



Q1 – 2023

Cannabis Industry Quarterly Update

A quarterly update from Benesch's Cannabis Industry Group

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Key Issues

Lawmakers continue to work on federal marijuana legislation as well as marijuana banking reform; meanwhile states push ahead with own initiatives

Many states continue to see action through legislation and ballot initiatives as Congress and the federal government move slowly on cannabis-related matters.



Voters in Oklahoma recently [rejected](#) a ballot measure that would have legalized recreational marijuana in the state, but recent polls [show](#) most Americans support legal marijuana. As public attitudes shift, lawmakers – at least at the state level -- are showing more willingness to consider changes, as demonstrated by the fact that five of the last seven states to legalize recreational use in the last two years have done so legislatively.

While Oklahoma rejected recreational use, as of April 3, 2023, 38 states, three territories, and the District of Columbia allow the medical use of cannabis products, [according](#) to the National Conference of State Legislatures (NCSL).



California voters first approved medical marijuana in 1996, and other states have since followed, creating enough forward momentum for President Joe Biden to [order](#) a review of whether marijuana should remain a Schedule I drug. However, decades of inaction have advocates skeptical of any movement from the federal government.



Pennsylvania, along with Minnesota and Ohio [could be](#) the next states where legislators or voters will take up the issue in 2023. It's possible that by year's end, nearly half of the states (and D.C.) could have legal recreational drug markets in defiance of federal laws.

Key Issues (continued)

The DEA found delta-8 THC-O and delta-9 do not meet the federal definition of legal hemp and are therefore considered illegal controlled substances

In a follow-up to an attorney inquiry on the legal status of delta-8 THC-O and delta-9 THC-O, the DEA [said](#) these substances do not meet the federal definition of legal hemp and are therefore considered illegal controlled substances. The DEA said the two cannabinoids do not occur naturally in the plant and can only be made synthetically; therefore, they don't fall under the definition of hemp.

There has been substantial confusion within the cannabis industry since the [2018 Farm Bill](#) legalized hemp containing up to 0.3 percent delta-9 THC on a dry weight basis. Since that reform was enacted, the market for natural and synthetic cannabinoids has expanded in states across the country.

Advocates like Aaron Smith, CEO of the National Cannabis Industry Association, [state](#) that the regulatory patchwork and resulting consumer and market confusion could be effectively addressed if the federal prohibition on marijuana is lifted and people are given the option to use natural cannabis products, removing demand for they grey-area cannabinoids, particularly in states where marijuana remains illegal.

Source: DEAgov, House of Representatives, Marijuana Moment

Coming year will feature M&A driven by companies under pressure and distressed assets

Last year's trend of smaller [M&A deals](#) is expected to continue in 2023. Tough business conditions are expected to leave a number of distressed marijuana companies ripe for consolidation, but some analysts predict a number of transactions will fail due to the difficult business climate, and many companies that aren't acquired will be forced to shut down.

The challenge of higher interest rates, less available funding and recession worries will weigh on cannabis companies, spurring executives to seek a rescue.

"2023 will be a banner year in rescue financing, distressed M&A, and restructuring both in Canada and the U.S.," Frank Colombo, director of data analytics at New York-based Viridian Capital Advisors, wrote in the Jan. 13 edition of his newsletter.

"One of the largest MSOs recently told us that they expected most of their M&A activity to be purchasing distressed assets."

Source: MJBizDaily



Industry Regulations

Prohibition Partners promote states as cannabis rules learning laboratories

The B2B platform company states in its North American report that it believes the patchwork approach to cannabis regulation in the U.S., where every state has its own unique cannabis laws, could serve as an opportunity to test out and discover proper tax rates, the number of licenses that should be available and best steps to curb illicit sales. The report identifies some trends it expects in the American cannabis market, including:

- State-by-state legalization efforts are growing, particularly in the Northeast, where massive economic opportunities are emerging in the near future. While there is bipartisan support for federal reform, there is a lack of consensus on how it should be implemented;
- The major issues being debated are: rates of taxation, criminal record expungement, equitable economic opportunities for communities impacted by the war on drugs and banking reform; and
- State cannabis legislation has thus far implemented a wide variety of approaches to these issues, as well as; licensing availability, lab-testing standards, products available to medical cannabis consumers as well as what conditions qualify for access to medical cannabis.

