

New York Cannabis Market Report

March 2022



Cannabis Business Consulting

Strategy – Compliance – Operations

Consulting for the Cannabis Industry

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- Project Management
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- Financial Planning
- Due Diligence
- Compliance & SOPs
- Operational Turnaround
- Market Research

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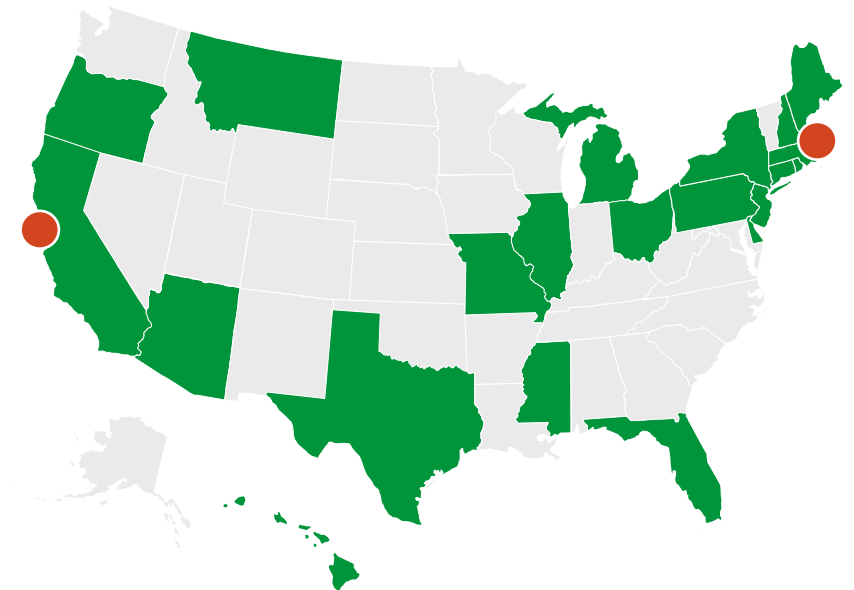


Ongoing Support



Competitive Rates

WHERE WE'VE BEEN

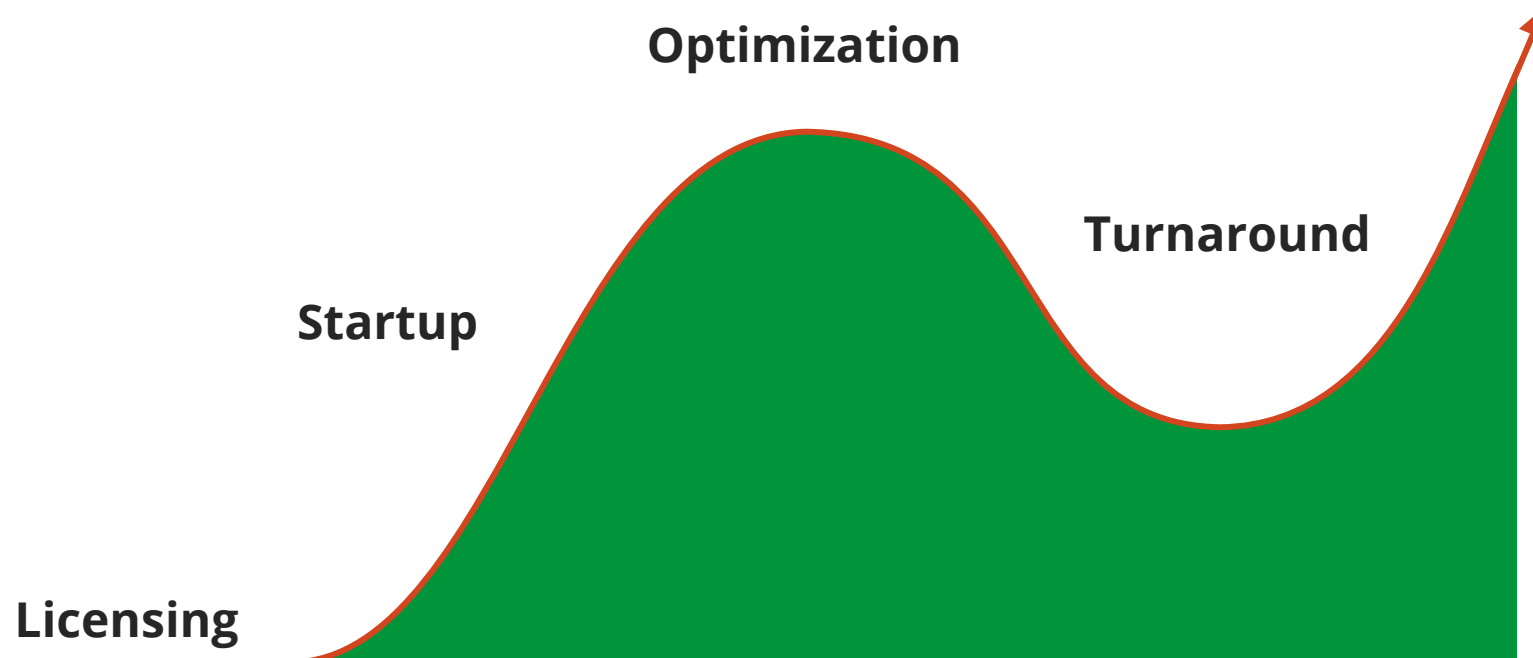


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 - Compliance
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To prepare this market update, Opus Consulting tracks publicly available data from the Office of Cannabis Management (the “OCM”) of New York on an ongoing basis.

Combining data analysis with deep business expertise and an extended network of industry relationships, our team identifies and captures cannabis business opportunities in New York and across the United States.

Please contact us for any questions or insights to complement this ongoing effort to make sense of the cannabis market.

Opus Consulting

Portland

Boston

San Francisco

Website: <https://opuscg.com>

Email: info@opuscg.com

Phone: +1 207 619 1899

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Our Perspective

Opus Consulting's Perspective

To our readers: Welcome to Opus Consulting's New York Market Report. Whether you are a reader of our Massachusetts and New Jersey reports or reading for the first time, we hope you enjoy it. Our goal is to educate our readers with the necessary information to become familiar and better understand New York's evolving market, but as many of you know, this is just the surface of what we provide.

*As always, reach out to either of us if you have any questions or would like to discuss the market.
- Connor & Jacques*

- While the first adult-use sale is not expected until early 2023, we project \$566M in adult-use sales across the Empire State in 2023 and around \$2.6 billion by 2027. As in Massachusetts and New Jersey, the licensing and local approval process might slow openings. Regardless, the New York market is especially attractive for the following reasons:
 - Proximity to Pennsylvania, New Jersey, and other neighboring states
 - The state is home to over 2.5 million annual cannabis consumers
 - Licenses will be available for retail, on-site consumption, and delivery
- To get ahead of the competition, it is critical to understand both the regional and state markets. We have gathered data from multiple sources and leveraged our analytic capabilities to provide a unique perspective on what will be a key opportunity in the Northeast in 2023.



Connor Yost, Partner
connor@opuscg.com



Jacques Santucci, President
jacques@opuscg.com

Source: NSDUH, Opus Consulting Analysis

While the adult-use market has not fully launched yet, there are plenty of factors that are cause for excitement

