

INDUSTRY UPDATE:

2017 YEAR IN REVIEW & 2018 OUTLOOK

February 12, 2018

presented by:



COLE MEMORANDUM GUIDANCE EXTENDED UNDER COLORADO U.S. ATTORNEY

ENFORCEMENT PRIORITIES (8/29/13)

Preventing distribution of mj to minors	Preventing state-authorized mj activity from being used as a cover or pretext for the trafficking of other illegal drugs or illegal activity	Preventing revenue from the sale of mj from going to criminal enterprises and cartels	Preventing diversion of mj from states where it is legal under state law in some form to other states
Preventing violence and the use of firearms in the cultivation and distribution of mj	Preventing drugged driving and the exacerbation of other adverse public health consequences associated with mj use	Preventing the growing of mj on public lands and the attendant environmental dangers posed by mj production on public lands	Preventing mj possession or use on federal property

MARIJUANA STATUS IN U.S.



8

MED/REC

WA, OR, CA,
NV, CO, AK,
ME, VT, MA

21

MEDICAL

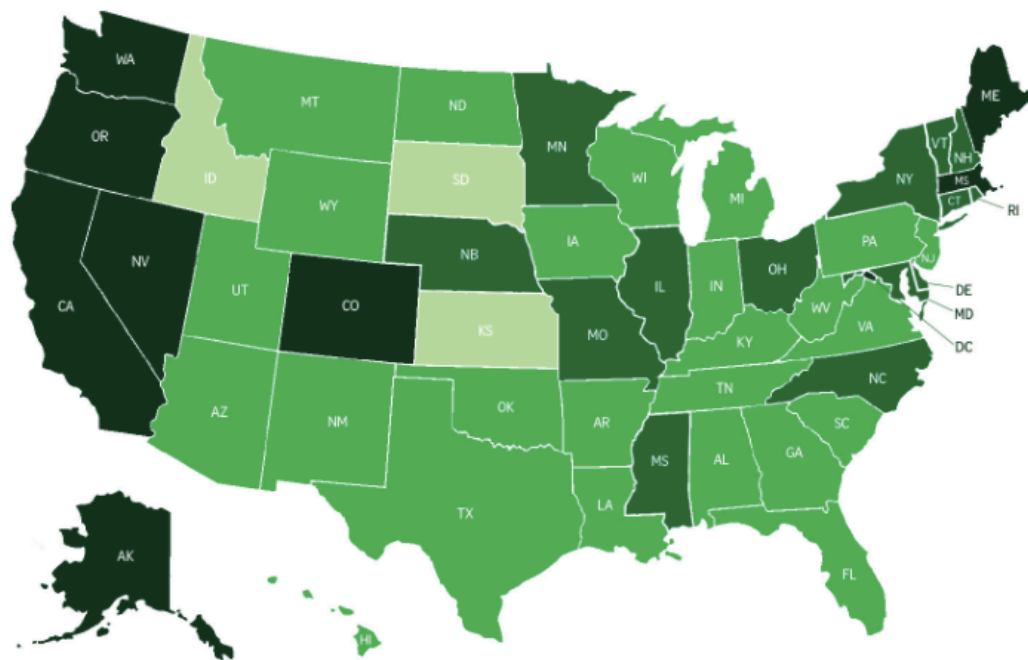
AZ, NM, MT,
ND, MN, AR,
IL, MI, OH,
WV, NH, NY,
CT, RI, PA, NJ,
DE, MD, IL, HI
+ DC

[3]

47 STATES IN THE U.S. HAVE SOME FORM OF PERMISSIVE MARIJUANA LAW

64% of Americans are in favor of legalization, bridging party lines & other demographic identifiers. – Gallup, Oct. 2017

MARIJUANA LAWS BY STATE



Legalized
Adults can purchase, possess and cultivate marijuana for personal use, whether medical or recreational.



Decriminalized
Typically means no arrest, prison time, or criminal record for the first-time possession of a small amount of marijuana for personal use. All of these states, excluding Nebraska, also allow medical marijuana and/or CBD use.



Medical/CBD Use Only
No state-level criminal penalties on the use of medical marijuana. Some of these states have CBD-specific laws, singling out the non-psychoactive component of marijuana.



Illegal
No active laws legalizing the use of marijuana.

Source: NORML.com

COLORADO ECONOMIC IMPACT



In 2017, Colorado regulated marijuana reported **\$1.5B in sales**, with **\$3B economic impact**.

Since legalization, Colorado legal sales have totaled \$4.5B.

