

Understanding the CBD and Legal Cannabis Market

By Lou Caron

Printers are always looking for new markets. Two markets showing tremendous growth in the next few years are the CBD market, which is expected to reach \$20 billion by 2024, and the legal cannabis market, which is expected to reach \$41 billion by 2025. These markets need printed products such as promotional materials, outdoor advertising, and labels and packaging. Both markets provide opportunities and challenges for printers.

Challenges for printers in these markets include understanding the difference between CBD (Cannabidiol) and THC (Tetrahydrocannabinol) products and understanding the legal labeling requirements for both materials. While it is not the printer's responsibility to understand all legal requirements surrounding the packaging of these two products, it is advantageous to be aware of these laws to help the client make the best choice and create a legal printed product. After all, it is a tremendous "value add" for a printing company to

have a specialist that can help clients create printed products that meet government standards, so that the job is printed correctly the first time.

Understanding the Differences Between CBD and the Legal Cannabis Market

The passage of the Farm Bill in 2018 set the ball rolling for the growth of CBD products in the US market. This bill removed hemp (*Cannabis sativa* L.) and certain derivatives of cannabis with no more than 0.3% THC concentration from the definition of marijuana in the Controlled Substances Act. So does this mean all cannabis is legal? No, because not all cannabis is the same.

CBD products must contain no more than 0.3% THC. Legal cannabis products contain a much higher percentage of THC. Promoters of both products say they provide healthy alternatives to traditional medicine.

While both CBD and THC have the same chemical makeup, they do not have the same chemical arrangement, which means the body receives them differently.

Both compounds affect mood, pain, sleep, and memory in different ways. THC elicits a psychoactive response, while CBD does not.

Thus, using CBD does not give you the "high" caused by THC.

Helping Clients Promote Their CBD Products

Promoters of CBD products and those who use them claim significant health benefits, but putting those benefits onto a label can be problematic. The FDA looks at CBD products the same way as most vitamins. That means these products must contain an FDA-approved warning label.

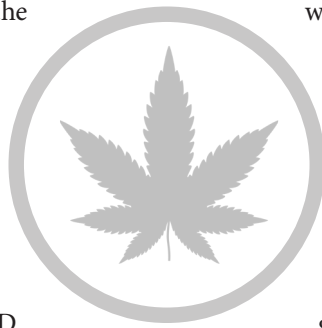
In addition to the FDA warning label, specific design elements need to be

understood when creating CBD product labels. Government regulations require specific type font sizes depending on the package. Helping your clients understand these regulations while they are still in the design process and before they go to press will endear you to them as a trusted vendor.

While government regulations may prevent a CBD manufacturer from including health claims on the label, there are other ways to make these labels stand out on the shelf. For example, various printing embellishments will draw the consumer's attention to a CBD label. In addition, if the printer is involved in the design process, they can help the CBD manufacturer create a consistent look over various product lines within a single brand.

Helping a CBD client design and print an FDA-compliant label or package is a significant value add. After all, the last thing you want is the FDA sending a warning letter to your client that their company is in violation for using false

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GOVERNMENT & LEGISLATIVE

EEO-1 Report Filing Deadline Extended to August 23

The EEO-1 Component 1 data for 2019 and 2020, which must be submitted to the Equal Employment Opportunity Commission (EEOC) by private employers with more than 100 employees, is now due on August 23, 2021.

For more information and to file your report, visit <https://eeodata.org/eeo1>.

Now's the Time to Prepare for Wildfire Season

California's wildfire season is already shaping up to be a doozy. Wildfires, of course, bring wildfire smoke. As an employer, you may be obligated under Cal/OSHA's Wildfire Smoke Regulations to take steps to protect your employees from this potential health hazard.

Which employers must comply with the wildfire smoke standard?

This standard applies to workplaces where two conditions are in place:

1. The current Air Quality Index (AQI) for airborne particulate matter 2.5 micrometers or smaller (PM2.5) is 151 or greater; and
2. The employer should reasonably anticipate that employees could be exposed to wildfire smoke.

You can find the current AQI by going to <https://www.airnow.gov> and entering your facility's zip code.

What do you have to do?