Key Figures

\$2.6B

Adult-use market estimate by 2027

2.5M+

Cannabis consumers in the last year

\$119.1M

2021 medical sales estimate

38

Medical dispensaries open as of March 2022

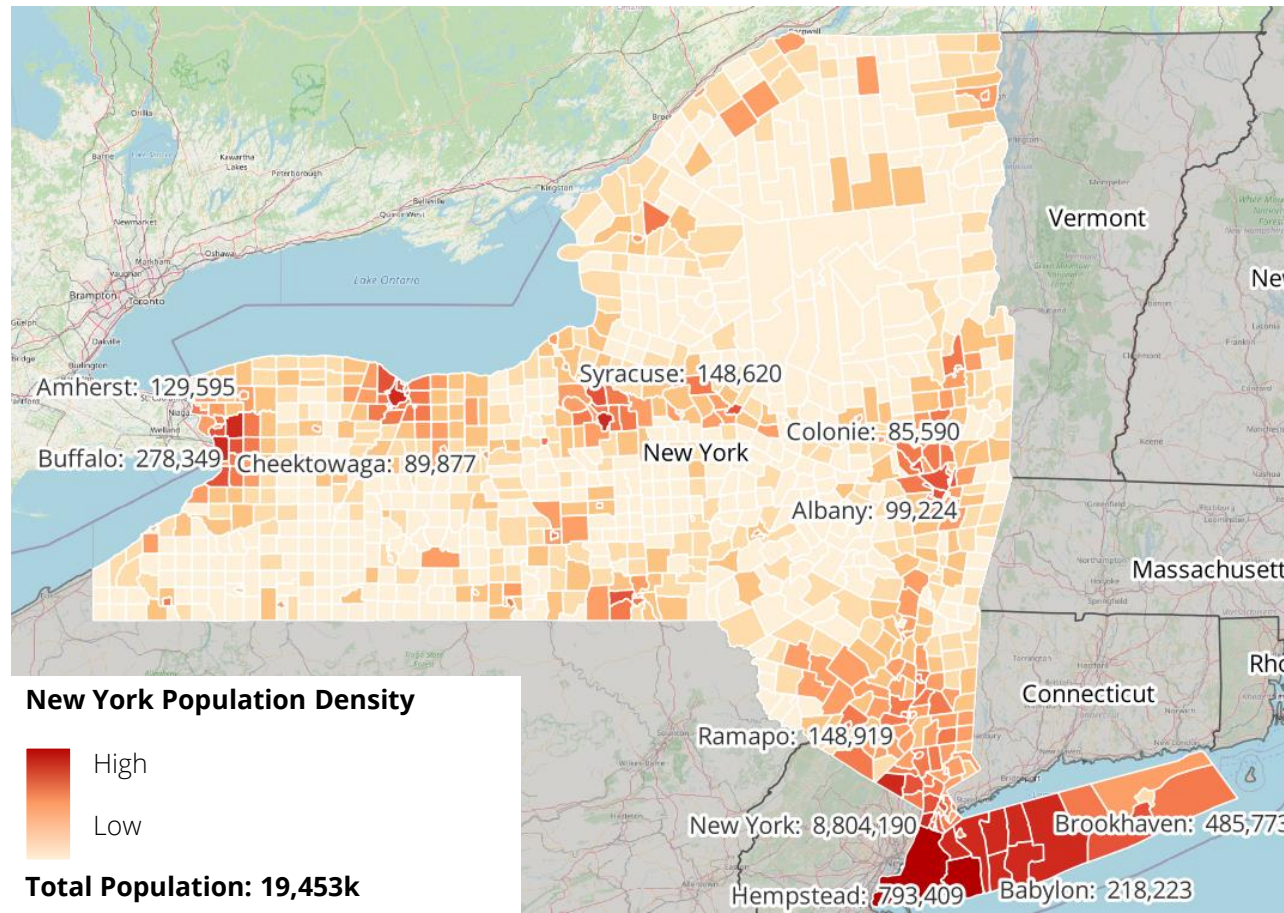
What to Expect and Recent Developments

- New York’s attractive market is home to over **19 million residents** and is highly touristed from around the United States and the world.
- Municipalities had a set deadline of **December 31, 2021**, to opt-in or out of allowing adult-use retail and/or on-site consumption businesses within their limits.
- **Sales tax** is set to begin at **13%**. 9% will be allocated to the state, while 4% will go to municipalities. Wholesale tax will be placed on flower, edibles, and concentrate sales and is dependent on the amount of THC in each sale.
- Currently, there are **no caps** on any license types in the adult-use market.
- **50%** of all licenses will be awarded to **social equity** applicants. The first **100 to 200 retail licenses** will be awarded to applicants with previous cannabis-related convictions.
- Governor Hochul and other New York government officials completed their nominations for the Office of Cannabis Management (OCM) and the Cannabis Control Board (CCB) in mid-September 2021. The CCB has been meeting monthly since October 2021.
- CCB members have estimated that initial adult-use **licensing regulations will be released** sometime in **May 2022**, with **applications opening in Q4 of 2022**.
- In February 2022, Governor Hochul signed a bill allowing current New York hemp farmers to receive conditional cultivation licenses to begin growing cannabis for the adult-use market.

Source: Office of Cannabis Management, Press Articles

New York Population Density

New York Population Density by Municipality



Largest New York Municipalities

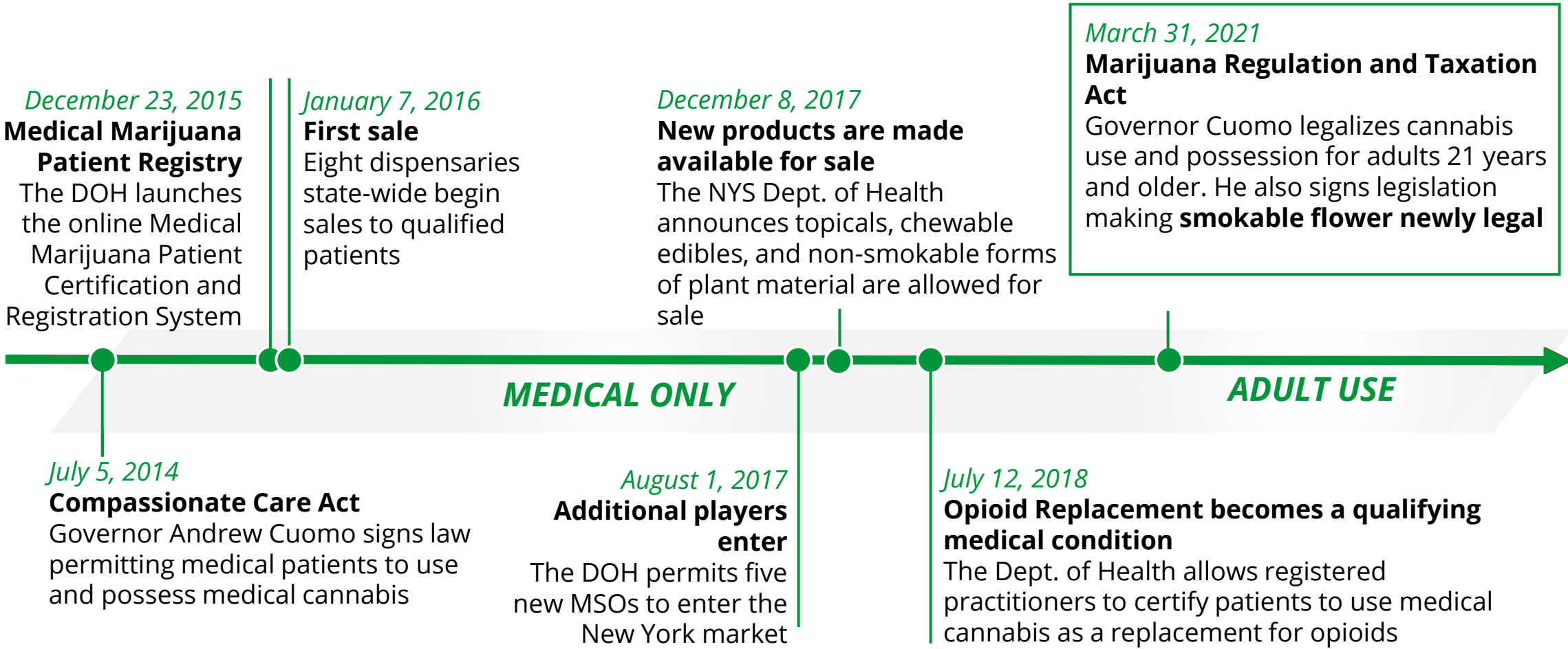
Rank	Municipality	Population	Cumulated
1	New York	8,804,190	45%
2	Hempstead	793,409	49%
3	Brookhaven	485,773	52%
4	Islip	339,938	54%
5	Oyster Bay	301,332	55%
6	Buffalo	278,349	57%
7	North Hempstead	237,639	58%
8	Babylon	218,223	59%
9	Yonkers	211,569	60%
10	Rochester	211,328	61%
11	Huntington	204,127	62%
12	Ramapo	148,919	63%
13	Syracuse	148,620	64%
14	Amherst	129,595	64%
15	Smithtown	116,296	65%
16	Albany	99,224	65%
17	Greece	96,926	66%
18	Greenburgh	95,397	66%
19	Cheektowaga	89,877	67%
20	Clarkstown	86,855	67%

Source: U.S. Census Bureau, Opus Consulting Analysis

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Introduction – Historical Overview

New York has legalized adult-use cannabis with the Marijuana Regulation and Taxation Act (MRTA), 7 years after the start of the MMJ program



