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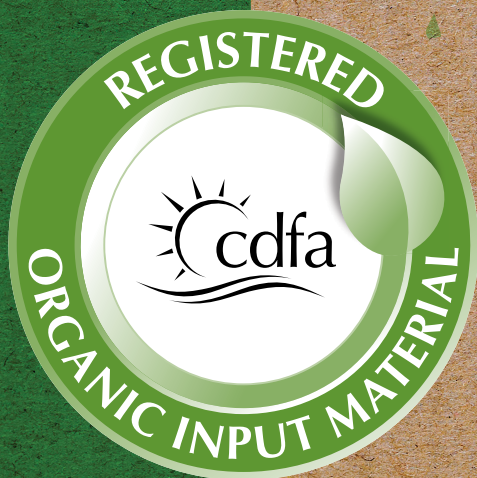
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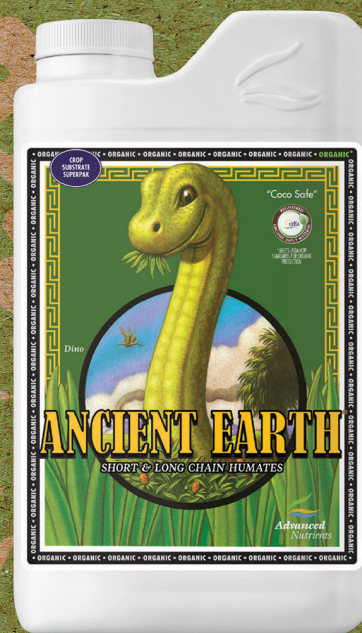


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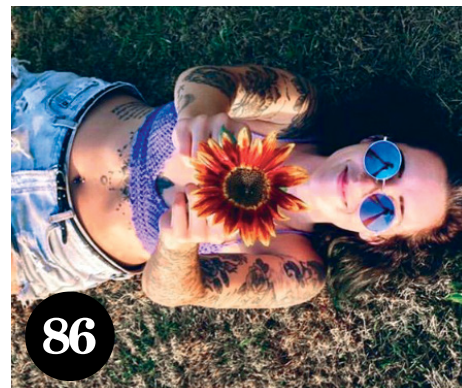
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A full-page photograph of an elderly man with a joyful expression, wearing a dark blue suit, a red tie, and a black flat cap. He is riding a black BMX bike with red handlebar grips and a red seat. The background is a modern, brightly lit indoor space with large windows and concrete pillars. The text 'FEEL ALIVE AGAIN' is overlaid in large white letters at the bottom left.

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CORRECTIONS: In the July issue, we incorrectly quoted Frenchy Cannoli as saying, "I would never sell pressed resin," and "Hashish is resin that has been sieved and pressed with the source of it." The correct quotes are, "I would never sell unpressed resin," and "It is the full resin head intact that is pressed with the source of heat." We apologize profusely for the errors.

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GREECE, URUGUAY EMBRACE MEDICAL CANNABIS

EARTH— From Europe to South America, the cannabis revolution is taking root. In Greece, the government decreed in early July that the medicinal use of cannabis would be legalized. In Uruguay, pharmacies could sell cannabis starting in late July, building on 2013 legislation that allowed people to grow cannabis as well as smoke it in clubs.

“People have to register to buy pot in pharmacies and, so far, 4,700 have done so, most of them in the 30 to 44 age group, according to government figures,” reported News24.com. “Uruguay’s total population is 3.4 million. Under the first phase of the 2013 law, more than 6,600 people have registered to grow weed at home, and 51 smokers’ clubs have been authorized.”

In Greece, the announcement came as a surprise. “The Ministers of Health and Justice joint ministerial decision

was published in the *Official Gazette*, which allows the import of pharmaceutical products containing medical cannabis,” reported GreekCityTimes.com. “As part of the announcement, it was stated that cannabis is to be reclassified from Table A—the most restrictive category of narcotics, which also includes heroin, LSD, and MDMA—to Table B, a category that includes methadone, cocaine, and opium.

“The reclassification means that the state can potentially give licenses for cultivation in the near future, although nothing has yet been announced regarding potential licensing procedures,” the site added. “[Prime Minister Alexis Tsipras] also announced that the import of cannabis-based medicines will be permitted once the framework for cultivation has been fully established.”



Walmart is selling a \$299 ‘dab machine,’ and Leafly bought one

WALLY WORLD— The amazing opportunity caught our eye as well but, unlike Leafly, we did not splurge and purchase one of the Rosineer RNR-MV1 manual rosin press dab machines offered for sale online only by Walmart. Yes, *that* Walmart.

“The \$299 price tag—free shipping!—includes a ‘dabber tool’ and silicone container to carry and handle your, ahem, plant extracts,” reported Leafly. “Walmart’s desire to jump on board was fed by the fact that Amazon carries the same item, according to Bob Lee, a spokesman for the machine’s Bellevue, Washington-based manufacturer, Rosineer.”

Lee told the site, “Walmart wants to compete with Amazon in any way, so they started to carry the rosin press late last year.” It might have gone unnoticed but for the eagle eyes of Herb reporter Brittney Sanger, who noticed the item for sale in July.

Leafly added, “Walmart didn’t immediately respond to a request for comment.”

STUDY

Cannabis not associated with changes in brain structure

BOULDER, CO— Based on the results from a recent research study, Jeff Sessions and his ilk may want to reassess their substance biases. It turns out alcohol use correlates positively with lower gray matter volume and poorer white matter integrity in both adults and adolescents, while cannabis use shows no such detrimental effects.

“Investigators from the University of Colorado, Boulder, and the Oregon Health & Science University evaluated neuroimaging data among adults (ages 18 to 55) and adolescents (ages 14 to 18),” reported NORML.org. The study concluded, “Alcohol use severity is associated with widespread lower gray matter volume and white matter integrity in adults, and with lower gray matter volume in adolescents... No associations were ob-

served between structural measures and past thirty-day cannabis use in adults or adolescents.”



JOHN MORGAN SUES FLORIDA FOR THE RIGHT TO SMOKE WEED

ORLANDO, Fla.— Feisty Florida lawyer John Morgan is taking his fight to consume cannabis into court. He has sued the state over its cannabis-smoking ban, arguing prohibition violates the intent of Florida voters who last year approved a constitutional amendment to allow the use of medical cannabis.

“Morgan, who bankrolled the Amendment 2 ballot initiative, filed the suit in Leon County days after new laws regarding the state’s medical marijuana program went into effect,” reported the *Orlando Sentinel*. “The lawyer says the intent of the ballot amendment approved by 71 percent of Florida voters in November makes clear that while smoking cannabis could be banned in public, it should be allowed in private houses.”

Morgan commented, “If something is not allowed in public, it is allowed in private. It’s as clear to all of you as it is to any first grader taking first-grade logic.”

Legislators voted to allow people to use vaporizers but outlawed outright smoking of cannabis. “The people of Florida knew exactly what they were voting on when they voted,” argued Morgan. “When they were voting on it, the vast majority, if not 100 percent, knew that smoke was included. The fact that we are here today is really unnecessary, but here we go.”



Police drop most charges connected to Toronto's 2016 pot raids

TORONTO— Following a daylong citywide sweep of unlicensed cannabis retailers by police on May 26, 2016, about 90 people were arrested, 186 charges were levied under the Controlled Drugs and Substances Act, and 71 criminal charges related to the seized cash. The city's top cop said the "raids had been prompted by complaints from residents and by police concerns over the health of those who purchase the drug at dispensaries," according to *The Globe and Mail*.

At the time, the raids were shocking in their scope and ferocity, but now most of the charges are being dropped. "The Public Prosecution Service of Canada has either withdrawn or won't proceed with charges against 45 of the 90 people arrested," reported CTVNews.ca. "It also won't proceed with charges against another 27 people who agreed to enter into peace bonds that impose restrictions on them."

Toronto police spokesperson Mark Pugash laid the decision on a lack of resources required to prosecute all 90 people, but added the police had succeeded in their objective. "What we've seen is money taken off the streets, drugs taken off the streets, a reduction in the number of dispensaries—and those are all important markers in preserving public safety," said Pugash, who added illegal dispensaries in the city can continue expecting to be raided.

CLOSING DISPENSARIES RESULTS IN SPIKE IN CRIME



LOS ANGELES— Once again, preconceived notions about cannabis turn out to be 180 degrees wrong: Instead of dispensaries causing crime, the opposite appears to be true. As noted in a NORML blog post in July, "The closure of medical marijuana dispensaries is associated with an increase in larceny, property crimes, and other criminal activities, according to data published in the *Journal of Urban Economics*."

"Researchers at the University of Southern California and the University of California, Irvine, assessed the impact of dispensary closures on neighborhood crimes rates in the city of Los Angeles," the post continued. "Investigators analyzed crime data in the days immediately prior to and then immediately after the city ordered several hundred operators to be closed. Authors reported an immediate increase in criminal activity—particularly property crime, larceny, and auto break-ins—in the areas where dispensary operations were forced to close as compared to those neighborhoods where dispensaries remained open."

In addition to finding "no evidence that closures decreased crime," the authors found "a significant relative increase in crime around closed dispensaries," and calculated "an open dispensary provides over \$30,000 per year in social benefit in terms of larcenies prevented."

While the findings may be surprising to the general public, the industry is well aware of the beneficial impact of responsible cannabis retail stores at the neighborhood level. Noted NORML, "The findings are consistent with those of prior studies determining that dispensary operations are not associated with 'spillover effects' in local communities, such as increased teen use or increased criminality."



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‘Dispensaries’ wrong term for pot shops, says Canada’s pharmacy regulator

CANADA— The National Association of Pharmacy Regulatory Authorities (NAPRA) in Canada is trying to put as little daylight as possible between pharmacies and cannabis retail shops, even when it comes to the terminology used to describe the latter.

Per a press release issued by the trade group in early July, NAPRA wants nothing to do with disseminating the plant for recreational use, stating clearly “pharmacy practitioners must not be involved in the distribution of cannabis for non-medical purposes.”

But the release continued, “Distribution sites for non-medical cannabis must not be permitted to use terms such as ‘dispensary’ or pharmacy-related symbols such as a green cross, which may lead the public to believe that the distribution site is a pharmacy or that it has professional oversight from pharmacy practitioners.”

The killjoys want even more restrictions. According to Straight.com, “It also appears NAPRA would like to see the advertising and marketing of cannabis restricted by decision-makers, ‘so as not to promote consumption.’”

STUDY



LEGALIZING CANNABIS DECREASES VIOLENT CRIME IN BORDER STATES

THE U.S./MEXICO BORDER— The dividends from legalizing cannabis just keep accruing. According to IVN.us, “A study by the Norwegian School of Economics in partnership with the Pennsylvania State University Department of Sociology and Criminology, found that marijuana legalization has led to a decrease in violent crime in U.S. states that border Mexico.

“The paper’s authors say that not only is there a strong reduction in violent crime related to il-

legal drug trafficking in states and counties that border Mexico,” continued the site, “but that when an inland state legalizes medical marijuana, there is a measurable reduction in violent drug trafficking crimes in the nearest border state.”

The study abstract stated, “The reduction in crime is strongest for counties close to the border (less than 350 km), and for crimes that relate to drug trafficking.

CLEVELAND FOOTBALL STARS BID FOR MEDICAL MARIJUANA DISPENSARY

CLEVELAND— Three sons of Cleveland are exploring locations in the Cleveland area as possible sites for a medical marijuana dispensary.

“Ted Ginn Sr., long-time football and track coach at Glenville High School, former Ohio State University quarterback and Heisman Trophy winner Troy Smith, and former Cleveland Brown Eric Metcalf have their sights set on one of 60 dispensary licenses to be awarded later this year,” reported Cleveland.com. “The three have partnered with Jim Buchanan, a Seattle recreational marijuana store owner who used to live in Cleveland, and were in Columbus on Tuesday to comment on draft regulations for dispensaries. The group announced their interest in a South Euclid location in May.”

The state, which received 185 applications for 24 grow licenses last month, is required by state law to establish a regulatory scheme by Sept. 8, 2018. Rules for dispensaries will be finalized this summer, and applications for up to 60 dispensary licenses accepted shortly thereafter.

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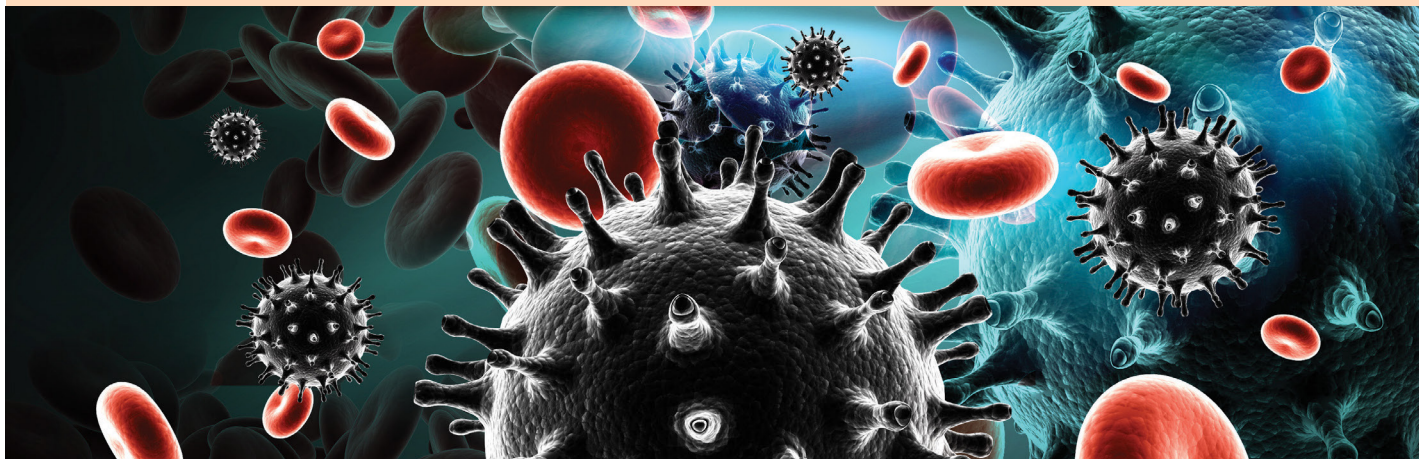
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Study suggests cannabis can help stop HIV from becoming AIDS



WASHINGTON, D.C.— Called “ground-breaking” by The Free Thought Project, results from a study published by the National Institutes of Health suggest cannabinoids, including THC, can effectively suppress the function that allows the HIV virus to become full-blown AIDS.

According to the study’s abstract, “Plasmacytoid dendritic cells (pDCs) play a crucial role in host antiviral immune response through secretion of type I interferon. Interferon alpha (IFN α), a type I IFN, is critical for mounting the initial response to viral pathogens. A consequence of Human Immunodeficiency Virus-1 (HIV) infection is a decrease in both pDC number and function, but prolonged pDC activity has been linked with progression

from HIV infection to the development of AIDS.

