

# Cannabis Industry Quarterly Update

A quarterly update from Benesch's Cannabis Industry Group

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## Key Issues

**There Has Been Little Movement in Federal Legalization.** This has led to cannabis investors and companies to [downgrade](#) expectations for federal legalization and focus their strategies on state reform.

Federal lawmakers continue to say they're working on reform, including Senate Majority Leader Chuck Schumer recently [expressing](#) his confidence regarding banking reform, there has been little movement on either federal legalization or the SAFE Banking Act. Many industry observers believed the Biden administration would push for federal marijuana legalization or even banking reforms that would allow businesses in the industry to use banking services, but there has not been much movement from the executive branch beyond the President asking the U.S. Department of Health and Human Services and the Attorney General to [review "expeditiously" how marijuana is scheduled under federal law.](#)

Recent federal activity around marijuana includes:

- The SAFE Banking Act was [reintroduced](#) in the U.S. House ([H.R.2891](#)) and Senate ([S.1323](#)) in late April. The two bills are identical to previously introduced versions of the SAFE Banking Act, which passed the House seven times with strong bipartisan support, with one addition. This version explicitly extends safe harbor to Community Development Financial Institutions (CDFI) and Minority Depository Institutions (MDI) to ensure they can also serve legal cannabis-based businesses.
- The introduction of the [Preparing Regulators Effectively for a Post-Prohibition Adult Use Regulated Environment \(PREPARE\) Act](#), which would create a process for the federal government to enact regulations to help lift the prohibition of cannabis.

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**Key Issues** (continued)

- [LegalizeAmerica](#) was [launched](#) as the first Super PAC devoted to reforming cannabis laws across the U.S. The independent expenditure organization was created with support from leading U.S. regulated cannabis companies and will work to raise the profile of cannabis as a national issue in the 2024 election and beyond.

Sources: *Forbes, Library of Congress, Marijuana Moment, Credit Union National Association, Legalize America, Cannabis Business Times*

**The Number of States That Have Begun the Process of or Launched Legal Cannabis Markets Has Grown**



In Pennsylvania [Senate Bill 846](#) was introduced on July 6 by Senators Dan Laughlin (R- Erie County), Sharif Street (D-Philadelphia), Timothy Kearney (D-Delaware County), Wayne Fontana (D-Allegheny County) and John Kane (D-Chester and Delaware Counties). The bill would create a Cannabis Regulatory Control Board that would take over some oversight powers from the Department of Health. The board would handle permits and applications from dispensaries that want to sell in the state.



Maryland [launched](#) adult-use marijuana sales. The state’s market is one of the region’s largest with recreational cannabis sales expected to approach \$2 billion in the coming years. The limited-license market opened with nearly all existing medical marijuana retailers, cultivators and processors converting their licenses to serve adult-use customers.



Minnesota Governor Tim Walz (D) [signed](#) a bill to legalize marijuana making it the 23<sup>rd</sup> state to end cannabis prohibition. With the governor’s signature, marijuana possession and home cultivation will become legal in the state on August 1—with regulators expected to take 12-18 months to get a licensed commercial sales system launched.



Delaware’s Governor John Carney did not support legislation to legalize recreational marijuana in the state, however he returned bills that passed the General Assembly unsigned, [allowing](#) both to become law without his signature. Carney’s choice to legalize via inaction follows a similar path taken in Vermont, where Republican Governor Phil Scott also allowed adult-use legalization legislation to become law in 2020 without his signature.



States have also taken steps to remove some of the burden cannabis businesses face regarding tax relief. Legislators in Connecticut, Illinois, New Jersey and New York [passed](#) legislation that exempt, or “decouple,” businesses from Section 280E of the federal tax code. Legislators were partly motivated by a realization that issues around federal prohibition, over-taxation and over-regulation are challenges for business. These can make it hard for businesses to operate, which could lead to companies closing and result in a loss of tax revenue for the state.

Sources: *The General Assembly of Pennsylvania, MJBizDaily, Marijuana Moment*

## Key Issues (continued)

### DEA Could Ban Delta-8 THC Products, Upending \$5 Billion CBD Industry

Products containing delta-8 THC and other cannabinoids derived from hemp, legalized nationwide under the 2018 Farm Bill, have proved enormously popular in states without regulated adult-use cannabis markets.

However, these products have unknown or poorly understood safety profiles, which is [drawing](#) increased scrutiny from lawmakers and law enforcement. Fourteen states have banned delta-8 outright and now the DEA is looking to [propose](#) a new limit of no more than 0.1% THC on weight-to-weight ration in hemp derived products.

Critics of delta-8 argue the trade in hemp-derived cannabinoids was not what Congress had in mind when it legalized hemp and that it takes advantage of a loophole that the DEA is now proposing to close.

Sources: *Cannabis Business Times, MJBizDaily*

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## Federal Legislation

### Why National Cannabis Legalization is Still a Decade Away

While recreational marijuana is legal in 23 states and most Americans support ending the federal ban, many believe it won't be happening in the next 10 years.

Many expected the Biden administration to bring federal cannabis legalization, there has not been much movement on the front beyond his asking the U.S. Department of Health and Human Services and the Attorney General to [review "expeditiously" how marijuana is scheduled under federal law](#).

