

# Cannabis Client Alert - Week of April 5, 2021

April 7, 2021

## In this week's edition:

- New Mexico passes legalization bill; Minnesota and Rhode Island consider next steps
- US Senate poised to move on federal cannabis legislation despite President's hesitation
- KushCo and Greenlane announce major merger
- NYPD memo says smoke, scent no longer probable cause for stops or searches
- Synthetic cannabis research gains momentum

## Federal

Schumer says Senate will act on cannabis legislation with or without Biden. Senate Majority Leader Chuck Schumer (D-NY) is working on federal cannabis reform legislation with Sens. Cory Booker (D-NJ) and Ron Wyden (D-OR). "The legalization of states worked out remarkably well," Schumer commented in a *Politico* interview. Regarding the President, he stated, "I want to make my arguments to him...But at some point we're going to move forward, period." That may be necessary given our next two news items.

Biden's opposition to legalizing cannabis "has not changed," according to the White House Press Secretary. While decriminalizing possession, legalizing medical cannabis, expunging prior cannabis crimes and modestly rescheduling the plant all reportedly have the President's support, full legalization has not been endorsed. On top of that, the administration fired or penalized numerous staffers who admitted to prior cannabis use, drawing bipartisan criticism and a letter signed by 30 congressional Democrats urging that prior cannabis use no longer be used to disqualify people from serving in the federal government.

Cannabis is not a priority for the Office of National Drug Control Policy this year. The Office of National Drug Control Policy (ONDCP) released the "Biden-Harris Administration's Statement of Drug Policy Priorities for Year One" and it does not even mention cannabis. Synthetic opioids, cocaine and methamphetamine are named as major threats, and priorities include expanding access to evidence-based treatment, prevention, harm reduction, racial equality in drug policy, and advancing recovery-ready workplaces.

## States

IA - Iowa residents, by a margin of 51 to 43 percent, favor legalizing "the recreational use of marijuana in the state,"

according to a March 2021 poll of about 700 people. Republicans were more likely than not to oppose legalization, 62 to 32 percent, but among Democrats, third-party and unaffiliated respondents, and all age groups under 65, more respondents were in favor than opposed. The survey was part of an annual telephone-based public policy poll conducted by Sioux City, IA-based Morningside College.

MN - Minnesota's state House of Representatives will vote on a cannabis legalization bill next month, according to House Majority Leader Ryan Winkler (D), who sponsors the legislation. The bill would allow adults 21 and older to purchase and possess up to 1.5 ounces and cultivate up to eight plants. But significant challenges to the bill are expected in the state's Republican-controlled Senate.

MO - Weekly medical cannabis sales in Missouri topped \$2 million on March 19, following four weeks of similar sales. Missouri's medical dispensaries opened in October 2020, less than two years after the state approved medical cannabis in 2018.

NE - Medical cannabis legalization advanced in the Nebraska Legislature, passing out of the unicameral institution's Judiciary Committee and sending it for vote by the full body. However, Governor Pete Ricketts (R) is expected to veto any medical cannabis bill that passes.

NM - New Mexico has legalized adult-use cannabis, which will take effect in April 2022. The new law will allow adults aged 21 and older to purchase up to two ounces of flower, plus additional extract and edibles, and to possess more at their private residence. The law also permits personal-use cultivation, allows for consumption rooms and provides for expungement of offenses. Excise taxes will be 12 percent in the first four years and then gradually increase to 18 percent by fiscal year 2031.

NY - An NYPD memo directs police officers not to stop New Yorkers smoking cannabis in public, and declares that the smell of cannabis "no longer establishes probable cause" to search a vehicle or to detain a parolee, unless the terms of parole prohibit use. While smoking or vaping inside of a car remains prohibited, and officers may search a vehicle if the driver appears under the influence, the trunk cannot be searched without another justification. The memo comes on the heels of the state's legalizing adult use.

RI - Rhode Island lawmakers held a first hearing on two competing proposals for cannabis legalization. Home cultivation and local opt-out are the major differences between the two. Democratic Governor Daniel McKee's plan permits localities to opt out of all license types, while the state Senate's plan only has opt out-for sales. Only the Senate's plan permits home cultivation. Tax rates under each would be roughly 20 percent.

