

BUREAU OF MEDICAL CANNABIS REGULATION

PRE-REGULATORY MEETING

GENERAL LICENSING REQUIREMENTS—MEETING SUMMARY

LOS ANGELES

October 4, 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:

- Spouses should not be considered owners.
- Landlords who received 5% or more of the proceeds from the business should be considered owners.
- All entities should be treated the same for the purposes of defining ownership.
- All categories should be at 10%.
- All categories should be 30%.
- Agree with the Bureau’s proposal.
- Spouses, consultants, people that provide gifts and monetary loans should not be considered owners.
- Anyone with a 5-10% equity interest or greater should be considered an owner.
- Landlords that receive any percentage of the business profits should be an owner. Suggested threshold of 10-20%.
- Anyone that provides a loan with an equity interest should be an owner, otherwise lenders should not be considered owners.
- All entities should be treated the same for the purposes of defining ownership.
- Qualified ownership interest should be 10% across the board.
- Board of Directors should be considered “owners.”
- Split opinion: Landlord % of profits for owner definition should be around 40%. Others said 25-

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<p>30%.</p> <ul style="list-style-type: none"> • Rent to a landlord should not be considered a part of “proceeds.” • A spouse’s criminal background should not be a disqualifying event. • The Bureau should stay consistent with “owner” definition used by other state agencies. • Fractional ownership should be allowed so that a person can hold multiple licenses.
<p>QUESTIONS:</p> <ul style="list-style-type: none"> • Can the Bureau do anything to protect business from abusive landlords who set high rental rates? How will collectives operate under the new law? Who can the owner be? • Will there be a cap on the number of licensees? • Why are spouses included? • What will license enforcement look like? How will the Bureau catch bad actors?
<p>Main Themes:</p> <ul style="list-style-type: none"> • Don’t include spouses or landlords as “owners.”

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.**

<p>COMMENTS:</p> <ul style="list-style-type: none"> • Agree with the proposed plan. Only owners should be background checked. • Managers as well as owners should be background checked. • There should be no background checks completed on anyone. • Transportation drivers should also be background checked. • Convictions as a minor should not be considered during the application process. • An individual who has completed formal probation or parole should not be prevented from getting a license due to that conviction. • US citizenship should be required to obtain a license. • Non-citizens should also be allowed to obtain a license if able to show proper legal status. • Only registered owners should need a background check. • Agree that all owners should receive a background check.

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- All owners and employees should receive a background check because it removes bad actors from the industry.
- Public safety should be the goal of background checks so require background checks as necessary to ensure public safety.
- Employers should be required to do background checks on all employees with guidelines from the Bureau. The Bureau should then audit licensees.
- All felony convictions should be grounds for disqualification.
- All violent crime convictions should be grounds for disqualification.
- All convictions should be considered.
- Cannabis convictions should be excluded.
- Agree with a case-by-case review.
- Convictions regarding fraud or other financial crimes should be disqualified.
- Applicants with multiple DUIs or traffic accidents should be disqualified.
- Should only apply to non-cannabis related crimes.
- Let the industry decide on whether they want to background check their employees.
- Request that the state be flexible in the type of background check that is required.
- Cannabis-related offenses should not hurt your chances of being approved for a license.
- Owners should be able to decide to background check their employees themselves. The state should not require the background checks.
- There should be a threshold: violent and non-violent crimes should be treated differently.

QUESTIONS:

- Will an owner be penalized for not conducting background checks on their line employees?
- How do you conduct a background check on an international owner?

MAIN THEMES:

- Serious felony convictions should disqualify you.
- Allow for proof of rehabilitation.

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:

- Receipts of business transactions and income tax records should be able to be used to establish the date of operations.
- Applications should be processed on a first come first serve basis.
- Applications should not be first come first serve as individuals who have been involved in the industry longer should get priority.
- There should be a date set, for example, July 30, 2018, where all applications received from January 1, 2018, to that date should be processed all at the same time. Maybe order can be determined randomly.
- Businesses should receive priority in the order of how long the businesses have been in

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operation.

- Agree with the Bureau's proposal.
- The local jurisdiction should provide the Bureau with a document stating the date of operation and whether or not the business is in good standing.
- Local/city tax returns could be used.
- L050 tax documents could be used.
- Conditional use permit could be used.
- Legal, non-conforming use permit could be used.
- The state should create and supply the required form with the necessary proof required.
- Tax documents (1099) or receipts for sales can be used to prove the date operation started.
- Articles of incorporation could be used.

MAIN THEMES:

- There are many different types of documents that could be used to prove "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:

- Receipts proving that the business was operational should be enough to show local approval.
- Should consider using neighborhood council approval.
- Should use a certificate of recognition/achievement from the city council as local approval.
- Any letter indicating approval from a locally-elected official should satisfy the local approval requirement.
- The state should provide guidance or a template for local jurisdictions to use.

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