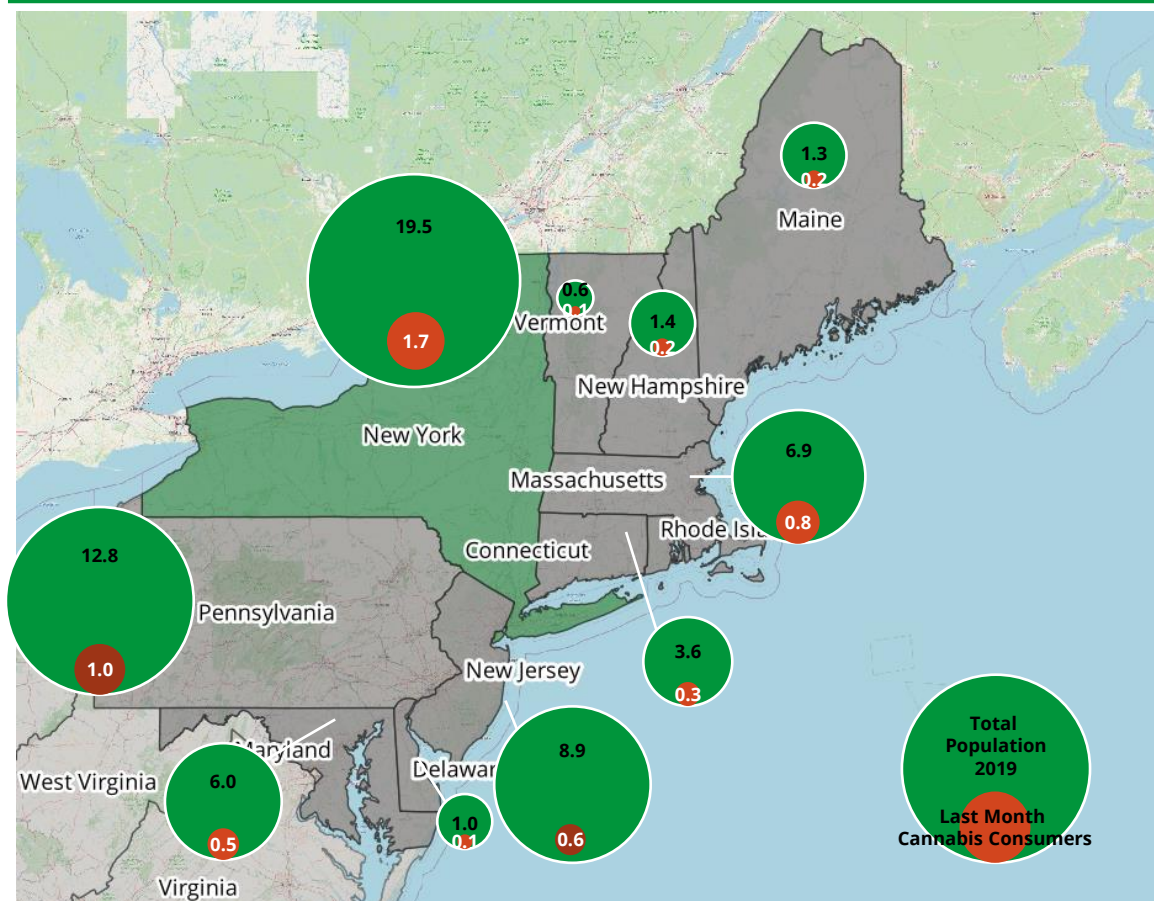
Source: New York State Department of Health, Office of Cannabis Management, Opus Consulting Analysis

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New York has 1.7M monthly consumers, not considering the proximity to NJ, PA, and the related out-of-state demand linked to tourism

Northeast Overview – Population & Cannabis Consumers



Key Figures by Neighboring State

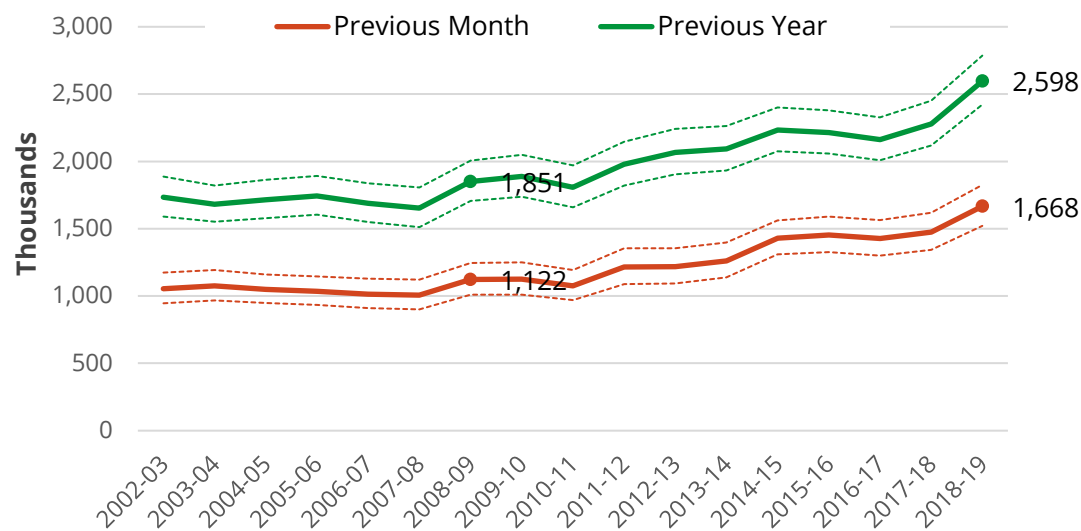
State	Population (in millions)		Est. Last Month Consumers 21+ (in thousands)
	Total	21+	
New York	19.5	14.7	1,668
Pennsylvania	12.8	9.7	983
Massachusetts	6.9	5.2	804
New Jersey	8.9	6.6	610
Maryland	6.0	4.5	509
Connecticut	3.6	2.7	344
Maine	1.3	1.0	190
New Hampshire	1.4	1.0	152
Rhode Island	1.1	0.8	128
Vermont	0.6	0.5	97
Delaware	1.0	0.7	92
Total	63.0	47.5	5,578

Source: NSDUH, SAMSHA (February 2021), U.S. Census Bureau, Opus Consulting Analysis

New York ranks 3rd in the number of monthly cannabis consumers in the US at 1.7 million; we expect a \$2.6B legal market by 2027

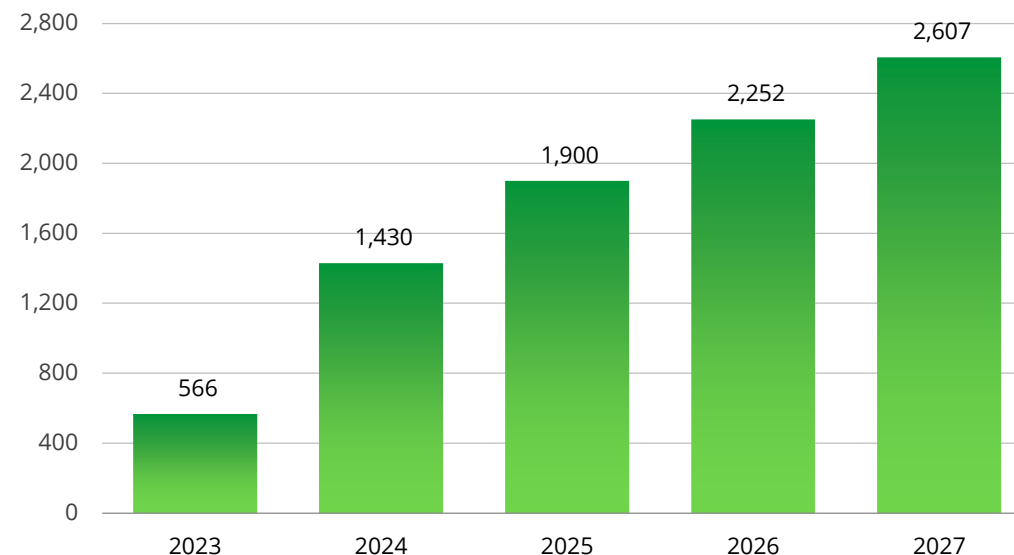
Number of Cannabis Consumers in New York

in thousands of consumers 21 or Older, Dotted lines represent 95% confidence intervals



