

BUREAU OF MEDICAL CANNABIS REGULATION

PRE-REGULATORY MEETING

GENERAL LICENSING REQUIREMENTS—MEETING SUMMARY

FRESNO

September 27, 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:

- The landlord should not be included as a potential owner.
- Remove spouses, domestic partners, trusts, consultants and anyone that provides loans.
- Landlord shouldn't be included or if they are they should be required to be listed on a partnership agreement.
- Landlord amount should be lowered to 25%.
- All ownership interests should be at 5% interest to be considered owner.
- The percentages are too low for profit sharing arrangements.
- Landlords should be considered owner if they have a profit share as part of the lease agreement.
- Requirements for non-profits and faith-based corporations should be clarified.

MAIN THEMES:

- Don't consider landlords owners.

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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.

COMMENTS:

- Agree with proposal that just owners should receive background check.
- Financial crimes should be grounds for disqualification.
- Threshold should be set at violent felonies.
- Those with cannabis convictions should get special consideration.
- The results of a background check should not prevent an applicant from obtaining a license unless there is a history of violent crimes.
- Convictions for selling drugs to minors should disqualify an applicant from obtaining a license.
- Someone who has completed probation or parole should not be denied a license because they have been able to show “rehabilitation.” [Repeated twice]
- There should be a strict interpretation of what would be considered “reformed.”
- Applicants should be required to submit documents to prove rehabilitation when there is a criminal history.
- Should limit licenses to California residents with a requirement that the applicant live in California for at least one year.
- Background checks for employees should be at the option of the employer and not required by the state. [Multiple commenters]
- There should be a statewide registration for all cannabis company employees. [Repeated twice]

MAIN THEMES:

- Background checks on only owners is OK.
- Make regulations regarding background check very clear.

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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:

- First date of operation should be the first date of compliant operation in the local jurisdiction.
- It may be difficult to obtain proof of local approval in some places.
- Concern that some local jurisdictions may be waiting to see what the state does before giving local approval.
- "Good standing" should be limited to mean that a business is paying taxes and following local rules.

QUESTIONS:

- How will local caps affect the ability to get a state license?

MAIN THEMES:

- Be flexible regarding "good standing."

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.

COMMENTS:

- The letter from the local jurisdiction is a good idea.
- A business should be able to provide its DBA as proof of local approval.
- The letter should be notarized.
- The state should contact the local jurisdictions and provide a sample letter for verifying local approval for each business.
- Locals should be required to contact the state and provide them with a list of the businesses in their jurisdiction that are in good standing.
- A limited use permit or business license should be considered "other authorization."

MAIN THEMES:

- A template from the state for the local jurisdictions to use would be good.
- State should work with local jurisdictions in order to efficiently determine whether a business is in good standing.

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