

**State of California
Office of Administrative Law**

In re:
Department of Public Health

Regulatory Action:

Title 17, California Code of Regulations

Adopt sections: 40100, 40101, 40102,
40115, 40116, 40118,
40126, 40128, 40129,
40130, 40131, 40133,
40135, 40137, 40150,
40155, 40156, 40159,
40162, 40165, 40167,
40169, 40175, 40177,
40178, 40180, 40182,
40200, 40205, 40220,
40222, 40223, 40225,
40232, 40234, 40236,
40238, 40240, 40242,
40250, 40252, 40254,
40256, 40258, 40260,
40262, 40264, 40266,
40268, 40270, 40272,
40275, 40277, 40280,
40282, 40290, 40292,
40300, 40305, 40306,
40310, 40400, 40401,
40403, 40405, 40406,
40408, 40410, 40411,
40412, 40415, 40500,
40510, 40512, 40513,
40515, 40517, 40525,
40550, 40601

Amend sections:

Repeal sections:

**NOTICE OF APPROVAL OF EMERGENCY
REGULATORY ACTION**

**Government Code Sections 11346.1 and
11349.6**

OAL Matter Number: 2018-0525-02

OAL Matter Type: Emergency Readopt (EE)

This emergency rulemaking action by the Department of Public Health readopts eighty sections in chapter 13 of division 1 of title 17 of the California Code of Regulations in response to the Medicinal and Adult-Use Cannabis Regulation and Safety Act (Senate Bill 94, Stats. 2017, Ch. 27). This action will: 1) establish the licensing scheme, including temporary licenses, for manufacturers of manufactured cannabis products, including the requirements for applications and the individuals or entities that are required to submit applications; 2) establish licensing fees; 3) set minimum standards for extraction processes; 4) set minimum standards for sanitary manufacturing practices; 5) establish licensee responsibilities for operations including requirements related to security, training, recordkeeping, and disposal; 6) establish quality and safety

standards for finished manufactured cannabis products; and 7) establish packaging and labeling standards for manufactured cannabis products.

OAL approves this emergency regulatory action pursuant to sections 11346.1 and 11349.6 of the Government Code.

This emergency regulatory action is effective on 6/6/2018 and will expire on 12/4/2018. The Certificate of Compliance for this action is due no later than 12/3/2018.

Date: June 4, 2018



Lindsey S. McNeill
Attorney

For: Debra M. Cornez
Director

Original: Dr. Karen Smith, Director
Copy: Linda M. Cortez

EMERGENCY

STATE OF CALIFORNIA—OFFICE OF ADMINISTRATIVE LAW
NOTICE PUBLICATION/REGULATIONS SUBMISSION

(See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-2013)

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-	REGULATORY ACTION NUMBER	EMERGENCY NUMBER 2018-0525-02EE
------------------	---------------------------------	--------------------------	---

For use by Office of Administrative Law (OAL) only

2018 MAY 25 A 8:42

OFFICE OF ADMINISTRATIVE LAW

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

JUN 04 2018
4:11 PM

NOTICE

REGULATIONS

AGENCY WITH RULEMAKING AUTHORITY
California Department of Public Health

AGENCY FILE NUMBER (if any)
DPH-17-010E

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) Emergency Cannabis Regulations - Cannabis Manufacturing Licensing	1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S) 2017-1127-04E
---	---

2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)

SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)	ADOPT See Attached	LM per agency request 6/4/18
	AMEND See Attached	
	REPEAL See Attached	
TITLE(S) 17		

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 §11346.2-11347.3 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"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)	<input type="checkbox"/> File & Print	<input type="checkbox"/> Print Only
<input checked="" type="checkbox"/> Emergency (Gov. Code, §11346.1(b))		<input checked="" type="checkbox"/> Other (Specify) Pursuant to BPC 26013 (b)(3)	LM per agency request 6/4/18

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
---	--	---	---

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
--	--	---

7. CONTACT PERSON

Linda M. Cortez	TELEPHONE NUMBER 916-440-7807	FAX NUMBER (Optional) 916-636-6220	E-MAIL ADDRESS (Optional) Linda.Cortez@cdph.ca.gov
-----------------	----------------------------------	---------------------------------------	---

