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Hi,

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this is Martina jacker Reno. I am coming to you today from the law firm of right Finland, Zach. We're going to talk today about insuring and investing in the cannabis industry. I started my career 22 years ago mostly did medical malpractice, defense litigation and represented real estate investment companies. Like many people in the cannabis industry, it was an existing client that actually brought me into the cannabis industry because he wanted to be in the industry himself. And that led me to contribute to the Nevada medical marijuana program, and completed application and go through a really invasive inspection process with the state of Nevada and continue working with cannabis companies over the last three and a half years. Now, we're at a different point in the cannabis industry. And so we're going to be looking at taking cannabis to mainstream industry and how we interact with federally regulated industries like insurance and banking, and the FDA. And as I mentioned, I'm now with right Finland, Zach and we are a law firm that represents financial institutions, investment companies, real estate investment companies, loan companies, mainstream law firm so back to my roots and bringing cannabis with me. So today, one of the first things we're going to talk about is can a government regulated business work with state compliance cannabis companies? The answer to that is most certainly, yes. It's already happening. Cannabis has gone mainstream. But the cannabis company has to have an attorney that understands the cannabis industry, and also understands the legal issues of mainstream business and federally regulated businesses. So this program will address federal criminal status, where we are today on February 2 of 2018, banking and IRS issues, and most importantly, the Food and Drug Administration. Starting out with federal criminal status. This is an area that gets probably the most attention from mainstream media. And whether you're in the

cannabis industry or not, you're aware that the federal law seems to be in conflict with the state law. So we're going to talk about this. Rather briefly as it's fairly well understood by people who are in the industry and attorneys are working with these clients. Marijuana is still illegal. And it continues to be true that prosecution for marijuana offenses is at the discretion of federal law enforcement. That has never changed. However, the guidance provided by the cole memo remains relevant today. Despite the sessions memo, which appeared in media to undermine the cole memo. It's very important to understand that. Under the Trump administration, we've had Jeff Sessions, writing a letter asking Congress to fund his effort to enforce marijuana businesses and that request has always been denied every quarter. Most recently, he put an extra spin on it by putting out a memo that seemed to rescind the cole memo. The Cole memo gave prosecutors and DBAs the directive that marijuana businesses that are operating within their state's regulations should not be prosecuted.

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Excuse me, the cole memo gave eight additional criteria that are the basis of most aids programs. First and foremost, prevent distribution of marijuana to minors. That is a universal concern. But it did originate in the cole memo. The second factor is to prevent revenue for marijuana sales going to gangs or cartels. The third factor is to prevent diversion from states where marijuana is legal to states where it is not legal. There has been some litigation in this area. But states that do not have legal marijuana programs have been unsuccessful in trying to prove damages against states where marijuana is legal. The fourth factor is to prevent state authorized distributors from being used as a cover for illegal trafficking of other drugs. Obviously, we don't want people who are operating a state regulated cannabis dispensary to also be selling illegal drugs out the back door. This is something that has not come up in this area. And there has not been a need for enforcement of this. But it was a national concern when the industry first started out. The fifth factor to prevent violence and the use of firearms in the cultivation of marijuana. In many states, the security parameters are very, very tight for cannabis, cultivators, producers and dispensaries. But at the same time, it's not legal to have firearms on the property to protect the entity. That is not true in every state, but it's true in most states. Frankly, a lot of the surveillance and other security measures has just as much to do with protecting the potential tax income, as it does with preventing a lawful distribution of cannabis. The sixth thing is to prevent drug driving an exacerbation of other adverse public

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impacts that can be caused health consequences associated with marijuana use. The seventh factor is preventing growth of marijuana on public lands, or use and possession of marijuana on public lands. So I don't think factor seven and eight have really come up