“Patients with HIV in the United States routinely use cannabinoid-based therapies to combat the side effects of HIV infection and antiretroviral therapy. However, cannabinoids, including Δ -tetrahydrocannabinol (THC), are well-characterized immunosuppressants. Here, we report that THC suppressed secretion of IFN α by pDC from both healthy and HIV+ donors through a mechanism involving impaired phosphorylation of interferon regulatory factor 7.

“These results suggest THC can suppress pDC function during the early host antiviral response by dampening pDC activation.”

Mass. Supremes: Cannabis patients cannot be fired for using cannabis

BOSTON— Supposedly the first ruling of its kind in the U.S., Massachusetts’s highest court has overturned a 2015 lower court decision and ruled in favor of an employee who was fired for using medical cannabis to address the effects of Crohn’s disease.

According to *The Cannabist*, “The California company argued the firing was justified because marijuana is illegal under federal law. [The court’s mid-July] ruling says employers can’t enforce blanket anti-marijuana policies against workers whose doctors have recommended medical marijuana to treat their illnesses.”

The ruling read, in part, “Our conclusion that an employee’s use of medical marijuana under these circumstances is not facially unreasonable as an accommodation for her handicap means the dismissal of the counts

alleging handicap discrimination must be reversed,” ruled the court. “But it does not necessarily mean the employee will prevail in proving handicap discrimination. The defendants at summary judgment or trial may offer evidence to meet their burden to show that the plaintiff’s use of medical marijuana is not a reasonable accommodation because it would impose an undue hardship on the defendants’ business.”

Dale Deitchler, an attorney with employment and labor firm Little Mendelsohn, was dumbfounded by the ruling. “I can’t stress this enough,” he told MassLive.com. “It’s the first case of its kind in the country. Massachusetts is not a state where such protections are written in the law, so this is really significant. The court created law.”

Southern California Coalition proposes solutions to LA's Social Equity Program

LOS ANGELES— The Southern California Coalition (SCC) last month issued commentary and proposed solutions to the Los Angeles City Council regarding the city's Social Equity Program and its implementation under Proposition M.

"The purpose of Los Angeles's Social Equity Program is to ensure the persons and communities who have been, and are, disproportionately impacted by cannabis enforcement can participate in and benefit from California's state-legal cannabis industry and to ensure that persons of all genders, races, and socio-economic statuses are able engage in cannabis-industry opportunities in the City of Los Angeles," stated the SCC in the four-plus page letter.

"Los Angeles's Social Equity Program has the strongest likelihood of success if it is both



race-neutral on its face and in application, and works towards increasing responsible inclusiveness and access to the cannabis industry,

rather than restricting access to only minority applicants," the letter continued.

"Southern California Coalition recommends the City of Los Angeles implement a multifaceted program to be funded by city revenues and cannabis industry contributions that offer cannabis business financial incentives, business assistance and professional development resources for communities most impacted by cannabis prohibition, and encourages Los Angeles cannabis businesses and Southern California Coalition partners to adopt responsible and inclusive business practices to help further benefit these disadvantaged communities in Los Angeles," it added.

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2017 CANNABIS SUSTAINABILITY SYMPOSIUM ANNOUNCED

DENVER—The Cannabis Certification Council (CCC) will host the second annual Cannabis Sustainability Symposium October 17 and 18 at the Embassy Suites Denver Downtown. The expanded two-day event will educate attendees about the latest tools, techniques and technologies for efficient and safe cannabis production. The symposium is funded by in-kind support from Denver Environmental Health and sustaining sponsorship from Denver Relief Consulting.

David Bronner will deliver the keynote address. Bronner is a prominent advocate of drug policy reform and chief executive officer for Dr. Bronner's, a top-selling soap brand in the United States. Educational sessions will feature experts from across the country speaking about topics including lighting, greenhouse design, water conservation, packaging, integrated pest management, and ethics.

"According to a recent survey, 81 percent of Portland, Oregon, dispensaries report at least occasional requests for 'organic' or 'socially responsible' marijuana," Bronner said. "I look forward to addressing the 2017 Cannabis Sustainability Symposium, which will bring together industry leaders working in the legal markets to share best practices to achieve ethically sourced cannabis."

Ticket sales began in July.

CannabisSustainability.org



Genifer Murray launches cannabis-inspired jewelry company, GENIFER M

SCOTTSDALE, Ariz.— Industry veteran Genifer Murray has launched a cannabis-inspired jewelry company, GENIFER M, featuring hand-crafted pieces artisan-designed in the United States. Using the highest quality diamonds and precious metals, GENIFER M aims to elevate the perception of "pot culture" with modern and elegant designs that create a cannabis couture lifestyle.

Murray owns and operates the company with her father, Glenn Murray, a technically trained and internationally recognized gemologist with more than forty years of jewelry industry experience. Each GENIFER M jewelry piece is designed by the father-daughter and offers a modern take on the classic marijuana leaf. GENIFER M's three collections, The La Reina Collection, The Sterling Collection, and The Gold Collection, are centered around the company's four contemporary leaf designs: G Leaf, GENI-

FER M's signature leaf designed to represent inspiration and empowerment; Sativa Leaf, a couture approach to the traditional marijuana leaf that embraces its classic sex appeal; and Modern Leaf, available in five-leaf and seven-leaf designs. According to Genifer Murray, the Modern Leaf illustrates the progression from "pot culture" to "cannabis couture."

"I launched GENIFER M to start a conversation about cannabis and what it means to you," she said. "I wanted to create luxury fashion that inspires women to embrace their passion and beliefs and to open a discussion about topics of cannabis. GENIFER M aims to create a space in which you can fully express your knowledge, hopes, and passion for the healing properties of cannabis with the mission to make a difference in people's lives."

GeniferM.com



ABcann, Cannabis Wheaton sign agreement for first tranche \$15M investment

VANCOUVER, Canada— ABcann Global Corporation and Cannabis Wheaton Income Corp. have signed a definitive subscription agreement stating CW has agreed to purchase \$15 million of ABcann common shares at an agreed-upon valuation of \$2.25 per share. The first subscription forms part of a larger phased investment by CW to fund the development of ABcann's proposed cannabis cultivation facility in Napanee, Ontario, known as the Kimmett facility.

"We are delighted to be partnering with ABcann and its first-class management team in the build-out of the Kimmett facility and expansion of ABcann's cultivation footprint," said Cannabis Wheaton CEO Chuck Rifici. "ABcann is an important strategic partner for Cannabis Wheaton and enhances the overall strength of our platform."

ABcann CEO Aaron Keay remarked, "This represents Cannabis Wheaton's first funding allocation, and we look forward to this mutually beneficial relationship as we advance both of our respective companies."

ABCannGlobal.com

23

Proposed maximum tax rate by percentage for cannabis businesses in Massachusetts.

(source: MassLive.com)



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All proceeds from this fundraising event will benefit Growing Hope Foundation, a 501c3 organization dedicated to partnering with cannabis companies to support worthy causes and giving back to their communities.

More information on www.partnercoloradofoundation.org



MEDICAL MARIJUANA INC. ANNOUNCES 269% REVENUE INCREASE FROM Q2 2016

SAN DIEGO— The second quarter of 2017 generated the largest revenue quarter in the history of Medical Marijuana Inc., the first publicly traded cannabis company in the United States. June 2017 proved the largest-ever single month of revenue, as well as the largest sales month and quarter for wholly owned subsidiary Kannaway.

The company saw a gross revenue increase from \$1.66 million in Q2 2016 to \$6.13 million in Q2 2017, a quarter-over-quarter increase of 269 percent. The company also saw year-to-date and year-over-year revenue increase from \$3.178 million to \$9.65 million, an increase of 203 percent.

MedicalMarijuanaInc.com



DB LABS BECOMES FIRST ISO-CERTIFIED LAB IN LAS VEGAS

LAS VEGAS— DB Labs, a cannabis-testing laboratory, has become the first and only International Organization for Standardization (ISO) 17025-accredited marijuana-analysis lab in Las Vegas. A standard used by testing and calibration labs, ISO 17025 is required by most countries. Having an ISO certification assures customers their products have been rigorously tested to ensure safety and health.

“As the first cannabis-testing laboratory in Nevada, DB Labs has always taken patient safety very seriously and has always tried to raise the bar,” DB Labs President Susan Bunce said. “Now, being the first lab in Las Vegas to receive ISO 17025 accreditation, we are setting the standard and want to set a good example for other labs.”

“The world of cannabis testing is often compared to the Wild West: Each lab uses state regulations to set their standards, but it leaves a lot of room for subjective interpretations,” she continued. “The ISO accreditation removes the ambiguity and guarantees a consistent level of testing to users. We are proud to be a part of that.”

In Nevada, cannabis labs are required to test for certain contaminants, but the requirements as rigorous as those employed during ISO accreditation. “Eventually,” Bunce said, “Nevada’s users will realize their cannabis contains more than the advertised THC number and that it could contain harmful contaminants.”

DBLabsLV.com



Cannabiniers launches cannabis-infused beverage line, Brewbudz

SAN DIEGO— Cannabiniers, a foodservice, technology, and brand-management company offering patented, safe, and natural flower-based extraction technology, has launched Brewbudz, the world’s first line of cannabis-infused coffee, tea, and cocoa delivered through a 100-percent compostable, flower-based, single-brew pod.

“What we are aspiring to create is the normalization of cannabis consumption in a way that integrates with consumers’ already established habits and lifestyles,” said Cannabiniers President Timothy Walters. “Brewbudz is our way of providing consumers with a natural, safe, and chemical-free way to consume cannabis’s natural compounds, combined with an everyday behavior—coffee and tea drinking—that is both socially acceptable and discreet.”

Brewbudz is available in dispensaries across Nevada, including Medizin, Blum, The Dispensary, Las Vegas ReLeaf, Inyo Fine Cannabis, Essence, The Source, and Mynt. The product is expected to be available soon in Colorado and California.

BrewBudz.us



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EVENTS CALENDAR



SEPTEMBER 2017 EVENT SCHEDULE

The following is a list of select industry events taking place during September 2017.

MJAC 2017: INVESTORSHUB INTERNATIONAL CANNABIS CONFERENCE SEPTEMBER 1-2

JW Marriot L.A. Live, Los Angeles

Featuring fifty prominent exhibitors, guest speakers, expert panels, and educational workshops, MJAC is produced by online retail investor network Investors Hub.

MJAC2017.com

CANNABIS WORLD CONGRESS & BUSINESS EXPO SEPTEMBER 13-15

Los Angeles Convention Center

Featuring the latest technologies, solutions, and resources for cannabis-related companies, CWCBE expo offers a comprehensive slate of exhibits, products, services, and seminars.

CWCBEexpo.com

CALIFORNIA CANNABIS BUSINESS CONFERENCE SEPTEMBER 21-22

Anaheim Marriott, Anaheim, Calif.

Presented by CCIA and NCIA, this industry association trade show unifies the Golden State by bringing together seasoned industry leaders to convene on best business practices and operations.

TheCannabisIndustry.org

KING CANNABIS EXPO SEPTEMBER 29-30

Spokane Convention Center, Spokane, Wash.

A two-day seed-to-sale expo featuring producers, processors, greenhouse manufacturers, security companies, investors, marketing groups, and many other business-to-businesses operations from around the globe.

KingCannabisExpo.com

HEMPFEST CANNABIS EXPO SEPTEMBER 30 — OCTOBER 1

Calgary Stampede Park, Alberta, Canada

Features talks from industry leaders; exhibitors include producers, dispensaries, nutrient companies, hydroponics manufacturers, medical clinics, health and wellness providers, and more.

HempFestCanada.com



Bridging The Gap CA Event.

Photo courtesy of Forever Flowering Greenhouses

STAY CURRENT ON ALL INDUSTRY EVENTS: mgretailer.com

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Blazing Good

HOUSED IN A FORMER STRIP CLUB IN GLENDALE, COLORADO, **SMOKINGUN APOTHECARY** IS PART ANTI-PROHIBITION MUSEUM, PART RECREATIONAL DISPENSARY, AND ALL BEACON OF EDUCATION “LIGHTING THE WAY FOR LIBERTY.”

S MOKINGUN APOTHECARY is more than an average dispensary. It's also an anti-prohibition museum open from 8 a.m. until midnight daily. Housed on a site formerly occupied by the infamous Denver strip club Shotgun Willie's, a clandestine doorway opens a trip back in time to the Wild West, complete with authentic jail, teller booth from the Bank of Hibernia circa 1870, flower displays in vintage whiskey barrels, and a massive mural depicting an eagle holding cannabis in one claw and arrows in the other.

The idea hit in 2014, when owner Debbie Dunafon and her family traveled across Colorado promoting Amendment 64 and her husband's gubernatorial campaign. (Her husband, Mike Dunafon, holds no ownership in SmokinGun.) What they found was staggering: a total lack of education about



SMOKINGUN APOTHECARY



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SMOKINGUNAPOTHECARY.COM

prohibition and the War on Drugs.

“This really inspired the family to develop the anti-prohibition theme for the dispensary and museum,” said Marketing Manager Nick Moscia.

Ever since, the company has maintained a simple mission: educate, raise awareness, and empower each consumer with the knowledge they need to take a stand against the War on Drugs.

“It's the family's dream to get every person released from prison who committed petty crimes related to marijuana,” said Moscia

DESIGN

“The overall aesthetic promotes the end of prohibition worldwide,” noted Moscia. “We want to visually inspire consumers in the hopes they will develop a voice and speak out against the oppressive drug laws. There's

a copy of the Declaration of Independence displayed on one wall, beautiful painted murals on the walls, and videos of real-time drug war updates from key media sources.”

ARCHITECT

Gabe Archuleta designed the building core and shell, while the interior design represents a collaboration between the Dunafon family and artist Daniel Chavez.

BUDTENDER REQUIREMENTS

Must be wholesome, friendly, badged by the state of Colorado, and 21 or older. “Many of our employees have past experience in the industry, but this is not mandatory,” noted Moscia. “Anyone can be trained to sell marijuana, but we seek out candidates who are passionate about our story, understand the privilege and responsibility of selling marijuana, and are passionate about fighting the war on drugs.”

BEST SELLERS

“Cherry Colorado for flower, and brands like Loves Oven, EvoLab, Mary’s Medicinals, Americanna, Pax, and Dixie Elixirs do very well,” said Moscia.

INVENTORY CONTROL

“We track and monitor inventory in real-time using the BioTrack point-of-sale inventory management system. We also take physical inventories once a month to ensure counts are spot on,” said Moscia.

RETAIL TRENDS

“Hot sellers one month may not do so well the next,” Moscia said. “We see this fluctuation mostly with edibles and beverages. More and more customers seem willing to give concentrates a try these days, while our pre-roll and vape pen sales jump on weekend nights between 7pm and midnight. The party crowd prefers to consume discretely while bar hopping.”

— Rob Hill



Number of employees:

25

Patients per day:

300 - 400



66

HOT SELLERS ONE MONTH MAY NOT DO SO WELL THE NEXT. WE SEE THIS FLUCTUATION MOSTLY WITH EDIBLES AND BEVERAGES. MORE AND MORE CUSTOMERS SEEM WILLING TO GIVE CONCENTRATES A GO THESE DAYS, WHILE OUR PRE-ROLL AND VAPE PEN SALES JUMP ON WEEKEND NIGHTS BETWEEN 7 P.M. AND MIDNIGHT. THE PARTY CROWD PREFERS TO CONSUME DISCRETELY WHILE BAR HOPPING.