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 	DATE 5/24/18
TYPED NAME AND TITLE OF SIGNATORY Keith Van Wagner, Assistant Chief Counsel	

For use by Office of Administrative Law (OAL) only

ENDORSED APPROVED

JUN 04 2018

Office of Administrative Law

Attachment to Std. 400 NOTICE PUBLICATION/REGULATIONS SUBMISSION

2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S)

(Including title 26, if toxics related)

SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)

Sections to adopt: 40100, 40101, 40102, 40115, 40116, 40118, 40126, 40128, 40129, 40130, 40131, 40133, 40135, 40137, 40150, 40155, 40156, 40159, 40162, 40165, 40167, 40169, 40175, 40177, 40178, 40180, 40182, 40200, 40205, 40220, 40222, 40223, 40225, 40232, 40234, 40236, 40238, 40240, 40242, 40250, 40252, 40254, 40256, 40258, 40260, 40262, 40264, 40266, 40268, 40270, 40272, 40275, 40277, 40280, 40282, 40290, 40292, 40300, 40305, 40306, 40310, 40400, 40401, 40403, 40405, 40406, 40408, 40410, 40411, 40412, 40415, 40500, 40510, 40512, 40513, 40515, 40517, 40525, 40550, 40601

Modifications have been made to the underlying emergency text in underline and strikeout; Both modifications and existing text are subject to public comment.

DPH-17-010E - READOPTION
Cannabis Manufacturing Licensing
May 18, 2018-June 2, 2018

California Code of Regulations, Title 17

Division 1

Chapter 13. Manufactured Cannabis Safety

SUBCHAPTER 1. General Provisions and Definitions

Article 1. Definitions

Readopt §40100 with amendments

§40100. Definitions.

In addition to the definitions in Business and Professions Code section 26001, the following definitions shall govern the construction of this chapter:

(a) "A-license" means a license issued for commercial cannabis activities involving cannabis and cannabis products that are intended for individuals 21 years of age and older and who do not possess physician's recommendations.

(b) "Act" means the Medicinal and Adult-Use Cannabis Regulation and Safety Act, codified at Business and Professions Code section 26000, et seq.

(c) "Actual yield" means the quantity that is actually produced at any appropriate step of manufacture or packaging of a particular cannabis product.

(d) "Adequate" means that which is necessary to accomplish the intended purpose in keeping with good public health practice to ensure cannabis product quality ~~in-keeping with good public health practice~~.

(e) "Adult-use Market" means the products intended for sale at an ~~A-licensed~~ a retailer or microbusiness to individuals 21 years of age and older and who do not possess physician's recommendations.

(f) "Adulterated" or "adulteration" has the meaning stated in section 26131 of the ~~Business and Professions Code Act~~.

(g) "Allergen" means a major food allergen including any of the following: (1) Milk, eggs, fish (e.g., bass, flounder, or cod), crustacean shellfish (e.g., crab, lobster, or shrimp), tree nuts (e.g., almonds, pecans, or walnuts), wheat, peanuts, and soybeans.

(2) A food ingredient that contains protein derived from a food specified in (1), except

the following: Any highly refined oil derived from a food specified in (1) and any ingredient derived from such highly refined oil.

(h) "Allergen cross-contact" means the unintentional incorporation of a food allergen into a cannabis product.

(i) "Applicant" means the owner that is applying on behalf of the commercial cannabis business for a license to manufacture cannabis products.

(j) "Batch" or "production batch" means either:

(1) An amount of cannabis concentrate or extract produced in one production cycle using the same extraction methods and standard operating procedures; or

(2) An amount of a type of cannabis product produced in one production cycle using the same formulation and standard operating procedures.

(k) "Bureau" means the Bureau of Cannabis Control in the Department of Consumer Affairs.