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very often, certainly not more often than they did before there was regulated legal marijuana. There are issues that do come up with legally regulated entities. But one of the most interesting impacts from having legally regulated marijuana is that the black market is experiencing a lot more stress for a couple of different reasons. In fact, just last night, on the local news, there was a story that was called dispensaries versus the black market. And the story was about the fact that the black market price of marijuana has driven up significantly, they say three times as much as it was before marijuana was legal here in Nevada. Now people who think that's a bad thing will say that it's a bad thing. And it's the dispensaries fault. But actually, it's a very good thing. If you think that illegal distribution of marijuana is something that goes along with drug cartels or distribution of other illegal drugs. So for most people, the fact that the black market price has perhaps tripled, is a good impact of legal marijuana. Another reason that the black market is experiencing additional stress in places where there is a highly regulated legal market is that people who have invested hundreds of 1000s and perhaps millions of dollars in illegal business, bring political pressure to bear on black market dealers. And that political pressure does cause law enforcement to focus on black market dealing more than they did during the time when there was a gray area of a lack of enforcement in many areas. that had to do with a greater tolerance to marijuana and it seeming like a victimless crime. And now you have people who have invested in legal marijuana, they do not want there to be a black market to compete with that. So one of the impacts from the federal government doing things like Jeff Sessions did recently with his sending that memo out is that there's actually more enforcement on federal and state basis of black market marijuana than there was before there was legal marijuana. Now, although the sessions memo, which was issued on January 4 2018, states that the cole memo has been rescinded. That does not have any actual impact on enforcement. The Dana Rohrabacher amendment that defunded the DEA is Marijuana prosecutions for state legal marijuana entities has not been changed. Skeptics might claim that there are bosher concept was built on the foundation of the cole memo. But the budget has not been changed at all. So really, when the Congress over by an overwhelming majority, voted for the amendment that basically took all the DEA funding out of marijuana enforcement. It made it so that if we had a change in administration, and there was a change of a single political view, it couldn't overturn a huge industry. Dana rush power bosher is from California, California is the seventh largest economy in the entire world. So before they embarked on the legal cannabis business, it was important to bring some security that criminal enforcement wasn't going to be something they were going to have to worry about. There are federal issues that do are something that they continue to need to worry about. But criminal enforcement and seizure of goods from a business that is state regulated and operating within those regulations is not one of those things. So I'm subsection E, there is no political momentum behind adding to the DEA his budget, or for electing local district attorneys who are going to reprioritize enforcement.

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Obviously, opiates, including heroin, which is something that became a product a problem as an offshoot from prescription pain, pill abuse, are claiming enormous amounts of attention both politically and financially. That's actually been declared a public emergency. So while Jeff Sessions may have a personal antipathy toward marijuana, it's much more about pullip politics and perhaps taking our attention off of other issues. Because without the budget being changed by Congress, the DEA, his hands and the Justice Department's hands are essentially tied. Although they're tied loosely, they're still tied. So there still could be in local areas, personal opinions or personal views or personal relationships that cause federal drug enforcement agents to make marijuana arrests of people that are legally regulated, it's extremely unlikely that there would that that would ever happen. And it certainly there isn't a mechanism for that to happen throughout the country. As attorneys, we can never say, you know, make any kind of guarantee under a scenario like this, where you have a conflict of laws, and you are counting on politics. But in many ways, we're always counting on the current status of the law. We do experience in our businesses, I have both in medical malpractice and in real estate, a change in the law from the Supreme Court of the state that changes the industry overnight. So this is really not any different than what we normally deal with with our clients. You can't as an attorney, ever say never. But as far as prioritizing or preparing for issues, criminal enforcement is really not something that should be taking the attention of cannabis companies that are operating legally in the state. Of course, compliance has always been very, very important. And it continues to be a very important thing to stay state compliant, particularly under the current Justice Department. The next issue is one that is probably more serious and more on the minds of people knowledgeable about the cannabis business than criminal enforcement, and that's banking in the IRS. This is an issue where you have to say where's the money and where is it not? First of all, with regard to banking, there is a reason that large financial institutions do not advertise that they do business with cannabis businesses. There's many reasons One of which is that cannabis businesses handle a lot of cash and that's a security issue. Whether you're the person or the company transporting the cash or the bank receiving the cash. This is an issue but more Certainly, banks are regulated by the federal government. And so there are reporting requirements that in the past have made banks reluctant to deal with cannabis companies, even those that are operating within state regulations. And and that issue is really referred to as this suspicious activity reports the SARS issue. Now, if you haven't worked for financial institutions, this might not be something that you're aware of. But your local banker has to complete a suspicious activity report, whenever something happens with an account, or with an individual in the bank, that a reasonable person in the industry would associate with criminal behavior.