— Nick Moscia, marketing director

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Promotions & Special Events Have Been a Marketing Bonanza for SmokinGun

THERE ALWAYS seems to be an event going on at Smokin Gun Apothecary, whether it is the popular S.I.N. Sundays mixer or Vendor Daze, a combination cannabis sale and down-home barbeque sponsored by a handful of the store’s top vending and advertising partners. “One Saturday afternoon a month, company

owners, sales reps, and brand ambassadors gather and set up display tables on the showroom floor,” said Marketing Manager Nick Moscia. “Here, they educate consumers, answer questions, pass out free schwag, and offer deep discounts on products.”

The barbeque portion of the event is

hosted next door at the T-Bar patio bar. After making a purchase at the shop, guests are encouraged to head over to the T-Bar, where they can enjoy food and beer, see a glassblower demo, and listen to a DJ or live band.

“Rain or shine, Vendor Daze never disappoints!” said Moscia



From Trash to Grass

NCM BRINGS THEIR DECADES OF EXPERIENCE IN THE CORPORATE ODOR CONTROL AND WASTE MANAGEMENT INDUSTRY TO CANNABIS.

TWENTY YEARS AGO, Jesse Levin's father, Marc Levin, launched NCM Dust and Odor Control to assist companies with treating odors and dust at landfills, transfer stations, compost facilities, and remediation projects. For the past thirteen years, Jesse, 37, has run the company, which employs ten people spread across the country. Recently, he noticed the parallels between what NCM does for waste-management companies and what the fledgling cannabis industry needs. So, he launched NCM Environmental Solutions.

"I couldn't have imagined a decade ago I'd be working in the cannabis industry," he said. "But in terms of odor control, the parallels between the two industries are very similar."

Pennsylvania-based NCM's decades of experience working with regulatory agencies and cities gives the company unique insight about what may lie ahead. "Odor control is really the public's only opportunity to fight a cannabis operation," said Levin.

NCM Environmental Solutions duplicates the parent company's operation with specific focus on the cannabis industry. The goal is to ensure the industry becomes proactive, not reactive, about odor control. In pursuit of the goal, Levin created three subdivisions.

The Environmental Impact division focuses on air-model studies. The studies range from EPA-approved models like CALPUFF to a new technology called computational fluid dynamics. The division works with regulatory agencies to draft requirements and then makes sure they execute a solid odor control plan.

"If companies from the permitting phase are required to properly identify their impact on the community in regard to odors and then execute the plan once they are in operation, it helps the cannabis industry as a whole and avoids operations from being fined...and worse," Levin said.

The Odor Control Solutions division identifies the origin of odors and determines why the odors exist in the facility. Currently, regula-

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Orange County, CA

“WE’VE DEVELOPED A LINE OF NEUTRALIZERS THAT HAVE BEEN TESTED USING EPA GUIDELINES FOR TOXICITY INHALATION, EYE IRRITATION, CONSUMPTION, AND SKIN TOUCH. THESE STUDIES COST US OVER SIX-FIGURES, BUT IT WAS THE BEST DECISION WE HAVE MADE FROM A PRODUCT-DEVELOPMENT STANDPOINT.”

—Jesse Levin, Founder, NCM Environmental Solutions.



tory agencies seem focused on ensuring odors do not leave the perimeter of a property. “Once we understand our clients’ operations, we research a few things locally to understand the best course of action,” said Levin.

Throughout North America, two systems are widely used to treat waste odors: the high-pressure atomizing system, which is a water-based misting system, and the vapor odor control system, which is 100-percent waterless and combines air movement with a specifically formulated odor neutralizer. Both translate well to cannabis, Levin said.


The third division, Service, offers preventative maintenance and on-site visits to monitor odor control systems.

An NCM cannabis client operating in California’s Central Valley has raised the bar in terms of odor control. In fact, the company invited the mayor to visit the operation so he could see how the system works. “A school was very nearby, but [the cannabis company has] gone through multiple harvests without one complaint, more importantly, no fines or notices of violations.”

The mayor now is using the site as a standard for the area.

Levin said treating cannabis odors is very similar to treating odors in the waste industry. For example, in both realms NCM must identify the odor’s origin point, understand the client’s operation, develop an odor-control plan through neutralizers and dispersion systems, and then aid in maintaining the equipment.

“Odor Control needs to be viewed as part of the operation and factored into the daily operating expenses associated with cannabis operations that need odor control,” said Levin.

“A good plan is important but the execution of the odor control plan is of the utmost importance. Once all that is in place we have been very successful in both industries.”  —Rob Hill

Why Odor Control is Good for Your Bottom Line—and Community

HARVESTING, trimming, cooking with cannabis, and using extraction equipment all give rise to smells. Generally, a site has two options for controlling odors: Wait until neighbors and/or the city complain or address the issue right away. In either case, neighbors will want assurances the problem will disappear. Once a company begins treating odors, neighbors want to know how the process may affect them. Each site that gets hit with an odor violation not only gives the industry a black eye, but also can lead to monumental fines, loss of permits, and even forced closure.

“This led me to develop a line of neutralizers that have been tested using EPA guidelines for toxicity inhalation, eye irritation, consumption, and skin touch,” said Levin. “These studies cost us over six-figures, but it was the best decision we have made from a product-development standpoint.”



NCMODORCONTROL.COM

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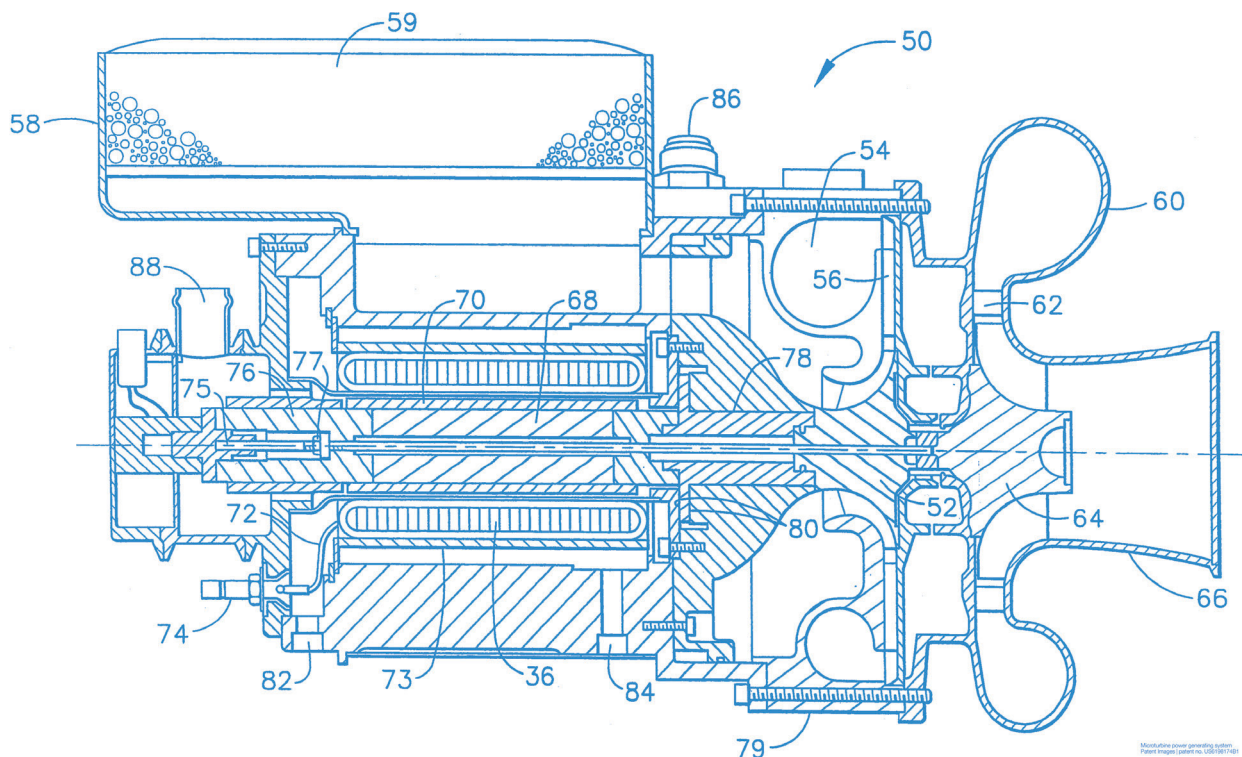
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Popular Mechanics

HOW NATURAL GAS IS BEING USED TO CREATE A MORE SUSTAINABLE INDUSTRY.

CBD BASED products, oils, and flower with high potency are receiving much of the focus in today's market. But as legal market expands into new territories, concerns relating to energy demands and usage in the area of production are bound to arise. Will producers become an ally to the green energy movement or will they become part of the problem?

"We believe the cannabis industry is an inherently green industry that will come to embrace alternative energy solutions," said Brian James, founder and president of Infinite Energy Solutions.

According to the company's website, natural gas is the cleanest of all fossil fuels, releasing up to 50% less CO₂ than coal and 20-30% less than oil and emits negligible amounts of dangerous elements other fuels release such as sulfur dioxide (SO₂), nitrogen oxides (NO_x) and mercury (Hg).

"About 15 years ago I realized that many businesses did not have access to experts in the natural gas field," said James.

And since this realization, MBS Engineering, which is Infinite Energy's parent company, has grown considerably. Their client list includes many high-profile companies including Chevron and AIG.

But to James, it's the future of the cannabis industry that is really exciting.

"Our microturbines, which are compact and designed to produce large amounts of electricity on a smaller scale, are the next generation energy solution," said James.

"While the microturbine application is new to the cannabis industry, we believe our expertise in this field will add tremendous value to this fledgling industry. One of the biggest obstacles for a grow is ensuring that there is adequate power."

He added that companies trying to begin operations quickly stand to benefit the most.

"Many local energy providers can take as long as two years to provide the amount of energy needed, while a microturbine can be installed in thirty to ninety days." *mg* — Daniel Reed

"A MICROTURBINE IS AN ENVIRONMENTALLY FRIENDLY WAY TO GENERATE POWER INDEPENDENT OF YOUR LOCAL ENERGY PROVIDER."

—Brian James, Infinite Energy



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Mr. Hemp and the Amazing Dream Crop

MICHAEL BOWMAN ON THE STATE OF FARMERS, THE UNCERTAINTY IN WASHINGTON D.C., AND WHY HEMP IS GOOD FOR THE ENVIRONMENT AND ECONOMY.

ON A SWELTERING JULY NIGHT, Michael Bowman entered the Washington, D.C., watering hole The Dubliner to meet a member of Law Enforcement Action Partnership with ties close to the White House. As a longtime advocate for federal public policy that strengthens rural communities with a focus on soil health, biochar, renewable energy, and environmental markets, Bowman has been to the United States capitol many times. But this trip was different. Since the passage of Colorado's Amendment 64 in 2012, his focus has turned exclusively to industrial hemp policy. His decade-plus of work in sustainability issues garnered a robust bipartisan network that trusted him.

"This trip was purely agenda-driven due to what the industry has been missing since November's election—namely, a president with still no clear message or directive regarding our industry," said Bowman, a bearded, avuncular man with a calm demeanor and an intense gaze.

However, if anyone can get their attention and act in order it's Bowman. In 2013, he wrote the draft language for Section 7606 of the federal Farm Bill, and he made possible the first hemp flag flown over the U.S. capitol building in eighty years. "I've been elbow-deep in this movement, but during this visit it was easy to forget all we've accomplished," he said, his gaze a bit downcast.

Bowman's trip would be one meeting after another with D.C. political movers and shakers, private-sector business people, and entrepreneurs, discussing industrial hemp and its application to

soil regeneration, reducing chemical and pesticide loads on farmland, CO2 absorption, and land-based opportunities to mitigate the collapse of oceans. Though the trip proved positive overall, it also proved somewhat disappointing. "Right now, when it comes to hemp, we are in a holding pattern with no indication from air control when we're going to finish circling."

WHY HEMP? WHY NOW?

The environment is what brought me to hemp. It was around a campfire in Zimbabwe in 2003 when I met an Australian couple who had just visited India. [We discussed] the transition there from a hemp-based economy to a government-mandated GMO crop. Before that fateful conversation, I knew nothing about the plant.

This conversation drove me to study the plant and, once I understood its history and politics, I was hooked. Hemp is a drought-resistant plant. It needs little or no herbicides and pesticides. It has a root structure that improves the tilth of the soil [and] can absorb four times more CO2 per acre per crop than a standing forest. Suddenly, I found every box on my list of attributes of a "dream crop."

"HEMP IS A DROUGHT-RESISTANT PLANT. IT NEEDS LITTLE OR NO HERBICIDES AND PESTICIDES. IT HAS A ROOT STRUCTURE THAT IMPROVES THE TILTH OF THE SOIL [AND] CAN ABSORB FOUR TIMES MORE CO2 PER ACRE PER CROP THAN A STANDING FOREST. SUDDENLY, I FOUND EVERY BOX ON MY LIST OF ATTRIBUTES OF A 'DREAM CROP.'"

—Michael Bowman

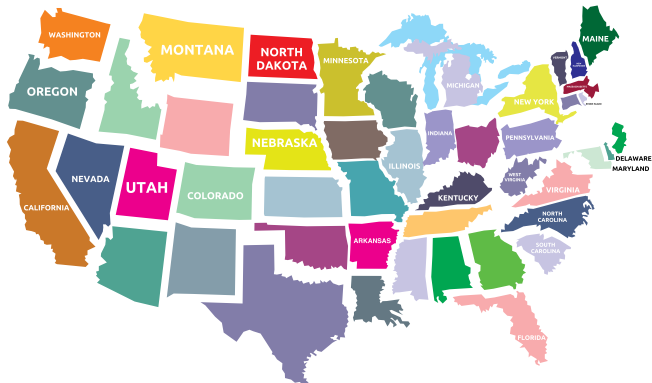
HOW DOES HEMP IMPACT THE ENVIRONMENT?

Like any crop, it shouldn't be monocultured; it's a rotational crop. If grown properly, it can play a significant role in the soil regeneration movement. Hemp is sometimes confused with the environmental footprint of indoor marijuana cultivation. There is a lot of debate



Did you know?

The following states allow cultivation of hemp for commercial, research or pilot programs: Washington State, Oregon, California, Nevada, Utah, Montana, Colorado, North Dakota, Minnesota, Nebraska, Arkansas, Illinois, Michigan, Pennsylvania, West Virginia, Indiana, New York, South Carolina, Kentucky, Florida, Vermont, New Hampshire, Rhode Island, North Carolina, Delaware, Maryland, Maine, Virginia, and Arkansas.



today regarding that footprint and how to lower the impacts. California has taken a big leap in regards to the renewable energy requirement for these facilities. I'd offer that side of the industry has a way to go. However, industrial hemp as an agricultural crop is pretty straightforward and environmentally benign.

WHAT'S THE CURRENT STATE OF U.S. HEMP FARMING?

