

NOTICE TO CLIENTS AND FRIENDS

July 11, 2017

Act No. 42 - 2017: Medical Cannabis

On July 9, 2017, the Governor of Puerto Rico signed into law the Act to Manage the Study, Development and Investigation of Cannabis for Innovation, Applicable Norms and Limitations (the "Act"), with the purpose of creating a legal framework for dealing with medical cannabis; establishing its medical and scientific research uses within the federal regulatory framework; creating a Regulatory Board; and providing a robust control structure, among others.

Under the purview of the Act, the following business activities are permissible, when properly licensed: cultivation, manufacturing, dispensing, operating laboratories, and transportation of medical cannabis. In order to supervise the medical cannabis industry in Puerto Rico, the Act creates a nine (9) member Regulatory Board of Medical Cannabis (the "Board"). The Board is entrusted with appointing a Medical Advisory Body which shall advise the Board on: (1) medical conditions that may be treated with medical cannabis; (2) permissible methods of administration of medical cannabis; (3) maximum time allowed per condition for which a medical recommendation for medical cannabis may be in effect; (4) any other matter related to the bona fide physician-patient relationship and the industry consistent with this Act; and (5) medical and investigative matters related to the medical cannabis.

Moreover, the Board will adopt a new regulation (the "New Regulation") that includes and regulates specific criteria in accordance with the public policy and provisions of the Act, to safeguard health, to prevent the abuse of medical cannabis, and to ensure the safety of the community and all parties involved in this industry. Once the New Regulation is adopted, the Board shall repeal the current regulation of the medical cannabis industry, Regulation 8766, as amended, ("Regulation 8766") and provide all applicants that have filed to obtain a license for a medical cannabis establishment and have obtained one pursuant to the dispositions of the Regulation 8766, ninety (90) days to adjust their applications and licenses as required by the New Regulation. A provisional certificate may be granted.

The Act defines medical cannabis as any compound, product, derivative, mixture or preparation of all parts of the Cannabis Sativa and Cannabis Indica plants and any hybrids thereof, their seeds, their flower or their resin. The definition of medical cannabis excludes the mature stems, their fibres, and industrial hemp. Additionally, the Act classifies cannabis as a Classification II substance under the Controlled Substances Act of June 1971. Thus, persons who comply with all requirements and operate within the framework provided by the Act, and the regulations promulgated thereunder, shall not be subject to criminal sanctions by the Government of Puerto Rico.

Notwithstanding, the Act prohibits, among others:

- The import and export of cannabis or cannabis' seeds to and from Puerto Rico;
- The use of medical cannabis in public places; it is only allowed in homes and private places;
- The free consumption, sale, and distribution of medical cannabis;
- The use of cannabis inside dispensaries;
- The entrance to dispensaries of minors under the age of twenty-one (21);
- The operation of cultivation, investigation, manufacturing, laboratories, transport and dispensing licenses less than 100 meters from a school and/or care centre; and
- The sale of cannabis outside a dispensary.

Additionally, the medical use of cannabis may only be recommended by an authorized physician to treat the conditions established by the Board. Nonetheless, the authorized physician may not financially participate or receive any compensation, in relation to his/her recommendations, from any license holder or person with an economic interest in the cannabis industry. The authorized physician may not be a holder of other cannabis related licenses nor have economic interests in them.

Furthermore, pursuant to the Act, the funds from the medical cannabis industry may be deposited in Savings and Credit Cooperatives of Puerto Rico, the Public Corporation for Supervision and Insurance of Cooperatives of Puerto Rico (COSSEC) or its successor, or any other financial institutions that are not regulated by the Federal Deposit Insurance Corporation (FDIC), provided that it is carried out in accordance with the legal framework of the Federal Government and the Government of Puerto Rico.

The exclusion of the vaporization of the bud (flower) as an alternate method of treatment has been the subject of thorough discussions. As a result, the Medical Advisory Body, pursuant to the recommendation of a licensed physician, may authorize patients diagnosed with terminal conditions or where there are no adequate alternatives to vaporize the bud.

The Act regulates other aspects of the business including, but not limited to: requirements for employment in the industry, security aspects and confidentiality of medical information. With this Act, the medical cannabis industry has a solid legal framework to continue developing and providing alternate treatments for our patients.

This document has been prepared for information purposes only and is not intended as, and should not be relied upon as legal advice. If you have any questions or comments about the matters discussed in this notice, wish to obtain more information related thereto, or about its possible effect(s) on policy or operational matters, please contact us at your convenience.

Nani Marchand-Sánchez
nmarchand@ferraiuoli.com

Carlos Muñoz Cotté
cmuniz@ferraiuoli.com

Roberto F. Náter Lebrón
rnater@ferraiuoli.com
Francisco Pérez Betancourt
fperez@ferraiuoli.com

Alexis González Pagani
agonzalez@ferraiuoli.com