they want to get experience working for a cannabis entity, so that they can apply for recreational license and and obtain that license. Now you have two issues coming up with regard to ethics. One of them is that if the person has a criminal background, then they're going to be tempted to try to get around

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requirements that really restrict their access to the business for a certain amount of time. And then you're also going to have a situation where you have someone coming to you who is really trying to benefit from a licensee that's already legal. And that's really not what the regulations permit. Because what they really want is a complete separation between people that are working in the black market and people that are working in the legal entity area. So if you have someone who comes in who has a criminal background, and the best thing that you can do for that person is, first of all, do a background check for them, so that they understand what is an excluded felony. And they understand whether or not they've met the 10 year exception. And if they have, then the next step is to get their official, their official record from the local government where they were convicted of a crime and where they serve their time. Get that actual official record and then you can actually do a request to seal the record and every local entity Every local governing body has a slightly different rules for that. So if you're in Nevada, you may need to find out how to seal someone's record to commit a crime in Dade County, Florida, and follow those procedures. So there's a lot of little intricacies to it and things that you learn as you go along, and that you find that the regulator's are learning as they go along as well. But to try to make that person who comes to you ready to apply to get a legal license is a job in and of itself, as far as stealing their criminal background, cleaning up their social media, cleaning up their finances, sometimes that people need credit assistance, they need their debts cleared up. And they need to separate from other people or entities that would not be allowed to be associated with the cannabis business,

you're going to have people who come to you who want to set up a management company or other type of straw man structure, so that they can actually financially benefit from a cannabis business in the legal market. Now, that technically is not really what is legal in Nevada. And in most states, there's some kind of restriction against any kind of straw man type of entity. And having like the person who's actually the owner of the financial interest identified, so you know, your ethics come up, and then also your skills as far as being a counselor to a client. And being realistic about whether or not an application is a good use of time and money for that client. Because it's pretty clearly defined, who is eligible to work in cannabis and who is eligible eligible to have an ownership interest in cannabis and excludes most people who have had any contact with the black market. But the reason this keeps coming up and coming up and coming up is that most of the people have the best experience and the most knowledge about cannabis have worked in the black market. So it's a really interesting thing that comes up a lot in cannabis. And you have to make sure that you're maintaining your appropriate ethical standards and trying to provide the best services and counseling without crossing over into an area that is not permitted for attorneys. So one of the other areas where you're often going to find yourself, trying to help new clients in cannabis, is how to best present themselves to try to work perhaps as consultants, to the legal cannabis businesses. Again, because so many people with the most knowledge about how to grow or produce the best products, or the most consistent products have experience in the black market. One of the fallbacks they can do is consulting. But there's very, very clear guidelines in Nevada about whether or not a consultant can visit a marijuana company and how often everyone who visits has to sign in and if they sign in more than X number of times, then they really should get an agent card. But if you know they can't get an agent card, then are you violating your ethical standards by advising them of exactly what they can and cannot do to avoid, you know, a red flag from the state. So that's another ethical issue that comes up.

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it's an area where you're fraught with potential conflicts of interest to because there's a limited number of licenses available. So if you have one client that you know, is likely to get a license, you know, they just they're meeting all the criteria, all the soft criteria, the financial wherewithal, they have someone who has a lot of industrial cannabis experience, who doesn't have a criminal record, things like that, can you represent that entity and at the same time, take on another cannabis client, who you think has a really small chance of, of really getting a license, you know, on the one hand, client B doesn't really have very much chance and competition against client a. But on the other hand, client a would rather have one less competitor. So client a would rather that you tell client B that they really shouldn't even apply for a license. And client B would rather

