



PROGRAM MATERIALS

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New Jersey - From Dream to Reality: Getting Your Cannabis Business Ready for Operation

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2021 Cannabis Update

Presenters : Nikolas Komyati and Dan Roda

Overview

TODAY'S DISCUSSION

-  Legalization in New Jersey
-  Legalization efforts in the Federal space

New Jersey

February 22, 2021 | The State of New Jersey legalizes cannabis

- 21+
- Up to 6 ounces
- Purchase and sale at state-licensed dispensaries
 - Months to a year away?
- No Home Grow for medical patients
 - NJ is only legal state to disallow
- Penalties for users under age 21

New Jersey

Focus on Social Justice

➤ ACLU-NJ executive director Amol Sinha said:

"Our state's cannabis laws can set a new standard for what justice can look like, with the removal of criminal for possession and an unprecedented portion of revenue dedicated to addressing the harms wrought by the drug war This is a new beginning – and the culmination of years of advocacy – and we must keep in mind that it is only the start ."

New Jersey

Licensing and Next Steps

- six license classes established, timing of applications TBD
- Estimated to be \$2 billion business in NJ
- NJ Cannabis Regulatory Commission issued regulations and award licenses expected to be issued in next few months
- Legal sales estimated to begin 2022
- 25 cultivation licenses up for grabs
- No cap on retail, delivery, etc.,
- No cap on microlicenses
 - Can convert to full scale in feb 2023
- Current medical dispensaries may offer recreational sales sooner
- 12 earmarked for existing medical dispensaries

New Jersey



Decriminalization and Penalties for Under 21

- Special Rules for those under the Age of 21 who possess any amount of marijuana, hashish, cannabis, or alcohol in any public place.
- New Framework:
 - **First offense** . written warning, which must include the person's name, address, and date of birth, but the warning shall not be provided to the individual's parent or guardian.
 - **Second offense** . written warning, and also provide the person with informational materials on community drug treatment services. For individuals under the age of 18, the officer shall provide the individual's parent or guardian with copies of the warnings issued for both the first and second offenses.
 - **Third or subsequent offense** . written warning and again provide the individual with information on community drug treatment services. If the individual is between 18 and 21, then the officer shall provide notice of the written warning to the community drug treatment program; if the individual is under 18, then the officer shall again provide the juvenile's parents or guardian with a copy of the written warning.

New Jersey



Decriminalization and Penalties for Under 21

- Officers are prohibited from engaging in the following conduct if the individual is under 21, regardless of whether the officer intended to do so, and may be charged criminally with depriving the individual of their civil rights:
- Officers shall not ask an individual under 21 for consent to search the person to determine a violation of that crime. (However, if the individual is over 18 and the officer reasonably believes that other criminal activity is afoot, the individual may grant consent to search).
 - The odor of marijuana, hashish, or alcohol no longer constitutes reasonable articulable suspicion to initiate a stop of an individual under the age of 21, nor does it provide probable cause to search the person's personal property or vehicle
 - unconcealed possession of an alcoholic beverage, marijuana, hashish, or cannabis item in violation of N.J.S.A. 2C:33-15(a)(1) that is observed in plain sight shall not constitute probable cause to initiate a search of an individual under the age of 21
 - An individual under 21 shall not be arrested, detained, or otherwise taken into custody except to the extent required to issue a written warning or provide notice of violation to parent/ guardian
 - Additionally, officers must activate their body worn cameras and keep them on throughout the entire interaction when responding to a violation or suspected violation

New Jersey



Decriminalization and Penalties for Under

21

- NJ Attorney General Orders Marijuana Cases to be Dropped Following Legalization Bill Signing:
 - The state's attorney general directed prosecutors to drop cases for cannabis-related offenses and issued separate guidance for police on how to proceed under the updated laws.
 - Prosecutors should stop pursuing cases for certain marijuana conduct that took place prior to the signing of the legislation on February 22, the new notice states. Law enforcement agencies were separately informed about what marijuana activity has been made legal and the revised penalties for youth possession and cannabis distribution.

