

1. Introduction:

Honorable Members of the Committee,

I am Michael Gertelman, a dedicated entrepreneur laboring to establish NugHub NY LLC, an upcoming CAURD (Conditional Adult-use Recreational Dispensary) situated in the thriving borough of Staten Island, New York. With the deepest respect for the legislative proceedings and understanding of the monumental impact that your resolutions have on the emerging cannabis industry in our state, I present this written testimony.

This narrative is not intended to catalog personal or industry-specific grievances. Rather, its purpose is to provide a panoramic view of the regulatory and financial challenges that CAURD licensees like myself encounter, particularly in light of the legal uncertainties that have disproportionately burdened us. As responsible entrepreneurs who have invested significantly—both in terms of capital and due diligence—to conform to the evolving legal landscape, and with reliance on OCM guidance, we find ourselves at the receiving end of lawsuits that not only imperil our operations but also undermine the state's laudable objectives of fostering a regulated, socially equitable, and economically vibrant adult-use cannabis market.

In the ensuing sections, I will navigate the complex regulatory and legal frameworks that govern our businesses, shed light on the unintended ramifications of current litigation, and discuss the negative influence of illegal markets—including the proliferation of out-of-state brands and imitations.

I tender this testimony with the earnest aspiration that it will provide valuable insights and guide sagacious legislative action that aligns with the principles of social justice, fair competition, and economic feasibility.

2. Regulatory and Legal Frameworks: The Imperative to Codify CAURD:

The regulations that govern our industry are not the issue at hand; rather, it's the lack of codification for Conditional Adult-Use Recreational Dispensaries (CAURD) that forms the crux of our dilemma. Many of us stand on the precipice of operational readiness, yet we find ourselves in a state of suspension due to ongoing legal challenges. My business, NugHub NY LLC, along with numerous other CAURD licensees, is prepared to commence operations and serve the community. We are awaiting the Office of Cannabis Management's (OCM) final inspections and approvals—a process now halted by a court injunction.

This current state of limbo is not just a trivial setback; it's an existential threat to our businesses and a serious impediment to achieving the state's social and economic goals for the cannabis industry. A major contributing factor to this environment of uncertainty is the absence of a codified legislative framework specifically for CAURD licensees.

Legal disputes, some of which might have been averted with clearer legislative guidelines, have not only disrupted our operations but have also prevented the OCM from fulfilling its regulatory duties. This situation is counterproductive to the state's broader objectives of a regulated and equitable adult-use cannabis market.

While regulations are a necessary part of any thriving industry, it's crucial to differentiate between useful, stabilizing regulations and the kind of legal turbulence we are currently experiencing. This turbulence could be significantly reduced by formally codifying the role and regulations governing CAURD operations. In the absence of such legislative clarity, we are forced to allocate our resources to legal defense rather than business expansion, community engagement, and job creation.

We humbly submit that a key solution to the challenges facing our sector lies in the formal codification of the CAURD framework, to bring about stability, predictability, and operational viability to this burgeoning industry.

3. The Economic Repercussions of Legal Uncertainty: The Need for Stability

Operating within an ambiguous legal framework not only poses an immediate risk to CAURD licensees like NugHub NY LLC but also jeopardizes the broader economic prosperity that the adult-use cannabis market could bring to New York State. At this critical juncture, what stands between meaningful economic growth and missed opportunities is the stability that comes from a codified legislative structure for CAURDs.

Financial investments in our businesses are not mere capital expenditures but a direct contribution to the state's economy, promising job creation, tax revenue, and community development. However, the continuing uncertainty engendered by a lack of codification leaves these investments at significant risk. Capital tends to shy away from unpredictable environments, and without legislative stability, attracting further investment becomes increasingly challenging.

Moreover, the economic benefits we can provide are not limited to the confines of our dispensaries. The ripple effect of a robust cannabis market could enhance ancillary industries, including agriculture, tourism, and retail. But to achieve this multifaceted economic impact, CAURD licensees require a stable operating environment, which is currently compromised by ongoing legal disputes and the absence of formal legislative guidelines.