Highlight	2017
State Sales Tax (2.9%)	\$30,536,901
State Retail MJ Sales Tax (15%)	\$131,512,817
Local Govt Distribution	\$16.2M
MJ Tax Fund	\$97.4M
Public School Fund	\$18.2M
State Retail MJ Excise Tax (15%)	\$71,965,027
School Capital Construction (BEST)	\$40.2M
Public School Fund	\$31.6M
License & Application Fees	\$13,353,728
Total MJ Taxes, Licenses, Fees	\$247,368,473

MARIJUANA TAXES REMAIN SIGNIFICANT & GROWING SOURCE OF STATE REVENUE

Department of Revenue Gross Receipts Realized (Net Collections) by Source

State Taxes (Sales, Use, Excise)	FY2016	FY2017
Sales	\$2.6B	\$2.7B
Highway Fuel	\$611.3M	\$629.8M
Use	\$243.8M	\$258.6M
Marijuana (combined)	\$141.3M	\$210.4M
Cigarette	\$162.4M	\$158.9M
Limited Stakes Gaming/Racing	\$116.9M	\$117.2M
Alcoholic Bev	\$44.1M	\$45.7M
Tobacco Products	\$38.7M	\$41.1M
Aviation Fuel	\$16.5M	\$23.9M
TOTAL	\$3.971B	\$4.2B

COLORADO LICENSEES

There are over 3000 licensed medical & retail businesses in Colorado.

Licensed Facilities	MEDICAL	RETAIL
Centers/Stores	503	518
Cultivation	751	722
Product Manufacturers	255	7
Operators	5	280
Testing Facilities	11	12
Transporters	8	10

Occupational Licensees	Licensed Individuals
Support	25,895
Key	11,866
Associated Keys (Owners)	1,620

39,381 direct jobs
from mj industry

AT A GLANCE



3000+ licensed medical
& retail businesses in Colorado.

523
PAGES OF
MED RULES

93,000+ patients in the medical mj registry
586 active recommending physicians
44 average patient age



39,381
Badged employees
& owners in MJ



12 Responsible
Vendor Programs

\$1.5B 2017 sales
economic impact **\$3B**

COLORADO: 2017 IN REVIEW

MED/REC HARMONIZATION

([HB17-1034](#))

Operator licenses & creation of a pathway for licensees to change locations/ municipalities



ESTABLISH MJ RESEARCH LICENSES

([HB17-1367](#))

Allows limited research to grow, cultivate, possess, & transfer mj by sale or donation: chemical potency & composition levels; mj-derived medicinal products clinicals; efficacy & safety of mj as part of medical treatment; marijuana-affiliated products or systems.



EXCLUDE MJ FROM FARM PRODUCTS DEFINITION

([HB17-1197](#))



TARGETING MJ ABUSES IN ILLEGAL MARKETS

([HB17-1220](#) & [HB17-1221](#))

Limit 16 plants for caregivers & provides grants to local law enforcement to support grey/black market enforcement



BEST FUNDING: TAX EARMARK FOR TECHNOLOGY

([HB17-1082](#))

Expansion of BEST funding to include technology.



COLORADO: 2017 IN REVIEW

EDUCATION-BASED LICENSES

(SB17-187)

Establishment Marijuana
Education-based
occupational licenses (w/
residency exemption)



MARIJUANA EDUCATION RESOURCE BANK

(SB17-025)

Med/Rec prevention &
education materials &
curricula; mj training for
teachers and school staff. Free
to school districts, charter
schools, and Boards of
Cooperative Educational
Services (BOCES).



RURAL CO SUSTAINABILITY

(SB17-267) exempts retail mj
from 2.9% state sales tax &
increases mj special sales tax to
15%. Allows mj dollars to be
disbursed to rural schools &
rural hospitals.



Mj BUSINESS EFFICIENCY

(SB17-192) Provides new
calculus for the mj average
market rate, creates new
categories for unprocessed mj
for extraction & remediated
product.



LOCAL SPECIAL SALES TAX

(HB17-1203)

Local government special
sales tax on retail mj if there
are no municipal sales taxes
on retail mj

COLORADO: 2017 IN REVIEW

ILLEGAL MJ ADVERTISING

[\(HB17-1034\)](#)

Makes solicitations of mj sales from online/print illegal.



MJ USE AS CONDITION OF BOND

[\(SB17-178\)](#)

Prohibition of court from requiring, as condition of any bond, that a person who possesses a valid registry identification card abstain from using medical mj.