VA - Virginia Governor Ralph Northam (D) proposed to make cannabis possession legal as early as July 2021, rather than three years later. Northam proposed changes to the recently passed law, which permits adult-use sales beginning in 2024. Also proposed were budget amendments to help law enforcement address drugged driving, as well as an amendment to protect union organizing in the cannabis sector.

## Hemp/CBD

Rand Paul reintroduces HEMP Act. Sen. Rand Paul (R-KY) reintroduced a bill to raise the THC limit for hemp to 0.75, instead of 0.3, percent. According to the Senator's summary of the proposed Hemp Economic Mobilization Plan (HEMP) Act, "THC content of hemp plants is significantly impacted by environmental factors, which farmers cannot control," whereas hemp processors can control the THC content of their derived products. The USDA final rule, which took effect recently, states that farmers do not commit a "negligent violation" if their plants test under 1.0 percent, but that any plants over .03 percent must be destroyed or remediated.

# International

Mexico - The Mexican Senate has reached an agreement that it will, by April 30, approve new cannabis regulation, according to the President of the Senate's Executive Board, Eduardo Ramirez. That is the deadline set by the Supreme Court, which in 2018 deemed the personal use and cultivation ban unconstitutional.

United Kingdom - The UK's National Health Service just launched a cannabis patient data registry. Though proponents' view this as a step towards normalizing evidence-based medical discussion about cannabis, there are concerns over the low numbers of participants anticipated and the fact that it will not contain data from the private sector, which has ten times as many patients prescribed cannabis.

Switzerland - Adult-use supply chains in Switzerland are developing under draft regulations issued and recently updated by the Swiss Federal Office of Public Health (FOPH). "Pilot schemes" allowing legal production, importation and distribution to registered users, are permitted with the express purpose of developing scientific knowledge, such as the socioeconomic effects of legalization, and can last up to five years, with a possible two-year extension.

# Business

KushCo and Greenlane - A merger of KushCo Holdings (KSHB) and Greenlane Holdings (GNLN) was announced last week, combining two of the largest makers of cannabis accessories and child-resistant packaging. The all-stock transaction gives a slight majority of ownership, 50.1 to 49.9 percent, to Greenlane's shareholders. KushCo co-founder and CEO Nick Kovacevich will be the CEO of the combined company, and Greenlane's Bill Mote will be its CFO. The merger's closing is planned for second or third quarter.

YouTube - YouTube relaxed its content guidelines on recreational drugs, allowing content creators to monetize and earn ad revenue from content that focuses on the purchase, fabrication or distribution of drugs in an educational or "non-glorified" way, such as "news reports about cannabis farms." Also, while advertisers previously had to "opt in" to connect with certain videos featuring recreational drugs, the new policy reportedly uses ads from all advertisers by default. However, more graphic or less educational content is still restricted—for example, no monetization is permitted for videos that focus on "making selling or finding of drugs...in a graphic and detailed way," or that provide "how-to guides" on consumption and effects.

Parallel, an Atlanta-based cannabis company, recently took a big step into the Illinois adult-use market, acquiring six Windy City Cannabis dispensaries in a cash and stock deal valued at more than \$100 million. Parallel, founded by chewing gum heir William "Beau" Wrigley Jr., has more than 40 retail stores, as well as cultivation and manufacturing facilities, in four other states. Parallel's announcement emphasized social equity, noting that 40 percent of its leadership team consists of female and minority representation. Together with a previous transaction with Curaleaf, this deal unwinds Windy City Cannabis, an early player in the Illinois market.

# Medical/Health

Synthetic Cannabis Research - "Godfather" of medical cannabis research Raphael Mechoulam (who discovered the endocannabinoid system in 1988) is making news again with his research on cannabis-derived acids. These acids are more potent, but also more unstable, than the cannabinoids present after the plant dries. Synthesized molecules developed in Mechoulam's lab may offer promising medical treatment, and could attract funding from pharmaceutical companies into the medical cannabis space.

# Dentons Speaks

Gov. Howard Dean, Eric Berlin, David Quam and Ashley Bell at Dentons hosted a webinar on policymaking this week. Available on YouTube, “How to Take Advantage of and Shape Opportunities in the Cannabis Industry Through Government Relations” addresses how to productively understand the role of governors, local governments and the banking sector on issues such as taxation, social equity, vertical integration, and transferability of licenses, among other topics.

Please click [here](#) for more information on Dentons’ US Cannabis group.

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