Biden has never been pro-cannabis and none of the other major declared 2024 candidates are either, which means depending on if Biden gets elected for a second term or if a Republican candidate wins and is re-elected for a second term, a pro-marijuana president may not be in the White House until 2033.

Cannabis investors and companies are no longer planning for federal legalization, with one company spokesperson saying their strategy is focused on state reform and that they no longer model around federal legalization.

Source: *Forbes*

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### Legalize America Launches as Nation's First Cannabis Super PAC

[LegalizeAmerica](#) launched as the first Super PAC devoted to reforming cannabis laws across the U.S. The independent expenditure organization was created with support from leading U.S. regulated cannabis companies and will work to raise the profile of cannabis as a national issue in the 2024 election and beyond.

The goal of the Super PAC is to help speed up the U.S.'s transformation on cannabis reform. It plans to partner with high-profile public figures and brands to raise funds to advance its reform agenda. The group also plans to explore working with industry partners to help customers at regulated cannabis dispensaries to directly support the campaign through round up donations.

Source: *Cannabis Business Times*

## Federal Legislation (continued)

### **Biden Admin Only has two Viable Marijuana Options, new Coalition Says in Report That Details Benefits of Rescheduling**

A coalition of marijuana businesses and advocacy organizations made the case that the Biden administration only has two viable choices when it comes to its ongoing federal scheduling review: remove cannabis from the list of banned substances altogether or reschedule it.

The Coalition for Cannabis Scheduling Reform (CCSR), published a report that outlines the scientific, economic, and societal considerations that are going into the scheduling review that President Joe Biden directed late last year.

While advocates have come to embrace full legalization (i.e., de-scheduling), the new organization is hoping to influence the conversation in a way that acknowledges the potential opportunities that would come with an administrative decision to more incrementally move marijuana from Schedule I of the Controlled Substances Act (CSA) to Schedules III-V.

*Source: Marijuana Moment*

### **Congressional Lawmakers Approve Spending Bill That Would Continue Blocking Marijuana Sales in D.C.**

The federal ban that's blocked Washington, D.C. from regulating marijuana sales for nearly a decade would be renewed again under a Fiscal Year 2024 spending bill that cleared a congressional panel.

Representative Eleanor Holmes Norton (D-DC) said she was "outraged" to see this, and other anti-home rule riders included in the legislation that passed the House Appropriations Financial Services and General Government Subcommittee.

While D.C. voters legalized cannabis possession and home cultivation for adults at the ballot in 2014, the rider from Representative Andy Harris (R-MD) has prevented the District from using local tax dollars to enact rules to create a commercial market. There have been attempts to eliminate the ban under Democratic control, but the rider has nonetheless survived as part of the final spending packages enacted each year since.

*Source: Marijuana Moment*

### **US Representatives Reintroduce Bipartisan PREPARE Act to Pave the Way for Federal Cannabis Legalization**

Representatives Dave Joyce (R-OH) and Hakeem Jefferies (D-NY) reintroduced the bipartisan [Preparing Regulators Effectively for a Post-Prohibition Adult Use Regulated Environment \(PREPARE\) Act](#) to create a process for the federal government to enact regulations should it lift the prohibition of cannabis.

The legislation would provide experts with an opportunity to engage on cannabis policy reform and equip lawmakers with the information needed to create a federal regulatory framework.

The PREPARE Act would direct the attorney general to create a Commission on the Federal Regulation of Cannabis, which would advise on how to develop regulations for cannabis modeled after federal and state regulatory frameworks for alcohol.

*Source: Cannabis Business Times*

## State Legislation

### PA State Senators Introduce Legislation to Legalize Marijuana



[Senate Bill 846](#) was introduced on July 6 by Senators Dan Laughlin (R-Erie County), Sharif Street (D-Philadelphia), Timothy Kearney (D-Delaware County), Wayne Fontana (D-Allegheny County) and John Kane (D-Chester and Delaware Counties).

This recent push comes about two months after Laughlin and Street announced their plans to partner on introducing new legislation for marijuana legalization.

The bill would create a Cannabis Regulatory Control Board, which would take over some oversight from the Department of Health and handle permits and applications from dispensaries.

*Source: CBS News*

### California Voters are More Supportive Than Ever of Marijuana Legalization, and Most Want Retailers in Their Communities, Poll Finds



A [poll](#) shows Californians' supports for legalizing marijuana is now even higher than when they approved the reform at the ballot in 2016 and a majority of voters also want cannabis retailers to be operating in their own neighborhoods.

The survey from the Public Policy Institute of California (PPIC) found that 64% of residents support marijuana legalization. Likely voters are even more supportive, with 69% backing legalization.

The overall results of the new survey show that a supermajority of Democrats (77%) and independents (76%) favor legalization. That's compared to 42% of Republicans who back keeping cannabis prohibition off the books.

While more than three in five Californians support legalizing marijuana, a smaller majority (56%) say that they want adult-use retailers to operate in their community. Again, likely voters are more likely to favor the commercial activity in their neighborhoods, at 60%.