Unstable frameworks also make us vulnerable to illegal market activities, including the sale of out-of-state brands and imitations that get an unfair advantage due to our inability to operate openly and competitively. Such illegal operations not only gain undue name recognition but also pose safety risks to consumers and integrity risks to the market.

In summary, it is in the state's economic interest to create a stable, codified environment for CAURD licensees. Doing so will safeguard the financial investments already made, encourage future investments, and ensure that the state capitalizes on the full economic potential of this new industry.

Legislative Opportunities for Social Equity and Inclusion

The adult-use cannabis industry in New York State presents a rare and unique opportunity to address social equity and inclusion directly. Yet, despite the considerable investments made in both time and capital by CAURD licensees, these social objectives are at risk unless codification occurs. We have stepped into this industry with the shared goal of creating a marketplace that is just, equitable, and inclusive, but our ability to fulfill these noble aspirations is severely limited by the present legislative uncertainty.

For instance, the initial intent of establishing the CAURD licensing system was to provide a platform for minority entrepreneurs, small businesses, and disenfranchised communities to take part in this burgeoning industry. In that spirit, we, as CAURD licensees, are more than mere business entities; we are ambassadors of change, striving to make reparative contributions to communities that have been disproportionately impacted by cannabis prohibition.

Yet, the unsettled legal landscape acts as an obstacle to these goals. The constant threat of legal action inhibits our ability to engage effectively with our communities or to put social equity plans into action. Instead, our attention and resources are diverted toward combating lawsuits and planning for contingencies that arise from legislative vagueness.

To sum up, codifying the CAURD framework not only brings clarity to business operations but also strengthens the social fabric by enhancing equity and inclusion. Clear legislative guidelines empower us to become active contributors to our communities, aligning the industry's growth with the state's social objectives.

4. The Economic Toll of Legal Uncertainty on CAURD Licensees

In the context of business sustainability, the current environment of legal instability has dire economic implications for CAURD licensees like myself, who have made significant financial commitments. The potential for legal repercussions not only hampers operational efficiency but also dissuades further investment in this sector. The financial burden is particularly acute for small enterprises that do not have the cushion of extensive capital reserves.

Each lawsuit serves as a hurdle, delaying not just the CAURD licensee's business plans but also the economic benefits that these businesses bring to their communities. This extends from job creation to tax revenue and community contributions. Our businesses, waiting at the threshold of operational launch, are caught in a limbo, unable to contribute positively to the local economy.

It is crucial to understand that this issue transcends the mere loss of potential revenue for our businesses. In a broader context, it hampers the growth of a sector that could be a significant contributor to the New York State economy. At a time when many are seeking job opportunities and economic stability, the undue delays and legal challenges facing CAURD licensees are a missed opportunity for economic revitalization.

In summary, the state's objectives of economic growth through regulated cannabis sale are compromised by the absence of a codified framework for CAURD. Prompt legislative action can unlock

this untapped economic potential, allowing CAURD licensees to serve as valuable catalysts for economic growth.

5. The Legal Quagmire and Its Impact on Consumer Safety and Local Producers

While the legal ambiguity surrounding CAURD places economic strains on licensees, it poses an even graver risk to consumer safety and fundamentally undermines promises made to local New York State farmers and manufacturers. In the absence of a codified CAURD and clear legislative frameworks, an unregulated market for cannabis products flourishes.

Not only do these unregulated sellers compete unfairly with legitimate businesses like NugHub NY LLC, but they also often dispense products that have not undergone the rigorous safety checks mandated by the Office of Cannabis Management (OCM). The presence of out-of-state brands and imitations in these illegal shops can mislead consumers and jeopardize their well-being, thus creating a public health risk.