Under federal law, the 2014 Farm Bill, Section 7606, farmers in states where hemp is legal are permitted to grow industrial hemp. We have over thirty states that have passed some form of legalization; last year one-half of all hemp acres in the U.S. were grown in Colorado, with Kentucky a close second. The industry is like dry tinder with matches being lit around the edges. In addition to the federal protection we enjoy under the Farm Bill, Senate Majority Leader Mitch McConnell has inserted riders into both the 2016 and 2017 omnibus acts that prohibit federal agencies from interfering in

7606-compliant grows. I hear, through the California grapevine, there are 200 acres being grown this summer.

WHAT HAVE BEEN YOUR BIGGEST CHALLENGES WHEN MEETING WITH POLITICIANS?

We have a reportedly \$700 million market in the U.S., the largest consumer market in the world, yet our farmers are in technical violation of the Controlled Substances Act. We cede our demand to imports. Secondly, we're the only G7 nation to prohibit [hemp] cultivation under federal law. Three, [hemp] was so important to victory in WWII that we suspended Prohibition in 1942, gave seeds to every 4-H Club in Kentucky to multiply, built forty-three processing plants where farmers grew in excess of 35,000 acres for fiber, [and] yet our government still thinks a Schedule I classification is appropriate.

WHAT ARE SOME OF THE SUSTAINABLE ASPECTS OF HEMP?

We're in the throes of the third industrial revolution and an explosion in scientific knowledge. We've only just begun to understand the range of phytocannabinoids and their application to our health, wellness, and materials. Hemp is a suitable replacement for concrete. It can help end our overexposure to pesticide and herbicide applications in our food supply. From the production side, we have a lot we can learn from nations like Israel, where drip technology and precision fertilizer application are far beyond the technology we use [in the U.S.] today. Unfortunately, these discoveries continue to be held at bay with a Schedule I designation. Federal labs and institutions of higher learning shy away from this research for fear of losing their federal dollars.

WHAT ADVICE WOULD YOU GIVE SOMEONE WHO WANTS TO START A HEMP FARM?

As a fifth-generation member of an agricultural family, I understand the importance of bringing young people into this industry. In the past 30 years, we've seen the average age of the U.S. farmer increase from 50 to 58. However, I've never witnessed a time in my adult life where a single new opportunity like hemp has ignited the interests of so many young people. Simply put, the opportunities far surpass the challenges. — Rob Hill

The Making of Mr. Hemp

▽	▽	▽	▽	▽	▽	▽
1977	1981-2001	2004	2006	2013	2015	2017
Receives an agricultural degree from Colorado State University before attending the University of Arkansas.	Actively engaged in family's fifth-generation Colorado farm, which pioneered crop rotation as a means of reclaiming land for commercially grown sunflowers.	Co-founds the Colorado Farm-to-Cafeteria Workgroup, placing the farm to cafeteria movement at the forefront of the fight to end obesity.	Chairs Governor-elects Bill Ritter's energy transition team and worked with his staff to pass over 50 pieces of "Green" legislation in 4 years.	Appointed to the Colorado Industrial Hemp Commission by Governor John Hickenlooper. U.S. Senate agrees to include House amendment in final farm bill language.	Becomes founding board of directors chairman for the National Hemp Association (NationalHempAssociation.org).	Forms War Hemp Industries Corporation and begins work on Hemp4Victory 75th Anniversary campaign celebrating the rebirth of the dream crop.

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Deep Roots

TEMPLE EXTRACTS' FINE OIL IS A PRODUCT OF ITS FOUNDERS' LIFELONG COMMITMENT TO ORGANICS AND SUSTAINABILITY.

BY TOM HYMES

WHEN and if the potential of the cannabis movement of the late twentieth and early twenty-first centuries is fully realized—and the earth and its inhabitants are renewed, restored, and ultimately saved—profound thanks will go to those in the cannabis community who served as resolute custodians of sustainable agricultural and manufacturing practices. Temple Extracts will be among that group of generational heroes. The Nevada City, California-based producer of ultra-pure cannabis oil extracts is the brainchild of Michael Bardin and David St. Clair, longtime farmers steeped in pure, healthy living and the philosophy of life that ungirds organics and sustainability, values imbuing their products, their business, and their relationships.

Indeed, the attributes contained in Temple Extracts oils are listed like holistic buzzwords on TempleExtracts.com. “Ultra-Pure THC & CBDs Ecologically Farmed Top Shelf Cannabis Strain Specific, Single Origin, Small Batch Extracts Artisan, Boutique and Heritage Genetics No Additives, Ever!” Punctuation aside, the words aptly describe Temple’s commitment to quality as well as the underlying passions of its founders.

ROOTS

Los Angeles native St. Clair came from the organic farming, nutraceutical field and has been a cannabis grower, farmer, and breeder for thirty years. “I was part of the farming project at [University of California at] Santa Cruz with Alan Chadwick, who was one of the grandfathers of the organic movement,” he said. “I worked in medicinal herbs in Oregon and California, and then in nutraceuticals, formulating products in the natural health field, for many years.”

In 1991, he moved from southern Oregon to Nevada City, which he and Bardin proudly call home. “The thing about Nevada City,” said Bardin, “is that it is our roots, our family, where Temple was born and thrives. It’s where we are and where we want to be.” A 17-year grower originally from Newton, Massachusetts, Bardin met St. Clair twelve years ago in Nevada City. After working together in the industry for about six years, Bardin, who had just bought his first vape pen, decided he wanted to get into extraction and suggested the idea to St. Clair. With their experience in the cannabis industry, combined with their knowledge of organics, they had the opportunity to create something unique at a time when there were few quality products on the market, especially for health-conscious consumers.

But they also wanted to work with their “family” from the Proposition 215 “gray” industry, a huge network of growers committed to producing organic, sustainable cannabis that could be used in the production of oil. These were people they had known for years, who would provide the community of support they would need to launch

their new company, which they would underwrite themselves so they could work at a pace of their own choosing.

“David and I funded this company,” explained Bardin. “We spent two years tweaking our process to make sure it was at the point where we really liked the product before we put it out as a brand with our name on it.”

Temple Extracts debuted in the summer of 2013 and has since developed a reputation for producing consistently high-quality oil. Being known for consistency is crucial, especially in a sector of the industry that has literally exploded in the past few years. But California is also a developing market in terms of standards and regulations, and no single brand has yet emerged as the clear leader in cannabis oil. The way is clear for brands to build on the successes they have already attained, as long as they can maintain the quality for which they are known. For the gang at Temple, that should not be a problem. If Bardin and St. Clair (and the rest of the team) share a common trait, it is a palpable optimism in the future and an unshakeable belief in their shared vision. That sense of purpose is a quality that attracts like-minded people to the mission.

Case in point: Michael Straus, a relatively recent addition to Temple’s extended family. Straus is an expert in organic foods and sustainable agriculture and a scion of Marin County’s Straus family, whose matriarch, Ellen, was a renowned environmentalist and founder of the Marin Agricultural Land Trust in 1980. She also co-founded the family dairy farm in Marshall with her husband, Bill, in





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the late 1940s. Decades later, during rough years for dairy farmers in Northern California, Michael's older brother, Albert, converted the farm to organic and in 1994 renamed it the Straus Family Creamery. Going organic made the creamery the first certified organic dairy west of the Mississippi River and ensured its survival.

Michael, who specialized in public relations and strategic marketing, provided marketing for the creamery and went on to found a PR agency focused on organics and sustainability, in addition to many other eco-oriented projects. About a year ago, he began collaborating with the Temple family as a primary consultant, bringing a wealth of knowledge about how to create an organic brand that would resonate with people.

His introduction to Temple had a touch of kismet. Straus already had developed an interest in cannabis, which he thought needed some help in an area he knew well. "I saw there was a need to develop the organic, sustainable sector in cannabis, and I wanted to see if I could help," he said. "A week later, as soon as I became clear about that, my friend who is working with Temple called. Two weeks later, I was working with them."

"EVERYTHING STARTS WITH THE FARM."

In the cannabis oil business, the source material's quality is essential, which is one reason why Temple Extracts' motto reads, "Purity, quality, sustainability." Everything starts with the flower and the ingredients. "We love raw farms, being able to go out and gather the best ingredients," said Bardin. "That's where our real advantage lies. Our everyday is making sure we have the highest quality of everything to put out there for our clientele."

Even before Temple was founded, Bardin and St. Clair had developed relationships with growers throughout the state. Now those relationships needed to transition into the new reality of regulations while maintaining the same standards. Temple is not concerned.

"When you are dealing with organic, artisan farmers, they take pride in the fine craft of organic farming," said Bardin. "They are always trying to be more organic, more sustainable, a better 'cure'... So, there is a built-in system that maintains quality because of the pride they take in their product. As the craft of organic cannabis farming keeps evolving, so do our farmers."

"While there are no required standards," he continued, "we do

"We're a company that focuses on solutions, and our work is on the positive end of everything." —David St. Clair

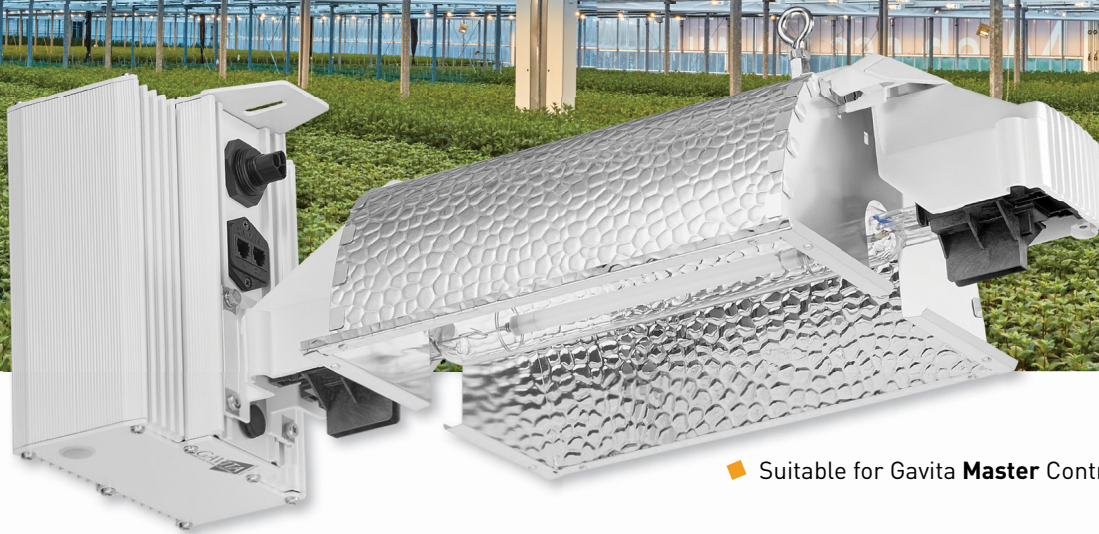


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thorough testing on all the trim we receive to ensure that what goes into the oil is pesticide-free. There are challenges with ensuring this level of integrity, specifically as the testing requirements recently changed to parts per billion, but we don't falter from this high standard even if it means compromising revenue."

Of course, as Straus commented, organic is about more than pesticides. "It's a fair thing to say nobody should ever be smoking poisons, period, but pesticides are just the beginning," he said. "The fact is, there are all sorts of other important agricultural practices, like how much water you use and how you treat the land."

"We're into the entourage effect, which is only available through whole plant, terpene-rich, ecologically grown extracts," added St. Clair. "There is a wellspring of sustainability and biological relationships from which all the organic methods and processes derive, but there are nuances within that. The concept of organics is that you build a healthy soil and the plant grows itself. You work within the soil to get the result you want in the plant. It is a concept has been marketed and promoted within the cannabis industry."

Indeed, as relatively new as organic cannabis farming may be, innovative techniques are taking root. For example, Dr. Elaine Ingham, a microbiologist, has created a mass movement in cannabis with compost tea brewers. "I know lots of growers who use the technique to create a healthy biosystem in their soil," said St. Clair.

The "teas" create a strong plant that is resistant to pathogens like molds and mildews, explained Bardin. "With commercial farming, the soil is stripped. But with healthy soil, only good things flourish," he said.

In short, the future of these values-based relationships looks good. "We're solidifying strategic partnerships with farmers who are committed to the highest standards of production," said Bardin. "This will ensure we continue to acquire the same or higher-quality inputs after January 1, 2018."

BUILDING THE TEMPLE BRAND

Temple also has embarked on a rebrand complete with new packaging that better reflects the values of the company. It was a somewhat painful, but necessary, process the company had not yet endured. "We had a lot to say, especially with our new packaging in a small space, and we had to get really clear on who we are, our values as a company, and what we wanted to portray," said Bardin. "We did this through an extensive process with an Italian design firm. [See "More than a Pretty Package" in the July 2017 issue of *mg*. —Ed.] While it was challenging, we are ultimately very happy with the results, which we are currently launching as a new brand."

Added St. Clair, "We have always had a premium of the highest quality, so what was most important was to develop our branding to be able to reflect that quality to our customers. We also wanted to reflect the idea of 'explore your inner sanctuary,' of the body as a temple. Cannabis, like yoga, can help bring the body back to balance."

The team has high hopes for the new packaging. "Dispensaries are always welcoming of new packaging, new displays, new posters and educational materials," said St. Clair. "It's all embraced by our dispensary partners."

PAX

While not a partnership per se, Temple recently struck a deal to supply pods for the PAX Era, a sleek, discreet device that works flawlessly with oil. "Our friends at Palm Springs Safe Access who share our values and maintain an exclusive relationship with us, made the introduction by sharing and praising our oil to PAX," explained Bardin. "They made a three-way introduction that we then pursued."

"We are happy to see the industry maturing around the devices being created to vaporize cannabis and cannabis oils," he added. "As those devices become more evolved, like PAX, they can vaporize cannabinoids and terpenes without burning them, utilizing proper vaporization of the biochemistry of the plant. It transfers the benefits of the oil to the body. So yes, we were stoked to be invited to be a filler with PAX, because that device really showcases our oil."

CBD

One of the most exciting endeavors being undertaken by Temple Extracts is the development of a new line of CBD products that are almost ready for primetime. "Rather than hemp-derived CBD distillates, these are a whole-plant product that has different properties in the body," said St. Clair.

"These are ecologically grown, whole-plant, CO2-extracted, terpene-rich extracts," Bardin said. "We've been growing and breeding CBD plants and working with CBD breeders and researchers for the past couple of years, and we are really excited. Stay tuned over the next couple of months as we start releasing a new level of CBD extracts."

'THE APPLE OF 510 CARTRIDGES'

Building on its redesign, Temple also is about to release a 510 cartridge incorporating new technology that St. Clair said will revolutionize the sector. "Unlike ceramic carts on the market that tend to burn the oil, our new cartridge has a ceramic core that is wickless and uses special voltage and ohms that allow for perfect vaporization of the terpenes," he explained. "What we've found is that the most superior evolution yet is within this new technology we're launching. It's an inexpensive device that will be like the Apple of 510 cartridges."

