

Interstate Commerce

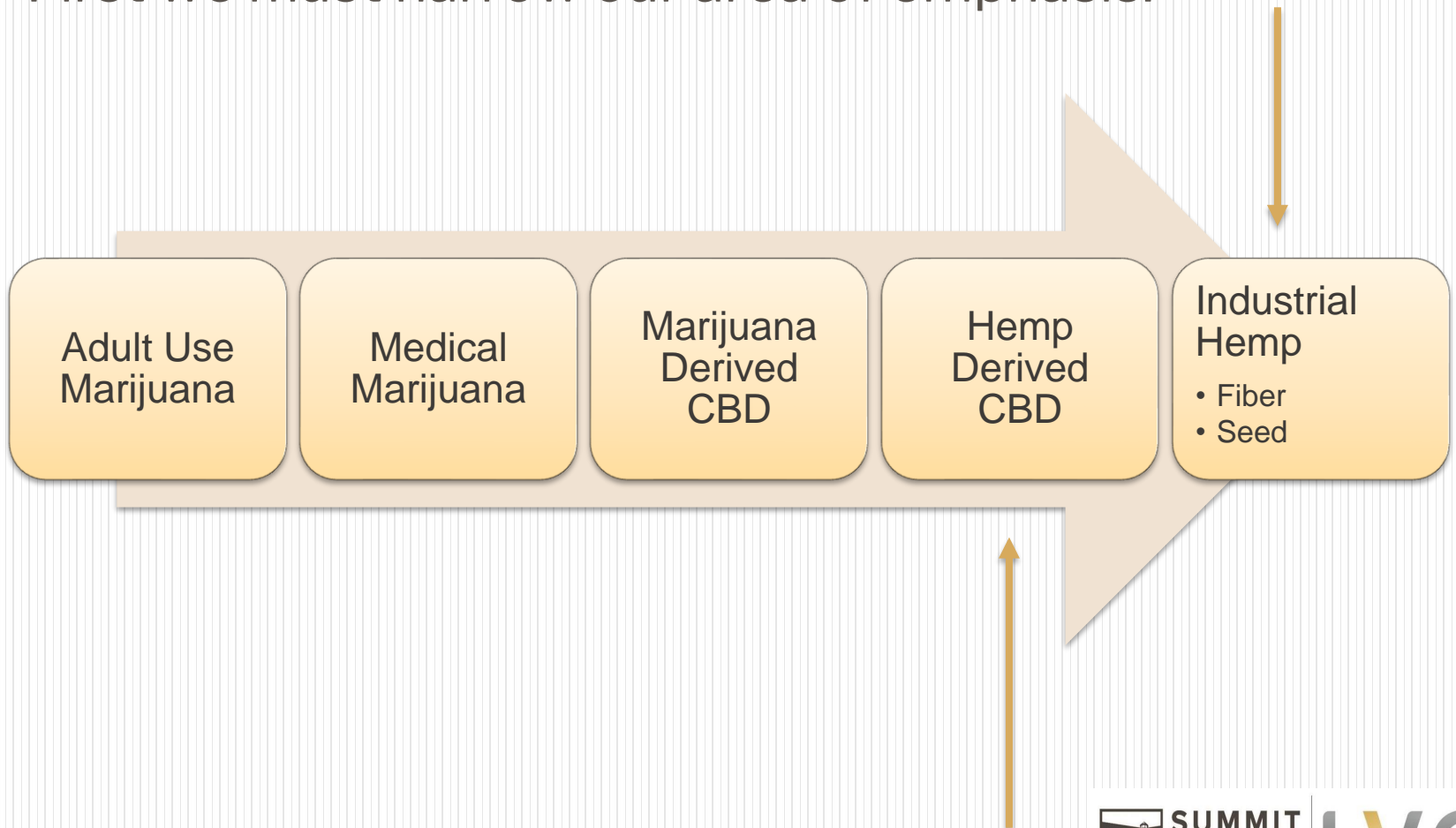
“Understanding the Hemp Landscape”

Matthew Habuda
Vice President and COO



The Hemp Industry Spectrum

First we must narrow our area of emphasis.



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Legality of the Hemp Industry

- 2014 Farm Bill created industrial hemp distinction and allowed for hemp pilot programs.
- Senators Mitch McConnell (R – Kentucky) and Ron Wyden (D – Oregon) lead a strong bipartisan effort to include hemp legalization in the 2018 Farm Bill.



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Legality of the Hemp Industry

- December 2018 the 2018 Farm Bill was passed by Congress and signed into law.
- Legalized the cultivation and sale of industrial hemp and hemp derived products that contain >0.3% THC.
- Explicitly allows for transportation across state and tribal lines.



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Two Classifications of Hemp Operations

- Multi State Operation

- Single State Operation



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Multi State Operations

- The 2018 Farm Bill allows each phase of cultivation, processing, and manufacturing to be completed in different states.
- Historically the Midwest was the main area for hemp cultivation.
- Hemp fiber and CBD presents different complications. Processing is very different, and processors are currently in specific locations.