Source: Prohibition Partners

Senate Banking Chairman calls for marijuana banking bill to pass this year

Senate Banking Committee Chairman Sherrod Brown (D-OH) says lawmakers need to act on marijuana banking legislation this year, while his Republican counterpart on the panel believes the issue will come to a conclusion likely in this Congress. Brown and Sen. Tim Scott (R-SC) made the comments at the American Bankers Association Washington Summit. Brown also said at the time that he was under the impression that the White House was supportive of the legislation.

Source: Marijuana Moment

President Biden signs order to strengthen racial equity and support for underserved communities

President Biden signed Executive Order 13985, Advancing Racial Equity and Support for Underserved Communities Through the Federal Government. The executive order doesn't specifically build on any administrative cannabis reforms; rather, it's focused on promoting equity within federal agencies and the White House.

Biden issued a mass pardon for people with non-violent federal cannabis possession convictions late last year and directed a multi-agency review into marijuana scheduling under the Controlled Substances Act (CSA).

Biden's new executive order, "Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government," directs federal agencies to produce an annual public Equity Action Plan to analyze barriers that underserved communities may face in accessing and benefiting from programs, among other steps.

Source: The White House

Industry Regulations (continued)

[Survey finds voters overwhelmingly support legalization of recreational marijuana by U.S. government](#)



A [survey](#) conducted by Data for Progress in December 2022 found voters overwhelmingly support the legalization of recreational marijuana by the U.S. government as well as to pass both equitable policy measures in New York’s Marijuana Regulation and Taxation Act.

On the subject of support for legalization of recreational marijuana by the U.S. government, the survey found that voters support the federal legalization of recreational marijuana by a +35-point margin. Across partisanship, 75% of Democrats support the policy measure, while Independents (+40-point margin) and Republicans (+7-point margin) are also in support.

On support for equitable measures, the survey found voters support this policy measure being passed by a +23-point margin. Democrats and Independents support its passage by a +47-point margin and a +31-point margin, respectively. However, Republicans oppose this policy measure being passed by a -9-point margin.

Source: *Data for Progress*

[FDA finds existing regulatory framework for foods and supplements not appropriate for CBD](#)

The U.S. Food and Drug Administration’s concluded that a new regulatory pathway for CBD is needed that balances individuals’ desire for access to CBD products with the regulatory oversight needed to manage risks. The agency is prepared to work with Congress on this matter. The FDA also denied three citizen petitions that had asked the agency to conduct rulemaking to allow the marketing of CBD products as dietary supplements.

The FDA said a new regulatory pathway would benefit consumers by providing safeguards and oversight to manage and minimize risks related to CBD products. Some risk management tools could include clear labels, prevention of contaminants, CBD content limits, and measures, such as minimum purchase age, to mitigate the risk of ingestion by children. In addition, a new pathway could provide access and oversight for certain CBD-containing products for animals.

Related: [FDA’s inaction on CBD regulations means more marijuana questions for Congress](#) SOURCE: MjBizDaily

[Farmers are still waiting for CBD product regulation 5 years after U.S. legalized hemp](#) SOURCE: NPR

Source: *U.S. Food & Drug Administration*

[Congressional lawmakers look to eliminate policy banning people with past drug convictions from hemp industry](#)

A bipartisan group of congressional lawmakers has introduced a new bill that seeks to end what they say is a “discriminatory” federal policy that bars people with prior felony drug convictions from owning or leading legal hemp businesses. The “Free to Grow Act” narrowly addresses the past conviction provision of the 2018 Farm Bill that federally legalized hemp.

Congress is set to pass a new version of the Farm Bill this year. The bipartisan legislation would strike language from the Farm Bill currently stipulating that anyone who’s been convicted over a felony drug offense in the past 10 years cannot lawfully serve in certain roles in a licensed hemp business - a provision that became a point of concern for advocates as Congress moved to end the cannabis prohibition and stand up a new marketplace.