Moreover, these illegal operations disadvantage our local producers. New York State farmers and manufacturers were promised a 2-3 year head start to build robust local brands before the introduction of national competitors. The painfully slow rollout of regulated operations, exacerbated by ongoing legal challenges, has effectively nullified this advantage. This not only harms the economic prospects of these local producers but also undermines the state's objective of creating a self-sustaining, local cannabis ecosystem.

By clarifying the regulatory landscape and codifying CAURD, we can pave the way for an industry that prioritizes consumer safety, adheres to best practices, and supports local businesses. This will not only serve the interests of legitimate businesses but also ensure that consumers have access to products that meet the highest standards of quality and safety.

The current legal uncertainties, therefore, go beyond being mere obstacles to business. They are imperatives for immediate action to protect the consumers and local producers that the regulations were initially designed to safeguard.

6. Navigating a Sea of Litigation: The Unresolved Legal Challenges and Their Impact

One of the most formidable obstacles we face as CAURD licensees is the ongoing litigation that persistently overshadows our operations. Despite a recent adjustment to the injunction against the Office of Cannabis Management (OCM), allowing for inspections, the agency remains hamstrung, unable to issue final licenses without court approval. This modification, though ostensibly a step forward, has not ameliorated the situation as much as one might expect.

While the court has granted OCM the ability to conduct inspections, the agency appears overwhelmed and unresponsive. Many CAURD licensees, including NugHub NY LLC, find ourselves in a state of operational limbo, having complied with all regulatory requirements but still awaiting even the most basic communication from the OCM. This not only stunts our growth but also erodes public trust and investor confidence in an industry already marred by legal uncertainties.

These ongoing legal battles divert our focus from our core objectives. The situation could be significantly mitigated by codifying CAURD, providing much-needed stability for both licensees and governing state agencies. Such legislative action would allow us to shift our attention away from endless legal disputes and towards fulfilling our primary mission: delivering safe, regulated cannabis products to New York's adult consumers and contributing to the state's social equity goals.

7. The Disadvantaged New York State Farmers and Manufacturers

The sluggish rollout of New York's adult-use cannabis program is not merely an inconvenience to CAURD licensees like myself. It also poses significant challenges for New York State farmers and manufacturers, who were promised an initial period of 2-3 years to establish strong, local brands before national competitors entered the market. This 'head start' was envisioned as a crucial window for bolstering the state's agriculture and manufacturing sectors, generating local jobs, and nurturing a homegrown cannabis industry.

Regrettably, the legal complications and the subsequent delays have effectively robbed these groups of their promised head start. As we grapple with lawsuits and await resolutions that would enable us to operate fully, farmers and manufacturers are left in a state of economic stasis, unable to realize the potential benefits of a burgeoning cannabis market. This not only weakens the state's economic fabric but also belies the initial promises made to these critical sectors.

The current lawsuit exacerbating this delay further erodes the competitive advantage that was meant to be provided to our state's farmers and manufacturers. It undermines the spirit of the law that aimed to give these groups a fighting chance in an industry poised for rapid growth.

We urge the Committee to recognize the broader economic implications of the unresolved legal issues surrounding CAURD licensure. Codifying CAURD would not only stabilize our operations but also fulfill

the state's commitment to its farmers and manufacturers, enabling them to contribute meaningfully to New York's cannabis landscape.

8. Conclusion and Call to Action

I extend my sincerest gratitude to the members of this esteemed committee for dedicating your time and attention to the complexities and challenges facing CAURD licensees. The testimony presented herein underscores the substantial efforts, financial commitments, and adherence to state guidelines and regulations by stakeholders like myself in the New York State cannabis industry. Given the intricate and evolving landscape, I earnestly request that you take legislative action to codify the CAURD program. Such a move would not only provide the much-needed stability and clarity for us but would also serve the state's goals of fostering an equitable and flourishing cannabis market.