*Source: Marijuana Moment*

### Maryland Marijuana Operators Prep for Launch of \$2 Billion Adult-Use Market



There are high expectations for the launch of Maryland's adult-use marijuana sales as the market will be the newest on the East Coast and one of the region's largest, with recreational cannabis sales expected to approach \$2 billion within a few years.

Given Maryland's geography and borders with several states and big cities without adult-use retail, operators in the state are expecting consumers from Pennsylvania, Virginia, and West Virginia, among other states.

The launch of recreational retail in Maryland was set in motion less than eight months ago, in November, when voters overwhelmingly approved legalizing possession and adult-use cannabis sales.

Subsequent legislation, which included capping the state sales tax at 9%, wasn't approved by legislators until early May, leaving less than two months for follow-up rulemaking.

*Source: MJBizDaily*

## State Legislation (continued)

### Tennessee to Impose 6% Tax on CBD, Delta-8 THC Products



Tennessee now charges a 6% privilege sales tax on products containing hemp-derived cannabinoids. The tax is on top of the standard state sales tax rate of 7%.

The state does not provide legal access to adult use medical marijuana which has created demand for products containing hemp-derived cannabinoids, including CBD as well as delta-8 and delta-9 THC – all of which will be subject to the new tax.

The state began regulating products derived from hemp earlier this year and sellers must obtain licenses and abide by product testing standards.

Source: *MJBizDaily*

### Alabama Judge Halts Medical Marijuana Licensing Amid Ongoing Litigation



A stay order issued by The Montgomery Circuit Court on the appeals process for applicants denied a medical cannabis license means applicants will have to wait to appeal any decisions by the Alabama Medical Cannabis Commission.

The stay order came after an applicant, Alabama Always, filed a motion requesting the court enter a temporary restraining order and preliminary injunction on AMCC's decision to delay the award of licenses.

While the court reaffirmed the commission's stay and gave it an indefinite amount of time to evaluate scores and award licenses, the court gave denied applicants 14 days from the day licenses are awarded to begin the appeals process and discovery.

William Somerville, the attorney for Alabama Always, said their concerns centered on whether the commission chose the companies that won licenses properly, that they didn't get proper notice of the emergency meeting and that the commission didn't have the authority under its rules and regulations to issue a stay.

**Related:** [Alabama Halts Medical Cannabis Licensing Process over Scoring Concerns](#)—*MJBizDaily*

Source: *Marijuana Moment*

### Nevada Eases Marijuana Consumption Lounge Rules, Issues First Licenses



Regulators in Nevada approved loosening air-ventilation standards for marijuana consumption lounges in Las Vegas and other parts of the state while also granting the first three licenses to such venues.

The Nevada Cannabis Compliance Board provided more clarity for operators to move forward with construction and design plans and the move could make it cheaper and easier for lounges to open their doors.

Despite the issuance of the conditional permits, the widespread launch of dozens of consumption lounges still appears months away.

Source: *MJBizDaily*

State Legislation (continued)

**More States Reduce 280E Tax Burden on Cannabis Industry**



A number of states have approved laws that exempt or “decouple” businesses from Section 280E of the federal tax code.



Legislators in Connecticut, Illinois, New Jersey and New York passed legislation that will allow cannabis companies to deduct business expenses from their state income taxes, despite those companies remaining illegal under federal law.



Section 280E of the IRS tax code bars marijuana companies from taking traditional business deductions because marijuana is still listed as a Schedule 1 drug under the federal Controlled Substances Act.



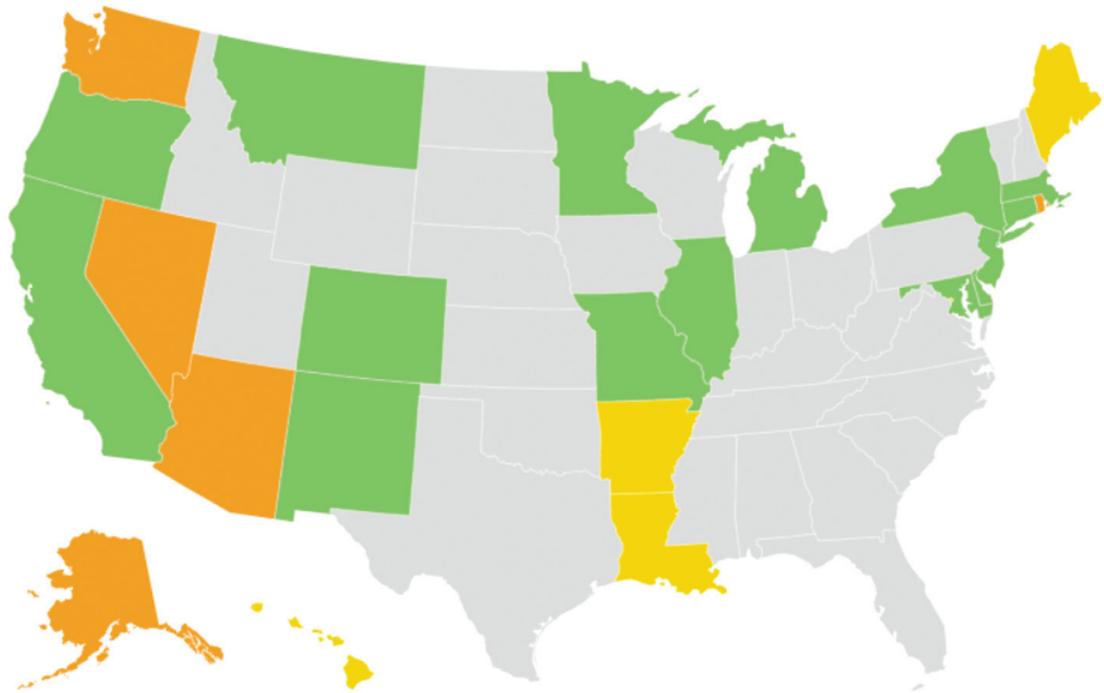
Legislators are realizing issues around federal prohibition, over taxation and over regulation are challenges for business that make it hard for them to operate, which could result in a loss of tax revenue for the state.

