

Emergency Regulations Summary for Cannabis Cultivators

Licensed Cannabis Cultivation in California

In June 2017, California Governor Jerry Brown signed into law the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), which creates one regulatory system for both medicinal and adult-use (recreational) cannabis. Under MAUCRSA, the California Department of Food and Agriculture (CDFA) was designated as the state agency responsible for issuing licenses to commercial cannabis cultivators in California.

Temporary vs. Annual Licenses

CDFA will be issuing temporary licenses that will go into effect on January 1, 2018. These temporary licenses will be valid for only 120 days, and two 90-day extensions will be available only if the temporary licensee has applied for an annual license. Temporary licenses will not be available as of January 1, 2019. Applications for temporary and annual commercial cannabis cultivation licenses are anticipated to be available in December 2017 via CDFA's CalCannabis Cultivation Licensing website at calcannabis.cdfa.ca.gov.

Cannabis Cultivation License Categories

Adult Use (Recreational) OR Medicinal

- 1) **CULTIVATORS:** Numerous license types for commercial cultivators, ranging from specialty cottage to medium-sized grows
- 2) **NURSERIES:** Cultivation of cannabis solely as a nursery, including cloning and seed propagation
- 3) **PROCESSORS:** A site that conducts only trimming, drying, curing, grading, or packaging of cannabis and nonmanufactured cannabis products

Eligibility

OWNER. “Owner” means any of the following:

- 1) A person with an aggregate ownership interest of 20 percent or more in the person applying for a license or a licensee, unless the interest is solely a security, lien, encumbrance
- 2) The chief executive officer of a nonprofit or other entity
- 3) A member of the board of directors of a nonprofit or other entity
- 4) An individual who will be participating in the direction, control, or management of the person applying for a license

An owner who is an individual participating in the direction, control, or management of the commercial cannabis business includes any of the following:

- 1) A partner of a commercial cannabis business that is organized as a partnership
- 2) A member of a limited liability company of a commercial cannabis business that is organized as a limited liability company
- 3) An officer or director of a commercial cannabis business that is organized as a corporation

CRIMINAL BACKGROUND. Applicants will have to get fingerprinting via the Department of Justice’s Live Scan service and undergo a criminal history check to determine if any convictions are substantially related to their commercial cannabis cultivation license. Substantially related convictions may prevent the issuance of a license.

LOCAL APPROVAL. Applicants may submit, as a part of their application, proof of approval by their local jurisdiction (city or county or other jurisdiction) for commercial cannabis activity. CDFA will be verifying the validity of the authorization with the local jurisdiction identified.

ENVIRONMENTAL PROTECTION. Applicants will be required to demonstrate California Environmental Quality Act (CEQA) compliance. This may be achieved by a local jurisdiction completing a site-specific analysis or the applicant providing a CEQA document to be certified by the lead agency. Applicants will also be required to comply with specific conditions imposed by the State Water Resources Control Board and Department of Fish and Wildlife.

Site Requirements

The location must be at least 600 feet from sensitive sites, such as a school, unless otherwise authorized by local ordinance.

Tobacco and alcohol sales are prohibited at licensed commercial cannabis premises.

Documents to Submit With an Application

The following documents will need to be submitted with a cannabis cultivation licensing application:

- Lease agreement, property title, or deed indicating a right to occupy the property
- Business-formation documents filed with the California Secretary of State's office
- California State Water Resources Control Board permits and verification of the applicant's water source
- California Department of Fish and Wildlife's 1602 Lake or Streambed permit or waiver of needed permit
- California Department of Toxic Substances Control's hazardous-materials record search via the EnviroStor data-management system
- California Department of Tax and Fee Administration seller's permit
- Labor Peace Agreement if there are more than 20 employees
- Surety bond valued at \$5,000
- California Department of Justice fingerprinting via its Live Scan service for each owner
- Proof of local jurisdiction CEQA compliance or additional CEQA site-specific analysis

Local Jurisdictions

CDFA will not issue licenses to applicants in local jurisdictions where cannabis cultivation is banned.

Local Compliance Verification

If the applicant provides a local license, permit, or other authorization, CDFA will contact the local jurisdiction to verify the information and will allow at least 10 days for the jurisdiction to respond before issuing the license.

If an applicant for an annual license does not provide a local license, permit, or other authorization, CDFA will contact the local jurisdiction to verify that issuing the license would not violate a local ordinance or regulation. After 60 days, if there is no acknowledgement by the local jurisdiction, CDFA shall presume the applicant is in compliance and may issue a license.