Source: *Marijuana Moment*

Industry Regulations (continued)

Market conditions, regulations make for a challenging cannabis landscape in Illinois



As market conditions tightened and state regulations created obstacles for growers and retailers, the cannabis landscape in Illinois has grown more challenging in the past year. Developments to keep watch in the state include:

- The state will award 55 new conditional dispensary licenses;
- Without legislative or executive action, over half of the conditional licenses currently held will fail. The Cannabis Regulation and Tax Act provides only one year for holders of conditional dispensing licenses to build out and open their doors. For many operators, that deadline will come in July 2023;
- The Social Equity Cannabis Loan Program is stalled for dispensary operators, and raising money is harder than ever. The state has made funds available to cultivation operations; however, dispensaries are still waiting to receive the loans and grants promised to those who won conditional licenses;
- Success is location dependent and some regions are now oversaturated while others still offer unrealized potential.
- The canopy cap will hinder the success of craft growers.

Source: *Benesch*

2023 expected to be important year for cannabis in Ohio



A number of developments involving cannabis have already passed in 2023, with more expected to come. In January, Secretary of State Frank LaRose submitted a proposal to the Ohio General Assembly from the Coalition to Regulate Marijuana Like Alcohol legalizing the use of marijuana in Ohio. Senate Bill 9, sponsored by Senators Steve Huffman and Kirk Schuring, was also introduced in January. If enacted in its current form, the bill would make major changes to Ohio's Medical Marijuana program. The bill would create a new state agency within the Ohio Department of Commerce called the Division of Marijuana Control to regulate the program.

The state also awarded upwards of 70 dispensary licenses in 2022, and as 2023 began, several provisional licensees have earned their certificates of operation, but a number of awardees have yet to open their doors, leaving many to wonder what the state regulators will do in terms of enforcing the requirement to obtain a certificate of operation with 270 days from receiving a provisional license.

Federal legislation, including the passing of the Secure and Fair Enforcement Banking Act (SAFE Act) and any changes to the 2018 FARM Bill could also impact Ohio if enacted.

Related: [Ohio hemp farmers want CBD regulation, FDA says there needs to be more oversight](#) SOURCE: WYSO

Source: *Benesch*

Industry Regulations (continued)

Kentucky Senate votes to legalize medicinal marijuana in the state



The Kentucky Senate voted to legalize medical marijuana in the state. The measure was passed by the Senate on a 26-11 vote, sending it to the House, which has supported medical cannabis measures in the past. Republicans have supermajorities in both chambers.

The measure — Senate Bill 47 — heading to the House would legalize and regulate medical marijuana.

Under the measure, medical cannabis could be prescribed for a specific list of conditions, including cancer, multiple sclerosis, chronic pain, epilepsy, chronic nausea and post-traumatic stress disorder.

A person would have to be approved for a card allowing its use. A patient under 18 couldn't possess or acquire medical cannabis without assistance from a designated caregiver.

Most notably, the bill wouldn't take effect until the start of 2025, to allow state health officials time to craft regulations to oversee the program.

Source: AP

Maryland Senate passes bill to regulate marijuana sales



Following the passage of the bill, lawmakers will now work to resolve the measure's differences with a separate version of the legislation that was approved by the House of Delegates earlier.

The Senate bill from Sens. Brian Feldman (D) and Antonio Hayes (D) passed on third reading on Friday in a vote of 32-12, an action that comes one day after the measure was given initial approval on the floor and days after it cleared a committee stop.

The House and Senate bills were identical when introduced, but they have both now been amended in different ways that will need to be reconciled by a conference committee made up of members of each chamber.

Source: Marijuana Moment

New York governor introduces bill to crack down on illicit marijuana operators



The legislation would increase enforcement authority to crack down on illicit marijuana retailers in the state.

The legislation was introduced on the same day that Assembly Republicans sent a letter to the administration, requesting an audit of the state's recreational cannabis program amid controversy over the protracted implementation process.