SETTLING INTO EXPANSION

Temple also wants to settle into permanent digs and has been looking at locations throughout the state, only to wind up back home in Nevada City, as it seems was meant to be. A building in town suddenly became available, and the company jumped. "As a family,

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Photos courtesy of Temple Extracts

we decided it felt right, and we fell back on community,” said Bardin, who is working on a letter of intent to take over enough space to centralize all the company’s functions. “It will be our manufacturing and processing operation and hopefully also some office space,” he added. “We also have been working with a group of CBD geneticists and hope to be able to store our library of CBD at this location.”

Strategically, the new home is a part of Temple’s larger strategy to expand statewide while maintaining standards and quality control in production, with source material, and in the field. “We want to maintain the educational control within the dispensaries, so we developed our own distribution system and are working to develop a team and system that can scale throughout the state,” said St. Clair, adding the company’s products are in about fifty dispensaries, with more being added every week. “What this means is sales teams and brand ambassadors will be more involved helping educate patients as well as retail workers.”

The focus on education extends industrywide and to the consumer. “Ultimately, it’s about creating a massive educational movement that is positive,” said St. Clair. “You can focus on the problems and what’s not working or be a part of the solution. We’re a company that focuses on solutions, and our work is on the positive end of everything.”

But they are not in a rush. “We like to do things slowly and naturally,” said Bardin. “You can see the methodical scaling of our brand. We are planning on coming out with other products, but first we want to dial-down into how we’re going to do them and make sure everything is perfect before we launch anything.”

SMALL COMPANY, BIG VISION


In trying to understand where the wellspring of optimism coded into the DNA of the Temple people comes from, one returns inexorably to their *raison d’être*. “We’re guided by our vision and our mission, and then we execute that in a fiscally responsible way. And that’s what has brought our success,” said Bardin. “We don’t want to

cut those corners. We’d rather be a little bit smaller company and be about extreme vision and quality and education. We’d rather be that than a Hershey’s chocolate bar.”

Straus plans to maintain his association with Temple as he develops his own cannabis brand, Hugo Straus, which is slated to launch in November. The new endeavor will be separate from the Straus Family Creamery, of which he is not an owner, but it will conform to the same organic philosophy. “I’m interested in cannabis because I think there is an opportunity to do something disproportionately larger,” he said. “We need to create an organic-sustainable movement, but I also believe there is an opportunity to do something much bigger with the creativity, ingenuity, and energy coming out of the cannabis sector.

“One of the reasons I liked marketing milk was because it was so ubiquitous,” he explained. “You could reach a lot of people with a set of environmental sustainability and consciousness-related messages through a product that was in everyone’s refrigerator. Cannabis is even more so, and the opportunity to use it as a vehicle to raise social and environmental messages is quite exciting.”

For St. Clair, the way forward is about faithfully following a path laid out for him long ago. “I feel like I’m a visionary on the future,” he said. “I always have been. I feel like one world is failing right now, falling apart in mayhem and destruction. And that while that old-world system, based on old principles, is going through that decaying process, there is another world that’s being birthed right now, like the phoenix.

“That phoenix rising out of the ashes is a new earth and world based on principles of cooperation, collaboration, and community,” he continued. “It’s based on people working together on sustainability. That’s the future we’re involved in. The sustainable new future. It’s not about gain or profit, but an open-source collaboration worldwide. That’s the energy, the vortex of power, that feeds us, and that’s what we tune into. It’s what gives us inspiration and clarity to see how to proceed.” 

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Planet Sativa

The cannabis industry is built entirely on the branches of a plant. Can the industry be a custodian for the planet? Advocates and environmentalists tell us what that may look like.

BY JOANNE CACHAPERO





A Delicate Balance

The Cannabis Conservancy is trying to keep up with a whirlwind of regulatory projects on the local and state levels, and even internationally. At the same time, they're working to make certification easier for farmers, who are busy trying to keep up with new regulations as markets expand in legal states, among other things.

CANNABIS CONSERVANCY co-founder Jonathan Valdman is very aware of which projects are top priorities right now. He said among regulatory and environmental concerns, the number one problem is pesticides.

MG: WHAT ARE SOME PROJECTS THE CONSERVANCY IS WORKING ON RIGHT NOW?

What we're seeing in California right now, with the constant changing of local ordinances, state regulations, and even the new trailer bill the governor signed, is most farmers are focused on coming into compliance with local permits and licensor regulations or necessities, and also just trying to stay alive in this game as it's growing and transforming so rapidly.

One of the main founding principles of the conservancy is meeting the client where they are, bringing them into the conservancy, seeing where they are, and then figuring out an action plan for how they can constantly improve their abilities, their protocols, and follow through with the values of their company. [We don't want to] put an extra burden on them, but instead look at what is the most major issue facing the industry right now—and that's pesticides.

I was at the Chalice Festival in San Bernardino County [in mid-July]. Twenty percent of the entries failed lab tests. So, one of the things we're working on right now is creating more of an entry level to our certification, which would more focus on being pesticide-free.

My partners also are working on an energy report with the state of Colorado. For just over a year now, [they've been] creating a real-time energy usage report for greenhouse, indoor, and field-grown cannabis so we have some real data and statistics to look at. Once we're done, the State of Colorado will be using that information for their reports.

Another thing we're working on right now is some big news: how [international standards organization] ASTM is looking to expand their standards into the cannabis industry. So, we've been working hand-in-hand with them in the creation of those standards.

DO YOU THINK INDUSTRY MEMBERS SEE THE IMPORTANCE OF CERTIFICATION?

I think people oftentimes see the value, but it's a little ahead of the game right now. Like I was saying, a lot of people are really focused on coming into compliance, and even looking forward to when the state is going to require certain compliances to be met. So, we find ourselves in this place of educating.

I think a good way to look at it is looking at people that shop at health food stores and organically and such. A lot of those people have not even started to consider whether or not their cannabis is organic and grown in an organic method. And just to be clear, we cannot use the term "organic" with anything associated with cannabis. The federal government owns the word "organic," and cannabis is a federally illegal plant, so you're not allowed to use the term.

We have been working with—and I have met with—members of county boards, as well as state agencies, mostly about education. We haven't really gotten to the point of sitting down and helping to create any statewide standards yet. We do hope to work with the CDFA (CalCannabis) in order to give some guidance in creating those standards, but it's not something that's occurred as of yet.

ANY ISSUES INDUSTRY MEMBERS SHOULD BE AWARE OF COMING DOWN THE ROAD IN CALIFORNIA?

I do know there's conversation on the table right now and people lobbying to see a carbon-neutral cannabis industry in California by 2026. With that, the Public Utilities Commission is really looking at, right now, how they want to approach this whole industry. If we're looking to create a carbon-neutral industry, that means the sourcing of our energy has to become so reliant on alternative sources that we have a neutral footprint and/or the slow elimination of high-intensity discharge (HID) lights as a sole source of cultivation. It's important to add that as the sole source of the lighting, they're looking at how to mitigate the use of it or put some sort of taxation behind it.

There's no other plant on the planet that is grown in warehouses under high-intensity lights. If we look back in history as to why that all happened, well, that happened because federal laws and prohibition pushed people indoors and under lights in order to stay out of jail. Indoor cultivation has really filled a gap in time. But now we're talking about regulations. So, with regulations we literally have the ability to come out of the closet—or come out of the warehouse, if you will—and use the sun as our main source of cultivation like every

other agricultural crop on the planet.

WHAT ARE SOME OF THE ADDITIONAL BENEFITS OF CERTIFICATION, BESIDES BEING AS “GREEN” AS POSSIBLE?

Not only are we geared for certification in America, but we're aligning ourselves with international-standards associations, so the certification will be accepted on an international level. Other countries including Israel and Uruguay are exporting at this point. So, one day in hopefully the not-too-distant future, we might see America exporting cannabis around the world. Aligning themselves with the Cannabis Conservancy now will put [companies] on an international level of compliance.

Once people sign up they have the support of our team, which can really help to structure their company in a way that creates resilience for them when moving into the regulated market. One of the nice things about our certification is that when you do sign up, we have templates for how to create your own [standard operating procedures] and quality-management systems, as well as how to create your own internal audits of energy and water usage.

So, we have a lot of tools we offer to our clients, to help support them in structuring their company in a manner that will create resilience when operating in the market and also how to structure their company for investors, should they choose to take on investment capital and/or sell their company. If a company is structured in the manner that our protocols require, it's going to be very attractive to the investor looking to get into the canna market.

It's a Bug-Eat-Bug World



PESTICIDES are a problem. As testing becomes more prevalent (but not yet industrially regulated or standardized), media reports abound about cannabis samples testing positive for various pesticides. Late last year, Berkeley's Steep Hill Labs reported an astounding eighty four percent of samples submitted to the lab within a thirty-day period tested positive for chemical bug killers.

That's no good for patients who need to avoid exposure to toxic substances and, really, who wants to ingest even trace amounts of insecticides? With cannabis culture rooted deeply in health and wellness; harmful chemicals don't square with pro-environmental, health, or ethical standards for many. Fortunately, insects are here, to the rescue—bass bugs that want to ingest other bugs.

Controlling pests in your garden or grow with predator bugs takes extra commitment and con-

trols, but the rewards could increase your peace of mind. It's all about prevention, before infestation, when you're creating a hostile environment for pests.

"It cannot be understated that an ounce of prevention is worth a pound of cure," experts at Arizona-based ARBICO Organics said. "Healthy soil and healthy plants give any crop the best opportunity for vitality, yield, and pest resistance. Clean growing environments, monitoring, and trapping are your best first line offenses against plant pests."

Some additional info from the bug whisperers:

- Cannabis suffers with many common garden pests including aphids, whiteflies, and thrips. Indoor grows create a favorable environment for mites, fungus gnats, and root aphids.
- "Recommended solutions are based on each

grower's specific conditions. Continuity is key! One release of beneficial or predatory insects is not enough for ongoing control," ARBICO said.

■ Popular "generalist" beneficial insects include ladybugs, green lacewings, and the aptly named Assassin bug; they're often used for "low infestation, soft-bodied insect control."

■ For high and/or specific infestations, experts will recommend "predator" bug species and regime to treat the problem.

■ "In certain situations, we also make recommendations for a pest knockdown using a bio-rational organic insecticide such as Neem Oil, Pyrethrin, or Azadirachtin-based products," ARBICO said.

As in any battle, strategy is key. Organic pest control providers must periodically analyze conditions specific to your grow, as well as other factors, to formulate the best campaign for your bug issues.

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Fighting the Good, Long Fight

Advocacy organization Americans for Safe Access warns the struggle is real.



AMERICANS FOR SAFE ACCESS Executive Director Steph Sherer has the chops of someone who's been an advocate for a long time—fifteen years so far, and no stopping is in sight for her or the organization. Based in Washington, D.C., ASA lobbies and advocates on behalf of medical marijuana patients, cultivators, manufacturers, and retailers.

There's never a dull moment in the American capital, according to Sherer, especially under the current administration. "I think the cannabis industry has two amazing things going for it right now that have nothing to do with [the cannabis industry]," she said, laughing.

"The first is Russia. That's keeping [U.S. Attorney General Jeff] Sessions pretty busy, and as soon as that shiny ball goes away... It's not that he's not doing nothing on cannabis. He's reaching out to U.S. Attorneys, and they're putting something together. But, he's obviously very distracted by Russia.

"The second is that [President Donald] Trump basically wants to cut funding for all administrative agencies," Sherer continued. "So, the only reason we wouldn't see more [Occupational Safety and Health Administration] or [Environmental Protection Agency] violations is because their budgets have been cut. The Department of Justice is the only one they're considering not cutting.

"The only saving grace is that there just aren't enough resources at these departments to focus on violations, but they're happening. When it comes across their desk, they're fining these companies, and the fines are not small. And there's not a payment plan for these fines. And they fine you every day until the problem is fixed," she cautioned.

That isn't the only serious issue that concerns Sherer. While state and local regulators in cannabis-legal jurisdictions race to develop standards, guidelines, and restrictions for new markets, cannabis

remains a federally illegal drug and legalization is not a priority. In fact, the Drug Enforcement Administration and DOJ are working to oppose the industry, even going so far as to throw cannabis under the environmental bus.

"Anytime there is a regulatory push against the legal cannabis industry, that jeopardizes the medical cannabis program overall, and it jeopardizes [patients'] access," Sherer said. "I'm here in Washington, D.C., and...as you can imagine, cannabis is a pretty polarizing issue.

"One of the DEA's most effective arguments to push us back is environmental issues, ironically enough," she continued. "Even though I don't believe the DEA cares that much about the environment, they have found it's a talking point that resonates with members of Congress... [Patients] have enough to deal with without having to figure out the environmental impact of medicine as well."

While many cannabis entrepreneurs think of the DOJ or DEA as the big, bad swamp monsters, several other agencies with purview over cannabis also can be scary.

"We have seen an increase in fines from OSHA and from EPA, and rightly so," Sherer said. "If you are producing a product and selling it, you have an obligation to make sure your workers are safe and to make sure you're operating within the confines of the law. You also have a responsibility to provide safe products to consumers. So, environmental impacts are key. We're also seeing the government is trying to figure out how to deal with pesticides and environmental impacts around indoor and outdoor cultivation.

"Connecting environmental impact with patient safety really brings us back to all of these open questions around pesticide use," she continued. "As of right now, there's not a single pesticide that's been approved to be used on cannabis for human consumption."

Prohibition forced cannabis cultivation indoors; it's the only ma-

for consumable crop grown inside. The nascent industry doesn't have the benefit of protocols for pesticides and cultivation standards long established in other agricultural sectors.

"This is a process the agricultural industry has gone through, so they know if they put a [pesticide] on at a certain time during the growth cycle, it won't end up in the product," Sherer said. "Basically, every pesticide that's out there has guidelines for when you can spray it on the crop, when it's safe, and then, of course, you're supposed to test the end product for that pesticide, to make sure it doesn't end up in what goes out to consumers."

"What's scarier, beyond just the pesticides that have not been specifically tested for cannabis: None of those pesticides have been tested for indoor use, and they say that for some chemicals to be effective, they need sun and air," she added.

To address the pesticide issue and others head-on, ASA has helped establish a research center in the Czech Republic, the International Cannabis and Cannabinoid Institute, which will provide test data that can be used for reports and provide needed information to develop regulations for safe, sustainable cannabis cultivation.

ASA also has developed the Patient Focused Certification (PFC) program to help government and the industry develop and imple-

ment safety standards and guarantee products have gone through a process that ensures safety. ASA has worked with the American Herbal Products Association and American Herbal Pharmacopoeia to develop patient-focused standards since 2011.

ASA members also can access open-source templates, training materials, auditing tools, and other resources to help shape their own standard operating procedures to be compliant with regulatory standards.

But, as with all long-term challenges, everything comes down to money. Philanthropists and supporters, currently suffering from fundraising fatigue, are asking Sherer more and more about the billions in revenue reported by the media. For an industry that some so vehemently oppose (including, reportedly, AG Sessions), the battle onward may be a long and costly one.

"These medical cannabis laws aren't just happening. There are thousands of human hours behind every regulatory change and every law that passes. So, just because you can't write a \$10,000 check—though I think many could—write any check.

"A lot of people just assume the work we do here will always be here," Sherer said. "But we're not selling anything but freedom, and it's not an easy way to bring in the budget."



