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CLIENT ALERT: MEDICAL CANNABIS - BUYER BEWARE!

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By: Colin M. Roopnarine

With signs in the State of Florida all pointing to a possible resumption of medical cannabis licensing (the first of which was rulemaking involving the black farmers and the Pigford case), many businesses and entrepreneurs are once again seeking to capitalize on the financial potential of the Florida market. But…buyer beware!

The Florida legislature was prescient in placing an "ownership" limit on the medical cannabis licensees, which effectively limited the industry from being dominated by only a few participants. This is extremely important in Florida, where unlike in other states, there is a statutory limit on the number of licenses that may be granted and done so on a competitive basis. The law essentially prohibits the owner of 5% or more of one company license holder from owning a part of another company license holder.

While this may sound simple enough, the State of Florida Department of Health is reviewing the potential deal that involves the hedge fund Gotham Green Partners and its proposed purchase of a portion of iAnthus Capital Holdings, Inc., which in turn owns GrowHealthy, an existing medical cannabis company licensee. Gotham Green Partners currently holds a substantial portion of MedMen, itself a medical cannabis company licensee. Should the sale be approved for Gotham Green's acquisition of iAnthus Capital, it would ensure that Gotham Green would own a tremendous portion of the State of Florida's medical cannabis industry.

While the aforementioned may seem straightforward in light of the Florida Statutes, a significant pause must be taken because the Department of Health did not outright deny the approval but held it for further review. The progress and resolution of this issue bear additional monitoring and analysis, especially if the acquisition is approved. If approved, the floodgates would be opened to potential buyers hoping to capitalize by owning a large of the state's medical cannabis industry.

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