Projected Legal NY Cannabis Market Size

in \$ million

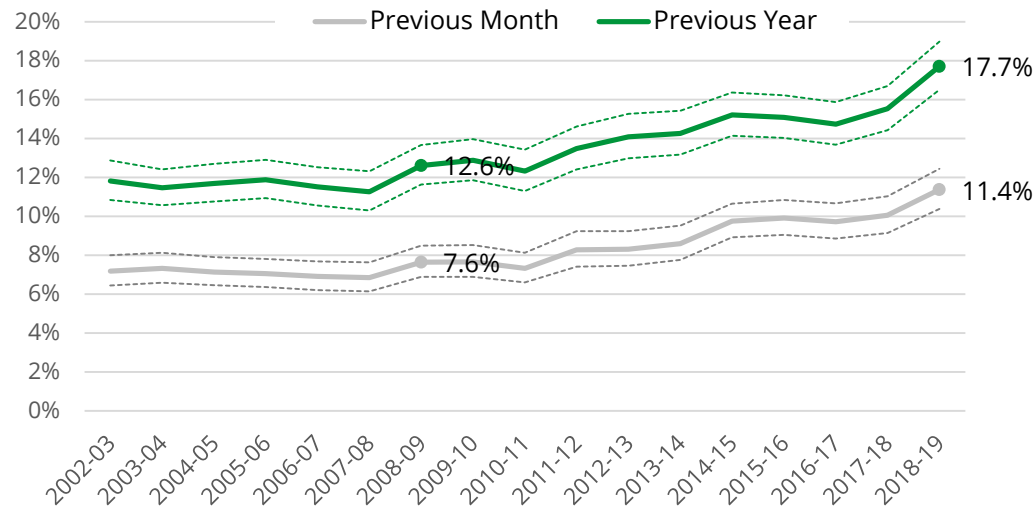


Source: "National Survey on Drug Use and Health", U.S. DHHS, SAMSHA (February 2021), U.S. Census Bureau

Consumption rates are higher than average, New York has more than 2.5M residents who consumed in the past year

Cannabis Consumption Rate in New York

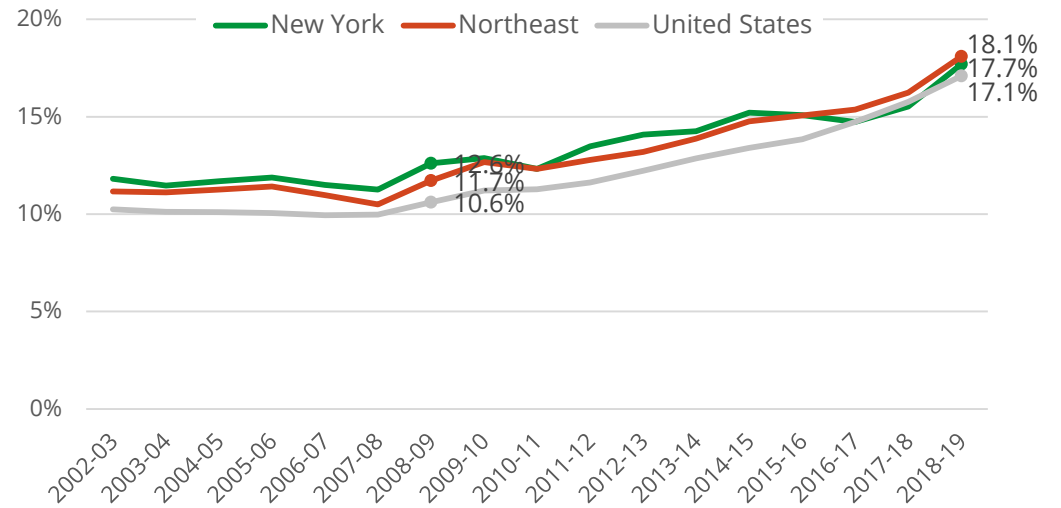
% of Population 18 or Older, Dotted lines represent 95% confidence intervals



Source: "National Survey on Drug Use and Health", U.S. DHHS, SAMSHA (February 2021), U.S. Census Bureau

Previous Year Consumption Rate in New York

% of Population 18 or Older



Source: "National Survey on Drug Use and Health", U.S. DHHS, SAMSHA (February 2021), U.S. Census Bureau

- With a past year use rate of 17.7%, New York ranks #18 among all U.S. states
- There is still substantial room for growth when compared to #1 Oregon (27.7%) and #2 Colorado (27.2%)

Source: "National Survey on Drug Use and Health", U.S. DHHS, SAMSHA (February 2021), U.S. Census Bureau

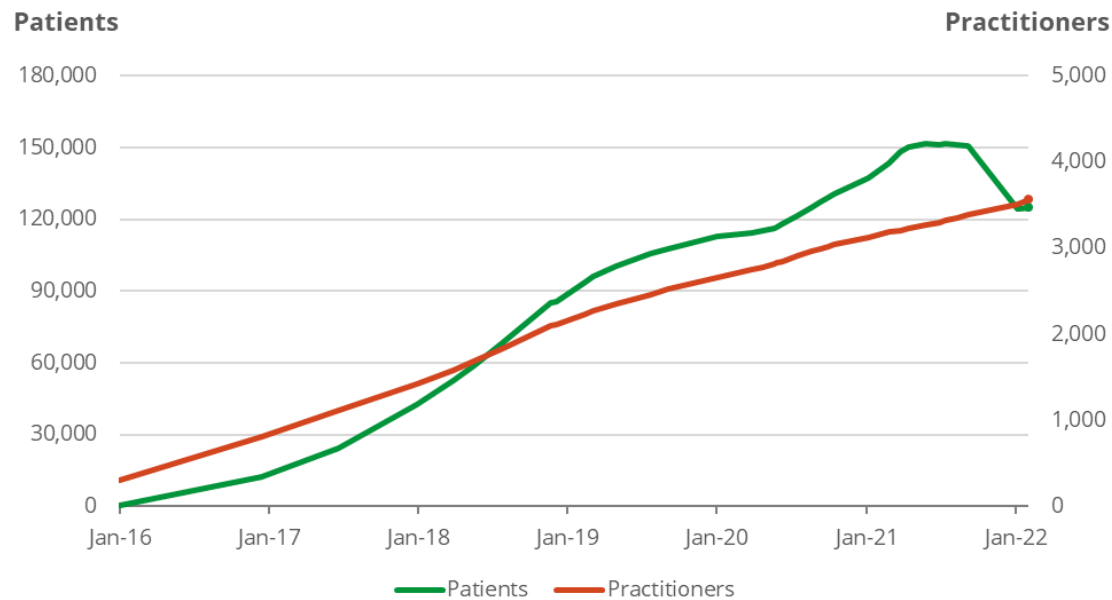
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Medical patient counts plateaued in 2021 and decreased into 2022, while medical sales continue to increase

New York Medical Patient Growth

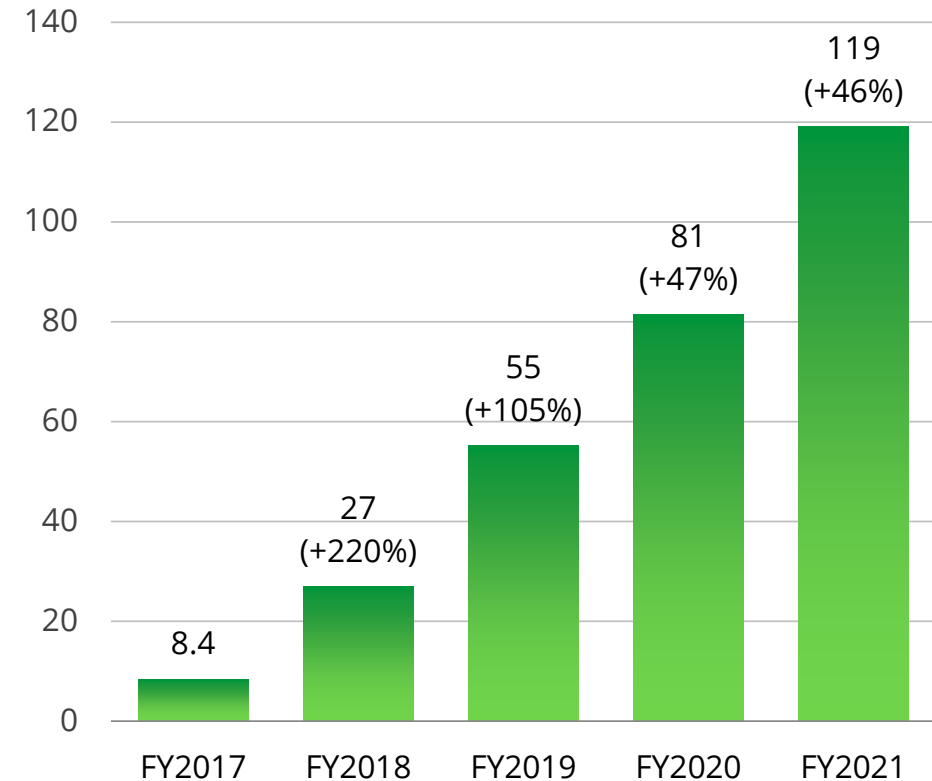
Annual patient and practitioner counts



- 125,045 patients as of March 1, 2022
- 3,568 practitioners as of March 1, 2022

Historical New York Medical Cannabis Sales

In millions (\$)