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So in the past, anytime, someone deposited large amounts of cash on an irregular basis, your banker or the bank manager might complete a SARS report just to say that there's a suspicion

This is suspicious activity that could be associated with drug dealing, it could be associated with prostitution, it's associated with something too, that the IRS may be concerned about. So I'm to try to address this problem. the banking industry, the bank regulators, the BSA came up with the expectations for dealing with marijuana entities state regulated marijuana companies. And they created three categories of SARS. Now, first of all, it is important to acknowledge that any cannabis company, their bank has to complete a SARS on a regular basis. But by creating these three categories, they've done something that's really helped them and help the industry a lot, which is one of the categories is a marijuana limited, it means that it does not implicate one of the cole memo priorities. So when these stars get filed, the marijuana limited SARS there's no action taken and there's no need to take any action. This is basically like acknowledging that this is something that was suspicious in the past, but is no longer. There's a second category that's called a marijuana priority. And the marijuana priority means that for some reason, the banking institution feels that the cannabis entity is implicated one of the cole memo priorities. It could be that they're concerned that the regulations the state regulations aren't being followed properly. It could be an irregular activity on the account. There. There are a million things that could be but for the most part marijuana priority SARS do not lead to specific enforcement or legal activity. The third type of SARS or marijuana SARS is the bank has terminated the relationship. The third category of SARS is one that could mean that there's been more than one factor there's been more than one red flag. No, I we don't know the statistics on follow up on that third category of SARS. But what we do know is that it certainly has it risen to the level where there's an awareness in the community of this coming up a lot or any kind of enforcement. So looking at from the financial institution. What does that mean for cannabis clients? What does this mean for financial institutions? First of all, acknowledging banks do not advertise for cannabis clients and they probably won't. These accounts are being opened based on personal relationships. But the SARS the marijuana related SARS filings demonstrate that there are 1000s of marijuana related bank accounts being opened every quarter and inexistence right now. How do we know this? Well, in the first quarter of 2017, there were 20,000, marijuana related SARS filed that were in the non priority status, meaning we're working with a cannabis entity that is compliant, compliant with state regulations. The next largest class was for the close of an account but it's important to To know that an account can be closed by the bank, but it can also be closed by the client. So an account could be closed because the cannabis company went out of business because it changed banks for any other reason that a bank account can be closed. So the vast, vast majority of the SARS filed, or the non priority and marijuana entity, no follow up necessary. Now there were about 3000 of the second class. And that second class is one where there's more than one factor. So that would be something that would trigger an investigation, and that might lead to some of the third priorities. So again, with regard to banking, compliance with state regulations is absolutely imperative for the cannabis company. You cannot exist and operate in this environment in the gray market or the black market anymore. Because cannabis has simply gone to mainstream for that to continue.