Illicit retailers could face fines exceeding \$10,000 per day for violating the law by selling cannabis products without a license. As it stands, those illegal operators far outnumber businesses in the regulated industry.

Source: Marijuana Moment

Industry Regulations (continued)

Oklahoma lawmakers advance bills to clamp down on illegal marijuana grow sites



A number of bills targeting illegal marijuana grow operations in the state were advanced by state lawmakers. House Bill 2095 proposes to extend a moratorium on issuing any new licenses for cannabis grow operations until at least Aug. 1, 2026. The measure also would give the state's attorney general broad authority to assist the Oklahoma Medical Marijuana Authority in investigating grow sites and related individuals or businesses. Other bills include:

- Senate Bill 913 would require marijuana grow businesses to post a \$50,000 bond subject to recall if the property is ever abandoned or if the growing license is revoked because of some violation of law;
- Senate Bill 808 would authorize the executive director of the OMMA to order licensees to cease and desist operations if they raise concerns about an environmental emergency; and
- Senate Bill 806 would require licensed marijuana grow operations to provide documented proof of land ownership and would prohibit multiple business licenses from being registered under a single address or physical location.

Source: *The Journal Record*

New York lawmakers approve bill requiring insurance coverage of medical marijuana



The Assembly Health Committee passed the legislation that would require public health insurance providers in the state to include medical marijuana as a covered prescription drug and authorize private insurers to do the same.

The measure would amend state statute to define cannabis as a "prescription drug," "covered drug" or "health care service" for health insurance purposes. Medical marijuana would need to be covered by public insurance entities "regardless of federal financial participation" in their services.

State Medicaid, Child Health Plus, workers compensation and EPIC programs would be required to treat cannabis from certified dispensaries the same as other conventional pharmaceuticals for the purposes of coverage.

Private health insurers, on the other hand, wouldn't be forced to provide coverage for medical marijuana, but the bill clarifies that they can if they choose to.

Source: *Marijuana Moment*

Kansas Senate committee holds hearings on medical marijuana legalization



The Senate Federal and State Affairs Committee held initial hearings on a medical marijuana legalization bill. At the time, Members heard from proponents and neutral witnesses who shared stories about their personal experiences with the plant, research into the medical potential of cannabis and more.

Source: *Marijuana Moment*

Industry Regulations (continued)

Medical Marijuana bill advances through NC senate committees



The bill advanced through multiple committees in the NC State Senate with lawmakers pushing the legislation to the rules committees.

The measure would permit specially licensed growers to process and sell marijuana to individuals with debilitating medical conditions, such as epilepsy, Crohn’s disease and post-traumatic stress disorder.

According to the latest text of the 28-page bill, the measure would only protect patients and their doctors and does not “change current civil and criminal laws governing the use of cannabis for nonmedical purposes.”

The proposed legislation would establish an 11-member advisory board consisting of medical doctors, lawmakers, research scientists and patient representatives who are appointed by the governor. Those board members would be tasked with reviewing and approving petitions to add additional debilitating medical conditions to the approved list.

Source: *Law360*

Congressional report outlines gulf between federal and state drug laws

A [report](#) from the Congressional Research Service (CRS) on the federal Controlled Substances Act found there is a “growing gulf” between federal and state drug laws as states have started to pursue psychedelics reform, expanding the policy gap that already exists as it relates to marijuana.

A theme that develops throughout the report is that Congress has the authority to change federal drug laws but has declined multiple opportunities to do so, and the result is a widening fissure as state lawmakers continue to enact reform.

The new CRS report emphasizes that state-level reforms don’t preempt federal law, but the authors said that the disconnect has allowed “collateral consequences arising from the federal prohibition of marijuana” to fester—as people who violate the as-yet unchanging CSA may face difficulties obtaining federal benefits, employment, assisted housing, student financial aid and firearms, for example.

Source: *Marijuana Moment*

Montana legislature reviewing bills that would revise marijuana industry



The Senate Business, Labor and Economic Affairs Committee heard testimony on two marijuana-related bills. House Bill 351, sponsored by Rep. Kerri Seekins-Crowe, R-Billings, would prohibit marijuana businesses in Montana from promoting their business or brand in print, over TV and radio or using a billboard.