THESE MEDICAL CANNABIS LAWS AREN'T JUST HAPPENING. THERE ARE THOUSANDS OF HUMAN HOURS BEHIND EVERY REGULATORY CHANGE AND EVERY LAW THAT PASSES.

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Footprints in the Desert

Nevada's Tryke Companies/Reef Dispensaries is building a better oasis



WITH TWO DISPENSARY FACILITIES in Las Vegas, two in Reno, Nevada, and three more in Arizona, Tryke Companies/Reef Dispensaries is taking a big bet on making the desert bloom. The main Nevada facility in Vegas alone comprises 165,000 square feet of space.

Wily survivors know in order to thrive in a harsh climate, water, arable growing space, and energy are necessities. If you're a smart desert dweller, you'll figure out ways to renew those resources, knowing renewable resources make survival cheaper and easier.

"Historically, cannabis cultivations have been very inefficient and have left a large carbon footprint," said Tryke/Reef Chief Executive Officer Matt Morgan. "At Tryke Companies/Reef Dispensaries, we've always gone to great lengths to make sure we have the least possible impact on the environment."

"One of the things we've done is have half the rooms go on at midnight to noon, while the other half go from noon to midnight," Morgan said. "What this does is help the grid not get surged by lighting up the whole building at once. This creates a more efficient power flow to the building, which creates more efficiency for the grid in general."

In a city like Vegas, wattage is measured by bulbs in the millions and acres of air conditioning operating twenty-four/seven, every day of the year. Only a fraction of that is powered by nearby Hoover Dam.

But in order for life to exist, there has to be water—lots of water.

"Another thing we do is we recapture and recycle about 70 percent of the water we use for the plants. We re-run it through our filtration system and reuse that water in the cultivation facility," Morgan explained.

Oh, and the desert isn't getting any cooler. Recent record temperatures caused airline flights to be cancelled in Vegas and Phoenix. When it's too hot for the buzzards and burros, cooling can be expensive, so efficient cooling becomes a high priority.

"As far as cooling, we built and installed a centralized chilling system," Morgan said. "It's about 35 percent more efficient than conventional air conditioners. It's run using closed-loop, chilled water to cool everything, versus cooling the air with a closed air conditioning system."

The company and its facilities continue to work toward better environmental standards, hoping to pioneer new practices and develop a compliance culture that benefits the community and, really, the whole world.

"As we grow and expand, we're continuing to fine-tune the intricacies of this operation to discover how we can make it as efficient and environmentally-friendly as possible," Morgan said.



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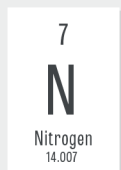


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With help from local utilities, Oregon indoor grower Eco Firma Farms is already carbon-neutral.



JESSE PETERS is a U.S. Marine Corps veteran, cannabis entrepreneur, grower, and activist. Now, thanks to clean energy, he's also a full-fledged environmentalist. Eco Firma Farms, of which Peters is the chief executive officer, is Oregon's first carbon-neutral indoor cannabis farm, powered by wind energy.

"In 2015, we purchased 196,967-kilowatt hours of clean wind," Peters said, reading from the farm's most recent utilities audit report. "By doing that, we avoided emitting 264,002 pounds of CO₂ into the atmosphere; that reduction's impact on the environment is the equivalent of 294,599 miles not driven and thirty-one trees planted."

In 2016, Eco Firma purchased 236,340-kilowatt hours, the equivalent of pulling 373,197 pounds of CO₂ out of the environment, or not driving 416,450 miles and planting forty-four trees, according to Peters.

Like most cannabis company owners, he wears many hats, but Peters admits he is not an energy expert or electrical engineer. However, as humans concerned about the planet and cannabis farmers, Peters and his crew set out from the beginning to implement sustainable practices throughout Eco Firma's culture and infrastructure.

"For us, it really was as simple as talking about all the different directions we wanted to go with getting better, and really, what was our biggest thing to conquer—and it was energy," he said. "We wanted to do solar. And then, 'what about battery backup?' And then it was windmills."

Those windmills line wind farms along the Columbia Gorge.

Local utilities provider Portland General Electric offers renewable energy generated by the wind farms to customers who qualify. Eco Firma's original facility for medical crops and a newly built facility for recreational cannabis receive 100 percent of their energy from wind.

"It was actually as simple as looking on the power bill, at where it said, 'Do you want to know more about green energy?'" Peters said, laughing. "So, we are completely carbon-neutral and 100-percent renewable on all power that we use at our new facility, and also at our personal homes."

In addition to wind power, Peters and the staff at Eco Firma have incorporated sustainable practices into everything from recycling and using recycled products to alternative pest control methods and protocols for waste disposal. Every day they find more items to add to their sustainability checklist.

Peters, who is on the board of the Oregon Cannabis Association, also has been working with the Oregon Energy Trust. He said the agency actively seeks cannabis companies to apply for state grants that fund energy upgrades for businesses—like the solar panels that cover the roof of the building at Eco Firma's new grow facility. Peters expects the farm will generate enough energy to store a reserve on a Tesla battery, or even sell wattage back to the state.

"We're trying to show that you can be an indoor farm and cultivate responsibly," he explained. "It's kind of nice that this big cannabis revolution is happening, because it gives us a platform to set a standard for how everything should be. So, it's not really just about growing cannabis; it's about trying to be good humans."

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L.A.'s Indoor Cannabis Growers Have a Secret Advantage

Conserving massive amounts of water when cultivating cannabis in Los Angeles is almost as easy as turning on the tap. Erik Hultstrom, president of the Cultivators Alliance, explains how it works.



CULTIVATING cannabis indoors offers a big environmental bonus: water conservation. In Los Angeles, our municipal water supply is pretty good for growing, which is a huge advantage for us.

In a lot of places, municipal water comes out of the tap with a TDS (total dissolved solids) ratio of anywhere between 360 and 460 parts per million. But further filtering produces its own problems. The issue is with reverse osmosis and the amount of waste it can produce. I've spent many hours, depressed, watching wastewater run out while filtered water slowly trickled up. Throw in a multiyear drought, and the guilt starts to run deep.

However, if you combine the decent municipal water we have in Los Angeles with the zero-ppm condensation coming out of your air handlers, you'll find a recipe for water with a base ppm of 120-250. Approximately 3,000 square feet of canopy consumes about 140 gallons of water per day from the tap. That's less than an individual person uses in a day.

One problem that arises with this method—something you'll have noticed if you've ever looked at a dehumidifier reservoir—is the accumulation of gray algae. Once algae gets a start, it will accumulate until it robs your plant roots of oxygen. Gray algae also

attract fungal gnats by the horde.

Sterilization is the answer. I recommend using two sets of pumps for your air handlers, switching them out every couple of weeks and sanitizing them by soaking in a bleach solution. You will also want to run 3/8-inch lines between the pumps and reservoir to collect reclaimed water, which will need to be switched out monthly, or you can blast pressurized air through the pumps while they're dry to make sure any residual gray algae is purged. You'll also want your HVAC professional to install UV lighting in the air handlers. This will be the first line of defense against gray algae.

For the reservoir you initially pump the reclaimed water into, you also want to set up a second water line with another UV purifier (in-line) that finally pumps to your clean reservoir. It's a bit of a process, but it doesn't cost that much in the long run and will get you off the reverse-osmosis water-filtration machines.

In my experience, you'll get about 2.6 gallons a day of zero ppm water per ton of air conditioning. So, if you're using 50 tons of A/C total, you're reclaiming 130 gallons of water a day with zero ppm. Mix it with your tap water, and you'll be crushing it environmentally. — Erik Hultstrom, president, Cultivators Alliance

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“The reality is regulation often lags behind innovation.” —Bill Maris, Google founder



SCHEDULE I DESIGNATION for cannabis always has been a legitimate concern for industry pioneers, stakeholders, patients, and advocates. But with the rise of legalization, serious issues also lurk in state (and city) industrial standards and regulations being developed, debated, and decided in California right now, and in other states as their markets expand.

California Cannabis Manufacturers Association (CCMA) wants stakeholders and other interested parties to know that if regulations crafted now are not well informed with input from cannabis companies, advocates, and experts, and carefully considered by officials—poorly written standards could kill the new industry on the vine.

CCMA President and VCC Brands founder Kenny Morrison said the organization is working with California officials to help define regulations affecting lab-testing standards and requirements for manufacturers.

“The experience has been overwhelmingly positive,” Morrison said. “Their desire to be educated is there, but even the officials themselves have told us the knowledge base required of them to do their jobs is a mile wide and an inch deep. I have a lot of respect for almost everyone I’ve met, based on their receptivity and desire to get this whole thing right.”

But the wheels of bureaucracy turn deliberately and slowly, even when oiled with the best intentions of everyone involved—especially in a state notorious for strict industrial and environmental regulation.

“When an official gets caught between the easy political benefits of regulating perception versus the more time-consuming and labor-intensive task of navigating nuance and doing the deep dive,

sometimes they have to do a cost-benefit analysis,” Morrison said. “We all experience the phenomenon of not enough hours in the day.”

So, why reinvent the wheel? Right now, CCMA is focusing on process validation that will allow manufacturers to avoid costly batch testing and, instead, create compliance protocols in line with other major industries. Process validation standards would require manufacturers to be in compliance with initial process certification standards, followed by continued process verification overseen by state regulatory agencies.

According to Morrison, process validation cuts testing costs by three to ten times; this, in turn, substantially cuts the volume of testing, avoiding testing bottlenecks. Process validation also is the norm for food safety and pharmaceutical safety and is the standard in other cannabis states. Therefore, CCMA’s recommendations include employing process validation for homogeneity and finished goods consistency instead of requiring testing for every batch.

Despite the steep learning curve for lawmakers and immense challenges ahead, Morrison said all parties are trying to avoid creating regulations that don’t serve business, government, or consumers. Better to write regs manufacturers can comply with and still prioritize patients’ protections than correct mistakes later, while businesses languish from unnecessary over-regulation.

“So far [lawmakers have] done an incredible job. But there’s a lot more work to be done, especially for Lori Ajax and her bureau,” said Morrison, giving a special shout out to California’s Bureau of Medical Cannabis Regulation (BMCR) and its chief, Ajax.

“I just hope they don’t run out of time,” he added. “As the adage goes, writing is rewriting.”

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PROP 64: Don't Ignore Existing Environmental Laws

A REFRESHER COURSE ON CALIFORNIA'S EXISTING ENVIRONMENTAL LAWS AND REGULATIONS.

BY JOSHUA A. BLOOM, ESQ.

WITH THE PASSAGE of the Adult Use of Marijuana Act (Proposition 64, or AUMA), along with the 2015 Medical Cannabis Regulation and Safety Act (MCRSA), the cannabis industry in California took a significant step toward transforming itself from a niche (but still sizable) market to a major industrial player whose impact extends far beyond California. In the meantime, state agencies are busy developing regulations to implement both AUMA and MCRSA, addressing areas such as cultivation, manufacturing, distribution, and sales. They're also establishing specific application requirements and licensing fees for state licenses, instituting a track-and-trace system for medical cannabis, and establishing operational requirements for medical cannabis businesses. In addition, myriad environmental requirements have been added to the already voluminous depth of environmental regulation in California.

With all the focus on the new law and regulations that will implement AUMA and MCRSA, those in the industry—particularly cultivators and manufacturers—must not ignore existing environmental regulations. Those regulations will apply to the cannabis industry to the same extent as they apply to every other business in the state.

Most business are becoming familiar with the various proposed AUMA and MCRSA regulations emanating from the Department of Public Health's Office of Manufactured Cannabis Safety, the Bureau of Cannabis Control, and the Department of Food and Agriculture. Environmental provisions incorporated into AUMA include a requirement that each licensing agency implement protocols to ensure compliance with state laws and regulations related to "environmental impacts, natural resource protection, water quality, water supply, hazardous materials, and pesticide use." Further, AUMA requires the Department of Pesticide Regulation, in consultation with the Department of Food and Agriculture, to develop

regulations for the use of pesticides in cultivation and maximum tolerances for pesticides.

Beyond that, AUMA requires each license issued by the Department of Food and Agriculture to include conditions requested by the Department of Fish and Wildlife to ensure the effects of water diversion and discharge associated with cultivation do not affect instream flows necessary for fish spawning, migration, and rearing, and that flows are maintained as necessary to protect fish, wildlife, their respective habitats, and water quality.

However, perhaps the most significant AUMA provision relating to environmental regulations, but one that does not garner much attention, is found in Section 26036, which provides that "Nothing in this division shall be interpreted to supersede or limit state agencies from exercising their existing enforcement authority..." Moreover, and as a matter of federal constitutional principle, nothing in AUMA prevents any federal environmental or wildlife agency from enforcing federal laws against in-state manufacturers and cultivators.

Therefore, existing environmental and natural resources regulations under both state and federal laws need to be considered, above and beyond any specific, additional requirements set forth in AUMA. The applicability of each requirement, and compliance strategies, need to be addressed on a case-by-case basis, but several primary categories of regulation should be considered.

WATER RESOURCES

Two elements of water resources law apply particularly to outdoor cultivation activities—water use and water quality. The first step in water-use consideration is to determine whether the cultivation operation has any existing water rights. Absent such rights, if the operation is diverting water flow it must file with the Division of Water Rights. The state is developing general terms and conditions for a

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small-irrigation-use registration program (e.g., less than 20 acre-feet per year, among other conditions).

Regarding water quality, both the California Porter-Cologne Water Quality Control Act and the federal Clean Water Act may apply. Those laws address both discharge of waste water (including storm water runoff) and filling of any wetlands (which may occur, for example, if a cultivation operation seeks to construct an impoundment to store water). Both the North Coast and Central Valley regional water quality control boards have adopted general orders regulating cultivation discharges. Any fill of wetlands requires a permit from the U.S. Army Corps of Engineers. In addition to cultivators, manufacturing facilities could be subject to discharge permits, whether from indirect wastewater discharges to municipal systems or direct storm water runoff.

WILDLIFE

Both the federal and California Endangered Species Acts apply to endangered, threatened, and special-status plants, wildlife, and fish and their respective habitats. Moreover, streambed alteration permits may be required by the Department of Fish and Wildlife if any activity impacts streambeds. Impacts to species and habitat can occur from construction, field operations, discharges, impoundments, or other activities associated with cultivation operations. Moreover, to the extent any federal permit is necessary for any operation, the federal agency must comply with Endangered Species Act provisions that require the agency to “consult” with federal wildlife agencies if permitted activity “may affect” a protected species or its critical habitat. Lastly, requirements issued by the California Department of Forestry and Fire Protection may also apply. For example, a permit may be required if timberland is to be converted to a non-timber-growing use.


Any discretionary project, such as siting and constructing a manufacturing facility or developing land for cultivation, may be subject to the California Environmental Quality Act (CEQA). Under CEQA, impacts such as environmental, traffic, aesthetics, noise, etc., may be required to be addressed through an Environmental Impact Report before the project is approved. Whether an EIR is required or exemptions apply or the impacts can be mitigated are all complicated issues when considering how best to facilitate project approval. Moreover, cannabis businesses, whether cultivators, dispensaries, or manufacturers, will need to contend with zoning restrictions or otherwise immerse themselves in zoning classification changes.