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compliance, enforcement of marijuana laws against non licensed dealers will likely increase with licensed businesses entering the market. Now, actually, I prepared for this presentation yesterday. And I saw a news story last night that's relevant to this point, which happens often in the cannabis industry. Because we are a topic that interests people for many reasons. It's huge social change. It's a change in the law. It's a business opportunity, it's an investment opportunity. So it's in the news a fair amount. And as I mentioned, last night, there was a story that was directly related to enforcement on the black market. And so I find that interesting that I'm in the depths of preparing for this report for this presentation, and the news is talking about the very thing that we're predicting is going to have happened by what we know about the black market prices. And yes, people are upset, the black market has become more expensive. But that is actually a good thing. Because, frankly, black market dealers are better off going out of business and just working for a legal dispensary, then going to prison. So we're hoping that that will gradually be the path for states like Nevada that have legal cannabis. It's important for cannabis companies, especially perhaps those that are operating in California, where there was a healthy, illegal cannabis business going on for years. And so you had unlicensed dispensaries operating without there being much enforcement, it's very important for people in California operating in that sort of gray atmosphere. To understand that compliant licensees will sometimes report their non compliant competition. This is something that happens once someone invests the money it takes now in California, it's less expensive than in Nevada. And there's much more tolerance for going from the black market and making a transition into compliance. But you do need to make that transition. Because if you're operating a business, that can be seen on the street, but is not in compliance with state law. Even if your local law enforcement doesn't want to shut you down, your competition is going to want to shut you down because it's expensive to get licensed. It's very expensive to stay compliant. So, but that's an investment that as a company, you have to decide who you want to be, are you going to ride this wave until it crashes, or you're going to make the investment you have to make to get legal and continue to exist, because your illegal competition will not tolerate your existence. And we've seen that we saw it in Nevada, Colorado has seen it Washington saw Oregon saw that it's a natural consequence of getting into legal business. That while you might be friendly with your competition, you're not going to allow someone with zero overhead to operate. For the same clients for the same customers that you are paying full overhead to serve. Federal law enforcement may increase in fact it probably will increase particularly in Calif fornia because you have an administration who has taken a stand against marijuana, but they're going to target non compliant people before they're going to target compliant people. And their if they have limited resources, which we know is the way that it is, they're going to use those resources to go after non compliant companies, and especially the black market. And it's going to be a lot easier for law enforcement to identify black market operators, as California becomes a state that has either compliant or non compliant rather than black market and gray market. So that's the most important thing to understand about money and banking and state regulation, and it's imperative. Now, the next topic I'm going to touch on

briefly, and I will acknowledge, I am not a tax attorney. And I will tell you, if you are an attorney working with a cannabis company,

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it is absolutely the standard of care to get an accountant for that client that knows to 80 he inside and out. Particularly

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for

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cannabis attorneys who have dispensaries as clients, we can take them through the process of getting licensed and take them through in consultation with a transactional attorney setting up their entities. But they need a talented accountant who's familiar with to add my PowerPoint, remember Al Capone, how did they get up, they got him on tax evasion. Because 280 He means that if you earn income from something that's illegal, whether it's illegal bookmaking, or drug dealing, or whatever it is that you're doing, you still have to report your income. And it's kind of interesting, the way the IRS has done this, they've decided that dispensaries are the ones who are violating the law, because they're selling the product to the consumer. And so dispensary's cannot write off most business expenses. That's the thing about 280 e. if you're doing something illegal, and you're earning a profit from it, all your earnings that you're getting from that activity are taxable, you don't get to write off your overhead, you don't get to write off the car you were dealing from or whatever. And the way they're applying that they're they're treating dispensary owners pretty much like someone who was standing on a quarter selling pot or even an illegal chemical. They cannot write off overhead. And so the accountants that are in this industry are in this industry full time. And they help their dispensary clients who usually also have a grow in a production attribute the overhead the best way that they can't, they still take a hit on their income more than you know, in a more traditional legal business, a fully legal business. But there are things that accountants can do to try to mediate that and it's incumbent upon the attorney to have the client where have to at he working with an accountant every month to do their books absolutely perfectly. Because if there's going to be a way that a state compliant entity has a problem with the federal government, it's going to come from the IRS or from the FDA, which we're going to talk about next. Now, as I mentioned, I do not hold myself out as a tax attorney and I always have my clients get accountants that are very, very sophisticated in this area. But um, my experience as a young attorney, I was a medical malpractice attorney, and I did products liability. So the FDA is an agency that I'm very familiar with. And there was a time in cannabis when someone like myself might bring up the FDA and people would glaze over. Because there

