



Implementation of the Medical Cannabis Regulation and Safety Act

Pre-Regulatory Stakeholder Meeting

General Licensing Discussion Topics and Background

The Medical Cannabis Regulation and Safety Act (Act) authorizes the Bureau of Medical Cannabis Regulation (BMCR) to create, issue, renew, discipline, suspend, or revoke licenses related to commercial cannabis activity. BMCR has conducted initial research and put forward options for some specific aspects of licensing for discussion.

At the pre-regulatory stakeholder meetings, we will examine these topics with the public and collect feedback on alternative solutions. In the following pages, you will find some critical topics BMCR is examining along with potential regulatory solutions and BMCR's thoughts for regulation. Please review the information and either submit comments at www.dca.ca.gov/webapps/bmcr/public_comment.php (link available at www.bmcr.ca.gov) or come prepared to share your ideas at our pre-regulatory meetings! Please note that due to time constraints we will not be able to discuss all aspects of each license type, however you will have many opportunities to submit your comments to BMCR.

Topics To Be Covered

1. Owners and financial interest
2. Background checks
3. Priority for application review
4. Rehabilitation consideration factors
5. Local-government approval

Action Items for the Public

BMCR has researched multiple alternatives for the direction of a variety of regulatory concepts. Now we are looking for your feedback!

- Please review the attached documents.
- How do you feel about BMCR's thoughts for the topics attached?
- What are your suggested alternatives and reasons for supporting them?
- Provide us with your feedback in one or both of the following ways:
 - Visit www.dca.ca.gov/webapps/bmcr/public_comment.php or www.bmcr.ca.gov to provide comments.
 - Register and participate in one of our pre-regulatory meetings! If you have not registered, please visit www.bmcr-omcs-prereg.eventbrite.com.

For more background, information, and proposals for each topic, please see the following attachments.

TOPIC #1: OWNERS AND FINANCIAL INTEREST

Objective: Determine the definition of “owner.”

Existing Law: Under the Act, “Applicant” includes:

- Owner or owners of the proposed premises, including all persons or entities having an ownership interest, other than a security interest, lien, or encumbrance on property.
- For entities: Each person participating in the direction, control, or management of, or having a financial interest in, the proposed premises.
- For publicly traded companies: The chief executive officer or any person or entity with an aggregate ownership interest of 5% or more.

Under the Act, “person” is defined as an individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit and includes the plural as well as the singular number.

Options for Regulations:

1. Define owners as individuals with financial interests as follows:
 - a. Solo proprietor: includes investors, persons that provide monetary gifts, persons that provide loans, consultants
 - b. Partnership: individuals with 5% percent as general partner, 10% as limited partner
 - c. Spouses and registered domestic partners
 - d. Corporation: stockholders with $\geq 5\%$ of stock, directors and officers with $\geq 5\%$ of stock
 - e. Trust: all trustees, and any individual with $\geq 10\%$ ownership interest
 - f. Limited liability company: all managers; members with $\geq 10\%$ ownership interest
 - g. Joint venture: all individuals entitled to receive income or benefit from joint venture
 - h. Landlord: landlord entitled to receive $\geq 40\%$ of proceeds
2. Other alternative

BMCR's Thoughts: Option #1, define owner based on role in different business models

TOPIC #2: BACKGROUND CHECKS

Objective: To determine who should undergo a background check.

Existing Law: The Act requires that all applicants be fingerprinted by the Department of Justice.

Options for Regulations

1. Owners only
2. Owners and consultants
3. Owners and contractors
4. All employees
5. A different combination of the above
6. Other alternative

BMCR's Thoughts: Option #1, require background checks on only owners, as defined in Topic #1

TOPIC #3: PRIORITY FOR APPLICATION REVIEW

Objective #1: Determine how to define a business's first date of operation for priority review of applications.

Objective #2: Define what is "good standing" with a local jurisdiction for priority review of applications.

Objective #3: Define how priority will be determined for those businesses that were in operation and in good standing with the locals as of January 1, 2016.

Existing Law: The Act requires the licensing authorities to prioritize those applications that can demonstrate to the licensing authority's satisfaction that the premises or person was in operation and in good standing with the local jurisdiction as of January 1, 2016.

Options for Regulations for Objective #1 – First Date of Operations:

1. Date business began conducting commercial cannabis activity.
2. Date of business formation as evidenced by one of the following:
 - a. Articles of incorporation
 - b. Articles of organization
 - c. Operating agreement
 - d. Certificate of limited partnership
 - e. Statement of partnership authority
 - f. Other documents authenticating the business
3. Date local license, permit, or other authorization was obtained
4. Other alternative

BMCR's Thoughts: Option #1, first date of operations = first date of conducting commercial cannabis activity

Options for Regulations for Objective #2 – Good Standing:

1. Certified document from the local government affirmatively authorizing the proposed commercial cannabis activity that the individual is applying for.
 - a. Official local jurisdiction letterhead and
 - b. Signed by authorized employee of the local jurisdiction
2. Local jurisdictions provide licensing authority with a list of all medical cannabis businesses in good standing
3. Other alternative

BMCR's Thoughts: Option #1, certified document from local jurisdiction

Options for Regulations for Objective #3 – Priority Review:

1. Review in order of receipt of application by BMCR
2. Rank by date operation began conducting commercial medical cannabis activity.
3. Multi-level priority scheme
 - a. First priority for operations that are exactly the same, in order of receipt of application
 - b. Second priority for operations that are substantially the same (e.g., changed from nonprofit to for profit, change in premises), in order of receipt of application
4. Other alternative

BMCR's Thoughts: Option #1, review in order of receipt of application by BMCR

TOPIC #4: REHABILITATION CONSIDERATION FACTORS

Objective: Determine what factors should be considered by the licensing authority when conducting a review of an individual's background.

Existing Law: For those applications with a criminal history, the Act requires each licensing authority to conduct a thorough review of the nature of the crime, conviction, circumstances, and evidence of rehabilitation of the applicant.

Options for Regulations

1. Consider the following factors:
 - a. Nature and severity of the act or offense under consideration as grounds for denial
 - b. Evidence of any act committed subsequent to the act or offense under consideration as grounds for denial
 - c. Time that has elapsed since commission of the act or crime:
 - i. Set number of years
 - ii. Case-by-case
 - d. Whether the applicant has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant
 - e. Total criminal record
 - f. Certificates of rehabilitation or other similar documents from other states
2. Different combination from factors in option #1
3. Other alternative

BMCR's Thoughts: Option #1, consider all factors a-f.

TOPIC #5: LOCAL GOVERNMENT APPROVAL

Objective: Determine a definition for "other authorization" for local approval

Existing Law: The Act requires all applicants for state licensure to obtain a local license, permit, or other authorization prior to being issued a state license for commercial cannabis activity.

Options for Regulations

1. Certified document from the local government affirmatively authorizing the proposed commercial cannabis activity that the individual is applying to do. The document shall consist of the following:
 - a) Official local jurisdiction letterhead; and,
 - b) Signed by authorized employee of the local jurisdiction.
2. Local jurisdictions provide licensing authority with a list of all medical cannabis businesses in good standing
3. Other alternative

BMCR's Thoughts: Option #1, certified document from local government with affirmative authorization.