Seekins-Crowe said she felt advertising from marijuana businesses has gone beyond what state leaders originally intended, and that HB 351 would create necessary sideboards.

Opponents of the bill suggested it would be more effective to give the Department of Revenue more staff to enforce the existing advertising rules.

Related: [Montana House agrees to extend moratorium on new recreational cannabis licenses](#) SOURCE: Montana Public Radio

Source: *KTVH*

Industry Regulations (continued)

More states take action against delta-8



Arkansas, West Virginia and Texas were the most recent to implement bans on synthetic, hemp-derived delta-8 THC. If the bans are implemented, the states would join 15 others that have outlawed delta-8.



State lawmakers across the U.S. have focused on safety concerns as delta-8 products have proliferated. Studies have shown some products to be rife with contaminants, inaccurately labeled, and marketed in manners that could be appealing to children.



Delta-8 THC naturally occurs in hemp but only in trace amounts. But producers, taking advantage of a loophole in current laws, have turned to the laboratory to make products with higher concentrations by putting hemp-derived CBD through a synthetic process.



Connecticut AG launches suits against five retailers over alleged illegal sale of Delta-8 THC

State Attorney General William Tong [sued](#) five retailers for alleged violations of the Connecticut Unfair Trade Practices Act over the sale of illegal delta-8 THC products mimicking popular youth-oriented snacks and candies. AG Tong also sent [warning letters](#) to all licensed retailers of electronic vaping products in the state. The letters advise that the sale of delta-8 THC by unlicensed retailers may be illegal in Connecticut. Products that exceed .3% THC on a dry

weight are considered cannabis products and may only be sold in the regulated market. Cannabis products sold outside of the regulated market continue to be illegal and may subject sellers to civil and criminal penalties. The action follows a series of unannounced visits by the Office of the AG to vape shops and gas stations. Illegal delta-8 products were found for sale at every vape shop visited and one gas station.

Related: [Kentucky is latest state to impose delta-8 restrictions](#) SOURCE: MJBizDaily

[New Delta-8 hemp products create regulatory concerns on Arizona's cannabis industry](#) SOURCE: Arizona's Family

Source: *Hemp Today, CT.gov*

South Dakota governor vetoes bill that would ease THC restriction on hemp



South Dakota Governor Kristi Noem has issued a veto on an industrial hemp bill that would have eased a THC restriction on the crop and removed an annual industry study.

Noem vetoed House Bill 1209, which would allow state-licensed industrial processors to accept raw hemp containing up to 5% delta-9 tetrahydrocannabinol, or THC, which is the psychoactive component found in both hemp and cannabis.

The news of the decision comes to the dismay of the state's young industrial hemp industry, which was considered a leading hemp-growing state by the U.S. Department of Agriculture.

Ken Meyer, president of the South Dakota Industrial Hemp Association, was critical of the statements in the veto. He specifically took issue with Noem's claim that "hemp products and crops" would contain a vastly increased amount of THC, calling it a "bold-faced lie."

Source: *Argus Leader*

Industry Regulations (continued)

Bill introduced to legalize hemp-derived products in Arkansas



House Bill 1605 would set up the regulations needed for hemp products to be bought and sold in the state. It would be against the law to give hemp products to those under 21 and businesses would have to get a permit to sell it.

Source: KNWA

Missouri lawmakers look to repeal industrial hemp regulations



Missouri lawmakers are looking to repeal industrial hemp regulations. Currently, Missouri has a \$750 fee for farmers growing industrial hemp.

A Missouri bill would get rid of that. Hemp has various uses. Most CBD products are made from hemp plants.

Source: KFVS

Payments

White House says Congress working on marijuana banking reform

When asked whether President Biden intends to administratively resolve the banking issue for state-legal cannabis businesses, White House Press Secretary Karine Jean-Pierre said that Congress is leading that charge.

A push to pass reform in the previous Congress didn't produce a final deal before the end of the session. Lawmakers are now working different angles to bring it back up this year, with Republicans now in control of the House.

