

OFFICE OF CANNABIS MANAGEMENT PREVIEWS NEW ADULT-USE CANNABIS REGULATIONS

License Types, Authorizations Are Part of Regulations To Be Considered by the Cannabis Control Board at November 21 Meeting

Regulations Would Establish Rules for a Safer, Equitable, Consumer-Driven Market Focused on Small Businesses

If Approved by Cannabis Control Board, Proposed Package Enters 60-day Public Comment Period

The Office of Cannabis Management (OCM) is sharing a preview of the broader adult-use cannabis program regulations to be considered by the Cannabis Control Board during its November 21st Board Meeting. The preview focuses on activity authorized under seven adult-use cannabis license types. The broader regulations are designed to promote public health and safety, and establish an equitable, consumer-driven adult-use cannabis market to build upon the initial program regulations advanced earlier this spring.

The regulations will fully launch the adult-use program in New York by clarifying adult-use market architecture, defining activity allowed under each license type, setting out application criteria, establishing rules for enforcement of the regulations, and more.

Included in these regulations are rules for the following license types (delivery licenses will be handled in a future round of regulations):

1. Cultivation
2. Nursery
3. Processing
4. Distribution
5. Retail Dispensary
6. Microbusiness License
7. Cannabis Collective (Co-op)

New York is building the most accessible and inclusive cannabis market in the world, and these regulations will help ensure this industry offers a chance for independent operators to succeed. These licenses, as with all New York cannabis licenses, will be governed by New York's consumer-focused two-tiered market structure established by the state's cannabis law, the Marijuana Regulation and Taxation Act.

The structure, similar to the alcohol industry's structure in New York, separates supply (cultivation, processing, distribution) from retail. The regulations include prohibitions on

individuals having an interest in businesses across tiers. Essentially, if you operate or invest in a business on the supply side, you cannot also hold any interest in a retail business. This key principle of the law creates opportunity, opens the market to more potential players, and will help establish a diverse and equitable industry.

The regulations also outline criteria for identifying social and economic equity market participants and detail targeted opportunities for minority and women-owned businesses, service-disabled veteran-owned businesses, and distressed farmers as well as individuals from communities that were disproportionately impacted by the disproportionate enforcement of cannabis prohibition.

The regulations create a framework grounded in cannabis public health best practices, including keeping cannabis products out of the hands of youth, establishing product quality and safety guidelines, outlining employee training standards, and defining business security requirements to protect public safety. These regulations will also incentivize sustainable craft cannabis operations that protect against the harmful energy intensive or wasteful practices observed in other state cannabis markets. They also include requirements for the registered organizations that operate the medical program to establish a patient prioritization plan to maintain supply to the medical cannabis market including separate lines and product inventory requirements for medical patients if the registered organizations are to expand into adult-use.

Supply Tier Licenses:

Cultivation

1. The regulations create 5 tiers of cultivation licenses that are differentiated by light source. The allotted square footage per license ranges from 5,000 – 100,000 square feet.
2. The regulations incentivize sustainable cultivation practices and limited energy utilization including outdoor cultivation.

Nursery

1. Holders of this license will be allowed to sell immature cannabis plants and seeds to licensees, including to retail licensees but they cannot sell immature plants directly to consumers.
2. These license-holders will help New York pioneer future advances in cannabis science genetics

Processing

1. Acknowledging the potentially cost prohibitive nature of manufacturing cannabis products, the regulations create three types of license authorizations under the processing license to allow for more entry points into the market:
 1. Minimal processing (branding/packaging and labeling)
 2. Blending/infusing (Must have a Good Manufacturing Practices facility)
 3. Extraction (Must have a Good Manufacturing Practices facility)

Distribution

1. Holders of this license can distribute cannabis to an adult-use dispensary from a processor.

Cannabis Collective (Co-op)

1. In order to encourage more cooperatives in New York's cannabis market, the regulations allow for either cooperative association or traditional cooperative model so that these entities can receive investments.
2. The regulations also allow holders of this license to scale up their operation in proportion to how many members join with a minimum of five members required to get the license (not inclusive of investors).

Retail Tier License:

Retail Dispensary

1. The regulations provide specificity to the design of dispensary operations including all security and staffing requirements.
2. The regulations also provide dispensary operators with the additional authorizations to conduct delivery operations and to allow on-site consumption in approved locations.

Integrated License:

Microbusiness License

1. The regulations clarify activities authorized under this vertical license.
2. The regulations set the amount of canopy authorized to be utilized by a microbusiness license holder at 3,500 square feet indoor or 10,000 square feet outdoor.
3. The regulations also allow microbusinesses to have retail locations that are distinct from their cultivation and processing facility.

If the regulations are approved by the Cannabis Control Board (Board), they will be shared for a 60-day public comment period. The broader regulations will be made available to the public via the OCM website at least 24 hours before the November 21 Cannabis Control Board meeting.