LAND USE

Pesticides are regulated under California law as well as under federal law through the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). As noted above, the Department of Pesticide Regulation, in consultation with the Department of Food and Agriculture, is required to develop regulations for use of pesticides in cultivation and maximum tolerances for pesticides. Pesticide application will need to be consistent with standards set forth in the California Food and Agriculture Code.

PESTICIDES

Apart from regulatory requirements concerning pesticides, there is also a practical business “regulator” on use of pesticides. Sampling results indicate a significant portion of raw product may contain detectable levels of certain pesticides. In many of those instances, manufacturers will reject the supply. Therefore, strict control of pesticide use will be paramount to the success of any cultivation operation.

With passage of AUMA and the maturation of the cannabis industry in California, operations will be subject to and burdened with myriad environmental regulations specific to the industry that other businesses in the state already are required to address. Over time, complying with these requirements will be integrated into the day-to-day operations of industry players. In the early stages, however, it is critical that manufacturers, cultivators, and others seriously address regulatory obligations and ensure they achieve compliance every step of the way. 

Joshua Bloom is a principal in Meyers Nave's Environmental and Land Use Practice. With more than twenty-five years of experience, he specializes in all areas of state and federal environmental and natural resources law. He may be contacted at jbloom@meyersnave.com or (510) 808-2000.



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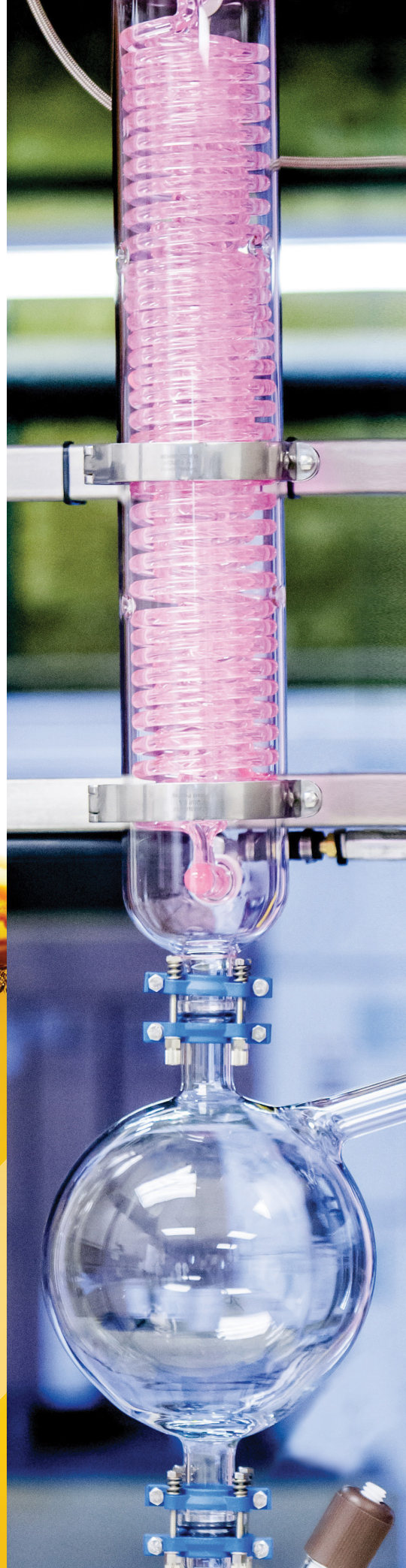


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The Big Fix

AS WRITTEN, PROPOSED DRAFT REGULATIONS FOR LOS ANGELES'S CANNABIS INDUSTRY ARE UNSUSTAINABLE, BUT A HANDFUL OF COMMON-SENSE IMPROVEMENTS WOULD MAKE THEM READY FOR PRIMETIME.

BY MICHAEL CHERNIS, ESQ.

WHEN CALIFORNIA VOTERS approved recreational use of cannabis in November 2016, there was much rejoicing in the industry. AUMA and MMRSA, passed a year earlier by the Legislature and Governor, authorized for the first time permitting of both medical and adult-use commercial cannabis activities. For local governments, however, the new laws (since reconciled into one piece of legislation known as MAUCRSA), initiated a long and tedious process of drafting regulations to govern production, sale, and licensing of commercial activities. This is because local municipalities are given the authority to essentially opt in or out of the State's commercial cannabis industry, and to regulate how local permits and licenses are granted. A local permit or license is a pre-condition to seeking a State permit for any commercial cannabis activity taking place in the respective local jurisdiction.

Like other jurisdictions, the City of Los Angeles found itself blazing its own path through the wilderness. But the stakes were seen as much greater in Los Angeles given the scope of the market, both from a consumer and production standpoint. Los Angeles is generally

viewed as the largest cannabis marketplace in California, and the County rivals the size of the entire state of Colorado. Thus, what Los Angeles does could have a significant impact on how the fledgling commercial cannabis industry, and the State-created system, succeeds overall.

The City's historical hostile relationship towards cannabis was cause for concern. Since 2007, the City has generally had an antagonistic relationship with cannabis businesses, with the City Attorney's Office championing efforts to completely ban all activities, and prosecute countless businesses and property owners for asserted illegal activities. Proposition D, passed in 2013 by voters, and banning all businesses but giving "limited immunity" to a small subset of dispensaries in existence since 2007, is universally viewed as an epic failure, having done nothing to stem the growth of illegal businesses, and instead creating tremendous confusion and needless prosecutions over who qualified for "Limited Immunity."

Yet, there was also reason for optimism. Last November the City Council sponsored a voter initiative, known as Measure M, to replace Proposition D and vest the City Council with authority to create a comprehensive regulatory framework that would comply with the new State framework and ostensibly offer licenses for retail, cultivation, manufacturing, distribution and lab testing – all of the business types to be permitted under State law. Measure M passed in March with more than 80% voter support. And since late last year, representatives of the City Council have met with various stakeholders and trade associations to better understand the industry and different business types and collaborate on crafting the new regulations. This generated a sense of partnership between the City and the local cannabis industry, and an apparent appreciation by the City of how the industry could generate tremendous tax revenues and job growth. Indeed, some in the City Council expressed concern that too much regulation could drive businesses away from Los Angeles into neighboring cities.

Consequently, when the City released its

draft regulations on June 8, there was tremendous disappointment and confusion, and a sense of déjà vu. Many believe the proposed regulations would create a system that would be unsustainable for both the industry and enforcement authorities, almost certainly lead to costly litigation, and impose unnecessary and insurmountable start-up costs and barriers for new market entrants except perhaps the most capitalized.

My firm, Chernis Law Group P.C., believes the draft regulations are seriously flawed, unfair, unduly restrictive, and impractical. What follows is an extremely condensed version of the comments we submitted to the City on July 12, which are fairly representative of comments being submitted by a wide spectrum of stakeholders and advocates. Our complete submission can be found here.

"LIMITED IMMUNITY" AND "CERTIFICATES OF COMPLIANCE"

Instead of issuing licenses or permits to businesses, and legalizing cannabis businesses in the City that obtain permits, the proposed regulations contemplate maintaining the illegality of such businesses, and granting "limited immunity" to approved businesses, which will receive "certificates of compliance." No other municipality in the entire State of California has charted such a confusing course, which is reminiscent of what Proposition D offered.

Thus far, the City has not publicly defended this policy, which has triggered tremendous upset and outcry across the City's cannabis industry. It is widely suspected that the City Attorney's Office is responsible, likely having convinced some in the City Council that issuing permits to cannabis businesses could subject municipal workers or the City itself to federal liability. Regardless, the "limited immunity" path is impractical, out of step with the will of Sacramento, ignorant of the current realities of federal law and policy, and strikingly oblivious to the epic failure of "limited immunity" enforcement under Proposition D.

The State's legislative framework contemplates permitting and licensing by local municipalities, as numerous other cities and

counties have already done. While a "certificate of compliance" may suffice for State licensing, it could leave property owners at risk, since the State law confers property owners with immunity when leasing property to licensed businesses, but says nothing about "certificates of compliance." Moreover, the August 29, 2013, "Cole Memo," and the Farr-Rohrabacher appropriations rider, as interpreted last year by the Ninth Circuit in *United States v. McIntosh*, taken together, offer protection to medical and recreational cannabis businesses despite federal prohibitions if the businesses can demonstrate "strict compliance" with local regulatory controls. A license or a permit does just that, and anything less leaves the business vulnerable.

In addition, the "limited immunity" provisions will create numerous practical difficulties to cannabis business seeking to operate in the City. Below are just a few illustrations:

- ▶ For years, the City Attorney has told landlords it is illegal to lease property to cannabis businesses. Some have been prosecuted for leasing property to dispensaries that have claimed "limited immunity" under Proposition D. Thus, many landlords will be unwilling to lease property to businesses unable to demonstrate they possess an actual local permit.
- ▶ Banks will be deterred from offering financial services to unlicensed businesses, given the advice issued by the Departments of Treasury and Justice in February 2014.
- ▶ Lack of local licensing will deter insurance companies from offering coverage to cannabis businesses and deter investors from providing capital since neither can rely on the permanence of "limited immunity" to secure their investment.
- ▶ According to the draft regulations, "The burden of proof in any enforcement proceeding to establish Limited Immunity shall be

upon the persons engaging in the Commercial Cannabis Activity." Why should a business invest up to millions of dollars to acquire the privilege of asserting a defense in a criminal prosecution?

BARRIERS TO ENTRY

The draft regulations establish no timeframe for when applicants may seek local permission, in whatever form that takes. Neither do they allow applicants to commence operations until they obtain state licensure. Putting aside the issue of whether the State will accept "certificates of compliance" as local authorization, the requirement that a local business obtain state licensure before commencing operations exceeds what is required under state law.

Moreover, the likely significant backlog in state applications through 2018 may mean businesses could wait six months to receive state approval. All the while, the businesses would pay a lease or carry costs on a real estate purchase. That creates an absolute barrier to entry for any but the most highly funded applicants.

Therefore, the city should dispense with the requirement businesses must obtain a state license in order to qualify for a local license and establish a finite timetable and a mechanism for new applicants to seek licensure.

APPLICATION AND APPEALS PROCESSES

The application processes created by the draft regulations lack clarity in terms of the amount of discretion to be exercised by the City of Los Angeles Cannabis Commission and Cannabis Department, and denies applicants basic due process rights to hearings and appeals. For example:

- ▶ The draft regulations state, "the [Cannabis] Department will consider the equitable dispersion of businesses throughout the City of Los Angeles prior to the issuance of a Certificate of Compliance, to the extent practicable." This type of vagueness, broad discretion, and uncertainty is ripe for abuse.



► The appeals process contemplated by the draft regulations does not make clear under what circumstances a person denied a certificate of compliance will be granted a hearing, let alone the criteria or standard of review applied during the appeal. Basic due process requires all applicants denied a permit or opportunity to operate a business be afforded a hearing.

► The draft regulations indicate dispensaries that hold specific certifications and are able to show “substantial compliance” with limited immunity and tax provisions will be eligible for priority processing. But nowhere do the regulations explain what “substantial compliance” means.

ONEROUS OPERATIONAL REQUIREMENTS

The draft regulations – spanning 50 pages -- contain extensive and sometimes absurd operational restrictions on businesses, often merely echoing requirements already imposed by state law or rendered inappli-

cable by SB 94. For example, they prohibit retailers from allowing “entertainment of any type,” and banning any “disc jockey, karaoke, dancing or performing activity,” or on “pool/billiard tables, dart games, [and] video games...” Otherwise what will result will be too onerous and either lead to enforcement problems or, more likely, deter innovation.

FAILURES OF REGISTRY

In an effort to provide a pathway for previously illegal businesses that have operated in the Los Angeles to obtaining priority licensure (sorry, I mean, priority limited immunity), the draft regulations would create a non-retail registry process for such businesses who can demonstrate operations in the City since before 2016. The registry, too, has its flaws, including the following:


- The process fails to include all non-retail license types, such as delivery services.
- There is no clearly articulated standard businesses must meet to get on the registry
- Businesses applying for the reg-

istry are not afforded any immunity from prosecution, and yet are expected to admit prior violations of relevant regulations. Businesses should be immune from prosecution for any activities admitted to during application or registration. And no right of appeal is provided for businesses denied access to the registry.

- To qualify for the registry, businesses must demonstrate operations as of January 1, 2016. There is no logical reason to set the cut-off date prior to January 1, 2017.

LAND USE AND ZONING RESTRICTIONS

- The 800-foot radius from sensitive uses is excessive, given the already limited lack of available property for cannabis businesses, and exceeds the 600 foot buffer imposed by State law
- The draft regulations do not allow manufacturing businesses to operate in “Commercial Manufacturing” zones, again shrinking available real estate.
- There is no allowance for volatile cultivation (even though the same technology is pervasive in other industries across the City), and no allowance for mixed-light cultivation projects, even in agricultural zones.

If what is currently drafted can be revised to address these concerns, it will help create a better model that will serve both the city and the industry for years to come. 



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TAKE ROOT AROUND THE WORLD.

BY ANASTASIA KAUFMAN

CANNABIS REFORM has experienced a global shift over the past few years, and many countries are on paths to tolerant legalization. If stigmas continue to dissipate and the masses continue to explore and learn, the cannabis industry undoubtedly will become not only one of the most lucrative but also one of the eco-friendliest. A positive evolution of the global cannabis consciousness will change the world and economies for the better.

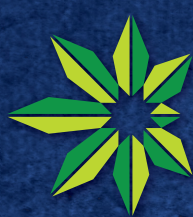
Within just the past two years, a majority of U.S. states have reformed existing marijuana laws or created positive new legislation. Whether cannabis and cannabis products are fully legal (as the entire West Coast will be by 2018) or local markets embrace recreational, medical, or decriminalized marijuana, almost all of the United States now recognizes the benefits of this exceptional plant.

In fact, only three states—Idaho, South Dakota, and Kansas—still prohibit use of cannabis in any form for any reason. Even Bible Belt states like Tennessee and Texas permit patients to use non-psychoactive CBD to treat seizures. It's a small step, but it's a step toward progress.

For many non-Europeans, the word “marijuana” evokes Amsterdam's legendarily permissive culture, but the Netherlands is not alone in tolerance for cannabis. Across Europe, laws have been reformed to allow personal consumption, though it's important to note the laws are generally shifty and shadowy and fall on many different points on the legality spectrum.

In 2010, the Czech Republic passed a law decriminalizing personal possession of narcotics. Malta, Croatia, Latvia, and Denmark have shifted their marijuana laws to allow personal possession.

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In Spain, more than 500 private cannabis clubs allow members to cultivate and consume in small quantities. Cannabis oils and edibles are available in these social clubs, but because products are home-grown and homemade in small batches, the quality does not yet compare to products manufactured in California or Colorado. Spain does not require testing for pollutants like mold and chemicals.

In fact, fewer than a handful of Spanish growers produce pharmaceutical-quality cannabis for medicinal use. As the market changes, standards of testing for edibles and concentrates surely will change along with them.

“Companies like Kiva who are committed to their end user will adapt to any set of regulations they are faced with,” said Charlie Cangialosi from Kiva Confections, a California cannabis chocolate company. In Cangialosi’s view, as the demand for quality control rises, companies like Kiva will stand out as positive examples and others will be forced to change their outdated practices.