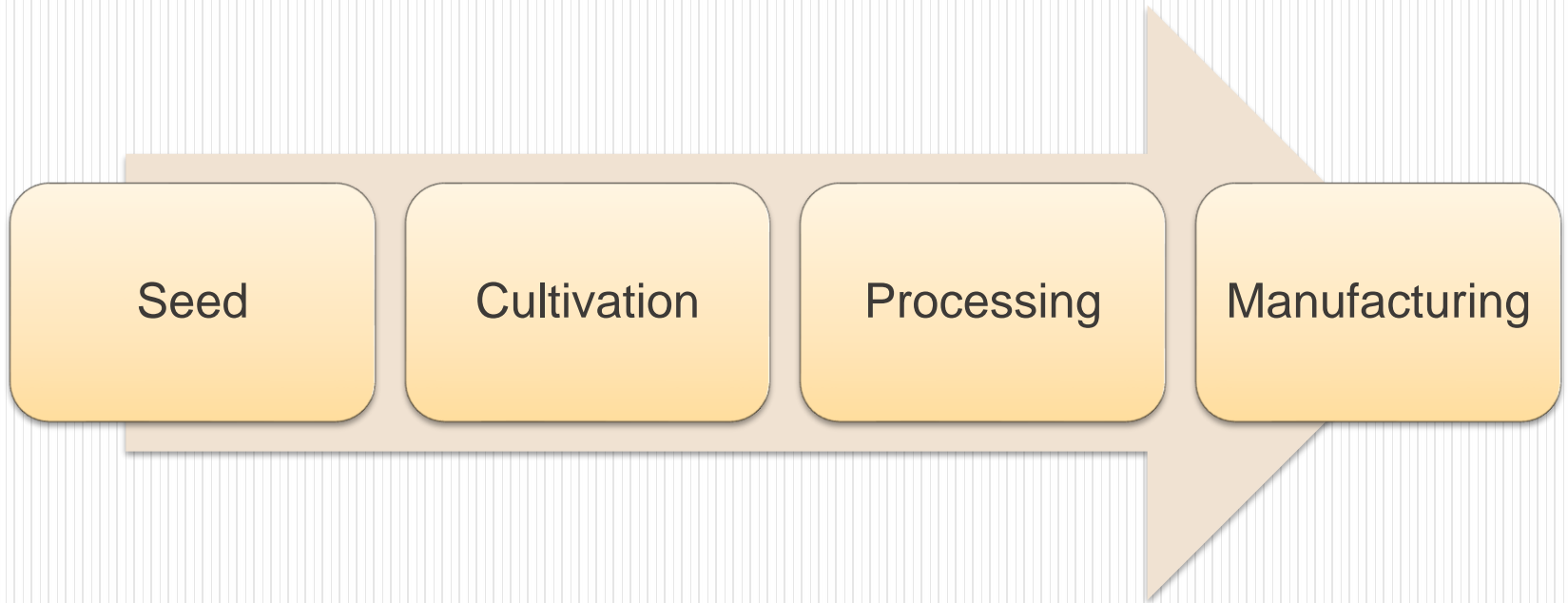


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Multi State Operations

Understanding a multi-state vertical operation.



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Multi State Operations

- Interstate operations and commerce require transport across state and tribal lines
- The journey from the field to the processor is the point of highest risk due to temperature, theft, and ignorance.
- Although federally legal, interstate transport is complicated by different state regulations and laws concerning medical and adult use marijuana laws.
- States surrounding Wisconsin have various laws



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Multi State Operations

- Interstate commerce creates confusion and possible legal issues for banks, law enforcement, and industry professionals.



Multi State Operations

- Some states have yet to set their state regulations and because the USDA has not set their hemp policies there is still some confusion on the legality of transporting hemp in a few states.
- A few states like Idaho have said that its not legal to transport hemp grown before their state regulations and the USDA regulations have been set. They even prosecuted some industry workers at the beginning of the year.
- BUT the USDA gave a legal opinion on May 28th that confirmed that no state may prohibit interstate transport or shipping of hemp or hemp-derived products. This was a very important legal opinion which should resolve any lingering doubt.



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Multi State Operations

- Despite complications interstate commerce has benefits for producers and consumers.
 - Creates competition
 - Larger client base
 - Growers can take advantage of different climates and soil conditions.
 - Allows various states and regions to be part of the industry



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Single State Operations

- Interstate commerce can create market barriers for single state operations located in states that have more restrictive laws such as Wisconsin.
- Despite these barriers, some industry experts prefer to operate within a single state in order to avoid interstate complications.
- Single state operations create a cleaner banking determination process because compliance is driven by a single set of rules.
- Single state operations create greater control of product



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Additional Commerce Issues

- Many banks are unfamiliar with the hemp industry and are unnecessarily hesitant to get involved.
- The stigma and uncertainty about hemp is changing as the public becomes more informed.
- Those banks that choose to lend to and work with the hemp industry are establishing themselves as “friends of the industry.”
- Banks can participate in interstate hemp operations due to hemp’s federally legal status; It should be treated as any other crop. But they must work within their compliance and regulations.



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E-Commerce Issues

- Interstate commerce requires online banking and merchant services.
- It is vital that banks and merchant services separate hemp commerce from medical or recreational Marijuana commerce in their policies.
- Currently Paypal, Square, and other popular online merchant services will not accept hemp or CBD commerce.
- Vendors often find themselves working with unconventional solutions like Nature's Pay, MediPays, and cryptocurrency solutions.



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Questions?

Thank you for your time.