(l) "Cannabis concentrate" means cannabis that has undergone a process to concentrate one or more active cannabinoids, thereby increasing the product's potency. For purposes of this chapter, "cannabis concentrate" includes, but is not limited to, the separated resin obtained from cannabis, whether crude or purified, tinctures, capsules, suppositories, extracts, and vape cartridges.

(m) "Cannabis product" as used in this chapter means cannabis that has undergone a process whereby the plant material has been transformed into a concentrate, including, but not limited to, concentrated cannabis, or an edible or topical product containing cannabis or concentrated cannabis and other ingredients.

(n) "Cannabis product quality," "quality cannabis product," or "quality" means that the cannabis product consistently meets the established specifications for identity, cannabinoid concentration (as defined specified in Section 5724 of Title 16 of the California Code of Regulations), composition, and limits on contaminants (as defined specified in Sections 5718 to 5723, inclusive, of Title 16 of the California Code of Regulations), and has been manufactured, packaged, labeled, and held under conditions to prevent adulteration and misbranding.

(o) "Cannabis waste" is waste that contains cannabis or cannabis products.

(p) "CBD" means the compound cannabidiol.

(q) "Commercial-grade, non-residential door lock" means a lock manufactured for commercial use.

(r) "Component" means any substance or item intended for use in the manufacture of a cannabis product, including those substances or items that are not intended to appear in the final form of the product. "Component" may include cannabis, cannabis products used as ingredients, other ingredients, and processing aids.

(s) "Contact surface" means any surface that contacts cannabis products and cannabis product components and those surfaces from which drainage, or other transfer, onto the cannabis product or cannabis product components, occurs during the normal course of operations. Examples of contact surfaces include containers, utensils, tables, and equipment.

(t) "Department" means the State Department of Public Health.

(u) "Distribution" means the procurement, sale, and transport of cannabis and cannabis products between licensees.

(v) "Edible cannabis product" means a cannabis product intended to be used orally, in whole or in part, for human consumption. For purposes of this chapter, "edible cannabis product" does not include any product otherwise defined as "cannabis concentrate."

(w) "Environmental pathogen" means a pathogen capable of surviving and persisting within the manufacturing environment such that cannabis products may be contaminated and may result in illness if consumed or used without treatment to significantly minimize the environmental pathogen. Examples of environmental pathogens include *Listeria monocytogenes* and *Salmonella spp.* but do not include the spores of pathogenic spore-forming bacteria.

(x) "Extraction" means a process by which cannabinoids are separated from cannabis plant material through chemical or physical means.

(y) "Finished product" means a cannabis product in its final form to be sold at a retail premises.

(z) "Harvest batch" means a specifically identified quantity of dried flower or trim, leaves, and other cannabis plant matter that is uniform in strain, harvested at the same time, and, if applicable, cultivated using the same pesticides and other agricultural chemicals, and harvested at the same time.

(zaa) "Hazard" means any biological, chemical, radiological, or physical agent that has the potential to cause illness or injury.

(aabb) "Holding" means storage of cannabis or cannabis products and includes activities performed incidental to storage of a cannabis product and activities performed as a practical necessity for the distribution of that cannabis product.

(bbcc) "Informational panel" means any part of the cannabis product label that is not the primary panel and that contains required labeling information.

(eedd) "Infusion" means a process by which cannabis, cannabinoids, or cannabis concentrates are directly incorporated into a product formulation to produce a cannabis product.

(edee) "Ingredient" means any substance that is used in the manufacture of a cannabis product and that is intended to be present in the product's final form.

(eeff) "In-process material" means any material that is fabricated, compounded, blended, ground, extracted, sifted, sterilized, derived by chemical reaction, or processed in any other way for use in the manufacture of a cannabis product.

(ffgg) "Labeling" means any label or other written, printed, or graphic matter upon a cannabis product, or upon its container or wrapper, or that accompanies any cannabis product.

(gghh) "Limited-access area" means an area in which cannabis is stored or held and is only accessible to a licensee and authorized personnel.

(hhij) "M-license" means a license issued for commercial cannabis activity involving medicinal cannabis.

(ijjj) "Manufacturer licensee" or "licensee" means the holder of a manufacturer license issued pursuant to the Act.