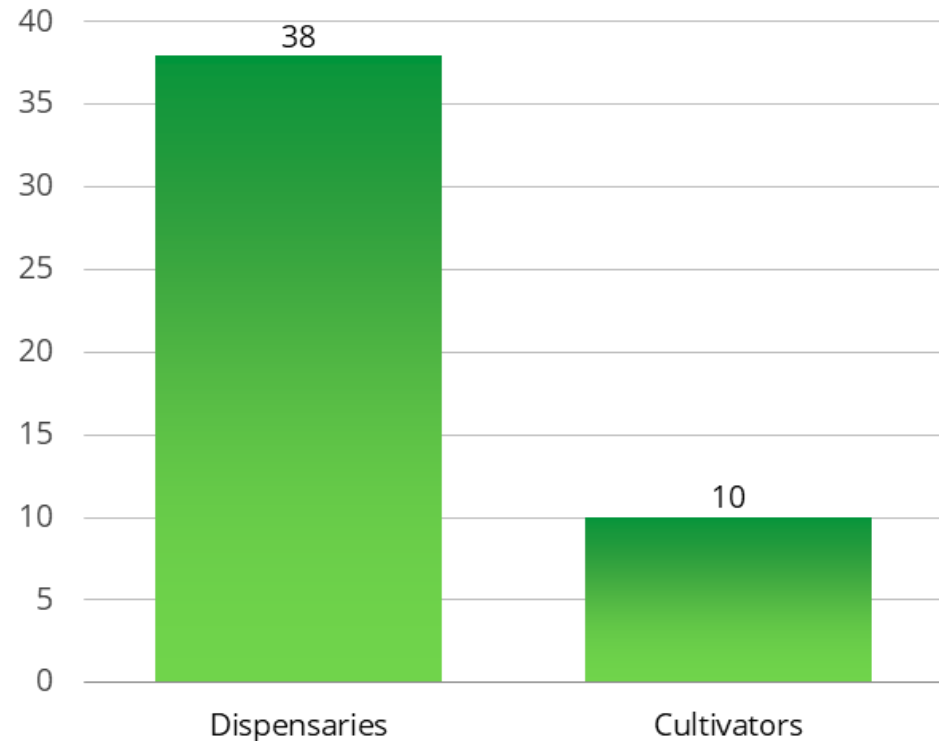


Source: Office of Cannabis Management; Marijuana Legalization in New York State – A Fresh Look, Opus Consulting Analysis

New York is home to a vertically integrated medical market

Medical Cannabis Businesses by Type

in # of operating businesses



Source: Office of Cannabis Management, Opus Consulting Analysis

Comments

- The 10 retail licenses are **controlled by 9 MSOs** and 1 independent company (Etain). Each license holder is allowed to operate up to 4 dispensaries each.
- Currently, **38 dispensaries** are operational. Fiorello Pharmaceuticals and Be. have yet to open their fourth dispensary in the state.
- Five MSOs began sales in 2016, with five more joining the market in 2017.
- Cultivators can supply products to other licensees, and some are in the process of expansion.
- 3 cultivators cultivate under a different name than their storefronts.
 - MedMen cultivates via Brightwater Farms
 - The Botanist cultivates as Acreage/NYCANNA
 - Valley Pharmaceuticals cultivates as Cresco Labs

3 Medical Market – Retail Landscape

There are currently 38 operational dispensaries across New York, with MSOs having acquired most licenses over time

Operational Medical Dispensaries in New York

Owner	Dispensary Name	Locations	Owner	Dispensary Name	Locations
	The Botanist	Buffalo Walkill Jamaica Farmingdale		etain	New York Kingston East Syracuse Yonkers
		Syracuse Williamsville Lake Success New York			New York Rochester Halfmoon Nassau County*
	Columbia Care	New York Brooklyn Rochester Riverhead	iAnthus	Be.	Brooklyn Wappingers Falls Staten Island Chemung County*
	Sunnyside*	Bardonia New Hartford Brooklyn Huntington	PHARMACANN	verilife	Amherst Liverpool Albany The Bronx
	curaLeaf	Newburgh Plattsburgh Forest Hills Carle Place		VIREO	Johnson City White Plains Elmhurst Albany

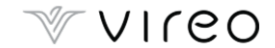
Source: MJBiz, Office of Cannabis Management, Opus Consulting Analysis

Note: The two locations marked with an asterisk are not open yet

3 Medical Market – Licensed Producers

As New York’s medical cannabis marketplace is dominated by MSOs, many brands have become recognizable

Licensed Producers in New York



Edibles



Flower

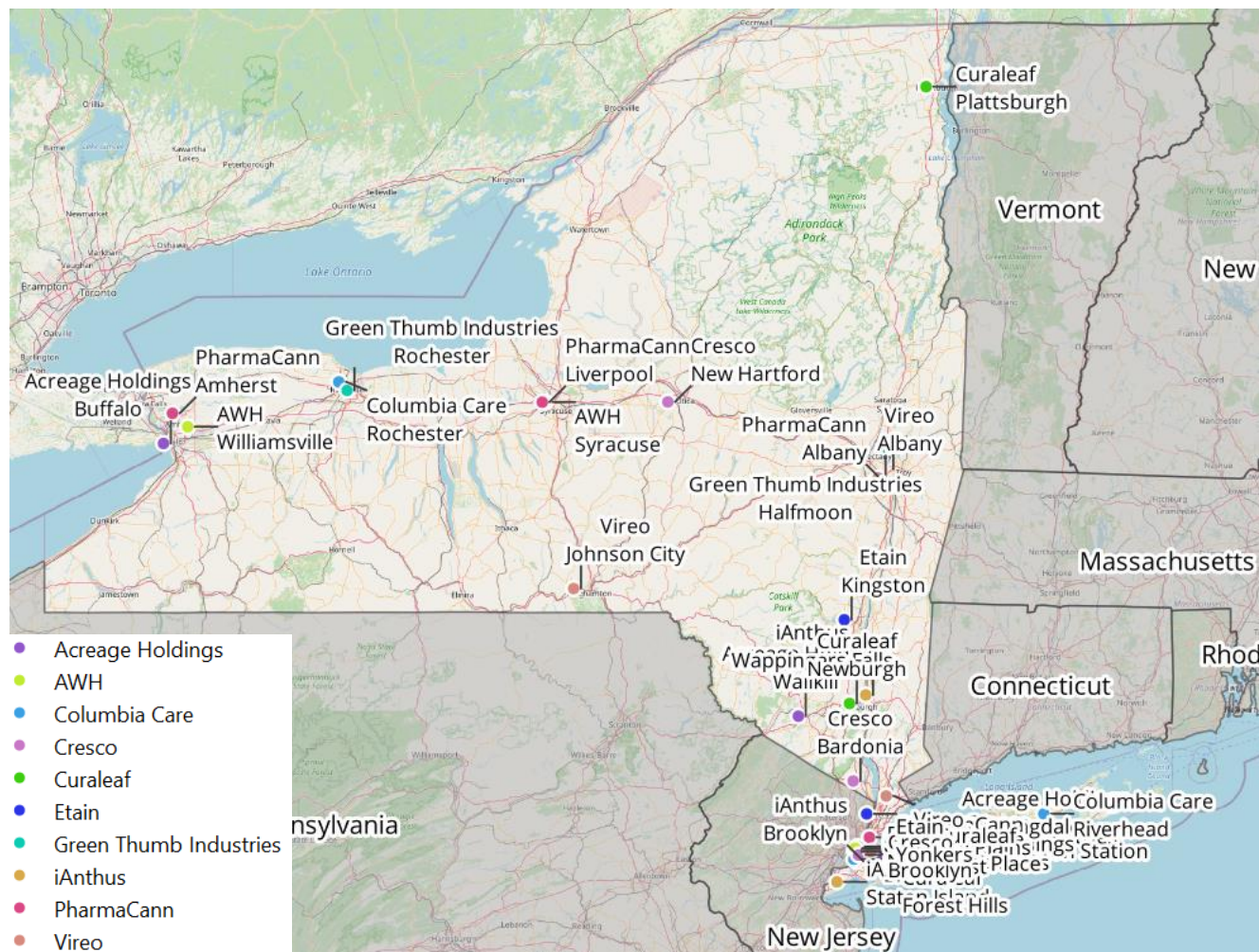


Tinctures



Source: Weedmaps, Leafly, Opus Consulting Analysis

New York's medical program consists of 9 MSOs and 1 independent company operating 38 dispensaries