Priority Application Review

Priority application review will be provided for annual licenses only. To be eligible, an applicant must be able to demonstrate whether his or her business was in operation and in good standing with the local jurisdiction by September 1, 2016.

Compliance After Licensing Approval

TRACK-AND-TRACE SYSTEM. Applicants will have five business days to register for a state-mandated track-and-trace training session after receiving notice that the application for licensure has been received and approved by CDFA. Training will be provided online and may be provided at various locations. Licensees will have 30 business days to move all inventory into the system after receipt of unique identifiers.

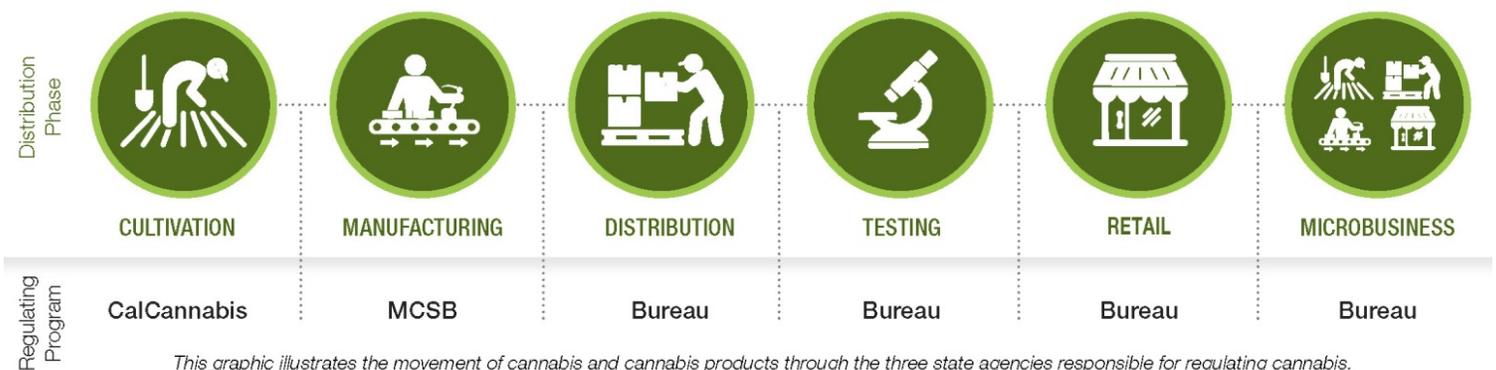
INSPECTIONS. CDFA will conduct audits and inspections of licensees to ensure compliance with license requirements.

Consequences of Noncompliance

If CDFA determines a licensee is operating out of compliance with statutory or regulatory requirements, CDFA may work with the licensee to establish a corrective action plan to correct the documented noncompliance. However, CDFA may also issue a fine or suspend or revoke the license.

License Types Other Than Cultivation

For those interested in becoming licensed for other commercial (non-cultivation) cannabis activities, please contact either the Bureau of Cannabis Control (Bureau) or the Manufactured Cannabis Safety Branch (MCSB)—and what each agency regulates is shown in this diagram:



Additional information on all three of California's licensing authorities—CalCannabis, the Bureau, and MCSB—is available on the California Cannabis Portal at cannabis.ca.gov.

Transition Period

To support a smooth transition of businesses into a newly regulated market, beginning January 1, 2018, and before July 1, 2018, licensees may do the following:

- Conduct business with other licensees regardless of the M (for medicinal) or A (for adult use/recreational) designation on their licenses.
- Transport cannabis and cannabis products that do not meet the labeling requirements (prescribed by MAUCRSA or the California Department of Public Health) if a sticker with the appropriate warning statement is affixed.
- Sell cannabis and cannabis products held in inventory that are not in child-resistant packaging if the retailer places them in child-resistant packaging at the time of sale.
- Sell cannabis products that do not meet the THC limits per package established by the California Department of Public Health.
- Sell and transport cannabis products that have not undergone laboratory testing if a label stating they have not been tested is affixed to each package containing the cannabis products prior to transport by a distributor—or prior to sale if held by a retailer.
- Individually package and sell dried flower held in inventory by a retailer at the time of licensure.
- Cannabis and cannabis products held in inventory by a retailer that do not meet the requirements set by the California Department of Public Health for ingredients or appearance may be sold by a retailer.

Cannabis Waste

Cannabis waste must be contained in a secured waste receptacle or secured area on the licensed premises.

Licensees may not sell cannabis waste and must comply with all applicable waste-management laws.