SEAL MISDEMEANOR MJ CONVICTION RECORDS

[\(HB17-1266\)](#)

Allows for petition to seal criminal records if offense not a crime if committed on/after 12/10/12



ALLOW MEDICAL MJ FOR STRESS DISORDERS

[\(SB17-017\)](#)

Makes PTSD an accepted condition under the medical mj program



REPEAL GOVERNOR'S OFFICE OF MARIJUANA COORDINATION

[\(HB17-1295\)](#)



SIGNIFICANT PROGRAM CHANGES

NEW TESTING & SAMPLING PROTOCOLS



- Testing laboratory recertification
- Pesticide MDLs established
- Increased sampling
- Working towards statistical sampling model

15%

Retail mj special sales taxes increase & 2.9% sale tax exempted

AMR

Calculated quarterly, w/ new rates for unprocessed mj for extraction & remediated product



NEW PACKAGING & LABELING REQUIREMENTS

- Expanded public safety messages
- Hierarchy of consumer information
- Testing results
- Med/Rec universal symbol

LICENSE TYPES

- Center/Store
- Cultivation
- Product Manufacturer
- Testing Facility
- Transporter
- Operator
- **Medical R&D Facility**

ONGOING CHALLENGES

FEDERAL STATUS COMPLICATES CERTAIN ASPECTS OF OVERSIGHT

FINANCIAL LIMITATIONS

- Access to banking and merchant services
- 280E and Taxation

REGULATORY

- No single method of oversight as more states come on board under already complex models w/ med/ retail

RESEARCH & DEVELOPMENT

- Medical efficacy
- FDA & access challenges
- Pesticide use & scientific standards
- Impairment studies

SOCIAL

- Child welfare laws
- Deportation for immigrants seeking permanent residency
- Historical impact on persons of color & legal access

ENFORCEMENT REQUIRE MORE FOCUS ON ILLEGAL MARKETS

BASELINE DATA COLLECTION EVOLVING

- Hospital and police data is inconsistent prior to A64 – but improving
- As data collection improves, other factors (i.e., population growth) complicate analysis, particularly for driving impairment data
- Youth use is stable or decreasing since legalization

LEGAL VS. ILLEGAL MARKETS

- People abusing state laws to conduct illegal activity – confusing for enforcement & public awareness
- Diverting more enforcement resources towards local enforcement
- Illegal (not legal) markets are concern



COLORADO: 2018 INTRODUCED & ACTIVE BILLS

PUBLIC COMPANIES

(HB18-1011)

Allows publicly-traded owners.



TITLE 12 RECODIFICATION

(HB18-1023)

Relocates med/rec code to 44.



RETAIL MJ SALES TAX APPROPRIATION: SCHOOLS

(HB18-1101)



FDA CBD DRUG USE

(HB18-1187)

Prescription drugs containing CBD that are approved by FDA can be dispensed through pharmacies.



FIBROUS WASTE RECYCLING PROCESSOR REGISTRATION

(HB18-1133)

Allows processing facilities to recycle mj plant waste.



MJ DELIVERY PILOT PROGRAM

(HB18-1092)

Memo of Understanding: 3 municipalities; 15 licenses.



BILL FIXES: "AND/OR" & RTD/ SCFD/SPEC. DISTRICTS RMJ TAX

(SB18-105) to remove dual ISO & state certification requirements for labs & tax fix to allow collection of taxes that were accidentally removed (SB18-088)



RECLAIMED WATER USE FOR MJ CULTIVATION

(HB18-1053)

ONGOING LOCAL DISCUSSION



CITYWIDE INSPECTION PROCESSES

Revisit Omnibus and Moratorium to discuss 1000 sf distance requirements & clarify standards of denial

- Requested evaluation of citywide inspection processes to improve transparency and consistency/standards.
- Have been meeting with E&L and relevant departments to address. Improvements in identification of inspection checklists, access to anonymous feedback channels, and greater training have occurred. Discussions continue.
- Efficiencies to application process were also identified & improved.



SOCIAL CONSUMPTION

- Applications and licenses are slowed. Causes range from zoning requirements established in the rulemaking process to lack of financial incentives for businesses to apply.

