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EXCLUSIVE: Can MSOs, Conditional Applicants Co-Exist In New York's Rec Cannabis Market?

Benzinga

Apr. 12, 2023, 03:44 PM



New York is a classic case of the road to hell being paved with good intentions, **Neil Kaufman**, managing member of **Kaufman McGowan PLLC**, a Long Island corporate and securities law firm, said as he kicked off a discussion on the Empire State's cannabis market

at **Benzinga Cannabis Capital Conference** Wednesday in Miami Beach, Florida.

After briefly recapping the tribulations of the New York cannabis market has witnessed since then-Gov. **Andrew Cuomo**'s historic signing of a recreational marijuana bill into law in 2021, Kaufman sought more insight from three panelists he welcomed to the stage at the Fontainebleau Miami Beach.

Matthew Bernardo, a president at **Housing Works; Ngiste Abebe**, vice president of public policy at **Columbia Care Inc.** (NEO: CCHW) (CSE:CCHW) (OTCQX:CCHWF) (FSE: 3LP); and **Brett Schuman**, a partner at **Goodwin Procter LLP**, shared their views on the challenges and opportunities of operating a cannabis business in New York City.

Are MSOs Being Left Out In NY? Cannabis multistate operators like **Curaleaf Holdings, Inc.** (CSE:CURA) (OTCQX:CURLF), **Cresco Labs Inc** (OTC:CRLBF) and Columbia Care, to name a few, owned almost all of the registered organization licenses in New York and were well-positioned as

medical marijuana operators to enter the new recreational market.

The companies have invested millions of dollars building facilities to become vertically integrated in the state. Yet the first retail licenses went to Conditional Adult-Use Retail Dispensary (CAURD) applicants as part of the so-called Seeding Opportunity Initiative, which sought for the state's first legal adult use cannabis shops to be operated by individuals who were most impacted by the enforcement of cannabis prohibition and those who have strong business backgrounds.

Columbia Care's Abebe said that state regulators need to make room for the registered organizations in the newly launched market, as they will bring much-needed balance within the market.

"There are a lot of things in the MRTA [Marihuana Regulation and Taxation Act], and in the regs that protect equity, that protect small businesses," she said. Many conditional cultivators are interested to know if these dispensary licenses can be turned on, as they don't have enough outlets to sell a product,

Abebe said, highlighting that's where prominent players can get credit.

"There are ways that our participation could be helping while still supporting the broader equity goals and other visions that OCM has for the adult use program," she said, adding that she hopes they will be granted the opportunity to join the market.

Challenges Outweigh Opportunities, At Least For Now: Speaking of opportunities, New York, as the second most populous state with adult use after California, is a huge one for those looking to invest in the space.

Unfortunately, investors' hands are tied down for now, Goodwin Procter's Schuman said.

In New York, "the challenges really outweigh the opportunity," he said, adding the market is currently "uninvestable."

Why? Schuman named two factors blocking progress: the burgeoning illicit market and the lack of ability to advertise products due to regulations.

"People that are complying with the rules view the market as too volatile," he said, adding that

"investors don't like the regulatory and legal uncertainty."

Moreover, there are only seven stores that legally operate in the market, compared to between 1,200 and 1,700 illegal stores, he said.

There's Still Hope: One of the seven legal operators is Housing Works, run by Bernardo, who said he is satisfied with how the business is going.

"We have a different viewpoint," he said. "We've been successful. We're profitable after 280e."

Bernardo added that OCM has been supportive during the whole process.

"I think there's a way that people can partner together," he said referring to the possible collaboration between MSOs and CAURD licensees.

"They [MSOs] still want the social equity to go forward," Bernardo continued. "You have 100 [CAURD licenses], let them go through, find a way for them to do it."