was a time when it seemed that the FDA was not interested in cannabis to people who don't understand the FDA. But this is the time for cannabis. entrepreneurs in particular people who own companies and cannabis attorneys to listen carefully because this is absolutely the most decision most important decision And that you will make for your cannabis client or your cannabis company. Who do you want to be? Do you want to be coke or tide or Nabisco? Or do you want to be a mom and pop cannabis company that operates for a short amount of time, because the FDA are the people who are going to make those decisions. And they have an absolute responsibility to monitor and regulate consumables. Now, with some consumables, their interaction with the public is really obvious. Like, for example, at the pharmacy, you get a lot of information that you can tell is coming directly from a state from a government agency. And that's the FDA and most people have an understanding that the FDA regulates the food that we eat. But it's absolutely imperative that an attorney who wants to work with cannabis companies look at their practice thus far and determine whether or not they feel comfortable interacting with the FDA. Because I have a close colleague I've been friends with for 20 years that I met during my days, when I used to work at a hospital, I was an attorney for a hospital. And I had my little clipboard, and I'm looking at whether or not they're FDA compliant and looking at whether or not their products are being used in conformity with the FDA. This is an absolute specialty. And it starts out, you know, really, I wrote in the program, the FDA made those but they never close, because they do things very methodically and very slowly. And so for cannabis, we haven't really been that aware of them. From the cannabis side until about a year ago, I have been monitoring their activity with cannabis. And they've been working with marijuana and preparing to regulate marijuana, at least since 2009. And they start out with the DEA provides statutory guidelines for the FDA to use to formulate regulations. And they do different studies that frankly, I'm not going to bore you with, we're going to fast forward to something that I know that you will all understand and remember if you work in cannabis, which is in 2017, the FDA provided guidance on submitting investigational ind regulations for botanical drugs in 2017. Now that that publication didn't say it was about regulating marijuana, but botanicals includes marijuana. And the FDA did reach out to CBD companies and ask them for information about the positives and negatives of CBD and what kind of scientific backup they have for the promises that that they're making to the American public. And depending on what side of the fence you've been on, I've worked with clients who are on the right side of the fence with the FDA, and they are definitely about the public health and the public good. But if you're an attorney working with a client that's on the wrong side of the FDA, it can be quite unpleasant. For example, if you want to have leisure time, that's entertaining and educational, watch the Dallas Buyers Club again. I mean, it's an Oscar winning movie, and it shows you how the how the FDA operates when they're unhappy with what you're doing with your business. And that was, you know, based in a time during the AIDS crisis, when people in the public and in the name of the public good, wanted to rush the FDA, to put make drugs available to fight AIDS. And there are things that FDA can do to rush but what they will not do is overlook things that might endanger the public. So when the FDA prepares to regulate something, they they absolutely do their homework. And they come they will come to a

step where they interact with the industry that they're considering regulating, which they have already done with cannabis about a year ago. As I mentioned, they did reach out to cannabis companies. They did get information back the information they got back from the CBD manufacturers that they connected with was not that helpful by their standards, and we're going to talk about their standards in a moment. But going back to the PowerPoint, they provide guidance on submitting investigational ind is nothing they do the FDA works With investigating drug sponsors to focus on measures to take to help assure quality manufacturing. So part of what in the cannabis industry we got back in 2017 was just guidance on how to ensure the quality and consistency of your cannabis product. It didn't it was a benign publication. Not everyone got it. I, I got mine from the FDA, because I requested it, because I want to know what the regulations are going to be. And the guidance that comes from the FDA precedes the regulations by a couple of years and they will be changed a little bit. But that information is absolutely the key to again, deciding who you want to be. You want to be coke or tide or you want to be a mom and pop business. Both choices are fine. But many of you who want to be Coker tied really need to work with someone who understands the FDA and how it works. They can expedite drug development using available

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tools.

