

**BUREAU OF MEDICAL CANNABIS REGULATION**

**PRE-REGULATORY MEETING**

**GENERAL LICENSING REQUIREMENTS—MEETING SUMMARY**

**REDDING**

**September 19, 2016**

**Topic 1: Owners and financial interest; Definition of “owner”**

**BMCR Thoughts: Owners shall be defined as individuals with financial interests as follows:**

- 1. Sole Proprietor: Includes investors, persons that provide monetary gifts, persons that provide loans, consultants.**
- 2. Partnership: Individuals with 5% as a general partner, 10% as a limited partner.**
- 3. Spouses and registered domestic partners.**
- 4. Corporation: Stockholders with greater than or equal to 5% of stock, directors and officers with greater than or equal to 5% of stock.**
- 5. Trust: All trustees, and any individual with greater than or equal to 10% ownership interest.**
- 6. Limited Liability Company: All managers, members with greater than or equal to 10% ownership interest.**
- 7. Joint Venture: All individuals entitled to receive income or benefit from joint venture.**
- 8. Landlord: Landlord entitled to receive greater than or equal to 40% of proceeds.**

**COMMENTS:**

- Proposed action is reasonable.
- The proposed action does not include the collective or cooperative models. The system should include these.
- Many dispensaries are currently non-profit. Requiring them to change business model to comply may cause problems.
- Concerns that large corporations are going to move into the industry and squeeze out smaller businesses.
- There should be some areas carved out specifically for small businesses.
- Heritage farmers should be allowed to continue operating without threat from larger businesses.
- There should be a California residency requirement for applicants.
- There should be a limit on the amount of out-of-state investors allowed.
- Concerns regarding the sale of licenses on the secondary market for very high prices.
- Landlords should not be allowed to have a business interest.
- Consultants should not be considered owners.
- Spouses and domestic partners should not have to apply.
- Owner should be the one that implements and runs the licensed business and should not include investors.
- 5% is too low of a threshold.

*Disclaimer: This meeting summary is not intended as a verbatim transcript of comments at the meeting, but a summary of the discussion which took place; nor does this document attest to the completeness, reliability, or suitability of this information.*

<ul style="list-style-type: none"> <li>• Different threshold interest amounts based on legal formation should not be used.</li> <li>• 5% or 10% should be sufficient to qualify as owner.</li> </ul>
<b>QUESTIONS:</b> <ul style="list-style-type: none"> <li>• Will there be a cap on the amount of licenses made available?</li> <li>• What does a business do if the local government does not have an official program in place prior to 1-1-2018?</li> <li>• Will a federal identification number be required?</li> </ul>
<b>Main Themes:</b> <ul style="list-style-type: none"> <li>• Ownership types should be treated equally.</li> </ul>

## Topic 2: Applicant Background Checks; Rehabilitation

### BMCR Thoughts:

1. **Only owners will be required to have background checks.**
2. **Review the following factors when considering the qualifications of an individual with a criminal history:**
  - 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 the 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.**

<b>COMMENTS:</b> <ul style="list-style-type: none"> <li>• Request that the state be flexible in the type of background check that is required.</li> <li>• There should be pardons or amnesty for “pioneers in the cannabis industry.”</li> <li>• Cannabis-related offenses should not hurt your chances of being approved for a license.</li> <li>• There should be no background checks at all.</li> <li>• Background checks may be required for owners.</li> <li>• Owners should be able to decide to background check their employees themselves. The state should not require the background checks.</li> <li>• If there is some overreach (cost of fees exceeds the cost of enforcement) the farmer should not have to pay for that.</li> <li>• There should be no forgiveness for certain crimes such as destruction of the environment.</li> <li>• White collar crimes and crimes involving fraud should be looked at during the background check.</li> <li>• Violent and non-violent crimes should be treated differently.</li> <li>• Repeat offenders should be investigated.</li> <li>• Should look at past 5 to 7 years.</li> <li>• Case-by-case is a good idea.</li> </ul>
--

*Disclaimer: This meeting summary is not intended as a verbatim transcript of comments at the meeting, but a summary of the discussion which took place; nor does this document attest to the completeness, reliability, or suitability of this information.*

- Interviews with individuals would be good to allow applicant to explain background.
- Should consider having a job or being in school as evidence of rehabilitation.
- Should consider letters of recommendation.
- Illegal growers and applicants with violent crimes should not receive licenses.
- All employees should have to get background checks.
- “Substantially related” should be related to trustworthiness, protection of the public and the moral ability to act responsibly.
- Misdemeanors should not be considered at all.