Source: *MJBizDaily*

**States allowing cannabis companies to deduct business expenses**

States have passed laws that will allow cannabis companies to deduct business expenses from their state income taxes, despite those businesses still being federally illegal.

■ Yes ■ No ■ Medical only



Map: © 2023 MJBiz, a division of Emerald X, LLC • Source: Marijuana Policy Project • Created with [Datawrapper](#)

## State Legislation (continued)

### Wisconsin Medical Marijuana Measure Possible this Summer, GOP Speaker Says



Wisconsin State Assembly Speaker Robin Vos said a medical marijuana legalization measure could become public later in the summer. While speaking at a luncheon, Vos said a proposal unique to Wisconsin was in the works that would be unique to the states.

Vos also noted that medical marijuana legalization would not lead to recreational marijuana legislation.

Source: *MJBizDaily*

### More Rhode Island Adult-Use Cannabis Stores Coming, New Regulator Says



The Rhode Island Cannabis Control Commission was confirmed meaning more adult-use stores could open in the state as soon as 2024.

The move comes as local cultivators have been grappling with a glut of inventory and been pressuring local governments to open more stores.

However, prior to the stores opening, the commission's chair Kimberly Ahern wants to collect feedback from stakeholders, including those who have been impacted by prohibition.

Source: *MJBizDaily*

### CO Seeks Higher Marijuana Licensing Fees to Bridge Enforcement Shortfall



The executive director of Colorado's Department of Revenue wants marijuana businesses in the state to pay higher licensing fees in order to fund enforcement initiatives.

Mark Ferrandino told business owners and industry stakeholders at a recent meeting that the fee increases were needed to support the Colorado Marijuana Enforcement Division, which is running a deficit.

Source: *MJBizDaily*

### Cannabis MSOs Set to Enter NY Adult-Use Market After Policy Change



Regulators at New York's Office of Cannabis Management (OCM) have proposed policy shifts to stabilize the roll-out of the state's adult-use marijuana program. The proposal includes allowing some of the largest multistate operators (MSOs) to enter the expanded market.

Regulators hope the [revised regulations](#) will energize a supply chain that at the time of the article has only seen 12 retailers open since the launch at the end of last year.

The proposals, which OCM is expected to approve following a public comment period, effectively eliminate a three-year waiting period for the state's 10 vertically integrated medical marijuana providers, or registered organizations, to enter the recreational market.

**Related:** [New York's Medical Cannabis Operators Could Switch to Adult Use by Year's End](#)—*Cannabis Business Times*

Source: *MJBizDaily*

## State Legislation (continued)

### Minnesota Governor Signs Marijuana Legalization Bill into Law



Minnesota Governor Tim Walz (D) signed a bill to legalize marijuana making it the 23<sup>rd</sup> state to end cannabis prohibition.

With the governor's signature, marijuana possession and home cultivation will become legal in the state on August 1—with regulators expected to take 12-18 months to get a licensed commercial sales system launched.

Even before the signing, the state began building the infrastructure for the new adult-use market—first by launching a website for the cannabis regulatory agency that will oversee the program but which won't technically be established until July, and then by releasing a notice soliciting vendors that can facilitate licensing.

Source: *Marijuana Moment*

### Delaware Governor to Let Recreational Cannabis Legalization Bills Become Law



With Delaware Governor John Carney saying he would allow pending legislation to legalize recreational cannabis in the state to become law, that state will become the 22<sup>nd</sup> in the U.S. to legalize adult-use marijuana and set up a regulated industry.

While its not yet know when sales would begin, business licenses will be issues in the summer. A 15% tax rate established in the legislation would be among the country's lowest.

While Carney allowed the bills to pass, he returned both unsigned, while voicing reservations.

Source: *MJBizDaily*

### Ganja Glut? With Excess Weed, Growers Seek Interstate Sales

A number of cannabis growers dealing with a surplus in product and less than ideal state regulations are hoping the Biden administration will clear the way for marijuana trade among states that have legalized the drug. They argue this would allow the West Coast, which has a favorable climate for growing, to help supply the rest of the country.

Attorney General Merrick Garland said the Justice Department will soon announce a new marijuana policy—one that would hew close to the "Cole Memorandum" of 2013, which made clear the feds would not interfere with state efforts to regulate marijuana as long as certain law enforcement priorities were met.