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One program that I think is not well named for today's culture, the orphan disease designation, we didn't go into that priority review and fast track designation. Fast Track designation i think is fairly self explanatory. for drugs that show promise for curing cancer for drugs that showed promise for curing AIDS. They get fast track designation, and the FDA will loosen up their protocols a little bit and they will enlist more assistance from the public in testing those drugs, obviously with the appropriate consent of people whose life is being threatened and might be saved by an Investigational Drug. The priority review is something that perhaps the CBD that shows promise for reducing the symptoms of epilepsy, that could happen priority review for that particular medication, because it is shown promise in helping children which is a vulnerable population. And it doesn't have THC and epilepsy is a serious disease. People who have major epilepsy, you know, not only can you die from a seizure, but they can't drive it's debilitating disease. Development under ind will lead the FDA to authorize access to marijuana for testing. So when they go in to cannabis business is mostly invited. At first they will be invited into cannabis businesses, most likely CBD businesses, if they find businesses that they think are doing worthwhile work that is basically consistent with the guidance that they've provided. They may actually authorize access to marijuana for testing. That comes that's a supplement, they're not providing themselves. The FDA is providing it from the government's well known, I guess program,

where they grow and develop cannabis plants for various reasons. Mostly testing, FDA, marijuana wg to work to coordinate agency work. They have someone already at the FDA that's coordinating the agency's work with a couple of companies providing scientific input, meaning first, they're going to ask companies if they want to provide scientific input. And there's an eight factor analysis that that scientific input has to be subjected to. And we'll we'll get to that. Supporting drug development that can happen, usually what happens and what has happened for companies like Merck, they have a supportive, healthy collegial relationship with the FDA. That's not to say that the FDA does not find them, or change their packaging, make them take drugs off the shelves, but they have developed drugs in conjunction with a company like Merck that is supportive of mercs business model instead of working against them. And then the last factor, the last stage is enforcement actions. And if you think about enforcement actions, just by the name, you can see that really the comparison is probably like steady state regulated versus black market. enforcement actions are can be quite significant includes including seizure of your inventory. Now at this point, for insurers who are in the cannabis industry, it's really important to know that at this moment, your cannabis insured is not in danger of having their supplies seized. It's also important to know where to live. A lot of insurers do know that the FDA formula, the way the FDA looks at things, is kind of a roadmap for insurance for determining risk for deciding who you want to insure who you don't want to insure. What part of the business you want to be involved with.

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when it comes to insurance, and looking through the FDA lens at cannabis companies, again, it's about the cannabis company really deciding who they want to be. To the extent that cannabis companies have a choice, to the extent that they can change their packaging so that they're not making any medical promises. And that's going to lessen the FDA is interest in them. Because the FDA is obviously a lot more. Their mandate is much stronger for medications. for drugs, obviously THC impacts your brain. So that is a different risk model. It's more like Budweiser, it can still be a successful model. But it's a very different model than CBD or CBD and THC relationship studies, which the FDA is at this moment conducting studies to try to analyze what is the relationship between CBD CBD and THC as far as risk goes for the public health because there has been a lot of demand in the public to reschedule or even D schedule cannabis. Of course, the FDA wants to study that and understand that so that they can make a recommendation that is actually in the best interest of the public. So studying that relationship is important. The way cannabis cultivators Think of it as like the suite effect, s UI T, it's sort of one way of saying it, but it is something that the FDA does understand they have regulated products before that have different

components that interact. And that interaction is significant. So I think I already mentioned the FDA has started the process for regulation by publishing the guidance for scientists working with botanicals. And then the next step after the guidance, you know, it would be the warning letters, we've already seen some warning warning letters in our industry, ones that warned against products, clean products that were claiming that they had CBD. And there were two problems that were noted in the letter. One was that the claims were too significant. They were claiming that they could cure cancer, or that they could shrink tumors, things like of that nature that just don't have a scientific proof that meets the standard or the FDA. And then half of the products that they tested didn't even have CBD in that. So there was one set of letters that went to companies that said, you're saying you're selling CBD and you're not even selling CBD. So you can't do that. And then there was another set that went to companies that were legitimately selling the CBD, but their claims were too big. And that's obviously a very fixable product problem that just has to do with warnings and packaging. But it's important from your clients perspective, or if you are an entrepreneur, for your business's health to get in front of problems that can come up with the FDA, like from packaging, because packaging can be a huge problem if you have millions of dollars invested in packaging, and you can't use it anymore. And once the FDA has sent letters out saying you can't make this claim this column this claim, if you're making those claims, then it can be a very short window of time between when you'll get another letter and you'll get a visit from the FDA. And they will not allow that to happen and your materials include one of the letters that went to a company that was making claims that were too big. And it's quite stern. It's just it's against their imperative. And it's not really something that's political. It's not something that's going to be defunded. It's something that cannabis companies have to decide how they're going to deal with an attorneys practicing in the area. have to look Their own experience and decide whether or not they should be associating with a lawyer who understands how the FDA ebbs and flows and how it works and what it's like when the FDA concentrates on your company.