Related: [Sen. Booker Sees Hope for Reform Around Banks and Cannabis](#) SOURCE: PYMNTS

Source: Marijuana Moment

Recent California court opinion offers path to cannabis companies to pursue bankruptcy



A recent California court opinion allowing a former cannabis company to continue its Chapter 11 case offers a new but narrow pathway for similar businesses to pursue bankruptcy.

The U.S. Trustee's policy largely bans cannabis companies from filing for bankruptcy because cannabis is illegal at the federal level. But the U.S. Bankruptcy Court for the Central District of California's published Jan. 20 opinion allowed the Hacienda Company's Chapter 11 to proceed, saying the company had removed its wholesale cannabis product manufacturing and packaging business by the time it filed and was not looking to reorganize as a cannabis concern.

Judge Neil W. Bason's opinion espoused a "middle road" interpretation of the bankruptcy code, in which a court assesses a would-be debtor's facts and circumstances before deciding whether to let a Chapter 11 case continue.

Source: Bloomberg Law

Payments (continued)

As U.S. cannabis market expands, access to banking continues to lag

As the cannabis market continues to grow, Tony Repanich, President and CEO of Shield Compliance, says access to banking for the market continues to lag. He identifies three trends to watch as attitudes toward cannabis evolve and financial institutions look to serve these customers, including:

- Consolidation in the industry is creating businesses that need access to services bigger banks can provide, leading to larger institutions entering the space;
- Early entrants that gained cannabis banking expertise are leveraging that proficiency to expand into larger regions or nationally; and
- Lending to operators, landlords and investors has emerged as a critical component of the cannabis banking portfolio.

Source: BankDirector.com

General Cannabis Business Trends

Twitter to allow cannabis product advertising in U.S.

Twitter changed its policy and will allow approved and state-legal cannabis companies and other advertisers to post ads in the U.S. for regulated THC and CBD products, accessories and services.

- Cannabis marketing and advertising website AdCann notes Twitter will now allow brands to promote brand preference and informational cannabis-related content for certain products and services, including:
- CBD and similar cannabinoid products;
- THC and similar products; and
- Cannabis-related products and services, including delivery services, labs, events and more.

Related: [Marijuana companies wade into Twitter advertising with mixed success](#) SOURCE: MJBizDaily

Source: MJBizDaily

General Cannabis Business Trends (continued)

Marijuana companies may find limited offerings in coming year

In the coming year, MJBizDaily [expects](#) marijuana companies seeking capital will find limited offerings and costly terms, however there are some businesses and opportunities that appear attractive to investors. These include M&A deals aimed at scooping up distressed assets as well as ancillary businesses that require less money to operate.

MJBizDaily also [identified](#) some trends it expects for the marijuana industry in 2023, including:

- Market consolidation in key markets. Companies in mature markets have been struggling with falling prices while other markets are reaching saturation points. This will lead to companies failing, licenses absorbed by bigger businesses and the most-cost-efficient players surviving;
- M&A activity slowed dramatically in 2022 as access to capital dried up. That trend is expected to persist;
- Delta-8 will be a burr in the industry's side as most state-legal markets have made some type of rule to govern it, but without any changes to federal law, the market is likely to continue as is and serve as a headache to the cannabis industry;
- Fines and suspensions related to THC potency and lab shopping could lead to better consumer education and a shift away from focusing on cannabinoid content;
- Calls for moratoriums in states where markets experience price compression and oversaturation will grow louder;
- Products such as vapes, concentrates and edibles will grow in popularity as consumers become more sophisticated;
- New York will struggle to contain the illicit market;
- The Canadian market will see retail consolidation and closures as some companies have been selling at a loss with the help of Wall Street financing, and that money is expected to run dry;
- Unionization in the industry will continue;
- Legalization efforts will redouble after mixed success in 2022.

Source: MJBizDaily

Enforcement

FDA issues final guidance on clinical research with cannabis

The final [guidance](#) includes clarifying sources of cannabis for clinical research (including Schedule I sources), additional resources detailing expectations for Investigational New Drug (IND) applications in different stages of drug development and guidance on quality considerations for INDs, as well as considerations of control status under the Controlled Substances Act (CSA).