(jjkk) "Manufacture" means to compound, blend, extract, infuse, or otherwise make or prepare a cannabis product.

(1) The term "manufacture" includes the following processes:

(A) Extraction processes;

(B) Infusion processes;

(C) Packaging or repackaging of cannabis products; and

(D) Labeling or relabeling the packages of cannabis products.

(2) The term "manufacture" does not include the following:

(A) The repacking of cannabis products from a bulk shipping container by a distributor or dispensary where the product's original packaging and labeling is not otherwise altered;

(B) The placing of cannabis products into opaque packaging at a retail premises for purpose of complying with section 26070.1 of the Act; or

(C) The placement of a sticker stating "FOR MEDICAL USE ONLY" on cannabis products at a retail premises, if the cannabis product is sold to a medicinal-use customer;

(D) The collection of the glandular resinous trichomes that are dislodged or sifted from the cannabis plant incident to cultivation activities, by a licensed cultivator in accordance with the requirements of the California Department of Food and Agriculture specified in Article 4 of Chapter 1 of Division 8 of Title 3 of the California Code of Regulations; or

(E) The processing of nonmanufactured cannabis products, as defined in Section 8000 of Title 3 of the California Code of Regulations, by a licensed cultivator in accordance with the requirements of the California Department of Food and Agriculture specified in Article 4 of Chapter 1 of Division 8 of Title 3 of the California Code of Regulations.

(kkll) "Manufacturing" or "manufacturing operation" means all aspects of the extraction process, and/or infusion process, and packaging and labeling processes, including processing, preparing, holding, and storing, ~~packaging, or labeling~~ of cannabis products. Manufacturing also includes any processing, preparing, holding, or storing of components and ingredients.

(llmm) "Microorganisms" means yeasts, molds, bacteria, viruses, protozoa, and/or microscopic parasites and includes species that are pathogens. The term "undesirable microorganisms" includes those microorganisms that are pathogens, that subject a cannabis product to decomposition, that indicate that a cannabis product is contaminated with filth, or that otherwise may cause a cannabis product to be adulterated.

(mmnn) "Monitor" means to conduct a planned sequence of observations or measurements to assess whether control measures are operating as intended.

(nnoo) "Nonvolatile solvent" means any solvent used in the extraction process that is not a volatile solvent. For purposes of this chapter, "nonvolatile solvents" include carbon dioxide and ethanol.

(oopp) "Package" or "packaging" means any container or wrapper that may be used for enclosing or containing any cannabis products. The term "package" does not include any shipping container or outer wrapping used solely for the transportation of cannabis products in bulk quantity to another licensee or licensed premises.

(ppqq) "Pathogen" means a microorganism that can cause illness or injury.

(qqrr) "Personnel" means any worker engaged in the performance or supervision of operations at a manufacturing facility premises and includes full-time employees, part-time employees, temporary employees, contractors, and volunteers. For purposes of training requirements, "personnel" also includes owner-operators.

(rrss) "Person" includes any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit, and the plural as well as the singular.

(sstt) "Pest" means an undesired insect, rodent, nematode (small worm), fungus, bird, vertebrate, invertebrate, weed, virus, bacteria, or other microorganism (except microorganisms on or in humans or animals) injurious to health or the environment.

(ttuu) "Premises" means the designated structure(s) 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 (as defined in subdivision (k) of section

26001 of the ~~Business and Professions Code~~ Act) will be or is conducted. The premises shall be a contiguous area and shall only be occupied by one licensee.

(~~uuuv~~) "Preventive controls" means those risk-based, reasonably appropriate procedures, practices, and processes that a person knowledgeable about the safe manufacturing, processing, packing, or holding of food would employ to significantly minimize or prevent the hazards identified pursuant to a hazard analysis.

(~~vwww~~) "Primary panel" means the part of a cannabis product label that is most likely to be displayed, presented, shown, or examined under customary conditions of display for retail sale.