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So one company has brought its product to the FDA and submitted it to submitted to its procedures. And the FDA is procedures are a little bit different than, frankly, most cannabis companies procedures. They don't have to do anything with oral history, or antidotal experience from the product. They do. double blind placebo testing. GW Pharmaceuticals was the first company to submit this, they finished their own first, which is what any FDA savvy attorney would tell you to do, you need to do some testing that is like the FDA testing before you submit to the FDA testing. But when GW Pharmaceuticals finished its double blind placebo testing, and submitted its reports for FDA approval. Last year, the FDA issued a report and it was in Newsweek last week that the placebo had in a 14% what we call placebo effect on the patients, the patients reported some improvement in their condition, even though they had a placebo. But then we also had the CBD product that was alive product had 41% impact, that's a statistically significant

difference. And so researchers say it's the most promising ratio that has been seen in blind placebo testing of cannabis. And there are cannabis companies that make really great products. And they have standardization down really well so that the recreational user and the CBD user, even you know will have consistent experiences. But consistent is not exactly the same. It's not statistically significant. So with this kind of result, obviously very promising for that particular company in that particular product. And it also tells us what we need to do, if we want to be Coker tied, because somebody is already out there wanting to play the big game, and get FDA approval and the FDA blessing. And once that happens, obviously, they have a significant advantage in the market. Now, the last thing we're going to talk about going back to the eight factor analysis, which is one of the things that was referred to in the list of procedures undertaken by the FDA, how the FDA looks at products, if, as an attorney or a cannabis business owner, if you look at this eight factor analysis, and you don't recognize this list, and you haven't been applying this list, you've never worked with this list, it's really important to acknowledge that and decide, again, who you want to be because this is something that you're going to have to live or die with, to try to get in competition to be a national brand to be in a pharmacy to be in a whole foods. But on the other hand, it's not something that you're gonna have to comply with necessarily, just to sell recreational marijuana. So that's why it's it's just a question to look at. Now, obviously, the first factor is pretty self explanatory actual potential for abuse. There's a lot of literature about marijuana abuse that most people in the industry, including myself, think, no matter how scientific Lee it was done that it was slanted in the way it was published, it was a lot of negative information put out about cannabis for a really long time. That really wasn't true, but it still remains out there. So the actual potential for abuse is going to be a factor that the FDA cannot ignore. It's something that's real pharmacology has to do with the chemical makeup of your product. And it doesn't really have to do just with consistent percentage of THC or percentage of CBD. It has to do with the scientific formula, how you actually draw out the molecules that make up the product. That's the pharmacology, other current scientific knowledge. They're looking for what's called peer review. You research and peer review research is something that most litigators like myself, trial attorneys that have dealt with medical malpractice cases,

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we have dealt with this issue of current scientific knowledge that's peer reviewed research. That is a broad scale study that involves placebos that involves data collection, a scientific level, history and current pattern of abuse, self explanatory. scope, duration significance of abuse, I find this one kind of interesting, because I think the common belief for many, many years is that marijuana is not addictive. But as it's become legal, so more people have actually used the product that do not want to use it every day, there has been some antidotal indication that maybe it is addictive. Now, since that's antidotal. It's not scientific evidence. But there, there are indicators that maybe marijuana is a little more addictive than we thought it was. Because now again, because it is legal, so people are self reporting. So people who can't use marijuana every day, or maybe even every

