

Cleveland firm offers cannabis insights as legalization looms

In early April, the U.S. House of Representatives voted to approve legislation that would decriminalize marijuana at the federal level and remove criminal penalties for certain cannabis-related offenses. The Marijuana Opportunity Reinvestment and Expungement Act, or MORE Act, would remove cannabis from the controlled substances list, giving states leave to set their own laws.

While Congress has unsuccessfully tried to pass such legislation before, the roadblocks to federal decriminalization are eroding, making it a matter of time before the substance is treated legally. A Cleveland-based collection of attorneys and consultants is preparing the wider cannabis industry for this inevitability.

Led by attorney Harry Bernstein, Verde Compliance Partners works with growers and processors on the registration of their businesses. Bernstein's team is comprised of senior-level specialists with decades navigating the complex bureaucracy around cannabis, alcohol and tobacco.

As a former general counsel in the beer and wine wholesale space, Bernstein knows contracts, franchise agreements, and state and federal licensing. His group of senior-level experts offers full-service consultation, pre-qualification analysis and ongoing support for clients readying their foray into a soon-to-be legitimate marketplace.

A subscription-based "evergreen plan" provides best practices on regulatory compliance, while one-time consultations keep owners apprised of constantly changing federal cannabis policies.

Whereas some groups combine cannabis compliance with similar work around alcohol, Verde is unique in its strict focus on marijuana, noted Bernstein.



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Highland Heights horticultural lighting and controls company PPF Tech's lighting in a greenhouse application. Owner and president Steve Stockdale has recommended Verde Compliance Partners to customers in need of cannabis regulation guidance.

"Companies will eventually be doing production over state lines, so Verde being at the bleeding edge of that is a good thing," Ickes said. "It's good to have that expertise coming out of Ohio. I don't know of any other consultants focused on federal decriminalization or federal-based licensure."

"These firms are getting people importer or exporter licenses, but aren't looking primarily at the application process," Bernstein said. "There are big international firms doing liquor work, but nobody is looking at cannabis from our standpoint."

Bernstein and co-founder/current director of permit services Dave Patton started Verde in March 2020. The emerging pandemic delayed their launch, although the founders kept a website and started reaching out to potential clients at that time.

Following an official unveiling in October 2021, officials knew the industry needed further education on federal cannabis regulation. Alongside cultivators, Verde guides ancillary entities — legal, financial and medical — through the morass of legalities around regulation.

Precision is key for any level of cannabis proprietor, noted Bernstein, as the federal government will apply a magnifying glass to details such as ownership changes and bonding issues. Trade

practice violations could mean a hefty fine from the Alcohol and Tobacco Tax and Trade Bureau (TTB), presenting scrutiny that most states don't have the resources to consider.

"Plus, the federal government will grandfather in state licenses when it reviews applications," Bernstein said. "There could be 50,000 state entities needing a permit, meaning you have to make sure all your T's are crossed and I's dotted."

'The iceberg under the water'

Another wrinkle for cannabis is the vertical integration of businesses that is currently illegal in alcohol distribution. In marijuana, owners often act as the grower, processor and dispensary. Whether such integration will be allowed federally is unknown, making meticulous record-keeping by cannabis entrepreneurs all the more vital, Bernstein said.

Although obstacles remain for nationwide decriminalization, 18 states along with Washington, D.C., have legalized recreational marijuana, while 37 states have legalized medical marijuana. Besides the MORE Act, a bipartisan bill introduced by U.S. Rep. Dave Joyce of Bainbridge Township and New York Democrat Alexandria Ocasio-Cortez seeks to purge criminal records surrounding non-violent cannabis offenses.

The Harnessing Opportunities by Pursuing Expungement (HOPE) Act would reduce states' costs for processing expungements, as well as automating the process and drawing on legal clinics to assist people in clearing their records.

Joyce has also proposed legislation around preparing the federal government for the forthcoming end to cannabis prohibition. The bipartisan bill would shorten the timeline for cannabis reform, ideally paving the way for more comprehensive reform down the line.

In May, Pennsylvania Lt. Gov. John Fetterman and Louisiana U.S. Senate candidate Gary Chambers voiced their further support for progressive cannabis laws. Fetterman even sold campaign T-shirts emblazoned with marijuana leaves prior to his victory in the Democratic U.S. Senate primary.

On the local front, an initiative to legalize adult-use cannabis in Ohio won't be on the November ballot. A legalization group instead struck a settlement with Republican lawmakers that could get the issue on the 2023 ballot, or even get it passed outright by the legislature.

Stow-based attorney James Ickes has been practicing law for 22 years, for the last six shepherding medical marijuana startups along the path of company formation, application and licensure. Congressional flirting with legalization makes Verde's early-day efforts around regulation crucial, considering issues including interstate commerce must be tackled now.

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Although Ickes is not directly associated with Verde, he envisions crossover between his work and that of the firm. With licensure differing by state, having an entity well-versed in those intricacies can boost a global cannabis market projected to grow to nearly \$200 billion by 2028, per a report published by Fortune Business Insights.

Ohio can be a long-term driver of hemp and hemp-based products, Ickes said. However, the end of prohibition will also see an exponential rise in marijuana consumption bars.

"Imagine no bars anywhere, and all of the sudden there are bars," Ickes said. "That's literally what's going to happen here. Because of prohibition and the stigma on cannabis, there will be a lot of folks who will want to try it. We call it the iceberg under the water for the industry."

Staying ahead of the game

Steve Stockdale, president and owner of Highland Heights horticultural lighting and controls company PPF Tech, has recommended Verde to customers in need of cannabis regulation guidance. As one of the few legal teams centered on turnkey regulatory compliance, the firm can be a boon to both large growers focusing on national distribution and local brands operating within a state or district level.

"It's natural that understanding the legal aspects of growing cannabis can be somewhat confusing to many professional growers," Stockdale said in an email. "People will require legal support in different ways, whether it's complying with federal and state tax laws, or distributing product over state lines."

Cannabis is an economic catalyst for states, Stockdale added. Last year, Michigan collected over \$111 million from the 10% adult-use marijuana excise tax. Legal cannabis farms, meanwhile, provide general cultivation and administrative jobs for urban and rural communities.

Stockdale said, "Cost reduction (of cannabis) through efficient operations will support bottom lines, while product differentiation and effective marketing will drive top-line growth. All the while, operations will need to adhere to local and federal regulations."

Verde is counting on this demand to continue as the nation inches closer to prohibition's endpoint. Advocating for the industry now will save clients grief and red tape later on, Bernstein said.

"States may get to set their own rules, but there will be federal oversight in place for public safety issues, revenue and social equity," he said. "You'll have work to do once decriminalization is passed, so put those practices in place now so you're not chasing your tail."



(440) 316-4660
info@verdecompliance.com

www.verdecompliance.com