**QUESTIONS:**

- Who is required to pay for the background check? The applicant or the state?
- Will the background check cost be part of the application fee?
- What kind of background check will the state require?
- What is the background check looking for exactly?
- What crimes should be disqualifying?

**MAIN THEMES:**

- Violent crimes, illegal growers, growers that have caused environmental damage, white collar crimes such as those involving fraud should be heavily scrutinized.
- Flexibility in the evaluation and case-by-case are good methods.

**Topic 3: Priority for Application Review**

**BMCR Thoughts: Define a business’ first date of operation as the first date it began conducting commercial cannabis activity. Determine good standing through a certified document on official letterhead from the local government affirmatively authorizing the proposed commercial cannabis activity that the individual is applying for that is signed by an authorized employee of the local jurisdiction. All applications that meet both of the criteria above will be reviewed in order of receipt.**

**COMMENTS:**

- Aerial maps can be used to prove that a cultivator was in fact growing on a particular date.
- There should be some priority given to new, small businesses who may want to enter the industry.
- There should be a strong cap on the number of big out-of-state corporations or investors.
- Tax documents (1099) or receipts for sales can be used to prove the date operation started.
- Business should have to prove that they are in total compliance with all rules at the time of operation before being given priority.
- Collectives may have some difficulty in proving that they were in business on a certain date.
- Collectives may be able to provide evidence of membership in a collective.
- It will be difficult for transportation and distribution to provide evidence that they were in operation on a certain date and that they had local authority to conduct business.
- Dispensaries may be able to provide records of transportation for evidence of their operation as well as operation of the transporters.
- Date obtained Proposition 215 license should be evidence of date of operation.
- Date seller’s permit was obtained should be date operations began.
- Need to find a way to capture those without a brick and mortar business.
- Bureau should accept testimony/affidavits from people the applicant has done business with to

*Disclaimer: This meeting summary is not intended as a verbatim transcript of comments at the meeting, but a summary of the discussion which took place; nor does this document attest to the completeness, reliability, or suitability of this information.*

<p>prove when they were first operating.</p> <ul style="list-style-type: none"> <li>• “Within local government” and “authorized employee” on handout are vague terms.</li> <li>• Should be first come, first served.</li> <li>• Good standing should be assumed until proven otherwise.</li> <li>• There should not be a cap on licenses.</li> <li>• Should convene a multi-agency task force to be go-between between state and local jurisdictions.</li> <li>• The state should play a role in regulating local jurisdictions that are not operating effectively.</li> <li>• New businesses should not be disadvantaged.</li> <li>• There should not be a cap.</li> </ul>
<p><b>MAIN THEMES:</b></p> <ul style="list-style-type: none"> <li>• Flexibility in finding good standing.</li> <li>• There should be a number of different ways to demonstrate “other authorization.”</li> </ul>

**Topic 4: Local Approval**

**BMCR Thoughts: Define “other authorization” as a certified document on official letterhead from the local government affirmatively authorizing the proposed commercial cannabis activity that the individual is applying for that is signed by an authorized employee of the local jurisdiction.**

<p><b>COMMENTS:</b></p> <ul style="list-style-type: none"> <li>• The Bureau’s recommendations are reasonable.</li> <li>• Should designate who in the local jurisdiction is the authority, such as the sheriff.</li> <li>• Consider having a list of local departments and have each department sign off.</li> <li>• Business license should be sufficient proof of local authorization.</li> <li>• Consider a template form.</li> <li>• Require three signatures by local approval department.</li> <li>• Formal checklist from all local department should be required.</li> <li>• Business license should suffice.</li> </ul>
<p><b>QUESTIONS:</b></p> <ul style="list-style-type: none"> <li>• Can a personal residence be licensed?</li> <li>• If city or county has ordinance saying activity is okay but doesn’t give out permits, is this enough for “other authorization”?</li> <li>• Who will certify the local authorization?</li> <li>• What happens when cooperatives and collectives are phased out?</li> <li>• Who is the person of authority? Sheriff’s department, environmental health?</li> <li>• What does authorized employee mean?</li> </ul>
<p><b>MAIN THEMES:</b></p> <ul style="list-style-type: none"> <li>• There should be clear guidance on what counts as other authorization.</li> <li>• A template form that the local jurisdictions can use should be provided by the Bureau.</li> </ul>

*Disclaimer: This meeting summary is not intended as a verbatim transcript of comments at the meeting, but a summary of the discussion which took place; nor does this document attest to the completeness, reliability, or suitability of this information.*