Drug policy experts say they do not expect the new policy to go as far as permitting interstate commerce.

Source: *AP*

### Kentucky Governor Signs Medical Marijuana Legalization Bill Into Law



Kentucky Governor Andy Beshear signed a bill legalizing medical marijuana in the state. Forty states have now legalized medical cannabis in some form.

The new market is slated to launch no sooner than Jan. 1, 2025.

Considered a relatively restrictive bill—the list of qualifying conditions is short, and there is no home cultivation and patients are barred from smoking cannabis—legal medical marijuana in Senate Minority Leader Mitch McConnell's home state is nonetheless seen as a significant political achievement.

Kentucky is also a leading producer of hemp products.

Source: *MJBizDaily*

## Hemp

### [New Bipartisan Congressional Bill Would Ease Restrictions for Industrial Hemp Farmers](#)

Bipartisan congressional lawmakers filed a bill to reduce regulations on farmers that grow industrial hemp for non-extraction purposes.

The Industrial Hemp Act is being sponsored by Representatives Matt Rosendale (R-MT) and Chrissy Houlihan (D-PA), which is a House companion to a version introduced in the Senate earlier this year by Senators Jon Tester (D-MT) and Mike Braun (R-IN).

The new bill seeks to create a distinction between “industrial” hemp that’s grown for products like fiber and “hemp for any purpose” which would cover crops cultivated to extract cannabinoids like CBD.

Farmers who cultivate industrial hemp would no longer be subject to background checks in order to participate in the market, and they wouldn’t have to fulfill rigorous sampling and testing requirements.

**Related:** [Tester Introduces Bipartisan Bill to Deregulate Industrial Hemp](#)—Montana Free Press

### [CT Hemp Farmers say They’re ‘Under Attack’ by Proposed Restrictions](#)

Hemp producers say lawmakers’ efforts to close a loophole that lets unlicensed stores sell high-THC products—the key compound that causes a high from marijuana—will also keep them from selling many of their products they say aren’t intoxicating.



The bill aims to close a loophole in federal law that allows stores other than licensed marijuana retailers to sell products with high levels of THC. The bill would also ban synthetic, intoxicating compounds derived from hemp plants, including Delta 8 products.

While some producers support the intent of the bill, they argue the way it is written would ban not only unlicensed, high-THC products, but also legal CBD products that don’t contain intoxicating levels of THC.

*Source: CT Examiner*

## Payments

### Schumer is 'Confident' Marijuana Banking Bill Will Pass this Session, According to Cannabis Entrepreneur who Spoke to Majority Leader

Senate Majority Leader Chuck Schumer (D-NY) recently said he is confident that Congress will pass a bipartisan marijuana banking bill this session.

CEO of the Colorado-based cannabis company Simply Pure, Wanda James said after speaking to Schumer about the SAFE Banking Act, he appeared confident that the bill will advance and be enacted this year.

**Related:** [Bipartisan SAFE Banking Act Reintroduced in House, Senate](#) *Credit Union National Association*

*Source: Marijuana Moment*

### Colorado Governor Signs Bill to Allow Online Marijuana Sales

The governor of Colorado signed a [bill](#) into law that would allow online marijuana sales. The measure, introduced by Representatives William Lindstedt (D), Said Sharbini (D) and Robert Rodriguez (D), strikes language from existing statute that explicitly prohibits cannabis from being sold on the internet, while adding regulations to provide for online commerce.

Adults 21 and older will still need to physically pick up the marijuana products from the retailer, but they can browse and electronically purchase cannabis online ahead of visiting the store.

*Source: Marijuana Moment*

### Senate Holds First Hearing on Bill to Help Marijuana Businesses Access Financing

The Senate banking committee held its first-ever hearing on a bipartisan bill that would allow the cannabis industry to access traditional banking services, which marijuana businesses see as critical to their survival.

The meeting, titled Examining Cannabis Banking Challenges of Small Businesses and Workers, heard testimony from lawmakers on both sides of the aisle, including Senators Jeff Merkley, D-Ore., and Steve Daines, R-Mont., who reintroduced the stand-alone bill. The committee will also hear from witnesses including the Cannabis Regulators of Color Coalition, Drug Policy Alliance and the United Food and Commercial Workers International Union.

The hearing will determine next steps in getting the bill to the Senate floor for a vote, as Senate Majority Leader Chuck Schumer and other key lawmakers express support for it.

*Source: CNBC*

## General Cannabis Business Trends

### Pineapple Express Inc. Acquires CBD Wellness Company Wellness Inc.

Pineapple completed the acquisition of Pineapple Wellness and its ecommerce platform PineappleWellness.com.

Pineapple chairman, Mathew Feinstein, said with the acquisition, “we now are the proud benefactors of a fully functioning e-commerce website, trademarks, and a noteworthy brand name and branded domain of Pineapple Wellness.”

*Source: Market Screener*

### Marijuana Company Tilray Closes Hexo Acquisition, Eyes Cost Savings

Cannabis and beverage alcohol company Tilray Brands has closed its acquisition of Canadian cannabis producer Hexo Corp., creating what Tilray described as “Canada’s largest cannabis company by revenue.”