week, have used it and find that they feel different if they don't use it. The public health risk, I think the bottom line on public health risk on cannabis is now and it's probably going to continue to be if you don't smoke it, it's not that dangerous, unless you make it very high THC. And then it's not good for your brain. But this is another factor. Going back to number one, where the absolute reality is that there's a lot of negative scientific peer reviewed research out there that shows that marijuana isn't good for you. And we might have a collective understanding now that maybe some of that research had a slant to it. But that doesn't change the fact that the research is out there. And we have to deal with that. Physical or physiological dependence liability, it's a little bit different than abuse. It's sort of like the difference between psychologically needing to use it every day, and feeling sick if you don't have it after a certain amount of time. So that factor is somewhat self explanatory. And then the eighth one also interesting in the cannabis world, because the eighth question is, is this an immediate precursor to something that's a controlled substance? Right now it is itself a controlled substance. But obviously, the DEA and the FDA are both considering working together to reschedule cannabis, I don't think D scheduling is very likely, but I think rescheduling is quite likely. But through legalization, the common person has become aware of procedures that you can do with regular cannabis that make it something that's called shatter, or there's another name for a highly toxic, controlled substance. It's actually not a controlled substance yet, but there's already recommendations before the controlled substance, the DEA to put these specific products on schedule one, so if they take cannabis off, they're gonna put some of these derivatives on schedule one. So we will still have an issue with number eight. And so so when we think about whether or not cannabis is going to get d scheduled or rescheduled to schedule two, we have an issue because it's now public knowledge and it's a precursor to something that's a controlled substance that may land on schedule one in and of itself. And then also for people like myself, who were there when we were lobbying to have cannabis made legal for medicinal purposes. Really the spearhead of the legalizing movement was that cannabis is medicine. And still a lot of cannabis attorneys refer to consumers as patients. And so when we talk in those terms, that kind of directs us to schedule two and Schedule two is drugs and medications. And schedule two is all closely regulated by the FDA. And so if you look at, you know, do I want to be coke or tide? Or do I want to be Budweiser, it's still a question of whether or not being Budweiser is going to be a choice. Because to be Budweiser, you'd have to be D scheduled. And then when it comes to packaging issues, your packaging issues would be limited to what kind of warnings the FDA still makes you. They make you have because there you'd have to have warnings about the risks of probably using cannabis while pregnant using cannabis when driving, that using cannabis over long periods of time, can impact your brain development, that using cannabis under the age of 25

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can impact your brain development, things of that nature, the kind of warnings you see on alcohol containers. So you would still have that kind of thing, and it wouldn't be able to mix medicinal

claims. With package warnings. Like we see with alcohol, you have package warnings, you don't really have medicinal claims. Even though there actually is there there are some physicians who think one glass of red wine a day is good for you. You don't see that on your red wine bottles, you see mornings. So the path is not exactly clear. But one of the things that hopefully, we can all agree on is that the FDA is going to be regulating cannabis, they're going to regulate and cannabis products. And whether it says on a schedule to or CBD is scheduled to add recreational as something that basically you just have warnings. that's yet to be determined. But having spent a couple of years where there's a lot of literature that was produced saying that cannabis does have medical benefits and his medication, schedule two is still quite likely. Probably more likely than D scheduling. These are important issues. It's the most fundamental question that you're going to face as a cannabis company. Right, Finley and Zach. We work with financial institutions, lenders, real estate, private equity investors. I personally represented hospitals and doctors as well as products liability cases, I worked for big tobacco at one point. The FDA is something I'm very comfortable with. We're here to help you. Whether it's work with an attorney, who has a cannabis client who wants to go the next level. Or perhaps if you're a cannabis owner, I knew want to take your entire company to a safe place. Aside from being coke or tied from being an entity that transitions into FDA regulation ahead of the game. We can start doing that for you right now. Because we understand the eight factor analysis, we understand the kind of communication that the FDA requires. We understand how to do peer reviewed research and what that looks like. We can communicate with scientists and help them do what they do best, which is concentrate on the science and not have to worry about the legalities and the package warnings. So I always use my cell phone number where to 702 to 870095. Right, Finley and Zack is on your program and we are ready to help you. Thank you