To protect employees from the hazards of wildfire smoke, employers must:

- **Identify harmful exposures** – Determine employee exposure to PM2.5 at the start of each shift and periodically thereafter, as needed.
- **Communicate with employees** – Implement a system for communicating wildfire smoke hazards, current AQI levels, and available protective measures.
- **Provide training** – This training must include the information provided in Appendix B of the regulation (see <https://bit.ly/AppendixB-training>).
- **Take steps to reduce employee exposure to wildfire smoke** – Where feasible, provide engineering controls, such as an enclosed location with filtered air. If this is inadequate or not feasible, use practicable administrative controls such as relocating to another location, changing work schedules, or providing more rest periods. If workers' exposure to PM2.5 cannot be reduced to a current AQI of 150 or lower, you should also provide

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★ MESSAGE FROM PIASC PRESIDENT ★

To Our Members,

I am excited to announce that on August 1 the members of the Pacific Printing Industry Association (PPIA) joined PIASC. We were the largest regional graphics industry trade association in the US prior to this, and we are even bigger and stronger now. What does this mean to you?



Your PIASC member experience does not change.

All of the benefits you enjoy through your membership will continue. For example:

- The staff members that you know and trust will still be here.
- Your dues will remain the same.
- Everything from expert assistance to HR support and no-cost employment services will still be just a phone call away.
- Your local in-person events will still take place.
- We will still be monitoring state laws, bills, and legislations.
- You will still receive helpful state-specific regulatory updates.

This change simply expands the "PIASC family."

Members in Alaska, Hawaii, Idaho, Montana, Oregon, Utah, and Washington will have a designated contact person. Tammy Weatherly, who was PPIA's Office Administrator, is now PIASC's Director of Pacific States Member Services.

There is strength in numbers...and the PIASC Board believes that this change will be beneficial for all involved.

Lou Caron, CPA (Inactive)
President/CEO

BUSINESS MANAGEMENT

Phantom Stocks: Grow Your Business and Incentivize Employees Without Giving Up Ownership

If your business is looking for a way to incentivize employees' performance and allow them to share in the company's success, issuing phantom stocks (also known as "phantom stock plans") could be right for you.

With a phantom stock plan, your company can grant key employees, or all employees, a right to share in the company's value without granting the rights that normally come with the ownership of stock (e.g., management and voting rights).

What is a phantom stock plan?

A phantom stock plan is a type of equity-based compensation, usually offered to senior management, that provides employees with some of the benefits of owning stock without actually owning the company's stock.

In short, they receive extra financial benefits when the company succeeds, without the owner(s) having to sacrifice any of their control over the company. Phantom stock plans work great for companies of all sizes, but are more commonly used by companies that are already cashflow positive. Phantom stock plans are a popular alternative for LLCs that want to issue stock options.

With a phantom stock plan, employees receive synthetic equity—which is sometimes referred to as



"mock stock" or "shadow stock," but is typically referred to as "phantom stock." Although phantom stock is not real stock, it follows the price movement of the company's actual stock and pays out profits to holders.

Phantom stock plans: appreciation only vs. full value

There are two forms of phantom stock plans: appreciation only and full value. Under an appreciation only plan, the phantom stock plan may only pay out the value of any increase in the company stock price from the time phantom stock is granted to recipients.

On the contrary, a full value phantom stock plan pays both appreciation and the value of the underlying stock while held by the recipient. The date that the phantom stocks can be cashed out is predetermined by the company.

For example, say that ABC

Inc. grants Megan, one of their key employees, 100 phantom stocks that are valued at \$10 each at the time of the agreement (total value of \$1,000). Five years later, when it's time to cash out, the company's stock is now valued at \$30 per share (total value of \$3,000).

In this example, if Megan has an appreciation only plan, she will receive \$2,000—the difference between the current phantom stock value and the value when it was granted. If she has a full value plan, she will receive \$3,000.

One of the most important aspects of phantom stock plans for businesses is flexibility. Phantom stock plans pay dividends and experience price changes the same way standard stock does. Phantom stock can be used at the company's discretion and can be used to incentivize all or some of the company's employees.

Phantom stock taxation

Phantom stock taxation is not terribly complex if you are working with competent tax counsel. Phantom stock plans are considered deferred compensation plans.