(~~wwwx~~) "Processing aid" means any substance that is added to a cannabis product during manufacture but is removed in some manner from the cannabis product before it is packaged in its finished form. This includes substances that are converted into constituents normally present in the product, and do not significantly increase the amount of the constituent naturally found in the product. This also includes substances that are added to a product for their technical or functional effect in the processing but are present in the finished product at insignificant levels and do not have any technical or functional effect in that product.

(~~xyyy~~) "Product Identity" or "identity of the product" means the generic or common name of the product type by which it is most commonly known. For edible products, the product identity shall not contain any trademarked identity of a traditional food product or the term "candy" or "candies."

(~~yyzz~~) "Qualified individual" means a person who has the education, training, or experience (or a combination thereof) necessary to manufacture quality cannabis products as appropriate to the individual's assigned duties. A qualified individual may be, but is not required to be, an employee of the licensee.

(aaa) "Quality control" means a planned and systematic operation or procedure for ensuring the quality of a cannabis product.

(bbb) "Quality control operation" means a planned and systematic procedure for taking all actions necessary to prevent cannabis product(s) from being adulterated or misbranded.

(ccc) "Quality control personnel" means any person, persons, or group, designated by the licensee to be responsible for quality control operations.

(ddd) "Quarantine" means the storage or identification of a product, to prevent distribution or transfer of the product.

(eee) "Raw material" means any unprocessed material in its raw or natural state that is intended to become part of the components of a cannabis product.

(fff) "Sanitize" means to adequately treat cleaned surfaces by a process that is effective in destroying vegetative cells of pathogens, and in substantially reducing numbers of other undesirable microorganisms, but without adversely affecting the product or its safety for the consumer.

(ggg) "Serving" means the designated amount of cannabis product established by the manufacturer to constitute a single unit.

(hhh) "THC" means the compound tetrahydrocannabinol. For purposes of this chapter, "THC" refers specifically to delta 9-tetrahydrocannabinol.

(iii) "Theoretical yield" means the quantity of a particular cannabis product that would be produced at any appropriate step of manufacture or packaging, based upon the quantity of components or packaging to be used, in the absence of any loss or error in actual production.

(jjj) "Topical cannabis product" means a cannabis product intended to be applied to the skin rather than ingested or inhaled.

(kkk) "Track and trace system" means the program for reporting the movement of cannabis and cannabis products through the distribution chain established by the Department of Food and Agriculture in accordance with section 26067 of the Act.

(lll) "UID" means the unique identifier for use in the track-and-trace system established by the Department of Food and Agriculture in accordance with section 26069 of the Act.

(mmm) "Universal symbol" means the symbol developed by the Department pursuant to paragraph (7) of subdivision (c) of section 26130 of the Act to indicate a product contains cannabinoids.

(nnn) "Validation" means obtaining and evaluating scientific and technical evidence that a control measure, combination of control measures, or quality control procedures as a whole, when properly implemented, is capable of effectively controlling the identified hazard.

(ooo) "Verification" means the application of methods, procedures, tests, or other evaluations, in addition to monitoring, to determine whether a control measure or combination of control measures is or has been operating as intended and to establish the validity of the quality control procedures.

(ppp) "Volatile solvent" means any solvent that is or produces a flammable gas or vapor that, when present in the air in sufficient quantities, will create explosive or ignitable mixtures. Examples of volatile solvents include, but are not limited to, butane, hexane, and propane.

Authority: Sections 26012; 26013; and 26130, Business and Professions Code.

Reference: Sections 26001; 26120; and 26130, Business and Professions Code;
Section 11018.1, Health and Safety Code.

Readopt §40101 with amendments

§40101. Applicability.

(a) Unless otherwise specified, the requirements of this chapter apply to all licensed manufacturers and to the manufacture of cannabis products for either both the medicinal-use market ~~or~~ and the adult-use market.

(b) The requirements for the production, packaging, and labeling of cannabis products in ~~of~~ subchapters 3, 4, and 5 shall apply to licensed microbusinesses conducting manufacturing operations.

Authority: Sections 26012; 26013; and 26130, Business and Professions Code.

Reference: Sections 26050; and 26106, Business and Professions Code.