have you spruce up their application with all the things that you learned and all the knowledge you hold for I'm doing client AES application. So that's yet another ethical issue that comes up. And when you're in the context of an ethical discussion, it seems unlikely or far fetched. But when you get down to the actual day to day practice and marijuana law, it's a very specialized area. So there aren't that many attorneys here in Nevada who are truly experienced in the legal marijuana market, and the legal marijuana practice of law and know all the regulations and have done the applications. So you're gonna have a large number of people filing through your office who want to work in cannabis. And they're of all different levels of possibility as to who has a chance at getting a license, who has a chance at working in cannabis, and who probably is not likely to be able to either hold a license, or even working cannabis and how you treat each one of those clients and who you represent. Or if you number, if you limit the number of entities you'll represent who have a real chance of getting a license. It's another ethical question that really needs to be at least examined by each firm, and in particular, the larger firms that work in the area. So I'm one of the things to that is borders on the ethical area, is the fact that here in Nevada, there was there has been there will be lobbying by attorneys and other business people with the state. People who work in Congress, from those people to people who work at the different regulatory agencies, and the actual wording of the regulations, and how they're applied, in fact, can have very real impact on specific clients. But you may find yourself in a situation where it makes perfect sense for you to lobby, one of the legislators or people in the regulatory industry, that the regulations should say x and they shouldn't be applied in y way. And you know that that's going to benefit one of your existing clients. But then if you step back from it, you realize that, you know, theoretically, if this gets applied, as you are lobbying for it to be, well, that's going to further reduce the chances that client B will ever be able to work in the marijuana industry, or will be able to maintain their status as an employee working as an agent for a marijuana entity. And in a community like Nevada, where there's potentially a lot of revenue that will come in from dispensaries, but not a lot of clients. That conflict of interest is a very real thing that does come up. So it's something else that people really need to, to look at and decide how they're going to handle and if they're going to refer out lobbying. contracts are time spent doing lobbying activities. here in Nevada, the first round of like drafting the regulations and determining how they'd be interpreted. There was a lot of personal contact between attorneys and legislators, because the attorneys often had the knowledge of the right that the people drafting the regulations really needed to be able to put the best regulations in place. But now, as the industry has become more mature, there's been a tightening up of that contact, that personal contact between attorneys, or license holders and regulators is no longer permitted. So you're not really allowed to wine and dine, people from the division of behavioral health or you're not going to be allowed to wine and dine people from the Department of Taxation. Because they're not really allowed to mix social any longer to prevent that type of lobbying from happening, so that we try to maintain a level playing field for different people or different entities who want to enter into our market. In Nevada, we do have a a residency requirement, but it is not necessary for all owners to be permanent resident residents of Nevada. The way our residency requirement plays out is that the people evaluating applications,

rank the applications based on points earned from a scale and one of the factors is how much tax revenue that person has generally In this state, so if that person owns and large business, or holds a gaming license and is on the board of directors of Caesars Entertainment, then they get a lot of points for generating tax revenue for the state of Nevada, whereas, but they might actually spend 99% of their time living back east or living in their beach house in Southern California. And then on the other application, you might have someone who lives full time in Nevada, that has been working in the black market, or has been, for whatever reason, not making significant income, and we don't have state income tax anyway. So if you don't own a business, here, you're not paying a lot of state tax, you're not generating tax income for the state. So that person's not going to get points for generating tax income. So the way that our residency requirement plays out, is actually it's a huge advantage to people who are already owning, and managing a successful business here in Nevada, those people had a big advantage in getting the initial one of the initial wave of licenses. And then people who hold that medical marijuana dispensary license have a huge advantage in getting the recreational license. So um, you know, for better or worse, that's how you know it's handled in Nevada, most states are a little more clear, you just have to have lived in this state for X number of months, or this percentage of shareholders has to have lived in this state for X number of years, things of that nature. Nevada doesn't really do it that way. We do it more based on tax income. Although, if you had an application where none of the owners had an address in Nevada, that was something that would hurt your application. But in general, no one had that because people would, at the very least assign themselves and address here in Nevada, so that that box would get checked. And then it was really more about whether or not they could somehow attach themselves to a business that was generating a lot of tax revenue for Nevada. So in closing, I mean, the thing that you need to think about if you're, if you have a client that comes to you a potential marijuana client, or if as a lawyer, you're thinking that you want to learn about this area of law so that you can market to potential clients. Probably the most important thing that you need to know is that you're going to have to have an awareness of where the issues come up in several different areas of law. And either learn about that to the point that you have, you know, you meet again, an ethical standard for competency, or if you're willing to split your fee with someone who's already working in the area and has experience or pay a set dollar amount to a consultant who's going to assist you in making sure that your clients application has a real chance of getting granted. It's it's a huge potential fee to do an application from start to finish, but it's a complex task that really, you're going to end up earning your fees. So that is all for today's program. Thank you for tuning in. And if you have questions, please feel free to contact me my email is martina@mjlwvgas.com m j la vegas.com. And my telephone 702-287-0095