Federal Efforts

Federal Efforts

Status of Legalization Efforts

- Weed stocks rallied after Joe Biden was elected president in November, and then again in January after Democrats secured the Senate majority with two victories in the Georgia runoff election.
- Investors cheered the results, believing that Democrats would take actions to legalize cannabis at a federal level, following votes in November to allow recreational weed in Arizona, Montana, New Jersey and South Dakota. They joined 11 other states that had already legalized pot.
- Senate Democrats promised sweeping legislation that would end the federal prohibition of marijuana and an end to the war on drugs.
- *“Ending the federal marijuana prohibition is necessary to right the wrongs of this failed war and end decades of harm inflicted on communities of color across the country,”* wrote Senate Majority Leader Chuck Schumer of New York, along with Sens. Cory Booker of New Jersey and Ron Wyden of Oregon, in a statement on Feb. 1.
- Aphria CEO Irwin Simon told CNBC that he expects marijuana to be legalized in the U.S. within the next few years, but said it could happen sooner in places like Germany and Portugal.
- To date not much traction at federal level which complicates state run efforts. Banking still an issue.

Federal Efforts

Marijuana Opportunity, Reinvestment and Expungement (MORE) Act

- Pass U.S. House on Friday, December 4, 2020
- Prior to the bill's approval in a 228 to 164 vote, Republican lawmakers spent days criticizing their Democratic counterparts for even bringing the legislation to the floor.
- Would federally (and retroactively) deschedule marijuana, and those with prior convictions would have their records expunged.
- Despite the unprecedented House victory for reformers, few believe the legislation stands a chance in the Senate, at least before the end of the current Congress early next month.
- Vice President Kamala Harris was the lead sponsor of the Senate companion version of the bill.

Federal Efforts

SAFE Banking Act

- Originally came to Congress in May of 2017 under sponsorship of Sen. Jeff Merkley (D-OR) and Rep. Ed Perlmutter (D -CO): never received a full vote of hearing
- It was again reintroduced to the House of Representatives by Rep. Perlmutter and Rep. Denny Heck (D -WA) on March 7, 2019.
- Bill was referred to the Judiciary and Financial Services Committees of the House, and they voted 45 - 15 to advance the bill to a full House vote. This was stalled in the house but pushed forward by a bipartisan group of attorneys from 33 states and 5 territories.
 - House Vote: September 25, 2019 – the House passed the SAFE Banking Act, 321-103
- Up Next: The US Senate – it has not yet been brought to the floor, but hopefully the shifting balance of Congressional power will bring the SAFE Banking Act to a vote.

Federal Efforts



SAFE Banking Act

- Purpose: meant to increase safety by ensuring access to financial services to cannabis related legitimate businesses and service providers and reducing the amount of cash at such businesses
- No adverse actions may be taken against a depository institution because they provided financial services to a cannabis -related legitimate business or service provider
- **Protections for Ancillary Businesses**
 - proceeds from a transaction involving activities of a cannabis -related legitimate business or service provider shall not be considered proceeds from an unlawful activity
- **Protections under Federal Law**
 - if they 're in a state that allows cannabis -related businesses, then they may not be held liable pursuant to any Federal law or regulation just for providing financial services or investing income derived from the financial service.
- **Requirements for Filing Suspicious Activity Reports**
 - comply with guidance issued by the Financial Crimes Enforcement Network
- **Guidance and Examination Procedures**
 - uniform guidance and examination procedures for depository institutions that provide financial services to cannabis related legitimate businesses and service providers
- **Annual Diversity and Inclusion Report**
 - Federal banking regulators need to issue an annual report to Congress containing data on availability of access to financial services for minority or women -owned cannabis -related legitimate businesses, and regulatory recommendations for expanding access to financial services for these.

Practical Advice for Cannabis Businesses

- Start putting corporate formalities in place sooner rather than later
- Build team
- Build local relationships
- Invest in community
- Lots of different areas, pick what suits best
 - Various license classes in NJ, maybe cultivation isn't for you
 - Focus on skillset you have curated, apply to industry
- You don't have to be a direct business, plenty of ancillary businesses to be involved with

Contact Us



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