DDPHE MARIJUANA ADVISORY GROUP

- Awaiting state outcomes for advancements to sample collection and testing protocols
- Advisory expressed interest in exploring impacts of additives (cannabis-derived cannabinoids and terpenes, as well as flavor additives)

SPOTLIGHT: MARIJUANA VS. HEMP

		
	HEMP	Marijuana
Cannabis?	Yes	Yes
Chemical makeup?	↓ THC	↑ THC
Psychoactive?	No	Yes
Cultivation?	Requires minimal care & Adaptable to grow in most climates	Grown in carefully controlled atmosphere
Applications?	Automobiles, body care, clothing, constructions, food, supplements, plastic, etc.	Medical & Recreational Uses

MINISTRY
OF HEMP

SPOTLIGHT: MAJOR CANNABINOIDS & APPLICATIONS

	CBD	CBD/ THC	CBN	THCa	THC- Indica	THC- Sativa	CBD	CBN	THC- Indica	THC- Sativa	CBD	CBN	CBC	CBD/ THC
ANALGESIC	+	+	+	+	+		+	+	+		+	+	+	+
ANTI-ARTHRITIC		+	+	+	+	+	+	+	+	+	+	+	+	+
ANTI-BACTERIAL	+	+					+				+		+	
ANTI-CONVULSIVE	+	+	+	+	+	+	+	+	+	+	+	+		
ANTI-EMETIC	+	+	+	+	+	+	+	+	+	+	+	+		
ANTI-EPILEPTIC	+	+	+	+	+	+	+	+	+	+	+	+		
ANTI-PROLIFERATIVE	+			+	+	+	+		+	+	+		+	+
ANTI-INFLAMMATORY	+	+	+	+	+	+	+	+	+	+	+	+	+	+
ANTI-SPASMODIC	+	+	+	+	+	+	+	+	+	+	+	+	+	+
APPETITE STIMULANT					+	+			+	+				
BLOOD SUGAR BALANCING	+						+				+			
ENERGY SUPPORT				+		+				+				
GASTROINTESTINAL RELIEF	+	+	+	+	+		+	+	+		+	+	+	+
IMMUNE SUPPORT	+	+	+	+			+	+			+	+		
NEUROPROTECTIVE	+			+			+				+			
NON-PSYCHOACTIVE	+	+	+	+			+	+			+	+	+	+
SLEEP SUPPORT	+	+	+	+	+		+	+	+		+	+		
STRESS/ANXIETY RELIEF	+	+	+	+	+	+	+	+	+	+	+	+		

Source: Mary's Medicinals

SPOTLIGHT: MAJOR TERPENOIDS & APPLICATIONS

A-PINENE

ANTI-INFLAMMATORY
BRONCHODILATOR
AIDS MEMORY
ANTI-BACTERIAL

also found in
pine needles



LINALOOL

ANESTHETIC
ANTI-CONVULSANT
ANALGESIC
ANTI-ANXIETY

also found in
lavender



BETA

CARYOPHYLLENE

ANTI-INFLAMMATORY
ANALGESIC
PROTECTS CELLS LINING THE
DIGESTIVE TRACT

also found in
black pepper



MYRCENE

CONTRIBUTES TO
SEDATIVE EFFECT OF
STRONG INDICAS
SLEEP AID
MUSCLE RELAXANT

also found in
hops



LIMONENE

TREATS ACID REFLUX
ANTI-ANXIETY
ANTIDEPRESSANT

also found in
citrus



ABOUT MARIJUANA INDUSTRY GROUP

- Marijuana Industry Group's is the oldest, largest, most diverse and most impactful group of licensed marijuana businesses in Colorado.
 - Advance safe policy and practice in Colorado on behalf of legal cannabis industry
 - Safe access to clean product for Colorado's patients, residents and visitors
 - Effective regulations advance a successful model
- MIG's mission is to advance appropriate legislation, regulation and implementation of Colorado's licensed cannabis program, which is the world's first example of taxed, regulated, legal cannabis.

MIG COLLABORATIONS/PARTNERSHIPS



Governor's Marijuana
Education Oversight
Committee



COLLABORATIONS



GENERAL EDUCATION ON BEHALF OF STATE AGENCIES

MARIJUANA
INDUSTRY GROUP

March 28, 2017

Senator Irene Aguilar
Colorado State Capitol
200 East Colfax Avenue, Room 346
Denver, CO 80203

Senator Aguilar:

We are writing on behalf of our membership to request that the Healthy Kids Colorado Survey funding be preserved. This funding is a necessity in identifying, understanding, and working to resolve public health challenges for Colorado's young populations. The data derived from the survey provides insights that inform the creation of extremely meaningful strategies, tactics and educational tools to allow public health professionals to better respond to youth challenges.