The completed acquisition comes after Hexo shareholders approved the deal on June 14.

Hexo “expects its common shares to be delisted from the TSX and the Nasdaq shortly,” said the company, now a Tilray subsidiary, in a news release.

Tilray said the acquisition solidifies its top market-share position in Canadian cannabis and provides opportunities for the combined company to “optimize (its) sales, marketing, and distribution networks to strengthen Tilray’s commercial footprint and hasten market share growth.”

*Source: MJBizDaily*

### Cannabis Operator TerrAscend Ups Private Placement to \$20 Million

North American MSO TerrAscend increased a previously announced equity and debenture offering from \$15 million to \$20 million.

The funds will be put toward TerrAscend’s plans to list on the Toronto Stock Exchange, which was conditionally approved last week.

The proceeds will also be used to fund dispensary acquisitions in Maryland and general working capital.

TerrAscend operates in Canada, California, Maryland, Michigan, New Jersey, and Pennsylvania.

*Source: MJBizDaily*

### Canadian Cannabis Operator Organigram Consolidating Shares to Stay on Nasdaq

Canadian cannabis cultivator and manufacturer Organigram Holdings plans to consolidate its shares on a 4-to-1 basis to maintain its U.S. equity listing on the Nasdaq exchange.

Nasdaq warned Organigram early in the year that its share price had fallen below the exchange’s \$1 minimum bid price requirement for 30 consecutive days, risking possible delisting.

The share consolidation is also meant to “reduce volatility and to enhance the marketability of the common shares to institutional investors,” Organigram said in a news release.

*Source: MJBizDaily*

## General Cannabis Business Trends (continued)

### Big California Marijuana Distributor Herbl Collapses, Brands Left Unpaid, Sources say



Herbl, a major licensed California marijuana distribution company, is in receivership after falling behind on a key loan.

The collapse of the company, which handled \$700 million worth of product sales in 2022, is the most prominent failure of a cannabis company in the state to date and has implications across the industry.

There are potentially tens of millions of dollars of unpaid invoices due to brands across the state, which is raising fears that that revenue, including for product already sold, is lost.

Source: *MJBizDaily*

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## Non Plant Touching Ancillary Businesses

### Amazon-Owned Twitch Bans Streamers From Promoting Marijuana but Allows Alcohol Branding in Policy Update

In an updated to its branding policy, video game streaming company Twitch is prohibiting the promotion of marijuana businesses and products while explicitly allowing alcohol partnerships.

The branded content policy covers product placements, endorsements, sponsored gameplay, paid unboxing, and branded channels. Under a list of prohibited branding deals, it says streamers cannot be paid for promoting “cannabis-related products, including vaping, delivery, and CBD.”

Source: *Marijuana Moment*

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### New Rhode Island Law Allows Marijuana Retail Advertisements



Under legislation signed by Governor Dan McKee, Rhode Island is now allowing some advertisements by retail licensees who sell both medical and recreational marijuana.

The law only allows advertising by the hybrid retail license type and does not permit advertisements by “licensed cultivators, laboratories, or non-hybrid medical marijuana compassion centers, which will remain subject to the advertising restrictions present in the Medical Marijuana Program rules and regulations.”

Advertisements may run online, in broadcast media such as TV or radio, in print media such as newspapers, magazines and direct mail as well as outdoors on billboards and street furniture.

Source: *MJBizDaily, June 20, 2023*

## New Developments

### Marijuana Workers in California, Pennsylvania Join Unions



Distribution drivers at cannabis distribution company Amuse in Southern California voted to join Teamsters Local 630. Earlier in the month, 11 of 16 workers at Restore Integrative Wellness Center in Pennsylvania voted to join the United Food and Commercial Workers International Union Local 1776.

Source: *MJBizDaily*

## Economic Trends/Issues

### Survey Report Shows U.S. Cannabis Industry in Crisis

A [report](#) by Oregon-based cannabis data and research company Whitney Economic found only 24.4% of businesses in the U.S. cannabis sector report they are profitable. That's compared to 42% of businesses turning a profit a year ago. The issues operators cite for their poor performance include:

- Rising costs and falling wholesale cannabis prices are pressuring them to find creative solutions.
- State regulations can make or break the chances of success in a legal cannabis market, and they haven't kept up with changing market and business conditions.
- Too many licenses are being issued. More than 70% of respondents favor limiting cannabis licenses.
- Taxes remain too high.

Source: *Whitney Economics*

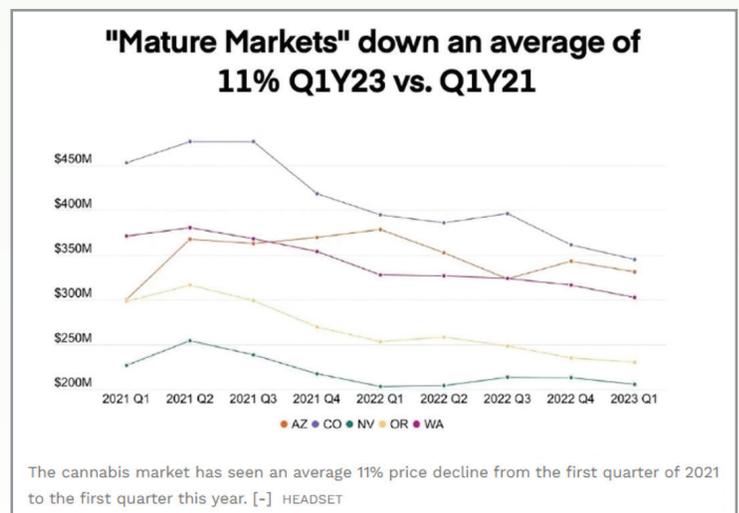
### Cannabis Market Has Matured to Point of Declining Sales Growth

A study of U.S. cannabis market trends found the market has matured to the point of declining sales growth but is also highly fragmented with wide price differences.