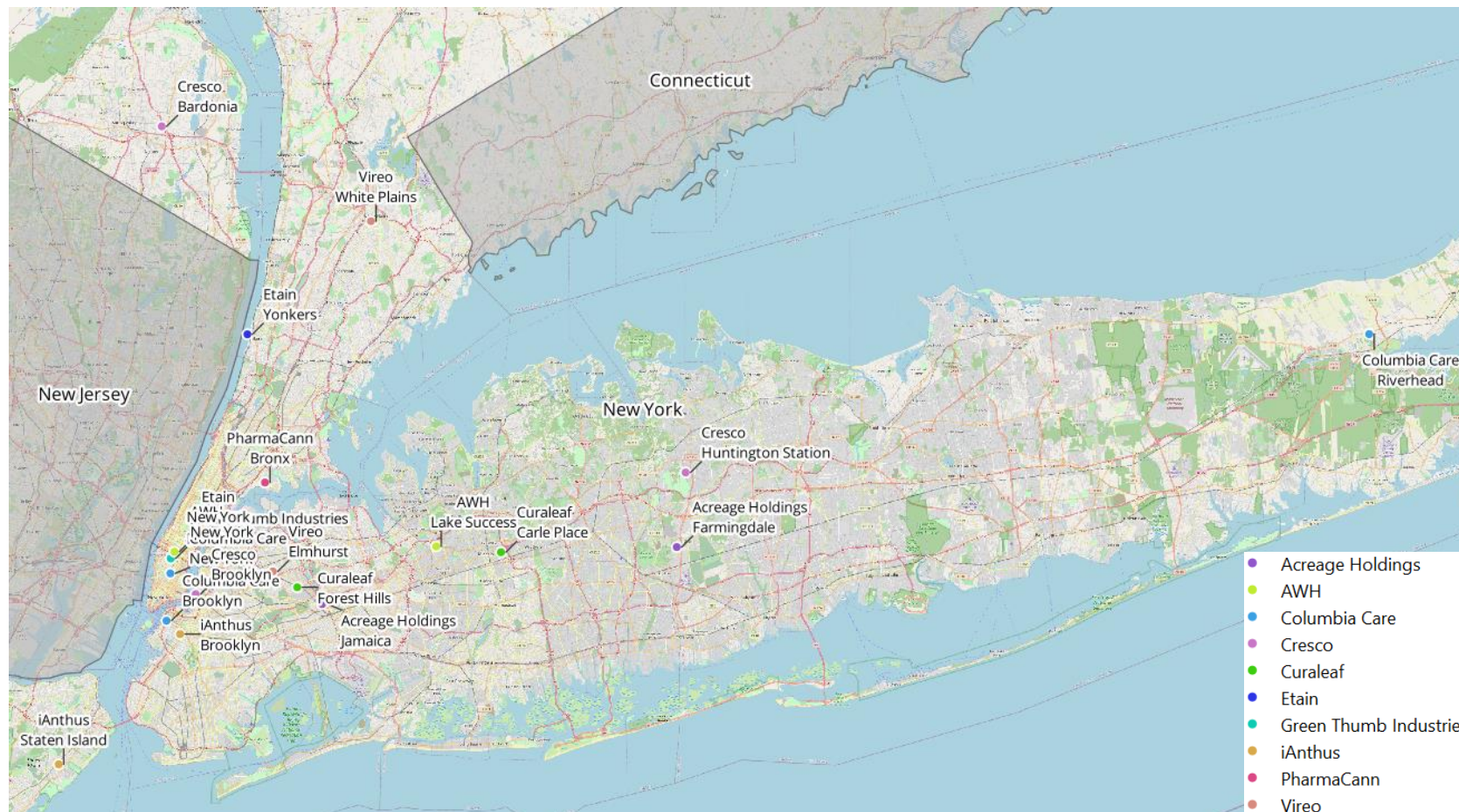


Comments

- Each MSO is allowed a maximum of 4 dispensaries under their license
- Many retailers are in the New York City metropolitan area, similar to the region's overall population
- All retailers except for AWH (MedMen) offer home delivery to patients
- Much of northern New York is largely unserved
- Tourists from the 5 States (and Canada) bordering NY will further drive sales in the Empire State
- Neighboring PA and VT do not have an adult use program in process

Source: Office of Cannabis Management, Opus Consulting Analysis

The New York City metropolitan area is home to 19 of the state's 38 medical dispensaries



Comments

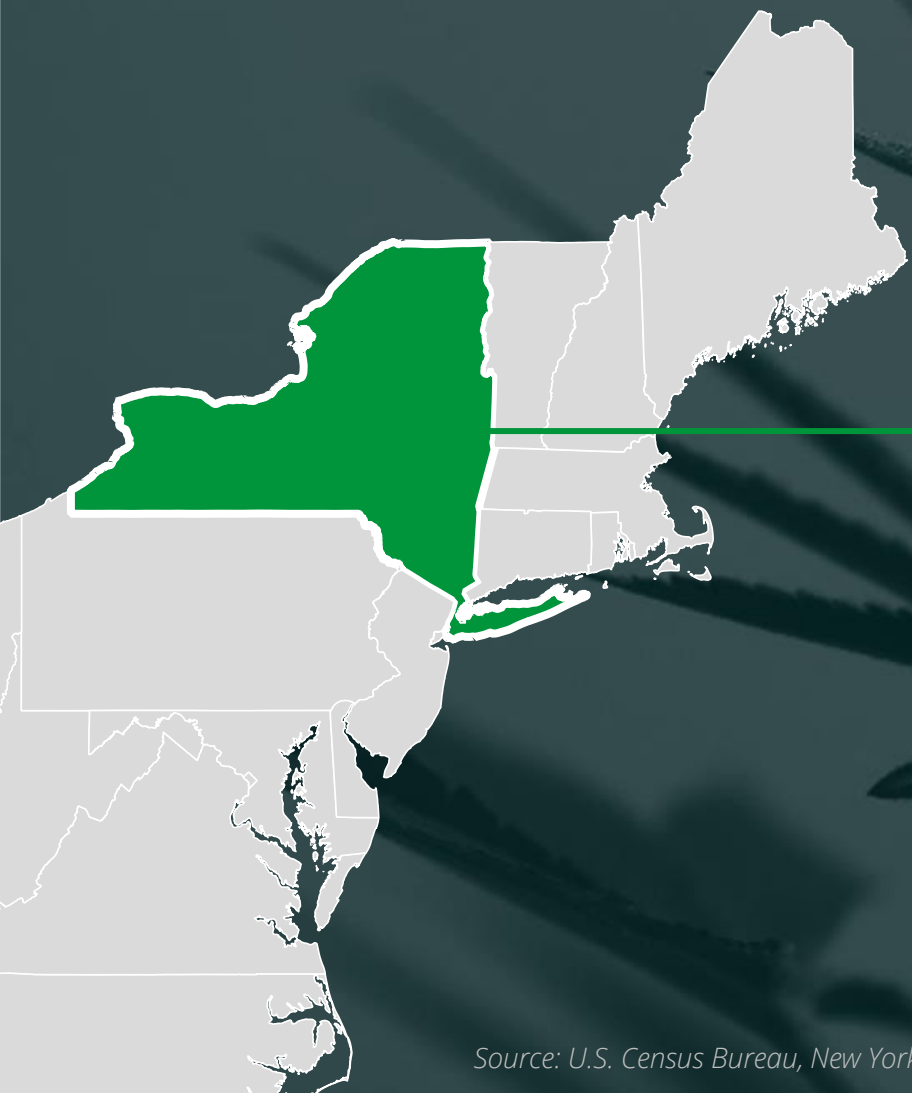
- The majority of retailers are located within the boroughs of Manhattan and Brooklyn
- Stores are spread out amongst other boroughs, making dispensaries accessible for patients
- The state borders of New Jersey and Connecticut provide significant cross-state opportunities for the adult-use market

Source: Office of Cannabis Management, Opus Consulting Analysis

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New York Market Preview



\$2.6+ billion adult-use market

Parrott and Mattingly estimate

19.4 million residents

2020 Population

2,500,000+ cannabis consumers

reported using cannabis in the last year

38 medical dispensaries

open as of March 21, 2022

125,000+ medical patients

as of March 21, 2022

4 Adult-Use - Market Overview

New York adult-use sales are expected to grow rapidly through 2027 and top \$2.6B; tax revenue to top \$245M by 2025