The survey methodology eliminates fear of judgment, punishment, or being ostracized. Therefore, the survey is predisposed to provide more accurate information. That's important, particularly as youth may struggle to otherwise vocalize their challenges related to substance and physical abuse, bullying and gender identity. These are serious issues that have serious consequences, including death and suicide. It would be a significant oversight to defund this study when it is one of the best tools we have to honestly address real youth issues.

At Marijuana Industry Group, we are using the survey data to identify vulnerable populations that may be susceptible to cannabis consumption before it is legal. We are working with grassroots community organizations and governmental agencies to develop strategies and tactics to educate youth about the risks of early cannabis consumption, and also working with dispensaries to disseminate educational information to parents. We couldn't do this effectively without the guidance of the Healthy Kids Colorado Survey.

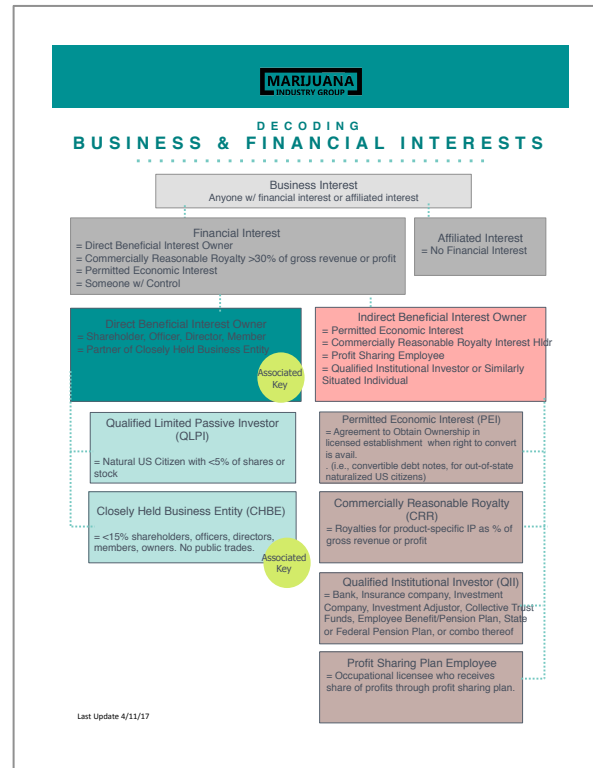
Defunding the study won't make youth issues disappear. It will just deprive public health officials of an important tool that makes them more effective. This survey does not replace the role of the family. It amplifies our collective ability to target issues in real time.

We respectfully request that you continue supporting the Healthy Kids Colorado Survey.

Sincerely,


Kristi Kelly
Executive Director
Marijuana Industry Group
kelly.k@marijuanaindustrygroup.org
720-550-0518

Marijuana Industry Group | 1700 Lincoln Street, Suite 1530, Denver, CO 80203



Marijuana Industry Group

Jan. 27, 2017

Industry Alert: MED Strictly Enforces Underage Sales Requirements

What Dispensary Staff Should Know: Vertical IDs are a **RED FLAG**

If you use a Vertical ID that indicates the patron is 21+, consider asking for an alternate form of ID Verification **at entry** to the Restricted Access Area and at the **point of sale**. Valid forms of age verification:

- ✓ Operators, chauffeur's or similar type driver's license, issued by any state within the U.S. or a U.S. Territory.
- ✓ Identification card, issued by the state for the purpose of proof of age using requirements such as those in sections 42-9-302 and 42-9-303, C.R.S.
- ✓ United States military identification card.
- ✓ Passport.
- ✓ Enrollment card issued by the governing authority of a federally recognized Indian Tribe located in the State of Colorado, if the enrollment card incorporates proof of age requirements similar to sections 42-9-302 and 42-9-303, C.R.S.

Penalties
Serving someone under 21 is a violation affecting public safety – the most serious category of violations. Penalties may include:

- License suspension
- A fine per individual violation
- A fine in lieu of suspension up to \$100,000 and/or license revocation, depending on the mitigating and aggravating circumstances.
- Sanctions may also include restrictions on the license.

Tips

- Consider a "no vertical ID" policy.
- Post a sign in the lobby and notify patrons on your website/social media page before they visit.
- Get an ID checking guide - It may be an affirmative defense to any administrative action brought against a Licensee for alleged sale to a minor if the minor presented fraudulent identification and the Licensee possessed an identification guide book issued with the past 3 years.
- Consider obtaining ID scanners and incorporating use of scanners into your policy.

MARIJUANA
INDUSTRY GROUP
marijuanaindustrygroup.org



THANK YOU.

CONTACT:

execdirector@marijuanaindustrygroup.org

www.marijuanaindustrygroup.org