Cy Scott, the chief executive of Headset, a data and analytics firm covering the cannabis industry said the growth seen during the pandemic was not the real market and that cannabis is entering a mature state where prices are dropping. Scott described the industry as seeing deflationary pricing in an inflationary environment.

The mature cannabis markets of Arizona, California, Colorado, Nevada, Oregon, and Washington collectively they saw sales drop 11% in the first quarter this year, compared with the first quarter of 2021. This was driven by the economy opening up after the Covid lockdown. Money went to places such as restaurants and travel, in addition to rising prices from inflation.

Source: *Forbes*



## Economic Trends/Issues (continued)

### US Cannabis Industry's \$100 Billion Economic Impact Varies by State

The [MJBiz Factbook](#) (Available for Purchase) found medical and recreational cannabis markets continue to have an impact on the broader U.S. economy, but state-level impact differs based on the market size, maturity and type.

The total U.S. economic impact from marijuana sales in 2023 is expected to reach \$100 billion – up more than 12% from a year prior. At the state level, California is expected to see marijuana sales bring \$17.7 billion into the state's economy, while in Mississippi a \$30 million impact is expected. While California has the largest impact, other states deliver more on a per-capita basis with markets in Colorado, Massachusetts, Michigan, Montana, Nevada and New Mexico each expected to pump almost \$800 per resident into their respective states.

Source: *MJBizDaily*

### Economic Analysis Indicates Cannabis Industry Paid \$1.8 billion in Excess Taxes in 2022

Research from Whitney Economics found in 2022 alone, cannabis operators paid over \$1.8 billion in additional taxes when compared to ordinary businesses. That excess is forecasted to reach \$2.1 billion in 2023.

Researchers point to federal tax provision 280E, which disallows the deduction of ordinary and necessary business expenses as a culprit, while also pointing to a lack of banking services, anti-business regulation and a lack of interstate commerce as the most critical issues facing the industry.

A rescoring of tax policy by Whitney Economics found that 280E reform would increase operator profitability, increase cannabis employment, and increase economic activity by \$35.2 billion over a ten-year period.

Source: *Whitney Economics*

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## Enforcement

### Minnesota Distributor Draws Fine Over 'Illegal' THC Products



Minnesota's pharmacy board disciplined a company for allegedly selling illegal cannabis products containing more than the permitted amount of THC.

Cloud, Minnesota-based Granite City Jobbing Co. was fined \$50,000 over allegations the company sold edibles containing more than the legal limit of 5 milligrams of THC per edible and 50 milligrams of THC per package.

Source: *MJBizDaily, June 27, 2023*

## Enforcement (continued)

### Maryland Marijuana Regulators Suspend Cookies' Baltimore License



Cookies Baltimore had its business license [suspended](#) over allegations over operational failure risking diversion or endangering health. Allegations appear to be related to a marijuana smoke blower that has become a Cookie's brand staple. Other violations include breach of state law governing advertising and a failure to either maintain or share security-camera footage.

Cookies is one of the best-known cannabis brands in the country. The company's website informed users that its "temporarily closed."

Source: *MJBizDaily*

### New York Regulators Raid Unlicensed Marijuana Stores, Enact New Rules



New York regulators began seizing products and issuing violations as part of a statewide initiative to rein in unlicensed marijuana operators in one of several new developments aimed at jump-starting sales in the state's adult-use market.

Governor Kathy Hochul announced a multiagency enforcement effort and the first product seizures in New York City. Seven stores were issued violations for selling unlicensed marijuana products and ordered to cease operations and face up to a \$10,000 daily fine.

Source: *MJBizDaily*

### CBD Products Face New Regulatory Pathway as Market Booms

The FDA believes a new pathway for cannabidiol products is needed to protect consumer safety given CBD's inherent risk profile and the limited risk management options that exist under the current food ingredient and dietary supplement pathways.

The administration plans to collaborate with Congress to create a harm reduction approach to potential regulatory pathways for cannabidiol products.

An FDA spokesperson said part of their approach will establish basic oversight measures to prevent contamination across standards and manufacturing practices. Other safeguards could include clear labels, CBD content limits and measures to prevent child ingestion.

Source: *Bloomberg Law*

## Litigation

### Medical Marijuana Company Better Sues InterCure for \$35 Million

Medical marijuana company Cann Pharmaceutical, also known as Better, filed a countersuit against InterCure and its management team seeking \$35 million in damages.