Employees who receive compensation from phantom stocks will not be taxed on that income until the phantom stocks are cashed out and the funds are received. The company will also receive a tax deduction for the payment if the plan is compliant with 26 U.S. Code § 409A. Unlike actual stock, the value of phantom stock is taxed as ordinary income.

Need help creating phantom stock plans?

If your company is interested in incentivizing employee performance, you should consider a phantom stock plan today. Issuing shadow stock or phantom stock to employees can help your company achieve its goals, motivate employees, and afford your company the flexibility it needs to align the goals of all involved parties. Contact me to schedule a consultation and discuss how a phantom stock plan can help your business!

Source: Matthew M. Rossetti, Attorney at Law, 512-430-1150 (direct), www.GordonLawLtd.com.

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claims on their product labels.

If a printing company is looking to provide CBD manufacturers with printed products, it would be best to review and become knowledgeable of the FDA Regulation of Cannabis and Cannabis-Derived Products, Including Cannabidiol (CBD) found here: <https://bit.ly/FDA-cannabisCBD>.

The Legal Cannabis Market

With the rise of the legal cannabis market and products that contain higher levels of THC, some printing companies are exploring the feasibility of working in this growth segment. You may be surprised to learn that 71% of the U.S. population now lives in a state where cannabis is legal. Marijuana is medically or fully legal in every state our association currently serves, including California, Arizona, Colorado, Nevada, New Mexico, and Wyoming.

The rise of the legal cannabis market is due in some part to a variety of celebrity endorsements including golfers Tiger Woods, Phil Michelson, and Bubba Watson, and the likes of Martha Stewart, Michael J Fox, Kristen Bell, and Whoopi Goldberg.

In California, cannabis is here to stay. In fact, there are three different bureaucracies set up to handle the manufacturing and sale of cannabis. These include the Bureau of Cannabis Control; the California Cannabis Cultivation Licensing Department, which is part of the California Department of Food and Agriculture;

and the Manufactured Cannabis Safety Branch of the Department of Public Health. With three bureaucracies involved, you can be sure the regulations controlling the printing of labels and packaging of legal cannabis products are extensive.

The California Department of Public Health's Manufactured Cannabis Safety Branch has an entire California Cannabis Portal with the web address: cannabis.ca.gov. A few short years ago, who would have imagined that the government would have a website dedicated to promoting, packaging, disseminating, and using marijuana.

At my age, when I think of marijuana, I have flashbacks to Cheech & Chong sitting in a car rolling and smoking a joint. Today's marijuana usage bears little resemblance to those days. A quick Google search will result in a plethora of marijuana products, including Cannabutter, Weed Bacon, Cannaoil, Bud Brownies, Marijuana Ice Cream (made with Cannabutter), Cannabis Tea, Weed Milk, Cannabis crispy rice treats, and Gummy Candy, to name a few. Not all products are available over the counter, but those that are require labels and packaging that must meet government regulations.

In California, you must be 21 or older to have, purchase, or use recreational cannabis. This includes smoking, vaping, and eating cannabis-infused products. Cannabis products like brownies, crispy rice treats, and gummy candy could appeal to those younger

than 21; thus, state law requires that packaging for these types of products cannot be attractive to children. These laws mirror the rules for cigarettes and vaping products. According to the law, manufacturers in the legal cannabis market cannot design labels and packaging that imitate candy labeling or use the words "candy," "candies," or a play on words such as "kandy" or "kandeez" anywhere on the label.

Labels and packaging for edible cannabis products cannot include a picture of the product. According to state law, edibles must be in opaque packaging to reduce a child's risk of being attracted to the product. Photographs or other images of the product cannot be on the label for the same reason.

State law also requires all legal cannabis packaging to include the California Universal Symbol, which identifies cannabis and cannabis products.

I have only covered a couple of the laws related to legal cannabis packaging. There are also regulations for edible cannabis products, topical cannabis products, suppositories, and orally consumed concentrates. Though these laws may appear similar, they differ from the laws for inhaled, dabs, shatter, or wax products. Each of these variants has its own labeling requirements.