- The New York adult-use market could see many retailers and cultivators with **no current statewide cap on any proposed license types**. Compared to the state’s medical market which only allows 4 dispensaries and 1 cultivation facility per license, we expect a **major shift towards the adult-use market** over time as existing medical storefronts convert and patients do not renew.
- **The adult-use market is yet to be implemented** and presents significant growth opportunities: adult-use sales are projected to reach \$2.6B by 2027.
- Governor Hochul projects “thousands and thousands” of jobs will be created due to the adult-use market’s implementation. Prior to his resignation, Governor Cuomo estimated 60,000 jobs would be created within New York’s adult-use market.
- New York expects to collect over \$245 million in taxes annually from adult-use sales by 2025 to be used as follows:
 - 40% to state schools through the State Lottery Fund
 - 40% to community reinvestments
 - 20% to public education and drug treatment



Source: MJ Biz, Marijuana Legalization in New York State – A Fresh Look, Office of Cannabis Management, Marijuana Moment, Opus Consulting Analysis

Marijuana Regulation and Taxation Act (MRTA)

1 Taxation

Enhanced sales tax of 13%
 - 9% to the State
 - 4% to Municipalities

2 At-Home Cultivation

New York State residents will be able to grow a maximum of six plants at-home per person (12 max per household)

3 No License Caps

The Office of Cannabis Management and Cannabis Control Board have not placed caps on any license types

4 Municipal Opt-Outs

Municipalities had until December 31, 2021, to opt-out of allowing recreational sales and on-site consumption

5 Vertical Integration Not Permitted

Unlike the State's medical cannabis program, cannabis businesses in New York will not be allowed to vertically integrate

6 Delivery

Home delivery will be allowed for adult-use sales

7 On-Site Consumption

Products may be consumed in a consumer's home privately or at an on-site consumption site that is licensed by the State

8 Emphasis on Social Equity Applicants

The State has committed to award 50% of all licenses to social equity applicants

Source: Marijuana Regulation and Taxation Act

New York’s medical and adult-use programs will be licensed and regulated by the Office of Cannabis Management and the Cannabis Control Board

Regulatory Body Overview

- The **NYS Dept. of Health** has transitioned control of the medical cannabis program to the Office of Cannabis Management
- The **Office of Cannabis Management (OCM)** and **Cannabis Control Board (CCB)** are a six-person commission established by the Marijuana Regulation and Taxation Act in 2021
- Gov. Hochul and other New York government officials made appointments to the Office and Board in September 2021
- The OCM has begun drafting and approving the rules and regulations that will coincide with license applications for applicants of all license types. It’s expected that **rules will be published in May 2022**

Cannabis Control Board Members

- | | |
|--|--|
| <p>1 Tremaine Wright
<i>Chair</i>
Wright currently serves as the director of the Statewide Office of Financial Inclusion and Empowerment</p> | <p>2 Christopher Alexander
<i>Executive Director</i>
Alexander was the lead drafter of New York cannabis legalization bill (Marijuana Regulation and Taxation Act)</p> |
| <p>3 Jen Metzger
Metzger previously served as a State Senator in New York’s 42nd District</p> | <p>4 Adam W. Perry
Perry is a partner at the Hodgson Russ law firm in Buffalo</p> |
| <p>5 Jessica Garcia
Garcia currently serves as the Assistant to the President of the Retail and Wholesale Department Store Union at United Food and Commercial Workers</p> | <p>6 Reuben R. McDaniel III
McDaniel is the President and CEO of the Dormitory Authority of the State of New York</p> |

Source: Office of Cannabis Management, governor.ny.gov, Opus Consulting Analysis

Adult-use licensing is still being developed; municipalities may have the final decision

- As is common in many markets, the application process will take place both on the **State and municipal levels**
- Overview of licensing:
 - Applicants need to **identify municipality(ies)** in which they will site their operations **early on**
 - Applicants must **notify the municipality** at least 30 days prior before submitting a license application
 - Notifications must be made to:
 - Within New York City – Community Board
 - Outside New York City – Clerk of City/Town/Village
 - **Municipal opinions of applications will be considered** in the Office of Cannabis Management's decision to award the license
 - All initial **licenses will last for two years**; renewal licenses can be issued at least 90 days before expiration
- **Licenses can be transferred** upon approval from the Cannabis Control Board



Source: cannabis.ny.gov, Opus Consulting Analysis

There are 9 Classes of licenses available

License Type	Key State Rules
Retail	<ul style="list-style-type: none"> • May hold up to 3 retail licenses • Dispensaries must be 500 feet from schools and 200 feet from places of worship • License cap yet to be determined by the CCB • First 100 to 200 licenses awarded to applicants with previous cannabis-related offenses
On-Site Consumption	<ul style="list-style-type: none"> • Single licensee may hold up to 3 on-site consumption licenses • Restrictions on building layout and location of the premises under development • License cap yet to be determined by the CCB
Delivery	<ul style="list-style-type: none"> • May have up to 25 individuals providing delivery services per license holder • Will be heavily promoted to social equity applicants • License cap yet to be determined by the CCB

Source: Marijuana Regulation and Taxation Act, Office of Cannabis Management, Opus Consulting Analysis

There are 9 Classes of licenses available

License Type	Key State Rules
<p>Cultivator</p>	<ul style="list-style-type: none"> • May also apply for one processor license and one distributor license to distribute own products • The CCB may allow cultivators to perform minimal processing without holding a processor license • License cap yet to be determined by the CCB
<p>Processor</p>	<ul style="list-style-type: none"> • May also apply for a distributor license to solely distribute own products • Able to conduct processing activities at multiple locations under one license • License cap yet to be determined by the CCB
<p>Cooperative</p>	<ul style="list-style-type: none"> • Must be comprised of New York state residents • Members can not be a part of more than one licensed cooperative • License cap yet to be determined by the CCB

Source: Marijuana Regulation and Taxation Act, Office of Cannabis Management, Opus Consulting Analysis

There are 9 Classes of licenses available

License Type	Key State Rules
<p>Microbusinesses</p>	<ul style="list-style-type: none"> • License holders will have limited cultivation, retail, production, distribution and delivery capabilities • Size and scope TBD by forthcoming CCB regulations • Social equity applicants will be favored
<p>Distributor</p>	<ul style="list-style-type: none"> • Any distributor who has a direct or indirect involvement in a licensed cultivator or processor may only distribute products cultivated and processed by that licensee • License cap yet to be determined by the CCB
<p>Nursery</p>	<ul style="list-style-type: none"> • May sell clones, immature plants, and seeds to cultivators and cooperatives • Social equity applicants will be favored • License cap yet to be determined by the CCB

Source: Marijuana Regulation and Taxation Act, Office of Cannabis Management, Opus Consulting Analysis