Tel-Avis-based Better claims InterCure misrepresented facts, negotiated in bad faith and exerted pressure to transfer commercial materials which damaged production capabilities and harmed the company's customers, assets and means.

The suit came four months after InterCure terminated its proposed \$35 million acquisition of Better because the Israeli company failed to bridge differences.

*Source: MJBizDaily*

### Lawsuit Accuses California Cannabis Grower Glass House of Illicit Activity



In a complaint filed June 6 in Los Angeles County Superior Court, 562 Discount Med, which does business as Catalyst, alleged that Glass House "knowingly is entering into illicit sales—both inside and outside California."

The suit claims Glass House does this by selling marijuana in the legal market as well as through a network of what it calls burner distros, which are licensed distributors set up to be briefly used as conduits for legally grown cannabis to enter the illicit market.

When asked, a spokesperson for Glass House Brands said the company was unaware of the lawsuit.

*Source: MJBizDaily*

### DEA is Being Sued by a Former Agent who was 'Wrongfully Terminated' Over CBD use

A former DEA agent is taking the agency to federal court after he was fired for testing positive for THC that the agent attributes to legal hemp-derived CBD oil he took for pain relief.

After 15 years as a special agent at DEA, Anthony Armour was terminated in 2019 following a random drug screening that tested positive for THC. Armour told the agency he believed the result was related to CBD oil he'd been using as an opioid alternative. He also voluntarily gave the DEA the product he was using.

The lawsuit is now before the U.S. Court of Appeals for the Federal Circuit, where Armour is seeking a reversal of the charge and reinstatement at DEA.

*Source: Marijuana Moment*



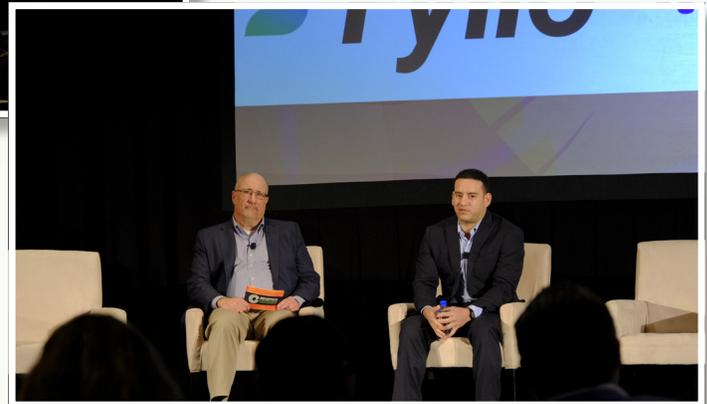
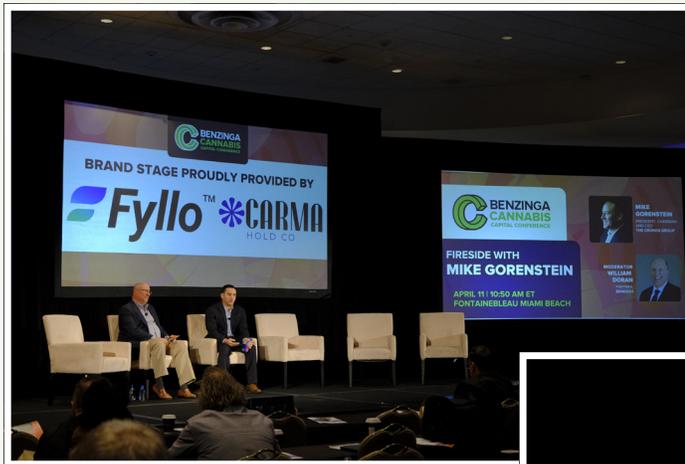
We are pleased to share that Benesch has been ranked nationally in Cannabis Law by Chambers USA 2023. Additionally, Bryna Dahlin, Chair of Benesch's Cannabis Industry Team, received a nationwide ranking in Chambers USA 2023.

Chambers publishes a leading guide to the legal profession and has built a reputation for in-depth, objective research. Chambers ranks lawyers and law firms on several factors and considerations, all of which are investigated by a team of more than 200 researchers.

## 2023 Benzinga Cannabis Capital Conference

The Benesch Cannabis team was proud to support and attend the 2023 Benzinga Cannabis Capital Conference at the Fontainebleau Miami Beach. Among the conference’s highlights, Partner Bill Doran moderated a fireside chat with Mike Gorenstein, Chairman, President and CEO of The Cronos Group, a global cannabinoid company focused on building brands by utilizing disruptive intellectual property. They discussed the opportunities and perils presented by the cannabis industry’s current down cycle, how naturally derived cannabinoids and alternative production methods fit together in the overall industry and Cronos’ strategy to maximize return for shareholders.

The two-day event also included keynote sessions from Twitter, Uber and Trulieve, more than 50 educational sessions for brands and investors, and over 3,000 meetings among some of the biggest names in cannabis to facilitate deals to push the industry forward. The conference was the largest event ever put on by Benzinga, with more than 2,500 registrants—a 20% increase from 2022.



Pictured: (Left) Bill Doran, Benesch and (Right) Mike Gorenstein, The Cronos Group

**For more information regarding our Cannabis Industry practice please contact:**



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