Website Blocker Software

While it is helpful to prospective clients that you are aware of the laws, rules, and regulations surrounding labeling

and packaging for their market, a printer thinking of entering this market should consider the impact this may have on the rest of your business. Be aware that many of your current clients work at companies that employ website blocker technology. Some companies use this technology to help employees focus on their work and avoid constant interruptions from breaking news, sports scores, weather reports, blog posts, memes, and YouTube. Many of these blockers also keep employees from viewing drug-related sites.

Your website is where you showcase your best work. It is where your current and prospective clients learn about the markets you serve. If one of those markets is legal cannabis packaging, will a website blocker prevent people from seeing the other products and services you provide? I have seen this happen. A member company received a phone call from a long-time client who told them they could not access the printer's website. When the client tried to go to the printing company's site, the client received a message saying they were not allowed to enter. It may be advantageous to create a separate website for your legal cannabis printing materials based on this information.

Continue reading <https://bit.ly/CBD-article-21>

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GOVERNMENT & LEGISLATIVE

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a sufficient number of NIOSH-approved respirators (such as N95 masks) for voluntary use.

What if our employees all work indoors? Are there exemptions?

You are exempt from these regulations if your workplace consists of enclosed buildings or structures in which the air is filtered by a mechanical ventilation system and you ensure that windows, doors, bays, and other openings are kept closed except when it is necessary to open doors to enter and exit.

Also exempt are situations in which workers are in enclosed vehicles in which the air is filtered by a cabin air filter and you ensure that windows, doors, and other openings are kept closed except when it is necessary to open doors to enter or exit.

Want more information?

You can find the full text of the regulation at <https://bit.ly/Gov-fire-info>.

MISCELLANEOUS

Steve Marienhoff • November 3, 1938 – July 29, 2021

It is with great sadness that the family of Stephen David Marienhoff announces his passing on Thursday, July 29, 2021, at the age of 82. Steve will be lovingly remembered by his wife of 61 years, Diana, his daughter Linda Coss, grandsons Jason Coss and Kevin Coss, son-in-law Joseph Kaplan, granddaughter-in-law Katie Coss, extended family and dear friends. Steve was predeceased by his son, Allan Marienhoff.

Steve was born on November 3, 1938, in Los Angeles to Laura and Milton Marienhoff. After attending Dorsey High in Los Angeles he received his bachelor's degree with a double-major in Finance and Business Administration from his beloved University of Southern California, where he was a member of the Tau Delta Phi fraternity. Immediately after graduation, Steve married the love of his life, Diana.

Steve was a very strong and driven man who lived by the motto, "anything worth doing is worth doing right." For over four decades Steve owned and ran Adams Press, a printing and office supply business that was an icon of the Los Angeles garment district. He was very active in the printing industry, where he served on the board of the local trade association and the board of the Printing Industries Benefit Trust from 2003-2009. Steve was also a member of the Fashion Industries Guild, where he and Diana were very heavily involved with raising funds to support Cedars-Sinai Medical Center. In recognition of their efforts, a fellowship (the Diana and Steve Marienhoff Fashion Industries Guild Endowed Fellowship in Pediatric Neuromuscular Diseases) was named in their honor.

Steve was an outdoorsman who enjoyed camping and fishing, especially in Alaska. A devoted lifelong friend to many, and an avid USC fan, one of his great pleasures was hosting parties for his friends and family. Steve was known for his sense of humor, generosity and willingness to go out of his way to help others.



PIASC Events Calendar

AUG
11**Colorado Par-Tee on the Green**

Wednesday, August 11
Arrowhead Golf Club, Littleton, CO
www.piasc.org/events

OCT
19**SAVE THE DATE:****2021 Paper & Substrate Show**

Tuesday, October 19
Irvine, CA
www.piasc.org/events

AUG
17**WEBINAR: What Every Business Owner Must Know and Do to Avoid a Crippling Ransomware Attack**

Tuesday, August 17, 10:00 am - 11:00 am PT
Online
www.piasc.org/events

NOV
6-7**International Printing Museum: Los Angeles Printers Fair**

Saturday, November 6 to Sunday, November 7
International Printing Museum, Carson, CA
www.printmuseum.org

OCT
2**Arizona Par-Tee on the Green**

Saturday, October 2
Arizona Grand Golf Resort. Phoenix, AZ
www.piasc.org/events

For full list of workshops and virtual classes, please visit www.piasc.org/events