

# Legal Connections



LEGAL EXPERTISE FOR THE BUSINESS COMMUNITY

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**Jill Snitcher, Esq.**  
Executive Director  
[jill@cbalaw.org](mailto:jill@cbalaw.org)



## LOCAL BUSINESSES SHOULD EXPECT IMPACT FROM BANKRUPTCY FILINGS

**D**uring the pandemic, Ohio saw bankruptcy filings decrease by nearly 30 percent in 2020 to their lowest level in 20 years. For the first time in history, the data indicates that bankruptcy filings plummeted while unemployment spiked due to the extraordinary measures taken by the government to battle COVID-19. We saw credit card debt decline for the first time in a decade, likely from consumers receiving stimulus checks and expanded unemployment compensation. And, due to the emergency relief available from the Small Business Administration, many small businesses were also able to stay open despite lockdowns. Consumers and businesses avoided bankruptcy filings due to the moratorium on collections, evictions and foreclosures. That's



**MICHAEL COX, ESQ.,**  
Guerrieri, Cox & Associates, LLC

all about to change with the moratoriums lifted and relief tailing off. Bankruptcy filings are expected to rise in the coming months, as individuals and businesses face the effects of the pandemic. In the second quarter, credit card debt began rising again while evictions increased. After the foreclosure moratorium

ended in the second quarter, notices of default and reinstatement of foreclosures are expected to increase through the end of the year.

The pressures to file bankruptcy are only expected to increase when the student loan forbearance ends in December. With defaults on mortgages and rent payments, businesses should expect missed payments from consumers and other businesses,

adding to the pressures to file bankruptcy. We're seeing evidence of it now as bankruptcies in Ohio increased 4 percent in August, with filings continuing to increase in September and expected to meet or exceed pre-pandemic numbers in 2022.

As we try to emerge from the pandemic and struggle to find a new normal, businesses should expect the impact from increased bankruptcy filings causing losses. Bankruptcy cases usually result in little or no recovery for creditors, with costs just to participate. Many businesses and consumers carried a heavy debt load when COVID-19 hit, which is coming back to haunt them now that relief programs are leveling out. Although it is expected that bankruptcy filings will inevitably result, businesses can mitigate the impact from bankruptcy filings by seeking to head them off in the first place.

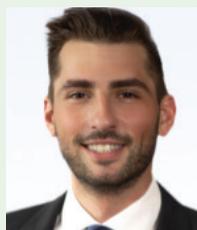
The pressure for businesses and consumers to file bankruptcy can be minimized by debt holders being flexible and communicating to seek a workable plan to pay down debt. Many bankruptcies were avoided during the pandemic by commercial landlords working with tenants and mortgage companies offering modifications to consumers. If a business or consumer is financially sound, local businesses should provide flexibility for them to come up with a plan, because recovering something is better than nothing. Many businesses may ultimately fail under their debt load, but with a little leniency, businesses have a chance to lessen the impact from bankruptcy filings and mitigate their losses. ■

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## OHIO INCHES TOWARDS ADULT-USE LEGALIZATION, THREE PATHS CONSIDERED

**R**ecent bills and ballot initiatives suggest that adult-use (i.e., recreational) cannabis may be coming to Ohio in the near future. However, with the State currently considering three separate paths toward legalization, the key question now seems to be just as much how as when.

The first path toward legalization was put forth in July via a bill introduced by Democratic State Representatives Casey Weinstein and Terrence Upchurch. The bill seeks to permit recreational cultivation and possession of cannabis, expunge cannabis convictions and institute a



**CHAD BLACKHAM, ESQ.**  
Mac Murray & Shuster LLP

tax to help fund education, infrastructure maintenance and cannabis research. The bill would also allow businesses under Ohio's existing Medical Marijuana Control Program (MMCP) to obtain licenses for recreational programs.

Republican State Representatives Jamie Callender and Ron Ferguson followed with a second, similar proposal for adult-use cannabis legalization in mid-October. Like its Democrat counterpart, the Republican bill seeks to legalize possession and cultivation of adult-use cannabis, retroactively expunge certain cannabis-related convictions and grandfather in existing MMCP licensees

while establishing a framework for the licensure of new applicants. The Republican proposal would also introduce an excise tax to help combat drug addiction and drug trafficking.

The third avenue being considered is through what Ohio refers to as an "initiated statute," which permits citizens to submit proposed laws for a statewide vote. The initiated statute, backed by advocacy group Coalition to Regulate Marijuana Like Alcohol, was approved by the Ohio Ballot Board in August. Should the Coalition gather the roughly 133,000 signatures needed, the proposal would be sent to the Ohio General Assembly for a vote. The Assembly would then have four months to act on the proposed law, which would end cannabis prohibition,

allow expansion of an adult-use market, create a new Division of Cannabis Control regulatory authority under the Ohio Department of Commerce, and establish a social equity fund.

Regardless of the path chosen, adult-use cannabis is likely to have significant ramifications for the Buckeye State's economy such as increased tax revenue and new social equity initiatives. Often seen as a bellwether state, Ohio's legalization of adult-use cannabis may also have implications for other areas of the country, or even at the federal level, as legalization continues to spread throughout the nation. ■

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**OHIO CLE  
UPDATE**  
for attorneys and judges

### Self-Study CLE Cap Waived Through 2022

Due to ongoing concerns surrounding the COVID-19 virus, the Supreme Court of Ohio has waived the self-study caps for judges, magistrates, and attorneys to complete the CLE requirements for the 2021-22 compliance period ending December 31, 2022. Visit [www.cbalaw.org](http://www.cbalaw.org) for a large selection of self-study courses and live interactive webinars.

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