Readopt §40102

§40102. Owners and Financial Interest Holders.

(a) An owner shall mean any of the following:

(1) Any person that has an aggregate ownership interest, other than a security interest, lien, or encumbrance, in a commercial cannabis business of 20 percent or more;

(2) The chief executive officer of a commercial cannabis business;

(3) If a non-profit entity, each member of the Board of Directors;

(4) Any individual that will be participating in the direction, control, or management of the licensed commercial cannabis business. An owner who is an individual participating in the direction, control, or management of the commercial cannabis business includes any of the following:

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

(B) Each non-member manager or managing member of a limited liability company for a commercial cannabis business that is organized as a limited liability company; and

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

(b) Persons that hold an ownership interest of less than 20 percent in a commercial cannabis business are considered to be financial interest holders for purposes of subsection (d) of section 26051.5 of the Act and shall be disclosed on the application for licensure. A financial interest means 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.

(c) The following persons are not considered to be owners or financial interest holders:

(1) A bank or financial institution whose interest constitutes a loan;

(2) Persons whose only ownership 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: Sections 26012; and 26013, Business and Professions Code. Reference: Sections 26001; and 26051.5, Business and Professions Code.

Article 2. General Provisions

Readopt §40115 with amendments

§40115. License Required.

(a) Every person who manufactures cannabis products shall obtain and maintain a valid manufacturer license from the Department for each separate premises at which ~~cannabis products will be manufactured~~ manufacturing operations will be conducted.

(b) No person shall manufacture cannabis products without a valid license from the Department.

(c) ~~A M-license is required in order to manufacture cannabis products for sale in the medicinal-use market.~~

(d) ~~An A-license is required in order to manufacture cannabis products for sale in the adult-use market.~~

(e) Licenses shall not be transferrable.

Authority: Sections 26012; 26013 and 26130, Business and Professions Code.

Reference: ~~Section~~ 26053, Business and Professions Code.

LM
per agency
request
6/4/18

Readopt §40116 with amendments

§40116. Personnel Prohibited from Holding Licenses.

(a) A license authorized by the Act and issued by the Department 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 or cannabis products.

(b) This section applies to, but is not limited to, any persons 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) All persons listed in subsection (a) or (b) may not 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: Sections 26012; 26013 and 26130, Business and Professions Code.

Reference: Sections 26010 and 26012, Business and Professions Code.

LM
per agency
request
4/14/18

Readopt §40118 with amendments

§40118. Manufacturing License Categories and Types.

(a) ~~Manufacturing licenses may be issued for either the adult-use market or the medicinal-use market.~~

~~(b) The following license types are available from the Department:~~

(1) "Type 7," for extractions using volatile solvents as defined by subsection (ppp) of Section 40100. A Type 7 licensee may also:

(A) Conduct extractions using nonvolatile solvents or mechanical methods on the licensed premises provided that the extraction process is noted on the application form and the relevant information pursuant to Section 40131 is provided to the Department;

(B) Conduct infusion operations on the licensed premises, provided that the infusion method is noted on the application form and that the relevant information pursuant to Section 40131 is provided to the Department; and

(C) Conduct packaging and labeling of cannabis products on the licensed premises; and

(D) Register and operate their licensed premises as a shared-use facility in accordance with Article 6 (commencing with Section 40190).

(2) "Type 6," for extractions using mechanical methods or nonvolatile solvents as defined by subsection (oo) of Section 40100. A Type 6 licensee may also conduct:

(A) Conduct infusion operations and packaging and labeling of cannabis products on the licensed premises, provided that the infusion method is noted on the application

form and the relevant information pursuant to Section 40131 is provided to the Department;

(B) Conduct packaging and labeling of cannabis products on the licensed premises;
and

(C) Register and operate their licensed premises as a shared-use facility in accordance with Article 6 (commencing with Section 40190).

(3) "Type N," for manufacturers that produce edible products or topical products using infusion processes, or other types of cannabis products other than extracts or concentrates. A Type N licensee may also package:

(A) Package and label cannabis products on the licensed premises; and

(B) