

NOTICE PUBLICATION/REGULATIONS SUBMISSION

EMERGENCY

(See instructions on reverse)

ORIGINAL For use by Secretary of State only

STD. 400 (REV. 01-2013)

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-	REGULATORY ACTION NUMBER	EMERGENCY NUMBER 2018-0525-DIEE
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For use by Office of Administrative Law (OAL) only

2018 MAY 25 A 7:58
OFFICE OF ADMINISTRATIVE LAW

NOTICE

REGULATIONS

AGENCY WITH RULEMAKING AUTHORITY

Department of Consumer Affairs- Bureau of Cannabis Control

AGENCY FILE NUMBER (if any)

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE	TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other	4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
OAL USE ONLY	ACTION ON PROPOSED NOTICE <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn	NOTICE REGISTER NUMBER	PUBLICATION DATE

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S) Commercial Cannabis Regulation	1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S) 2017-1127-05
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2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)	ADOPT See attached
	AMEND
TITLE(S) 16	REPEAL

3. TYPE OF FILING

<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346)	<input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §511346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.	<input checked="" type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))	<input type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
<input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §11349.3, 11349.4)		<input type="checkbox"/> File & Print	<input type="checkbox"/> Print Only
<input type="checkbox"/> Emergency (Gov. Code, §11346.1(b))	<input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)	<input checked="" type="checkbox"/> Other (Specify) BPC 26013	

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)

5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)

<input type="checkbox"/> Effective January 1, April 1, July 1, or October 1 (Gov. Code §11343.4(a))	<input type="checkbox"/> Effective on filing with Secretary of State	<input type="checkbox"/> \$100 Changes Without Regulatory Effect	<input checked="" type="checkbox"/> Effective other (Specify) June 6, 2018
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6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY

<input type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660)	<input type="checkbox"/> Fair Political Practices Commission	<input type="checkbox"/> State Fire Marshal
<input checked="" type="checkbox"/> Other (Specify) Dean R. Grafilo, Director, Department of Consumer Affairs		

7. CONTACT PERSON Ashlynn Blackshire	TELEPHONE NUMBER 916-465-9030	FAX NUMBER (Optional)	E-MAIL ADDRESS (Optional) Ashlynn.Blackshire@dca.ca.gov
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8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE <i>Lori Ajax</i>	DATE 05/23/18
TYPED NAME AND TITLE OF SIGNATORY Lori Ajax, Bureau of Cannabis Control	

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SECTION(S) AFFECTED:

Adopt

Cal. Code Regs., Tit. 16, §§ 5000, 5001, 5002, 5003, 5004, 5005, 5006, 5007, 5008, 5009, 5010, 5011, 5012, 5013, 5014, 5015, 5016, 5017, 5018, 5019, 5020, 5021, 5022, 5023, 5024, 5025, 5026, 5027, 5028, 5029, 5030, 5031, 5032, 5033, 5034, 5035, 5036, 5037, 5038, 5039, 5040, 5041, 5042, 5043, 5044, 5045, 5046, 5047, 5048, 5049, 5050, 5051, 5052, 5053, 5054, 5055, 5300, 5301, 5302, 5303, 5304, 5305, 5306, 5307, 5308, 5309, 5310, 5311, 5312, 5313, 5314, 5315, 5400, 5401, 5402, 5403, 5404, 5405, 5406, 5407, 5408, 5409, 5410, 5411, 5412, 5413, 5414, 5415, 5416, 5417, 5418, 5419, 5420, 5421, 5422, 5423, 5424, 5425, 5426, 5500, 5501, 5502, 5503, 5504, 5505, 5506, 5600, 5601, 5602, 5603, 5700, 5701, 5702, 5703, 5704, 5705, 5706, 5707, 5708, 5709, 5710, 5711, 5712, 5713, 5714, 5715, 5716, 5717, 5718, 5719, 5720, 5721, 5722, 5723, 5724, 5725, 5726, 5727, 5728, 5729, 5730, 5731, 5732, 5733, 5734, 5735, 5736, 5737, 5738, 5739, 5800, 5801, 5802, 5803, 5804, 5805, 5806, 5807, 5808, 5809, 5810, 5811, 5812, 5813, and 5814

PROPOSED EMERGENCY REGULATIONS LEGEND

The proposed emergency regulation text is all being adopted and the public may provide comments on all of the language contained in the text document, even if it is not underlined or stricken through.

The proposed emergency regulation text contains some proposed amendments to the emergency regulations currently in place, which went into effect on December 7, 2017. The proposed amendments are shown through strikethrough and underlined text. The text that contains a strikethrough is text that the Bureau intends to remove. The underlined text is new language that the Bureau proposes to add.

**BUREAU OF CANNABIS CONTROL
TEXT OF REGULATIONS**

**CALIFORNIA CODE OF REGULATIONS
TITLE 16
DIVISION 42. BUREAU OF CANNABIS CONTROL**

Chapter 1. ALL BUREAU LICENSEES

Article 1. Division Definitions

§ 5000. Definitions

For the purposes of this division, the definitions in this section shall govern the construction of this division unless otherwise indicated.

- (a) "Act" means the Medicinal and Adult-Use Cannabis Regulation and Safety Act.
- (b) "Bureau" means the Bureau of Cannabis Control, previously named the Bureau of Marijuana Control, Bureau of Medical Cannabis Regulation, and Bureau of Medical Marijuana Regulation.
- (c) "Cannabis goods" means cannabis, including dried flower, and products containing cannabis.
- (d) "Cannabis waste" means waste that is not hazardous waste, as defined in Public Resources Code section 40141, that contains cannabis and that has been made unusable and unrecognizable in the manner prescribed in sections 5054 and 5055 of this division.
- (e) "Canopy" means the designated area(s) at a licensed ~~premise~~ premises that will contain mature plants at any point in time.
- (f) "Delivery employee" means an individual employed by a retailer who delivers cannabis goods from the retailer premises to a customer at a physical address.
- (g) "Free cannabis goods" means any amount of cannabis goods provided to any person without cost or payment or exchange of any other thing of value.
- (h) "Limited-access area" means an area in which cannabis goods are stored or held and is only accessible to a licensee and its employees and contractors.
- (i) "Lot number" or "batch number" means a distinctive group of numbers, letters, or symbols or any combination of these that is unique to a group of cannabis goods.
- (j) "Medicinal cannabis patient" includes a qualified patient as defined in Health and Safety Code section 11362.7 and a person in possession of a valid identification card issued under Health and Safety Code section 11362.71.

(k) "Nonvolatile solvent" means any solvent used in the extraction process that is not a volatile solvent. For purposes of this division, a nonvolatile solvent includes carbon dioxide (CO₂) used for extraction and ethanol used for extraction or post-extraction processing.

(l) "Package" and "Packaging" means any container or wrapper that may be used for enclosing or containing any cannabis goods for final retail sale. "Package" and "packaging" does not include a shipping container or outer wrapping used solely for the transport of cannabis goods in bulk quantity to a licensee.

(m) "Publicly owned land" means any building or real property that is owned by a city, county, state, federal, or other government entity.

(n) "Residential area" is an area that is within 600 feet of any single-family or multifamily residence, other than commercial hotels, motels, and similar establishments for temporary lodging.

(o) "Retail area" means a building, room, or other area that is open to the public, upon the retailer premises in which cannabis goods are sold or displayed.

(p) "Security monitoring" means the continuous and uninterrupted attention to potential alarm signals that can be transmitted from a security alarm system for the purpose of summoning law enforcement.

(q) "Sublet" means to lease or rent all or part of a leased or rented property.

(r) "Transport" means the physical movement of cannabis goods from one licensed premises to another licensed premises.

(s) "Vehicle alarm system" is a device or series of devices installed to discourage theft of the vehicle or its contents and is intended to summon general attention or to summon law enforcement as a result of an indication of an attempted breach of the vehicle.

Authority: Section 26013, Business and Professions Code. Reference: Section 26013, Business and Professions Code.

Article 2. Applications

§ 5001. Temporary License Application Requirements

(a) Temporary license applications may be completed and submitted online at www.bcc.ca.gov or completed in hard copy and submitted by delivering a printed copy to the Bureau's office(s).

(b) Applicants who submit their applications online shall first register for a user account. To register for a user account, the applicant shall do all of the following:

(1) Create a user name, password, and security question and answer;

(2) Provide an email address; and

- (3) Provide the owner's first and last name, primary phone number, social security number or individual taxpayer identification number, date of birth, and mailing address.
- (c) An application must be completed by an owner as defined by section 5003 of this division. An application must be submitted to the Bureau for each temporary license applied for. An application for a temporary license includes:
- (1) The legal business name of the applicant.
 - (2) The email address of the applicant's business and the telephone number for the premises.
 - (3) The business' federal employer identification number.
 - (4) A description of the business organizational structure of the applicant, such as partnership or corporation.
 - (5) The temporary license type that is being requested.
 - ~~(6) The license designation requested, A license or M license, for all license types other than testing laboratories.~~
 - (6) The commercial cannabis activity license that the applicant is applying for, and whether the applicant is requesting to conduct medicinal, adult-use, or both commercial cannabis activities. Testing laboratory applicants do not have to designate medicinal or adult-use, and testing laboratory licenses allow for both activities.
 - (7) The contact information for the applicant's designated primary contact person including the name, title, phone number, and email address of the individual.
 - (8) For each owner who meets the criteria of Business and Professions Code section 26001(al), the owner's name, title, percentage of ownership, mailing address, telephone number, and email address if applicable.
 - (9) The physical address of the premises to be licensed.
 - (10) Evidence that the applicant has the legal right to occupy and use the proposed location that complies with section 5007 of this division.
 - (11) A premises diagram pursuant to section 5006.
 - (12) A copy of a valid license, permit, or other authorization issued by a local jurisdiction, that enables the applicant to conduct commercial cannabis activity at the location requested for the temporary license. For purposes of this section, "other authorization" shall include, at a minimum, a written statement or reference that clearly indicates the local jurisdiction intended to grant permission for the commercial cannabis activity or to the person to conduct commercial cannabis activity at the premises. Upon receipt of the application, the Bureau shall contact the applicable local jurisdiction to confirm the validity of the authorization. If the local jurisdiction does not respond within 10 calendar days, the Bureau shall consider the authorization valid.

(13) Attestation to the following statement: Under penalty of perjury, I hereby declare that the information contained within and submitted with the application is complete, true, and accurate. I understand that a misrepresentation of fact is cause for rejection of this application, denial of the license, or revocation of a license issued.

(d) A temporary license is a conditional license that authorizes the licensee to engage in commercial cannabis activity as would be permitted under the privileges of a non-temporary license of the same type. A temporary licensee shall follow all applicable rules and regulations as would be required if the licensee held a non-temporary license of the same type.

(e) A temporary license does not obligate the Bureau to issue a non-temporary license nor does the temporary license create a vested right in the holder to either an extension of the temporary license or to the granting of a subsequent non-temporary license.

(f) A temporary license issued under this section shall be valid for 120 days from the effective date. No temporary license shall be effective prior to January 1, 2018.

(g) A temporary license may be extended by the Bureau for additional 90-day periods if a complete application for an annual license has been submitted to the Bureau pursuant to section 5002 of this division prior to the initial expiration date of the temporary license.

Authority: Section 26013, Business and Professions Code. Reference: Section 26050.1, Business and Professions Code.

§ 5002. Annual License Application Requirements

(a) Applications may be completed and submitted online at www.bcc.ca.gov or completed in hard copy and submitted by delivering a printed copy to the Bureau's office(s).

(b) Applicants who submit their applications online shall first register for a user account. To register for a user account, the applicant shall do all of the following:

(1) Create a user name, password, and security question and answer;

(2) Provide an email address; and

(3) Provide the owner's first and last name, primary phone number, social security number or individual taxpayer identification number, date of birth, and mailing address.

(c) An application must be completed by an owner as defined by section 5003 of this division. An application must be submitted to the Bureau for each location and each license type. An application for an annual cannabis license includes the following:

(1) The name of the applicant. For applicants who are individuals, the applicant shall provide both the first and last name of the individual. For applicants who are business entities, the applicant shall provide the legal business name of the applicant.

(2) If applicable, the business trade name ("DBA") of the applicant.

- (3) The commercial cannabis activity license type that the applicant is applying for, including A-license and whether the applicant is requesting to conduct medicinal, adult-use, or M-license designation for all license types other than both commercial cannabis activities. Testing laboratory applicants do not have to designate medicinal or adult-use, and testing laboratories laboratory licenses allow for both activities.
- (4) Payment of an application fee pursuant to section 5014 of this division.
- (5) Whether the owner is serving or has previously served in the military. Disclosure of military service is voluntary. An applicant who has served as an active duty member of the Armed Forces of the United States and was honorably discharged and who can provide evidence of such honorable discharge shall have his or her application expedited pursuant to Business and Professions Code section 115.4.
- (6) A list of the license types and the license numbers issued from the Bureau and all other state cannabis licensing authorities that the applicant holds, including the date the license was issued and the licensing authority that issued the license.
- (7) Whether the applicant has been denied a license or has had a license suspended or revoked by the Bureau or any other state cannabis licensing authority. The applicant shall provide the type of license applied for, the name of the licensing authority that denied the application, and the date of denial.
- (8) The physical address of the premises.
- (9) The mailing address for the applicant, if different from the premises address.
- (10) The telephone number for the premises.
- (11) The website address and email address of the applicant's business.
- (12) The business' federal employer identification number.
- (13) Contact information for the applicant's designated primary contact person including the name, title, phone number, and email address of the individual.
- (14) A description of the business organizational structure of the applicant, such as partnership or corporation.
- (15) The business-formation documents, which may include, but are not limited to, articles of incorporation, operating agreements, partnership agreements, and fictitious business name statements. The applicant shall also provide all documents filed with the California Secretary of State, which may include, but are not limited to, articles of incorporation, certificates of stock, articles of organization, certificates of limited partnership, and statements of partnership authority. If the commercial cannabis business is held in trust, the applicant shall provide a copy of the trust.
- (16) A list of every fictitious business name the applicant is operating under including the address where the business is located.

(17) A commercial cannabis business that is a foreign corporation shall include in its application the certificate of qualification issued by the Secretary of State of California.

(18) The applicant shall supply the following financial information:

(A) A list of funds belonging to the applicant held in savings, checking, or other accounts maintained by a financial institution. The applicant shall provide, for each account, the financial institution's name, the financial institution's address, account type, account number, and the amount of money in the account.

(B) A list of loans made to the applicant. For each loan, the applicant shall provide the amount of the loan, the date of the loan, term(s) of the loan, security provided for the loan, and the name, address, and phone number of the lender.

(C) A list of investments made into the applicant's commercial cannabis business. For each investment, the applicant shall provide the amount of the investment, the date of the investment, term(s) of the investment, and the name, address, and phone number of the investor.

(D) A list of all gifts of any kind given to the applicant for its use in conducting commercial cannabis activity. For each gift, the applicant shall provide the value of the gift or description of the gift, and the name, address, and phone number of the provider of the gift.

(19) A complete list of every individual who has a financial interest in the commercial cannabis business as defined in section 5004 of this division, who is not an owner as defined in Business and Professions Code section 26001(a1).

(20) A complete list of every owner of the applicant as defined in Business and Professions Code section 26001(a1). Each individual named on this list shall submit the following information:

(A) The full name of the owner.

(B) The owner's title within the applicant entity.

(C) The owner's date of birth and place of birth.

(D) The owner's social security number or individual taxpayer identification number.

(E) The owner's mailing address.

(F) The owner's telephone number. This may include a number for the owner's home, business, or mobile telephone.

(G) The owner's email address.

(H) The owner's current employer.

(I) The percentage of the ownership interest held in the applicant entity by the owner.

(J) Whether the owner has an ownership or a financial interest as defined in sections 5003 and 5004, respectively, of this division in any other commercial cannabis business licensed under the Act.

(K) A copy of the owner's government-issued identification. Acceptable forms of identification are a document issued by a federal, state, county, or municipal government that includes the name, date of birth, physical description, and picture of the person, such as a driver license.

(L) A detailed description of the owner's convictions. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Convictions dismissed under Penal Code section 1203.4 or equivalent non-California law must be disclosed. Convictions dismissed under Health and Safety Code section 11361.8 or equivalent non-California law must be disclosed. Juvenile adjudications and traffic infractions under \$300 that did not involve alcohol, dangerous drugs, or controlled substances do not need to be included. For each conviction, the owner shall provide the following:

(i) The date of conviction.

(ii) Dates of incarceration, if applicable.

(iii) Dates of probation, if applicable.

(iv) Dates of parole, if applicable.

(v) A detailed description of the offense for which the owner was convicted.

(vi) A statement of rehabilitation for each conviction. The statement of rehabilitation is to be written by the owner and may contain evidence that the owner would like the Bureau to consider that demonstrates the owner's fitness for licensure. Supporting evidence may be attached to the statement of rehabilitation and may include, but is not limited to, a certificate of rehabilitation under Penal Code section 4852.01, and dated letters of reference from employers, instructors, or professional counselors that contain valid contact information for the individual providing the reference.

(M) If applicable, a detailed description of any suspension of a commercial cannabis license, revocation of a commercial cannabis license, or sanctions for unlicensed commercial cannabis activity by a licensing authority or local agency against the applicant or a business entity in which the applicant was an owner or officer within the three years immediately preceding the date of the application.

(N) Attestation to the following statement: Under penalty of perjury, I hereby declare that the information contained within and submitted with the application is complete, true, and accurate. I understand that a misrepresentation of fact is cause for rejection of this application, denial of the license, or revocation of a license issued.

(21) Evidence that the applicant has the legal right to occupy and use the proposed location that complies with section 5007 of this division.

(22) Evidence that the proposed premises is in compliance with Business and Professions Code section 26054(b).

(23) For an applicant with 20 or more employees, the applicant shall attest that the applicant has entered into a labor peace agreement and will abide by the terms of the agreement, ~~and the applicant shall provide a copy of the agreement to the Bureau.~~ For applicants who have not yet

entered into a labor peace agreement, the applicant shall provide a notarized statement indicating that the applicant will enter into and abide by the terms of a labor peace agreement within 30 days of licensure.

(24) The applicant shall provide a valid seller's permit number issued by the California Department of Tax and Fee Administration, if applicable. If the applicant has not yet received a seller's permit, the applicant shall attest that the applicant is currently applying for a seller's permit.

(25) A diagram of the premises as required by section 5006 of this division.

(26) Proof of a bond as required by section 5008 of this division.

(27) For testing laboratory applications, the certificate(s) of accreditation as required by section 5702 of this division, or the information required for a provisional license as required by section 5703 of this division.

(28) When an applicant provides a license, permit, or other authorization from the local jurisdiction where the licensed premises will be or is located, the Bureau will notify the applicable local jurisdiction to confirm the validity of the authorization. If the local jurisdiction does not respond within 10 calendar days, the Bureau shall consider the authorization valid.

(29) All licensee applications shall include a detailed description of the applicant's operating procedures including the following (if applicable):

(A) Transportation Procedures

(i) A description of the applicant's procedure for transportation of cannabis goods, including whether or not the applicant will be transporting cannabis goods or contracting for transportation services.

(B) Inventory Procedures

(i) A description of the applicant's procedure for receiving shipments of inventory.

(ii) Where the applicant's inventory will be stored on the premises and how records of the inventory will be maintained.

(iii) The applicant's procedure for performing inventory reconciliation and for ensuring that inventory records are accurate.

(C) Non-Laboratory Quality Control Procedures

(i) The applicant's procedures for preventing the deterioration of cannabis goods held by the applicant.

(ii) The applicant's procedures for ensuring that cannabis goods are properly packaged and labeled prior to retail sale.

(iii) The applicant's procedures for ensuring that a licensed testing laboratory samples and analyzes cannabis goods held by the applicant.

(D) Security Procedures

- (i) The applicant's procedure for allowing individuals access to the premises.
- (ii) A description of the applicant's video surveillance system including camera placement and procedures for the maintenance of video surveillance equipment.
- (iii) How the applicant will ensure that all access points to the premises will be secured, including the use of security personnel.
- (iv) A description of the applicant's security alarm system.

(E) Cannabis Waste Procedures

- (i) The applicant's procedure for disposing of cannabis waste including whether the applicant will be using a local agency or waste hauler permitted by a local agency or self-hauling the waste to a solid waste facility. If the applicant will be using a local agency or waste hauler permitted by a local agency, the applicant shall include the information required under section 5055(e)(1).
- (ii) The applicant's procedure for composting cannabis waste on the licensed premises if applicable.
- (iii) How the applicant will ensure that all access to cannabis waste is restricted to the licensee and its employees and the local agency, or waste hauler franchised, contracted, or permitted by a local agency.

(F) Delivery Procedures

- (i) The applicant's procedure for accepting orders and processing orders.
- (ii) The applicant's procedure for verifying the age and identity of the customer receiving the delivery and verifying that the address for delivery meets the requirements of section 5416 of this division.
- (iii) The applicant's procedure for delivering cannabis goods including the vehicles and Global Positioning Systems that will be used.

(30) For applicants applying for a microbusiness license, the application shall include a detailed description of the applicant's operating procedures required by this section for each cannabis activity the applicant intends to engage in.

(31) For applicants applying for a testing laboratory license, in addition to the operating procedures required under subsection (c)(29) of this section, the standard application shall include the operating procedures required by chapter 6 of this division.

(32) The limited waiver of sovereign immunity required by section 5009 of this division, if applicable.

(33) Evidence of exemption from, or compliance with, the California Environmental Quality Act as required by section 5010.

Authority: Sections 115.4 and 26013, Business and Professions Code. Reference: Sections 115.4, 144 and 26051.5, Business and Professions Code.

§ 5003. Designation of Owner

(a) All applicants for a commercial cannabis license shall have at a minimum one individual who meets the definition of "owner" under Business and Professions Code section 26001(al) and who will submit the information required of owners under section 5002.

(b) "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, or encumbrance.

(2) The chief executive officer of a nonprofit or other entity.

(3) A member of the board of directors of a nonprofit.

(4) The trustee(s) and all persons that have control of the trust and/or the commercial cannabis business that is held in trust.

~~(45) 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~~ Such an individual includes any of the following:

(A) A general partner of a commercial cannabis business that is organized as a partnership.

(B) A non-member manager or managing member of a ~~limited liability company of a~~ commercial cannabis business that is organized as a limited liability company.

(C) An officer or director of a commercial cannabis business that is organized as a corporation.

(D) Any individual that assumes responsibility for the license.

(c) When an entity has an aggregate ownership interest of 20 percent or more in the commercial cannabis business, then the chief executive officer and/or members of the board of directors of the entity shall be considered owners.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26001, 26012 and 26013, Business and Professions Code.

§ 5004. Financial Interest in a Commercial Cannabis Business

(a) A financial interest means an agreement to receive a portion of the profits of a commercial cannabis business, an investment into a commercial cannabis business, a loan provided to a commercial cannabis business, or any other equity interest in a commercial cannabis business except as provided in subsection (c). For the purpose of this section, an interest in a diversified mutual fund, blind trust or similar instrument is not a financial interest.

(b) The license application shall include the name, birthdate, and government-issued identification type and number for all individuals who have a financial interest in a commercial cannabis business but are not owners as defined in Business and Professions Code section 26001(a). These individuals shall not be required to submit the information required of owners under section 5002(c)(20).

(c) Notwithstanding subsection (b), the following persons are not required to be listed on an application for licensure under section 5002(c)(19):

- (1) A bank or financial institution whose interest constitutes a loan;
- (2) Persons whose only financial interest in the commercial cannabis business is through an interest in a diversified mutual fund, blind trust, or similar instrument;
- (3) Persons whose only financial interest is a security interest, lien, or encumbrance on property that will be used by the commercial cannabis business; and
- (4) Persons who hold a share of stock that is less than 5 percent of the total shares in a publicly traded company.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26012 and 26051.5, Business and Professions Code.

§ 5005. Personnel Prohibited from Holding Licenses

(a) A license authorized by the Act and issued by the Bureau may not be held by, or issued to, any person holding office in, or employed by, any agency of the State of California or any of its political subdivisions when the duties of such person have to do with the enforcement of the Act or any other penal provisions of law of this State prohibiting or regulating the sale, use, possession, transportation, distribution, testing, manufacturing, or cultivation of cannabis goods.

(b) This section applies to, but is not limited to, any person employed in the State of California Department of Justice as a peace officer, in any district attorney's office, in any city attorney's office, in any sheriff's office, or in any local police department.

(c) No person listed in subsection (a) or (b) may have any ownership interest, directly or indirectly, in any business to be operated or conducted under a cannabis license.

(d) This section does not apply to any person who holds a license in the capacity of executor, administrator, or guardian.

Authority: Section 26013, Business and Professions Code. Reference: Section 26012, Business and Professions Code.

§ 5006. Premises Diagram

(a) An applicant shall submit to the Bureau, with the application, a complete and detailed diagram of the proposed premises. The diagram shall be used by the Bureau to determine whether the premises meets the requirements under this division and the Act. The Bureau shall

deny an application if the premises does not qualify for licensure pursuant to Business and Professions Code section 26057.

(b) The diagram shall show the boundaries of the property and the proposed premises to be licensed, showing all boundaries, dimensions, entrances and exits, interior partitions, walls, rooms, windows, and doorways, and common or shared entryways, and shall include a brief statement or description of the principal activity to be conducted therein.

(c) The diagram shall show and identify commercial cannabis activities that will take place in each area of the premises, and identify limited-access areas. Commercial cannabis activities that must be identified on the diagram may include the following, if applicable to the business operations: storage, batch sampling, loading or unloading of shipments, packaging and labeling, customer sales, loading for deliveries, extraction, cultivation, or processing.

(d) The diagram shall show where all cameras are located and assign a number to each camera for identification purposes.

(e) The diagram shall be to scale.

(f) The diagram shall not contain any highlighting and the markings on the diagram shall be in black-and-white print.

(g) If the proposed premises consists of only a portion of a property, the diagram must be labeled indicating which part of the property is the proposed premises and what the remaining property is used for.

~~(h) If the proposed premises will be a microbusiness that includes cultivation activities, in addition to the requirements of subsections (b) through (g), the premises diagram shall also include all the required information for a premises diagram under section 5501(d) of this division.~~ consists of only a portion of a property that will contain two or more licensed premises, the diagram shall clearly show the designated entrances and walls under the exclusive control of the applicant for the premises, as well as the designated entrances and walls for each additional premises. The diagram shall also show all proposed common or shared areas of the property. Such areas may include lobbies, bathrooms, hallways, and breakrooms.

(i) If the proposed premises will be a microbusiness that includes cultivation activities, in addition to the requirements of subsections (b) through (g), the premises diagram shall also include all the required information for a premises diagram under section 5501(d) of this division.

(j) If a proposed premises is located on only a portion of a property that also includes a residence, the diagram shall clearly show the designated buildings for the premises and the residence.

Authority: Section 26013, Business and Professions Code. Reference: Section 26051.5, Business and Professions Code.

§ 5007. Landowner Approval

(a) If the applicant is not the landowner of the real property upon which the premises is located, the applicant shall provide to the Bureau a document from the landowner or the landowner's agent that states that the applicant has the right to occupy the property and acknowledges that the applicant may use the property for the commercial cannabis activity for which the applicant is applying for licensure. An applicant shall also provide a copy of the rental agreement, as applicable.

(b) If the applicant is the landowner of the real property upon which the premises is located, the applicant shall provide to the Bureau a copy of the title or deed to the property.

Authority: Section 26013, Business and Professions Code. Reference: Section 26051.5, Business and Professions Code.

§ 5008. Bond

An applicant shall provide proof of having obtained a surety bond of at least \$5,000 payable to the State of California to ensure payment of the cost incurred for the destruction of cannabis goods necessitated by a violation of the Act or the regulations adopted thereunder. All bonds required under this regulation must be issued by a corporate surety licensed to transact surety business in the State of California and shall be issued on the Commercial Cannabis Licensee Bond form under Title 11, California Code of Regulations, Article 56, at section 118.1.

Authority: Section 26013, Business and Professions Code. Reference: Section 26051.5, Business and Professions Code.

§ 5009. Limited Waiver of Sovereign Immunity

(a) Any applicant or licensee that may fall within the scope of sovereign immunity that may be asserted by a federally recognized tribe or other sovereign entity must waive any sovereign immunity defense that the applicant or licensee may have, may be asserted on its behalf, or may otherwise be asserted in any state administrative or judicial enforcement actions against the applicant or licensee, regardless of the form of relief sought, whether monetary or otherwise, under the state laws and regulations governing commercial cannabis activity. The applicant or licensee must submit a written waiver of sovereign immunity to the Bureau with any license application or renewal, which is valid for the period of the license. The written waiver shall include that the applicant or licensee has the lawful authority to enter into the waiver required by this section, the applicant or licensee hereby waives sovereign immunity, and the applicant or licensee agrees to do all of the following:

- (1) Provide documentation to the Bureau that establishes that the applicant or licensee has the lawful authority to enter into the waiver required by this section;
- (2) Conduct all commercial cannabis activity in full compliance with the state laws and regulations governing commercial cannabis activity, including submission to all enforcement provisions thereof;

(3) Allow access as required by state statute or regulation by persons or entities charged with duties under the state laws and regulations governing commercial cannabis activity to any premises or property at which the applicant conducts any commercial cannabis activity, including premises or property where records of commercial cannabis activity are maintained by or for the applicant or licensee;

(4) Provide any and all records, reports, and other documents as may be required under the state laws and regulations governing commercial cannabis activity;

(5) Conduct commercial cannabis activity with other state commercial cannabis licensees only, unless otherwise specified by state law;

(6) Meet all of the requirements for licensure under the state laws and regulations governing the conduct of commercial cannabis activity, and provide truthful and accurate documentation and other information of the applicant's qualifications and suitability for licensure as may be requested; and

(7) Submit to the personal and subject matter jurisdiction of the California courts to address any matter related to the waiver or the commercial cannabis application, license, or activity, and that all such matters and proceedings shall be governed, construed and enforced in accordance with California substantive and procedural law, including but not limited to the Medicinal and Adult-Use Regulation and Safety Act and the Administrative Procedure Act.

(b) The Bureau shall not approve an application for a state license if approval of the license would violate the provisions of any local ordinance or regulation adopted in accordance with Business and Professions Code section 26200 that is issued by the county or, if within a city, the city, within which the licensed premises is to be located.

(c) Any applicant or licensee must immediately notify the Bureau of any changes that may materially affect the applicant or licensee's compliance with subsection (a) of this section.

(d) Any failure by an applicant or licensee to comply with the requirements of subsections (b) or (c) shall be a basis for denial of an application or renewal or discipline of a licensee.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26012, 26050 and 26051.5, Business and Professions Code.

§ 5010. Compliance with the California Environmental Quality Act

(a) All applicants shall provide evidence of exemption from, or compliance with, Division 13 of the Public Resources Code, California Environmental Quality Act (CEQA), as required by section 5002(c)(33) of this division.

(b) The evidence provided pursuant to subsection (a) of this section shall be one of the following:

(1) A copy of the applicant's license, permit, or other authorization from the local jurisdiction if the local jurisdiction has adopted an ordinance, rule, or regulation pursuant to Business and Professions Code section 26055(h) that requires discretionary review and approval of permits, licenses, or other authorizations to engage in commercial cannabis activity.

(2) A copy of the Notice of Determination or Notice of Exemption and a copy of the CEQA document, or reference to where it can be located electronically, if the applicant does not wish to provide a copy of the license, permit, or other authorization provided by the local jurisdiction or if the local jurisdiction has not adopted an ordinance, rule, or regulation pursuant to Business and Professions Code section 26055(h) that requires discretionary review and approval of permits, licenses, or other authorizations to engage in commercial cannabis activity.

(c) If an applicant does not have the evidence specified in subsection (b) of this section, or if the local jurisdiction did not prepare a CEQA document, the applicant will be responsible for the preparation of an environmental document in compliance with CEQA that can be approved or certified by the Bureau, unless the Bureau specifies otherwise.

Authority: Section 26013, Business and Professions Code. Reference: Section 26055, Business and Professions Code.

§ 5011. Additional Information

The Bureau may request additional information and documents from the applicant. The Bureau will provide the applicant a deadline for submittal of additional information. The Bureau will consider the complexity of the information requested and the ease with which the information can be obtained and transmitted to the Bureau by the applicant in determining the deadline.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26031, 26050 and 26051.5, Business and Professions Code.

§ 5012. Incomplete Applications

(a) If the Bureau determines that the application is incomplete, the Bureau may provide notice to the applicant in accordance with Business and Professions Code section 124.

(b) If the Bureau issues a notice pursuant to Business and Professions Code section 124, an applicant has one year from the date of the notice in subsection (a) to correct all deficiencies. If the applicant fails to correct the deficiencies within the one-year period and has not responded to the Bureau's attempts to contact the applicant, the application shall be considered abandoned under Business and Professions Code section 142.

(c) An applicant may reapply at any time following an abandoned application.

(d) The Bureau will not refund application fees for an incomplete or abandoned application.

Authority: Section 26013, Business and Professions Code. Reference: Sections 124, 142, 26050 and 26051.5, Business and Professions Code.

§ 5013. Withdrawal of Application

(a) An applicant may withdraw an application at any time prior to the Bureau's issuance of a license or denial of a license.

(b) Requests to withdraw an application must be submitted to the Bureau in writing, dated, and signed by the applicant.

(c) In accordance with Business and Professions Code section 118, withdrawal of an application shall not, unless the Bureau has consented in writing to such withdrawal, deprive the Bureau of its authority to institute or continue a proceeding against the applicant for the denial of the license upon any ground provided by law or to enter an order denying the license upon any such ground.

(d) The Bureau will not refund application fees for a withdrawn application.

(e) An applicant may reapply at any time following the withdrawal of an application and will be required to submit a new application and fee.

Authority: Section 26013, Business and Professions Code. Reference: Sections 118 and 26050, Business and Professions Code.

Article 3. Licensing

§ 5014. Fees

(a) The application fee for an annual license under section 5002 of this division, a cannabis event organizer license under section 5600 of this division, a temporary cannabis event license under section 5601 of this division for each event, and physical modification of the premises under section 5027 of this division shall be paid by an applicant or licensee as provided by this division. Applicants and licensees shall pay the appropriate fee as outlined in this subdivision.

Application Fee Schedule

License Type	Fee Per Application
All Annual Licenses	\$ 1,000
Cannabis Event Organizer License	\$ 1,000
Temporary Cannabis Event License	\$ 1,000
Physical Modification of Premises	\$ 500

(b) The annual licensing fee for each license shall be paid by an applicant or licensee as provided by this division.

(c) In determining the appropriate license fee to be charged, each applicant or licensee shall estimate the maximum dollar value of its planned operation in terms of the value of the product expected to be tested, distributed, transported, retailed, cultivated and/or manufactured as determined in assessing the 15% excise tax pursuant to Revenue and Taxation Code section 34011. The applicant or licensee will use the maximum dollar value of its planned operation to determine the appropriate fee as outlined in the following fee schedule.

Annual License Fee Schedule

License Type	Operations (\$ Max. Per License)	Fee Per License
Testing Laboratory	up to 50 million	\$ 20,000
	greater than 50 million to 500 million	\$ 45,000
	greater than 500 million	\$ 90,000
Distributor	up to 2 million	\$ 1,200
	greater than 2 million to 8 million	\$ 5,000
	greater than 8 million to 80 million	\$ 36,000
	greater than 80 million	\$ 125,000
Distributor Transport Only Self Distribution	up to 2 million	\$ 500
	greater than 2 million to 8 million	\$ 2,000
Distributor Transport Only	up to 2 million	\$ 800
	greater than 2 million to 8 million	\$ 2,500
Retailer	up to 0.5 million	\$ 4,000
	greater than 0.5 million to 1.5 million	\$ 12,000
	greater than 1.5 million to 4.5 million	\$ 36,000
	greater than 4.5 million	\$ 72,000
Microbusiness	up to 0.5 million	\$ 5,000
	greater than 0.5 million to 1.5 million	\$ 15,000
	greater than 1.5 million to 4.5 million	\$ 42,000
	greater than 4.5 million	\$ 120,000

Annual License Fee Schedule

<u>License Type</u>	<u>Operations (\$ Max. Per License)</u>	<u>Fee Per License</u>
<u>Testing Laboratory</u>	<u>up to 50 million</u>	<u>\$ 12,500</u>
	<u>greater than 50 million to 400 million</u>	<u>\$ 45,000</u>
	<u>greater than 400 million</u>	<u>\$ 90,000</u>
<u>Distributor</u>	<u>up to 3 million</u>	<u>\$ 1,200</u>
	<u>greater than 3 million to 12 million</u>	<u>\$ 10,000</u>
	<u>greater than 12 million to 60 million</u>	<u>\$ 50,000</u>
	<u>greater than 60 million to 120 million</u>	<u>\$100,000</u>
	<u>greater than 120 million</u>	<u>\$200,000</u>
<u>Distributor Transport Only Self-Distribution</u>	<u>up to 3 million</u>	<u>\$500</u>
	<u>greater than 3 million to 12 million</u>	<u>\$1,500</u>
	<u>greater than 12 million</u>	<u>\$4,000</u>
<u>Distributor Transport Only</u>	<u>up to 3 million</u>	<u>\$1,000</u>
	<u>greater than 3 million to 12 million</u>	<u>\$2,800</u>
	<u>greater than 12 million</u>	<u>\$6,000</u>
<u>Retailer</u>	<u>up to 0.75 million</u>	<u>\$ 4,000</u>
	<u>greater than 0.75 million to 2.5 million</u>	<u>\$ 20,000</u>
	<u>greater than 2.5 million to 7.5 million</u>	<u>\$ 64,000</u>
	<u>greater than 7.5 million</u>	<u>\$ 120,000</u>
<u>Microbusiness</u>	<u>up to 0.75 million</u>	<u>\$ 10,000</u>
	<u>greater than 0.75 million to 2.5 million</u>	<u>\$ 30,000</u>
	<u>greater than 2.5 million to 7.5 million</u>	<u>\$ 100,000</u>
	<u>greater than 7.5 million</u>	<u>\$ 180,000</u>

(d) Notwithstanding the fees identified above, cannabis event organizers shall pay the appropriate fee as outlined in this subdivision.

Annual License Fee Schedule for Cannabis Event Organizers

License Type	Planned Operations (Number of Operations)	Fee Per License
Event Organizer	1-10 events annually	\$ 5,000
	greater than 10 events annually	\$ 15,000

(e) No license shall be issued or renewed before the license fee is paid to the Bureau.

(f) All fees are nonrefundable.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26051.5 and 26180, Business and Professions Code.

§ 5015. Payment of Fees

(a) Any fee specified in this division shall be made to the Bureau of Cannabis Control by cash, check, money order, debit card, or credit card. Check and money order payments may be made out to the Bureau of Cannabis Control or the Department of Consumer Affairs.

(b) If the fee is paid by debit or credit card:

(1) The payment shall be made through the Bureau's online licensing system; and

(2) The applicant or licensee may be required to pay any associated processing or convenience fees to the third-party vendor processing the payment on behalf of the Bureau.

~~(c) If the Bureau determines that the licensee paid an amount less than the appropriate licensing fee under section 5014 of this division, the licensee will be required to pay the balance of the appropriate fee and a penalty fee of 50 percent of the appropriate licensing fee. Failure to pay the appropriate licensing fee is grounds for disciplinary action discipline. If the Bureau determines that the licensee paid an amount less than the appropriate licensing fee under section 5014 of this division, the licensee will be required to pay the balance of the appropriate fee and a penalty fee of 50 percent of the appropriate licensing fee. Failure to pay the appropriate fee is grounds for disciplinary action. The Bureau in its discretion may waive the penalty fee.~~

Authority: Section 26013, Business and Professions Code. Reference: Sections 26051.5 and 26180, Business and Professions Code

§ 5016. Priority Licensing

(a) Priority licensing is available for annual licenses only, and is not applicable to any temporary or cannabis event organizer license.

(b) To be eligible for priority licensing, an applicant must be able to demonstrate that the applicant operated in compliance with the Compassionate Use Act of 1996 and its implementing

laws before September 1, 2016. Eligibility for priority licensing shall be established by one of the following methods:

(1) The applicant is included on the list provided to the Bureau by the local jurisdiction in response to the Bureau's request required by Business and Professions Code section 26054.2.

(2) If the local jurisdiction does not provide a list to the Bureau or the applicant's name does not appear on the list provided to the Bureau, the applicant shall provide to the Bureau evidence of operation in compliance with the Compassionate Use Act of 1996. Such evidence shall be in the form of a document issued or signed by the applicant's local jurisdiction that contains the following:

(A) Name of the applicant;

(B) Address of the premises to be licensed;

(C) License type(s) that the applicant is applying to the Bureau for;

(D) Name of the local jurisdiction;

(E) Name of the local jurisdiction office that is responsible for enforcing compliance with the Compassionate Use Act of 1996;

(F) Name and contact information for the person authorized by the local jurisdiction to sign on its behalf;

(G) Signature of the person authorized to sign on behalf of the local jurisdiction; and

(H) A statement to the effect of: "The above-named party is currently conducting commercial cannabis activity in this jurisdiction and has been operating in compliance with the Compassionate Use Act of 1996 since before September 1, 2016."

Authority: Section 26013, Business and Professions Code. Reference: Section 26054.2, Business and Professions Code.

§ 5017. Substantially Related Offenses and Criteria for Rehabilitation

(a) For the purpose of license denial, convictions that are substantially related to the qualifications, functions, or duties of the business for which the application is made include:

(1) A violent felony conviction, as specified in subdivision (c) of section 667.5 of the Penal Code.

(2) A serious felony conviction, as specified in subdivision (c) of section 1192.7 of the Penal Code.

(3) A felony conviction involving fraud, deceit, or embezzlement.

(4) A felony conviction for hiring, employing, or using a minor in transporting, carrying, selling, giving away, preparing for sale, or peddling, any controlled substance to a minor; or selling, offering to sell, furnishing, offering to furnish, administering, or giving any controlled substance to a minor.

(5) A felony conviction for drug trafficking with enhancements pursuant to Health and Safety Code section 11370.4 or 11379.8.

(b) Except as provided in subsections (4) and (5) of subsection (a) and notwithstanding Chapter 2 (commencing with Section 480) of Division 1.5 of the Business and Professions Code, a prior conviction, where the sentence, including any term of probation, incarceration, or supervised release, is completed, for possession of, possession for sale, sale, manufacture, transportation, or cultivation of a controlled substance is not considered substantially related, and shall not be the sole ground for denial of a license. Conviction for any controlled substance felony subsequent to licensure shall be grounds for revocation of a license or denial of the renewal of a license.

(c) When evaluating whether an applicant who has been convicted of a criminal offense that is substantially related to the qualifications, functions, or duties of the business for which the application is made should be issued a license, the Bureau shall consider the following criteria of rehabilitation:

(1) The nature and severity of the act or offense;

(2) Whether the person has a felony conviction based on possession or use of cannabis or cannabis products that would not be a felony if the person was convicted of the offense on the date of the person's application;

(3) The applicant's criminal record as a whole;

(4) Evidence of any act committed subsequent to the act or offense under consideration that could be considered grounds for denial, suspension, or revocation of a commercial cannabis activity license;

(5) The time that has elapsed since commission of the act or offense;

(6) The extent to which the applicant has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant;

(7) If applicable, evidence of dismissal under Penal Code sections 1203.4, 1203.4(a), 1203.41 or another state's similar law;

(8) If applicable, a certificate of rehabilitation obtained under Penal Code section 4852.01 or another state's similar law; and

(9) Other evidence of rehabilitation submitted by the applicant.

(d) If an applicant has been denied a license based on a conviction, the applicant may request a hearing pursuant to Business and Professions Code section 26058 to determine if the applicant should be issued a license.

Authority: Section 26013, Business and Professions Code. Reference: Sections 482 and 26057, Business and Professions Code.

§ 5018. Additional Grounds for Denial of a License

In addition to the reasons for denial in Business and Professions Code section 26057, a license may be denied for the following reasons:

- (a) The applicant's premises does not fully comply with standards set in regulation.
- (b) The applicant's premises is substantially different from the diagram of the premises submitted by the applicant, in that the size, layout, location of common entryways, doorways, or passage ways, means of public entry or exit, or identification of limited-access areas within the licensed premises is not the same.
- (c) The applicant denied the Bureau access to the premises.
- (d) The applicant made a material misrepresentation on the application.
- (e) The applicant did not correct the deficiencies within the application in accordance with sections 5002 and 5012 of this division.
- (f) The applicant has been denied a license, permit, or other authorization to engage in commercial cannabis activity by a state or local licensing authority.
- (g) The applicant's premises is not in compliance with Division 13 (commencing with Section 21000) of the Public Resources Code.
- (h) The applicant has failed to remit taxes as required under the Revenue and Taxation Code.
- (i) The applicant may be denied a license for any violations of law related to the operations of the commercial cannabis business or for any violations of law related to licensure.

Authority: Section 26013, Business and Professions Code. Reference: Sections 480, 490, 26012, 26030 and 26050, Business and Professions Code.

§ 5019. Excessive Concentration

(a) In determining whether to grant, deny, or renew a license for a retail license or microbusiness license, the Bureau shall consider if an excessive concentration exists in the area where the licensee will operate. For the purposes of this section "excessive concentration" applies when either of the following conditions exist:

- (1) The ratio of licensees to population within the census tract or census division in which the applicant premises is located exceeds the ratio of licensees to population in the county in which the applicant premises is located, unless denial of the application would unduly limit the development of the legal market so as to perpetuate the illegal market for cannabis or cannabis products.
- (2) The ratio of retail licenses or microbusiness licenses to the population within the census tract, census division, or jurisdiction exceeds that allowable by local ordinance adopted under section 26200.

(b) "Population Within the Census Tract or Census Division" as used in this section means the population as determined by the most recent United States decennial or special census. Such population determination shall not operate to prevent an applicant from establishing that an increase of resident population has occurred within the census tract or census division.

(c) "Population in the County" as used in this section shall be determined by the most recent annual population estimate for California counties published by the Demographic Research Unit, State Department of Finance.

(d) Beginning July 1, 2018, the Bureau shall calculate the ratios described in subsection (a) of this section once every six months using the most current available data. The Bureau's consideration of whether to grant, deny, or renew a license shall be based upon the most recent ratio calculated by the Bureau on the date of the Bureau's decision.

(e) The existence of an excessive concentration shall not be considered in determining whether to grant, deny, or extend a temporary license under Business and Professions Code section 26050.1.

(f) The applicant may provide reliable evidence establishing, to the satisfaction of the Bureau, that a denial of a license would unduly limit the development of the legal market so as to perpetuate the illegal market for cannabis and cannabis products.

Authority: Section 26013, Business and Professions Code. Reference: Section 26051, Business and Professions Code

§ 5020. Renewal of License

(a) To timely renew a license, a completed license renewal form and annual license fee pursuant to section 5014 of this division shall be received by the Bureau from the licensee no earlier than 60 calendar days before the expiration of the license and no later than 5:00 p.m. Pacific Time on the last business day before the expiration of the license if the renewal form is submitted to the Bureau at its office(s), or no later than 11:59 p.m. on the last business day before the expiration of the license if the renewal form is submitted to the Bureau through its electronic licensing system. Failure to receive a notice for license renewal does not relieve a licensee of the obligation to renew all licenses as required.

(b) In the event the license is not renewed prior to the expiration date, the licensee must not sell, transfer, transport, manufacture, test, or distribute any commercial cannabis goods until the license is renewed.

(c) A licensee may submit a license renewal form up to 30 days after the license expires. Any late renewal form will be subject to a late fee equal to 50 percent of the applicable licensing fee required by subsection (a).

(d) The license renewal form shall contain the following:

(1) The name of the licensee. For licensees who are individuals, the applicant shall provide both the first and last name of the individual. For licensees who are business entities, the licensee shall provide the legal business name of the applicant.

- (2) The license number and expiration date.
- (3) The licensee's address of record and premises address.
- (4) An attestation that all information provided to the Bureau in the original application under section 5002 of this division or subsequent notification under sections 5023 and 5024 of this division is accurate and current.
- (5) A limited waiver of sovereign immunity pursuant to section 5009 of this division.

Authority: Section 26013, Business and Professions Code. Reference: Section 26050, Business and Professions Code.

§ 5021. Denial of License

(a) The Bureau may deny an application for a new license or a renewal of a license for any reason specified in section 26057 of the Business and Professions Code, and on any additional grounds including grounds for denial under section 5018 of this division, and grounds for discipline under the Act or this division.

(b) Upon denial of an application for a license or renewal of a license, the Bureau shall notify the applicant in writing of the reasons for denial, and the right to a hearing to contest the denial.

(c) The applicant may request a hearing to contest the denial by submitting a written request to the Bureau.

(1) The written request for a hearing must be postmarked within 30 calendar days of service of the notification of denial.

(2) If the written request for a hearing is not received within the required timeframe, the applicant's right to a hearing is waived.

(3) Upon timely receipt of the written request for hearing, the Bureau shall set a date for hearing to be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

Authority: Section 26013, Business and Professions Code; Reference: Sections 26057 and 26058, Business and Professions Code.

§ 5022. Surrender and Cancellation of License

(a) Every licensee who surrenders, abandons, or quits the licensed premises, or who closes the licensed premises for a period exceeding 30 consecutive calendar days, shall, within 10 business days after closing, surrendering, quitting, or abandoning the licensed premises, surrender the license certificate to the Bureau. The Bureau may seize the license certificate of a licensee who fails to comply with the surrender provisions of this section and may proceed to revoke the license or licenses.

(b) A person whose license has been surrendered may submit to the Bureau a written request for the license to be returned. Any request should be submitted to the Bureau prior to the expiration of the surrendered license. The written request shall specify the reason the license was

surrendered and why the license should be returned. The Bureau in its discretion may return the license.

(c) The Bureau may cancel the license or licenses of a licensee upon request by the licensee.

Authority: Section 26013, Business and Professions Code. Reference: Section 26050, Business and Professions Code.

§ 5023. Notification of Changes Business Modifications

~~(a) Every licensee shall notify the Bureau in writing within 10 business days of any change to Business modifications for any item listed contained in the application, the exception of a change to standard operating procedures. The notification shall be signed by an owner as defined in section 5003 of this division, shall be made in accordance with the following:~~

(a) Changes to standard operating procedures may be made without providing notification to the Bureau. Licensees shall maintain a copy of all current and prior operating procedures as required by section 5037 of this division.

(b) If at the time of licensure, a licensee employed less than 20 employees and later employs 20 or more employees, the licensee shall provide to the Bureau a document attesting that the licensee has entered into a labor peace agreement and will abide by the terms of the agreement, ~~and a copy of the agreement,~~ within 30 days of employing 20 or more employees.

(c) Licenses are not transferrable. If one or more of the owners of a license change, a new license application and fee shall be submitted to the Bureau within 10 business days of the effective date of the ownership change. A change in ownership occurs when a new person meets the definition of owner in section 5003 of this division. A change in ownership does not occur when one or more owners leave the business by transferring their ownership interest to the other existing owner(s). In cases where one or more owners leave the business by transferring their ownership interest to the other existing owner(s), the owner or owners that are transferring their interest shall provide a signed statement to the Bureau confirming that they have transferred their interest.

(d) When there is a change in persons with financial interest(s) in the commercial cannabis business that do not meet the requirements for a new license application under this section, the licensee shall submit the information required by sections 5002(c)(19) and 5004 of this division to the Bureau within 10 business days of the change.

~~(e) In order to change the location of a premises, a licensee shall submit a new application and fee to the Bureau. A licensee shall not begin operating out of a new premises until the Bureau has approved the application.~~

(e) Licensees may request to add an A or M designation their license by sending a notification to the Bureau signed by at least one owner as defined in section 5003 of this division. A licensee shall not operate under the requested designation until they have received approval from the Bureau.

(f) Microbusiness licensees may add a commercial cannabis activity to their license or remove a commercial cannabis activity from their license if doing so is consistent with the requirement set forth in section 5500(a) of this division that licensees engage in at least three (3) commercial cannabis activities. Licensees shall request the modification by completing a request to modify the premises pursuant to section 5027 of this division. A licensee shall not engage in a new commercial cannabis activity until they have paid for the modification and received approval from the Bureau.

(g) Licenses may not be transferred from one premises to another. Licensees shall not operate out of a new premises until they have been issued a new license.

Authority: Section 26013, Business and Professions Code. Reference: Sections 136 and 26012, Business and Professions Code.

§ 5024. Death or Incapacity of a Licensee

(a) In the event of the death, incapacity, receivership, assignment for the benefit of creditors of a licensee an owner, or other event rendering a licensee an owner incapable of performing the duties associated with the license, the licensee's owner's successor in interest (e.g., appointed guardian, executor, administrator, receiver, trustee, or assignee) shall notify the Bureau in writing, within 10 business days.

(b) To continue operations or surrender the existing license, the successor in interest shall submit to the Bureau the following:

(1) The name of the successor in interest.

(2) The name of the licensee owner for which the successor in interest is succeeding and the license number;

(3) The phone number, mailing address, and email address of the successor in interest; and

(4) Documentation demonstrating that the licensee owner is incapable of performing the duties associated with the license such as a death certificate or a court order finding the licensee owner lacks capacity, and documentation demonstrating that the individual making the request is the licensee's owner's successor in interest such as a court order appointing guardianship or will or trust agreement.

(c) The Bureau may give the successor in interest written approval to continue operations on the licensed business premises for a period of time specified by the Bureau:

(1) If the successor in interest or another person has applied for a license from the Bureau for the licensed premises and that application is under review;

(2) If the successor in interest needs additional time to destroy or sell cannabis goods; or

(3) At the discretion of the Bureau.

(d) The licensee's owner's successor in interest is held subject to all terms and conditions under which a state cannabis license is held pursuant to the Act.

(e) The approval creates no vested right to the issuance of a state cannabis license.

Authority: Section 26013, Business and Professions Code. Reference: Section 26012, Business and Professions Code.

§ 5025. Premises

(a) Each license shall have a designated premises for the licensee's commercial cannabis activity, which is subject to inspection by the Bureau.

(b) The Bureau may allow a licensee to have conduct both adult-use and medicinal commercial cannabis activity on the same licensed premises for two separate commercial cannabis licenses if all of the following criteria are met:

(1) The licensee holds both an A-license designation and an M-license designation on the license for the identical type of commercial cannabis activity; and

(2) The licensee ~~who holds both licenses is identical in name, business formation, and ownership;~~ only conducts one type of commercial cannabis activity on the premises.

(3) ~~The licensee only conducts one type of commercial cannabis activity on the premises.~~

(4) ~~All cannabis and cannabis products are clearly marked with an "A" or "M"; and~~

(5) ~~Records are kept separately for each license and clearly indicate that the records are related to the A license or the M license.~~

(c) Retailers and microbusinesses authorized to conduct retail activities shall only serve customers that are within the licensed premises, or at a delivery address that meets the requirements of this division.

(1) The sale and delivery of cannabis goods shall not occur through a pass-out window or a slide-out tray to the exterior of the premises.

(2) Retailers or microbusiness shall not operate as or with a drive-in or drive-through at which cannabis goods are sold to persons within or about a motor vehicle or through a pass-out window or slide-out tray.

(3) No cannabis goods shall be sold and/or delivered to any person while such person is in a motor vehicle.

(d) Alcohol shall not be stored or consumed on a premises.

(e) Any premises that is next to or adjacent to another premises engaging in manufacturing or cultivation, shall be separated from those premises by walls and any doors leading to the cultivation or manufacturing premises shall remain closed.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26001 and 26053, Business and Professions Code.

§ 5026. Premises Location

(a) A premises licensed under this division shall not be located within a 600-foot radius of a school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center that is in existence at the time the license is issued.

(b) Notwithstanding subsection (a), if a local jurisdiction has issued a license or permit to conduct commercial cannabis activity at a premises that is located within a 600-foot radius of a school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center, the Bureau may approve the premises for licensure if the following conditions are met:

(1) The applicant submits a copy of a valid license or permit from the local jurisdiction with the application for licensure; and

(2) The local jurisdiction notifies the Bureau that the applicant is in compliance with all applicable local ordinances and regulations pursuant to Business and Professions Code section 26055(g)(2)(C).

(c) A premises shall not be in a location that requires persons to pass through a business that sells alcohol or tobacco or a private residence to access the licensed premises, or that requires persons to pass through the licensed premises to access a business that sells alcohol or tobacco or alcohol through a private residence.

(d) A premises shall not be located within a private residence.

(e) Licensees shall ensure that the Bureau has immediate access to their licensed premises. If the Bureau is denied access for any reason including another licensee's refusal to grant access, when the only access to the premises is through another premises, the licensee shall be held responsible and subject to discipline.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26051.5, 26054 and 26055, Business and Professions Code.

§ 5027. Physical Modification of Premises

(a) A licensee shall not, without the prior written approval of the Bureau, make a physical change, alteration, or modification of the licensed premises that materially or substantially alters the licensed premises or the use of the licensed premises from the premises diagram originally filed with the license application. A licensee whose premises is to be materially or substantially changed, modified, or altered is responsible for filing a request for premises modification with the Bureau.

(b) Material or substantial changes, alterations, or modifications requiring approval include, but are not limited to: ~~the removal, creation, or relocation of a common entryway, doorway, passage, or a means of public entry or exit, when such common entryway, doorway, or passage alters or changes limited access areas within the licensed premises.~~

(1) The removal, creation, or relocation of a common entryway, doorway, passage, or a means of public entry or exit, when such common entryway, doorway, or passage alters or changes limited-access areas within the licensed premises;

(2) The removal, creation, or relocation of a wall or barrier; or

(3) Changing the activities conducted in or the use of an area identified in the last premises diagram provided to the Bureau.

(c) A licensee shall request approval of a physical change, alteration, or modification in writing, and the request shall include:

(1) A new premises diagram that conforms to requirements in section 5006 of this division; and

(2) A fee pursuant to section 5014 of this division.

(d) A licensee shall provide additional documentation requested by the Bureau to evaluate the licensee's request to modify the premises.

Authority: Section 26013, Business and Professions Code. Reference: Section 26055, Business and Professions Code

§ 5028. Subletting of Premises

A licensee shall not sublet any area designated as the licensed premises for the licensee's commercial cannabis activity.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26013 and 26070, Business and Professions Code

§ 5029. Transition to Regulated Commercial Cannabis Market

(a) Beginning January 1, 2018, licensees shall not transport or sell any edible cannabis product that exceeds 10 milligrams of tetrahydrocannabinol (THC) per serving.

(b) Notwithstanding any other regulation in this division, beginning January 1, 2018, and before July 1, 2018, licensees may do all of the following:

~~(1) Licensees may conduct business with other licensees irrespective of the "M" or "A" designation on their licenses.~~

~~(2)~~ (1) Cannabis goods that are not in child-resistant packaging may be sold if they are placed into child-resistant packaging by the retailer at the time of sale.

~~(3)~~ (2) Non-edible cannabis products that do not meet the THC limits per package specified by the State Department of Public Health in regulation may be transported and sold.

~~(4) An M-licensee~~ (3) A distributor may transport or and an M-retailer may sell medicinal edible cannabis products that are 10 milligrams of THC or less per serving regardless of the THC amount in the package.

(54) Cannabis goods that do not meet the labeling requirements prescribed by the Act or the State Department of Public Health in regulation may be transported and sold if a sticker with the applicable warning statement under Business and Professions Code section 26120, subdivision (c)(1)(A) or (c)(1)(B), is affixed to the cannabis goods prior to sale by the retailer.

(65) Cannabis goods held in inventory at the time of licensure that have not undergone laboratory testing may be transported and sold if a label stating that the cannabis goods have not been tested as required under Business and Professions Code section 26070(I) is affixed to each package containing the cannabis goods prior to sale by the retailer.

(76) Dried flower held in inventory by a retailer at the time of licensure that is not packaged may be packaged by the retailer into individual packages for sale.

(87) Cannabis products held in inventory by a retailer that do not meet the requirements set by the State Department of Public Health, pursuant to Business and Professions Code sections 26130 and 26131, for ingredients or appearance may be sold by the retailer.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26013 and 26070, Business and Professions Code

§ 5030. Licensee's Responsibility for Acts of Employees and Agents

In construing and enforcing the provisions of the Act and the regulations in this division, the act, omission, or failure of an agent, officer, representative, or other person acting for or employed by a licensee, within the scope of his or her employment or office, shall in every case be deemed the act, omission, or failure of the licensee.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26031 and 26110, Business and Professions Code.

§ 5031. Employee Age Restriction

Employees A licensee shall not employ or retain persons under retained by a licensee to work within or on a licensed premises or to handle cannabis goods shall be at least 21 years of age.

Authority: Section 26013, Business and Professions Code. Reference: Section 26140, Business and Professions Code.

§ 5032. Designated M and A Commercial Cannabis Activity Between Licensees

(a) All commercial cannabis activity shall be conducted between licensees. Retail licensees may conduct commercial cannabis activity with customers in accordance with chapter 3 of this division.

(b) ~~Beginning July 1, 2018, A licensees shall only~~ Licensees may conduct business with A-licensees and M-licensees shall only conduct business with M licensees, except for testing laboratories. other licensees irrespective of the "M" or "A" designation on their licenses.

(c) Distributors shall only transport and sell cannabis goods designated as "For Medical Use Only" pursuant to the requirements prescribed by the State Department of Public Health in regulation, to M-designated retailers;

(d) Products designated as "For Medical Use Only" pursuant to requirements prescribed by the State Department of Public Health in regulation shall only be sold to medicinal customers by M-designated retailers.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26001, 26013 and 26053, Business and Professions Code.

§ 5033. Storage of Inventory

- (a) A licensee shall not store cannabis goods outdoors.
- (b) Employee break rooms, changing facilities, and bathrooms shall be separated from all storage areas.
- (c) Each location where cannabis goods are stored must be separately licensed.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26012 and 26070, Business and Professions Code.

§ 5034. Significant Discrepancy in Inventory

- (a) A significant discrepancy in inventory means a difference in actual inventory compared to records pertaining to inventory of at least \$5,000 or 2 percent of the average monthly sales of the licensee, whichever is less.
- (b) For the purposes of this section, average monthly sales shall be calculated by taking a per month average of the total sales for the previous 6 months. If the licensee has not been in operation for at least 6 months, only the months in which the licensee was operating shall be used in determining average monthly sales.
- (c) For the purposes of this section, the licensee's acquisition price shall be used to determine the value of cannabis goods in a licensee's inventory.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5035. Notification of Criminal Acts, Civil Judgments, and Revocation of a Local License, Permit, or Other Authorization After Licensure

- (a) A licensee shall ensure that the Bureau is notified in writing of a criminal conviction of any owner, either by mail or electronic mail, within 48 hours of the conviction. The written notification to the Bureau shall include the date of conviction, the court docket number, the name of the court in which the licensee was convicted, and the specific offense(s) for which the licensee was convicted.
- (b) A licensee shall ensure that the Bureau is notified in writing of a civil penalty or judgment rendered against the licensee or any owner in their individual capacity, either by mail or electronic mail, within 48 hours of delivery of the verdict or entry of judgment, whichever is sooner. The written notification shall include the date of verdict or entry of judgment, the court

docket number, the name of the court in which the matter was adjudicated, and a description of the civil penalty or judgment rendered against the licensee.

(c) A licensee shall ensure that the Bureau is notified in writing of the revocation of a local license, permit, or other authorization, either by mail or electronic mail within 48 hours of receiving notice of the revocation. The written notification shall include the name of the local agency involved, a written explanation of the proceeding or enforcement action, and the specific violation(s) that led to revocation.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26030 and 26031, Business and Professions Code.

§ 5036. Notification of Theft, Loss, and Criminal Activity

(a) A licensee shall notify the Bureau and local law enforcement within 24 hours of discovery of any of the following situations:

(1) The licensee discovers a significant discrepancy, as defined in section 5034 of this division, in its inventory.

(2) The licensee discovers diversion, theft, loss, or any other criminal activity pertaining to the operations of the licensee.

(3) The licensee discovers diversion, theft, loss, or any other criminal activity by an agent or employee of the licensee pertaining to the operations of the licensee.

(4) The licensee discovers loss or unauthorized alteration of records related to cannabis goods, customers, or the licensee's employees or agents.

(5) The licensee discovers any other breach of security.

(b) The notification to the Bureau pursuant to subsection (a) of this section shall be in writing and include the date and time of occurrence of the theft, loss, or criminal activity, the name of the local law enforcement agency that was notified, and a description of the incident including, where applicable, the item(s) that were taken or lost.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5037. Record Retention

(a) Each licensee shall keep and maintain the following records related to commercial cannabis activity for at least seven years:

(1) Financial records including, but not limited to, bank statements, sales invoices, receipts, tax records, and all records required by the California Department of Tax and Fee Administration (formerly Board of Equalization) under title 18, California Code of Regulations, sections 1698 and 4901.

(2) Personnel records, including each employee's full name, social security or individual tax payer identification number, date employment begins, and date of termination of employment if applicable.

(3) Training records including, but not limited to, the content of the training provided and the names of the employees that received the training.

(4) Contracts with other licensees regarding commercial cannabis activity.

(5) Permits, licenses, and other local authorizations to conduct the licensee's commercial cannabis activity.

(6) Security records, except for surveillance recordings required pursuant to section 5044 of this division.

(7) Records relating to the composting or destruction of cannabis goods.

(8) Documentation for data or information entered into the track and trace system.

(9) All other documents prepared or executed by an owner or his employees or assignees in connection with the licensed commercial cannabis business.

(b) The Bureau may make any examination of the books and records of any licensee as it deems necessary to perform its duties under the Act.

(c) Records shall be kept in a manner that allows the records to be produced for the Bureau at the licensed premises in either hard copy or electronic form, whichever the Bureau requests.

(d) A licensee may contract with a third party to provide custodial or management services of the records. Such a contract shall not relieve the licensee of the licensee's responsibilities under this section.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26160 and 26161, Business and Professions Code.

§ 5038. Disaster Relief

(a) If a licensee is unable to comply with any licensing requirements due to a disaster, the licensee may notify the Bureau of this inability to comply and request relief from the specific licensing requirement.

(b) The Bureau may exercise its discretion to provide temporary relief from specific regulatory requirements in this division and from other licensing requirements when allowed by law.

(c) Temporary relief from specific licensing requirements shall be issued for a reasonable amount of time in order to allow the licensee to recover from the disaster.

(d) The Bureau may require that certain conditions be followed in order for a licensee to receive temporary relief from specific licensing requirements.

(e) A licensee shall not be subject to an enforcement action for a violation of a licensing requirement in which the licensee has received temporary relief.

(f) For the purposes of this section, "disaster" means fire, flood, storm, tidal wave, earthquake, or similar public calamity, whether or not resulting from natural causes.

(g) A licensed premises that has been vacated by a licensee due to a disaster shall not be deemed to have been surrendered, abandoned, or quit under section 5022 of this division.

(h) Notwithstanding subsection (a) of this section, if a licensee needs to move cannabis goods stored on the premises to another location immediately to prevent loss, theft, or degradation of the cannabis goods from the disaster, the licensee may move the cannabis goods without obtaining prior approval from the Bureau if the following conditions are met:

(1) The cannabis goods are moved to a secure location where access to the cannabis goods can be restricted to the licensee, its employees, and contractors;

(2) The licensee notifies the Bureau in writing that the cannabis goods have been moved and that the licensee is requesting relief from complying with specific licensing requirements pursuant to subsection (a) of this section within 24 hours of moving the cannabis goods;

(3) The licensee agrees to grant the Bureau access to the location where the cannabis goods have been moved to for inspection; and

(4) The licensee submits in writing to the Bureau within 10 business days of moving the cannabis goods a request for temporary relief that clearly indicates what statutory and regulatory sections relief is requested from, the time period for which the relief is requested, and the reasons relief is needed for the specified amount of time.

Authority: Section 26013, Business and Professions Code. Reference: Section 26012, Business and Professions Code.

Article 4. Posting and Advertising

§ 5039. License Posting Requirement

Upon issuance of any license, the licensee shall prominently display the license on the licensed premises where it can be viewed by state and local agencies. If the licensed premises is open to the public, the license shall be displayed in an area that is within plain sight of the public.

Authority: Section 26013, Business and Professions Code. Reference: Section 26012, Business and Professions Code.

§ 5040. Advertising Placement

(a) Any advertising or marketing placed in broadcast, cable, radio, print, and digital communications; ~~shall only be displayed where at least 71.6 percent of the audience is reasonably expected to be 21 years of age or older, as determined by reliable up-to-date audience composition data.~~

(1) Shall only be displayed where at least 71.6 percent of the audience is reasonably expected to be 21 years of age or older, as determined by reliable up-to-date audience composition data; and

(2) Shall not use any depictions or images of minors under 18 years of age.

(b) Upon request, a licensee shall provide to the Bureau audience composition data as required in subsection (a) of this section for advertising or marketing placed by the licensee. This information shall be provided to the Bureau within the time specified by the Bureau.

(c) If the Bureau determines that audience composition data for advertising or marketing provided by a licensee does not comply with the requirements of subsection (a) of this section, or the licensee fails to provide audience composition data to the Bureau within the time specified by the Bureau, the licensee shall remove the advertising or marketing placement in question.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26151 and 26152, Business and Professions Code.

§ 5041. Age Confirmation in Advertising

(a) Prior to any advertising or marketing from the licensee involving direct, individualized communication or dialogue, the licensee shall use age affirmation to verify that the recipient is 21 years of age or older.

(b) For the purposes of this section, direct, individualized communication or dialogue may occur through any form of communication, including in-person, telephone, physical mail, or electronic.

(c) A method of age verification is not necessary for a communication if the licensee can verify that the licensee has previously had the intended recipient undergo a method of age affirmation and the licensee is reasonably certain that the communication will only be received by the intended recipient.

(d) A licensee shall use a method of age affirmation before having a potential customer added to a mailing list, subscribe, or otherwise consent to receiving direct, individualized communication or dialogue controlled by a licensee.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26151 and 26152, Business and Professions Code.

Article 5. Security Measures

§ 5042. ~~Access to~~ Limited-Access Areas

(a) Licensees shall ensure that any person on the licensed premises, except for employees and contractors of the licensee, are escorted at all times by the licensee or at least one employee of the licensee when in the limited-access areas of the premises.

(b) Entrances to all limited-access areas shall have a door and a lock meeting the requirements of section 5046 of this division. The door shall remain closed when not in use during regular business hours.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5043. Licensee Employee Badge Requirement

All agents, officers, or other persons acting for or employed by a licensee shall display a laminated or plastic-coated identification badge issued by the licensee at all times while engaging in commercial cannabis activity. The identification badge shall, at a minimum, include the licensee's "doing business as" name and license number, the employee's first name, an employee number exclusively assigned to that employee for identification purposes, and a color photograph of the employee that clearly shows the full front of the employee's face and that is at least 1 inch in width and 1.5 inches in height.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5044. Video Surveillance System

- (a) Each licensed premises shall have a digital video surveillance system with a minimum camera resolution of 1280×720 pixels.
- (b) The surveillance-system storage device or the cameras shall be transmission control protocol (TCP) capable of being accessed through the internet.
- (c) The video surveillance system shall at all times be able to effectively and clearly record images of the area under surveillance.
- (d) Each camera shall be permanently mounted and in a fixed location. Each camera shall be placed in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the licensed premises, and allows for the clear and certain identification of any person and activities in all areas required to be filmed under subsection (e).
- (e) Areas that shall be recorded on the video surveillance system include the following:
 - (1) Areas where cannabis goods are weighed, packed, stored, loaded, and unloaded for transportation, prepared, or moved within the premises;
 - (2) Limited-access areas;
 - (3) Security rooms;
 - (4) Areas storing a surveillance-system storage device with at least one camera recording the access points to the secured surveillance recording area; and
 - (5) Entrances and exits to the premises, which shall be recorded from both indoor and outdoor vantage points.
- (f) Retailers shall also record point-of-sale areas and areas where cannabis goods are displayed for sale on the video surveillance system. At each point-of-sale location, camera placement must allow for the recording of the facial features of any person purchasing or selling cannabis goods, or any person in the retail area, with sufficient clarity to determine identity.

- (g) Cameras shall record continuously 24 hours per day and at a minimum of 15 frames per second (FPS).
- (h) The physical media or storage device on which surveillance recordings are stored shall be secured in a manner to protect the recording from tampering or theft.
- (i) Surveillance recordings shall be kept for a minimum of 90 days.
- (j) Surveillance recordings are subject to inspection by the Bureau, and shall be kept in a manner that allows the Bureau to view and obtain copies of the recordings at the licensed premises immediately upon request. The licensee shall also send or otherwise provide copies of the recordings to the Bureau upon request within the time specified by the Bureau.
- (k) Recorded images shall clearly and accurately display the time and date. Time is to be measured in accordance with the United States National Institute Standards and Technology standards.
- (l) The video surveillance system shall be equipped with a failure notification system that provides notification to the licensee of any interruption or failure of the video surveillance system or video surveillance-system storage device.
- (m) If multiple premises are contained within the same building, a single video surveillance system covering the entire building may be used by all the licensees under the following conditions:
- (1) Each applicant or licensee shall disclose on their premises diagram where the surveillance recordings are stored and who will have access to them.
- (2) Each applicant or licensee shall include in their security operating procedures submitted with the application pursuant to section 5002(c)(29)(D) of this division, an explanation of how the video surveillance system will be shared including, who is responsible for monitoring the video footage and storing any video recordings.
- (3) All licensees shall have immediate access to the surveillance recordings to produce them pursuant to subsection (j) of this section.
- (4) All licensees shall be held responsible and subject to discipline for any violations of the video surveillance requirements.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5045. Security Personnel

- (a) A retail licensee or microbusiness licensee that is engaged in retail sale shall hire or contract for security personnel who are at least 21 years of age to provide security services for the licensed retail premises: 24 hours a day and 7 days a week. All security personnel hired or contracted for by the licensee shall be licensed by the Bureau of Security and Investigative Services and shall comply with Chapters 11.4 and 11.5 of Division 3 of the Business and Professions Code.

(b) Notwithstanding subsection (a) of this section or any other provision of law, a non-storefront retailer is not required to hire or contract for security personnel.

(c) If multiple premises are contained within the same building, security personnel may be shared by all the licensees to cover the entire building under the following conditions:

(1) Each licensee shall include in their security operating procedures submitted with the application pursuant to section 5002(c)(29)(D) of this division, an explanation of how security personnel will be shared including, who is responsible for employing or contracting the security personnel.

(2) All licensees shall be held responsible and subject to discipline for any violations of the security personnel requirements.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5046. Locks

A licensee shall ensure that the limited-access areas described in section 5042 of this division can be securely locked using commercial-grade, nonresidential door locks. A licensee shall also use commercial-grade, nonresidential door locks on all points of entry and exit to the licensed premises.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5047. Alarm System

(a) A licensee shall maintain an alarm system as defined in Business and Professions Code section 7590.1(n) at the licensed premises.

(b) A licensee shall ensure a licensed alarm company operator or one or more of its registered alarm agents installs, maintains, monitors, and responds to the alarm system.

(c) Upon request, a licensee shall make available to the Bureau all information related to the alarm system, monitoring, and alarm activity.

(d) If multiple premises are contained within the same building, a single alarm system covering the entire building may be used by all the licensees under the following conditions:

(1) Each licensee shall include in their security operating procedures submitted with the application pursuant to section 5002(c)(29)(D) of this division an explanation of how the alarm system will be shared, including who is responsible for contracting with the alarm company.

(2) All licensees shall have access to, and be able to provide the information under subsection (c) of this section.

(3) All licensees shall be held responsible and subject to discipline for any violations of the alarm system requirements.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

Article 6. Track and Trace Requirements

§ 5048. Track and Trace System

(a) A licensee shall create and maintain an active and functional account within the track and trace system prior to engaging in any commercial cannabis activity, including the purchase, sale, test, packaging, transfer, transport, return, destruction, or disposal, of any cannabis goods.

(b) A licensee shall designate one individual owner as the track and trace system account manager. The account manager may authorize additional owners or employees as track and trace system users and shall ensure that each user is trained on the track and trace system prior to its access or use.

(1) The account manager shall attend and successfully complete all required track and trace system training, including any orientation and continuing education.

(2) If the account manager did not complete the required track and trace system training prior to receiving their annual license, the account manager shall sign up for and complete state mandated training, as prescribed by the Bureau, within five business days of license issuance.

(~~ec~~) The account manager and each user shall be assigned a unique log-on, consisting of a username and password. The account manager or each user accessing the track and trace system shall only do so under his or her assigned log-on, and shall not use or access a log-on of any other individual. No account manager or user shall share or transfer his or her log-on, username, or password, to be used by any other individual for any reason.

(~~ed~~) The account manager shall maintain a complete, accurate, and up-to-date list of all track and trace system users, consisting of their full names and usernames.

(~~ef~~) A licensee shall monitor all compliance notifications from the track and trace system, and timely resolve the issues detailed in the compliance notification.

(1) A licensee shall keep a record, independent of the track and trace system, of all compliance notifications received from the track and trace system, and how and when compliance was achieved.

(2) If a licensee is unable to resolve a compliance notification within three business days of receiving the notification, the licensee shall notify the Bureau immediately.

(~~gf~~) A licensee is accountable for all actions its owners or employees take while logged into or using the track and trace system, or otherwise while conducting track and trace activities.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26067, 26070, 26160 and 26161, Business and Professions Code.

§ 5049. Track and Trace Reporting

(a) A licensee shall record in the track and trace system all commercial cannabis activity, including:

- (1) Packaging of cannabis goods.
- (2) Sale of cannabis goods.
- (3) Transportation of cannabis goods to a licensee.
- (4) Receipt of cannabis goods.
- (5) Return of cannabis goods.
- (6) Destruction and disposal of cannabis goods.
- (7) Laboratory testing and results.
- (8) Any other activity as required pursuant to this division, or by any other licensing authority.

(b) The following information shall be recorded for each activity entered in the track and trace system:

- (1) Name and type of the cannabis goods.
- (2) Unique identifier of the cannabis goods.
- (3) Amount of the cannabis goods, by weight or count.
- (4) Date and time of the activity or transaction.
- (5) Name and license number of other licensees involved in the activity or transaction.
- (6) If the cannabis goods are being transported:
 - (A) The licensee shall transport pursuant to a shipping manifest generated through the track and trace system, that includes items (1) through (5) of this subsection, as well as:
 - (i) The name, license number, and premises address of the originating licensee.
 - (ii) The name, license number, and premises address of the licensee transporting the cannabis goods.
 - (iii) The name, license number, and premises address of the destination licensee receiving the cannabis goods into inventory or storage.
 - (iv) The date and time of departure from the licensed premises and approximate date and time of departure from each subsequent licensed premises, if any.
 - (v) Arrival date and estimated time of arrival at each licensed premises.
 - (vi) Driver license number of the personnel transporting the cannabis goods, and the make, model, and license plate number of the vehicle used for transport.

(B) Upon pick-up or receipt of cannabis goods for transport, storage, or inventory, a licensee shall ensure that the cannabis goods received are as described in the shipping manifest, and shall record acceptance and acknowledgment of the cannabis goods in the track and trace system.

(C) If there are any discrepancies between the type or quantity specified in the shipping manifest and the type or quantity received by the licensee, the licensee shall record and document the discrepancy in the track and trace system and in any relevant business record.

(7) If cannabis goods are being destroyed or disposed of, the licensee shall record in the track and trace system the following additional information:

(A) The name of the employee performing the destruction or disposal.

(B) The reason for destruction or disposal.

(C) The name of the entity being used to collect and process cannabis waste, pursuant to section 5055 of this division.

(8) Description for any adjustments made in the track and trace system, including, but not limited to:

(A) Spoilage or fouling of the cannabis goods.

(B) Any event resulting in exposure or compromise of the cannabis goods.

(9) Any other information as required pursuant to this division, or by any other applicable licensing authorities.

(c) Unless otherwise specified, all transactions must be entered into the track and trace system within 24 hours of occurrence.

(d) Licensees shall only enter and record complete and accurate information into the track and trace system, and shall correct any known errors entered into the track and trace system immediately upon discovery.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26067, 26070, 26160 and 26161, Business and Professions Code.

§ 5050. Loss of Access

(a) If at any point a licensee loses access to the track and trace system for any reason, the licensee shall prepare and maintain comprehensive records detailing all commercial cannabis activities that were conducted during the loss of access.

(b) The licensee shall both document and notify the Bureau immediately:

(1) When access to the system is lost;

(2) When access to the system is restored; and

(3) The cause for the loss of access.

(c) Once access is restored, all commercial cannabis activity that occurred during the loss of access shall be entered into the track and trace system within three business days of access being restored.

(d) A licensee shall not transport, transfer or deliver any cannabis goods until such time as access is restored and all information recorded in the track and trace system.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26067, 26070, 26160 and 26161, Business and Professions Code.

§ 5051. Track and Trace System Reconciliation

(a) In addition to other inventory reconciliation requirements under this division, a licensee shall reconcile the physical inventory of cannabis goods at the licensed premises with the records in the track and trace database at least once every 14 days.

(b) If a licensee finds a discrepancy between its physical inventory and the track and trace system database, the licensee shall conduct an audit, and notify the Bureau of any reportable activity pursuant to section 5036.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26067, 26070, 26160 and 26161, Business and Professions Code.

§ 5052. Temporary Licenses; Licensees in Operation at Time of Licensure

(a) A licensee operating under a temporary license issued pursuant to section 5001 is not required to record commercial cannabis activity in the track and trace system as otherwise required by this article.

(b) Temporary licensees shall track and record all cannabis commercial activities and information required pursuant to this division and any other provision of law, at a minimum, on paper receipts, invoices, or manifests.

(c) Any commercial cannabis activity conducted between annual license holders shall be recorded in the track and trace system.

(d) Any licensee in operation at the time the annual license is issued shall enter all inventory into the track and trace system no later than 30 days after the track and trace system account manager attends the training required pursuant to section 5048.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26050.1, 26067, 26070, 26160 and 26161, Business and Professions Code.

Article 7. Returns and Destruction

§ 5053. Returns Between Licensees

(a) If a licensee discovers that a manufactured cannabis good that was purchased from another licensee is defective, the purchasing licensee may return the cannabis good to the selling licensee

only in exchange for a non-defective version of the same type of cannabis good or in exchange for a cannabis good of equal value.

(b) Except as provided in subsection (a) of this section, a licensee shall not return cannabis goods purchased from another licensee.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26013 and 26070, Business and Professions Code.

§ 5054. Destruction of Cannabis Products Prior to Disposal

No cannabis goods shall be disposed of as cannabis waste pursuant to section 5055 of this division unless the cannabis goods have been removed from their packaging and rendered unrecognizable and unusable.

Authority: Section 26013, Business and Professions Code. Reference: Sections ~~260013~~ and 26070, Business and Professions Code.

§ 5055. Cannabis Waste Management

(a) A licensee may not sell cannabis waste.

(b) Licensees shall comply with all applicable waste management laws including, but not limited to, Division 30 of the Public Resources Code.

(c) A licensee shall dispose of cannabis waste in a secured waste receptacle or in a secured area on the licensed premises. For the purposes of this section, “secure waste receptacle” or “secured area” means that physical access to the receptacle or area is restricted to the licensee and its employees and the local agency, or waste hauler franchised or contracted by a local agency. Public access to the designated receptacle or area is prohibited.

(d) If a licensee is composting cannabis waste on the licensed premises, a licensee shall do so in compliance with title 14, California Code of Regulations, chapter 3.1 (commencing with Section 17850).

(e) If a local agency, or waste hauler permitted by a local agency, is being used to collect and process cannabis waste, a licensee shall do all the following:

(1) Provide the Bureau with the following information for the local agency, or waste hauler franchised or contracted by a local agency, who will collect and process the licensee’s cannabis waste;

(A) Name of local agency providing waste hauling services, if applicable;

(B) Company name of the local agency franchised or contracted or permitted waste hauler, if applicable;

(C) Company business address; and

(D) Name of the primary contact person at the company and contact person’s phone number.

(2) Obtain documentation from the entity hauling the waste that indicates the date and time of each collection of cannabis waste at the licensed premises; and

(3) Obtain a copy of the certified weight ticket or other documentation prepared by the entity hauling the waste confirming receipt of the cannabis waste at one, or more, of the following solid waste facilities:

(A) A manned, fully permitted solid waste landfill or transformation facility;

(B) A manned, fully permitted composting facility or manned composting operation;

(C) A manned, fully permitted in-vessel digestion facility or manned in-vessel digestion operation;

(D) A manned, fully permitted transfer/processing facility or manned transfer/processing operation; or

(E) A manned, fully permitted chip and grind operation.

(f) If a licensee is self-hauling cannabis waste to one, or more, of the solid waste facilities in subsection (e)(3) of this section, a licensee shall obtain for each delivery of cannabis waste by the licensee a copy of a certified weight ticket or receipt documenting delivery from the solid waste facility. Only the licensee or its employees may transport self-hauled cannabis waste.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26013 and 26070, Business and Professions Code.

Chapter 2. DISTRIBUTORS

§ 5300. Non-Cannabis Distribution Activities

A distributor shall not store non-cannabis goods or non-cannabis accessories that are to be sold to another party on any licensed premises. Additionally, a distributor shall not distribute non-cannabis goods or non-cannabis accessories at a licensed premises. For the purposes of this section, non-cannabis goods are any goods that do not meet the definition of cannabis goods as defined in section 5000(c) of this division.

Authority: Sections 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5301. Storage-Only Services

A distributor may provide cannabis goods storage-only services to a licensed cultivator, manufacturer, microbusiness, nonprofit, or another distributor, unrelated to the quality assurance and laboratory testing processes.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5302. Storage of Batches for Testing

(a) A distributor shall ensure that all cannabis goods batches are stored separately and distinctly from other cannabis goods batches on the distributor's premises.

(b) A distributor shall ensure a label with the following information is physically attached to each container of each batch:

- (1) The name and license number of the manufacturer or cultivator who provided the batch;
- (2) The date of entry into the distributor's storage area;
- (3) The unique identifiers and batch number associated with the batch;
- (4) A description of the cannabis goods with enough detail to easily identify the batch;
- (5) The weight of or quantity of units in the batch; and
- (6) The best-by, sell-by, or expiration date of the batch, if any.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26110 and 26120, Business and Professions Code.

§ 5303. Packaging and Labeling

(a) A distributor may package, re-package, label, and re-label cannabis for retail sale.

(b) A distributor shall not package, re-package, label, or re-label manufactured cannabis products except when the distributor also holds a manufacturing license and is packaging, re-packaging, labeling, or re-labeling its own manufactured cannabis products.

(c) Notwithstanding subsection (b) of this section, if it is determined during laboratory testing that a manufactured product is labeled with the incorrect amount of THC per package or serving but is within the THC limits for sale, the distributor may re-label the package with the accurate THC amount. Distributors may also re-label the package with the accurate amount of cannabinoids and terpenoids if laboratory testing determines that the manufactured product is labeled with incorrect amounts.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26013 and 26120, Business and Professions Code

§ 5304. Testing Arrangements

After taking physical possession of a cannabis goods batch, the distributor shall contact a testing laboratory and arrange for a laboratory employee to come to the distributor's licensed premises to select a representative sample for laboratory testing.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26110, Business and Professions Code.

§ 5305. Testing Sample

- (a) The distributor shall ensure that the batch size from which the sample is taken meets the requirements of this division.
- (b) A distributor or an employee of the distributor shall be physically present to observe the laboratory employee obtain the sample of cannabis goods for testing and shall ensure that the increments are taken from throughout the batch.
- (c) The sampling shall be video recorded with the batch number stated at the beginning of the video and a visible time and date indication on the video recording footage. The video recordings shall be maintained for 180 days.
- (d) After the sample has been selected, both the distributor and the laboratory employee shall sign and date the chain of custody form pursuant to section 5709 of this division, attesting to the sample selection having occurred.
- (e) A distributor shall not assist the laboratory employee nor touch the cannabis goods or the sampling equipment while the laboratory employee is obtaining the sample.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26104 and 26110, Business and Professions Code.

§ 5306. Laboratory Testing Results

- (a) A sample “passes” a laboratory test when the sample meets specifications in chapter 6 of this division.
- (b) When a batch from a manufactured or harvest batch passes, the cannabis goods may be transported to one or more retailers.
- (c) A sample “fails” a laboratory test when the sample does not meet specifications in chapter 6 of this division.
- (d) If a failed sample was collected from a batch and the batch could be remediated pursuant to section 5727 of this division, a distributor may transport or arrange for the transportation of the batch to a ~~cultivator~~ or manufacturer for remediation.
- (e) A distributor shall destroy a batch that failed laboratory testing and cannot be remediated pursuant to section 5727 of this division.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070, 26104 and 26110, Business and Professions Code.

§ 5307. Quality-Assurance Review

When a distributor receives a certificate of analysis stating that the sample meets specifications required by law, the distributor shall ensure the following before transporting the cannabis goods to one or more retailers:

- (a) The certificate of analysis the distributor received from the testing laboratory is the certificate of analysis that corresponds to the batch;
- (b) The label on the cannabis goods is consistent with the certificate of analysis regarding cannabinoid content and contaminants required to be listed by law;
- (c) The packaging complies with applicable packaging laws including, but not limited to, Business and Professions Code section 26120. Cannabis goods are not required to be labeled or otherwise identified as medicinal products prior to retail sale unless the cannabis goods must be labeled as such pursuant to the requirements prescribed by the State Department of Public Health in regulation;
- (d) The packaging is tamper-evident. "Tamper-evident" means a one-time-use seal is affixed to the opening of the package, allowing a person to recognize whether or not the package has been opened;
- (e) The weight or count of the cannabis batch comports with that in the track and trace system. A distributor shall use scales as required by the Act; and
- (f) All events prior to receipt have been entered into the track and trace system.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070, 26110 and 26120, Business and Professions Code.

§ 5308. Insurance Requirements

- (a) An applicant for a distributor license shall provide the Bureau with a certificate of insurance that shows the types of insurance coverage and minimum amounts that have been secured as required by this section, and documentation establishing compliance with subsection (d) of this section.
- (b) A distributor licensee shall at all times carry and maintain commercial general liability insurance in the aggregate in an amount no less than \$2,000,000 and in an amount no less than \$1,000,000 for each loss.
- (c) A distributor licensee shall maintain the insurance required in subsection (b) from an insurance company that is:
 - (1) A non-admitted insurer that meets the requirements of Insurance Code section 1765.1 or 1765.2, and the insurance is placed pursuant to Insurance Code section 1763 and through a surplus line broker licensed under Insurance Code section 1765;
 - (2) An insurer qualified to do business in California by the Secretary of State and authorized by the Insurance Commissioner to write the liability and property classes of insurance as defined by Insurance Code sections 102, 103, 107, 114, 108, and 120; or
 - (3) A registered risk retention group compliant with the California Risk Retention Act of 1991. (See California Insurance Code sections 125-140.)

(d) Admitted insurers and risk retention groups must show proof of capitalization in the amount of at least \$10,000,000.

(e) A distributor licensee shall notify the Bureau in writing within 10 calendar days of a lapse in insurance.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5309. Inventory Reconciliation

(a) A distributor shall reconcile all inventories of cannabis goods at least once every 14 days.

(b) A distributor shall keep an inventory log containing the following information for each batch:

(1) The name and license number of the manufacturer or cultivator who provided the batch;

(2) The date of entry into the distributor's storage area;

(3) The unique identifiers and batch number associated with the batch;

(4) A description of the cannabis goods with enough detail to easily identify the batch;

(5) The weight of or quantity of units in the batch;

(6) The best-by, sell-by, or expiration date of the batch, if any; and

(7) Where on the premises the batch is kept.

(c) If a distributor finds a discrepancy between the inventory of stock and the inventory log or track and trace system that is outside of normal weight loss caused by moisture loss, the distributor shall commence a full audit of the batch in which the discrepancy was found.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26160, Business and Professions Code.

§ 5310. Records

(a) In addition to the records required by section 5037 of this division, a distributor shall maintain the following records:

(1) Records relating to branding, packaging and labeling;

(2) Inventory logs and records;

(3) Transportation bills of lading and shipping manifests for completed transports and for cannabis goods in transit;

(4) Vehicle and trailer ownership records;

(5) Quality-assurance records;

(6) Records relating to destruction of cannabis goods;

- (7) Laboratory-testing records;
- (8) Warehouse receipts;
- (9) Records relating to tax payments collected and paid under Sections 34011 and 34012 of the Revenue and Taxation Code.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26110 and 26160, Business and Professions Code.

§ 5311. Requirements for the Transportation of Cannabis Goods

The following requirements apply when transporting cannabis goods between licensees or licensed premises:

- (a) Transportation shall only be conducted by persons holding a distributor license under the Act, or employees of those persons.
- (b) All vehicles transporting cannabis goods for hire shall be required to have a motor carrier permit pursuant to Chapter 2 (commencing with Section 34620) of Division 14.85 of the Vehicle Code.
- (c) Transportation by means of aircraft, watercraft, drone, rail, human powered vehicle, and unmanned vehicle is prohibited.
- (d) Cannabis goods shall only be transported inside of a vehicle or trailer and shall not be visible or identifiable from outside of the vehicle or trailer.
- (e) Cannabis goods shall be locked in a box, container, or cage that is secured to the inside of the vehicle or trailer.
- (f) While left unattended, vehicles and trailers shall be locked and secured.
- (g) A distributor shall not leave a vehicle or trailer containing cannabis goods unattended in a residential area or parked overnight in a residential area.
- (h) At a minimum, a distributor shall have a vehicle alarm system on all transport vehicles and trailers. Motion detectors, pressure switches, duress, panic, and hold-up alarms may also be used.
- (i) Packages or containers holding cannabis goods shall not be tampered with, or opened, during transport.
- (j) A distributor transporting cannabis goods shall only travel between licensees shipping or receiving cannabis goods and its own licensed premises when engaged in the transportation of cannabis goods. The distributor may transport multiple shipments of cannabis goods at once in accordance with applicable laws. A distributor shall not deviate from the travel requirements described in this section, except for necessary rest, fuel, or vehicle repair stops.
- (k) When a distributor holds both an A-license and an M-license, medicinal and adult-use cannabis goods may be transported in the same vehicle only if the cannabis goods are clearly identified and marked as "A" for adult-use cannabis goods, or "M" for medicinal cannabis goods

both on the physical packaging of the cannabis goods and on the shipping manifest. While in transport, the medicinal and adult-use cannabis goods shall be placed in separate boxes or containers in the vehicle. Under no circumstances may non-cannabis goods, except for cannabis accessories as defined in Business and Professions Code section 26001(g), be transported with cannabis goods.

(l) Vehicles and trailers transporting cannabis goods are subject to inspection by the Bureau at any licensed premises or during transport at any time.

(m) Notwithstanding subsections (d) and (e) of this section, if it is not operationally feasible to transport cannabis goods inside of a vehicle or trailer because the licensed premises that the cannabis goods will be transported from and the licensed premises that will be receiving the cannabis goods are located within the same building or on the same parcel of land, the cannabis goods may be transported by foot, hand truck, fork lift, or other similar means. A shipping manifest that complies with this division is required when transporting cannabis goods pursuant to this subsection.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5312. Required Transport Vehicle Information

(a) In addition to the information required in section 5314 of this division, any distributor who will be or is transporting cannabis goods shall provide the following information to the Bureau:

- (1) Proof of ownership or a valid lease for each vehicle and trailer used to transport cannabis goods;
 - (2) The year, make, model, license plate number, and numerical Vehicle Identification Number (VIN) for each vehicle and trailer used to transport cannabis goods; and
 - (3) Proof of insurance for each vehicle and trailer used to transport cannabis goods.
- (b) The distributor shall provide the Bureau with the information required by this section in writing for any new vehicle or trailer that will be used to transport cannabis goods prior to using the vehicle or trailer to transport cannabis goods.

(c) The distributor shall provide the Bureau with any changes to the information required by this section in writing within 30 calendar days.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5313. Transport Personnel Requirements

(a) No person under the age of 21 years old shall be in a commercial vehicle or trailer transporting cannabis goods; and

(b) Only a licensee, an employee of the distributor, or security personnel that meets the requirements of section 5045 of this division, shall be in a vehicle while transporting cannabis goods.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5314. Shipping Manifest

(a) Prior to transporting cannabis goods, a distributor shall generate a shipping manifest through the track and trace system for the following activities:

- (1) Testing and sampling;
- (2) Sale of cannabis goods to a licensee;
- (3) Destruction or disposal of cannabis goods; and
- (4) Any other activity, as required pursuant to this division, or by any other licensing authority.

(b) The distributor shall transmit the shipping manifest to the Bureau and the licensee that will receive the cannabis goods prior to transporting the cannabis goods.

(c) The distributor shall ensure and verify that the cannabis goods being taken into possession for transport at the originating licensed premises are as described and accurately reflected in the shipping manifest. For purposes of this section, the distributor may verify that the cannabis goods are accurately reflected in the shipping manifest by confirming that the number of boxes of cannabis goods, type of cannabis goods, weight and or units of cannabis goods, matches the label on the boxes containing the cannabis goods.

(1) The distributor shall not take into possession or transport:

- (A) Any cannabis goods that are not on the shipping manifest; or
- (B) Any cannabis goods that are less than or greater than the amount reflected on the shipping manifest.

(2) The distributor is responsible for any discrepancies between the shipping manifest and the cannabis goods in its possession during transport, and subject to any enforcement or disciplinary action related to such discrepancy.

(3) A distributor shall not void or change a shipping manifest after departing from the originating licensed premises.

(d) A shipping manifest shall accompany every transport of cannabis goods.

(e) Notwithstanding subsection (a) of this section, if a transporting distributor has not obtained access to the track and trace system, the distributor shall complete the shipping manifest outside of the track and trace system and transmit it to the Bureau and the licensee receiving the shipment by electronic mail.

(f) If the transporting distributor has access to the track and trace system and the licensee receiving the shipment has not obtained access to the track and trace system, the distributor shall complete the shipping manifest in the track and trace system and transmit it to the Bureau. However, the distributor shall send a copy to the licensee receiving the shipment by electronic mail.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26067 and 26070, Business and Professions Code

§ 5315. Distributor Transport Only License

~~(a) A distributor transport only licensee shall be authorized to engage in the transport of cannabis goods between licensees. A distributor transport licensee may transport cannabis goods between licensees however, they shall not transport any cannabis goods except for immature plants and seeds to a retailer or to the retailer portion of a microbusiness.~~

~~(b) Notwithstanding subsection (a) of this section, a distributor transport only licensee shall not be authorized to transport cannabis goods to the premises of a retailer, except when the licensee is transporting only immature plants and seeds from a licensed nursery to a licensed retailer.~~

~~(e)~~ A complete application for a distributor transport only license shall include all the information required in an application for a Type 11-Distributor license.

~~(d)~~ The licensing fee for a distributor transport only license will be based in part upon whether the licensee intends to transport only cannabis goods that the licensee has cultivated or manufactured (self-distribution), or whether the licensee intends to transport cannabis goods cultivated or manufactured by other licensees.

~~(e)~~ A distributor transport only licensee shall comply with all of the requirements for a holder of a Type 11-Distributor license, except for those related to quality assurance and testing.

~~(f)~~ A distributor transport only licensee shall not hold title to any cannabis goods unless the licensee also holds a state-issued cultivation, manufacturing, retailer, or microbusiness license.

~~(g)~~ Holding a distributor transport only license shall not authorize a licensee to:

(1) Engage in the delivery of cannabis goods as defined in Business and Professions Code section 26001(p);

(2) Engage in the wholesale, destruction, packaging, labeling, or storing of cannabis goods; or

(3) Arrange for the testing of cannabis goods by a testing laboratory.

~~(h)~~ Notwithstanding subsection (e) of this section, a distributor transport only licensee that is licensed to engage in self-distribution and whose premises will be on the same property as their licensed cultivation or manufacturing premises shall not be required to comply with the security provisions contained in Article 5 of this division.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26012, 26013 and 26070, Business and Professions Code.

Chapter 3. RETAILERS

§ 5400. Access to Retailer Premises

- (a) Access to the licensed premises of an A-retailer licensee shall be limited to individuals who are at least 21 years of age.
- (b) Access to the licensed premises of an M-retailer licensee shall be limited to individuals who are at least 18 years of age and have a valid physician's recommendation.
- (c) If a licensed premises is shared by an A-license and an M-license pursuant to section 5025 of this division, the licensee may allow persons identified in subsections (a) and (b) above to access the premises.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26012, 26070 and 26140, Business and Professions Code.

§ 5401. Limited-Access Areas

- (a) A retailer shall establish limited-access areas and permit only authorized individuals to enter the limited-access areas.
- (b) Authorized individuals include individuals employed by the retailer as well as any outside vendors, contractors, or other individuals conducting business that requires access to the limited-access area.
- (c) An individual in the limited-access area who is not employed by the retailer shall be escorted by an employee of the licensee at all times within the limited-access area.
- (d) An individual who enters the limited-access area shall be at least 21 years of age.
- (e) A retailer shall maintain a log of all authorized individuals who are not employees of the retailer who enter the limited-access area. These logs shall be made available to the Bureau upon request.
- (f) A retailer shall not receive consideration or compensation for permitting an individual to enter the limited-access area.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26140, Business and Professions Code.

§ 5402. Retail Area

- (a) Individuals shall be granted access to the retail area to purchase cannabis goods only after the retailer or an employee of the retailer has verified that the individual is at least 21 years of age and has a valid proof of identification, or that the individual is at least 18 years of age and has valid proof of identification and a valid physician's recommendation for himself or herself or for a person for whom he or she is a primary caregiver.
- (b) Acceptable forms of identification include the following:

- (1) A document issued by a federal, state, county, or municipal government, or a political subdivision or agency thereof, including, but not limited to, a valid motor vehicle operator's license, that contains the name, date of birth, physical description, and photo of the person;
 - (2) A valid identification card issued to a member of the Armed Forces that includes a date of birth and a photo of the person; or
 - (3) A valid passport issued by the United States or by a foreign government.
- (c) A valid proof of identification must clearly indicate the age or birthdate of the individual.
- (d) The retailer or at least one employee shall be physically present in the retail area at all times when individuals who are not employees of the retailer are in the retail area.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26140, Business and Professions Code.

§ 5403. Hours of Operation

- (a) A retailer shall sell and deliver cannabis goods only between the hours of 6:00 a.m. Pacific Time and 10:00 p.m. Pacific Time.
- (b) At any time the premises is not open for retail sales, the retailer shall ensure that:
- (1) The premises is securely locked with commercial-grade, nonresidential door locks;
 - (2) The premises is equipped with an active alarm system, which shall be activated when the retailer or its employees are not on the licensed premises; and
 - (3) Only employees and contractors of the retailer are allowed to enter the premises.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code

§ 5404. Retail Customers

- (a) A retailer shall only sell adult-use cannabis goods to individuals who are at least 21 years of age, and medicinal cannabis goods to individuals at least 18 years of age who possess a valid physician's recommendation for himself or herself or a person for whom he or she is a primary caregiver.
- (b) A retailer shall verify the identity and age, and physician's recommendation if applicable, of a customer as required by section 5402(a) of this division.

Authority: Section 26013, Business and Professions Code. Reference: Section 26140, Business and Professions Code.

§ 5405. Cannabis Goods Display

- (a) Cannabis goods for inspection and sale shall only be displayed in the retail area.

(b) The retailer shall not display cannabis goods in a place visible from outside the licensed premises.

(c) Cannabis goods may be removed from their packaging and placed in containers to allow for customer inspection. The containers shall not be readily accessible to customers without assistance of retailer personnel. A container must be provided to the customer by the retailer or its employees, who shall remain with the customer at all times that the container is being inspected by the customer.

(d) Cannabis goods removed from their packaging for display shall not be sold, shall not be consumed, and shall be destroyed pursuant to section 5054 of this division when the cannabis goods are no longer used for display.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code

§ 5406. Cannabis Goods for Sale

A retailer shall not make any cannabis goods available for sale or delivery to a customer unless:

(a) The cannabis goods were received from a licensed distributor;

(b) The retailer has verified that the cannabis goods have not exceeded their expiration or sell-by date if one is provided; and

(c) In the case of manufactured cannabis products, the product complies with all requirements of Business and Professions Code section 26130 and all other relevant laws.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§5407. Sale of Non-Cannabis Products on Premises

A retailer may sell non-cannabis products on a licensed premises if the licensee remains in compliance with any city, county, and state laws or regulations related to those products. This provision excludes alcohol and alcohol products and tobacco and tobacco products from sale at any licensed premises.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26054 and 26070, Business and Professions Code.

§ 5408. Live Plants

(a) A retailer shall only sell live, immature cannabis plants and seeds if all of the following requirements are met:

(1) The plant is not flowering;

(2) The plant or seed was purchased from a nursery that holds a valid Type 4-Cultivation; Nursery license under the Act; and

(3) A label is affixed to the plant or package containing any seeds which states "This product has not been tested pursuant to the Medicinal and Adult-Use Cannabis Regulation and Safety Act."

(b) A retailer may not sell any other live plants.

(c) A retailer shall not apply nor use any pesticide, nor cause any pesticide to be applied nor used, on live plants.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26100, Business and Professions Code

§ 5409. Daily Limits

(a) A retailer shall not sell more than the following amounts to a single adult-use cannabis customer in a single day:

(1) 28.5 grams of non-concentrated cannabis.

(2) 8 grams of concentrated cannabis as defined in Business and Professions Code section 26001, including concentrated cannabis contained in cannabis products.

(3) 6 immature cannabis plants.

(b) A retailer shall not sell more than the following amounts to a single medicinal cannabis patient, or to a patient's primary caregiver purchasing medicinal cannabis on behalf of the patient, in a single day:

(1) 8 ounces of medicinal cannabis as defined in section 11362.77 of the Health and Safety Code.

(2) 12 immature cannabis plants.

(c) If a valid physician's recommendation contains a different amount than the limits listed in this section, the medicinal cannabis customer may purchase an amount of medicinal cannabis consistent with the patient's needs as recommended by a physician.

Authority: Section 26013, Business and Professions Code. Reference: Section 26012, Business and Professions Code; and Sections 11362.1 and 11362.77, Health and Safety Code.

§ 5410. Customer Return of Cannabis Goods

(a) For the purposes of this section, "customer return" means a customer's return of cannabis goods that were purchased from a retailer, back to the retailer the cannabis goods were purchased from.

(b) A retailer may accept customer returns of cannabis goods that were previously sold to a customer.

(c) A retailer shall not resell cannabis goods that have been returned.

(d) A retailer shall treat any cannabis goods abandoned on the retailer premises as a customer return.

(e) A retailer shall destroy all cannabis goods that have been returned to the retailer by a customer, in accordance with sections 5054 and 5055 of this division.

Authority: Section 26013, Business and Professions Code. Reference: Section 26012, Business and Professions Code

§ 5411. Free Cannabis Goods

(a) A retailer shall not provide free cannabis goods to any person. A retailer shall not allow individuals who are not employed by the retailer to provide free cannabis goods to any person on the licensed premises.

(b) Notwithstanding subsection (a) of this section, in order to provide access to medicinal cannabis patients who have difficulty accessing medicinal cannabis goods, a licensee who holds a Type 10-Retailer M-license, a Type 9-Retailer Non-storefront-M license, or a Type 12-Microbusiness M-license that allows for retail sales may provide free medicinal cannabis goods if all of the following criteria are met:

(1) Free cannabis goods are provided only to a medicinal cannabis patient or primary caregiver for the patient in possession of a valid identification card issued under Section 11362.71 of the Health and Safety Code.

(2) The cannabis goods comply with all applicable laboratory testing requirements under this division.

(3) Prior to being provided to the patient or primary caregiver, the cannabis goods have been properly recorded in the track and trace system as belonging to the retailer.

(4) The cannabis goods shall not leave the licensed premises unless placed in an opaque package as required for purchased cannabis goods under Business and Professions Code section 26070.1.

(5) The cannabis goods shall be applied toward the daily purchase limit for a medicinal cannabis customer pursuant to section 5409 of this division.

(6) The event shall be properly recorded in the retailer's inventory records and the track and trace system.

(c) In addition to the provision of free cannabis goods in subsection (b) of this section, a licensee may donate cannabis goods and the use of equipment in compliance with any compassionate use, equality, or other similar program administered by a local jurisdiction.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26013, 26153 and 26160, Business and Professions Code.

§ 5412. Packaging and Labeling

(a) A retailer shall not accept, possess, or sell cannabis goods that are not packaged as they will be sold at final sale, in compliance with this division.

(b) A retailer shall not package or label cannabis goods.

Authority: Section 26013, Business and Professions Code. Reference: Section 26120, Business and Professions Code

§ 5413. Exit Packaging

Cannabis goods purchased by a customer shall not leave the retailer's premises unless the goods are placed in an opaque exit package.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070.1 and 26120, Business and Professions Code.

§ 5414. Type 9- Non-Storefront Retailer

(a) A Type 9-Non-Storefront Retailer licensee shall be authorized to conduct retail cannabis sales exclusively by delivery as defined in Business and Professions Code section 26001(p).

(b) A complete application for a Type 9-Non-Storefront Retailer license shall include all the information required in an application for a Type 10-Retailer license.

(c) A Type 9-Non-Storefront Retailer licensee shall comply with all the requirements applicable to Type 10-Retailer licensees, except for those provisions related to public access to the premises.

(d) The licensed premises of a Type 9-Non-Storefront Retailer licensee shall be closed to the public.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26012 and 26070, Business and Professions Code.

§ 5415. Delivery

(a) All deliveries of cannabis goods shall be performed by a delivery employee of a retailer.

(b) Each delivery employee of a retailer shall be at least 21 years of age.

(c) All deliveries of cannabis goods shall be made in person. A delivery of cannabis goods shall not be made through the use of an unmanned vehicle.

(d) The process of delivery begins when the delivery employee leaves the retailer's licensed premises with the cannabis goods for delivery. The process of delivering ends when the delivery employee returns to the retailer's licensed premises after delivering the cannabis goods to the customer(s).

(e) A delivery employee of a retailer shall, during deliveries, carry a copy of the retailer's current license, the employee's government-issued identification, and an identification badge provided by the employer pursuant to section 5043 of this division.

(f) A retailer shall maintain an accurate list of the retailer's delivery employees.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26090, Business and Professions Code

§ 5416. Delivery to a Physical Address

- (a) A retailer may only deliver cannabis goods to a physical address in California.
- (b) A retailer delivery employee shall not leave the State of California while possessing cannabis goods.
- (c) A retailer shall not deliver cannabis goods to an address located on publicly owned land or any address on land or in a building leased by a public agency. This prohibition applies to land held in trust by the United States for a tribe or an individual tribal member unless the delivery is authorized by and consistent with applicable tribal law.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26090, Business and Professions Code.

§ 5417. ~~Methods of Delivery~~ Vehicle Requirements

- (a) A retailer's delivery employee, carrying cannabis goods for delivery, shall only travel in an enclosed motor vehicle. Any vehicle used in the delivery of cannabis goods shall be operated by a delivery employee of the licensee.
- (b) While carrying cannabis goods for delivery, a retailer's delivery employee shall ensure the cannabis goods are not visible to the public.
- (c) A retailer's delivery employee shall not leave cannabis goods in an unattended motor vehicle unless the motor vehicle is locked and equipped with an active vehicle alarm system.
- (d) A vehicle used for the delivery of cannabis goods shall be outfitted with a dedicated Global Positioning System (GPS) device for identifying the geographic location of the delivery vehicle. A dedicated GPS device must be owned by the licensee and used for delivery only. The device shall be either permanently or temporarily affixed to the delivery vehicle and shall remain active and inside of the delivery vehicle at all times during delivery. At all times, the retailer shall be able to identify the geographic location of all delivery vehicles that are making deliveries for the retailer and shall provide that information to the Bureau upon request.
- (e) Upon request, a retailer shall provide the Bureau with information regarding any motor vehicle used for the delivery of cannabis goods, including the vehicle's make, model, color, Vehicle Identification Number, license plate number and Department of Motor Vehicles registration information.
- (f) Any motor vehicle used by a retailer to deliver cannabis goods is subject to inspection by the Bureau. Vehicles used to deliver cannabis goods may be stopped and inspected by the Bureau at any licensed premises or during delivery.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26090, Business and Professions Code.

§ 5418. Cannabis Goods Carried During Delivery

~~While making deliveries, a retailer's delivery employee shall not carry cannabis goods valued in excess of \$3,000 at any time. This value shall be determined using the current retail price of all cannabis goods carried by the delivery employee.~~

(a) All customer requests for the delivery of cannabis goods must be received and prepared by the retailer prior to the delivery employee leaving the licensed premises with the cannabis goods to be delivered. While making deliveries, a retailer's delivery employee shall not carry cannabis goods valued in excess of \$3,000 \$10,000 at any time. This value shall be determined using the current retail price of all cannabis goods carried by the employee.

(b) A delivery employee shall not carry any other cannabis goods while conducting deliveries.

(bc) Prior to providing cannabis goods to a delivery customer, a delivery employee shall verify the age and identify of the customer.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26090, Business and Professions Code.

§ 5419. Cannabis Consumption During Delivery

A retailer's delivery employees shall not consume cannabis goods while delivering cannabis goods to customers.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26090, Business and Professions Code.

§ 5420. Delivery Request Receipt

A retailer shall prepare a delivery request receipt for each delivery of cannabis goods.

(a) The delivery request receipt shall contain the following:

- (1) The name and address of the retailer;
- (2) The first name and employee number of the retailer's delivery employee who delivered the order;
- (3) The first name and employee number of the retailer's employee who prepared the order for delivery;
- (4) The first name of the customer and a retailer-assigned customer number for the person who requested the delivery;
- (5) The date and time the delivery request was made;
- (6) The delivery address;

(7) A detailed description of all cannabis goods requested for delivery. The description shall include the weight, volume, or any other accurate measure of the amount of all cannabis goods requested;

(8) The total amount paid for the delivery, including any taxes or fees, the cost of the cannabis goods, and any other charges related to the delivery; and

(9) Upon delivery, the date and time the delivery was made, and the signature of the customer who received the delivery.

(b) At the time of the delivery, the delivery employee of the retailer shall provide the customer who placed the order with a copy of the delivery request receipt. The delivery employee shall retain a signed copy of the delivery request receipt for the retailer's records.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26090, Business and Professions Code.

§ 5421. Delivery Route

While making deliveries of cannabis goods, a retailer's delivery employee shall only travel from the retailer's licensed premises to the delivery address; from one delivery address to another delivery address; or from a delivery address back to the retailer's licensed premises. A delivery employee of a retailer shall not deviate from the delivery path described in this section, except for necessary rest, fuel, or vehicle repair stops, or because road conditions make continued use of the route unsafe, impossible, or impracticable.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26070 and 26090, Business and Professions Code.

§ 5422. Receiving Shipments of Inventory

(a) A retailer shall receive a shipment of cannabis goods only from a distributor.

(b) A retailer shall accept shipments of cannabis goods only between the hours of 6:00 a.m. Pacific Time and 10:00 p.m. Pacific Time.

(c) During business hours, shipments of cannabis goods shall not enter the premises through an entrance or exit that is available for use by the public.

Authority: Section 26013, Business and Professions Code. Reference: Section 26070, Business and Professions Code.

§ 5423. Inventory Documentation

A retailer shall maintain an accurate record of its inventory. A retailer shall provide the Bureau with the record of inventory upon request. A retailer shall keep a record of the following information for all cannabis goods the retailer has in its inventory:

(a) A description of each item such that the cannabis goods can easily be identified;

(b) An accurate measurement of the quantity of the item;

- (c) The date and time the cannabis goods were received by the retailer;
- (d) The sell-by or expiration date provided on the package of cannabis goods, if any;
- (e) The name and license number of the licensee that delivered the cannabis goods to the retailer;
- (f) The name and license number of the distributor that provided the cannabis goods to the retailer; and
- (g) The price the retailer paid for the cannabis goods, including taxes, delivery costs, and any other costs.

Authority: Section 26013, Business and Professions Code. Reference: Section 26160, Business and Professions Code.

§ 5424. Inventory Reconciliation

- (a) A retailer shall perform a reconciliation of its inventory at least once every 14 days.
- (b) A retailer shall verify that the retailer's physical inventory matches the retailer's records pertaining to inventory.
- (c) The result of inventory reconciliation shall be retained in the retailer's records and shall be made available to the Bureau upon request.
- (d) If a retailer identifies any evidence of theft, diversion, or loss, the retailer shall notify the Bureau and law enforcement pursuant to section 5036 of this division.
- (e) If a significant discrepancy as defined in section 5034 of this division is discovered between a retailer's physical inventory and the retailer's inventory records, the retailer shall notify the Bureau and law enforcement pursuant to section 5036 of this division.

Authority: Section 26013, Business and Professions Code. Reference: Section 26160, Business and Professions Code.

§ 5425. Record of Sales

- (a) A retailer shall maintain an accurate record of sale for every sale made to a customer.
- (b) A record of a medicinal cannabis goods sale shall contain the following information:
 - (1) The first name and employee number of the retailer employee who processed the sale;
 - (2) The first name of the customer and a retailer-assigned customer number for the person who made the purchase;
 - (3) The date and time of the transaction;
 - (4) A list of all the cannabis goods purchased, including the quantity purchased; and
 - (5) The total amount paid for the sale including the individual prices paid for each cannabis good purchased and any amounts paid for taxes.

Authority: Section 26013, Business and Professions Code. Reference: Section 26160, Business and Professions Code.

§ 5426. Records

All retailer-specific records in this chapter shall be maintained in accordance with section 5037 of this division.

Authority: Section 26013, Business and Professions Code. Reference: Section 26160, Business and Professions Code.

Chapter 4. MICROBUSINESS

§ 5500. Microbusiness

(a) In order to hold a microbusiness license, a licensee must engage in at least three (3) of the following commercial cannabis activities: cultivation, manufacturing, distribution, and retail sale. Areas of the premises for manufacturing and cultivation shall be separated from the distribution and retail areas by a wall and all doors between the areas shall remain closed when not in use.

(b) An applicant for a Type 12-Microbusiness license shall indicate on the application for licensure which commercial cannabis activities the applicant intends to engage in.

(c) An application for a Type 12-Microbusiness license shall include:

(1) For an application indicating that the applicant intends to engage in cultivation under the Type 12-Microbusiness license all the required information under sections 5002, 5501, 5502 and 5503 of this division.

(2) For an application indicating that the applicant intends to engage in manufacturing under the Type 12-Microbusiness license all the required information under sections 5002 and 5504 of this division.

(3) For an application indicating that the applicant intends to engage in distribution under the Type 12-Microbusiness license all the required information for an application seeking a Type 11-Distributor license.

(4) For an application indicating that the applicant intends to engage in retail sale under the Type 12-Microbusiness license, all the required information for an application seeking a Type 10-Retailer license.

(d) All cultivation, manufacturing, distribution, and retail activities performed by a licensee under a Type 12-Microbusiness license shall occur on the same licensed premises.

(e) A holder of a Type 12-Microbusiness license shall comply with the following:

(1) A holder of a Type 12-Microbusiness license engaged in cultivation shall comply with all the rules and requirements applicable to the cultivation license type and applicable to the cultivation activities of the licensee. Licensees shall also comply with the applicable sections of Title 3,

Division 6 of the California Code of Regulations including section 6674, which requires that a warning sign relating to the storage of pesticides be posted.-

(2) A holder of a Type 12-Microbusiness license engaged in manufacturing shall comply with all the rules and requirements applicable to a Type 6-Manufacturer 1 license.

(3) A holder of a Type 12-Microbusiness license engaged in distribution shall comply with all the rules and requirements applicable to a Type 11-Distributor license.

(4) A holder of a Type 12-Microbusiness license engaged in retail sale shall comply with all the rules and requirements applicable to a Type 10-Retailer license, or a Type 9-Non-Storefront Retailer license if retail sales are conducted by delivery only.

(f) A holder of a Type 12-Microbusiness license may only engage in the commercial cannabis activity requested in the license application and approved by the Bureau at the time the license is issued. If the holder of a Type 12-Microbusiness license wants to engage in an additional commercial cannabis activity after the license is issued, the licensee shall submit an application to the Bureau indicating the requested changes and providing all information required for an application for the commercial cannabis activity the licensee wants to conduct.

(g) A suspension or revocation of a Type 12-Microbusiness licensee shall affect all commercial cannabis activities allowed pursuant to that license.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26013 and 26070, Business and Professions Code.

§ 5501. Microbusiness Applications Including Cultivation Activities

In addition to the information required in section 5002 of this division, an application for a microbusiness license to engage in cultivation shall include the following:

(a) Evidence of enrollment with the applicable Regional Water Quality Control Board or State Water Resources Control Board for water quality protection programs or written verification from the appropriate Board that enrollment is not necessary.

(b) Evidence that the applicant has conducted a hazardous materials record search of the EnviroStor database for the proposed premises. If hazardous sites were encountered, the applicant shall provide documentation of protocols implemented to protect employee health and safety.

(c) For indoor and mixed-light cultivation, identification of all power sources for cultivation activities, including, but not limited to: illumination, heating, cooling, and ventilation.

(d) A premises diagram pursuant to section 5006 of this division that shall also include:

(1) All roads and water crossings on the property.

(2) If the applicant is proposing to use a diversion from a waterbody, groundwater well, or rain catchment system as a water source for cultivation, the following locations on the property

diagram with locations also provided as coordinates in either latitude and longitude or the California Coordinate System:

- (A) Sources of water used, including the location of waterbody diversion(s), pump location(s), and distribution system; and
- (B) Location, type, and capacity of each storage unit to be used for cultivation.
- (e) A proposed cultivation plan pursuant to section 5502 of this division.
- (f) Identification of all water sources used for cultivation activities and the applicable supplemental information for each source as required by section 5503 of this division:
 - (1) A retail water supplier;
 - (2) A groundwater well;
 - (3) A rainwater catchment system; or
 - (4) A diversion from a surface waterbody or an underground stream flowing in a known and definite channel.
- (g) A copy of any final lake or streambed alteration agreement issued by the California Department of Fish and Wildlife, pursuant to sections 1602 and 1617 of the Fish and Game Code, or written verification from the California Department of Fish and Wildlife that a lake and streambed alteration agreement is not required.
- (h) An attestation that the applicant entity is an "agricultural employer" as defined by the Alatorre-Zenovich-Dunlap-Berman Agricultural Labor Relations Act of 1975; Division 2, Part 3.5 (commencing with Section 1140) ~~Division 2~~ of the Labor Code.
- (i) An attestation that the local fire department has been notified of the cultivation site if the applicant entity is an indoor license type.
- (j) An acknowledgement that the applicant understands that the information provided in the application that is relevant to the cultivation operation may be shared with the Department of Food and Agriculture for purposes of evaluating the applicant's qualifications for licensure. If the Department of Food and Agriculture corresponds directly with the applicant on matters related to the application, the applicant shall agree to cooperate. The applicant shall further agree that the Department of Food and Agriculture may conduct inspections on the areas of the premises related to their respective oversight authority.
- (k) If applicable, a detailed description of any fines or penalties for cultivation or production of a controlled substance on public or private land pursuant to Fish and Game Code section 12025 or 12025.1 against the applicant or a business entity in which the applicant was an owner or officer within 3 years preceding the date of application.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26050, 26051.5 and 26070, Business and Professions Code.

§ 5502. Cultivation Plan Requirements

A cultivation plan shall include all of the following:

(a) A detailed premises diagram showing all cultivation activities, boundaries, and dimensions in feet. The total area of the following proposed areas to scale, if applicable: activities shall be less than 10,000 square feet as provided in section 26070 of the Business and Professions Code.

(1) Canopy area(s) (which shall contain mature plants, at any point in time), including aggregate square footage if the canopy areas are noncontiguous;

(2) Area(s) outside of the canopy where only immature plants shall be maintained, if applicable;

(3) Designated pesticide and other agricultural chemical storage area(s);

(4) Designated processing area(s) if the licensee will process on site;

(5) Designated packaging area(s) if the licensee will package products on site;

(6) Designated composting area(s) if the licensee will compost plant or cannabis waste on site;

(7) Designated secured area(s) for cannabis waste if different than subsection (a)(6) above;

(8) Designated area(s) for harvested cannabis storage;

(9) Designated research and development area(s) which may contain mature plants for nursery only;

(10) Designated seed production area(s) which may contain mature plants for nursery only; and

(b) For purposes of subsection(a)(1) in this section, canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all areas(s) that will contain mature plants at any point in time, including all of the space(s) within the boundaries. Canopy may be noncontiguous, but each unique area included in the total canopy calculation shall be separated by an identifiable boundary which include, but are not limited to: interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, or garden plots. If mature plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.

(c) For indoor and mixed-light cultivation, a lighting diagram with the following information shall be included:

(1) Location of all lights in the canopy area(s); and

(2) Maximum wattage, or wattage equivalent, of each light.

(d) A pest management plan which shall include, but not be limited to, the following:

(1) Product name and active ingredient(s) of all pesticides to be applied to cannabis during any stage of plant growth; and

(2) Integrated pest management protocols including chemical, biological and cultural methods the applicant anticipates using to control or prevent the introduction of pests on the cultivation site.

(e) Cannabis waste procedures meeting the requirements of section 5002(c)(29)(E) of this division.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26050, 26051.5 and 26070, Business and Professions Code.

§ 5503. Supplemental Water Source Information

The following information shall be provided for each water source identified by the applicant:

(a) Retail water supply sources:

(1) If the water source is a retail supplier, such as a municipal provider, as defined in Section 13575 of the Water Code, identify the retail water supplier.

(2) If the water source is a small retail supplier, such as a delivery service, and is subject to subdivision (a)(1)(B) of Section 26060.1 of the Business and Professions Code:

(A) And if the contract is for delivery or pickup of water from a surface water body or an underground stream flowing in a known and definite channel, provide all of the following:

(i) The name of the contract water supplier;

(ii) The geographic location coordinates in either latitude and longitude or the California Coordinate System of any point of diversion used by the contract water supplier to divert water delivered to the applicant under the contract;

(iii) The authorized place of use for any water right used by the contract water supplier to divert water delivered to the applicant under the contract; and

(iv) The maximum amount of water delivered to the applicant for cannabis cultivation in any year.

(B) And if the contract is for delivery or pickup of water from a groundwater well, provide all of the following:

(i) The name of the contract water supplier;

(ii) The geographic location coordinates for any groundwater well used to supply water delivered to the applicant, in either latitude and longitude or the California Coordinate System;

(iii) The maximum amount of water delivered to the applicant for cannabis cultivation in any year; and

(iv) A copy of the well log filed with the Department of Water Resources pursuant to Section 13751 of the Water Code for each percolating groundwater well used to divert water delivered to the applicant. If no well log is available, the applicant shall provide evidence from the

Department of Water Resources indicating that the Department of Water Resources does not have a record of the well log. When no well log is available, the State Water Resources Control Board may request additional information about the well.

(b) If the water source is a groundwater well:

(1) The groundwater well's geographic location coordinates in either latitude and longitude or the California Coordinate System; and

(2) A copy of the well log filed with the Department of Water Resources pursuant to Section 13751 of the Water Code. If no well log is available, the applicant shall provide evidence from the Department of Water Resources indicating that the Department of Water Resources does not have a record of the well log. If no well log is available, the State Water Resources Control Board may request additional information about the well.

(c) If the water source is a rainwater catchment system:

(1) The total square footage of the catchment footprint area(s);

(2) The total storage capacity, in gallons, of the catchment system(s); and

(3) A detailed description of the type, nature, and location of each catchment surface. Examples of catchment surfaces include a rooftop and greenhouse.

(d) If the water source is a diversion from a waterbody:

(1) Provide any applicable statement, application, permit, license, or small irrigation use registration identification number(s); and either

(A) A copy of any applicable registrations, permits, or licenses or proof of a pending application, issued under Part 2 (commencing with Section 1200) of Division 2 of the Water Code as evidence of approval of a water diversion by the State Water Resources Control Board;

(B) A copy of any statements of diversion and use filed with the State Water Resources Control Board before October 31, 2017, detailing the water diversion and use; or

(C) A copy of documentation submitted to the State Water Resources Control Board before October 31, 2017, demonstrating that the diversion is authorized under a riparian right and that no diversion occurred in any calendar year between January 1, 2010, and January 1, 2017.

(2) If the applicant has claimed an exception from the requirement to file a statement of diversion and use, the applicant shall provide a copy of the documentation submitted to the State Water Resources Control Board before January 1, 2019, demonstrating that the diversion is subject to subdivision (a), (c), (d), or (e) of Section 5101 of the Water Code.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26050, 26051.5 and 26070, Business and Professions Code; and Section 13149, Water Code.

§ 5504. Microbusiness Applications Including Manufacturing Activities

In addition to the information required in section 5002 of this division, an application for a microbusiness license that engages or will engage in manufacturing, shall include the following:

(a) Type of manufacturing activity to be conducted at the premises (extraction, infusion, packaging, and/or labeling), and if applicable:

(1) For extraction, the method of non-volatile extraction. If CO₂ is used as a method of extraction, a copy of the closed-loop system certification signed by a California-licensed engineer attesting that the system was commercially manufactured, safe for its intended use, and built to codes of recognized and generally accepted good manufacturing practices.

(2) For infusion, a list of all infused products to be manufactured.

(b) A list of all products that will be manufactured, packaged, or labeled, including the following information:

(1) Product type (e.g., edibles) and identity (e.g., brownies);

(2) Product brand name; and

(3) Amount of cannabidiol (CBD) and tetrahydrocannabinol (THC) in the product.

(c) An acknowledgment that the applicant understands that the information provided in the application that is relevant to the manufacturing operation may be shared with the State Department of Public Health for purposes of evaluating the applicant's qualifications for licensure. If the State Department of Public Health corresponds directly with the applicant on matters related to the application, the applicant shall agree to cooperate. The applicant shall further agree that the State Department of Public Health may conduct inspections on the areas of the premises related to their respective oversight authority.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26050, 26051.5 and 26070, Business and Professions Code.

§ 5505. Cultivation Records for Licensees Engaging in Cultivation Activities

(a) Cultivation plan(s);

(b) All records evidencing compliance with the environmental protection measures required in sections 5501, 5502, and 5503 of this chapter;

(c) All lot numbers and batch numbers associated with product in inventory. Lot numbers or batch numbers associated with product that has been retired from the track and trace system must be retained for six (6) months after the date the tags were retired; and

(d) Records associated with the composting or disposal of cannabis waste.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26013, 26069, 26160 and 26161, Business and Professions Code.

§ 5506 Microbusiness Records for Licensees Engaging in Manufacturing Activities

(a) In addition to the records required by section 5037 of this division, a microbusiness engaging in manufacturing activities shall maintain batch production records.

(b) The licensee shall prepare a written batch production record every time a batch of cannabis is manufactured. The batch production record shall accurately follow the appropriate manufacturing protocol, and each step of the protocol shall be performed in the production of the batch.

(c) The batch production record shall document complete information relating to the production and control of each batch, including all of the following details:

- (1) The batch or lot number of the finished batch of cannabis product of all cannabis products used in the batch;
- (2) The identity of equipment and processing lines used in producing the batch;
- (3) The date and time of the maintenance, cleaning, and sanitizing of the equipment and processing lines used in producing the batch, or a cross-reference to records, such as individual equipment logs, where this information is retained;
- (4) The identification number assigned to each component (or, when applicable, to a cannabis product received from a supplier for packaging or labeling as a cannabis product), packaging, and label used;
- (5) The identity and weight or measure of each component used;
- (6) A statement of the actual yield and a statement of the percentage of theoretical yield at appropriate phases of processing;
- (7) The actual results obtained during any monitoring operation;
- (8) The results of any testing or examination performed during the batch production, or a cross-reference to such results; and
- (9) Documentation, at the time of performance, of the manufacture of the batch, including:
 - (A) The date on which each step of the manufacturing protocol was performed; and
 - (B) The initials of the persons performing each step, including:
 - (i) The initials of the person responsible for weighing or measuring each component used in the batch;
 - (ii) The initials of the person responsible for verifying the weight or measure of each component used in the batch;
 - (iii) The initials of the person responsible for adding the component to the batch; and
 - (iv) The initials of the person responsible for verifying the addition of components to the batch.

(10) Documentation, at the time of performance, of packaging and labeling operations, including:

(A) An actual or representative label, or a cross-reference to the physical location of the actual or representative label specified in the manufacturing record;

(B) The expected number of packaging and labels to be used, the actual quantity of the packaging and labels used, and, when label reconciliation is required, reconciliation of any discrepancies between issuance and use of labels; and

(C) The results of any tests or examinations conducted on packaged and labeled cannabis products (including repackaged or relabeled cannabis products), or a cross-reference to the physical location of such results.

(11) Documentation at the time of performance that quality control personnel have:

(A) Reviewed the batch production record;

(B) Reviewed all monitoring operation(s) required in section 40264 of title 17 of the California Code of Regulations;

(C) Reviewed the results of all tests and examinations, including tests and examinations conducted on components, in-process materials, finished batches of cannabis product, and packaged and labeled cannabis products;

(D) Either approved and released--or rejected--the batch for distribution; and

(E) Either approved and released--or rejected-- the finished cannabis product, including any repackaged or relabeled cannabis product.

(12) Documentation at the time of performance of any required material review and disposition decision.

(d) The batch production record shall:

(1) Contain the actual values and observations obtained during monitoring and, as appropriate, during verification activities;

(2) Be accurate, indelible, and legible;

(3) Be created concurrently with performance of the activity documented;

(4) Be as detailed as necessary to provide history of work performed; and:

(A) Include information adequate to identify any associated manufacturing facility (e.g., the name, license number, and when necessary, the location of the facility);

(B) Include the date and, when appropriate, the time of the activity documented;

(C) Include the signature or initials of the person performing the activity; and

(D) Where appropriate, include the identity of the product and the lot number or batch identifier, if any.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26013 and 26160, Business and Professions Code.

Chapter 5. CANNABIS EVENTS

§ 5600. Cannabis Event Organizer License

(a) To obtain a temporary cannabis event license, the event organizer must first apply for and obtain a cannabis event organizer license.

(b) Cannabis event organizers licensed under this section shall comply with chapter 1 of this division ~~with the exception of~~ except for sections 5001-5002, 5006-5008, 5010, 5016, 5019, 5025-5029, 5032-5034, and 5042-5044, 5046-5055.

(c) A cannabis event organizer licensee is not authorized or licensed to cultivate, distribute, manufacture, or retail cannabis or cannabis products without first obtaining the appropriate licenses or authorizations to engage in such commercial cannabis activities.

(d) A cannabis event organizer shall comply with the records retention provisions of section 5037 of this division. Records shall be kept by the cannabis event organizer in a manner that allows the records to be produced for the Bureau in either hard copy or electronic form, whichever the Bureau requests. Failure to produce records upon the Bureau's request may result in disciplinary action against the cannabis event organizer license and/or denial of a temporary cannabis event license.

(e) Cannabis event organizer applications may be completed online at www.bcc.ca.gov or by delivering a printed copy to the Bureau's office(s).

(f) Applicants who submit their applications online shall first register for a user account as provided by section 5002(b) of this division.

(g) An application must be completed by an owner as defined by Business and Professions Code section 26001(al). An application for cannabis event organizer licensure includes the following:

(1) The name of the applicant. For applicants who are individuals, the applicant shall provide both the first and last name of the individual. For applicants who are business entities, the applicant shall provide the legal business name of the applicant.

(2) If applicable, the business trade name ("DBA") of the applicant.

(3) Payment of an application fee pursuant to section 5014 of this division.

(34) Whether the owner is serving or has previously served in the military. Disclosure of military service is voluntary. An applicant who has served as an active duty member of the Armed Forces of the United States and was honorably discharged and who can provide evidence of such honorable discharge shall have his or her application expedited pursuant to Business and Professions Code section 115.4.

(45) A list of the license types and the license numbers issued from the Bureau and all other state cannabis licensing authorities that the applicant holds, including the date the license was issued and the licensing authority that issued the license.

- (56) Whether the applicant has been denied a license or has had a license suspended or revoked by the Bureau or any other state cannabis licensing authority. The applicant shall provide the type of license applied for, the name of the licensing authority that denied the application, and the date of denial.
- (67) The mailing address for the applicant.
- (78) The telephone number for the applicant.
- (89) The website address of the applicant's business, if applicable.
- (910) The email address for the applicant's business.
- (1011) Contact information for the applicant's designated primary contact person including the name, title, phone number, and email address of the individual.
- (12) The business' federal employer identification number.
- (113) A description of the business organizational structure of the applicant, such as partnership or corporation.
- (1214) The business-formation documents, which may include, but are not limited to, articles of incorporation, operating agreements, partnership agreements, and fictitious business name statements. The applicant shall also provide all documents filed with the California Secretary of State, which may include, but are not limited to, articles of incorporation, certificates of stock, articles of organization, certificates of limited partnership, and statements of partnership authority. If the commercial cannabis business is held in trust, the applicant shall provide a copy of the trust.
- (1315) A list of every fictitious business name the applicant is operating under including the address where the business is located.
- (1416) An applicant that is a foreign corporation shall include in its application the certificate of qualification issued by the California Secretary of State under Corporations Code section 2105.
- (1517) The applicant shall supply the following financial information:
- (A) A list of funds belonging to the applicant's cannabis event organizing business held in savings, checking, or other accounts maintained by a financial institution. The applicant shall provide, for each account, the financial institution's name, the financial institution's address, account type, account number, and the amount of money in the account.
- (B) A list of loans made to the applicant for its use in cannabis event organizing activities. For each loan, the applicant shall provide the amount of the loan, the date of the loan, term(s) of the loan, security provided for the loan, and the name, address, and phone number of the lender.
- (C) A list of investments made into the applicant's cannabis event organizing activities. For each investment, the applicant shall provide the amount of the investment, the date of the investment, term(s) of the investment, and the name, address, and phone number of the investor.
- (D) A list of all gifts of any kind given to the applicant for its use in cannabis event organizing activities. For each gift, the applicant shall provide the value of the gift or description of the gift, and the name, address, and phone number of the provider of the gift.

(1618) A complete list of every individual that has a financial interest in the cannabis event organizing business as defined in section 5004 of this division, who is not an owner as defined in Business and Professions Code section 26001(al).

(1719) A complete list of every owner of the applicant as defined in Business and Professions Code section 26001(al). Each individual named on this list shall submit the following information:

- (A) The full name of the owner.
- (B) The owner's title within the applicant entity.
- (C) The owner's date of birth and place of birth.
- (D) The owner's social security number or individual taxpayer identification number.
- (E) The owner's mailing address.
- (F) The owner's telephone number. This may include a number for the owner's home, business, or mobile telephone.
- (G) The owner's email address.
- (H) The owner's current employer.
- (I) The percentage of the ownership interest held in the applicant entity by the owner.
- (J) Whether the owner has an ownership or a financial interest as defined in sections 5003 and 5004, respectively, of this division in any other commercial cannabis business licensed under the Act.
- (K) A copy of the owner's government-issued identification. Acceptable forms of identification are a document issued by a federal, state, county, or municipal government that includes the name, date of birth, physical description, and picture of the person, such as a driver license.
- (L) A detailed description of the owner's convictions. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Convictions dismissed under Penal Code section 1203.4 or equivalent non-California law must be disclosed. Convictions dismissed under Health and Safety Code section 11361.8 or equivalent non-California law must be disclosed. Juvenile adjudications and traffic infractions under \$300 that did not involve alcohol, dangerous drugs, or controlled substances do not need to be included. For each conviction, the owner shall provide the following:
 - (i) The date of conviction.
 - (ii) Dates of incarceration, if applicable.
 - (iii) Dates of probation, if applicable.
 - (iv) Dates of parole, if applicable.
 - (v) A detailed description of the offense for which the owner was convicted.

(vi) A statement of rehabilitation for each conviction. The statement of rehabilitation is to be written by the owner and may contain evidence that the owner would like the Bureau to consider that demonstrates the owner's fitness for licensure. Supporting evidence may be attached to the statement of rehabilitation and may include, but is not limited to, a certificate of rehabilitation under Penal Code section 4852.01, and dated letters of reference from employers, instructors, or professional counselors that contain valid contact information for the individual providing the reference.

(M) If applicable, a detailed description of any suspension of a commercial cannabis license, revocation of a commercial cannabis license, or sanctions for unlicensed commercial cannabis activity by a licensing authority or local agency against the applicant or a business entity in which the applicant was an owner or officer within the three years immediately preceding the date of the application.

(N) Attestation to the following statement: Under penalty of perjury, I hereby declare that the information contained within and submitted with the application is complete, true, and accurate. I understand that a misrepresentation of fact is cause for rejection of this application, denial of the license, or revocation of a license issued.

~~(4820)~~ For an applicant with 20 or more employees, the applicant shall attest that the applicant has entered into a labor peace agreement and will abide by the terms of the agreement, ~~and the applicant shall provide a copy of the agreement to the Bureau.~~ For applicants who have not yet entered into a labor peace agreement, the applicant shall provide a notarized statement indicating the applicant will enter into and abide by the terms of a labor peace agreement within 30 days of licensure.

~~(4921)~~ The limited waiver of sovereign immunity required by section 5009 of this division, if applicable.

Authority: Sections 115.4 and 26013, Business and Professions Code. Reference: Sections 115.4, 144, 26012 and 26200, Business and Professions Code.

§ 5601. Temporary Cannabis Event License

(a) A temporary cannabis event license authorizes a licensed cannabis event organizer to hold a temporary cannabis event where the onsite sale and consumption of cannabis goods is authorized at the location indicated on the license during the dates indicated on the license.

(b) A temporary cannabis event license shall only be issued to a person who holds a cannabis event organizer license issued by the Bureau.

(bc) Violations of the requirements applicable to temporary cannabis events may result in disciplinary action against the cannabis event organizer license or any other licenses held by a licensee participating in the cannabis event and responsible for the violation under Business and Professions Code section 26070.5.

(e)(d) A temporary cannabis event license shall only be issued for a single day or consecutive days. No temporary cannabis event license will be issued for more than 4 days. ~~Temporary cannabis event licenses will not be issued separately for consecutive days for the same event.~~

(de) An application for a temporary cannabis event license shall be submitted to the Bureau no less than 60 days before the first day of the cannabis event. ~~An application for a temporary cannabis event license shall include the following:~~

(f) A temporary cannabis event license shall only be issued to events taking place at a county fair or district agricultural association event. For the purposes of this section, county fair or district agricultural association event means the grounds upon which a county fair or district agriculture association event is held. Temporary cannabis events are not required to take place on the same dates as the county fairs or district agricultural association events which take place at these locations.

(g) A temporary cannabis event license shall not be issued for a premises that is licensed for the sale of alcohol or tobacco.

(h) An application for a temporary cannabis event license shall include the following:

(1) The name of the applicant. For applicants who are individuals, the applicant shall provide both the first and last name of the individual. For applicants who are business entities, the applicant shall provide the legal business name of the applicant.

(2) The license number for each state cannabis license held by the applicant.

(3) The address of the ~~county fair or district agricultural association~~ location where the temporary cannabis event will take place be held.

(4) The name of the event.

(5) A diagram of the physical layout of the event. The diagram shall clearly indicate where the cannabis event will be taking place on the grounds of the event's location, all cannabis consumption areas, all retail areas where cannabis goods will be sold, and the specific location of each cannabis licensee who will be participating in the event. The diagram shall not contain highlighting and the markings on the diagram shall be in black-and-white print.

(6) The dates for which the temporary cannabis event license is being sought. A temporary event license is required for any date in which the applicant engages in onsite cannabis sales or allows onsite cannabis consumption.

(7) Contact information for the applicant's designated primary contact person regarding the temporary event license, including the name, title, address, phone number, and email address of the individual.

(8) Written approval from the local jurisdiction authorizing the applicant to engage in onsite cannabis sales to, and onsite consumption by, persons 21 years of age or older at the event.

(9) A list of all licensees that will be providing onsite sales of cannabis goods at the event.

(10) Attestation to the following statement: Under penalty of perjury, I hereby declare that the information contained within and submitted with the application is complete, true, and accurate. I understand that a misrepresentation of fact is cause for rejection of this application, denial of the license, or revocation of a license issued.

(e) If the list of licensees participating in the event changes after the application is submitted or after the ~~license~~ license is issued, the applicant shall submit ~~a final~~ an updated list and an updated diagram, as required in subsection (f)(5) of this section, to the Bureau no less than ~~5~~ 72 hours before the event. Licensees not on the list ~~may~~ submitted to the Bureau shall not participate in the event.

(j) The event organizer shall hire or contract for security personnel to provide security services at the licensed temporary cannabis event. All security personnel hired or contracted for by the licensee shall be at least 21 years of age, licensed by the Bureau of Security and Investigative Services, and comply with Chapters 11.4 and 11.5 of Division 3 of the Business and Professions Code. Security personnel shall be present on the premises at all times cannabis goods are available for sale and/or cannabis consumption is allowed on the premises.

(k) A cannabis event organizer shall maintain a clearly legible sign, not less than 7" x 11" in size reading, "No Persons Under 21 Allowed" at or near each public entrance to any area where the sale or consumption of cannabis goods is allowed. The lettering of the sign shall be no less than 1 inch in height.

(l) All cannabis waste generated at a temporary cannabis event shall comply with the requirements of sections 5054 and 5055 of this division. The cannabis event organizer may contract for or arrange for the collection and disposal of cannabis waste generated during the temporary cannabis event.

(m) A cannabis event organizer and all other licensees participating in a cannabis event are required to comply with section 5037 of this division and all other applicable requirements in the Act and this division pertaining to record keeping.

Authority: Section 26013, Business and Professions Code. Reference: Section 26200, Business and Professions Code.

§ 5602. Temporary Cannabis Event Sales

(a) Only persons age 21 or older may purchase and consume cannabis goods at a temporary cannabis event. Prior to selling cannabis goods to a customer, the licensee making the sale shall verify that the age and identity of the customer is 21 years of age or older.

(b) All sales of cannabis goods at a temporary cannabis event must occur in a retail area as designated in the premises diagram pursuant to section 5601, subsection (h)(5).

(c) Each sale at a cannabis event shall be performed by a retailer or microbusiness authorized to sell cannabis to retail customers. The cannabis event organizer may also sell cannabis goods at the temporary cannabis event if the organizer separately holds a license authorizing the retail sale of cannabis goods.

(d) All sales at a cannabis event shall occur on the dates stated on the license and shall occur at the location stated on the license. All onsite sales of cannabis goods must comply with the hours of operation requirements of section 5403, ~~subsection (a),~~ of this division.

(e) Sale or consumption of alcohol or tobacco shall not be allowed on the cannabis event premises.

(ef) The cannabis goods sold onsite at a cannabis event shall be transported ~~to the site by a distributor~~ in compliance with the Act and this division.

(f) ~~All~~ g) Except small amounts of cannabis goods used for display, all cannabis goods for sale at a temporary cannabis event shall be in compliance with stored in a secure, locked container that is not accessible to the public. Cannabis goods being stored by a licensee at a temporary cannabis event shall not be left unattended. Licensees may share the secure, locked container, however each licensee using the container will be held responsible for any violations of this section and subject to disciplinary action.

(h) All cannabis goods at a cannabis event shall comply with all requirements for laboratory testing and labeling within the Act and this division.

(gi) ~~All cannabis goods at a cannabis event shall be in compliance~~ comply with all track and trace requirements within the Act and this division.

(hj) ~~All cannabis goods used for display at a cannabis event shall be in compliance~~ comply with the requirements of section 5405, subsections (a), (c) and (d), of this division.

(ik) ~~All cannabis goods sold at a cannabis event shall be placed in an exit package pursuant to section 5413 of this division.~~

(jl) ~~All customer returns of cannabis goods at a cannabis event shall be made in~~ be in compliance comply with section 5410 of this division.

(km) ~~The daily sales limits under section 5409 of this division apply to sales made at a cannabis event.~~

(ln) ~~A retailer shall only provide free cannabis goods to a person at a cannabis event if the retailer complies with all requirements of section 5411 of this division.~~

(mo) ~~The cannabis event organizer who holds the temporary cannabis event license shall be responsible for ensuring that all rules and requirements for the onsite sale of cannabis goods are followed.~~

(p) Any compensation paid from a retailer to a cannabis event organizer for participation in a cannabis event shall not be determined based on, or be contingent on, the sale of cannabis goods.

Authority: Section 26013, Business and Professions Code. Reference: Section 26200, Business and Professions Code.

§ 5603. Temporary Cannabis Event Consumption

(a) Access to the area where cannabis consumption is allowed shall be restricted to persons 21 years of age or older.

(b) The event organizer licensee shall ensure that cannabis consumption is not visible from any public place or non-age-restricted area.

(c) Sale or consumption of alcohol or tobacco shall not be allowed on the premises.

(d) The event organizer shall hire or contract for security personnel to provide security services at the licensed temporary cannabis event. All security personnel hired or contracted for by the licensee shall comply with Chapters 11.4 and 11.5 of Division 3 of the Business and Professions Code.

(e) All requirements for onsite cannabis consumption imposed by the relevant local jurisdiction shall be followed.

(f) The cannabis event organizer, who holds the temporary cannabis event license, shall be responsible for ensuring that all rules and requirements for the onsite consumption of cannabis goods are followed.

(g) A cannabis event organizer and all other licensees participating in a cannabis event are required to follow all applicable requirements in this division pertaining to record keeping and waste management.

(h) Any compensation paid from a retailer to a cannabis event organizer for participation in a cannabis event shall not be determined based on, or tied to, the sale of cannabis goods.

Authority: Section 26013, Business and Professions Code. Reference: Section 26200, Business and Professions Code.

Chapter 6. TESTING LABORATORIES

Article 1. Chapter Definitions

§ 5700. Definitions

In addition to the definitions in section 5000 of this division, the following definitions apply to this chapter.

(a) "Acceptance criteria" means the specified limits placed on the characteristics of an item or method that are used to determine data quality.

(b) "Accredited college or university" means a college or university accredited by a regional or national accrediting agency that is an accreditor recognized by the Secretary of the US Department of Education.

(c) "Accreditation body" means an impartial non-profit organization that operates in conformance with the International Organization for Standardization (ISO) / International Electrotechnical Commission (IEC) standard 17011 and is a signatory to the International Laboratory Accreditation Cooperation (ILAC) Mutual Recognition Arrangement (MRA) for Testing.

(d) "Action level" means the threshold value that provides the criterion for determining whether a sample passes or fails an analytical test.

(e) "Analyte" means a chemical, compound, element, bacteria, yeast, fungus, or toxin to be identified or measured.

- (f) “Analytical batch” means a group of samples that is prepared together for the same analysis and analyzed sequentially using the same instrument calibration curve and that have common analytical quality control checks.
- (g) “Analytical method” means a technique used qualitatively or quantitatively to determine the composition of a sample or a microbial contamination of a sample.
- (h) “Cannabinoid” means a class of diverse chemical compounds derived from a cannabis plant.
- (i) “CAS number” means the unique numerical identifier assigned to every chemical substance by Chemical Abstracts Service, a division of the American Chemical Society.
- (j) “CBD” means cannabidiol, CAS number 13956-29-1.
- (k) “CBDA” means cannabidiolic acid, CAS number 1244-58-2.
- (l) “CBG” means cannabigerol, CAS number 25654-31-3.
- (m) “CBN” means cannabinol, CAS number 521-35-7.
- (n) “Certificate of accreditation” means a document issued by an accreditation body that attests to the laboratory’s competence to carry out specific testing analysis.
- (o) “Certificate of analysis” means the report prepared by the laboratory about the analytical testing performed and results obtained by the laboratory.
- (p) “Certified reference material” means a reference material prepared by a certifying body or a party independent of the laboratory with ISO/IEC 17034 accreditation.
- (q) “Continuing calibration verification” means a type of quality control sample that is a mid-range calibration standard which checks the continued validity of the initial calibration of the instrument.
- (r) “Exclusivity” means the specificity of the test method for validating microbial testing methods. It evaluates the ability of the method to distinguish the target organisms from similar but genetically distinct non-target organisms.
- ~~(s) “Field duplicate sample” means a sample that is taken in the identical manner and from the same cannabis batch being sampled as the primary sample. It is analyzed separately from the primary sample and is used for quality control purposes only.~~
- ~~(s)~~ “Foreign material” means any filthy, putrid, or decomposed substance including hair, insects, excreta, or related adulterant that may be hazardous or cause illness or injury to the consumer.
- ~~(t)~~ “Frequency” means the number of items occurring in each category. Frequency may be determined by analytical method or laboratory specific requirements for accuracy, precision of the analysis, or statistical calculation.
- ~~(u)~~ “Sample increment” means a portion of a batch that, together with other increments, makes up the sample.

(wv) "Inclusivity" means, related to microbiological method validation, the sensitivity of the test method. It evaluates the ability of the test method to detect a wide range of target organisms by a defined relatedness.

(xw) "Inhalable" means consumable in gaseous or vapor form through the lungs.

(yx) "ISO/IEC" means the joint technical committee of the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).

(zy) "ISO/IEC 17025" means the general requirements specified by the ISO/IEC for the competence of testing and calibration laboratories.

(az) "ISO/IEC 17034" means the general requirements established by the ISO/IEC for the competence of reference material producers.

(baa) "ISO/IEC 17043" means the general requirements established by the ISO/IEC for proficiency testing.

(ebb) "Laboratory" means "testing laboratory" as defined at Business and Professions Code section 26001(as).

(dcc) "Laboratory replicate sample" means a duplicate sample of the primary representative sample used for quality control purposes to demonstrate reproducibility. It is prepared in the identical manner as the primary representative sample and analyzed separately from the primary representative sample.

(edd) "Laboratory quality assurance" means the set of operating principles that enable laboratories to produce defensible data of known accuracy and precision and includes employee training, equipment preventative maintenance procedures, calibration procedures, and quality control testing, among other things.

(fee) "Limit of detection" means the lowest quantity of a substance or analyte that can be distinguished from the absence of that substance within a stated confidence limit.

(gff) "Limit of quantitation" means the minimum concentration of an analyte in a specific matrix that can be reliably quantified while also meeting predefined goals for bias and imprecision.

(hgg) "Matrix" means the substances that are present in a sample except for the analyte(s) of interest.

(i hh) "Matrix spike duplicate" means the duplicate sample of the matrix spike sample that is prepared by adding a known quantity of a target analyte to a sample matrix or to a matrix that is as closely representative of the matrix being analyzed as possible.

(j ii) "Matrix spike sample" means a sample prepared by adding a known quantity of the target analyte to a sample matrix or to a matrix that is as closely representative of the matrix being analyzed as possible.

~~(kkj)~~ “Method blank” means an analyte free matrix to which all reagents are added in the same volumes or proportions as used in the sample preparation.

~~(kkk)~~ “Moisture content” means the percentage of water in a sample, by weight.

~~(mml)~~ “Non-target organism” means an organism that the test method or analytical procedure is not testing for and can be used in evaluating the specificity of a test method.

~~(mmm)~~ “Percent recovery” means the percentage of a measured concentration relative to the added (spiked) concentration in a reference material, matrix spike sample, or matrix spike duplicate. A laboratory shall calculate the percent recovery by dividing the sample result by the expected result then multiplying that the quotient by 100.

~~(enn)~~ “Practical experience” means experience performing scientific analytical tests in a laboratory setting using equipment, instruments, kits, and materials routinely found in a laboratory. Practical experience includes experience in any type of laboratory setting and is not limited to cannabis-specific laboratories.

~~(pp)~~ “Primary sample” means a sample that is comprised of several increments of either cannabis or cannabis products that are collected from a batch for testing.

~~(ooqq)~~ “Proficiency test” means an evaluation of a laboratory’s performance against pre-established criteria by means of interlaboratory comparisons of test measurements.

~~(ppr)~~ “Proficiency test sample” means a sample that is prepared by a party independent of the testing laboratory with the ISO/IEC 17043 accreditation, where the concentration and identity of an analyte that is known to the independent party, but is unknown to the testing laboratory and testing laboratory employees.

~~(qqs)~~ “Quality control” means the set of measures implemented within an analytical procedure to ensure that the measurement system is operating in a state of statistical control for which errors have been reduced to acceptable levels.

~~(rrt)~~ “Quality control sample” means a sample that is produced and used by a laboratory for the purpose of assuring the quality of the data and results. Quality control samples include blank samples, matrix spike samples, field duplicate samples, replicate samples, and reference material samples.

~~(ssu)~~ “Reagent” means a compound or mixture added to a system to cause a chemical reaction or test if a reaction occurs. A reagent may be used to tell whether a specific chemical substance is present by causing a reaction to occur with the chemical substance.

~~(ttv)~~ “Reference material” means material containing a known concentration of an analyte of interest that is in solution or in a homogeneous matrix.

~~(uuw)~~ “Reference method” means the method by which the performance of an alternate method is measured or evaluated.

~~(vxx)~~ “Relative percent difference” means the comparative statistic that is used to calculate precision or random error. RPD is calculated using the following equation:

$$\text{RPD} = \frac{|\text{primary representative sample measurement} - \text{duplicate sample measurement}|}{([\text{primary representative sample measurement} + \text{duplicate sample measurement}] / 2)} \times 100\%$$

(wwyy) “Relative standard deviation” means the standard deviation expressed as a percentage of the means recovery. RSD is calculated using the following equation:

$$\text{RSD} = (s / x) \times 100\%; \text{ where } s = \text{standard deviation and } x = \text{mean}$$

(zzxx) “Representative” means a small quantity of the batch whose characteristics represent, as accurately as possible, the entire batch, thus allowing the results to be generalized.

(aaayy) “Requester” means the person who submits a request to the laboratory for testing of cannabis or cannabis product from an entity licensed under this division.

(bbbzz) “Sample” means a representative part of, or a single item from, a batch which is comprised of several sample increments.

(eeaaa) “Sampler” means the laboratory employee responsible for obtaining samples of cannabis or cannabis product from a distributor.

(dddbbb) “Sanitize” means to sterilize, disinfect, or make hygienic.

(eeccc) “Scope of accreditation” means the tests or types of tests performed, materials or products tested, and the methods used for testing cannabis or cannabis products for which the accreditation has been granted.

(ffddd) “Tamper-evident” means a one-time-use security tape or seal that is affixed to the opening of a package, allowing a person to recognize whether the package has been opened.

(gggee) “Target organism” means an organism that is being tested for in an analytical procedure or test method.

(hhfff) “THC” and “delta-9 THC” means tetrahydrocannabinol, CAS number 1972-08-3.

(iiigg) “THCA” means tetrahydrocannabinolic acid, CAS number 23978-85-0.

(jjhhh) “Validation” means the confirmation by examination and objective evidence that the requirements for a specific intended use or analytical method are fulfilled.

(kkkii) “Water activity” means the measure of the quantity of water in a product that is available and therefore capable of supporting bacteria, yeasts, and fungi and which is reported in units A_w .

Authority: Section 26013, Business and Professions Code. Reference: Sections 26013 and 26100, Business and Professions Code.

Article 2. Laboratory License

§ 5701. General Laboratory License Requirements

(a) A licensed laboratory shall maintain ISO/IEC 17025 accreditation for the testing of the following:

- (1) Cannabinoids;
- (2) Heavy metals;
- (3) Microbial impurities;
- (4) Mycotoxins;
- (5) Residual pesticides;
- (6) Residual solvents and processing chemicals; and
- (7) If tested, terpenoids.

(b) A licensed laboratory shall retain, and make available to the Bureau upon request, all records associated with the licensee's ISO/IEC 17025 certificate of accreditation.

Authority: Section 26013, Business and Professions Code. Reference: Section 26100, Business and Professions Code

§ 5702. Laboratory License Application

In addition to the information required in section 5002 of this division, an application for a testing laboratory license includes the following:

(a) A valid certificate of accreditation, issued by an accreditation body, that attests to the laboratory's competence to perform testing of the following:

- (1) Cannabinoids;
- (2) Heavy metals;
- (3) Microbial impurities;
- (4) Mycotoxins;
- (5) Residual pesticides;
- (6) Residual solvents and processing chemicals; and
- (7) If tested, terpenoids.

(b) Standard operating procedures for the following testing methods:

- (1) Cannabinoids;
 - (2) Foreign material;
 - (3) Heavy metals;
 - (4) Microbial impurities;
 - (5) Moisture content and water activity;
 - (6) Mycotoxins;
 - (7) Residual pesticides;
 - (8) Residual solvents and processing chemicals;
 - (9) If tested, terpenoids; and
 - (10) If tested, homogeneity.
- (c) Standard operating procedures for the sampling of cannabis and cannabis products.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26012, 26050, 26051.5, 26055, 26102 and 26104, Business and Professions Code

§ 5703. Provisional Testing Laboratory License

- (a) A laboratory may apply for a provisional license prior to receiving ISO/IEC 17025 accreditation provided that the applicant meets all other licensure requirements for a testing laboratory and submits to the Bureau an application in compliance with section 5002 of this division and an attestation that the applicant has or intends to seek ISO/IEC 17025 accreditation for all testing methods required by this division.
- (b) A provisional testing laboratory license shall be valid for 12 months. The annual license fee for a provisional license shall be determined pursuant to section 5014 of this division.
- (c) To timely renew a provisional license, a completed license renewal form and the annual renewal license fee pursuant to section 5014 of this division shall be received by the Bureau from the licensee no earlier than 60 calendar days before the expiration of the license and no later than 5:00 p.m. Pacific Time on the last business day before the expiration of the license if the renewal form is submitted to the Bureau at its office(s), or no later than 11:59 p.m. on the last business day before the expiration of the license if the renewal form is submitted to the Bureau through its electronic licensing system. Failure to receive a notice for license renewal does not relieve a licensee of the obligation to renew a provisional license as required.
- (d) In the event the license is not renewed prior to the expiration date, the licensee must not test any commercial cannabis goods until the license is renewed.
- (e) A licensee may submit a license renewal form up to 30 days after the license expires. Any late renewal form will be subject to a late fee equal to 50 percent of the applicable licensing fees required by subsection (c) of this section.

(f) The license renewal form shall contain the following:

(1) The name of the licensee. For licensees who are individuals, the applicant shall provide both the first and last name of the individual. For licensees who are business entities, the licensee shall provide the legal business name of the applicant;

(2) The license number and expiration date;

(3) The licensee's address of record and premises address; and

(4) An attestation that all information provided to the Bureau in the original application under section 5002 of this division or subsequent notification under section 5023 of this division is accurate and current.

(g) The Bureau may renew a provisional license for an initial renewal period of 12 months.

(h) After one renewal, the Bureau may renew the provisional license for additional 12-month periods if the licensee has submitted an application for the ISO/IEC 17025 accreditation. In addition to the information required for a renewal form pursuant to subsection (f) of this section, any renewal request pursuant to this section shall also include an attestation that the licensee's application for each ISO/IEC 17025 is pending with the accrediting body, the name of the accrediting body, and the date the application was submitted to the accrediting body.

(i) The licensee shall notify the Bureau if the application for each ISO/IEC 17025 accreditation is granted or denied within 5 business days of receiving the decision from the accrediting body. If the accrediting body grants or denies the licensee's application for any ISO/IEC 17025 accreditation before the expiration of the provisional license, the Bureau may terminate the provisional license at that time.

(j) The Bureau may revoke a provisional license at any time.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26012 and 26050, Business and Professions Code.

Article 3. Sampling Cannabis and Cannabis Products

§ 5704. Sampling Standard Operating Procedures

(a) The laboratory shall develop and implement a sampling standard operating procedure (SOP) that describes the laboratory's method for obtaining representative samples of cannabis and cannabis product.

(b) The sampling SOP shall include the following information:

(1) A procedure for obtaining samples of each matrix type the laboratory samples, and

(2) A procedure for the collection of samples to perform homogeneity analysis of edible cannabis products.

(c) The sampling SOP shall specify that during sampling, the sampler shall, at minimum:

- (1) Follow the laboratory's sampling SOP;
- (2) Ensure that the sampling area is free of contaminants;
- (3) Sanitize sampling tools between each batch;
- (4) Use disposable gloves and change gloves between each batch;
- (5) Weigh samples to within 0.1 gram of accuracy using a calibrated balance;
- (6) Collect ~~both a primary and a field duplicate~~ representative sample from each batch;
- (7) Place the sample in a container capable of preventing degradation or contamination and seal the sample container with tamper-evident material;
- (8) Assign a unique sample identifier to both the primary and field duplicate samples;
- (9) Record on the sample field log the conditions under which the sample is transported and stored;
- (10) Follow chain of custody protocols; and
- (11) Complete the sample field log.

(d) The supervisory or management laboratory employee shall review, approve, sign, and date the sampling SOP and each revision thereto.

(e) The laboratory shall retain a copy of the sampling SOP on the laboratory premises and ensure that the sampling SOP is accessible to the sampler during sampling.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26102, 26104 and 26110, Business and Professions Code.

§ 5705. General Sampling Requirements

(a) The laboratory that obtains samples from a distributor shall perform the required testing.

(b) The laboratory may obtain and analyze samples only from batches in final form as required by Business and Professions Code section 26100.

~~(c) The laboratory shall collect both a primary sample and a field duplicate sample from each batch. The primary sample and field duplicate sample shall be stored and analyzed separately.~~

~~(c)~~ (d) The laboratory shall ensure that the sample is transported and subsequently stored at the laboratory in a manner that prevents degradation, contamination, and tampering. If the cannabis or cannabis product specifies on the label how the product shall be stored, the laboratory shall store the sample as indicated on the label.

~~(e)~~ (ed) The laboratory shall complete a chain of custody form and sample field log for each sample that the laboratory collects and analyzes.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5706. Sample Field Log

The sampler shall use a sample field log to record the following information for each sampled batch:

- (a) Laboratory's name, address, and license number;
- (b) Sampler's name(s) and title(s);
- (c) Date and time sampling started and ended;
- (d) Distributor's name, address, and license number;
- (e) Cultivator's, manufacturer's, or microbusiness' name, address, and license number;
- (f) Batch number of the batch from which the sample was obtained;
- (g) Sample matrix;
- (h) Total batch size, by weight or unit count;
- (i) Total weight or unit count of the primary representative sample;
- ~~(j) Total weight or unit count of the field duplicate sample;~~
- (k) The unique sample identification number for each sample; and
- ~~(l)~~ Sampling conditions or problems encountered during the sampling process, if any.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5707. Harvest Batch Sampling

(a) The sampler shall obtain ~~both a primary sample and a field duplicate~~ representative sample from each prepacked or unpacked harvest batch. ~~The primary sample and field duplicate~~ The representative sample must each weigh 0.35% of the total harvest batch weight. ~~The sampler shall collect the field duplicate sample contemporaneous to, and in the same manner as, collection of the primary sample.~~

(b) A sampler may collect greater than 0.35% of a prepacked or unpacked harvest batch ~~per primary sample and field duplicate sample~~ if necessary to perform the required testing or to ensure that the samples obtained are representative.

(c) The prepacked or unpacked harvest batch from which a sample is obtained shall weigh no more than 50.0 pounds. Laboratory analyses of a sample collected from a harvest batch weighing more than 50.0 pounds shall be deemed invalid and the harvest batch from which the sample was obtained may not be released for retail sale.

(d) When the sampler obtains a ~~primary sample and a field duplicate~~ representative sample from an unpacked harvest batch, the sampler shall do all the following:

- (1) Collect the number of increments ~~per primary sample and field duplicate sample~~ relative to the unpacked harvest batch size as listed in the following table;
- (2) Obtain increments from random and varying locations of the unpacked harvest batch, both vertically and horizontally. To the extent practicable, the increments obtained from an unpacked harvest batch shall be of equal weight; and
- (3) To the extent practicable, collect an equal number of increments from each container if the unpacked harvest batch is stored in multiple containers.

Unpacked Harvest Batch Size (pounds)	Number of Increments (per sample)
≤ 10.0	8
10.1 – 20.0	16
20.1 – 30.0	23
30.1 – 40.0	29
40.1 – 50.0	34

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5708. Cannabis Product Batch Sampling

(a) The sampler shall collect ~~both a primary sample and a field duplicate~~ representative sample from each cannabis product batch. ~~The sampler shall collect the field duplicate sample contemporaneous to, and in the same manner as, collection of the primary sample.~~

(b) The sampler may collect a greater number of increments ~~per primary sample and field duplicate sample~~ if necessary to perform the required testing or to ensure that the samples obtained are representative.

(c) The cannabis product batch from which a ~~primary~~ representative sample and a ~~field duplicate sample are~~ is obtained shall contain no more than 150,000 units. Laboratory analyses of a sample collected from a cannabis product batch containing more than 150,000 units shall be deemed invalid and the cannabis product batch from which the ~~primary representative sample and a field duplicate sample were~~ was obtained may not be released for retail sale.

(d) The sampler shall obtain a ~~primary sample and a field duplicate~~ representative sample of cannabis product by collecting, at minimum, the number of increments ~~per sample~~ relative to the cannabis product batch size as listed in the following table. Each increment consists of 1 packaged unit.

Cannabis Product Batch Size (units)	Number of Increments (per sample)
≤ 50	2
51 – 150	3
151 – 500	5
501 – 1,200	8
1,201 – 3,200	13
3,201 – 10,000	20
10,001 – 35,000	32
35,001 – 150,000	50

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code

§ 5709. Chain of Custody (COC) Protocol

(a) The laboratory shall develop and implement a COC protocol to ensure accurate documentation of the transport, handling, storage, and destruction of samples.

(b) The COC protocol shall require the use of a COC form that contains, at minimum, the following information:

- (1) Laboratory’s name, physical address, and license number;
- (2) Distributor’s name, physical address, and license number;
- (3) Unique sample identifier;
- (4) Date and time of the sample collection;
- (5) Printed and signed name(s) of the distributor(s);
- (6) Printed and signed name(s) of the sampler(s); and
- (7) Printed and signed name(s) of the testing laboratory employee who received the sample.

(c) Each time the sample changes custody between licensees, is transported, or is destroyed, the date, time, and the names and signatures of persons involved in these activities shall be recorded on the COC form.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5710. Laboratory Receipt of Samples Obtained from a Distributor

(a) The laboratory may accept and analyze a sample from a distributor for the required testing under section 5714 of this division only if there is an accompanying COC form for the sample.

(b) The laboratory shall not analyze a sample obtained from a distributor, and the batch from which the sample was obtained may not be released for retail sale, if the any of the following occur:

- (1) The sample is received at the laboratory without the requisite COC form;
- (2) The tamper-evident material is broken prior to the sample being received at the laboratory;
- (3) There is evidence of sample commingling, contamination, degradation, or a related occurrence rendering the sample unusable for analytical testing when the sample is received at the laboratory.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

Article 4. Standard Operating Procedures

§ 5711. Laboratory Analyses Standard Operating Procedures

(a) The laboratory shall develop, implement, and maintain written standard operating procedures (SOP) for the following laboratory processes:

(1) Sample preparation. Sample preparation SOP(s) shall address the following:

- (A) Sample homogenization;
- (B) Handling and storage;
- (C) Preservation; and
- (D) Hold time.

(2) Test methods. Each test method SOP shall address the following:

- (A) Test method name;
- (B) Applicable analytes and matrices;
- (C) Method sensitivity;
- (D) Potential interferences with the analysis, if any;
- (E) Analytical instruments used for testing;
- (F) Types, frequency, and acceptance criteria for quality control samples;
- (G) Types, frequency, and acceptance criteria for calibration standards;
- (H) Procedure for analyzing analytical batch samples;
- (I) Calculation of results, if any; and
- (J) Reagent, solution, standards, and reference material preparation, if any.

- (b) The supervisory or management laboratory employee shall review, approve, sign, and date each SOP and each revision thereto.
- (c) The laboratory shall keep each SOP at the laboratory premises and ensure that each SOP is accessible to laboratory employees during operating hours.
- (d) The laboratory shall make each SOP available for inspection by the Bureau upon request, as well as any other SOPs associated with the licensee's ISO/IEC 17025 certificate of accreditation.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26102, 26104 and 26110, Business and Professions Code

§ 5712. Test Methods

- (a) The laboratory shall develop, implement, and validate test methods for the analyses of samples as required under this division.
- (b) To the extent practicable, the laboratory test methods shall comport with the following guidelines:
 - (1) US Food and Drug Administration's *Bacterial Analytical Manual*, 2016;
 - (2) AOAC International's *Official Methods of Analysis for Contaminant Testing of AOAC International*, 20th Edition, 2016; and
 - (3) United States Pharmacopeia and the National Formulary's *Methods of Analysis for Contaminant Testing*, 2016.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5713. Validation of Test Methods

- (a) The laboratory may use a nonstandard, amplified, or modified test method or a method that is designed or developed by the laboratory to validate the methods for analyses of samples.
- (b) The laboratory shall follow the guidelines set forth in the US Food and Drug Administration's *Guidelines for the Validation of Methods for the Detection of Microbial Pathogens in Foods and Feeds*, 2nd Edition, 2015, incorporated herein by reference, to validate test methods for the microbial analysis.
 - (1) The laboratory shall include and address the criteria listed in the following table when validating test methods for microbial analyses of samples.

Criteria	Requirement
Number of target organisms; inclusivity	5
Number of non-target organisms; exclusivity	5
Number of analyte levels per matrix: Qualitative methods	3 levels: high and low inoculum levels and 1 uninoculated level

Number of analyte levels per matrix: Quantitative methods	4 levels: low, medium and high inoculum levels and 1 uninoculated level
Replicates per food at each level tested	2 or more replicates per level

(c) The laboratory shall follow the guidelines set forth in the US Food and Drug Administration's *Guidelines for the Validation of Chemical Methods for the FDA FVM Program*, 2nd Edition, 2015, incorporated herein by reference, to validate test methods for chemical analysis of samples.

(1) The laboratory shall include and address the following criteria to validate test methods for chemical analyses of samples:

- (A) Accuracy;
- (B) Precision;
- (C) Linearity and range;
- (D) Calibration standard;
- (E) Sensitivity and selectivity;
- (F) Limit of detection and limit of quantitation;
- (G) Recovery;
- (H) Reproducibility; and
- (I) Robustness.

(d) If available, the laboratory shall use cannabis reference materials or certified reference materials to validate test methods.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

Article 5. Laboratory Testing and Reporting

§ 5714. Required Testing

(a) The laboratory shall test each sample for the following:

- (1) Cannabinoids;
- (2) Foreign material;
- (3) Heavy metals;
- (4) Microbial impurities;

- (5) Mycotoxins;
- (6) Moisture content and water activity;
- (7) Residual pesticides;
- (8) Residual solvents and processing chemicals;
- (9) If applicable, terpenoids; and
- (10) If applicable, homogeneity.

(b) The laboratory shall report the results of each analysis performed by the laboratory on the certificate of analysis.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5715. Phase-In of Required Laboratory Testing

(a) Cannabis and cannabis products shall not be sold or transferred to a retailer, or released for retail sale, unless a representative sample of the cannabis or cannabis product has undergone and passed all testing as required by this section.

(b) All cannabis harvested on or after January 1, 2018, and all cannabis products manufactured on or after January 1, 2018, shall be tested for the following analytes, if applicable:

- (1) Cannabinoids as required in section 5724 of this division;
- (2) Moisture content as required in section 5717 of this division;
- (3) Category II Residual Solvents and Processing Chemicals as required in section 5718 of this division;
- (4) Category I Residual Pesticides as required in section 5719 of this division;
- (5) Microbial Impurities as required in section 5720 of this division; and
- (6) Homogeneity as required in section 5716 of this division.

(c) In addition to the requirements of subsection (b) of this section, all cannabis harvested on or after July 1, 2018, and all cannabis products manufactured on or after July 1, 2018, shall be tested for the following analytes, if applicable:

- (1) Category I Residual Solvents and Processing Chemicals as required in section 5718 of this division;
- (2) Category II Residual Pesticides as required in section 5719 of this division; and
- (3) Foreign Material as required in section 5722 of this division.

(d) In addition to the requirements in subsections (b) and (c) of this section, all cannabis harvested on or after December 31, 2018, and all cannabis products manufactured on or after December 31, 2018, shall be tested for the following analytes, if applicable:

- (1) Terpenoids as required in section 5725 of this division;
- (2) Mycotoxins as required in section 5721 of this division;
- (3) Heavy Metals as required in section 5723 of this division; and
- (4) Water Activity as required in section 5717 of this division.

(e) Licensees may have a sample of cannabis or cannabis products tested for analytes that are not yet required to be tested. However, if the sample fails any additional test(s) not required pursuant to this section on the date of testing, the batch from which the sample was collected fails testing and shall not be released for retail sale.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100 and 26104, Business and Professions Code.

§ 5716. Homogeneity Testing of Edible Cannabis Products

(a) The laboratory shall analyze a sample of edible cannabis product that contains more than one serving per unit to determine whether the edible cannabis product is of homogeneous THC content.

(b) The laboratory shall perform homogeneity testing when the first batch of edible cannabis product is tested before entering the retail market. Once the initial batch of the product passes homogeneity testing, and provided that the process for manufacturing and the composition of the edible cannabis product remains the same, a batch of edible cannabis product shall be tested for homogeneity every 6 months thereafter.

(c) A sample of edible cannabis product shall be deemed to have passed homogeneity testing if the relative standard deviation of THC concentration between the samples collected does not exceed plus or minus 10%.

(d) If a sample fails homogeneity testing, or the laboratory fails to perform homogeneity testing as required by this section, the batch from which the sample was collected fails homogeneity testing and may not be released for retail sale.

(e) If a sample passes homogeneity testing, the laboratory shall perform all other analyses required under this chapter.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5717. Moisture Content and Water Activity Testing

(a) The laboratory shall analyze a sample of cannabis to determine the level of water activity and the percentage of moisture content.

(b) A cannabis sample shall be deemed to have passed water activity testing if the water activity does not exceed 0.65 A_w . The laboratory shall report the result of the water activity test on the certificate of analysis (COA) and indicate “pass” or “fail” on the COA.

(c) A cannabis sample shall be deemed to have passed moisture content testing if the moisture content does not exceed 13.0%. The laboratory shall report the result of the moisture content test in percentage on the COA and indicate “pass” or “fail” on the COA.

(d) The laboratory shall analyze edible cannabis products to determine the level of water activity. A solid or semi-solid edible cannabis product shall be deemed to have passed water activity testing if the water activity does not exceed 0.85 A_w . The laboratory shall report the result of the water activity test on the COA and indicate “pass” or “fail” on the COA.

(e) If a sample fails moisture content testing, the batch from which the sample was collected fails moisture content testing and shall not be released for retail sale.

(f) If a sample fails water activity testing, the batch from which the sample was collected fails water activity testing and shall not be released for retail sale.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5718. Residual Solvents and Processing Chemicals Testing

(a) The laboratory shall analyze a sample of cannabis product to determine whether residual solvents or processing chemicals are present.

(b) The laboratory shall report the result of the residual solvents and processing chemicals testing in unit micrograms per gram ($\mu\text{g/g}$) on the COA and indicate “pass” or “fail” on the COA.

~~(c)~~ (c) The laboratory shall establish a limit of quantification (LOQ) of 1.0 $\mu\text{g/g}$ or lower for all Category I Residual Solvents or Processing Chemicals.

(d) The sample shall be deemed to have passed the residual solvents and processing chemicals testing if both of the following conditions are met:

(1) The presence of any residual solvent or processing chemical listed in the following tables in Category I is not detected, and

(2) The presence of any residual solvent or processing chemical listed in the following tables in Category II does not exceed the indicated action levels.

Category I Residual Solvent or Processing Chemical		CAS No.	
1,2-Dichloroethane		107-06-2	
Benzene		71-43-2	
Chloroform		67-66-3	
Ethylene oxide		75-21-8	
Methylene chloride		62-73-7	
Trichloroethylene		79-01-6	
Category II Residual Solvent or Processing Chemical	CAS No.	Action Level (µg/g)	
		Inhalable Cannabis and Cannabis Products	Other Cannabis and Cannabis Products
Acetone	67-64-1	3100	5000
Acetonitrile	75-05-8	6	410
Butane	106-97-8	5000	5000
Ethanol	64-17-5	5000	5000
Ethyl acetate	141-78-6	5000	5000
Ethyl ether	60-29-7	5000	5000
Heptane	142-82-5	5000	5000
Hexane	110-54-3	70	290
Isopropyl alcohol	67-63-0	320	5000
Methanol	67-56-1	400	3000
Pentane	109-66-0	5000	5000
Propane	74-98-6	5000	5000
Toluene	108-88-3	30	890
Total xylenes (ortho-, meta-, para-)	1330-20-7	10	2170

(d) If a sample fails residual solvents and processing chemicals testing, the batch from which the sample was collected fails residual solvents and processing chemicals testing and shall not be released for retail sale.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5719. Residual Pesticides Testing

~~(a) The laboratory shall analyze a sample of cannabis or cannabis product to determine whether residual pesticides are present.~~

~~(b) The laboratory shall report the result of the residual pesticides testing in unit micrograms per gram ($\mu\text{g/g}$) on the COA and indicate “pass” or “fail” on the COA.~~

(a) The laboratory shall analyze at minimum 0.5 grams of the representative sample of cannabis or cannabis product to determine whether residual pesticides are present.

(b) The laboratory shall report whether any Category I Residual Pesticides are detected above the limit of detection (LOD) and shall report the result of the Category II Residual Pesticides testing in unit micrograms per gram ($\mu\text{g/g}$) on the COA. The laboratory shall indicate “pass” or “fail” on the COA.

(c) The laboratory shall establish a limit of quantification (LOQ) of 0.10 $\mu\text{g/g}$ or lower for all Category I Residual Pesticides.

~~(e)~~ (d) The sample shall be deemed to have passed the residual pesticides testing if both of the following conditions are met:

(1) The presence of any residual pesticide listed in the following tables in Category I are not detected, and

(2) The presence of any residual pesticide listed in the following tables in Category II does not exceed the indicated action levels.

Category I Residual Pesticide	CAS No.
Aldicarb	116-06-3
Carbofuran	1563-66-2
Chlordane	57-74-9
Chlorfenapyr	122453-73-0
Chlorpyrifos	2921-88-2
Coumaphos	56-72-4
Daminozide	1596-84-5
DDVP (Dichlorvos)	62-73-7
Dimethoate	60-51-5

Ethoprop(hos)	131947-48-4
Etofenprox	80844-07-1
Fenoxycarb	72490-01-8
Fipronil	120068-37-3
Imazalil	35554-44-0
Methiocarb	2032-65-7
Methyl parathion	298-00-0
Mevinphos	7786-34-7
Paclobutrazol	76738-62-0
Propoxur	114-26-1
Spiroxamine	118134-30-8
Thiacloprid	111988-49-9

Category II Residual Pesticide	CAS No.	Action Level (µg/g)	
		Inhalable Cannabis and Cannabis Products	Other Cannabis and Cannabis Products
Abamectin	71751-41-2	0.1	0.3
Acephate	30560-19-1	0.1	5
Acequinocyl	57960-19-7	0.1	4
Acetamiprid	135410-20-7	0.1	5
Azoxystrobin	131860-33-8	0.1	40
Bifenazate	149877-41-8	0.1	5
Bifenthrin	82657-04-3	3	0.5
Boscalid	188425-85-6	0.1	10
Captan	133-06-2	0.7	5
Carbaryl	63-25-2	0.5	0.5
Chlorantraniliprole	500008-45-7	10	40
Clofentezine	74115-24-5	0.1	0.5

Cyfluthrin	68359-37-5	2	1
Cypermethrin	52315-07-8	1	1
Diazinon	333-41-5	0.1	0.2
Dimethomorph	110488-70-5	2	20
Etoxazole	153233-91-1	0.1	1.5
Fenhexamid	126833-17-8	0.1	10
Fenpyroximate	111812-58-9	0.1	2
Flonicamid	158062-67-0	0.1	2
Fludioxonil	131341-86-1	0.1	30
Hexythiazox	78587-05-0	0.1	2
Imidacloprid	138261-41-3	5	3
Kresoxim-methyl	143390-89-0	0.1	1
Category II Residual Pesticide	CAS No.	Action Level (µg/g)	
		Inhalable Cannabis and Cannabis Products	Other Cannabis and Cannabis Products
<u>Malathion</u>	<u>121-75-5</u>	<u>5</u>	<u>0.5</u>
Metalaxyl	57837-19-1	2	15
Methomyl	16752-77-5	1	0.1
Myclobutanil	88671-89-0	0.1	9
Naled	300-76-5	0.1	0.5
Oxamyl	23135-22-0	0.5	0.2
Pentachloronitrobenzene	82-68-8	0.1	0.2
Permethrin	52645-53-1	0.5	20
Phosmet	732-11-6	0.1	0.2
Piperonylbutoxide	51-03-6	3	8
Prallethrin	23031-36-9	0.1	0.4
Propiconazole	60207-90-1	0.1	20

Pyrethrins	8003-34-7	0.5	1
Pyridaben	96489-71-3	0.1	3
Spinetoram	187166-15-0, 187166-40-1	0.1	3
Spinosad	131929-60-7, 131929-63-0	0.1	3
Spiromesifen	283594-90-1	0.1	12
Spirotetramat	203313-25-1	0.1	13
Tebuconazole	107534-96-3	0.1	2
Thiamethoxam	153719-23-4	5	4.5
Trifloxystrobin	141517-21-7	0.1	30

(d) If a sample fails residual pesticides testing, the batch from which the sample was collected fails pesticides testing and shall not be released for retail sale.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5720. Microbial Impurities Testing

(a) The laboratory shall analyze a sample of cannabis or cannabis product to determine whether microbial impurities are present.

(b) The laboratory shall report the result of the microbial impurities testing by indicating “pass” or “fail” on the COA.

(c) A sample of inhalable cannabis or inhalable cannabis product shall be deemed to have passed the microbial impurities testing if all of the following conditions are met:

(1) Shiga toxin–producing *Escherichia coli* is not detected in 1 gram;

(2) *Salmonella* spp. is not detected in 1 gram; and

(3) Pathogenic *Aspergillus* species *A. fumigatus*, *A. flavus*, *A. niger*, and *A. terreus* are not detected in 1 gram.

(d) A sample of other cannabis or cannabis product shall be deemed to have passed the microbial impurities testing if both the following:

(1) Shiga toxin–producing *Escherichia coli* is not detected in 1 gram, and

(2) *Salmonella* spp. is not detected in 1 gram.

(e) If a sample fails microbial impurities testing, the batch from which the sample was collected fails microbial impurities testing and shall not be released for retail sale.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5721. Mycotoxin Testing

(a) The laboratory shall analyze a sample of cannabis or cannabis product to determine whether mycotoxins are present.

(b) The laboratory shall report the result of the mycotoxins testing in unit micrograms per kilograms ($\mu\text{g}/\text{kg}$) on the COA and indicate “pass” or “fail” on the COA.

(c) A sample shall be deemed to have passed mycotoxin testing if both the following conditions are met:

(1) Total of aflatoxin B1, B2, G1, and G2 does not exceed 20 $\mu\text{g}/\text{kg}$ of substance, and

(2) Ochratoxin A does not exceed 20 $\mu\text{g}/\text{kg}$ of substance.

(d) If a sample fails mycotoxin testing, the batch from which the sample was collected fails mycotoxin testing and shall not be released for retail sale.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5722. Foreign Material Testing

(a) The laboratory shall analyze a sample of cannabis or cannabis product to determine whether foreign material is present.

(b) The laboratory shall report the result of the foreign material test by indicating “pass” or “fail” on the COA.

(c) The laboratory shall perform foreign material testing on the total primary representative sample prior to sample homogenization.

(d) When the laboratory performs foreign material testing, at minimum, the laboratory shall do all of the following:

(1) Examine both the exterior and interior of the cannabis sample, and

(2) Examine the exterior of the cannabis product sample.

(e) A sample shall be deemed to have passed the foreign material testing if the presence of foreign material does not exceed:

(1) 1/4 of the total sample area covered by sand, soil, cinders, or dirt;

(2) 1/4 of the total sample area covered by mold;

- (3) 1 insect fragment, 1 rodent hair, or 1 count mammalian excreta per 3.0 grams; or
- (4) 1/4 of the total sample area covered by an imbedded foreign material.
- (f) If a sample fails foreign material testing, the batch from which the sample was collected fails foreign material testing and shall not be released for retail sale.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5723. Heavy Metals Testing

- (a) The laboratory shall analyze a sample of cannabis or cannabis product to determine whether heavy metals are present.
- (b) The laboratory shall report the result of the heavy metals test in micrograms per gram (µg/g) on the COA and indicate “pass” or “fail” on the COA.
- (c) A sample shall be deemed to have passed the heavy metals testing if the presence of heavy metals does not exceed the action levels listed in the following table.
- (d) If a sample fails heavy metals testing, the batch from which the sample was collected fails heavy metals testing and shall not be released for retail sale.

Heavy Metal	Action Level (µg/g)	
	Inhalable Cannabis and Cannabis Products	Other Cannabis and Cannabis Products
Cadmium	0.2	0.5
Lead	0.5	0.5
Arsenic	0.2	1.5
Mercury	0.1	3.0

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5724. Cannabinoid Testing

- (a) The laboratory shall analyze a sample of cannabis or cannabis product to determine whether the cannabinoid profile of the sample conforms to the labeled content of each cannabinoid such as THC; THCA; CBD; CBDA; CBG; and CBN.
- (b) The laboratory shall report the result of the cannabinoid testing on the COA both as a percentage and in milligrams per gram (mg/g) dry-weight using the following equation and indicate “pass” or “fail” on the COA:

Dry-weight percent cannabinoid = wet-weight percent cannabinoid / (1 – percent moisture / 100)

(c) If the labeled content of any one cannabinoid is expressed as a total concentration of the cannabinoid, the laboratory shall calculate the total cannabinoid concentration as follows:

Total cannabinoid concentration (mg/g) = (cannabinoid acid form concentration (mg/g) x 0.877) + cannabinoid concentration (mg/g)

(d) A sample shall be deemed to have passed the cannabinoid testing if the concentration of any one cannabinoid does not exceed the labeled content of the cannabinoid, plus or minus 10%.

(e) If the sample fails cannabinoid testing, the batch from which the sample was collected fails cannabinoid testing and shall not be released for retail sale.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5725. Terpenoid Testing

(a) The laboratory shall analyze a sample of cannabis or cannabis product to determine whether the terpenoid profile of the sample conforms to the labeled content of terpenoids.

(b) The laboratory shall report the result of the terpenoid testing on the COA both as a percentage and in milligrams per gram (mg/g) and indicate “pass” or “fail” on the COA.

(c) A sample shall be deemed to have passed the terpenoid testing if the concentration of terpenoids does not exceed the labeled content of total terpenoids, plus or minus 10 percent.

(d) If a sample fails terpenoid testing, the batch from which the sample was collected fails terpenoid testing and shall not be released for retail sale.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5726. Certificate of Analysis (COA)

(a) The laboratory shall generate a COA only for each primary representative sample that the laboratory analyzes.

(b) The laboratory shall, within 1 business day of completing analyses of a sample, both enter the COA information into the track and trace system and provide a copy of the COA to the requester.

(c) The COA shall contain, at minimum, the following information:

(1) Laboratory’s name, address, and license number;

(2) Distributor’s name, address, and license number;

- (3) Cultivator's, manufacturer's, or microbusiness' name, address, and license number;
 - (4) Batch number of the batch from which the sample was obtained;
 - (5) Sample identifying information, including matrix type and unique sample identifiers;
 - (6) Sample history, including the date collected, the date received by the laboratory, and the date(s) of sample analyses and corresponding testing results;
 - (7) For cannabis samples, the total weight, in grams, of both the primary sample and the total batch size;
 - (8) For cannabis product samples, the total unit count of both the primary representative sample and the total batch size;
 - (9) The identity of the analytical methods used and corresponding Limits of Detection (LOD) and Limits of Quantitation (LOQ); and
 - (10) Analytes detected during the analyses of the sample that are unknown, unidentified, or injurious to human health if consumed, if any.
- (d) The laboratory shall report test results for each primary representative sample on the COA as follows:
- (1) Indicate an overall "pass" or "fail" for the entire batch;
 - (2) When reporting qualitative results for each analyte, the laboratory shall indicate "pass" or "fail";
 - (3) When reporting quantitative results for each analyte, the laboratory shall use the appropriate units of measurement as required under this chapter;
 - ~~(2) When reporting qualitative results for each analyte, the laboratory shall indicate "pass" or "fail";~~
 - ~~(3)~~
 - (4) When reporting results for each test method, the laboratory shall indicate "pass" or "fail";
 - (4)(5) For representative samples obtained from a cannabis or cannabis product batch to which a content label is affixed at the time of sampling, the laboratory shall report the following on the COA:
 - (A) The cannabinoid content and terpenoid content as printed or written on the label that is affixed to the cannabis or cannabis product, batch;
 - (B) The cannabinoid profile and the terpenoid profile of the representative sample as determined by the laboratory as required under section 5724 and section 5725 of this chapter, respectively;
and

(C) The difference, in percent, between the cannabinoid content and terpenoid content as printed or written on the label and the cannabinoid profile and the terpenoid profile of the representative sample, if any, as determine by the laboratory.

(6) When reporting results for any analytes that were detected below the analytical method LOQ, indicate “<LOQ”;

(57) When reporting results for any analytes that were not detected or detected below the LOD, indicate “ND”; and

(68) Indicate “NT” for any test that the laboratory did not perform.

(e) The laboratory supervisory or management employee shall validate the accuracy of the information contained on the COA and sign and date the COA.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

Article 6. Post Testing Procedures

§ 5727. Remediation and Retesting

(a) A harvest batch or cannabis product batch that has been additionally processed after a failed testing must be retested and successfully pass all the analyses required under this chapter.

(b) A harvest batch or cannabis product batch that failed testing only because of nonconformance with the labeled content may be relabeled so that the batch conforms with the labeled content.

(1) A harvest batch or cannabis product batch that is relabeled by the distributor so that the batch conforms with the labeled content, shall not be additionally processed or additionally analyzed.

(c) A harvest batch or cannabis product batch may only be remediated twice. If the batch fails after the second remediation attempt and the second retesting, the entire batch shall not be released for retail sale.

(d) Within 1 business day of completing the required analyses of a sample obtained from a remediated harvest batch or remediated cannabis product batch, the laboratory shall enter the COA information into the track and trace system.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5728. Post Testing Sample Retention

(a) The laboratory shall retain the reserve sample, consisting of any portion of a sample that was not used in the testing process. The reserve sample shall be kept, at minimum, for 45 business days after the analyses, after which time it may be destroyed and denatured to the point the material is rendered unrecognizable.

(b) The laboratory shall securely store the reserve sample in a manner that prohibits sample degradation, contamination, and tampering.

(c) The laboratory shall provide the reserve sample to the Bureau upon request.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

Article 7. Laboratory Quality Assurance and Quality Control

§ 5729. Laboratory Quality Assurance (LQA) Program

(a) The laboratory shall develop and implement a LQA program to assure the reliability and validity of the analytical data produced by the laboratory. The LQA program shall, at minimum, include a written LQA manual that addresses the following:

- (1) Quality control procedures;
- (2) Laboratory organization and employee training and responsibilities;
- (3) LQA objectives for measurement data;
- (4) Traceability of data and analytical results;
- (5) Instrument maintenance, calibration procedures, and frequency;
- (6) Performance and system audits;
- (7) Steps to change processes when necessary;
- (8) Record retention;
- (9) Test procedure standardization; and
- (10) Method validation.

(b) The supervisory or management laboratory employee shall annually review, amend if necessary, and approve the LQA program and manual both when they are created and when there is a change in methods, laboratory equipment, or the supervisory or management laboratory employee.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5730. Laboratory Quality Control (LQC) Samples

(a) The laboratory shall use LQC samples in the performance of each analysis according to the following specifications.

(b) The laboratory shall analyze LQC samples in the same manner as the laboratory analyzes cannabis and cannabis product samples.

(c) The laboratory shall use negative and positive controls for microbial testing.

(d) The laboratory shall prepare and analyze at least one of each of the following LQC sample samples for each analytical batch within each set of 20 samples for the following LQC samples:

- (1) Method blank;
- (2) Continuing calibration verification (CCV);
- (3) Laboratory replicate sample; and
- (4) Matrix spike sample or matrix spike duplicate sample.

(e) If the result of the analyses is outside the specified acceptance criteria in the following table, the laboratory shall determine the cause and take steps to remedy the problem until the result is within the specified acceptance criteria.

Laboratory Quality Control Sample	Acceptance Criteria
Method blank sample for chemical analysis	Not to exceed LOQ
Reference material and certified reference material for chemical analysis	Percent recovery 80% - 120%
Laboratory replicate sample	RPD no greater than 20%
Matrix spike or matrix spike duplicate sample for chemical analysis	Percent recovery between 80% to 120%
CCV for chemical analysis	Percent recovery between 80% to 120%
Cannabis product field duplicate sample	RPD no greater than 20%
Cannabis field duplicate sample	RPD no greater than 30%

(f) The laboratory shall generate a LQC sample report for each analytical batch that includes LQC parameters, measurements, analysis date, and matrix.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5731. Limits of Detection (LOD) and Limits of Quantitation (LOQ) for Quantitative Analyses

(a) The laboratory shall calculate the LOD for chemical method analyses according to any of the following methods:

- (1) Signal-to-noise ratio of between 3:1 and 2:1;
- (2) Standard deviation of the response and the slope of calibration curve using a minimum of 7 blank samples; or
- (3) A method published by the United States Food and Drug Administration (USFDA) or the United States Environmental Protection Agency (USEPA).

(b) The laboratory shall calculate the LOQ for chemical method analyses according to any of the following methods:

- (1) Signal-to-noise ratio of 10:1, at minimum;
- (2) Standard deviation of the response and the slope using a minimum of 7 blank samples calculated as follows:

$$\text{LOQ} = (10 \times \text{standard deviation of the response}) / \text{slope of the calibration curve; or}$$

- (3) A method published by the USFDA or the USEPA.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104 and 26110, Business and Professions Code.

§ 5732. Data Package

(a) The laboratory shall generate a data package for each batch of samples that the laboratory analyzes. At a minimum, the data package shall contain the following:

- (1) The name and address of the laboratory that performed the analytical procedures;
- (2) The names, functions, and signatures of the laboratory employees that performed the sample preparation, analyses, and reviewed and approved the data;
- (3) All batch sample results and batch LQC sample results;
- (4) Raw data, including instrument raw data, for each sample, if any;
- (5) Instrument test method with parameters, if any;
- (6) Instrument tune report, if any;
- (7) Instrument calibration data, if any;
- (8) LQC sample report with worksheets, forms, or copies of laboratory notebook pages containing pertinent information related to the identification and traceability of all reagents, reference materials, and standards used for analysis;
- (9) Analytical batch sample sequence, if any;
- (10) The field sample log and the COC form; and
- (11) The COA created as required under this chapter.

(b) After the data package is compiled, the supervisory or management laboratory employee shall do the following:

- (1) Review the analytical results for technical correctness and completeness;
- (2) Verify that the results of each analysis carried out by the laboratory are reported accurately, clearly, unambiguously, and objectively; and

(3) Approve the laboratory results by signing and dating the data package prior to release of the data by the laboratory.

(c) The data package shall be kept for a minimum of 7 years and shall be made available upon request by the Bureau.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100, 26104, 26110 and 26160, Business and Professions Code.

§ 5733. Required Proficiency Testing

(a) The laboratory shall participate in a proficiency testing program ("PT program") provided by an organization that operates in conformance with the requirements of ISO/IEC 17043, at least once every six months after receiving ISO/IEC 17025 accreditation.

(b) The laboratory shall participate in the PT program by following the laboratory's existing SOPs for testing cannabis and cannabis products.

(c) The laboratory shall rotate the PT program among the analytical methods in the laboratory's scope of accreditation and among the employees who perform the test methods.

(d) Laboratory employees who participate in a PT program shall sign the corresponding analytical reports or attestation statements to certify that the PT program was conducted in the same manner as the laboratory tests of cannabis and cannabis products.

(e) A supervisory or management laboratory employee shall review and verify the accuracy of results reported for all PT program samples analyzed.

(f) The laboratory shall provide PT program results to the Bureau within 3 business days after the laboratory receives notification of their test results from the PT program provider.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100 and 26110, Business and Professions Code.

§ 5734. Satisfactory and Unsatisfactory Proficiency Test Performance

(a) The laboratory shall be deemed to have successfully participated in a PT program for an analyte tested in a specific method if the test results demonstrate a "satisfactory" or otherwise proficient performance determination by the PT program provider.

(b) The laboratory may not report test results for analytes that are deemed by the PT program provider as "unacceptable," "questionable," "unsatisfactory", or otherwise deficient.

(c) The laboratory may resume reporting test results for analytes that were deemed "unacceptable," "questionable," "unsatisfactory", or otherwise deficient, only if both of the following conditions are met:

(1) The laboratory satisfactorily remedies the cause of the failure for each analyte; and

(2) The laboratory submits, to the Bureau, a written report demonstrating how the laboratory has fixed the cause of the failure.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100 and 26110, Business and Professions Code.

§ 5735. Internal audit

(a) The laboratory shall conduct an internal audit at least once per year or in accordance with the ISO/IEC 17025 accrediting body's requirement, whichever is more frequent.

(b) The internal audit must include all of the components required by the ISO/IEC 17025 internal-audit standards.

(c) Within 3 business days of completing the internal audit, the laboratory shall submit the results of the internal audit to the Bureau.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26100 and 26104, Business and Professions Code.

Article 8. Employee Qualifications

§ 5736. General Employee Qualifications

(a) The laboratory may only employ persons who are at least 21 years of age.

(b) The laboratory shall develop and implement an employee training program to ensure competency of employees for their assigned functions.

(c) The laboratory shall ensure and document that each employee meets the employee qualifications.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26102 and 26104, Business and Professions Code.

§ 5737. Supervisor or Management Responsibilities and Qualifications

(a) The laboratory shall employ a supervisor or management employee who must be responsible for:

(1) Overseeing and directing the scientific methods of the laboratory;

(2) Ensuring that the laboratory achieves and maintains a laboratory quality assurance program as required by section 5729 of this division; and

(3) Providing ongoing and appropriate training to laboratory employees.

(b) To be considered qualified, the supervisor or management employee must have earned, at minimum:

(1) A doctoral degree in biological, chemical, agricultural, environmental, or related sciences from an accredited college or university;

(2) A master's degree in biological, chemical, agricultural, environmental, or related sciences from an accredited college or university, plus at least 2 years of full-time practical experience; or

(3) A bachelor's degree in biological, chemical, agricultural, environmental, or related sciences from an accredited college or university, plus at least 4 years of full-time practical experience.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26102 and 26104, Business and Professions Code.

§ 5738. Analyst and Sampler Qualifications

(a) The laboratory shall employ an analyst who, at minimum, must have either:

(1) Earned a master's degree or a bachelor's degree in biological, chemical, agricultural, environmental, or related sciences from an accredited college or university; or

(2) Completed 2 years of college or university education that included coursework in biological, chemical, agricultural, environmental, or related sciences from an accredited college or university, plus at least 3 years of full-time practical experience.

(b) The laboratory shall employ a sampler who, at minimum, must have either:

(1) Completed 2 years college or university education; or

(2) Earned a High School Diploma or passed a General Educational Development or High School Equivalency exam, plus at least 1 year of full-time practical experience.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26102 and 26104, Business and Professions Code.

Article 9. Record Retention

§ 5739. Records

All testing laboratory-specific records described in this chapter shall be maintained in accordance with section 5037 of this division.

Authority: Section 26013, Business and Professions Code. Reference: Section 26160, Business and Professions Code.

Chapter 7. ENFORCEMENT

§ 5800. Right of Access

(a) The Bureau, and its authorized representatives, shall have full and immediate access to inspect and:

(1) Enter onto any premises licensed by the Bureau.

(2) Test any vehicle or equipment possessed by, in control of, or used by a licensee or their agents and employees for the purpose of conducting commercial cannabis activity.

(3) Test any cannabis goods or cannabis-related materials or products possessed by, in control of, or used by a licensee or their agents and employees for the purpose of conducting commercial cannabis activity.

(4) Copy any materials, books, or records of any licensee or their agents and employees.

(b) Failure to cooperate with and participate in any Bureau investigation pending against the licensee may result in a licensing violation subject to discipline. This subsection shall not be construed to deprive a licensee of any privilege guaranteed by the Fifth Amendment to the Constitution of the United States, or any other constitutional or statutory privileges. This subsection shall not be construed to require a licensee to cooperate with a request that would require the licensee to waive any constitutional or statutory privilege or to comply with a request for information or other matters within an unreasonable period of time in light of the time constraints of the licensee's business. Any constitutional or statutory privilege exercised by the licensee shall not be used against the licensee in a regulatory or disciplinary proceeding against the licensee.

(c) The Bureau, and its authorized representatives, shall have the rights of immediate access under subsection (a), during any inspection, investigation, review, or audit, or as otherwise allowed by law.

(d) Prior notice of an inspection, investigation, review, or audit is not required.

(e) Any inspection, investigation, review, or audit of a licensed premises shall be conducted anytime the licensee is exercising privileges under the license, or as otherwise agreed to by the Bureau and the licensee or its agents, employees, or representatives.

(f) If the premises is not accessible because access is only available by going through another licensed premises and the licensee occupying the other premises denies the Bureau access, the licensees shall both be held responsible and subject to discipline.

Authority: Section 26013, Business and Professions Code; Reference: Sections 26012, and 26015, and 26160, Business and Professions Code.; Section 11181, Government Code.

§ 5801. Notice to Comply

(a) The Bureau may issue a notice to comply to a licensee for violation(s) of the Act or regulations observed during an inspection.

(b) The notice to comply shall be in writing and describe the nature and facts of each violation, including a reference to the statute or regulation violated, and may indicate the manner in which the licensee must correct the violation(s) to achieve compliance.

(c) The Bureau will serve the notice to comply prior to leaving the licensed premises after the inspection on any licensee, employee, agent, or person delegated by any of the aforementioned persons, to facilitate the inspection or accept such notice, or will mail the notice to comply within 15 calendar days of the last date of inspection.

(d) The notice to comply shall inform the licensee that the licensee may, within 15 calendar days from the date of personal service or mailing of the notice to comply, sign and return the notice to comply declaring under penalty of perjury that each violation was corrected and describing how compliance was achieved.

(e) Failure to correct the violation(s) in the notice to comply may result in a disciplinary action.

Authority: Section 26013, Business and Professions Code; Reference: Sections 26012 and 26018, Business and Professions Code.

§ 5802. Citations; Orders of Abatement; Administrative Fines

(a) The Bureau may issue citations containing orders of abatement and fines against a licensee, or an unlicensed person, for any acts or omissions which are in violation of any provision of the Act or any regulation adopted pursuant thereto.

(b) The Bureau may issue a citation under this section to a licensee for a violation of a term or condition contained in a decision placing that licensee on probation.

(c) Each citation:

(1) Shall be in writing.

(2) Shall describe with particularity the nature of the violation, including a reference to the law or regulation determined to have been violated.

(3) May contain an assessment of an administrative fine of up to \$5,000, and/or an order of abatement fixing a reasonable time for abatement of the violation;

(4) Shall be served personally or by certified mail; and

(5) Shall inform the licensee or person that he or she may request an informal conference, or contest the citation, or both, pursuant to section 5803.

(d) Failure to pay a fine within 30 calendar days of the date of assessment, unless the citation is being contested, may result in further action being taken by the Bureau including, but not limited to, suspension or revocation of a license. If a citation is not appealed and the fine is not paid, the full amount of the assessed fine shall be added to the fee for renewal of the license. A license shall not be renewed without the payment of the renewal fee and fine.

(e) The amount of any fine to be levied by the Bureau shall take into consideration the factors listed in subdivision (b)(3) of Section 125.9 of the Business and Professions Code.

(f) Nothing in this section shall be deemed to prevent the Bureau from filing an accusation to suspend or revoke a license where grounds for such suspension or revocation exist.

Authority: Sections 125.9 and 26013, Business and Professions Code. Reference: Sections 125.9, 148, 149 and 26012, Business and Professions Code.

§ 5803. Contesting Citations

(a) A cited licensee or person may, within 30 calendar days of service of the citation, contest the citation by requesting a hearing in writing to the Bureau or such hearing is waived. The hearing shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of the Government Code.

(b) In addition to requesting a hearing provided for in subsection (a) of this section, the cited licensee or person may, within 15 calendar days after service of the citation, submit a written request for an informal conference with the Bureau regarding the acts or omissions charged in the citation.

(c) The Bureau shall, within 15 calendar days from receipt of the written request, hold an informal conference with the licensee or person cited, and/or his or her legal counsel or authorized representative.

(d) At the conclusion of the informal conference, the Bureau may affirm, modify, or dismiss the citation, including any fines levied or orders of abatement issued. A written decision stating the reasons for the decision shall be mailed to the cited licensee or person and his or her legal counsel, if any, within 15 calendar days from the date of the informal conference. This decision shall be deemed to be a final order with regard to the citation issued, including the levied fine and the order of abatement, if any.

(e) If the citation is dismissed, any request for a hearing shall be deemed withdrawn. If the citation is affirmed or modified, the cited licensee or person may, in his or her discretion, withdraw the request for a hearing or proceed with the administrative hearing process.

(f) If the citation, including any fine levied or order of abatement, is modified, the citation originally issued shall be considered withdrawn and new citation issued. If a hearing is requested for the subsequent citation, it shall be requested within 30 calendar days in accordance with subdivision (b)(4) of section 125.9 of the Business and Professions Code.

Authority: Section 26013, Business and Professions Code. Reference: Sections 125.9, 26012 and 26016, Business and Professions Code.

§ 5804. Citation Compliance

(a) The time to abate or correct a violation as provided for in an order of abatement may be extended for good cause. If a cited licensee or person who has been issued an order of abatement is unable to complete the correction within the time set forth in the citation because of conditions beyond his or her control after the exercise of reasonable diligence, the licensee or person cited may request an extension of time from the Bureau in which to complete the correction. Such a request shall be in writing and shall be made within the time set forth for abatement.

(b) When a citation is not contested, or if it is appealed and the person cited does not prevail, failure to abate the violation within the time allowed or pay a fine that was imposed shall constitute a violation and a failure to comply with the citation or order of abatement.

(c) Failure to timely comply with an order of abatement or pay a fine that was imposed may result in further action being taken by the Bureau, including, but not limited to, suspension or revocation of a license, or further administrative or civil proceedings.

Authority: Section 26013, Business and Professions Code. Reference: Sections 125.9 and 26012, Business and Professions Code.

§ 5805. Minor Decoys

(a) Peace officers may use a person under 21 years of age to attempt to purchase cannabis goods, for the purposes of enforcing the Act, and to apprehend licensees, employees, or agents of licensees who sell cannabis goods to minors. For purposes of this section, a “minor” is a person under 21 years of age.

(b) The following minimum standards shall apply to the use of a minor decoy:

(1) At the time of the operation, the decoy shall be less than 20 years of age.

(2) A decoy shall either carry his or her own identification showing the decoy’s correct date of birth, or carry no identification. A decoy who carries identification shall present it upon request to any seller of cannabis goods.

(3) A decoy shall answer truthfully any questions about his or her age.

(4) Following any completed sale, but not later than the time a citation, if any, is issued, the peace officer directing the decoy shall make a reasonable attempt to enter the licensed premises or respond to the location where the licensee is located and have the minor decoy who purchased cannabis goods identify the alleged seller of the cannabis goods.

Authority: Sections 26013 and 26140, Business and Professions Code. Reference: Section 26140, Business and Professions Code.

§ 5806. Attire and Conduct

(a) No license shall allow the following:

(1) Employment or use of any person in the sale or service of cannabis goods in or upon the licensed premises while such person is unclothed or in such attire, costume, or clothing as to expose to view any portion of the male or female breast below the top of the areola or of any portion of the pubic hair, anus, cleft of the buttocks, vulva, or genitals.

(2) Employment or use of the services of any host or other person to mingle with the patrons while such hostess or other person is unclothed or in such attire, costume, or clothing as described in subsection (a)(1) of this section.

(3) Encouraging or permitting any person on the licensed premises to touch, caress, or fondle the breasts, buttocks, anus, or genitals of any other person.

(4) Permitting any employee or person to wear or use any device or covering, exposed to view, which simulates the breast, genitals, anus, pubic hair, or any portion thereof.

Authority: Section 26013, Business and Professions Code. Reference: 26011.5, Business and Professions Code.

§ 5807. Entertainers and Conduct

(a) Live entertainment is permitted on a licensed premises, except that:

(1) No licensee shall permit any person to perform acts of or acts that simulate:

(A) Sexual intercourse, masturbation, sodomy, bestiality, oral copulation, flagellation, or any sexual acts that are prohibited by law.

(B) Touching, caressing, or fondling of the breast, buttocks, anus, or genitals.

(C) Displaying of the buttocks, breasts, pubic hair, anus, vulva, or genitals.

(b) No licensee shall permit any person to use artificial devices or inanimate objects to depict any of the prohibited activities described above.

(c) No licensee shall permit any person to remain in or upon the licensed premises who exposes to public view any portion of his or her breast, buttocks, genitals, or anus.

Authority: Section 26013, Business and Professions Code. Reference: 26011.5, Business and Professions Code.

§ 5808. Additional Grounds for Discipline

The following include, but are not limited to, additional grounds that constitute a basis for disciplinary action:

(a) Failure to pay a fine imposed by the Bureau or agreed to by the licensee.

(b) Failure to take reasonable steps to correct objectionable conditions on the licensed premises, including the immediately adjacent area that is owned, leased, or rented by the licensee, that constitute a nuisance, within a reasonable time after receipt of notice to make those corrections, under Section 373a of the Penal Code.

(c) Failure to take reasonable steps to correct objectionable conditions that occur during operating hours on any public sidewalk abutting a licensed premises and constitute a nuisance, within a reasonable time after receipt of notice to correct those conditions from the Bureau. This subsection shall apply to a licensee only upon written notice to the licensee from the Bureau. The Bureau shall issue this written notice upon its own determination, or upon a request from the local law enforcement agency in whose jurisdiction the premises is located, that is supported by substantial evidence that persistent objectionable conditions are occurring on the public sidewalk abutting the licensed premises. For purposes of this subsection:

(1) "Any public sidewalk abutting a licensed premises" means the publicly owned, pedestrian-traveled way, not more than 20 feet from the premises, that is located between a licensed premises, including any immediately adjacent area that is owned, leased, or rented by the licensee, and a public street

(2) "Objectionable conditions that constitute a nuisance" means disturbance of the peace, public intoxication, drinking alcoholic beverages in public, smoking or ingesting cannabis or cannabis products in public, harassment of passersby, gambling, prostitution, loitering, public urination, lewd conduct, drug trafficking, or excessive loud noise.

(3) "Reasonable steps" means all of the following:

(A) Calling the local law enforcement agency. Timely calls to the local law enforcement agency that are placed by the licensee, or his or her agents or employees, shall not be construed by the Bureau as evidence of objectionable conditions that constitute a nuisance.

(B) Requesting those persons engaging in activities causing objectionable conditions to cease those activities, unless the licensee, or his or her agents or employees, feel that their personal safety would be threatened in making that request.

(C) Making good faith efforts to remove items that facilitate loitering, such as furniture, except those structures approved or permitted by the local jurisdiction. The licensee shall not be liable for the removal of those items that facilitate loitering.

(4) When determining what constitutes "reasonable steps," the Bureau shall consider site configuration constraints related to the unique circumstances of the nature of the business.

(c) Notwithstanding that the licensee corrects the objectionable conditions that constitute a nuisance, the licensee has a continuing obligation to meet the requirements of subsections (a) and (b), and failure to do so shall constitute grounds for disciplinary action.

(d) If a licensee has knowingly permitted the illegal sale, or negotiations for the sales, of controlled substances or dangerous drugs upon his or her licensed premises. Successive sales, or negotiations for sales, over any continuous period of time shall be deemed evidence of permission. As used in this section, "controlled substances" shall have the same meaning as is given that term in Article 1 (commencing with Section 11000) of Chapter 1 of Division 10 of the Health and Safety Code, and "dangerous drugs" shall have the same meaning as is given that term in Article 2 (commencing with Section 4015) of Chapter 9 of Division 2 of the Business and Professions Code.

(e) If the licensee has employed or permitted any persons to solicit or encourage others, directly or indirectly, to buy such persons cannabis goods in the licensed premises under any commission, percentage, salary, or other profit-sharing plan, scheme, or conspiracy.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26011.5 and 26030, Business and Professions Code.

§ 5809. Disciplinary Actions

(a) When an accusation recommending disciplinary action against a license has been filed pursuant to Section 26031 of the Business and Professions Code, the accusation shall be served on the licensee in accordance with Section 11505 of the Government Code.

(b) A hearing shall be conducted in accordance with the provisions of Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code to determine if cause exists to take action against the licensee. At such a hearing, the Bureau shall have all the powers granted therein and by the Business and Professions Code.

(c) If a hearing on an accusation against a licensee results in a finding that the licensee has committed any of the acts or omissions constituting grounds for disciplinary action, the Bureau may order the license revoked, suspended outright for a specified period of time, or suspended on probationary restriction for a specified period of time on such terms and conditions of probation as in its judgment are supported by its findings, impose a fine, or any combination thereof. The Bureau may also issue such other lawful orders it considers to be appropriate on the basis of its findings.

(d) An accusation may be terminated by written stipulation at any time prior to the conclusion of the hearing on the accusation. If a licensee submits a proposed stipulation to the Bureau for its consideration and the Bureau subsequently declines to accept the proposed stipulation, the Bureau shall not thereafter be disqualified from hearing evidence on the accusation and taking action thereon as authorized in this section.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26012, 26031 and 26034, Business and Professions Code.

§ 5810. Interim Suspension

(a) Pursuant to Business and Professions Code section 494, the Bureau may petition for an interim order to suspend any license or impose licensing restrictions upon any licensee, if:

(1) The licensee has engaged in acts or omissions constituting a violation of the Business and Professions Code or this division, or been convicted of a crime substantially related to the licensed activity, and

(2) Permitting the licensee to continue to engage in the licensed activity would endanger the public health, safety, or welfare.

(b) An interim order for suspension or restrictions may issue with notice, as follows:

(1) The Bureau shall provide the licensee with at least 15 days' notice of the hearing on the petition for an interim order.

(2) The notice shall include documents submitted in support of the petition.

(c) An interim order for suspension or restrictions may issue without notice to the licensee, as follows:

(1) If it appears from the Bureau's petition and supporting documents that serious injury would result to the public before the matter could be heard on notice.

(2) The Bureau shall provide the licensee with a hearing on the petition within 20 days after issuance of the initial interim order.

(3) Notice of the hearing shall be provided within two days after issuance of the initial interim order.

(d) The Bureau shall file an accusation, pursuant to Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, within 15 calendar days of the issuance of the interim order.

Authority: Section 26013, Business and Professions Code; Reference: Sections 494, 26011.5, 26012 and 26031, Business and Professions Code.

§ 5811. Posting of Notice of Suspension

(a) A licensee whose license has been suspended shall conspicuously and continuously display a notice on the exterior of the licensee's premises for the duration of the suspension.

(b) The notice shall be two feet in length and 14 inches in width. The notice shall read:

NOTICE OF SUSPENSION
The Bureau of Cannabis Control License(s)
Issued For This Premises Has Been Suspended
For Violation of State Law

(c) Advertising or posting signs to the effect that the premises have been closed or that business has been suspended for any reason other than the reason provided in the decision suspending the license, shall be deemed a violation of this section.

(d) Failure to display the notice as required in this section or removal of the notice prior to the expiration of the suspension shall be a violation of this section and may result in additional disciplinary action.

(e) A licensee shall notify the Bureau within 24 hours of discovering that the notice under subsection (b) of this section has been removed or damaged to an extent that makes the notice illegible.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26011.5 and 26012, Business and Professions Code.

§ 5812. Posting of Notice of Revocation

- (a) A licensee whose license has been revoked shall conspicuously display a notice on the exterior of the licensee's premises indicating that the license has been revoked. The notice shall remain continuously on the licensed premises for at least 15 calendar days.
- (b) The notice shall be two feet in length and 14 inches in width. The notice shall read:

NOTICE OF REVOCATION
The Bureau of Cannabis Control License(s)
Issued For This Premises Has Been Revoked
For Violation of State Law

- (c) Advertising or posting signs to the effect that the premises have been closed or that business has been suspended for any reason other than the reason provided in the decision revoking the license shall be deemed a violation of this section.
- (d) If the Bureau revokes a license at a licensed premises that has one or more licenses at the location that will remain active after the revocation, the revocation notice shall remain posted for a period of at least 15 calendar days.
- (e) Failure to display for the time required in this section shall be a violation of this section and may result in additional disciplinary action.
- (f) A licensee shall notify the Bureau within 24 hours of discovering that the notice under subsection (b) of this section has been removed or damaged to an extent that makes the notice illegible.

Authority: Section 26013, Business and Professions Code. Reference: Sections 26011.5 and 26012, Business and Professions Code.

§ 5813. Enforcement Costs

- (a) In any order in resolution of a disciplinary proceeding for suspension or revocation of a license, the Bureau may request the administrative law judge to direct a licensee found to have committed a violation or violations of the Act, or any regulation adopted pursuant to the Act, to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case.
- (b) A certified copy of the actual costs, or a good faith estimate of costs where actual costs are not available, signed by the Bureau's designated representative shall be prima facie evidence of reasonable costs of investigation and prosecution of the case. The costs shall include the amount of investigative and enforcement costs up to the date of the hearing, including, but not limited to, charges imposed by the Attorney General.
- (c) The administrative law judge shall make a proposed finding of the amount of reasonable costs of investigation and prosecution of the case when requested pursuant to subsection (a). The

Bureau may reduce or eliminate the cost award, or remand to the administrative law judge where the proposed decision fails to make a finding on costs requested pursuant to subsection (a).

(d) Where an order for recovery of costs is made and timely payment is not made as directed in the decision, the Bureau may enforce the order for repayment in any appropriate court. This right of enforcement shall be in addition to any other rights the Bureau may have as to any licensee to pay costs.

(e) In any action for recovery of costs, proof of the decision shall be conclusive proof of the validity of the order of payment and the terms for payment.

(f) Except as provided in subsection (g) of this section, the Bureau shall not renew or reinstate any license of any licensee who has failed to pay all of the costs ordered under this division.

(g) Notwithstanding subsection (f) of this section, the Bureau may, in its discretion, conditionally renew or reinstate for a maximum of one year the license of any licensee who demonstrates financial hardship and who enters into a formal agreement with the Bureau for reimbursement within that one-year period for the unpaid costs.

(h) Nothing in this section shall preclude the Bureau from including the recovery of the costs of investigation and enforcement of a case in any stipulated settlement.

Authority: Section 26013, Business and Professions Code; Reference: Sections 125.3 and 26031, Business and Professions Code

§ 5814. Disciplinary Guidelines

In reaching a decision on a disciplinary action under the Act and the Administrative Procedures Act (Govt. Code section 11400 et seq.), the Bureau shall consider the disciplinary guidelines entitled "Bureau of Cannabis Control Disciplinary Guidelines November 2017," which are hereby incorporated by reference. Deviation from these guidelines and orders, including the standard terms of probation, is appropriate where the Bureau in its sole discretion determines that the facts of the particular case warrant such a deviation, e.g., the presence of mitigating factors, the age of the case, or evidentiary problems.

Authority: Section 26013, Business and Professions Code; Reference: Section 26031, Business and Professions Code.

**BUREAU OF CANNABIS CONTROL
FINDING OF EMERGENCY**

**MEDICINAL AND ADULT-USE CANNABIS
REGULATION**

The Bureau of Cannabis Control (Bureau) finds that pursuant to Section 26013(b)(3) of the Business and Professions Code, the readoption of emergency regulations is deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare.

The Bureau finds that an emergency continues to exist and the emergency regulations, California Code of Regulations, title 16, sections 5000 – 5814, effective December 7, 2017, must be readopted for the immediate preservation of the public peace, health, safety, or general welfare, within the meaning of Government Code section 11346.1.

Government Code section 11346.1(a)(2) requires that at least five working days prior to submission of the proposed emergency action to the Office of Administrative Law, the adopting agency provide a notice of the proposed emergency action to every person who has filed a request for notice of regulatory action with the agency. After submission of the proposed emergency to the Office of Administrative Law, the Office of Administrative Law shall allow interested persons five calendar days to submit comments on the proposed emergency regulations as set forth in Government Code section 11349.6.

BACKGROUND

The Medical Cannabis Regulation and Safety Act (MCRSA) was established through a series of bills passed by the California State Legislature in 2015 and 2016. (Bus. & Prof. Code, §19300 et seq.) The MCRSA established the Bureau (known in that legislation as the Bureau of Medical Cannabis Regulation) under the California Department of Consumer Affairs and created California's first framework for the licensing, regulation, and enforcement of commercial medicinal cannabis activity.

The Control, Regulate and Tax Adult Use of Marijuana Act (AUMA) was established with the passage of Proposition 64, a voter initiative, in November 2016. The AUMA legalized the nonmedicinal adult use of cannabis; established California's framework for the licensing, regulation, and enforcement of commercial nonmedicinal cannabis activity; and set a date of January 1, 2018, for the Bureau to start issuing licenses.

In June 2017, the California State Legislature passed a budget trailer bill, Senate Bill 94, that integrated MCRSA with AUMA and created the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). (Bus. & Prof. Code, §26000 et seq.) Under MAUCRSA, a single regulatory system will govern the cannabis industry (both medicinal and adult-use) in California. Under MAUCRSA, the Bureau is charged with the licensing, regulation, and enforcement of the following types of commercial cannabis businesses: distributors, retailers, microbusinesses, temporary cannabis events, and testing laboratories, MAUCRSA provides that the Bureau must begin issuing licenses on January 1, 2018.

On January 1, 2018, the Bureau began issuing licenses for medicinal and adult-use cannabis activities relating to retail, distribution, microbusiness, testing laboratories, and cannabis events. These licensed commercial cannabis businesses are in operation under the emergency regulations adopted on December 7, 2017. The regulations are imperative to maintain the continued commercial cannabis market within a legal framework that reduces the illegal market for cannabis, and protects health, safety, and general welfare of the public.

Business and Professions Code section 26013, subdivision (b), authorizes the Bureau to promulgate regulations, and finds that the readoption of emergency regulations shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare.

The Bureau has amended sections of the proposed emergency regulations to correct grammatical, punctuation, and typographical errors as well as to improve clarity. The changes for this readoption are substantially equivalent to the previously adopted regulations.

Pursuant to California Code of Regulations, title 1, section 52(c), the Bureau is incorporating by reference the documents listed under the "Incorporation by Reference" section and the "Technical, Theoretical, and/or Empirical Study, Reports, or Documents" section of the Finding of Emergency in OAL File No. 2017-1127-05.

DILIGENT ADOPTION OF PERMANENT REGULATIONS

The Bureau has made substantial progress and proceeded with diligence to comply with Government Code section 11346.1, subdivision (e). The Bureau has undertaken the following actions since the emergency regulations were initially noticed in November 2017:

- Convened the Cannabis Advisory Committee, pursuant to Business and Professions Code section 26014, to advise the licensing authorities on the development of standards and regulations.
- Held a Cannabis Advisory Committee meeting in Sacramento, on January 18, 2018, resulting in part, in establishing ten subcommittees with subject matter expert committee members, to develop standards and rules for the Bureau's permanent regulations.
- Published a survey for the public to provide input on the ten subcommittee subjects related to the development of permanent regulations, including, licensing applications, retailers, distributors, microbusiness, cultivation, public health and youth, social equity, manufacturers, enforcement, and testing laboratories. The Bureau received over 340 responses from the public.
- Held Cannabis Advisory Subcommittee meetings in Sacramento, on February 13, 2018, with subcommittees on licensing applications, retailers, distributors, microbusinesses, cultivation, public health and youth, social equity, manufacturers, enforcement, and testing laboratories, to develop formal recommendations for regulatory change on these subject matters.

- Held Cannabis Advisory Subcommittee meetings in Sacramento, on March 1, 2018, with subcommittees on licensing applications, retailers, distributors, microbusinesses, cultivation, public health and youth, social equity, manufacturers, and enforcement, to continue development of formal recommendations for regulatory change on these subject matters.
- Held a Cannabis Advisory Committee meeting in Los Angeles, on March 15, 2018, voting on formal recommendations for change to the permanent regulations, as developed by the subcommittees on February 13, 2018, and March 1, 2018. The Cannabis Advisory Committee voted on 37 recommendations, and passed 34 of those for regulatory change. Thirty-one recommendations were tabled for the May 17, 2018 Cannabis Advisory Committee meeting.
- Held a Cannabis Advisory Committee meeting in Oakland, on May 17, 2018, with additional adoption of formal recommendations for regulatory change.
- Received and reviewed thousands of emails from the public providing feedback and comments on the emergency regulations, and recommended changes to the permanent regulations.
- Held outreach workshops in multiple cities across the state.

AUTHORITY AND REFERENCE

Business and Professions Code section 26013 authorizes the Bureau to adopt these proposed regulations. The proposed regulations implement, interpret, and make specific the MAUCRSA at Business and Professions Code section 26000 et seq.

INFORMATIVE DIGEST/ POLICY STATEMENT OVERVIEW

This rulemaking action clarifies and makes specific licensing and enforcement criteria for commercial cannabis businesses, including: distributors, retailers, microbusinesses, temporary cannabis events, and testing laboratories. These proposed regulations would inform the applicants for licensure of the applicable meaning of key statutory terms; identify the documents and supplemental information required in an application; and provide specific clarification of terms, prohibitions, or conditions for compliance with MAUCRSA for their particular license type. Chapter 1 of these proposed regulations contains general provisions that apply to all license types, entitled All Bureau Licensees. Chapter 2 applies to distributors, Chapter 3 applies to retailers, Chapter 4 applies to microbusinesses, Chapter 5 applies to cannabis events, and Chapter 6 applies to testing laboratories. Lastly, Chapter 7 contains the enforcement provisions.

The proposed regulations are necessary to implement the MAUCRSA and are based on extensive research and outreach by the Bureau. This included: guidance provided from subject matter experts including the University of California Davis Agricultural Issues Center and the California Department of Pesticide Regulation; scientific resources; public comments regarding the Bureau's proposed Medical Cannabis Regulations; federal guidance related to cannabis activity; and information from other states who have legalized cannabis activity such as Oregon, Colorado,

Washington, Alaska, and Nevada. Based on all of the research conducted and information received, the Bureau has determined that the specific provisions of the proposed regulations are necessary to effectively implement the MAUCRSA.

License Designations – “A” and “M” Commercial Cannabis Activity

In this readoption of emergency regulations, the Bureau, along with the Departments of Food and Agriculture and Public Health, propose to modify the restriction on adult-use (“A”) and medicinal (“M”) licenses. Except during a brief transition period in which licensees could conduct A or M business with either license type, current emergency regulations require the A and M markets to be kept separate. As a result, licensees had to obtain both an A and an M license and pay twice the license and application fees for the same premises if they wanted to transact both lines of business. These proposed emergency regulations would streamline commerce and reduce paperwork by requiring applicants to obtain a single license and pay one license fee in order to conduct A or M business in one location.

While the MAUCRSA contains a number of requirements for commercial cannabis activity, only a small number of differences exist between A and M designated licenses – differences that arise only at the customer point of sale. The A or M designation does not otherwise impact the cannabis cultivation or supply chain. For instance, a retailer must have a license with an M designation to sell cannabis goods to an individual between 18 and 21 years of age who has a physician’s recommendation. (Bus. & Prof. Code, § 26140, subd. (a).) Similarly, in order to sell cannabis products of a particular per-package THC limit, a retailer must have an M-license. (Tit. 17, CCR § 40306.) Indeed, all of the differences between A and M designated licenses relate only to the retail sale of cannabis goods to adult-use customers versus medicinal customers.

History of the Separate Adult-Use and Medicinal Licenses

Initially, the licensing authorities determined that during a transitional period from January 1, 2018 through June 30, 2018 it was necessary to allow A and M designated licensees to conduct business with each other irrespective of the designation because the adult-use market was new and there would be no place to obtain cannabis goods except for from the existing medicinal market. Following the transitional period, the licensing authorities had prescribed the requirement that A designated licensees could only do business with other A designated licensees and M designated licensees could only do business with other M designated licensees. For instance, a cultivator with an M license could only sell to a retailer who also possessed an M license.

Since noticing the emergency regulations, the licensing authorities have had feedback from licensees, potential licensees, and the Cannabis Advisory Committee that the transition period should be extended, or the provision allowing licensees to do business with other licensees regardless of the A or M designation should be made permanent. Licensees have expressed concerns that if the supply chains are separate for A and M either supply chain could end up with a shortage or an excess of cannabis goods. In either scenario, licensees and customers may be encouraged to turn to the illicit market to either divert excess cannabis goods or to purchase cannabis goods.

Of note, since the commercial cannabis market began on January 1, 2018, the licensing authorities have not been made aware of any public health or safety threat that has been created during the transitional period as a result of allowing commercial cannabis activity between the market designations. Additionally, requiring two separate licenses for the same activity on the same premises means that licensing authorities must require two applications as well as duplicates of other items such as the bond required by Business and Professions Code section 26051.5 (a)(10). This inefficient duplication increases costs for the licensing authorities and the licensees. Further, the number of licensed cannabis businesses is still relatively low when compared to the number of businesses in operation before January 1, 2018. The reasons for this are varied, but a substantial aspect is the lack of locally-available licenses as many jurisdictions are still developing cannabis programs.

Basis for the Modified Regulations

Based on feedback from stakeholders and the Cannabis Advisory Committee, the licensing authorities have further reviewed the MAUCRSA and have determined that it should be implemented in a manner that allows licensees to buy or sell cannabis or cannabis products to each other irrespective of their A or M designation. Business and Professions Code section 26053 states that all commercial cannabis activity shall be conducted between licensees. However, nothing in the MAUCRSA expressly states that A designated licensees may only do business with other A designated licensees or that M designated licensees may only do business with other M designated licensees. Further, Business and Professions Code section 26013 which provides direction to licensing authorities and states that regulations shall not “make compliance so onerous that the operation under a cannabis license is not worthy of being carried out in practice by a reasonably prudent businessperson.” The licensing authorities have determined that there is a high likelihood that requiring the A and M supply chains to remain separate will perpetuate, rather than reduce and eliminate, the illicit market for cannabis. Licensees that are unable to acquire cannabis goods or sell their cannabis goods because of under saturation or over saturation of cannabis goods within their supply chain would be placed in a position where the requirement of complying with a separate supply chain for A and M designated cannabis goods is so onerous that continuing to operate under their cannabis license is not worthy of being carried out in practice by them.

Amending the current regulation to allow for licensing authorities to issue licenses with an A and M, and allowing licensees to conduct business with other licensees regardless of the A and M designation is necessary to avoid increased costs due to the duplication of applications and allows licensees the ability to procure and sell product based on the commercial cannabis market's demands. This amendment is consistent with Business and Professions Code section 26050, subdivision (b), which requires licensing authorities to affix and A or M on each license. Nothing in that section prohibits licensing authorities from affixing both designations, and indeed it expressly provides that, with limited exceptions stated in statute, “the requirements for A-licenses and M-licenses shall be the same.” While licensing authorities do not have discretion to require testing laboratories to have separate A and M licenses, the entities are exercising their discretion to permit the holders of other license types to fill out one application, pay one license fee, and obtain one license rather than insisting on the formality of two licenses, particularly when there are virtually no distinctions between A and M licenses identified by statute. Where MAUCRSA or local ordinances require such a distinction to be made, the Bureau will require an M or A designation, as appropriate.

Chapter 1: All Bureau Licensees

The Bureau was established to create a comprehensive and coherent regulatory framework for an established industry that has not been regulated by the State. While MAUCRSA provides guidance on the larger macro issues, much of the implementation specifics and clarification of terms were left to the Bureau. These proposed regulations would help applicants and licensees better understand: (1) the applicable meaning of key statutory and other terms related to the Bureau's licensing program; (2) what documents and information are required in an application; and (3) specific clarification of prohibitions, requirements, or conditions for compliance with MAUCRSA.

Article 1

Article 1 of the proposed regulations would make clear the applicable meaning of key statutory terms and other terms used within the proposed regulations. These terms include those relevant to the requirements of licensees, such as "cannabis waste," "limited-access area," "medical cannabis patient," and "retail area." In subsection (e), the word premise has been replaced by the word premises for consistency.

Article 2

Article 2 of the proposed regulations would clarify what information and documents are required to complete an application for all license types. This information would include contact information, social security or individual tax payer identification number, the location of the proposed business, and the type of license requested. Within MAUCRSA, the Legislature recognized the current medical cannabis goods marketplace and provided for the issuance of temporary licenses that would allow an applicant, who has been approved by the local jurisdiction to conduct commercial cannabis activity, to operate while they gather the required items for a complete application and while their application is reviewed by the Bureau. The proposed regulations would further explain, specifically, what would be required to demonstrate the pre-conditions set out in MAUCRSA for priority review.

The MAUCRSA expressly requires an applicant to provide certain information to the Bureau for processing, including a valid seller's permit issued by the California Department of Tax and Fee Administration, proof of property owner approval for commercial cannabis activity, proof of surety bond, proof of a labor peace agreement if applicable, and fingerprint submission to the Department of Justice. The proposed regulations would further specify what must be submitted to the Bureau related to these items as well as what additional information is required. The proposed regulations would specify that if an applicant submits a license, permit, or other authorization from a local jurisdiction where the premises will be located, then the Bureau will notify the contact person from the local jurisdiction and if the local jurisdiction does not respond within 10 calendar days, the Bureau may approve the application.

The proposed regulations would clarify that applicants shall have, at a minimum, one individual that meets the definition of "owner" under MAUCRSA and would clarify what a "financial interest" in a commercial cannabis business means. The proposed regulations would also clarify that certain individuals such as persons employed by the State of California are prohibited from holding a license when the duties of their employment have to do with the enforcement of

MAUCRSA or any other penal provisions of law of this State prohibiting or regulating the sale, use, possession, transportation, distribution, testing, manufacturing, or cultivation of cannabis goods. The proposed regulations would also prohibit persons in district attorney's offices and law enforcement agencies from holding a license.

The proposed regulations would clarify what the premises diagram must show. The proposed regulations would clarify what is required to demonstrate that a landowner has approved use of the premises for commercial cannabis activity. The regulations would also specify the amount of the bond that applicants must have to cover the cost incurred for the destruction of cannabis goods necessitated by a violation of MAUCRSA or the regulations adopted thereunder. The proposed regulations would also specify that applicants or licensees that fall within the scope of sovereign immunity that may be asserted by a federally recognized tribe or other sovereign entity must agree to a limited waiver of sovereign immunity.

The proposed regulations would clarify that applicants must provide proof that their premises is exempt from or in compliance with the California Environmental Quality Act (CEQA). The proposed regulations would also clarify that if an applicant does not have evidence of exemption from or compliance with CEQA that the applicant will be responsible for preparing an environmental document in compliance with CEQA that can be approved or certified by the Bureau.

The proposed regulations would specify that the Bureau may request additional information from the applicant so that the Bureau will have all the necessary information to appropriately evaluate the application for licensure. The proposed regulations would clarify that incomplete applications are abandoned after a specified length of time and that applications may be withdrawn before the Bureau issues or denies a license.

Article 2 is necessary to identify the specific information necessary on an application for licensure, which will allow the Bureau to properly determine whether the applicant and proposed premises should be licensed. This includes basic identifying information for the business and its owners, as well as financial information to clearly identify who is involved with the business. This will allow the Bureau to determine the persons responsible for activity conducted under the license and to ensure that the persons with an interest in the license meet all statutory and regulatory requirements. Documentation demonstrating compliance with statutory requirements is required so that the Bureau can confirm these requirements are met by the applicant.

Proposed section 5001

Under Business and Professions Code section 26053, all commercial cannabis activity shall be conducted between licensees; which means that without a state issued license a commercial cannabis business would be unable to do business with other commercial cannabis businesses. In recognizing that many cannabis businesses were already in operation for medicinal cannabis prior to January 1, 2018, the legislature created a temporary license with fewer requirements than an annual license so that licensing authorities could quickly process an application thereby allowing the businesses in operation to continue operations or allowing them to shut down for a very brief time while the application was processed. Business and Professions Code section 26050.1 provides that until January 1, 2019 a licensing authority may issue a temporary license if an applicant

submits the following: 1) a written request to the licensing authority in a manner prescribed by the licensing authority; 2) a copy of a valid license, permit, or other authorization, issued by a local jurisdiction, that enables the applicant to conduct commercial cannabis activity at the location requested for the temporary license; and 3) the temporary license application fee, if any, required by the licensing authority.

The purpose of this proposed section is to prescribe the manner in which a written request for a temporary license is submitted to the Bureau. The proposed section would benefit the public by providing them with clear direction on how to apply for a license from the Bureau. Further this proposed section would benefit the public by requiring a limited number of items from applicants, the Bureau would be able to review these applications much faster than annual applications and would be able to quickly approve businesses that are currently in operation so that they do not have to shut their operations down while waiting for a license from the Bureau. This proposed section would also benefit the public at large by requiring that applicants provide enough documentation regarding their operations with their application for the Bureau to determine that they are doing so in a manner that is consistent with preserving the health and safety of the public.

Proposed subsection (a) would clarify that applications for a temporary license may be completed and submitted online through the Bureau's website or by delivering a printed copy to the Bureau's office(s). This section is necessary to clarify where and how an application may be submitted to the Bureau. Permitting online submission provides flexibility for the applicant to submit the application from anywhere in the State. The State of California is very large and requiring an applicant to physically turn in hard copies in person in Sacramento would be tremendously burdensome on the applicant and the burgeoning industry. Permitting applicants to submit electronically also helps the Bureau process the applications in an effectively and timely fashion.

Proposed subsection (b) would specify that applicants that wish to apply online must first register for a user account by doing the following: 1) creating a user name, password, and security question and answer; 2) provide an email address; and 3) provide the owner's first and last name, primary phone number, social security number or individual taxpayer identification number, date, and mailing address. These items are necessary to identify the applicant and to create the person's account to be used for online submissions.

Proposed subsection (c) would clarify that an application must be completed by an owner and that an application must be submitted for each temporary license applied for. This proposed section is necessary to clarify the statutory requirements that an applicant be an owner (Bus. & Prof. Code § 26001(c)) and obtain a separate license for each location where it engages in commercial cannabis activity (Bus. & Prof. Code § 26053(d)). Repeating the statutory requirements here is necessary for clarity and benefits applicants by placing the requirements in one section in the regulations rather than spread out in various statutory sections.

Proposed subsections (c)(1)-(c)(4) would specify that applicants provide the legal business name of the applicant, the email address of the applicant's business and a telephone number for the premises, the business' federal employer identification number, and a description of the business organizational structure. These items are necessary to identify the applicant and the applicant's business. These items are also necessary for verifying that the person listed on the local license, permit, or other authorization submitted with the application is the same as the person applying for

the license. This information is also beneficial for verifying with local jurisdictions that applicants are in compliance with the local jurisdictions ordinances and regulations.

Proposed subsection (c)(5) would require the applicant to list the license type. This information is necessary to issue the applicant the correct license and to ensure that the application contains everything necessary for that license type.

Proposed subsection(c)(6) would require the applicant to identify the commercial cannabis activity license that the applicant is applying for, and whether the applicant is requesting to conduct medicinal, adult-use, or both. The proposed section would restate the provision in Business and Professions Code section 26050(b) which states that testing laboratories are not required to bear a designation for adult-use or medicinal. This information is necessary so that the Bureau knows what license to issue. The ability to have an adult-use designation, a medicinal designation, or both is necessary for the reasons discussed above under the section entitled "License Designations – "A" and "M" Commercial Cannabis Activity."

Proposed subsection (c)(7) would require an applicant to provide contact information for the applicant's designated primary contact person including the name, title, telephone number, and email address if applicable. This information is necessary so that the Bureau knows who to contact regarding questions or issues with an application or license.

Proposed subsection (c)(8) would require that each owner provide the owner's name, title, percentage of ownership, mailing address, telephone number, and email address if applicable. This information is necessary to identify the owners of a business. MAUCRSA requires that the owners of a commercial cannabis business be qualified for a license. Further, under Business and Professions Code section 26053(b), a person that holds a state testing laboratory license is prohibited from licensure for any other activity. The Bureau must be able to identify owners to ensure that an owner is not issued a testing laboratory license in addition to any other type of license.

Proposed subsection (c)(9) would require the applicant to provide the physical address of the premises to be licensed. This is necessary because under MAUCRSA a license may only be issued if both the applicant and the premises qualify for licensure. Further the Bureau must know where the premises is located in order to do inspections and to verify with the local jurisdiction that the applicant is authorized to engage in commercial cannabis activity at the premises.

Proposed subsection (c)(10) would require the applicant to provide evidence that the applicant has the legal right to occupy and use the proposed location. Business and Professions Code section 26051.5(a)(3) requires this information for an annual license. The Bureau determined that it was necessary to include this information with the temporary application to ensure that the landowner is aware that commercial cannabis activity is being conducted at the location and that the landowner approves of such activity. This reduces the risk of a landowner later stating that an applicant does not have the right to engage in commercial cannabis activity and evicting the licensee which could lead a licensee to divert cannabis goods to the unlicensed market.

Proposed subsection (c)(11) would require an applicant to submit a premises diagram with their application. This is a requirement for the annual license under Business and Professions Code

section 26051.5(c), however the Bureau determined it was also necessary for the temporary application. The diagram is necessary because the Bureau must know the layout of a premises in order to effectively carry out its duties under the Act. Requiring a premises diagram also allows applicants to receive feedback on their layout from the Bureau and adjust their layout prior to applying for the annual license.

Proposed subsection (c)(12) requires a copy of a valid license, permit, or other authorization issued by a local jurisdiction, that enables the applicant to conduct commercial cannabis activity at the location requested for the temporary license. Further, this proposed subsection would specify that "other authorization" means at a minimum a written statement or reference that clearly indicates the local jurisdiction intended to grant permission for the commercial cannabis activity or to the person to conduct commercial cannabis activity at the premises. Lastly, the proposed subsection would specify that the Bureau shall contact the applicable jurisdiction to confirm the validity of the authorization and if the jurisdiction does not respond within 10 calendar days, the Bureau shall consider the authorization valid. This proposed subsection is necessary to comport with the statutory requirement that a valid license, permit or other authorization be submitted for a temporary application and define what "other authorization" is as this is not defined in the Act. Lastly, the 10 day requirement is necessary because the Bureau determined 10 days was an adequate amount of time for a local jurisdiction to receive and confirm or deny an applicant's authorization while still allowing the Bureau to complete the processing of the application in a short time frame.

Proposed subsection (c)(13) requires applicants to attest under the penalty of perjury that the information contained within and submitted with the application is complete, true, and accurate and that they understand that a misrepresentation of fact is cause for rejection of the application, denial of the license, or revocation of a license issued. This section is necessary to conform with requirements for the annual license. This also provides applicants with notice that any misrepresentations may be used against them for disciplinary purposes.

Proposed subsections (d)-(g) are restatements of the provisions contained in Business and Professions Code section 26050.1 and are included here for clarity.

Proposed section 5002

In order to obtain a license an application must first be submitted to the Bureau. The purpose of this section is to specify what information must be provided by the applicant in the application. Business and Professions Code section 26051.5 enumerates specific, yet limited information an applicant is required to include in the application. Additionally, the Act places a limit on the licenses an owner of a testing laboratory may have. Therefore, the proposed regulation includes information that will be necessary in order for the Bureau to determine that an individual or entity is not obtaining licenses that the applicant is not eligible to have.

Proposed subsection (a) is necessary for application processing. Permitting online submission provides flexibility for the applicant to submit the application from anywhere in the State. The State of California is very large and requiring an applicant to physically turn in hard copies in person in Sacramento would be tremendously burdensome on the applicant and the burgeoning

industry. Permitting applicants to submit electronically also helps the Bureau process the applications in an effectively and timely fashion.

Proposed subsection (b) would specify that applicants that wish to apply online must first register for a user account by doing the following: 1) creating a user name, password, and security question and answer; 2) provide an email address; and 3) provide the owner's first and last name, primary phone number, social security number or individual taxpayer identification number, date, and mailing address. These items are necessary to identify the applicant and to create the person's account to be used for online submissions.

Proposed subsections (c)(1) through (c)(4) would specify that the applicant must provide the name of the applicant, the DBA of the applicant, the license type the applicant is applying for, and lastly must pay the application fee in proposed section 5014. These items are necessary to identify the applicant's legal business identity and the license that the applicant is requesting as well as to clarify that payment of the application fee is necessary at the time the application is submitted. The ability to have an adult-use designation, a medicinal designation, or both is necessary for the reasons discussed above under "License Designations – "A" and "M" Commercial Cannabis Activity."

Proposed subsections (c)(5) would allow an owner that is serving or has previously served in the military to disclose their service and receive expedited application processing if the owner can provide evidence of honorable discharge. This optional disclosure applies to all Department of Consumer Affairs boards and Bureaus, which includes the Bureau, through Business and Professions Code section 115.4 and is included here for clarity.

Proposed subsections (c)(6) through (c)(7) would require the applicant to the license types, license numbers, the date the license was issued, and which licensing authority issued the license for any licenses the applicant holds from the Bureau and all other state licensing authorities. The applicant would also be required to disclose whether the applicant has been denied a license or had one revoked or suspended by the Bureau or any other state cannabis licensing authority. These subsections are necessary to ensure that the granting of a license would not violate the provision in Business and Professions Code section 26053, subdivision (b) prohibiting a person that holds a state testing laboratory license from receiving any other type of cannabis license. It is also necessary for the Bureau to know if a license has ever been denied, revoked, or suspended as these could be grounds for denial of the application.

Proposed subsection (c)(8) would require the applicant to provide the physical address of the premises to be licensed and provide a document that confirms the physical address of the premises. This is necessary because under MAUCRSA a license may only be issued if both the applicant and the premises qualify for licensure. Further the Bureau must know where the premises is located in order to do inspections and to verify with the local jurisdiction that the applicant is authorized to engage in commercial cannabis activity at the premises. The documentation is necessary to verify that the address provided by an applicant is a legal and accurate address for the premises.

Proposed subsection (c)(9) through (c)(12) would require specific contact information for the cannabis business including the mailing address, the telephone number for the premises, the website address and email address, and the federal employer identification number. These items

are necessary to contact the premises. Further, they are necessary for monitoring the cannabis business once it is licensed to ensure the business is complying with laws and regulations.

Proposed subsection (c)(13) would require an applicant to provide contact information for the applicant's designated primary contact person including the name, title, telephone number, and email address if applicable. This information is necessary so that the Bureau knows who to contact regarding questions or issues with an application or license.

Proposed subsections (c)(14) through (c)(19) would require the applicant to provide the business organizational structure, the business-formation documents, a list of all fictitious business names the applicant is operating under, the certificate of qualification if the applicant is a foreign corporation, financial information, and, as required by Business and Professions Code section 26051.5, subdivision (d), a list of every individual who has a financial interest. This information is necessary to determine how the commercial cannabis business will be organized and to ensure that all owners as defined in proposed section 5003 and all financial interest holders in proposed section 5004 are identified. The Bureau has proposed an additional requirements in subsection(c)(15) to provide a copy of the trust document if the business is held in trust. This is necessary to properly identify the owners and perform the necessary background checks as required by the Act.

In order for the Bureau to conduct a thorough and effective evaluation of an applicant's submission, to ensure the applicant is a bona fide and qualified applicant under the law, the Bureau must receive specific information from the applicant. The information contained in proposed subsection (c)(20)(A) through (c)(20)(N) are necessary for the Bureau to accurately determine and verify the true identity of individual owners as defined in proposed section 5004.

Under Business and Professions Code sections 144; 26051.5, subsection (a)(1) the Bureau is required to request and conduct criminal history record checks on all applicants. The information contained in proposed subsection (c)(L)(i) – (vi) clarifies what information is needed by the Bureau in order to gather all pertinent criminal history information in order to properly conduct the statutorily mandated checks.

Proposed subsection (c)(21) would require the applicant to provide evidence that the applicant has the legal right to occupy and use the proposed location as required by Business and Professions Code section 26051.5(a)(3). This requirement is included here for clarity and is necessary so that applicants may have all the required materials for an application listed in one section.

Proposed subsection (c)(22) would require, pursuant to Business and Professions Code section 26051.5, subdivision (a)(3), that the applicant provide evidence that the proposed premises is in compliance with subdivision (b) of Section 26054, which requires that a premises shall not be within a 600-foot radius of a school providing instruction in kindergarten or any grades 1-12 or other enumerated facility for the care of children, unless the licensing authority or local jurisdiction specifies a different radius. This requirement is included here for clarity and so that applicants may have all the required materials for an application listed in one section.

Proposed subsection (c)(23) would require that an applicant with 20 or more employees attest that the applicant has entered into a labor peace agreement and will abide by the terms of the agreement

or, if they have not yet entered into such an agreement, provide a notarized statement that the applicant will enter into and abide by the terms of a labor peace agreement within 30 days of licensure. This subsection is necessary to fulfill the statutory requirements of Business and Professions Code section 26051.5(a)(5). This clarification is necessary because it highlights the importance of a labor peace agreement for applicants that have never dealt with labor issues. The Bureau now proposes to require an applicant to enter into a labor peace agreement within 30 days of licensure. This protects the employees of the applicant by ensuring that once licensed the licensee does not forgo or put off its responsibility to enter into such an agreement. The Bureau is no longer requiring a copy of the agreement as the statute requires an agreement but does not mandate the specific provisions that must be in the agreement; therefore a copy is unnecessary.

Proposed subsection (c)(24) would repeat the requirement of Business and Professions Code section 26051.5, subdivision (a)(6) that an applicant provide a valid seller's permit number or if it has not yet received one then indicate that the applicant is currently applying for the seller's permit. This requirement is included here and is necessary to provide clarity and so that applicants may have all the required materials for an application listed in one section.

Proposed subsection (c)(25) would require a premises diagram be submitted with the application pursuant to Business and Professions Code section 26051.5, subdivision (c). This is necessary because it is required under the act and also because without a detailed, thorough, and legible description of the proposed premises the Bureau is unable to ensure the proposed premises meets all statutory limitations and requirements for the proposed activity.

Proposed subsection (c)(26) would require proof of a bond. This is necessary because it is required by the Act under Business and Professions Code section 26051.5, subdivision (a)(10) and is repeated here for clarity and so that applicants may have all the required materials for an application listed in one section.

Proposed subsection (c)(27) would require that testing laboratory applicants provide the certificate(s) of accreditation that is required by proposed section 5702, which is also required under Business and Professions Code section 26100, subdivision (g), or the information required by proposed section 5703. These requirements are repeated in the application for clarity so that applicants may have all the required materials for an application listed in one section.

Business and Professions Code section 26055, subdivision (d) licensing authorities may not approve an application that would violate the provisions of any local ordinance or regulation adopted in accordance with Section 26200. Further, Business and Professions Code section 26055, subdivision (e), provides that an applicant may voluntarily provide proof of a license, permit, or other authorization from the local jurisdiction verifying that the applicant is in compliance with the local jurisdiction and an applicant that provides such proof shall be presumed in compliance unless the licensing authority is notified otherwise by the local jurisdiction. Proposed subsection (c)(28) clarifies the Bureau's process for notifying local jurisdictions of the application and provides that if the local jurisdiction does not respond within 10 calendar days, the Bureau shall consider the authorization valid. In order to encourage applicants to get licensed and comply with the Bureau's regulations and stay out of the illegal market, the Bureau must be able to process the applications quickly. Providing 10 calendar days was determined by the Bureau to be a sufficient amount of time for the local jurisdiction to review its records and respond and is not too long of a

time for the processing of the application to be delayed while waiting for a response from the local jurisdiction.

Proposed subsection (c)(29) would require that operating procedures for transportation, inventory, non-laboratory quality control, security, cannabis waste, and delivery must be submitted with the application. The purpose of proposed subsection (c)(29) is to clarify the requirements of Business and Professions Code section 26051.5, subdivision (b), which requires applicants to include with their application a detailed description of the applicant's operating procedures for cultivation, extraction and infusion methods, the transportation process, inventory procedures, quality control procedures, and security procedures as required by the licensing authority. The Bureau determined that it was necessary to include cannabis waste procedures here since the mishandling of waste could lead to diversion of unsafe cannabis or cannabis products entering the unregulated market. The Bureau has further determined that it is necessary to include delivery procedures due to the opportunity for diversion and potential risk to public safety while delivering cannabis in the community.

The statute does not specify which operating procedures are required for applicants of each license type and allows the licensing authority to decide. Additionally, the statute does not provide any guidance as to what specific information is required in the operating procedures. These subsections clarify the requirements of the statute by indicating that an applicant shall include the following: 1) the applicant's procedure for transportation of cannabis goods; 2) a description of the applicant's procedure for receiving shipments of inventory, storing inventory, maintaining records, and performing inventory reconciliation; 3) the procedures for preventing the deterioration of cannabis goods held by the applicant, ensuring that cannabis goods are properly packaged and labeled prior to retail sale, and for ensuring that a licensed testing laboratory samples and analyzes cannabis goods held by the applicant; 4) the procedure for allowing individuals access to the premises, a description of the video surveillance system including camera placement and procedures for the maintenance of the video surveillance system, how the applicant will ensure all access points to the premises will be secured including the use of security personnel, and a description of the alarm system; 5) the applicant's procedure for disposing of cannabis waste including whether the applicant will be using a local agency or waste hauler permitted by a local agency or self-hauling the waste to a solid waste facility, the applicant's procedure for composting cannabis waste on the premises if applicable, and how the applicant will ensure that all access to cannabis waste is restricted to authorized persons; and 6) the applicant's procedures for delivery including how orders will be processed, how verification of age and identity will be accomplished at the delivery address, vehicle information, and information regarding GPS location abilities.

The benefit of these subsections is added clarity and a decrease in the risk of confusion from applicants who are preparing license applications. From these subsections, an applicant will be able to determine which operating procedures must be included with their application as well as what specific information must be contained in those operating procedures. The requirement to include these procedures is necessary so that the Bureau can evaluate and determine whether the procedures comply with statute and regulation, as well as ensure public safety.

Proposed subsection (c)(30) would require that microbusiness applicants include a detailed description of the applicant's operating procedures required by this proposed section for each cannabis activity the applicant intends to engage in. This is necessary because microbusiness

applicants can engage in cultivation and manufacturing which are not activities that are regulated by the Bureau, therefore only these applicants would need to provide cultivation and/or extraction and infusion methods.

Proposed subsection (c)(31) would require that applicant's for a testing laboratory also provide the operating procedures required under proposed chapter 6 of this division. This requirement is repeated in the application for clarity so that applicants may have all the required materials for an application listed in one section.

Proposed subsection (c)(32) would require that applicant's provide a limited waiver of sovereign immunity if applicable as required under proposed section 5009. This requirement is repeated in the application for clarity so that applicants may have all the required materials for an application listed in one section.

Proposed subsection (c)(33) would require that applicants provide evidence of exemption from, or compliance with, the California Environmental Quality Act as required by proposed section 5010. This requirement is repeated in the application for clarity so that applicants may have all the required materials for an application listed in one section.

Proposed section 5003

Proposed section 5003 provides that an application must be submitted by an owner, defined under Business and Professions Code section 26001, subdivision (a), as including, a person with an aggregate ownership interest of 20 percent or more in the person applying for a license, the chief executive officer of a nonprofit or other entity, a member of the board of directors of a nonprofit, the trustee and all persons that have control of a commercial cannabis business in trust or the trust, or an individual who will be participating the direction, control, or management of the person applying for a license.

Proposed subsection (b) further clarifies who is considered an owner under the statutory definition, specifically establishing that an individual participating in the direction, control, or management of the person applying for a license can include a general partner of a commercial cannabis business organized as a partnership, a non-member manager or managing member of a commercial cannabis business organized as a limited liability company, an officer or director of a commercial cannabis business organized as a corporation, a trustee or person with control over the trust, or any individual that assumes responsibility for the licensee. Subsection (c) provides that an entity with a 20 percent or more aggregate ownership interest in the person applying for licensure must include all appropriate owners for that entity.

This section is necessary to clarify what types of individuals participate in the direction, control, or management of a business or corporate entity, so as to be included on an application for licensure. This information is essential in identifying the true and correct individuals that are owners of a commercial cannabis business. The true and correct identities must be provided because MAUCRSA requires licensing authorities to make a complete and thorough determination of a person's suitability for licensure, including consideration of an owner's history of convicted offenses that are substantially related to the qualifications, functions, or duties of the profession for which application is made, pursuant to Business and Professions Code section 26057. This is

to ensure that the Bureau is carrying out the statutory mandate for public protection as the highest priority, by licensing only qualified persons and ensuring that the persons do not have an interest in a testing laboratory as required by the Act.

Proposed section 5004

Proposed section 5004 is necessary to clarify what is a financial interest. Business and Professions Code section 26051.5, subdivision (a)(7) requires the applicant for a commercial cannabis license to provide any other information as required by the licensing authority. The regulation clarifies that a financial interest is an agreement to receive a portion of the profits of a commercial cannabis business, an investment into a commercial cannabis business, a loan provided to a commercial cannabis business, or any other equity interest in a commercial cannabis business. The Bureau has added proposed clarity language stating that an agreement to receive profits is a financial interest in the business as a person will be receiving money that is tied to the success of the business. The Bureau has received questions related to this issue and so believes including such language it will provide further guidance to applicants. The Bureau has also restated what interests are not financial interests contained in the Act for clarity.

Proposed subsection (b) provides what the license application shall include for a person with a financial interest in the applicant. Proposed subsection (c) clarifies that banks and other financial institutions that provide loans; individuals whose only financial interest is through an interest in a diversified mutual fund, blind trust, or similar interest; individuals whose only financial interest is a security interest, lien, or encumbrance on property used by the applicant; and individuals who hold a shares of stock less than 5% of the total shares in a publicly traded company, are not required be listed pursuant to financial interest in the applicant. The Bureau has determined that a person who holds stock in a publicly traded company that is less than 5% of the total shares is similar to a person who holds a security interest due to a lack of direct control over the entity. This 5% threshold is modeled after the Security Exchange Commission ownership reporting threshold. This is necessary to ensure that it is clear that lenders are not owners and therefore not required to apply for the license and submit to background checks.

Proposed section 5006

Proposed section 5006 is necessary to clarify that the premises must meet the requirements of the Act and the regulations and to clarify what specific information is required to be included on a premises diagram. Business and Professions Code section 26051.5 subdivision (c) requires that an applicant for licensure provide a complete detailed diagram of the proposed premises wherein the license privileges will be exercised, with sufficient particularity to enable ready determination of the bounds of the premises. The statute also requires that such a premises diagram includes all boundaries, dimensions, entrances and exits, interior partitions, walls, rooms, common or shared entryways, and a brief description of the principal activity.

Proposed subsection (a) clarifies for the applicant what the premises diagram will be used for in the application process to assist the applicant with understanding how the purpose of the diagram in the Bureau's review. Proposed subsections (a) and (b) include the statutory requirements, for purposes of clarification, while proposed subsections (c) and (d) require the premises diagram to identify specific areas of commercial cannabis activity, designation of limited-access areas, as well

as the location of all security cameras, with an assigned number to each camera for identification purposes. Subsection (c) also clarifies the specific types of commercial cannabis activity that must be identified, including, but not limited to, storage, batch sampling, loading or unloading of shipments, packaging and labeling, customer sales, loading for deliveries, extraction, growing, or processing.

Proposed subsections (e) and (f) require the premises diagram to be to scale, and drawn in black-and-white print only, without any highlighting. Proposed subsections (g) and (j) clarifies that a complete diagram also includes the entirety of a property and its uses, including residences with separate and distinct markings, even when the proposed premises consists of only a portion of that property. Proposed subsection (h) further provides that a property with two or more proposed premises must clearly show the designated entrances and walls under the exclusive control of the applicant for the premises as well as those for each additional premises, which is in accordance with Business and Professions Code section 26001, subdivision (ap), which requires each premises to be a contiguous area and occupied by only one licensee. Proposed subsection (i) clarifies that a microbusiness application that includes cultivation activities will have additional requirements, as required by statute, and further clarified in section 5501 of the regulations. Lastly, proposed subsection (j) would clarify that if a premises is located on only a portion of a property that also contains a residence, then the diagram must clearly show the designated buildings for the premises and the residence.

This section helps establish what is considered a complete and detailed premises diagram. A scaled, thorough, and legible diagram will allow the Bureau to appropriately, and within a reasonable timeframe, evaluate the application for compliance with the law. The information required in this section is needed to assist in clearly identifying with sufficient particularity, the boundaries and characteristics of the premises and land. Not only is this required by statute, but it will also allow the Bureau to ensure that the premises meets all legal requirements and that the licensee is the only one in control of the premises. In determining to propose the additional language, the Bureau considered the inquiries it receives and issues it has identified with submitted diagrams and provided further clarity. Highlighting and colored print on the premises diagram are not allowed as any highlighting or colored print often will not translate to secondary printed copies, so any nuances detailed in color or highlighting will be rendered useless. Black-and-white print will ensure that the diagram is usable if copied.

Proposed section 5008

Business and Professions Code section 26051.5(a)(10) requires that all applicants provide proof of a bond to cover the costs of destruction of medical cannabis or medical cannabis products if necessitated by a violation of licensing requirements. Additionally, Business and Professions Code section 26070(a)(2) specifically requires that distributor licensees be bonded at a minimum level established by the licensing authority. The Bureau developed a bond form which was approved by the California Department of Justice and can be located under Title 11, California Code of Regulations, Article 56, at section 118.1, thus, will now require use of the form.

This section is necessary to fulfill the statutory requirement that the Bureau establish a minimum level of bond. This section establishes the bond amount minimum of \$5,000. The Bureau looked at other states that had required a bond and found that it was difficult if not impossible for licensees

in other states to obtain a bond. The Bureau determined that \$5,000 was a high enough amount to cover destruction while still being low enough to be reasonably obtained by licensees.

Proposed section 5009

Proposed section 5009 provides that an applicant or licensee that may fall within the scope of sovereign immunity must waive any sovereign immunity defense. The sovereign immunity defense provides exemptions from certain state laws. This subsection is necessary to ensure that all licensees who engage in commercial cannabis activity are required to follow MAUCRSA and the regulations implementing it. This proposed section will provide for fair and efficient regulation in the cannabis industry, while allowing tribal governments the opportunity to participate in the legal regulated industry. The requirement that a new waiver accompany each license and renewal application will ensure that a valid waiver will be in place for the entire period of the license or renewal. The requirement for the applicant to demonstrate the waiver's signatory has the authority to enter into such an agreement is necessary to ensure the waiver is valid and binds the applicant or licensee to the terms and conditions listed therein. This subsection is necessary to ensure the waiver is a valid executed contract entered into by the tribal government and the Bureau. Proposed subsections (a)(2) – (a)(6) require the tribal sovereignty waiver to include language that clearly states all tribal entity applicants shall conduct all cannabis business activity in full compliance with all state laws and regulations, that the Bureau has access to all licensed areas, access to all records pertaining to commercial cannabis activity, and that all licensees may only sell product to other licensees and customers meeting the legal requirements to purchase cannabis goods. These subsections are necessary to ensure the Bureau has the ability to fully enforce all statutes and regulations related to the licensing of cannabis business activity and that all cannabis licensees are regulated with the same standards and expectations. Without this specific language, it may be unclear which regulations would be applicable to a tribal government creating business and enforcement uncertainty. Proposed subsection (7) clarifies the applicable body of substantive and procedural laws and which legal forum will be used to resolve disputes. Without this language in the waiver it is unclear which court or administrative tribunal is the appropriate forum for redress of claims, which could lead to confusion and delay. This language is necessary to clarify this complex intersection of state, federal, and sovereign immunity law and to avoid conflict of legal jurisdiction and choice of forum for dispute resolution. It also clarifies the applicable law, legal claims, and rights afforded the parties. This provision is necessary to ensure that all matters related to the license issued by the Bureau related to commercial cannabis activity in California will be governed by California law and litigated in California. Proposed subsection (b) specifies that the Bureau will not approve an application for a state license if approval would violate the provisions of any local ordinance or regulation, which is a restatement of the law, under Business and Professions Code section 26055, subdivision (d), and is included to provide clarity. Proposed subsection (c) requires the licensee to notify the Bureau when any material changes have been made to their business entity, their premises, or any other information supplied in their application. Without requiring a licensee to update the Bureau of material alterations of facts there is no assurance the changes are permitted within the statutory and regulatory framework. Without an affirmative duty placed on a licensee to notify the Bureau, a noncompliant change may continue for a significant amount of time before discovery. Placing an affirmative duty to notify ensures the Bureau is kept consistently aware of the shape, condition, and legality of the licensee and licensed premises. This requirement is applicable to other licensees as well; therefore, it is included here for clarity. Proposed subsection

(d) clearly states the consequences for statutory or regulatory non-compliance. This subsection is necessary to clarify non-compliance of any of these terms and conditions could lead to denial or discipline of a licensee. This subsection also clarifies that all licensees, tribal governments and non-tribal governments, are governed by the same standards and disciplinary guidelines.

Article 3

Article 3 of the proposed regulations would provide clarification of special conditions, terms, prohibitions, or requirements, set forth in MAUCRSA that apply to all license types. Specifically, the proposed regulations would clarify the annual license fee for each license type depending on the size of the business. The proposed regulations would also specify how the license fee can be paid. The proposed regulations would clarify the requirements for priority licensing. Additionally, the proposed regulations would clarify which offenses are substantially related to the qualifications, functions, or duties of the business for which licensure is sought and would clarify the criteria for the Bureau to consider in determining whether an applicant that has been sufficiently rehabilitated and is therefore suitable for licensure. The proposed regulations would also provide the specific criteria under which a license can be denied, how the Bureau will notify the applicant that the application was denied, and what the applicant must do to contest the denial.

The proposed regulations would clarify how the Bureau will evaluate whether an excessive concentration of licenses exists in the area of a proposed premises, during application review. The proposed regulations would clarify how a license is renewed and when a license is considered surrendered or cancelled. Additionally, the proposed regulations would specify when the Bureau must be notified of a change in the information previously provided to the Bureau, and when those changes require a new application or just notification to the Bureau. The regulations would clarify what happens to the license when the licensee dies or becomes unable to perform the duties associated with the license.

The proposed regulations specify that a licensed premises must not be within a 600-foot radius of a school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center that is in existence at the time the license is issued and under what circumstances an exemption may be allowed. The proposed regulations would also specify that a licensee cannot make a physical modification that materially or substantially alters the licensed premises from the premises diagram last filed with the Bureau and clarifies what material or substantial changes are. Further, the proposed regulations would specify that a licensee may not sublet a portion of the licensed premises.

In recognition of the medicinal cannabis businesses that are currently in operation, the proposed regulations would specify a transition period during which time licensees may engage in certain limited activities that are otherwise prohibited under the Bureau's regulations or the regulations developed by the State Department of Public Health. This conduct may be engaged in from January 1, 2018 and before July 1, 2018. During the transition period the following may occur: (1) retailers may sell cannabis goods held in their inventory at the time of licensure that are not in child-resistant packaging if they are placed into child-resistant packaging by the retailer at the time of sale; (2) non-edible cannabis products that do not meet the tetrahydrocannabinol (THC) limits per package set by the State Department of Public Health may be transported and sold; (3) an M-licensee may sell medicinal edible cannabis products that are 10 milligrams of THC per serving

regardless of the THC amount in the package; (4) cannabis goods that do not meet labeling requirements prescribed by the Act or the State Department of Public Health may be transported and sold if a sticker with the applicable warning under Business and Professions Code section 26120, subdivisions (c)(1)(A) or (c)(1)(B) is affixed to the cannabis goods prior to sale by a retailer; (5) cannabis goods that have not undergone laboratory testing may be transported and sold if a label stating that they have not been tested is affixed to each package containing the goods prior to sale by a retailer; (6) dried flower held in inventory by a retailer at the time of licensure may be packaged by the retailer into individual packages for sale; and (7) cannabis products held in inventory by a retailer that do not meet the requirements under Business and Professions code 26130 and 26131 and the State Department of Public Health's regulations for ingredients and appearance may be sold by the retailer. The Bureau has removed from this section the provision allowing licensees to conduct business with one another irrespective of license designation because the Bureau is proposing to allow this activity to continue beyond June 30, 2018; therefore, now addresses it in another section of the regulations.

The proposed regulations would provide that a licensee is responsible for the acts of an agent, officer, or other person acting for or employed by the licensee. The proposed regulations would specify that licensees shall not employ or retain persons under 21 years of age. The proposed regulations would clarify that all commercial cannabis activity must be conducted between licensees. The proposed regulations would specify inventory storage requirements and would also clarify what a significant discrepancy in inventory is. The proposed regulations would also specify when a licensee must notify the Bureau of criminal acts, civil judgements, revocation of a local license, permit, or other authorization, and theft or loss of cannabis goods.

The proposed regulations would specify which business records must be kept, how long they must be kept, and in what manner they must be kept. The proposed regulations would also specify what a licensee may do in case of a disaster such as a fire or flood.

Article 3 is necessary to ensure that the licensees understand requirements for licensure, responsibilities of licensure, and that the Bureau is informed when changes are made related to information contained in the application which impact whether the person or premises should be licensed.

Proposed sections 5014

Proposed section 5014 implement the Bureau's authority to collect fees in connection with its regulatory activities under Business and Professions Code section 26012, subsection (b). The fees adopted by the Bureau are based on a recommendation from the economists at the University of California Agricultural Resources Center (AIC), which considered:

- Administrative ease – The ease by which a fee could be administered was considered a factor in the evaluation of fee options. To reduce administrative costs that impact the ability of the Bureau to fully utilize revenue to cover program activities, the fees should not be overly burdensome for the Bureau. An efficient fee policy should have minimal administrative costs to the Bureau.

- Non-regressive, non-progressive – The inherent fairness of a fee was considered a factor in the evaluation of fee options. The variety of businesses suggests variety of fee ranges to absorb the impact of the fees.
- Reflective of administrative cost – The extent to which a fee policy reflects the Bureau's costs associated with program workload was considered.

The license fees were determined to be necessary to account for the Bureau's expected total operating costs, which also includes the General Fund loan that was used to establish and support the regulatory activities of the Bureau pursuant to former Business and Professions Code section 19351, and the cost of the licensee's operation of the track and trace system. The license fees are scaled to the size of the business entity licensed as required by the Act, and are based on the costs of services, as well as the potential compensation for each license type. The proposed fees now take into account that licensees will not have to obtain separate licenses and pay separate fees when requesting an A-designation and an M-designation to conduct the same cannabis activity. The proposed fees also reflect additional operational costs identified since the emergency regulations were first adopted. The provisions related to fees are necessary to fund the operations of the Bureau and have been set based on the economic research and analysis of economists.

Subsections (b) and (e) indicate that a license fee must be paid by a licensee or applicant before a license is issued. This language is necessary to clarify when fees must be paid to the Bureau; license fees are condition precedent to license issuance. Subsection (f) provides clarity for prospective licensees regarding whether the license fee is non-refundable.

Proposed section 5015

The proposed regulation is necessary to support the Bureau's regulatory program. The Bureau is authorized to collect fees in connection with its regulatory activities under section 26012, subdivision (b) of the Business and Professions Code. Subsection (a) is necessary because it clarifies what methods applicants for licensure may use to remit payments to the Bureau. The Bureau has also clarified that checks and money orders may be made out to the Bureau or the Department of Consumer Affairs. This is necessary to ensure payments can properly be processed.

Subsection (b) is necessary because it provides additional clarification for payments remitted by debit or credit card, by specifying that payment through these methods shall be done via the Bureau's online licensing system. The subsection also clarifies that if an applicant chooses to pay via debit or credit card, there may be additional fees imposed by the third-party vendor that will be processing payments.

The penalty outlined in subdivision (c) is necessary to address circumstances where an applicant for licensure or licensee pays an amount less than the appropriate licensing fee. It clarifies potential penalties and provides that failure to pay appropriate fees may also result in disciplinary action. This is necessary as the Bureau is required to fund its operations through licensing fees and will help ensure that fees are paid. This section also recognizes that a licensee may underestimate the maximum dollar value of its planned operation and provides the Bureau discretion to waive penalty fees based on the individual's situation.

Proposed section 5016

Proposed section 5016 is necessary to address the information needed by the Bureau to evaluate whether an applicant meets the criteria contained in Business and Professions Code section 26054.2, which requires that in issuing licenses the Bureau shall grant priority in issuing licenses to applicants that can demonstrate the applicant operated in compliance with the Compassionate Use Act of 1996 and its implementing laws before September 1, 2016. The section provides two ways to establish priority, being on a list from the local jurisdiction and providing a document containing specified information. Not all applicants will have preserved specific information related to cannabis activity in anticipation of future state regulation and the industry has only been regulated at the local level, providing alternate methods of meeting this threshold is necessary. Applications will be processed in the order received to allow for efficient processing.

Proposed section 5018

The purpose of this proposed section is to define additional grounds for which the Bureau may deny a license. Business and Professions Code section 26057 states non-inclusive grounds for denial of a license. This proposed regulation is added to provide additional clarification to the Act and is necessary to provide transparency to the industry regarding additional reasons the Bureau may choose to deny a license.

When applying for a license from the Bureau, applicants are required to submit certain documents to the Bureau, including operating procedures and a diagram of their proposed premises. Subsections (a) and (b) of this proposed regulation clarify that the Bureau may deny an applicant whose premises does not comport with standards set in regulation or whose premises is substantially different from the premises diagram submitted to the Bureau. Subsection (b) clarifies that an applicant's premises is substantially different from the diagram of the premises submitted by the applicant, in that the size, layout, location of a common entryways, doorways, or passage ways, means of public entry or exit, or limited-access areas within the licensed premises are not the same. This allows the Bureau to take action if the applicant misrepresents the premises in the diagram, therefore, ensuring that a license is not issued if the premises does not comport with the Act.

The Act authorizes the Bureau to inspect commercial cannabis premises to verify that commercial cannabis operations are operating in accordance with the Act. Subsection (c) of this proposed regulation will ensure that the Bureau is able to deny a license to an applicant that denies the Bureau access to their premises for the purposes of inspection.

Proposed subsections (d) and (e) specify that committing a material misstatement or failing to correct deficiencies on a license application is grounds for denial of a license. The Bureau relies on accurate information in the application to determine whether an applicant is qualified for licensure. It is imperative that the information provided be accurate. The Bureau has determined that these proposed subsections are necessary to deter material misstatements or deficiencies on applications and to clarify that the Bureau may deny an application if such misstatements or deficiencies were to occur.

Proposed subsection (f) provides that the applicant may be denied for a license for the Bureau if it has been denied a license, permit, or other authorization to engage in commercial cannabis activity by a state or local licensing authority. This is necessary because there are two other state licensing authorities and hundreds of local licensing authorities. If one of the other licensing authorities denies an applicant, the Bureau must be able to take that denial, and the reasons for that denial, into consideration.

Proposed subsection (g) provides that the applicant may be denied a license for failure to comply with the California Environmental Quality Act (CEQA, Division 13 (commencing with Section 21000) of the Public Resources Code). This is necessary because every discretionary approval, such as an application for licensure submitted to the Bureau for review, requires at least some environmental review pursuant to CEQA. Consistent with CEQA's review requirements, a license may not be approved if feasible alternatives or mitigation measures are able to substantially lessen the significant environmental effects generated by its approval.

Proposed subsection (h) provides that the applicant may be denied a license for failure to remit taxes as required under the Revenue and Taxation Code. This is necessary because license fees are based on the maximum dollar value of a licensee's planned operation. If applicants are not remitting their taxes as required under the Revenue and Taxation Code, it will be difficult for the Bureau to determine whether an applicant is paying the appropriate scaled license fee. Moreover, failure to pay taxes may have bearing on whether an applicant is fit for licensure.

Proposed subsection (i) provides that the applicant may be denied a license on any additional violations of applicable law. This provision provides clarity to licensees that violations of applicable law that may not be included in the Act specifically could be grounds for denial, such as failure to comply with laws applicable to all businesses, not just cannabis businesses. This provision is also necessary because it provides some flexibility on the types of evidence that can be considered by the Bureau in determining whether an applicant is fit for licensure.

Proposed section 5023

The Bureau recognizes that the information provided as part of an application for licensure is not static and changes may arise. The purpose of this section is to require existing licensees to timely notify and apprise the Bureau of any changes to the information listed in the application; this assures that the Bureau has up-to-date information on its licensees. It also clarifies that any change to the business organizational structure or ownership requires the submittal of a new application for licensure.

Proposed subsection (a) is necessary to assure that all licensees maintain up-to-date copies of their standard operating procedures. This allows for the Bureau to effectively administer its inspection duties under the MAUCRSA and assures that current standard operating procedures for each licensee, are available for review.

Business and Professions Code section 26051.5, subsection (a)(5) requires that a licensee who employs 20 or more employees provide a statement that the licensee will enter into or has entered into a labor peace agreement. Proposed subsection (b) clarifies that licensees who employed less than 20 employees and were not subject to this provision at the time the license was obtained, must

comply with the requirements of the statute if at some point after licensure, they employ 20 or more employees and become subject to this provision. The requirement to enter into the agreement within 30 days ensures that the licensee will promptly comply with the statute and is the same amount of time in which an applicant without an agreement must enter into one. The Bureau is no longer requesting a copy of the agreement as the statute does not mandate the terms of the agreement is it unnecessary.

Proposed subsection (c) is necessary to clarify that anytime ownership changes or the business changes its organizational structure a new application is required. This is necessary to verify ownership and conduct background checks on owners.

Proposed subsection (d) is necessary to clarify that anytime there is a change in persons with financial interest in the commercial cannabis business that do not meet the requirements for a new license, the licensee must submit this information. This is necessary because of the need to verify financial interests in commercial cannabis entities.

There may be some situations where a licensee has one license designation and may want to engage in both A and M licensed activities. Subsection (e) is necessary because it clarifies the procedures that a licensee must follow in order to request additional commercial activities under their license. It also clarifies that a licensee may not engage in the additional licensed activities until they have received formal approval from the Bureau to do so; therefore, allowing the Bureau to ensure that the licensee meets all the requirements for the new designation, including that the activity is allowed by the local jurisdiction.

Proposed subsection (f) clarifies that microbusiness licensees may request a modification to their existing microbusiness license to add additional licensed activities and outlines the procedure to do so. This subsection also clarifies that a licensee may not engage in the additional licensed activities until they have received formal approval from the Bureau to do so. This provision is necessary to allow the Bureau to determine whether the licensee meets all of the requirements to conduct the additional activity before the licensee engages in the activity.

Business and Professions Code section 26053, subsection (d) requires a separate license for each location where a licensee engages in commercial cannabis activity. Consistent with this requirement, proposed subsection (g) clarifies that anytime a licensee wishes to change the location of their licensed premises, a new application must be submitted. This provision is necessary to allow the Bureau to determine if the proposed new location is acceptable for licensure as required by the Act.

Proposed section 5024

The Bureau recognizes that certain events may inhibit an owner's ability to effectively satisfy the conditions of licensure. The purpose of this section is to specify what happens to a license in the event of an owner's death, incapacity, receivership, assignment for the benefit of creditors of a licensee, or other event rendering an owner incapable of performing the duties associated with the license. This section is necessary as it provides an owner's successor in interest the opportunity to transition the owner's operations and/or wind-down the licensed business' affairs prior to expiration of the license. This regulation provides that, although the successor in interest may

continue operations on the licensed business premises for a period of time, the successor in interest is not automatically guaranteed issuance of a state cannabis license. Requiring the successor in interest to submit a new application for licensure after a certain period enables the Bureau to determine a new owner's fitness for licensure. The Bureau now proposes to use the term owner, instead of licensee, in this section for clarity purposes as an owner may have an interest in the license but may not be the actual licensee to which the license is issued, such as when the licensee is an entity.

Proposed section 5025

The MAUCRSA, in section 26053, subdivision (d) of the Business and Professions Code, requires that each premises upon which commercial cannabis activity is conducted be licensed. Proposed subsection (a) further elaborates on the premises and by doing so ensures that applicants know how many licenses they will need for the areas upon which they will conduct their commercial cannabis activity and the requirements for each location. The premises on which commercial cannabis activity is conducted is subject to numerous requirements and inspection by the Bureau, therefore, one designated area, with its own distinct address or suite number, which is occupied by one licensee, allows the Bureau to effectively inspect the area and allows for one responsible licensee who must ensure compliance with license conditions.

Subsection (b) is necessary to clarify the limited circumstances in which a licensee may have the same licensed premises for adult-use and medicinal commercial cannabis activity. Specifically, this subsection provides that where a licensee holds an A-designation and an M-designation for one type of commercial cannabis activity under the same ownership, the activities may be conducted on the same premises. This subsection clarifies for the licensee that when a licensee holds licenses for separate types of cannabis activity; those activities may not be conducted on the same premises. It also clarifies that licenses with different owners may not be located on the same premises; thus, need defined spaces.

Subsection (c) is necessary to clarify that licensees authorized to engage in retail activities may only sell cannabis goods to customers within their licensed retail premises. Security is very important in operating a cannabis business. Allowing a licensee to utilize a drive through or walk-up window may result in the licensee losing control over who enters the premises, which may lead to an increased risk of theft, diversion, or other unauthorized activity. A similar concern arises with deliveries from the retail premises to customer's motor vehicle. The risk of losing control over the premises is eliminated with this subsection.

Section 26054 (a) of the Business and Professions Code prohibits licensee's from selling alcoholic beverages or tobacco products at a premises licensed under this division. Accordingly, subsection (d) clarifies that alcohol may not be stored or consumed at a licensed premises, thereby limiting the potential for licensees to violate this enumerated provision in MAUCRSA. Subsection (e) requires a wall between manufacturing and cultivation premises, and other types of premises. It also requires doors to be closed. This provision is necessary for public safety as chemicals may in use during cultivation and manufacturing; thus, a barrier will protect others.

Proposed section 5026

The purpose of this section is to provide added clarity on appropriate locations for a prospective licensee's premises. Proposed subsections (a) and (b), consistent with section 26054 of the Business and Professions Code, indicate that a licensed premises shall not "be located within a 600-foot radius of a school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center that is in existence at the time the license is issued, unless a licensing authority or a local jurisdiction specifies a different radius." Where a local jurisdiction has issued a license or permit to conduct commercial activity at a premises that is located within the 600-foot radius identified above, subsection (b) identifies the types of evidence the Bureau will consider to evaluate if the premises location meets the statutory requirements.

Subsections (c) and (d) are necessary for public health and safety by ensuring that the licensee is the only one in control of the licensed premises. Allowing a licensed premises that may only be accessed via another business or residence may result in the licensee losing control over who enters the premises, which may lead to an increased risk of theft, diversion, or other unauthorized activity. Additionally, an unlicensed person is not subject to the rules and regulations for operating a cannabis business. The risk of the licensee losing control over the premises is eliminated with the location restrictions identified in these subsections. Additionally, due to privacy issues, it is not appropriate for the licensed premises to be comingled with a residence which may be occupied by non-licensees and may prove difficult to determine the premises from the living quarters.

Subsection (e) is necessary to assure that the Bureau is able to conduct timely inspections when needed. This subsection is also necessary to assure that the Bureau can effectively enforce its regulations and conduct thorough investigations.

Proposed section 5027

In order for the Bureau to effectively carry out its duties under the Act, it is necessary to have accurate and up-to-date information on licensed premises. The purpose of this section is to specify that a licensee shall not make a physical change, alteration, or modification of the licensed premises that materially or substantially alters the licensed premises or the use of the licensed premises without the prior written approval of the Bureau.

Proposed subsection (a) requires the licensee to receive written approval from the Bureau prior to making any material alterations. Without requiring a licensee to update the Bureau of material alterations, there is no assurance that the changes are permitted within the statutory and regulatory framework. Without the affirmative duty of a licensee to notify the Bureau, a change may go a significant amount of time in noncompliance before discovery. Altering premises without notification could also hinder Bureau investigations and audits, make site visits take longer, and potentially be unsafe. By requiring an affirmative duty to notify the Bureau of material changes, the regulations ensure that the Bureau is consistently aware of the shape, condition and legality of licensed premises.

Proposed subsection (b) lists examples of material changes and is necessary to inform licensees of what premises changes will require prior approval from the Bureau. The changes listed may impact whether the premises are appropriate for licensure and require additional evaluation to ensure

compliance with law. Proposed subsection (c) provides the requirements of a request for approval of a physical change, alteration, or modification and is necessary to specify what a licensee must provide to the Bureau with the initial request. Proposed subsection (d) provides that a licensee shall provide additional documentation as requested by the Bureau, and is necessary for situations where the Bureau needs additional information in order to approve or deny the licensee's request for premises modification.

Proposed section 5029

Section 26130, subdivision (b)(2) of the Business and Professions Code provides that edible cannabis products shall not exceed 10 milligrams per serving. Proposed subsection (a) clarifies when the Bureau will start enforcing this statutory requirement.

MAUCRSA outlines a number of packaging and labeling provisions that must be adhered to by licensees engaging in commercial cannabis activities. However, the transition to the regulated market will take time. In addition, some licensees may have product that had been procured prior to January 1, 2018. Subsection (b) would allow licensees to conduct engage in certain commercial cannabis activities, that are otherwise prohibited, until July 1, 2018. This will allow commercial cannabis to be available to all licensees as the regulated commercial cannabis market continues to develop statewide. The Bureau has removed subsection (b)(1) which allowed licensees to do business with any other licensee irrespective of designation because this provision will not cease to be in effect after June 20, 2018, and is now addressed in section 5032. The language of subsection (b)(4) was modified for clarity.

Proposed section 5031

This proposed section clarifies that employees working within a licensed premises and/or handling cannabis or cannabis products shall be at least 21 years of age. Business and Professions Code section 26140, subdivision (a)(3) prohibits licensees from employing or retaining persons under 21 years of age. The Bureau finds that extending this requirement to all licensees is integral for the protection of minors by limiting access to cannabis goods. The Bureau recognizes that there may be some non-management or non-cannabis activities, such as internet technology or multimedia services, which do not require an employee to handle cannabis or work within the licensed premises; this regulation would permit the retention of persons under 21 years of age, provided the employee or contractor does not work within the licensed premises or handle cannabis.

Proposed section 5032

The purpose of this section is to protect public health and safety and ensure an effective method of tracking both adult-use and medicinal commercial cannabis goods by specifying the requirements for transactions between licensees. This section also recognizes the importance of providing licensees the ability to procure and sell product based on the commercial cannabis market's demands. In furtherance of these goals, subsection (a) specifies that all commercial cannabis activity shall be conducted by licensees. Subsection (b) provides that Bureau licensees may conduct business with other licensees irrespective of the "M" or "A" designation on their licenses. Subsections (c) and (d) specify who licensed distributors and retailers may sell goods

designated as “For Medical Use Only” to comply with requirements for medical only products. This section is necessary for the reasons discussed above in the section entitled “License Designations – “A” and “M” Commercial Cannabis Activity.”

Proposed section 5038

Proposed section 5038 is necessary, in part to ensure that, pursuant to Business and Professions Code section 26013, subdivision (c), compliance with the regulations is not so onerous that the operation under a cannabis license is not worthy of being carried out in practice by a reasonably prudent businessperson. The Bureau has determined that in certain circumstances a licensee may be relieved from regulatory provisions. Additionally, Government Code section 8571 provides that during a state of emergency the Governor may suspend any regulatory statute, or statute prescribing the procedure for conduct of state business, or orders, rules, or regulations of any state agency, where the Governor determines and declares that strict compliance with any statute, order, rule, or regulation would in any way prevent, hinder, or delay the mitigation of the effects of the emergency. This section would allow licensees that have been impacted by a disaster to be relieved from rules, orders and regulations that would otherwise delay mitigation of the effects of the disaster and the ability to keep cannabis goods secured to prevent diversion in the illegal market and prevent minors from accessing cannabis goods. This section is necessary to allow the Bureau to carry out the implementation and enforcement of MAUCRSA, and the regulation of commercial cannabis activity. Notice of commercial cannabis activity that may be in conflict with MAUCRSA or the regulations should be provided to the Bureau. This section is also necessary to ensure that licensees are provided an opportunity to exercise the privileges of their license, when otherwise prohibited from doing so by forces and circumstances beyond their control, without making compliance with the regulations so onerous that the operation under their license is not worthy of being carried out in practice.

This section is necessary to ensure that licensees who have been impacted by a disaster are not deemed to have surrendered, abandoned, or quit their licenses, due to the impacts of the disaster, if their intent is to continue as a licensee. Additionally, the provisions allowing a licensee to move product to a location different than the original location approved by the Bureau is critical to public safety to ensure that cannabis goods are secured. The Bureau has determined that 24 hours to notify the Bureau is sufficient time for the licensee to immediately secure cannabis goods while providing prompt notice of the change in location to the Bureau. Further, the Bureau has determined that 10 business days is the appropriate time to allow a licensee to provide the Bureau with a request for relief as it allows the licensee time to address the immediate effects of the disaster on the licensee’s business while not allowing too much time to elapse before the Bureau can evaluate the proposed plan.

Article 4

Article 4 of the proposed regulations contains requirements for posting and advertising. The proposed regulations would specify that the licensee must post the license at the licensed premises and clarify where the license must be displayed. The proposed regulations would specify where and when advertising or marketing placed in broadcast, cable, radio, print, and digital communications are allowable as well as specifying that the licensee must provide to the Bureau the audience composition data upon request. The proposed regulations would also specify that any

advertising or marketing involving direct, individualized communications must utilize a method of age affirmation to verify that the recipient is 21 years of age or older.

Article 4 is necessary to implement the statutory requirements related to advertising. The Bureau has clarified that the licensee must be able to provide data that the target audience of an advertisement meets the statutory percentage for advertisements, and that the licensee must take steps to ensure the recipient is 21 years or older. Requiring the licensee to conduct research about the market will help to prevent violations of the advertising rules and allow the Bureau to determine if the advertisement complies with law. Providing examples of how one can verify age will assist in preventing violations of the MAUCRSA.

Proposed section 5040

Business and Professions Code section 26151, subdivision (b) provides that any “advertising or marketing placed in broadcast, cable, radio, print, and digital communications shall only be displayed where at least 71.6 percent of the audience is reasonably expected to be 21 years of age or older, as determined by reliable, up-to-date audience composition data.” For convenience and clarity purposes, subdivision (a) of this section restates the requirements of MAUCRSA. Subsection (a) also prohibits the use of depictions or images of minors under 18 years of age. This is necessary to assure that advertising is reasonably tailored to appropriate, adult-audiences.

This section further provides clarity on how the Bureau will enforce this requirement. Specifically, subdivision (b) provides that upon request, licensees must provide the Bureau with audience composition data supporting the placement of advertising. This provision is necessary to ensure that the Bureau can determine whether the statutory requirement regarding age composition has been met by the licensee.

Where the audience composition data for advertising or marketing provided by the licensee does not comply with MAUCRSA, subdivision (c) requires the licensee to remove the advertising and marketing in question. This subdivision is necessary because it outlines the consequences of not complying with the advertising provisions of MAUCRSA.

Article 5

Article 5 of the proposed regulations contains minimum-security requirements that would apply to all licensees. The minimum-security requirements would include a requirement that visitors to a licensed premises be escorted by the licensee or an employee while in the limited-access areas of the premises and would require that employees of the licensee wear identification badges. The proposed regulations would also specify that licensees must use video surveillance systems and would provide the requirements for video surveillance. The proposed regulations would also specify that licensees must ensure that the limited-access areas can be securely locked using commercial-grade, nonresidential door locks and that licensees must use an alarm system at the licensed premises. The proposed regulations would also include a requirement that a retail licensee shall hire or contract for security personnel to provide security services for the licensed premises.

The MAUCRSA mandates the Bureau to promulgate regulations that ensure a safe and secure operation of the cannabis goods market. Business and Professions Code section 26011.5 holds

that the protection of the public shall be the highest priority for all licensing authorities in exercising licensing, regulatory, and disciplinary functions under MAUCRSA. Business and Professions Code section 26070, subdivision (b) provides that the Bureau shall establish minimum security requirements for the commercial distribution and delivery of cannabis and cannabis products. Business and Professions Code section 26070, subdivision (j) requires licensed retailers and microbusinesses to implement security measures reasonably designed to prevent unauthorized entrance into areas containing cannabis or cannabis products and theft of cannabis or cannabis products from the premises.

Article 5 is necessary to ensure that licensed premises are locked securely and that cannabis goods do not fall into the hands of minors, non-licensees, or persons who do not meet the requirements to possess cannabis. The proposed security measures will also protect public safety by limiting diversion into the illegal market.

Proposed section 5042

Proposed Section 5042 establishes that any individual who is not an employee, owner, or contractor of the licensee, must be escorted by the licensee or at least one employee, when in the limited-access areas of the licensed premises. Further, the proposed section now would require that all limited-access areas contain a locked door that is not open during operating hours except for when in use.

This section is necessary to ensure that limited-access areas, which can store cannabis goods and business records, do not become widely accessible to members of the public or to individuals that do not have a business-related purpose on the licensed premises. Limiting access to cannabis goods and records will ensure integrity of the product and goods, and reduce the risk of diversion. It also ensures that licensees can account for the individuals on their licensed premises.

Proposed section 5044

Proposed Section 5044 requires that each licensed premises maintain a video surveillance system (VSS) that meets specific requirements. Subdivision (a) requires a VSS to have at a minimum, camera resolution of 1280 x 720 pixels, and subdivision (b) requires the storage device or cameras to be transmission control protocol capable of being accessed through the internet. Subdivisions (c) and (d) require the VSS to effectively and clearly record images of the area and activities under surveillance, through permanently mounted and fixed locations that records within 20 feet of all points of entry and exit on the licensed premises. Subdivisions (e)-(1) provide the standards for recordings so that the recordings will allow for clear images, stored properly and available to the Bureau.

This section is necessary to ensure the safety of the individuals engaging in commercial cannabis activity, which is a cash-intensive industry, and more prone to safety risks. A VSS will not only deter potential criminal and illegal activities, but will also help licensee and enforcement authorities when reviewing illegal or criminal activities that have occurred.

The Bureau proposes to add subsection (m) which allows the sharing of surveillance systems if licensees reside in the same building. Each licensee must have access to the system and all are responsible for any violations. This provision is necessary to assist licensees with the costs of all

compliance based on public feedback, while also ensuring that licensees cannot simply blame one another if a violation occurs.

Proposed section 5045

Proposed section 5045 is necessary as security personnel will assist in keeping cannabis goods and persons at licensed premises safe. Commercial cannabis businesses operate within certain restrictions, including limitations on financial services through federally insured institutions, like banks. Due to this limitation, many commercial cannabis businesses engage predominantly in cash transactions, and are thus subject to increased security risks. Public comments received from commercial cannabis businesses indicated that many currently in the cannabis market have hired or contracted for security personnel, and believe such security measures are necessary for the safety of their personnel and customers. Unlike other licensees, retailers sell to the public at large, therefore, their premises present a heightened security risk than other licensees. The Bureau has proposed subsection (b) which provides that non-storefront retailers do not have to have security personnel as unlike a regular retailer the premises is not open to the public. Language related to the 21 year age limit for persons working at the premises and that security must always be present was added for clarity based on questions received by the Bureau.

This section is also necessary to provide clarity on the applicable definition of security personnel and ensure any security personnel meet the state requirements for the activities to be conducted as required by the Bureau of Security and Investigative Services.

A provision has been added to allow the sharing of security personnel for multiple premises located in the same building. This provision is necessary to assist licensees with the costs of compliance based on public feedback, while also ensuring that licensees cannot simply blame one another if a violation occurs.

Proposed section 5047

This section requires each licensee to keep and maintain an alarm system as defined in the Business and Professions Code section 7590.1, subsection (n). The MAUCRSA mandates the Bureau to craft regulations that ensure safe and secure operation of the commercial cannabis market. Current law permits the use of alarm systems but does not clarify the type or quality. This section is necessary to clarify for licensees the type and quality of alarm systems permitted for use. Alarm systems will prevent theft and help ensure public safety.

The Bureau proposes to add subsection (d) which allows the sharing of an alarm system if licensees reside in the same building. Each licensee must have access to the system and all are responsible for any violations. This provision is necessary to assist licensees with the costs of compliance based on public feedback, while also ensuring that licensees cannot simply blame one another if a violation occurs.

Article 6

MAUCRSA requires that all cannabis goods be tracked throughout the supply chain. Article 6 of the proposed regulations would specify the requirements for using the track and trace system and reporting the movement of cannabis goods in the system. The proposed regulations would also

specify that licensees must reconcile the physical inventory of cannabis goods at the premises with the track and trace records at least once every 14 days. The proposed regulations would also clarify the track and trace requirements for licensees operating under a temporary license, and those in operation at the time of licensure. The proposed regulations would also clarify what a licensee must do if the track and trace system cannot be accessed and the information that must be entered.

Article 6 is necessary to ensure that information is appropriately entered into the track and trace system to meet statutory requirements for the track and trace system, avoid diversion, audit licensee's activities, ensure cannabis goods have passed testing requirements, and allow for recall of unsafe cannabis goods. Business and Professions Code section 26067 requires the state to develop a track and trace system to record the movement of cannabis. The purpose of the track and trace program is to allow the Bureau and other licensing authorities to track the movement of all cannabis goods as the products move from licensee to licensee and eventually to the customer.

Proposed section 5052

Proposed section 5052 ensures effective tracking of the movement of cannabis goods by identifying the timing of track and trace responsibilities for licensees. Proposed subsection (a) indicates that a temporary licensee is not required to record commercial cannabis activity in the track and trace system. This section takes into account that temporary licensees will not have had the necessary track and trace training at the time of licensure. Proposed subsection (b) requires all temporary licensees to record all necessary track and trace information, at a minimum, on paper receipts, invoices, or manifests. The requirement that these items be maintained will aid the Bureau in enforcing these regulations, conducting investigations, and preventing diversion and other illegal activity. Proposed subsection (c) requires that all cannabis activity conducted between annual license holders be recorded in the track and trace system. In order for the track and trace system to be effective, all annual licensees must actively participate in the system. Proposed subsection (d) provides that temporary licensees in operation at the time of annual license issuance are required to input track and trace information from the date the account manager attends training forward. This information is to be input no later than 30 days after the track and trace system account manager attends the required training. This section ensures that all information is uploaded by the licensee. It also ensures that the Bureau is provided with all the required information once the track and trace system is operational. This information will allow the Bureau and other licensing authorities to track the movement of all cannabis goods as the products move from licensee to licensee and eventually to the customer.

Article 7

Article 7 of the proposed regulations would specify when returns of cannabis goods are permitted. The proposed regulations would also specify how cannabis waste is to be managed. The proposed regulations would also allow returns of defective products between licensees.

Article 7 is necessary to ensure that returns are limited to only defective products to protect consumer safety and ensure that returned products are destroyed appropriately to minimize diversion and to ensure that cannabis waste is handled in compliance with state law related to

waste. This will assist with public safety by limiting opportunity for cannabis goods to be diverted into the illegal market at the time of disposal or destruction.

Chapter 2: Distributors

The proposed distributor regulations would accomplish three goals: (1) ensuring cannabis goods are properly stored, handled, packaged, and tested; (2) ensuring distributors keep and maintain records that are adequate to effectively track and trace the cannabis goods, thereby assuring that cannabis goods are safe for use by the consumer prior to distribution for retail sale; and (3) ensuring cannabis goods are transported in a safe and secure manner.

First, the proposed regulations would clarify that a distributor may not store or distribute non-cannabis goods on or from the licensed premises. The proposed regulations would require that cannabis goods are properly stored, handled, packaged, and tested. The proposed regulations would allow a distributor to package, re-package, and label or re-label cannabis in the form of dried flower for a licensee. However, the proposed regulations would prohibit a distributor from accepting cannabis goods that have not already been packaged by the manufacturer who manufactured the products, unless the distributor also holds a manufacturing license and is packaging, re-packaging, labeling, or re-labeling its own manufactured cannabis products. The proposed regulations would also clarify the logistics for laboratory testing and would require the sampling to be recorded on video and the distributors to witness sampling in person. The proposed regulations would clarify when a batch “passes” laboratory testing and when it “fails.” The proposed regulations would specify the steps a distributor must take in conducting final quality-assurance review prior to transporting the cannabis goods to retailers.

Second, the proposed regulations would specify that distributors maintain commercial general liability insurance in the aggregate in an amount no less than \$2,000,000 and in an amount no less than \$1,000,000 for each loss. The proposed regulations would also specify that distributors must conduct inventory reconciliation at least once every 14 days and keep and maintain records specific to distribution and quality-assurance.

Third, the proposed regulations would clarify the requirements for the transportation of cannabis goods, requiring that the cannabis goods are not visible or identifiable during transport, that the cannabis goods are only transported by vehicle, requiring the cannabis goods to be in a secure locked box within the interior of the vehicle, requiring the vehicle to be attended at all times in residential neighborhoods, and requiring all transport vehicles to be equipped with alarm systems. The proposed regulations would specify that certain transport vehicle information must be provided to the Bureau and would set the minimum age for persons in commercial transport vehicles at 21 years of age. The proposed regulations would also require a distributor to submit a shipping manifest to the Bureau and the licensee receiving the cannabis goods prior to transport, and would specify what information a shipping manifest must contain. The proposed regulations would also specify a distributor transport only license which would allow the holder to exercise certain privileges related to transport only. The fees for a distributor transport only license would depend on whether the licensee would transport only the licensee’s product or product for other licensees.

The proposed regulations in Chapter 2 are necessary to implement and clarify the statutory requirements for distributors. Proposed section 5300 prohibits the distribution or storage of non-cannabis goods, with the exception of cannabis accessories and items used to conduct business, in the distributor's licensed premises. Cannabis goods is defined in proposed section 5000(c) and an item not meeting this definition would be included in non-cannabis goods. This is necessary to ensure public safety by not allowing other non-licensed activities to take place on the premises and to assist Bureau staff and law enforcement during inspections and audits. It is necessary to clearly delineate what may and may not occur on the licensed premises. Because the Bureau does not license non-commercial cannabis activities, it is proposed that such activities be prohibited. This applies to distribution or storage only services and does not prevent a licensee from storing supplies used in the business, such as office products, toilet paper, receipt books, cleaning supplies, and other similar items.

Proposed section 5303

Proposed section 5303 prohibits a distributor from packaging, re-packaging, labeling, or re-labeling cannabis products, with certain exceptions. Subsection (a) allows distributors to package and label cannabis, including pre-rolls, so that, after a batch has gone through laboratory testing, the cannabis need not return to the cultivator for packaging and labeling, as prohibited by the Department of Food and Agriculture's regulations. Subsection (b) clarifies that if a distributor also holds a manufacturing license, it is not prohibited from packaging and labeling its own manufactured cannabis products.

Proposed subsection (c) allows the distributor to relabel packages where the cannabinoid or terpenoid levels are determined to be incorrect, but within limits for sale, during laboratory testing on a manufactured product. This provision would eliminate the need to transfer possession of cannabis products back to the originating manufacturer, allowing for the unrestricted movement of cannabis products through the supply chain.

Along with storage and destruction, the ability of a distributor to package and label cannabis goods will allow for more efficiency and streamlined movement of cannabis goods through the distribution chain, which is necessary to ensure minimization of disruption to the commercial cannabis enterprise. Disruptions to the movement of cannabis goods through the supply chain will increase risks of diversion, as the cannabis goods will be exposed to a larger number of entities and persons before ultimately reaching the retailer and end-user.

Proposed section 5306

This section specifies the process for when a cannabis goods batch passes or fails the state-mandated laboratory test, clarifying Business and Professions Code section 26100 and 26110. Under proposed subsections (a) and (b), a batch passes if the samples analyzed by the testing laboratory meet the specifications set in regulation in Chapter 6, allowing the distributor to transport the cannabis goods to retailers. Conversely, as stated in proposed subsections (c) and (d), the batch fails testing if the samples analyzed by the laboratory do not meet the specifications set in regulation in Chapter 6, requiring the distributor to either relabel the cannabis goods if permissible, arrange for transportation of the cannabis product batch back to the manufacturer for remediation, or if the distributor is unable to do either, to destroy the failed batch. The provision

allowing cannabis goods to go to a cultivator for remediation has been removed to be consistent with the Act.

This section is necessary to carry out the requirement under MAUCRSA that all cannabis batches be subject to quality assurance review and testing, and specifies how and when cannabis goods meet testing standards to be safely sold to consumers, and how cannabis goods that fail testing are to be handled and disposed of, so that they are not illegally diverted, or exposed to children or other individuals. It further clarifies the requirement under Business and Professions Code section 26110, subdivision (c)(1), that all cannabis goods are stored on the distributor's premises until testing determines how the distributor may treat the cannabis goods. Additionally, this section is necessary to ensure proper destruction and disposal of the failed cannabis goods batch, which the distributor, who has physical possession of the cannabis goods, is in the best position to carry out. The ability to send failed cannabis batches to a cultivator for remediation has been removed to be consistent with the MAUCRSA.

Proposed section 5307

This proposed section contains the process by which distributors perform quality assurance reviews after receiving a certificate of analysis and before transporting any cannabis goods to a retailer for sale, as required by MAUCRSA pursuant to Business and Professions Code section 26110, subdivision (e).

Proposed subsection (a) would require that distributors ensure that the certificate of analysis received from the licensed testing laboratory corresponds to the batch currently being held by the distributor. This requirement is necessary to ensure that batches are not mistakenly identified so that a batch that has failed a laboratory test is not erroneously transported to a retail dispensary for sale to consumers. This will also account for the potential that cannabis goods batches may be mistakenly identified due to their similar appearance.

Proposed subsection (b) requires the distributor to ensure that, prior to transport to one or more retailers, cannabis goods are accurately labeled with the cannabinoid content and contaminants that correspond to the certificate of analysis. Under proposed subsection (c), the distributor shall ensure the cannabis packaging conforms to specifications required by law and clarifies that cannabis goods are not required to be labeled as medicinal products unless the California Department of Public Health requires them to be under their regulations. This is necessary because cannabis goods cannot be delivered to a retailer unless its packaging conforms to law.

Proposed subsection (d) requires the distributor to ensure that the cannabis goods packaging be tamper evident and defines that as the use of a seal affixed to the opening of the packaging, which will allow someone to recognize whether the package has been opened. Proposed subsection (e) would require a distributor to verify the weight or quantity of the batch matches that entered into the track-and-trace database, and that all events prior to receipt have been entered into the track and trace system.

This section is necessary to carry out the provisions of the statute requiring quality assurance review of cannabis goods prior to final distribution to a retailer. It clarifies the specific duties and obligations of the distributor for carrying out quality assurance review, such as checking for

accurate labeling, packaging, weight and count, and track and trace system reconciliation. Without clarity as to what steps need to be taken for quality assurance review, there will be no consistency in quality and integrity of the cannabis goods, which is integral to consumer safety and protection.

Proposed section 5311

This proposed section is required to establish security and safety requirements during the transportation and distribution of cannabis goods by distributor licensees, as required under Business and Professions section 26070.

Proposed subsection (a) is stated as defined in the Business and Professions Code section 26070 subdivision (c), "Transportation shall only be conducted by persons holding a distributor license under the ACT, or employees of those persons." This section is necessary to clarify the requirements for transportation.

Proposed subsection (b) is stated as defined in the Business and Professions Code section 26070 subsection (d), "All vehicles transporting cannabis goods for hire shall be required to have a motor carrier permit pursuant to Chapter 2 (commencing with Section 34620) of Division 14085 of the Vehicle Code. This section is necessary to clarify the requirements for transportation.

Proposed subsection (c) clarifies prohibited modes of transportation, which includes transportation by aircraft, watercraft, drone, rail, human powered vehicle, and unmanned vehicles. With this section, the Bureau endeavors to make sure cannabis goods are secure and that licensees are abiding by all rules and regulations during transport. Prohibiting specific modes of transportation is necessary to reduce the risk of loss or theft, and attempts to limit potential conflicts with federal law and regulation. Additionally, enforcement of transportation by air, watercraft or drones, which often involve compliance with federal laws and regulations, is unduly burdensome and outside the purview of the Bureau's current capabilities. Human powered and unmanned vehicles, which are less secure and more susceptible to third party interference and intrusion, are prohibited for safety of the public and security of the cannabis goods.

Proposed subsections (d) - (g) clarify the measures to be taken to ensure the security of cannabis goods during transport, and are necessary to clearly identify the methods needed to safely and securely transport cannabis goods. Requiring that cannabis goods not be visible or identifiable during transport is necessary to reduce the risk of theft or robbery, which exposes the general public to harm and danger. These measures are also necessary to prevent diversion of product into the illegal and unregulated market. Securely locking the product in a box within the interior of the vehicle, and not permitting the vehicle to be left unattended in a residential neighborhood is intended to discourage theft and protect public safety.

Proposed subsection (h) is required to help deter theft and unauthorized entrance into the vehicle. In the case a vehicle containing cannabis goods is burglarized, an alarm would help alert the licensee, employees, and enforcement personnel, and deter such criminal behavior.

Proposed subsection (i) is necessary to ensure that the already tested product will arrive at its destination in the same quality and quantity as it was before transport occurred, so as to limit the

risk of adulteration of cannabis goods, and ensure protection of the public health and safety. It also reduces the likelihood of diversion into the illegal or unregulated market.

Proposed subsections (j) – (k) specifies the transport routes that can be taken, as between licensees and without unnecessary deviations, and the goods that can be transported, which are necessary to ensure cannabis goods stay within the designated supply chain and prevents diversion into the illegal and unregulated market. Limiting the transport to only traveling between licensees shipping or receiving cannabis goods and its own licensed premises, ensures the licensee is not transporting mixed goods - cannabis goods and non-cannabis goods. This limitation reduces unwarranted exposure to potential diversion and contamination. This proposed subsection also recognizes the need for business efficiency and flexibility in transport. Allowing a distributor to transport more than one cannabis shipment at a time lessens the number of transport trips and the impacts on the environment and roads, and increases economies of scale. The language in this subdivision related to keeping A-designated and M-designated product separated has been removed as the Bureau will no longer require designation on all products prior to transport.

Proposed subsection (l) which specifically allows the Bureau to inspect transport vehicles trailers transporting cannabis goods and specifically permit access to all licensed premises is necessary for the Bureau to carry out its duties and enforcement responsibilities under the Act to ensure statutory and regulatory compliance. This section also clarifies that vehicles used to transport cannabis goods may be inspected by the Bureau at any licensed location, or during transport, to ensure the vehicle is properly equipped, carrying the required documentation, and contains a shipment compliant with the statute and regulations.

Proposed subsection (m) clarifies that when it is not operationally feasible to transport cannabis goods inside of a vehicle because the licensed premises that the cannabis goods are being transported to and the premises they are being transported from are within the same building or on the same parcel of land, then the distributor may transport the goods by foot, hand truck, fork lift, or other similar means. This section is necessary to provide clarity on the transportation requirements. The Bureau has learned that some local jurisdictions have strictly enforced the regulations and have required licensees to load a truck and drive it to the same building for reloading. Because of this understanding by local jurisdictions, the Bureau determined it was necessary to clarify when a vehicle is not required for the transportation of cannabis goods. The Bureau also proposes language indicating that a shipping manifest is still required if cannabis goods are transported without using a vehicle. This is necessary to ensure licensees understand the requirement and to allow proper tracking of all product in the track and trace system.

Proposed section 5313

In the proposed regulation, the minimum age for drivers and passengers of licensed transport vehicles is 21 years old. The legal age for a person without a physician recommendation to possess cannabis goods is 21. This requirement helps ensure that persons who have dominion and control over cannabis goods during transport meet that age requirement. This provision assists in limiting a minor's access to cannabis goods. Permitting only a licensee, an employee of a licensee, or security personnel to be present during transport ensures that no unauthorized persons have access to the cannabis goods during transport. This section is necessary to ensure that cannabis goods are transported in a safe manner by persons qualified to transport cannabis goods thus ensuring the

protection of the public. The ability to have security personnel in the transport vehicle is proposed based on feedback received by the Bureau.

Proposed section 5314

Business and Professions Code section 26070, subdivision (e) requires that an electronic shipping manifest as prescribed by the licensing authority be completed by the distributor prior to transporting cannabis or cannabis products. The section also requires that the distributor “securely transmit the manifest” to the Bureau and the licensee that will be receiving the cannabis goods.

Proposed section 5314 clarifies the process and information that must be contained in shipping manifests, as required in Business and Professions Code sections 26067 and 26070. This section establishes when and how a shipping manifest is to be generated, and the information that must be contained within. By clearly stating the information transport licensees are required to have on their shipping manifest, the regulations allow for uniformity and consistency of records across transport licensees and increase the speed and effectiveness of Bureau enforcement investigations. Uniform manifests amongst the licensees also allow the Bureau to better train enforcement officers on what to expect and how to inspect a shipment. The better informed, prepared, and trained Bureau representatives and other law enforcement officers are, the better positioned they will be to identify and stop unauthorized activity, including entry of unauthorized cannabis into the market and diversion of cannabis goods.

The Bureau has added language providing specific actions a distributor may take to verify the shipment based on feedback. The distributor would be able to verify the shipment while not having to unpack each box to count the items within it.

If a shipping manifest is incomplete or does not have specific information regarding the cannabis goods being shipped or the intended destination, an enforcement officer would have a difficult time determining the legality and validity of the shipment. These proposed regulations are necessary to reduce the risk of diversion, and ensure cannabis goods stay within the regulated market through efficient tracking of cannabis goods during distribution.

Proposed section 5315

Proposed section 5315 provides for the requirements of a distributor transport only license, where such license only authorizes the transport of cannabis goods between cultivation, manufacturing, and distribution licensees. Proposed subsection (b) goes on to clarify the restrictions of distributor transport only licenses, prohibiting the transport of any cannabis goods to a retailer, unless the cannabis goods are immature plants and seeds from a licensed nursery.

Proposed subsections (b) – (d) requires an application for a distributor transport only license to meet the same requirements for a general distributor license application, except for fees which may be dependent upon whether the distributor transport only licensee is self-transporting, and also specifies that the distributor transport licensee shall comply with the same requirements for a general distributor license, aside from testing and quality assurance requirements.

Proposed subsections (e) – (f) prohibit a distributor transport only licensee from the following activities: holding title to any cannabis goods, unless the licensee also holds a license for

cultivation, manufacturing, retailer, or microbusiness; engaging in delivery of cannabis goods, engaging in the wholesale, destruction, packaging, labeling, or storing of cannabis goods; or arranging for the testing of cannabis goods.

Proposed subsection (g) would provide an exception to subsection (d) by providing that a distributor transport only licensee that is licensed to engage in self-distribution and whose premises will be on the same property as their cultivation or manufacturing premises shall not be required to comply with the security provisions contained in proposed Article 5 of these regulations. This is necessary because the Bureau received a lot of feedback from licensees regarding the difficulty in complying with the Bureau's security requirements when their primary premises is a cultivation premises that may not have electricity or access to the internet. Further, the Bureau determined that the transport only premises were small and primarily used for storage of records. The Bureau determined it was necessary to assist licensees in lowering their costs by not requiring security measures in cases where they are not needed.

This section is necessary to ensure that cannabis goods are properly handled throughout the supply chain, so they can safely and securely reach the consumer without diversion, adulteration, or other contamination. A distributor transport only license allows for efficiency in the distribution of cannabis goods. These licensees that specifically only engage in transport only services, will be relieved of the obligations and requirements for testing and quality assurance. And to ensure that the limitations are strictly followed, distributor transport only licensees are prohibited from certain activities, such as transporting to a retailer, unless it is immature plants and seeds from a licensed nursery. These restrictions are necessary to ensure that cannabis goods that have not been tested do not end up in the possession of the consumer.

Chapter 3: Retailers

The proposed regulations would specify which individuals may access the retailer premises and limited-access areas. The proposed regulations would require that individuals only be granted access to the retail area to purchase cannabis goods after the licensee has verified that the individual is at least 21 years old, or that the individual is at least 18 years old and possesses a valid physician's recommendation. The proposed regulations would clarify the hours a retailer may operate, to whom cannabis goods can be sold to, and how cannabis goods may be displayed in the retail area.

The proposed regulations would clarify what goods a licensee may sell, including the provision that licensees may sell non-cannabis products and may sell live immature cannabis plants and seeds if certain requirements are met. The proposed regulations would specify the daily limit of cannabis goods that may be sold to an individual and would clarify that retailers may accept cannabis goods returned by customers. The proposed regulations would prohibit retailers from providing free cannabis goods to any person, unless certain criteria are met including that the free cannabis is provided only to medicinal cannabis patients. The proposed regulations would also clarify that a retailer may not package or label cannabis goods with the exception that all cannabis goods must be placed into an opaque exit package prior to the customer leaving the premises.

The proposed regulations would also set requirements for delivery and create a license for a non-storefront retailer to conduct retail cannabis sales exclusively by delivery and now at temporary

cannabis events. The proposed regulations would specify that delivery must be: (1) performed by a delivery employee of a licensed retailer; (2) made to a physical address; and (3) made using an enclosed motor vehicle outfitted with a Global Positioning System, vehicle alarm system, and operated by a delivery employee of the licensee. The proposed regulations would specify the amount of cannabis goods that can be carried by a delivery employee of a licensed retailer and that the delivery employee may not consume cannabis goods during delivery. The proposed regulations would also clarify what information must be in a delivery request receipt and what delivery route may be taken.

The proposed regulations would specify that retailers only accept shipments of cannabis goods from a licensed distributor and set requirements for maintaining an accurate record of inventory and performing inventory reconciliation. The proposed regulations would also specify the information a record of sale must contain.

The proposed regulations in Chapter 3 are necessary to implement and clarify the statutory requirements for retailers. Proposed section 5417 subsection (d) requires that all delivery vehicles be outfitted with a device for tracking the vehicle's geographic location. The subsection requires that the device be permanently or temporarily affixed to the vehicle. The subsection also requires that the device be functioning the entire time the vehicle is making deliveries. It is essential that a licensed retailer have a record of where its delivery vehicles are located at all times and that the Bureau can be provided that information for enforcement and public safety purposes. The device must be affixed to the vehicle at all times during delivery so that the device is not removed from the vehicle while the delivery employee is making a delivery. The device must be owned by the licensee to ensure that the licensee and the Bureau may access the device to determine the vehicle's route. In addition, the device must be exclusively used for delivery so that there is no confusion about when the device is used for commercial cannabis business and when it is used for other purposes not regulated by the Bureau to ensure that the data related to licensed activity is clear. Further, if a delivery vehicle with cannabis goods is reported missing or stolen, it would be beneficial to have a device inside of the vehicle for tracking purposes to assist in recovery of the cannabis goods.

Proposed section 5412

This proposed section prohibits a retailer from packaging and labeling cannabis goods.

Under the Act, all cannabis goods must be tested by a licensed testing laboratory and must receive a certificate of analysis from a licensed testing laboratory before being transported to a retailer for sale to customers. To ensure that the test results are accurate, the packaging of the cannabis goods must not be opened between the time the testing occurs and the time the cannabis goods are sold to the final user. Packaging or repackaging at the retail facility may result in contamination or adulteration of the cannabis goods, which may render the test results inaccurate. In order to ensure that the laboratory testing results accurately apply to the product the customer is purchasing from a retailer, a retailer may not open the packaging or repackaging cannabis goods prior to selling the cannabis goods to a customer. The purpose of this proposed section is to protect the public by ensuring accurate test results and safe products.

Subsection (a) of the proposed regulation clarifies that a retailer may not accept, possess, or sell cannabis goods that are not packaged as they will be sold at final sale. This proposed subsection will ensure that retailers do not receive any items that are not already packaged. Thus, reducing the risk that the retailer will have to package the cannabis goods themselves or sell cannabis goods that are not properly packaged and labeled.

Subsection (b) of the proposed regulation specifies that a retailer may not package or label cannabis goods. The purpose of this proposed subsection is to ensure that there is no confusion as to whether or not a retailer may engage in the packaging and labeling of cannabis goods.

Proposed section 5418

Proposed section 5418 is necessary to mitigate diversion into the illegal and unregulated market, and prevent unauthorized sales. The MAUCRSA mandates the Bureau craft regulations that ensure a safe and secure operation of the commercial cannabis market. The MAUCRSA does not provide clarity as to the permissible amount of cannabis goods that may be sent out of the retailer for delivery. Limiting the amount of cannabis goods that a delivery employee may carry also limits the amount of loss that may occur in the case of theft as well as reducing the risk of consumption during delivery. The Bureau has now determined that \$10,000 is an appropriate maximum amount for a delivery employee to carry in the vehicle, allowing for multiple deliveries. Based on an average order of approximately \$100, a delivery person would be able to make approximately 100 deliveries in one trip. The Bureau has added language to ensure licensee understand that all delivery requests must be before leaving the licensed premises to prevent extra product in a delivery vehicle, that could lead to diversion. The Bureau also requires verification of the customers identity and age. This is necessary to make sure cannabis goods are accounted for a delivered to the correct person.

Chapter 4: Microbusiness

Under MAUCRSA, a microbusiness license allows a licensee to conduct multiple commercial cannabis activities under one license. A microbusiness licensee is permitted to: cultivate cannabis on area less than 10,000 square feet; act as a licensed distributor; manufacture cannabis as a Level 1 manufacturer; and/or sell cannabis as a retailer. The proposed regulations would clarify that an applicant must engage in at least three of the four activities: cultivation, manufacturing, distribution, and/or retail sale. The proposed regulations now also specify that the areas of the premises for manufacturing and cultivation shall be separated from the distribution and retail areas by a wall and all doors between the areas shall remain closed when not in use. The proposed regulations would specify the information that must be provided in the application depending on the commercial cannabis activities the licensee intends to engage in. The proposed regulations would also clarify that microbusiness licensees must comply with all the rules and requirements promulgated for each commercial cannabis activity the licensee intends to engage in. The proposed regulations would clarify that if a licensee decides to change the activities they are authorized to engage in they must submit an application to the Bureau and that any suspension or revocation of a microbusiness licensee may affect all activities performed under that license. Finally, the proposed regulations would clarify specific application requirements for commercial cannabis businesses engaging in cultivation or manufacturing activities. The proposed regulations

would also specify additional record keeping requirements for microbusinesses engaging in cultivation and manufacturing.

The proposed regulations in Chapter 4 are necessary to implement and clarify the statutory requirements for microbusinesses. Business and Professions Code section 26070(a)(3) states that a microbusiness is “for cultivation of cannabis on an area less than 10,000 square feet and to act as a licensed distributor, Level 1 manufacturer, and retailer under this division, provided such licensee can demonstrate compliance with all requirements imposed by this division on licensed cultivators, distributors, Level 1 manufacturers, and retailers to the extent the licensee engages in such activities.” This section further states that a microbusiness license that authorizes cultivation of cannabis must include certain additional conditions required for a cultivation license issued by the Department of Food and Agriculture. While this proposed section allows a licensee to engage in four commercial cannabis activities, it is vague on how many of the activities a licensee must engage in. The statutory language implies that less than four activities can be engaged in when it states, “to the extent the licensee engages in such activities.” Further this interpretation is implied in the last sentence of the statute by specifically referencing additional requirements for a microbusiness license that authorizes cultivation. The last sentence also implies that cultivation is not a required activity by specifically referencing additional conditions a microbusiness would have to comply with if it holds a license that authorizes cultivation. Based on its interpretation, the Bureau determined that it was necessary to require that microbusinesses engage in at least three of the four activities. The reason for this is that cultivation and manufacturing activities are limited in some way under a microbusiness license but the distribution and retailer activities are not. Since the cultivation and manufacturing activities are limited the Bureau decided it was necessary to require that at least one of those activities be engaged in by the licensee, which is accomplished by requiring that at least three of the four activities be engaged in by the licensee. This will ensure that businesses operating under a microbusiness license will engage in most of the allowable activities, including a minimum of one of the limited activities, thus allowing for the vertically integrated activities allowable under a microbusiness license.

Proposed section 5500

Business and Professions Code section 26070, subdivision (a)(3) provides that the Bureau must establish a process by which an applicant for a microbusiness can demonstrate compliance with all the requirements under MAUCRSA for the activities that will be conducted under the license. This section is necessary to clarify the requirements for licensure, when an applicant seeks a microbusiness to conduct multiple commercial cannabis activities.

MAUCRSA is silent as to how many commercial cannabis activities an applicant must engage in to qualify for a microbusiness license. Subsection (a) is necessary because it clarifies that a licensee must engage in at least three of the following commercial cannabis activities: cultivation, manufacturing, distribution, and retail. This subsection is also necessary because it provides clarification to prospective microbusiness applicants regarding the premises requirements for microbusinesses engaging in manufacturing and cultivation activities. The Bureau determined that it was necessary to specify that areas for manufacturing and cultivation must be separated from the areas for distribution and retail. The Bureau determined that this was necessary after conducting site visits of various licensed premises and determining that certain aspects of manufacturing and cultivation such as the need to keep a clean environment for manufacturing and the application of

pesticides in cultivation areas necessitated specifying that these areas need to be separated from the other areas of the premises.

To assure that applicants are identifying all commercial cannabis activities they wish to engage in, subsection (b) clarifies that an applicant for a microbusiness license must identify all commercial cannabis activities it wishes to engage in on its application. This requirement is necessary because it aids the Bureau's processing of the application. It also helps the Bureau maintain accurate records and ensures applicants are qualified for the type of license they are applying for.

Subsection (c) is necessary to assure that all applicants applying for the requested commercial cannabis activities are supplying consistent information to the licensing entities for review. This requirement is necessary because it aids the Bureau's processing of the application. It also helps the Bureau maintain accurate records and ensures applicants are qualified for the type of license they are applying for.

Business and Professions Code section 26001, subsection (ap) defines premises as "the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the applicant or licensee where the commercial cannabis activity will be or is conducted." That section further provides that a premises shall be a "contiguous area" and shall only be occupied by one licensee. Subsection (d) is necessary to clarify that, despite conducting multiple commercial activities at one location, a microbusiness license must be tied to one licensed premises.

A microbusiness licensee may engage in multiple commercial cannabis activities. Accordingly, the Bureau recognizes the importance of all licensees complying with the regulatory framework that applies to each requested commercial cannabis activity. To that end, subsection (e) clarifies that microbusinesses that engage in distribution activities must comply with the appropriate distribution regulations; microbusinesses that engage in retail activities must comply with the appropriate retail regulations; microbusinesses that engage in cultivation activities must comply with the appropriate cultivation regulations; and microbusinesses that engage in manufacturing activities must comply with the appropriate manufacturing activities. This requirement is necessary to assure that all licensees that are conducting the same commercial cannabis activities are conducting their activities in a consistent manner. Further, the proposed subsection now also clarifies that licensees that are engaged in cultivation must comply with applicable sections of Title 3, Division 6 of the California Code of Regulations including specifically section 6674, which requires that a warning sign relating to the storage of pesticides be posted. This addition is necessary so that licensees are aware of requirements for pesticide use and ensures that the proper signage will be posted to ensure the health and safety of employees of the licensee, contractors, and Bureau staff that are on the premises for inspections.

Subsection (f) recognizes that microbusiness licensees may seek to change the commercial cannabis activities they are conducting at their licensed premises. Accordingly, this subsection is necessary to clarify that when a licensee seeks to engage in additional commercial cannabis activities after the license is issued, they must submit a new application identifying the requested changes and providing all information required for an application for the commercial cannabis activity they wish to conduct. This subsection will aid the Bureau's processing of microbusiness

applications. It also assures the Bureau is able to maintain accurate records and ensures applicants are qualified for the type of license they are applying for.

Subsection (g) clarifies that a suspension or revocation of a microbusiness license affects all commercial cannabis activities allowed pursuant to the license. This subsection is necessary to clarify that a microbusiness license is not severable for the purposes of enforcement.

Proposed section 5502

This proposed section defines the requirements of the cultivation plan for prospective licensees who wish to engage in cultivation activities. This proposed section is necessary to specify the cultivation plan requirements for such licensees, and to assure that all prospective licensees who wish to cultivate provide consistent information to the licensing entities.

Proposed subsection (a) requires a diagram of the premises in the cultivation plan, which must outline the specific purpose of each cultivation area featured in the plan. For convenience of the prospective licensees, this section also reiterates that the total area of all cultivation activities must be less than 10,000 square feet, as required by MAUCRSA. The cultivation plan requirements outlined by this subsection allow the Bureau to ensure compliance with the licensing requirements, which are being implemented to ensure public safety and environmental protection.

Proposed subsection (b) provides clarification on the determination of canopy. This information is critical for the Bureau's inspectors, to assure they have accurate information regarding how cultivation facilities are arranged. It also assures that all prospective microbusiness cultivators provide consistent information to the Bureau for evaluation.

Proposed subsection (c) requires a lighting diagram, including the location of lights and the maximum wattages used. This is necessary for the Bureau to ensure the appropriate license type is being issued to the applicant, and for enforcing the requirements of the specific licensee.

Proposed subsection (d) requires a pest management plan, including listing all pesticides used on cannabis at the site and any integrated pest-management protocols the applicant plans to implement. This portion of the cultivation plan is necessary for the Bureau to ensure the environment is protected from the illegal use of pesticides and ensures the licensee has a plan for handling potential pest introductions and infestations. The Bureau's requirement is consistent with the Department of Food and Agriculture's requirements. The Department of Food and Agriculture's review on the Impacts of Cannabis Cultivation discusses the risk to the environment of improper pesticide use and storage and the Department determined it was necessary to know about a licensee's pesticide use and storage plans in order to transition them into a regulated environment.

Proposed subsection (e) requires applicants to submit their cannabis waste procedures. The Bureau's requirement is consistent with the Department of Food and Agriculture's requirements. This information will help the Bureau ensure compliance with its licensing requirements, regardless of whether a cultivator disposes of waste off-site or on-site. This subsection also ensures licensees are complying with existing waste disposal laws and regulations.

Chapter 5: Cannabis Events

Under MAUCRSA, state temporary event licenses may be issued, authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a county fair or district agricultural association, provided that certain conditions are met, including that all participants are licensed. The proposed regulations would specify that an applicant for a temporary cannabis event license must first obtain a cannabis event organizer license by submitting an application containing certain information. The proposed regulations would further specify that an application for a temporary cannabis event license must be submitted no less than 60 days prior to the date for which the license is sought and that the license be valid for no more than 4 consecutive days. The proposed regulations would further specify what must be provided with the application including a diagram of the layout of the event with a detailed description of where cannabis sales and consumption will occur, and a list of all licensees that will be providing onsite sales of cannabis goods at the event.

The proposed regulations would specify that all sales of cannabis at a temporary cannabis event may only be performed by a licensed retailer or microbusiness authorized to sell cannabis to retail customers and all cannabis goods to be sold at the event must be transported to the event by a licensed distributor. The proposed regulations would further clarify that cannabis goods sold at a temporary event must comply with the applicable laws and regulations including testing, packaging, and labeling requirements. The proposed regulations would also provide specific requirements for onsite consumption at a temporary cannabis event including that access to the onsite consumption area be limited to persons 21 years of age or older and that cannabis consumption not be visible from any public place or non-age-restricted area.

Proposed section 5600

Business and Professions Code Section 26200, subsection (e) allows for the issuance of a state temporary event license authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a county fair or district agriculture association event. The statute provides a number of requirements that apply to these licensed events. However, the statute does not provide the requirements or the process for applying for and obtaining a state temporary event license. This proposed regulation is intended to provide a portion of the process for implementing Section 26200, subsection (e).

Proposed subsection (a) of the proposed regulation clarifies that in order to obtain a temporary event license, the applicant must first obtain a cannabis event organizer license. The Bureau is required by the Act to collect certain pieces of information from every applicant for any license. Additionally, license applicants are required to comply with certain requirements such as fingerprinting and a background check. The Bureau has also determined that a temporary event license will be required for each specific event. Rather than requiring the applicant to provide applicant information each time a temporary event license is sought, the Bureau has determined that it will be more effective to only require the applicant to provide the majority of the required applicant information during the Cannabis Event Organizer license rather than each time the applicant plans to hold a temporary event. The following subsections of the proposed regulation provide the requirements that apply to cannabis event organizer licensees.

Proposed subsection (b) of the proposed regulation clarifies that a licensed cannabis event organizer is required to comply with a number of regulations which apply to all Bureau licensees.

Business and Professions Code Section 26200, subsection (e) requires that the activities under a licensed cannabis temporary license are consistent with the regulations promulgated by the Bureau. As a Bureau licensee, a cannabis event organizer is required to comply with all requirements for all Bureau licensees. Many of these requirements are found in chapter 1 of the proposed regulations. However, there are some requirements found in regulations that would not logically apply to a cannabis event organizer licensee. For example, proposed sections 5001 and 5002 contain the requirements for a temporary and annual application respectively. Since the specific application requirements for a cannabis event organizer can be found in this proposed section, an applicant for an event organizer license would not need to follow the requirements in section 5001 and 5002. This proposed subsection identifies which regulation sections in chapter 1 that an event organizer applicant does not have to comply with. The Bureau has clarified the proper section numbers that are applicable to event organizers.

Proposed subsection (c) of the proposed regulation clarifies that a cannabis event organizer license does not authorize a cannabis event organizer to engage in any other commercial cannabis activity aside from organizing cannabis events. The purpose of this section is to eliminate any confusion as to whether a cannabis event organizer licensee may engage in other commercial cannabis activity under the event organizer license.

Proposed subsection (e) is necessary for application processing. Permitting online submission provides flexibility for the applicant to submit the application from anywhere in the State. The State of California is very large and requiring an applicant to physically turn in hard copies in person in Sacramento would be tremendously burdensome on the applicant and the burgeoning industry. Permitting applicants to submit electronically also helps the bureau process the applications in an effectively and timely fashion.

Proposed subsection (f) would specify that applicants that wish to apply online must first register for a user account by doing the following: 1) creating a user name, password, and security question and answer; 2) provide an email address; and 3) provide the owner's first and last name, primary phone number, social security number or individual taxpayer identification number, date, and mailing address. These items are necessary to identify the applicant.

Proposed subsections (g)(1) through(g)(3) would specify that the applicant must provide the name of the applicant, the DBA of the applicant, and lastly must pay the application fee in proposed section 5014. These items are necessary to identify the applicant's legal business identity and to clarify that payment of the application fee is necessary at the time the application is submitted.

Proposed subsections (g)(4) would allow an owner that is serving or has previously served in the military to disclose their service and receive expedited application processing if the owner can provide evidence of honorable discharge. This optional disclosure applies to all Department of Consumer Affairs boards and bureaus, which includes the Bureau, through Business and Professions Code section 115.4 and is included here for clarity.

Proposed subsections (g)(5) and (g)(6) would require the applicant to the license types, license numbers, the date the license was issued, and which licensing authority issued the license for any licenses the applicant holds from the Bureau and all other state licensing authorities. The applicant would also be required to disclose whether the applicant has been denied a license or had one

revoked or suspended by the Bureau or any other state cannabis licensing authority. These subsections are necessary to ensure that the granting of a license would not violate the provision in Business and Professions Code section 26053, subdivision (b) prohibiting a person that holds a state testing laboratory license from receiving any other type of cannabis license. It is also necessary for the Bureau to know if a license has ever been denied, revoked, or suspended as these could be grounds for denial of the application.

Proposed subsection (g)(7) through (g)(10) would require specific contact information for the cannabis business including the mailing address, the telephone number for the premises, the website address, and email address. These items are necessary to contact the premises. Further, they are necessary for monitoring the cannabis business once it is licensed to ensure the business is complying with laws and regulations.

Proposed subsection (g)(11) would require an applicant to provide contact information for the applicant's designated primary contact person including the name, title, telephone number, and email address if applicable. This information is necessary so that the Bureau knows who to contact regarding questions or issues with an application or license.

Proposed subsections (g)(12) through (g)(18) would require the applicant to provide the business' federal employer identification number, the business' organizational structure, the business-formation documents, a list of all fictitious business names the applicant is operating under, the certificate of qualification if the applicant is a foreign corporation, financial information, and, as required by Business and Professions Code section 26051.5, subdivision (d), a list of every individual who has a financial interest. If a business is held in trust a copy of the trust. This information is necessary to identify the applicant and to enable to Bureau to determine how the commercial cannabis business will be organized and to ensure that all owners as defined in proposed section 5003 and all financial interest holders in proposed section 5004 are identified.

In order for the Bureau to conduct a thorough and effective evaluation of an applicant's submission, to ensure the applicant is a bona fide and qualified applicant under the law, the Bureau must receive specific information from the applicant. The information contained in proposed subsection (g)(19)(A) through (g)(19)(N) are necessary for the Bureau to accurately determine and verify the true identity of individual owners as defined in proposed section 5004.

Under Business and Professions Code sections 144 and 26051.5, subsection (a)(1) the Bureau is required to request and conduct criminal history record checks on all applicants. The information contained in proposed subsection (g)(L)(i) – (vi) clarifies what information is needed by the Bureau in order to gather all pertinent criminal history information in order to properly conduct the statutorily mandated checks.

Proposed subsection (c)(20) would require that an applicant with 20 or more employees attest that the applicant has entered into a labor peace agreement and will abide by the terms of the agreement or, if they have not yet entered into such an agreement, then provide a notarized statement indicating that the applicant will enter into and abide by the terms of a labor peace agreement within 30 days of licensure. This subsection is necessary to fulfill the statutory requirements of Business and Professions Code section 26051.5(a)(5). The Bureau has further clarified the statutory requirements by requiring the applicant to either provide the labor peace agreement or a

notarized statement that they will enter into one. The Bureau determined that the additional requirements were necessary to ensure that applicants are aware of the requirement and have taken steps to fulfill the requirement. This is necessary to protect the public, which includes workers in the cannabis industry, is the highest priority under the Act so the Bureau must ensure that applicants are prepared to comply with labor standards and protect their employees' rights. As the act does not require specific provisions within the agreement, the Bureau is no longer requesting a copy.

Proposed subsection (g)(21) would require that applicant's provide a limited waiver of sovereign immunity if applicable as required under proposed section 5009. This requirement is repeated in the application for clarity so that applicants may have all the required materials for an application listed in one section.

Proposed section 5601

Business and Professions Code Section 26200, subsection (e) allows for the issuance of a state temporary event license authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a county fair or district agriculture association event. The statute provides a number of requirements that apply to these licensed events. However, the statute does not provide the requirements or the process for applying for and obtaining a state temporary event license. This proposed regulation is intended to provide a portion of the process for implementing Section 26200, subsection (e).

Subsection (a) of the proposed regulation clarifies the authority granted to a licensee who holds a temporary cannabis event license. This proposed subsection specifies that a licensee who holds a temporary cannabis event license may hold a temporary cannabis event where the onsite sale and consumption of cannabis goods is authorized at the location indicated on the license during the dates indicated on the license. The purpose of this proposed subsection is to provide a general description of what activities a temporary cannabis event licensee may engage in. Additionally, the proposed subsection indicates that the activities under a temporary cannabis event license are limited to occurring at the locations and during the dates indicated on the license. The purpose of this proposed subsection is to eliminate any confusion as to where and when a temporary cannabis event licensee may hold a temporary cannabis event.

Proposed subsection (b) clarifies that only a licensed cannabis event organizer may obtain a temporary cannabis event license. The Bureau has also determined that a temporary event license will be required for each specific event. Rather than requiring the applicant to provide applicant information each time a temporary event license is sought, the Bureau has determined that it will be more effective to only require the applicant to provide the majority of the required applicant information during the cannabis event organizer license rather than each time the applicant plans to hold a temporary event. A cannabis event license is valid for up to one year. However, a temporary cannabis event license is only valid for the dates of the temporary cannabis event. The Bureau has determined that it will be most effective to require the cannabis event organizer obtain an organizer license which may be renewed annually and then obtain a separate temporary cannabis event license for each event the organizer plans to hold. This would eliminate the need for the submission of duplicative information. Information for the event organizer would be

collected at the time of the event organizer application and information for the specific events would be collected at the application for each temporary cannabis event license.

Proposed subsection (c) clarifies that a violation of the requirements for a temporary cannabis event may result in disciplinary action against the licensees responsible for the violation as well as the licensed cannabis event organizer. The purpose of this proposed subsection is to put the event organizer on notice that they are responsible for ensuring that all activities occurring at the temporary cannabis event comply with the requirements found in the regulations. This will hopefully result in fewer violations of the rules as the cannabis event organizer will be motivated to make an extra effort to ensure that all licensees are following the rules during the temporary cannabis event.

Proposed subsection (d) clarifies that a temporary cannabis event license may only be obtained for a single day or consecutive days. The Bureau has determined that holding a temporary cannabis event on non-consecutive days would require the event organizer to obtain separate temporary event licenses. Additionally, this proposed subsection limits temporary cannabis events to 4 consecutive days. The Bureau has determined that 4 days is the maximum amount of days that will be allowed for a temporary event license.

Proposed subsection (e) requires that an applicant for a temporary cannabis event submit the application to the Bureau at least 60 days prior to the event. The purpose of this proposed subsection is to provide the Bureau with enough time to conduct a comprehensive review of the application prior to the date of the event. The Bureau has determined that 60 days prior to the event is an appropriate amount of time.

Proposed subsection (f) clarifies where a temporary cannabis event may take place. Business and Professions Code Section 26200, subsection (e), which provides the authority for the temporary event license, states that temporary event licenses authorize onsite cannabis sales and consumption by person 21 or older at a county fair or district agricultural association event. The purpose of this proposed subsection is to clarify the meaning of the terms "county fair or district agricultural association event," as used in the statute. The Bureau has interpreted these terms to mean that the temporary cannabis events must take place on the specific locations of the county fairs or district agricultural association events.

Proposed subsection (g) prohibits the issuance of a temporary cannabis event license if the premises to be licensed is licensed for the sale of alcohol or tobacco. Business and Professions Code Section 26200 requires that the location of the temporary cannabis event does not allow the sale or consumption of alcohol or tobacco on the premises. This proposed subsection restates this requirement for clarity.

Proposed subsection (h) provides the requirements for an application for a temporary cannabis event license. The purpose of this proposed subsection is to clarify what information an applicant must submit as part of the application. Proposed subsection (h)(1)-(h)(4) requires the applicant to provide identifying information such as the name of the applicant, the license number for each license held by the applicant, the address of the location of the event, and the name of the event. All of this information is required so the Bureau can identify the applicant and the event that they are seeking to license. Proposed subsection (h)(5) requires the applicant to provide a diagram of

the physical layout of the event, including the locations where cannabis goods will be sold and consumed. This information is important so that the Bureau can use the diagram to ensure that the applicant will be complying with all of the requirements pertaining to the physical layout of the event. Proposed subsection (h)(6) requires the applicant to provide the dates of the event for which they are seeking a temporary cannabis event license. This information is important so that the Bureau will know what dates the license will be issued for. Proposed subsection (h)(7) requires the applicant to provide contact information for the designated primary contact for the temporary event license. This information is important so that they Bureau will be easily able to communicate with the licensee. Proposed subsection (h)(8) requires the applicant to provide documentation of the approval from the local jurisdiction to hold the temporary cannabis event. Business and Professions Code Section 26200 requires authorization from the local jurisdiction in order to obtain a temporary cannabis event license from the Bureau. Proposed subsection (h)(9) requires the applicant to provide a list of all of the licensed retailers who will be engaging in the sale of cannabis goods at the event. This information is important in order for the Bureau to properly verify that all retailers who are planning on providing cannabis goods for sale at the event are properly licensed by the Bureau to engage in this activity. Proposed subsection (h)(10) requires the applicant to attest that the information is true. Business and Professions Code Section 26051.5 requires that any applicant for a license from the Bureau provide this type of attestation.

Proposed subsection (i) requires a temporary cannabis event licensee to provide notice to the Bureau if the list of retailers who will be selling cannabis goods at the event changes after the application is submitted. This proposed subsection requires that the licensee provide this information to the Bureau at least 72 hours before the event begins. This information is required for the Bureau to be able to accurately identify the retailers that will be participating in the event and for the Bureau to be able to ensure that all retailers of cannabis goods at the event are properly licensed.

Proposed subsection (j) requires temporary cannabis event licensees to hire or contract for security personnel to be present at the temporary cannabis event premises at all times cannabis goods are sold or being consumed. This proposed subsection is intended to increase public safety by requiring that security personnel be present at the temporary cannabis event. The presence of security personnel is expected to reduce the risk of theft and other crimes that may take place during these events.

Proposed subsection (k) requires the temporary cannabis event licensee to post signs indicating that areas in which cannabis goods are sold or consumed are limited to persons 21 or older. The purpose of this proposed subsection is to reduce the exposure of minors to cannabis goods by clearly indicating to the public that only certain persons can enter these areas and preventing minors from accessing these areas.

Proposed subsection (l) requires all licensees to comply with the cannabis waste disposal requirements found in the regulations. The waste disposal requirements already apply to all licensees. However, the requirements are restated in this proposed subsection to clarify that the waste disposal requirements apply to temporary cannabis events. Additionally, this proposed subsection allows a cannabis event organizer to arrange for or contract for the proper disposal of all cannabis waste generated by the temporary cannabis event. This proposed subsection provides for an option to dispose of cannabis waste generated at the event collectively rather than requiring

each individual licensee to dispose of cannabis waste individually. The purpose of providing this option was to allow for more efficient methods of waste disposal.

Proposed subsection (m) requires all licensees that are involved in the temporary cannabis event to comply with the record keeping requirements found in the Act and the regulations. All licensees are already required to comply with record keeping requirements. This requirement is restated in this proposed subsection to clarify that the record keeping requirements also apply to temporary cannabis events.

Proposed section 5602

Business and Professions Code Section 26200, subsection (e) allows for the issuance of a state temporary event license authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a county fair or district agriculture association event. The statute provides a number of requirements that apply to these licensed events. However, the statute does not provide the specific requirements for the sale of cannabis goods at these temporary cannabis events. This proposed regulation is intended to provide the specific requirements for sale of cannabis goods at temporary cannabis events.

Proposed subsection (a) indicates that only persons 21 or older may purchase cannabis goods at a temporary cannabis event. This requirement is found in the Act. The requirement is restated here for clarity. Additionally, the proposed subsection requires a licensee who is selling cannabis goods at a temporary cannabis event to verify the age and identity of the customer. The purpose of this proposed subsection is to limit the exposure of cannabis to minors by ensuring that cannabis goods sold at temporary cannabis events are only sold to persons who are of the proper age.

Proposed subsection (b) requires that all sales of cannabis goods occur in the retail area as identified in the diagram provided to the Bureau as part of the temporary cannabis event application. This is important in order for the Bureau to be able to ensure that all sales of cannabis goods at temporary events comply with the requirements. If cannabis goods sales are allowed to occur in areas outside of the designated retail area, it would be much more difficult for the Bureau and the event organizer to ensure that all sales comply with the requirements.

Proposed subsection (c) requires that all sales of cannabis goods at a temporary cannabis event be conducted by a licensed retailer or a microbusiness that is authorized to engage in the retail sale of cannabis. This subsection is necessary to clarify who can engage in the sale of cannabis goods at a temporary cannabis event. The Bureau has determined that since licensed retailers have been deemed to meet the requirements to sell cannabis goods to customers on their licensed premises, only licensed retailers may sell at a temporary cannabis event. Allowing licensed retailers, who have already been approved to engage in retail sales, to sell at temporary events is more economical than requiring persons who plan to sell at the event to undergo a separate licensing process for each individual event. The proposed subsection also clarifies that a licensed cannabis event organizer may sell cannabis goods at a temporary cannabis event only if the event organizer also holds a retail license. This is intended to eliminate any confusions as to when an event organizer may or may not engage in the sale of cannabis goods at a temporary cannabis event.

Proposed subsection (d) requires that all sales of cannabis goods at a temporary cannabis event take place during the dates indicated on the temporary event license. Additionally, this proposed subsection requires that all sales of cannabis goods at a temporary event comply with the hours of operation requirements in proposed section 5403. This provision is important because the temporary event license only authorizes the sale of cannabis goods during the specific period provided on the license. Any sales that occur outside of that time would be unlicensed. Additionally, this proposed subsection clarifies that the hours of operation requirements that apply to the retail sale of cannabis would also apply to sales that occur during a temporary cannabis event.

Proposed subsection (e) prohibits the sale and consumption of alcohol or tobacco on the temporary cannabis event premises. This requirement is found in Business and Professions Code Section 26200. The requirement is restated in this proposed subsection for clarity.

Proposed subsection (f) requires that all cannabis goods for sale at the temporary cannabis event comply with the requirements for the transportation of cannabis goods found in the act and the regulations. The purpose of this proposed subsection is to clarify that transportation requirements apply to cannabis goods being transported to temporary cannabis events.

Proposed subsection (g) requires that all cannabis goods that are not being used for display at a temporary cannabis event be stored in a secure, locked container. The proposed subsection also requires that cannabis events being stored at a temporary cannabis event not be left unattended. However, licensees may share the locked container, thereby allowing licensees to save on costs by reducing the need for multiple containers and multiple persons monitoring the containers. The purpose of this proposed subsection is to reduce the risk of theft or diversion of cannabis goods. By limiting the amount of cannabis goods that are readily available and requiring cannabis goods to be stored in a locked container, the risk of theft of cannabis goods during the event will be reduced.

Proposed subsection (h) requires that all cannabis goods for sale at the temporary cannabis event comply with the requirements for the laboratory testing of cannabis goods found in the act and the regulations. The purpose of this proposed subsection is to clarify that laboratory testing requirements apply to cannabis goods being sold at temporary cannabis events.

Proposed subsection (i) requires that all cannabis goods for sale at the temporary cannabis event comply with the track and trace system requirements found in the act and the regulations. The purpose of this proposed subsection is to clarify that the track and trace system requirements apply to cannabis goods being sold at temporary cannabis events.

Proposed subsection (j) requires that all cannabis goods for sale at the temporary cannabis event comply with the requirements for the display of cannabis goods found in the act and the regulations. The purpose of this proposed subsection is to clarify that the display requirements apply to cannabis goods being sold at temporary cannabis events.

Proposed subsection (k) requires that all cannabis goods for sale at the temporary cannabis event comply with the requirements for exit packaging as found in proposed section 5413 and the Act.

The purpose of this proposed subsection is to clarify that exit packaging requirements apply to cannabis goods being sold at temporary cannabis events.

Proposed subsection (l) requires that all cannabis goods returned by customers at the temporary cannabis event comply with the requirements for customer returns of cannabis goods found in the act and the regulations. The purpose of this proposed subsection is to clarify that the return requirements apply to cannabis goods being sold and returned at temporary cannabis events.

Proposed subsection (m) requires that all cannabis goods for sale at the temporary cannabis event comply with the daily sales limits found in the act and the regulations. The purpose of this proposed subsection is to clarify that the daily sales limits apply to cannabis goods being sold at temporary cannabis events.

Proposed subsection (n) requires that all cannabis goods for sale at the temporary cannabis event comply with the requirements for the laboratory testing of cannabis goods found in the act and the regulations. The purpose of this proposed subsection is to clarify that laboratory testing requirements apply to cannabis goods being sold at temporary cannabis events.

Proposed subsection (o) clarifies that the licensed event organizer may also be held responsible for any violations by the retailers participating in the event. The purpose of this proposed subsection is to reduce the risk of violations by motivating the licensed event organizer to ensure that the retailers who are participating in the event comply with all the rules. This is likely to be effective as the event organizer will likely be present at the event and be in good position to monitor and correct the behavior of the retailers who are participating.

Proposed subsection (p) prohibits an event organizer from receiving compensation, that is tied to the sale of cannabis goods, from a retailer who is participating in the temporary event. The purpose of this proposed subsection is to prevent an event organizer from unwittingly engaging in the unlicensed sale of cannabis goods. An organizer who receives compensation based on the amount of cannabis goods sold by a retailer may, at some point, be considered to be engaging in the sale of cannabis goods themselves. In order to prevent this from happening compensation based on the sale of cannabis goods is prohibited.

Chapter 6: Testing Laboratories

Under MAUCRSA, all cannabis goods must meet certain health and safety standards before they can be sold to consumers. To ensure that cannabis goods meet those standards, a representative sample of the cannabis goods must be tested by a licensed testing laboratory. The proposed regulations would provide requirements for the minimum standards for "passing" the statutorily required testing of cannabis goods for retail sale at retailers or microbusinesses. The regulations would also provide the minimum laboratory-operation requirements, which would include requirements such as sampling procedures, personnel qualifications, standard operating procedures, and recordkeeping requirements. These proposed regulations would set forth action levels, threshold values that provide the criterion for determining whether a cannabis goods sample passes or fails an analytical test, that the Bureau considers to be both protective of public health and achievable by the cannabis industry. The proposed exposure limits are necessary to ensure, to the extent feasible, that no cannabis consumer will suffer material impairment of health from

exposure to contaminants in cannabis goods. The action levels proposed are for chemicals, foreign material, heavy metals, and microbiological impurities.

Article 1 of the proposed regulations would make clear the applicable meaning of key statutory terms and other terms used within the regulations. These definitions would include terms such as “action level,” “certificate of analysis,” “foreign material,” and “quality control sample.” The Bureau has removed the definition of “field duplicate sample” as the term is no longer used.

Article 2 of the proposed regulations would provide the licensing requirements that are specific to testing laboratories such as proof of ISO/IEC 17025 accreditation, and requirements for obtaining a provisional license if an applicant meets all requirements for licensure apart from the ISO/IEC 17025 accreditation.

Article 3 of the proposed regulations would set forth minimum requirements for the sampling of cannabis goods. These requirements would include: what must be included in a testing laboratory’s sampling standard operating procedures; general sampling requirements such as requirements that the testing laboratory that collects the sample must also perform the required testing; and how samples are to be stored. The proposed regulations would specify that a sample field log must be used to record information related to the sampling. The proposed regulations would also clarify requirements for sampling from a harvest batch and from a cannabis product batch and would require testing laboratories to implement a chain of custody protocol. Additionally, the proposed regulations would specify that a testing laboratory may only accept and analyze samples obtained from a distributor for state required testing when there is an accompanying chain of custody form.

Article 4 of the proposed regulations would provide the minimum standards for laboratory standard operating procedures, including procedures for laboratory processes, analytical methods, and testing methodologies. The regulations would also set out what the Bureau considers to be acceptable ways to validate a “nonstandard, amplified, or modified” test method.

Article 5 of the proposed regulations would specify what the laboratory must test for and when testing laboratories must begin testing for certain things. The proposed regulations would specify the standards for the analyses of homogeneity of solid edible cannabis products, moisture content and water activity, residual solvents and processing chemicals, pesticides, microbiological impurities, mycotoxins, foreign material, heavy metals, cannabinoids, and terpenoids. The regulations would also set forth general reporting requirements and require testing laboratories to generate a certificate of analysis for each sample of a batch of cannabis goods that it tests; containing necessary information to identify the testing laboratory, identify the sample, identify the test methods, and provide the test results.

Article 6 of the proposed regulations would provide requirements for post-testing procedures. These requirements would include a requirement that a batch may not be retested following a failed testing unless it has gone through a remediation process, constraints related to remediation, and requirements for retention of the testing sample.

Article 7 of the proposed regulations would set requirements for the minimum components of a quality-assurance program and what must be contained in the quality-assurance manual. The proposed regulations would require the use of laboratory quality control samples which include:

method blank, continuing calibration verification, laboratory replicate sample, and matrix spike sample or matrix spike duplicate sample. The proposed regulations would also clarify how to calculate the limit of detection and limit of quantitation and would require licensees to generate a data package for each batch of samples the laboratory analyzes. The proposed regulations would also require proficiency testing, clarify what a satisfactory and unsatisfactory proficiency test is, and require an annual internal audit.

Article 8 of the proposed regulations would specify laboratory employee education and experience requirements. Specifically, the regulations would require that a testing laboratory employ a supervisor or management employee who is responsible for overseeing and directing the scientific methods of the laboratory, ensure the laboratory achieves and maintains quality standards of practice, and provide training to laboratory employees. The proposed regulations would also require that laboratory analysts and samplers meet certain education and experience standards.

Article 9 of the proposed regulations would require testing laboratories licensees to maintain specific records.

The proposed regulations in Chapter 6 are necessary to implement and clarify the statutory requirements for testing laboratories. The regulations specific to testing labs are based on scientific resources, methods, and theories; generally accepted practices in the laboratory industry; information related to cannabis goods testing in other states; standards for testing any product; public comment; and documents relied upon numbers 1 through 13, 15, 17, 28 through 34, 36 through 42, 44 through 64, 66 through 68, 70 through 76, 80 through 83, 87 through 102, and 105 through 113. The required tests and action levels are consistent with the MAUCRSA statute and information related to the level of health risk when the analytes are consumed.

Specifically, the action levels for pesticides contained in proposed section 5719 are based on the guidelines provided by the Department of Pesticide Regulation, the state agency responsible for regulating the use of pesticides in California. Other action levels are consistent with information from the American Herbal Pharmacopeia, the Cannabis Safety Institute, and other widely accepted guidelines. The standards for testing methods are consistent with guidance for methods of analysis from the United State Food and Drug Administration, the United States Pharmacopeia - National Formulary, and the AOAC International. The widely accepted standards from these organizations are used both in the United States and internationally. Sampling and chain of custody standards are necessary to ensure that sampling is done consistently amongst the various labs within the state, to ensure the accuracy of the testing, and to ensure that the sample has not been tampered with. The personnel requirements are necessary to ensure that the people testing the product have the correct skills and experience for the testing to be valid. These requirements were drafted to be consistent with laboratory job postings for similar positions, the ISO/IEC 17025:2005 standards for all laboratory personnel as licensees are to obtain ISO/IEC 17025 accreditation, and the State of California requirements for research and environmental scientist classifications.

Business and Professions Code section 26100 provides that the Bureau shall develop criteria to determine batch testing. Proposed regulation section 5715 provides criteria for batch testing beginning January 1, 2018. Testing for potency, contaminants with a high public health risk, and contaminants the industry is largely already testing for will begin immediately; followed by testing for contaminants with comparatively moderate health risks and that are not largely being tested

for; and finally, by the end of 2018, contaminants with comparatively minor health risks and seldom testing for at this time. This will protect the public while allowing the industry to adjust to new testing requirements so that product will be available to patients and adult-use customers.

Proposed sections 5705, 5707, 5708

The Bureau proposes to remove the requirement for testing laboratories to collect and analyze a field duplicate sample. The need to collect and analyze a field duplicate, in addition to the primary sample, creates a financial burden on both the laboratory performing the compliance testing, as well as the entity that owns the product. The requirement to collect 0.35% of a harvest batch and the number of sample units for a cannabis product batch in the regulations will provide the testing laboratories with enough of a representative sample to complete all the required regulatory compliance testing. Section 5730, requires the laboratories to include quality control samples in every analytical batch. It is unnecessary to require an additional quality control sample, the field duplicate sample, as the number of quality control samples required are sufficient to measure accuracy, precision, contamination, and matrix effects. Furthermore, the subsequent storing of unused field duplicate samples in the laboratory also requires a significantly large capacity for storage. The regulations have been updated to reflect this change throughout by removing the references to primary and field duplicate sample, and adding a reference to representative sample.

Proposed section 5718

The Bureau proposes to add subsection (c) that specifies that the laboratory shall establish a limit of quantification (LOQ) of 1.0 µg/g or lower for all Category I Residual Solvents or Processing Chemicals. Although the use of these processing chemicals at any level is not permitted, as they are not specifically allowed for production of cannabis products, it is necessary to establish a minimum level that all labs must be able to quantitate accurately. Cannabis test methods are not standardized, but requiring the laboratories to achieve a minimum limit of quantification will provide equilibrium between the laboratories reporting abilities. This provision will also prevent licensed testing laboratories from having higher LOQs and passing samples that would fail from a laboratory with lower LOQs.

Proposed section 5719

The Bureau proposes to add subsections (a) – (c) requiring that the laboratory use a minimum of 0.5 grams of the representative sample to test for residual pesticides. This requirement is necessary because cannabis test methods are not standardized, but requiring the laboratories to use the same minimum amount of sample to analyze for residual pesticides will provide equilibrium in sample analysis between the various laboratories. The laboratory will also be required to establish a limit of quantification (LOQ) of 0.10 µg/g or lower for all Category I Residual Pesticides. Although use of these pesticides at any level is not permitted, as they are not allowed for use in the cultivation of cannabis, it is necessary to have a minimum level that all labs must be able to quantitate accurately. Cannabis test methods are not standardized, but requiring the laboratories to achieve a minimum limit of quantification will provide equilibrium between the laboratories reporting abilities. This provision will also prevent licensed testing laboratories from having higher LOQs and passing samples that would fail from a laboratory with lower LOQs.

The Bureau also proposes to add a requirement that requires that the laboratories analyze the Category II Pesticide, Malathion. Category II Pesticide residues may be present as a result of additional ingredients. The purpose for including Malathion and the proposed action level is based on the Department of Pesticide Regulation (DPR) September 18, 2017 Memorandum recommendation to the Bureau.

Proposed section 5726

The Bureau proposes to add language to subsection (d). This includes requiring the laboratories to indicate an overall "pass" or "fail" for the entire batch on the certificate of analysis (COA). This is necessary to ensure that the requester of the regulatory compliance testing is able to accurately interpret the results. If the overall "pass" or "fail" for the entire batch is not listed on the COA, cannabis and cannabis products results may inadvertently be misinterpreted and failed batches may enter the retail market. If failed batches enter the retail market this may pose a significant public health safety risk.

Proposed subsection (d)(5)(A) through (C) requires the laboratories to indicate the cannabinoid or terpenoid label content as printed on the label, the laboratories measured results, and the difference between the label claim and the measured result on the COA. The purpose of this requirement is to ensure that test results are being properly reported pursuant to sections 5724 and 5725. Requiring laboratories to provide this information on the COA will also provide necessary information if relabeling is required. In the event that cannabis or cannabis products need to be relabeled, the actual measured amount of cannabinoid or terpenoid is listed on the COA, thus the appropriate number for relabeling is readily available.

Proposed section 5727

The Bureau proposes to add subsection (b)(1) requires a harvest batch or cannabis product batch that has only failed for nonconformance with the labeled content to be relabeled at the distribution premises without any additional processing and additional regulatory compliance testing. This requirement is necessary to allow for harvest batches or cannabis product batches to be relabeled without additional redundant analyses. Additional processing of batches is prohibited, as supplementary processing may introduce contaminants, and the entire batch would require re-sampling and re-testing.

Chapter 7: Enforcement

The proposed regulations would specify the enforcement provisions applicable to all Bureau licensees. Specifically, the proposed regulations would provide that the Bureau and its representatives shall have full access to inspect and enter onto any premises licensed by the Bureau. The proposed regulations would specify that the Bureau may provide a notice to comply to a licensee for violations observed during the inspection and would specify what a licensee may do in response to the notice. The proposed regulations would provide that the Bureau may issue citations containing orders of abatement and fines against a licensee for any acts or omissions which are in violation of MAUCRSA or its implementing regulations. The proposed regulations would also set forth the procedure for contesting and complying with citations issued by the Bureau.

The proposed regulations would specify the criteria for use of minor decoys including, that the decoy be under 20 years of age. The proposed regulations would specify that a license may not be held at some premises where certain attire and conduct is permitted such as employing a person to conduct the sale of cannabis goods while such person is unclothed. The proposed regulations would further clarify that live entertainment is permitted on a licensed premises so long as certain conditions are met.

Under the MAUCRSA, licensees may be disciplined for failure to comply with any of the requirements for licensure that are in the Act itself or in the regulations. The proposed regulations would specify the additional grounds for discipline, such as, failure to take reasonable steps to correct objectionable conditions. The proposed regulations would also specify the procedures for disciplinary actions and would specify that the Bureau may petition for an interim order to suspend a license or impose licensing restrictions in certain cases such as when permitting the licensee to continue to engage in the licensed activity would endanger the public health, safety, or welfare.

The proposed regulations would specify that a premises must post a notice when it has had a license suspended or revoked and would specify what the notice must say and how it must appear. The proposed regulations would clarify that the Bureau may request the administrative law judge to direct the licensee found to have committed a violation to pay a sum not to exceed the reasonable costs of investigation and enforcement of a case and would specify the process for making the request. The proposed regulations would also specify the minimum conditions for probation that must be contained in an order placing a licensee on probation as a condition of staying a revocation or suspension. Lastly, the proposed regulations would specify the disciplinary guidelines to be considered in reaching a decision on a disciplinary action under the MAUCRSA or the Administrative Procedures Act.

The proposed regulations in Chapter 7 are necessary to impose discipline or conditions on a licensee to gain compliance with the statutory and regulatory requirements governing licensees. The proposed regulations provide for different paths to address lack of compliance with the law based on the facts and circumstances of a particular situation. This includes a notice to comply, which gives the licensee the opportunity to correct the deficiency within the notice to allow the licensee to come into compliance without a formal disciplinary action when feasible. This allows the Bureau to educate licensees and to assist them with quickly coming into compliance. The proposed regulations also include a citation program, similar to those administered by other licensing entities, which implements the Bureau's statutory authority to address unlicensed activity to assist in stopping illegal cannabis activity and to correct inappropriate conduct by a licensee at an earlier juncture than filing a formal accusation. The regulations also provide information about proposed penalties for different violations and processes for imposing discipline which place the licensee on notice of the consequences of certain actions and the right to challenge any penalty from the Bureau.

The MAUCRSA allows for the use of minor decoys to ensure that licensees are not selling cannabis goods to persons under 21 years of age. The proposed regulations contain provisions consistent with the Alcoholic Beverage Control's minor decoy requirements. Decoys must be less than 20 years old so that the decoy is clearly under 21 years old. A decoy must carry his or her identification, present this identification if asked, and cannot lie about his or her age if asked by the licensee so that a licensee has a fair opportunity to determine if the minor decoy is under 21

years of age. Finally, the minor decoy must identify the person who sold the cannabis good to him or her so that the proper person is cited.

Proposed section 5800

Proposed section 5800 provides the notice and authority under which Bureau staff and representatives may access the licensee's premises and property for purposes of inspection, audit, investigation, or review. Subsection (a) allows for the Bureau to enter onto any licensed premises, test any vehicles or equipment used in the licensee's commercial cannabis activity, test any cannabis goods, and to copy any materials, books or records of the licensee. Subsection (b) preserves the rights of licensees, and subsections (c) through (e) proscribe that such rights of access as provided in this section attach to any inspection, investigation, review, or audit, for which prior notice is not required, and which shall be conducted at any time the licensee is exercising privileges under the license, or as otherwise agreed. Subsection (f) provides that if Bureau representatives must enter the licensed premises, through another licensed premises, and the premises that must be passed through denies the Bureau access than both licensees are subject to discipline.

Proposed section 5800 is necessary to establish the licensing authorities' access rights as to inspections, investigations, audits, and reviews. Several provisions of law grant the licensing authorities these rights to access, including Business and Professions Code section 26160 and Government Code section 11180 et seq. Licensing authorities must have the ability to fully and immediately access licensed premises, equipment, materials, and records, used in the operation of a commercial cannabis business, in order to carry out their duties and responsibilities under MAUCRSA, including determining whether an applicant or licensee is in compliance with MAUCRSA and its implementing regulations, and also in ensuring the protection of the public as the highest priority. Full and immediate access will allow the Bureau's representatives to access the licensed premises without allowing an opportunity for licensees to conceal or cover any deficiencies or violations. The Bureau has determined that a number of local jurisdictions are authorizing shared spaces in particular for equity applicants. Some of these shared spaces require that access to one premises is only available through another premises. In order to allow these types of setups, the Bureau has determined that it is necessary to hold both licensees responsible if access to one premises is denied by another.

Proposed section 5808

Proposed section 5808 provides additional grounds for discipline of either a licensee, or a person engaging in unlicensed activity, which are grounds in addition to section 26030 of the Business and Professions Code. Proposed subsection (a) provides that a licensee may be disciplined for failing to pay a fine imposed by the Bureau, or agreed to by the licensee. Subdivision (b) provides disciplinary grounds for failure to correct objectionable conditions on licensed premises, including adjacent areas. Proposed subsection (c) provides that a licensee may be disciplined for failing to correct objectionable conditions on any public sidewalk abutting their premises, specifying that failing to correct objectionable conditions includes failing to contact local law enforcement or failing to request any persons engaging in or causing objectionable conditions to cease. Proposed subsection (e) provides grounds for discipline, a licensee permitting the illegal sale of a controlled substance or dangerous drug, and proposed subsection (f) provides that a licensee can be disciplined for utilizing a specific solicitation scheme on the premises.

This section is necessary to carry out the mandate of the Bureau in ensuring the protection of the public as the highest priority. Failure to pay a fine imposed by the Bureau or agreed to by the licensee is a violation of rules and regulations that indicates non-compliance and requires disciplinary action. Civil Code section 3479 defines a nuisance as anything which is injurious to health, including, but not limited to, the illegal sale of controlled substances, anything indecent or offensive to the senses, or an obstruction to the free use of property, so as to interfere with the comfortable enjoyment of life or property. This proposed section is necessary to prohibit activities that would be injurious to health or and around commercial cannabis businesses for which the licensee controls.

Anticipated Benefit of the Proposed Regulations:

The broad objectives of these proposed regulations are to create a state licensed and regulated commercial cannabis market. The proposed regulations are expected to benefit the health and welfare of California residents. The specific benefits anticipated are increased protection of the public and the environment from the harms associated with an unregulated commercial cannabis market. The proposed regulations will ensure that cannabis goods meet health and safety standards by requiring that samples of each batch of harvested cannabis and cannabis products be tested prior to being sold to consumers. The proposed regulations would also ensure that cannabis goods are sold in a manner that prevents access to the goods by persons under the age of 21 who do not possess a valid physician's recommendation.

Evaluation of Inconsistency/Incompatibility with Existing State Regulations:

Under the federal Controlled Substances Act (21 U.S.C. §801 et seq.) cannabis is illegal. However, the U.S. Department of Justice issued guidance regarding the enforcement of cannabis activities in a memorandum issued by Deputy Attorney General James M. Cole on August 29, 2013, commonly referred to as the Cole Memorandum. Although the Cole Memorandum was rescinded in January 2018, these proposed regulations are not inconsistent or incompatible with the tenets of the Cole Memorandum. The Bureau has also determined that these proposed regulations are not inconsistent or incompatible with existing regulations. After conducting a search and review of any similar regulations on this topic, the Bureau has concluded that these are the only regulations that concern the State licensing and enforcement of commercial cannabis distributors, retailers, microbusinesses, and testing laboratories.

Incorporation by Reference:

The following documents are incorporated into the regulations by reference:

- (1) US Food and Drug Administration's *Guidelines for the Validation of Methods for the Detection of Microbial Pathogens in Foods and Feeds*, 2nd Edition, 2015.
- (2) US Food and Drug Administration's *Guidelines for the Validation of Chemical Methods for the FDA FVM Program*, 2nd Edition, 2015.
- (3) Bureau of Cannabis Control Disciplinary Guidelines November 2017.

DISCLOSURES REGARDING THE PROPOSED ACTION

The Bureau has made the following initial determinations:

Mandate on local agencies and school district:

None. Cost or savings to any state agency: None.

Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 et seq.: None.

Other non-discretionary cost or savings imposed on local agencies:

None. Cost or savings in federal funding to the state: None.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

The following document is new and was relied on for this readoption:

Calculations and Proposals on Bureau License Fees, Daniel A. Sumner, University of California, Agricultural Issues Center, May 15, 2018

The following documents from the previously approved rulemaking file under file number 2017-1127-05 are hereby incorporated by reference.

1. 420Magazine, *How Many Grams/Day is the Average Patient Prescribed* (June 2013) <<https://www.420magazine.com/forums/medical-cannabis-lounge/158520-how-many-grams-day-average-patient-prescribed.html>> (as of Feb. 13, 2017).
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9. Breier, J., Hard Car Security, LLC, Safety, Transparency and Accountability for the transportation of Cannabis Products and Cash. (Oct. 2016).
10. Bureau of Cannabis Control, *Pre-Regulatory Meeting Notes* from the following:
 - a. September 19, 2016 – Redding
 - b. September 20, 2016 – Sacramento
 - c. September 22, 2016 – Santa Rosa
 - d. September 26, 2016 – Oakland
 - e. September 27, 2016 – Fresno
 - f. October 4, 2016 – Los Angeles
 - g. October 5, 2016 – San Diego
 - h. October 18, 2016 – Santa Ana

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12. Bureau of Cannabis Control formerly known as “Bureau of Medical Cannabis Regulation” Hearing Transcripts on Proposed Medical Cannabis and Testing Laboratory Regulations. Hearing Date June 8, 2017.
13. Bureau of Cannabis Control formerly known as “Bureau of Medical Cannabis Regulation” Hearing Transcripts on Proposed Medical Cannabis and Testing Laboratory Regulations. Hearing Date June 9, 2017.
14. Bureau of Cannabis Control formerly known as “Bureau of Medical Cannabis Regulation” Hearing Transcripts on Proposed Medical Cannabis Regulations. Hearing Date June 13, 2017.
15. Bureau of Cannabis Control formerly known as “Bureau of Medical Cannabis Regulation” Hearing Transcripts on Proposed Testing Laboratory Regulations. Hearing Date June 20, 2017.
16. Bureau of Cannabis Control formerly known as “Bureau of Medical Cannabis Regulation” Public Comments on Proposed Medical Cannabis Regulations.
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