I submit this testimony with the hope that it inspires judicious legislative and regulatory actions that uphold the principles of social justice, economic viability, and public safety. Your decisions are of paramount importance to all involved, and I am confident that this committee will act in the best interest of the people and businesses of New York State

Appendix: Comprehensive Narrative Summary of Efforts and Reliance on CAURD Program Guidelines and OCM Guidance by Michael Gertelman, Owner of NugHub NY LLC

I, Michael Gertelman, the visionary founder and owner of NugHub NY LLC, have been fervently committed to establishing a compliant and thriving cannabis dispensary under the New York State CAURD program since obtaining his provisional license on April 3, 2023. This narrative provides an exhaustive outline of multifaceted efforts, financial commitments, and the substantial reliance placed on the CAURD program and OCM (Office of Cannabis Management) guidelines. Despite these comprehensive preparations, Mr. Gertelman finds himself unable to open NugHub NY LLC due to ongoing legal challenges, which have stymied the final stages of the licensing process.

Detailed Timeline of Commitments

1. **Legal Guidance and Licensing:** Recognizing the intricate landscape of cannabis law, Mr. Gertelman employed legal expertise to meticulously navigate the complexities of the CAURD application process, ensuring that all statutory requirements were met.
2. **Property Negotiations and Location Compliance:** Diligent research and scouting were undertaken to identify compliant locations in Staten Island. Mr. Gertelman invested a considerable amount of time in negotiations and due diligence to ensure that all location considerations were not only strategically sound for business but also strictly adhered to OCM's distance guidelines.

3. **Banking and Community Engagement:** Conscious of the financial regulations surrounding the cannabis industry, Mr. Gertelman conducted thorough research before opening a specialized, cannabis-compliant account at Valley National Bank. The institution levied setup and recurring charges to ensure regulatory compliance.
4. **E-commerce and Technology Investments:** Initially aligned with Carrot and Treez for e-commerce and Point-of-Sale (POS) solutions, Mr. Gertelman was forced to adapt swiftly when Treez exited the New York market. Dutchie was subsequently adopted, necessitating additional training hours for Mr. Gertelman and his staff, who had to familiarize themselves with an entirely new system.
5. **Security and Marketing Personnel:** An NYPD inspector was retained as a security consultant to advise on security protocols, community relations, and compliance issues. Additionally, a full-time marketing director was employed to spearhead branding efforts and ensure that all marketing activities were in strict compliance with OCM guidelines.
6. **Vehicle Purchases and Configuration:** Three vehicles were carefully selected and outfitted with advanced security features, including a secure cage between the driver and cargo areas and multiple alarms. This investment reflects Mr. Gertelman's commitment to safe and secure delivery services.
7. **Buildout and Operational Structure:** An investment was made in infrastructural enhancements including shelving, security cameras and alarm systems, and privacy window films. This sum also covered cleanup costs for the facility inherited from the previous tenant.
8. **Insurance Policies:** Comprehensive liability and commercial product insurance policies were procured. Additional coverage for workman's compensation, disability, and paid family leave were also obtained, reflecting a thorough risk management approach.
9. **Media Appearances:** Public commitment to the venture was cemented through Mr. Gertelman's media appearance on SI Live in early August 2023. The feature included an on-site interview and presented NugHub NY LLC as ready to launch pending OCM approval.
10. **Loans and Financing:** A myriad of loans were secured from personal contacts and investors, cumulatively surpassing \$300,000. This financial undertaking reflects Mr. Gertelman's profound belief in the viability of the business and the reciprocal confidence placed in him by lenders.

This detailed narrative amplifies the monumental efforts, financial investments, and operational commitments made in strict adherence to CAURD program guidelines and OCM advisories. Every activity, decision, and monetary investment undertaken by was conceived and executed based on the guidelines provided by OCM and the provisional CAURD license. This entire endeavor was carried out in good faith with the expectation that the OCM would fulfill its regulatory and licensing obligations. Unfortunately, despite this extensive preparation, I am unable to operationalize my vision and commence business due to the current legal impediments.

I would like to thank the committee for their attention to this pressing issue and strongly urge for the codification of the CAURD program, which serves as a cornerstone for the cannabis industry in New York State.