Even in Spain, where there is tolerance for cannabis users, product quality—and subsequently, the well-being of Spaniards—has not generated much official action. The few people who are producing cannabis products of a pharmaceutical quality have started a movement toward more awareness.

France still sees cannabis as a hard drug; however, the recent elections revealed that a majority of Frenchmen want reform for medical

and recreational use, with eighty percent indicating the current law is ineffective.

While Italy has substantially decriminalized cannabis use, social taboos remain. Doctors may prescribe the herb for severe conditions like multiple sclerosis and cancer, although prescribing physicians may find themselves stigmatized. As the demand for medical cannabis increases, it’s likely stigmas will decrease.

Italy has an interesting approach to cultivation: The Army is the official grower, utilizing a locked-down facility in Tuscany. Who better to protect the national stash than the army?

Italy also is experimenting with using industrial hemp to clean contaminated soil, a process called phytoremediation. Cannabis pulls toxins from the soil, leaving formerly poisoned fields ready for agriculture once again. Despite absorbing contaminants including heavy metals like nickel and cadmium, up to 75 percent of the plant remains usable for fiber and biofuel.

Culturally, Italians prefer natural options over synthetic. Because of this preference, the progressive use of cannabis is likely to continue evolving in Italy.


If the 2016 bill for recreational use is approved, Italy could be a main producer of world-class cannabis.

In the view of one industry insider, Italian legislation likely will continue facing delays due to corruption and profit from the black market within the Italian system.

In Morocco, cultivation, sales, and consumption are illegal. However, cannabis is responsible for 32 percent of the national revenue. Morocco produces nearly 75 percent of the hash smoked around Europe, especially in Spain.

An associate of Club ALMA, a social club in Barcelona (winner of the Master’s Cup for old-school hash) noted, “Numbers of countries [like Portugal] have been changing their laws to bring down rates of overdose, drug dependency, homelessness, and debt. This is good, because they have set the precedent for these kinds of changes. But until cannabis is legal globally, there will always remain a black market.” Nations worldwide would need to work more closely together on cannabis reform to eradicate the black market.

Laws are no longer so black and white. Global perceptions of marijuana are changing, allowing legalization supporters to envision a near future where multiple cultures may benefit from the cultivation and use of cannabis. Improved health and peace of mind, as well as school financing and safer neighborhoods will benefit from cleaner air, cleaner earth, and more income.

Globally, the regulatory environment is changing; the business is changing. It’s only a matter of time before cannabis companies will effect positive change in the world, transforming millions of lives and economies for the better. 



ANASTASIA is a California writer and native. She is currently living abroad in Europe.

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The Credit Application

COMPANIES SERVING THE CANNABIS MARKET NEED TO ESTABLISH GOOD POLICIES AND PROCEDURES.

BY SAM FENSTERSTOCK

GRANTING CREDIT has not yet become standard in the cannabis market, but as discussed in my article “Trade Credit in Cannabis,” published in the May issue of *mg*, I believe it will be in the future. Therefore, it is important that a company create a credit policy to define how it will manage its credit and collection processes and evaluate credit risk. Once that is accomplished, the next, and most important, step is to develop a credit application.

WHY DO YOU NEED A CREDIT APPLICATION?

A credit application provides basic information about a customer’s business and offers measures of protection that will increase the ultimate collectability of an account if the customer doesn’t pay. Companies in the cannabis market may aid their collection efforts by requiring all customers, even those that are on cash terms, fill out a credit application. I cannot emphasize enough how many times my firm, AG Adjustments (AGA), has been successful in recovering a client’s past-due monies because the clients took a proactive approach and obtained a well-drawn-up credit application.

The credit application is one of the primary tools available for protecting a company and controlling credit risk when extending trade credit to customers. Remember, taking a check from a customer is a form of credit. Even customers who are paying cash on delivery should fill out a credit application.

WHAT IS A CREDIT APPLICATION?

A credit application is a contract between seller and buyer. A good credit application will benefit the seller; a bad one, the buyer. Therefore, it is important to be certain the credit application, whether electronic or on paper, contains all the safeguards and guarantees available to reduce risk.

Securing a credit application does not guarantee payment, but it is one of the more significant documents to assist in making good credit decisions and ultimately collecting past-due accounts receivable and associated collection fees. The adage “the sale is not complete until the money is in the bank” is as true today as ever. A good credit application will assist in getting money into the bank.

WHAT DO COMPANIES SELLING INTO THE CANNABIS MARKET NEED TO KNOW TO CONTROL CREDIT RISK?

A credit application is the first step in gathering information about potential customers. Even if customers pay in cash, the day will come when that system changes, and getting information about accounts at the start of business relationship is key. The more you know about its debtors, the better. In addition, collecting credit information will make it easier to determine exactly how much credit to extend a customer.

Never assume all information on the application is correct. Verify the information provided before granting credit. The sales department must make sure every customer fills out and signs a credit application prior to delivery of any goods or services, even if the customer is paying C.O.D.

A credit application serves two purposes: It is a data-gathering tool and a contract. As a contract, it specifies the rights and obligations of both the customer and the creditor. The application should be written in a way that provides the creditor an advantage if business relationship with

the client falters. As the saying goes, “Credit is not a right but a privilege.”

THE MOST IMPORTANT THINGS TO CONSIDER ARE:

- The signer(s) must be to legally bind the company. If the signer is not authorized to accept the terms and conditions of the credit application, they can’t sign the application.
- If possible, make a personal guarantee part of the credit application. While many owners of cannabis business may be hesitant to sign a personal guarantee, AGA recommends company owners and their spouses sign personal guarantees before credit is extended. Many personal guarantees have no value, but it’s still better to have one than not. Requiring the social security number of any individual signing a personal guarantee is imperative so that if the contract must be enforced, the creditor has an easier time tracking them down a borrower in the event of non-payment or flight.
- Stipulate that the customer will pay interest on past-due amounts and pay any collection, legal fees, and court costs incurred because of non-payment. Failure to specify collection terms in a credit application leaves a creditor unable to collect fees if the debt is placed with a collection agency. In the event of litigation, it is up to the local court’s discretion whether collection fees, attorney fees, and interest will be awarded.
- Obtain assurance that only the disputed portion of a past-due amount may be withheld by the debtor.
- Filing non-payment lawsuit should be as convenient as possible. The choice of venue must be the creditor’s. While many creditors request suits be heard in the local jurisdiction, this is not necessarily in the creditor’s best interest. A

customer's assets normally are located physically near the creditor. Post-judgment remedies must be recorded in a debtor's local jurisdiction to attach assets.

- The credit application must include authorization for the creditor to obtain information about the customer from credit bureaus, banks, and trade references before authorizing credit and after the applicant is a customer.
- Obtain current financial statements and permission to obtain future statements once the applicant becomes a customer.
- Specify the right to inform state licensing agencies of ongoing disputes.

VERIFYING THE CREDIT APPLICATION


The first thing to do once an application is obtained a commercial credit report from a leading credit bureau such as Dun & Bradstreet or Experian. Many prospective customers may not have a lengthy credit history, but that will change as the cannabis industry moves for-

ward. Contact at least three trade-credit references, as well as the applicant's bank, to verify the existence of accounts. Be sure all references are legitimate, or at least exist if one or more are difficult to contact. Any false information on the credit application is a strong indicator the potential customer may not be reliable. If the buyer is looking for a substantial credit line, review their financials, especially a statement of cash flow. If the applicant is operating in a negative cash position, ensure they will have enough cash available to pay their debt. Limit their credit line or, at the very least, modify payment terms if it seems an applicant may have a cash flow problem.

AFTER CREDIT IS EXTENDED

Periodic credit reviews are a necessity. Account defaults arise with existing long-term customers as well as new ones. Customer credit limits should be reviewed periodically—at minimum, once a year. Obtaining current credit bureau reports about the largest customers annually is a

good idea. Stay on top of aging accounts receivable. If a customer is always sixty to ninety days past-due on part of their balance, they are only one period away from becoming a problem.

When trade credit becomes the norm in the cannabis industry, asking a new customer to fill out a credit application will become standard practice. Currently, this is not the case in the cannabis industry; nevertheless, AGA recommends companies operating in the market implement sound credit policies and processes now in order to prepare for the near future. 



SAM FENSTERSTOCK is SVP of Business Development at AG Adjustments, a provider of commercial collection services. Previously, Sam was Director of Business Development at PredictiveMetrics, a statistical-based credit and collection scoring and modeling company that he helped grow and sell to SunGard (FIS) in 2011. Sam can be reached at samf@agaltl.com.

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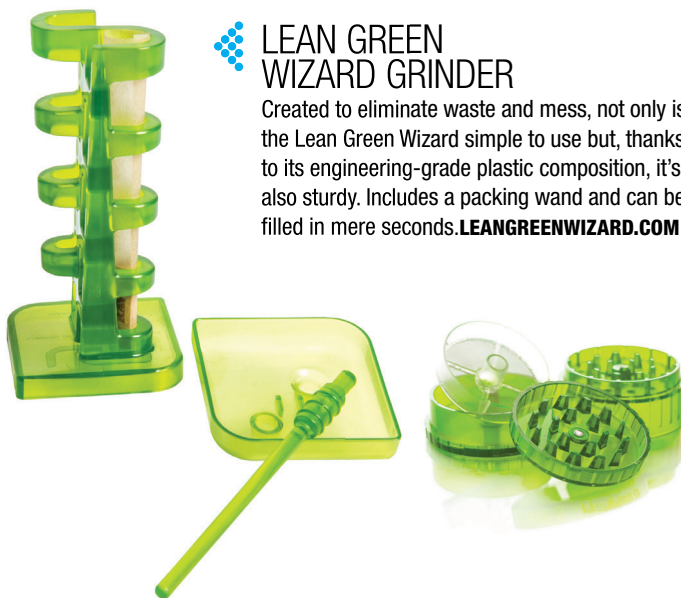


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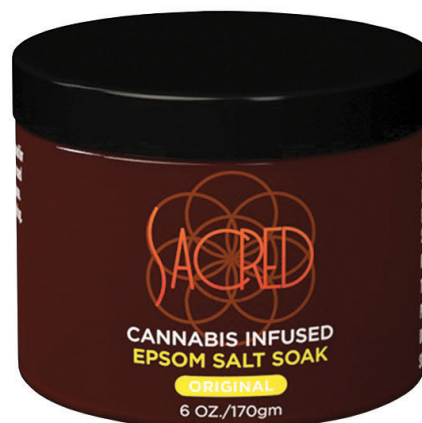
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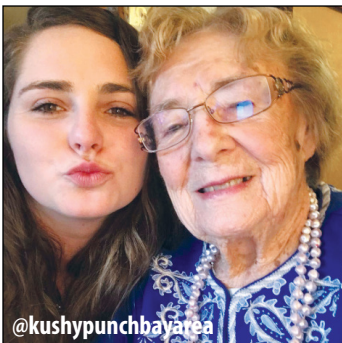
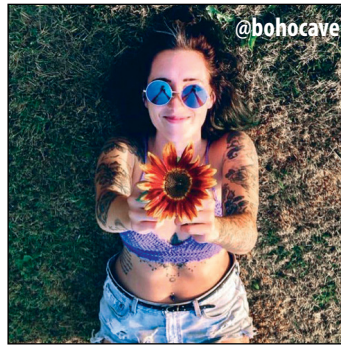
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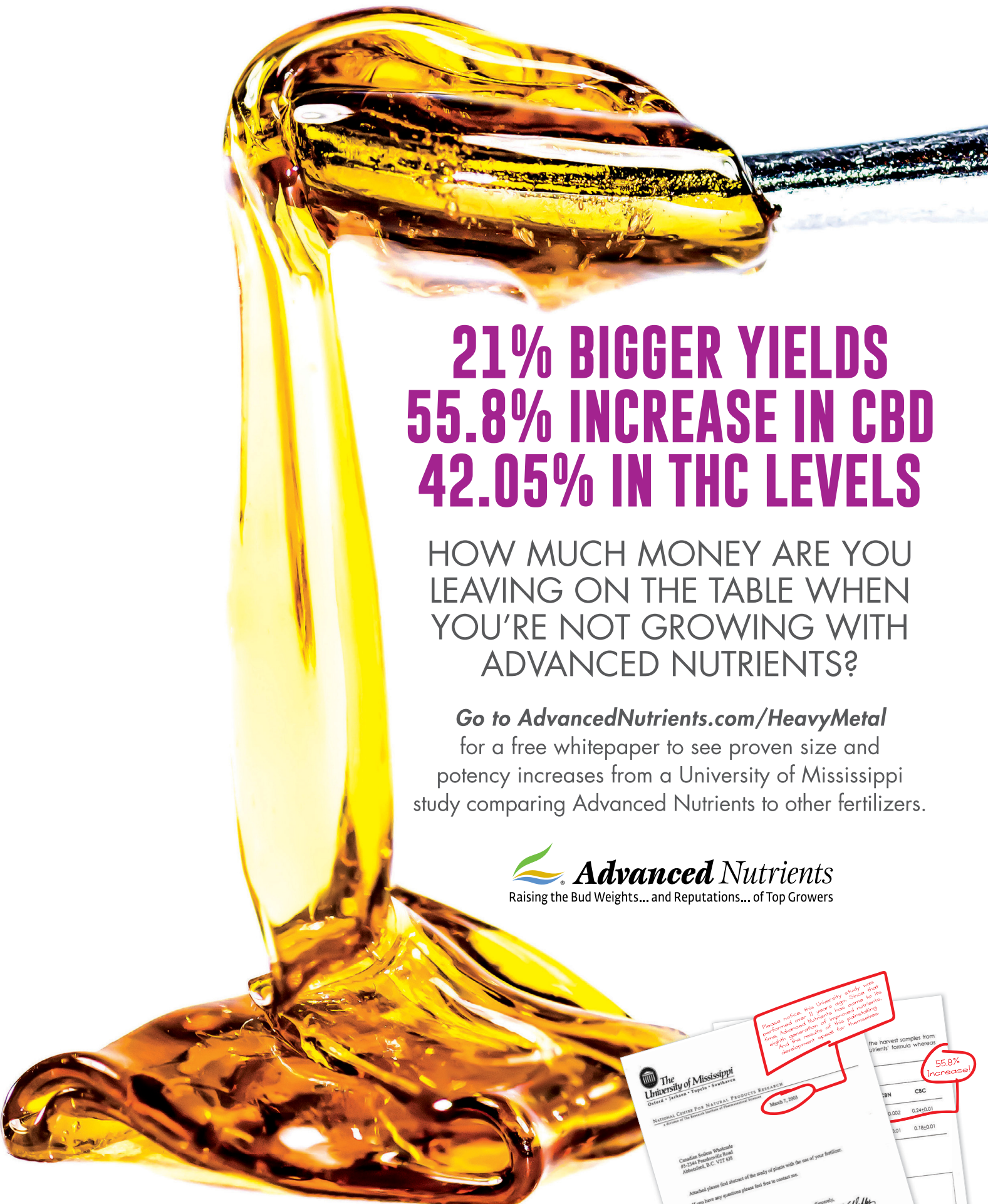


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