The agency says sources of cannabis with less or more than 0.3% delta-9 THC on a dry weight basis may be used for clinical research if it is found to be of adequate quality after review by the FDA as part of an investigational new drug. The FDA also stated that sponsors or investigators may use the NIDA DSP for cannabis of the 0.3% THC threshold, or they can utilize other sources authorized by the Drug Enforcement Administration (DEA). A list of DEA-authorized cannabis sources is available online.

Source: Pain Medicine News

Amid legalization movement, federal marijuana trafficking cases decline

As more states have legalized cannabis and federal priorities have shifted, prosecution for marijuana-related cases has [declined](#) over the years. The number of trafficking offenders fell from 5,000 in 2013 to under 806 in 2022, according to the U.S. Sentencing Commission (USSC).

The report also shows marijuana cases have the lowest sentencing among the six drug types tracked by the USSC. The report shows the gradual decline in federal cannabis trafficking cases as more states enacted legalization.

Source: Marijuana Moment

California enforcement operations show efforts to dismantle illicit market



The Department of Cannabis Control's 2021 and 2022 enforcement statistics show significant growth in the number of search warrants issued, arrests made, and illegal cannabis plants eradicated in an effort to tackle illegal market operations.

Statistics show department-led search warrant operations increased from 62 in 2021 to 155 in 2022, a 150 percent increase. DCC also seized over 41,726 pounds of illegal cannabis in 2021 and more than 144,254 pounds in 2022, a 246 percent increase. Arrests more than tripled, with 17 in 2021 and 56 in 2022. And DCC led operations that seized \$243,017,836 worth of cannabis last year, a 212 percent increase from the \$77,772,936 seized in 2021.

Source: California Department of Cannabis Control

Vape maker launches suit against distributors of counterfeit products

AK Futures LLC has renewed claims against two distributors it claims are part of "an advanced, well-funded, international network of counterfeiters" that are infringing its "Cake" brand of electronic cigarette products.

The complaints were filed nearly three weeks after a judge dismissed both companies from another suit launched by AK Futures.

The complaint alleges Leaf of Vape LLC and Dr. Haze Inc. claims the companies were AK Futures customers before working with a rival brand to create and distribute knockoffs of AK Futures' Cake products.

Source: Law360

Enforcement (continued)

Appeals panel upholds seizure of licensed cannabis business' product



A Washington state appeals panel upheld a state regulator’s seizure of cannabis products from a licensed business. The panel rejected an argument that cannabis is no longer a Schedule 1 controlled substance because recreational use is now legal.

The Washington State Liquor and Cannabis Board (WSLCB) made an unannounced visit to Ladyhelm Farm LLC and found that the business failed to meet cannabis traceability requirements; it seized more than 1,700 pounds of cannabis. Ladyhelm claimed the WSLCB didn’t have the authority to seize and destroy the product because cannabis is no longer considered a Schedule I controlled substance.

However, Washington’s Division III Court of Appeals, in an 18-page opinion, affirmed summary judgment in favor of the WSLCB, finding that the classification of cannabis as a Schedule I substance under the Uniform Controlled Substances Act has not been impliedly repealed.

Source: *Law 360*

Regulators in Michigan suspend cannabis company due to tainted products



Michigan’s Cannabis Regulatory Agency summarily suspended the medical and adult-use cannabis licenses for TAS Asset Holdings LLC after determining that the company violated regulations by selling products that had been mixed with illicit cannabis products.

The agency said that it had filed formal complaints against the business alleging 23 regulatory violations for each of TAS’s licenses, and in addition, put out a Marijuana Consumer Advisory Bulletin warning consumers about the products, which TAS markets as “Space Rocks” under the “Fwaygo Extracts” brand.

According to the agency, the complaints allege that two vape products failed safety compliance testing for the chemical Bifenthrin — which is banned from use — but before they were transferred to and processed by TAS, both of those same packages had passed tests without any Bifenthrin detected.

Source: *Law360*

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