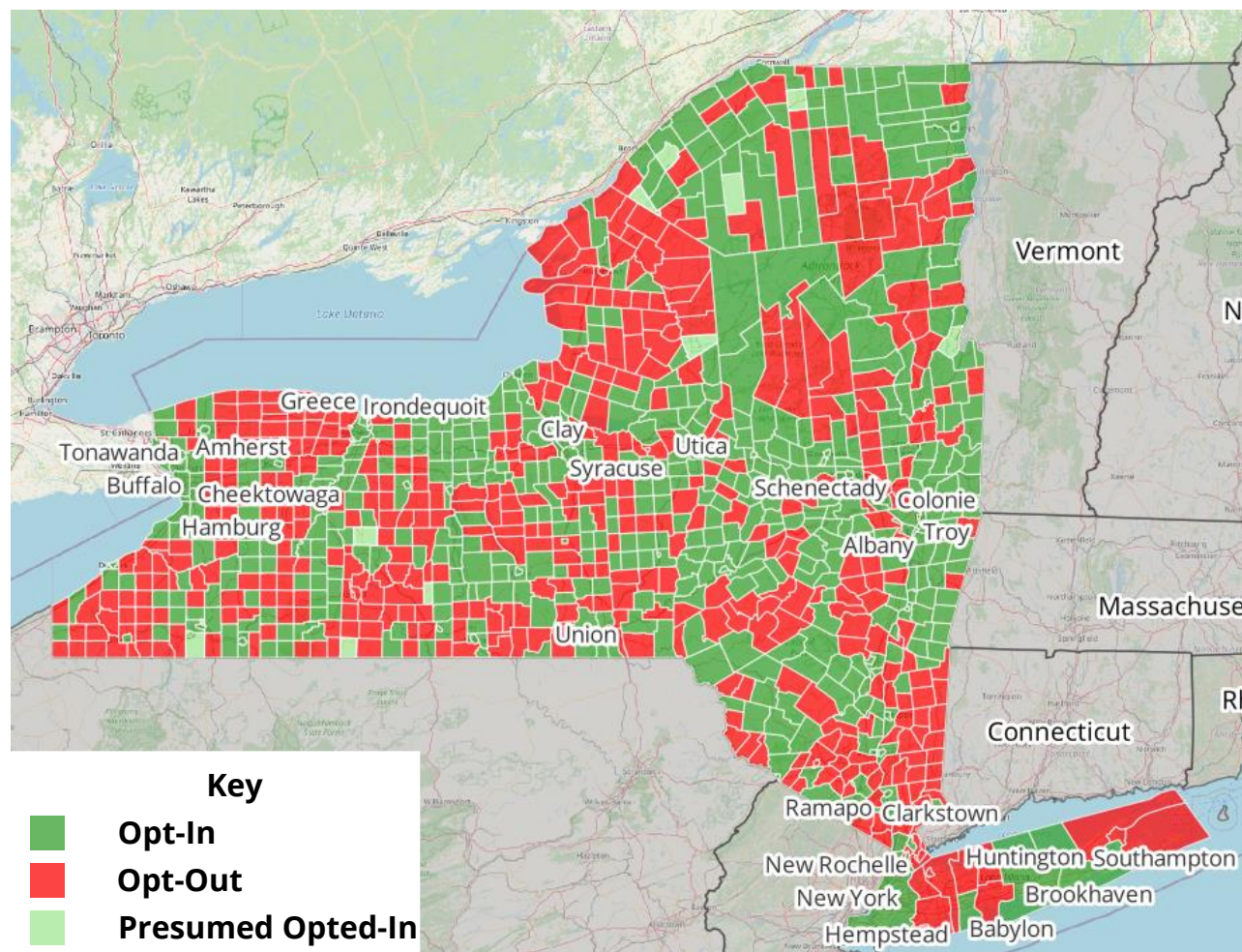
New York municipalities had a set deadline to opt-in or opt-out of allowing adult-use retail and on-site consumption businesses within their municipal limits

Municipal Opt-Out Framework & Results

- The MRTA allowed New York municipalities to decide whether to allow adult-use retail and/or on-site consumption businesses within their limits. Municipalities had a deadline of **December 31, 2021**, to make their decisions.
- A municipality could opt out of both adult-use retail dispensaries and on-site consumption licenses, or just one of them (for example, allow retail dispensaries but not on-site consumption licenses); **Municipalities could not opt-out of other adult-use license categories.**
- Municipalities who did not opt-out by the deadline are considered opted-in and **will not be able to opt-out in the future.**
- Current Count of Opt-Ins and Opt-Outs by License Type (as of March 21st, 2022):
 - Retail – **751 municipalities opted-in (~50% of all municipalities)**
 - On-Site Consumption – **633 municipalities opted-in (~42% of all municipalities)**
- Several highly populated municipalities opted out of both retail and on-site consumption, including **Hempstead, Oyster Bay, and Islip.**

Source: US Census Bureau. Marijuana Regulation and Taxation Act, Rockefeller Institute, Opus Consulting Analysis

Retail businesses can operate in 50% of New York municipalities

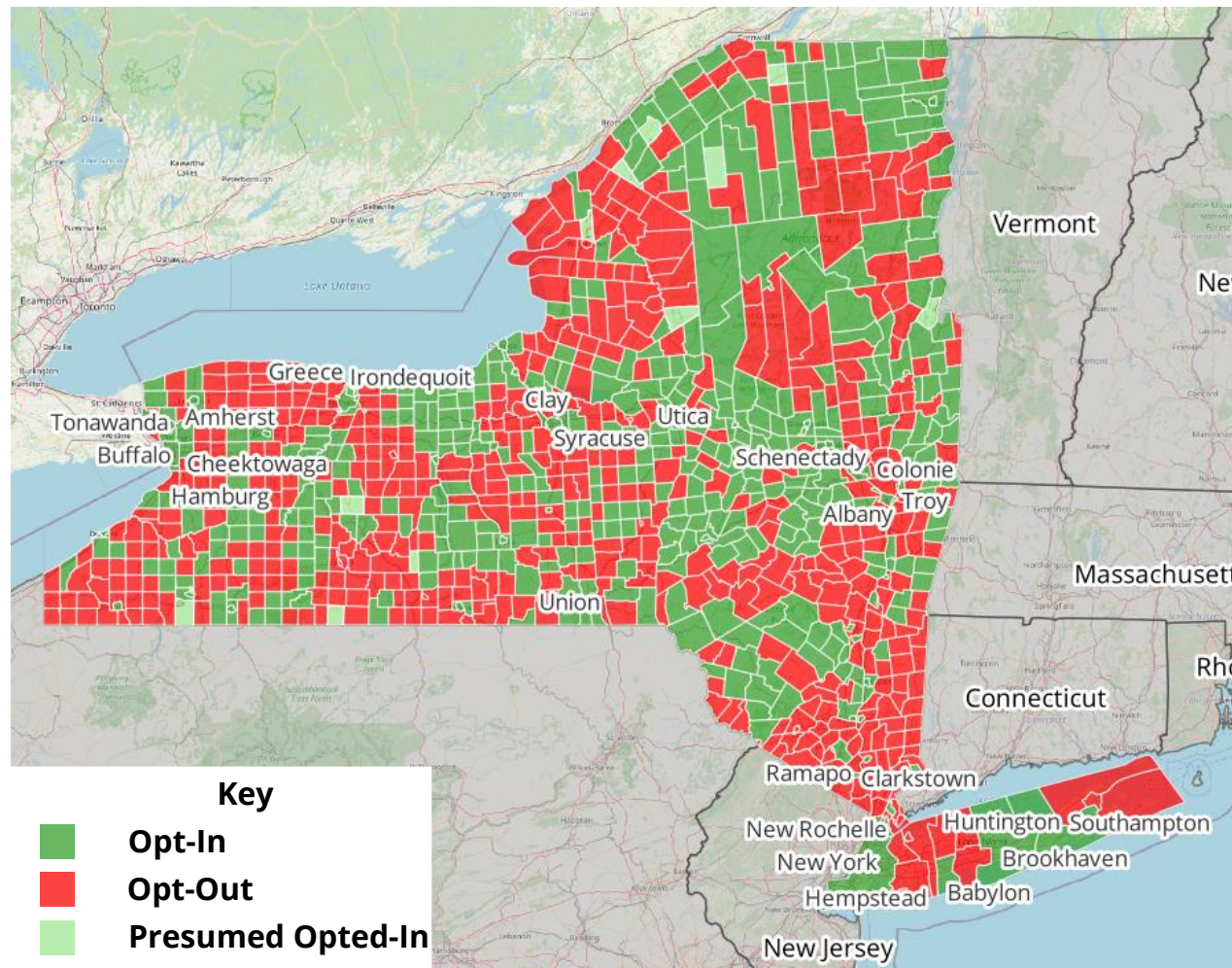


Top 10 Opted-In Municipalities (By Population)

Rank	Municipality	Population
1	New York	8,804,190
2	Brookhaven	485,773
3	Buffalo	278,349
4	Babylon	218,223
5	Yonkers	211,569
6	Rochester	211,328
7	Syracuse	148,620
8	Amherst	129,595
9	Albany	99,224
10	Greenburgh	95,397

Source: Rockefeller Institute, Opus Consulting Analysis

On-site consumption businesses will be able to operate in just 42% of New York's municipalities



Top 10 Opted-In Municipalities (By Population)

Rank	Municipality	Population
1	New York	8,804,190
2	Brookhaven	485,773
3	Buffalo	278,349
4	Babylon	218,223
5	Yonkers	211,569
6	Rochester	211,328
7	Syracuse	148,620
8	Amherst	129,595
9	Albany	99,224
10	Cheektowaga	89,877

Source: Rockefeller Institute, Opus Consulting Analysis

LET US HELP YOU GROW.

From our offices in Portland, Boston, and San Francisco, we help clients nationwide navigate the complex and evolving challenges of starting and operating a cannabis business.

Our management team includes seasoned business leaders with experience within and outside of the cannabis industry. Together, we provide the knowledge and resources you need to reach your business goals and stay in compliance with state laws.

Whether you're just getting started and need help with your application, SOP documents, financial modeling, etc., or you're looking to elevate the efficiency of your existing business with the help of an outsourced professional who knows the industry, we're here to help.



Opus Consulting

Portland

Boston

San Francisco

Email: info@opuscg.com

Phone: +1 207 619 1899

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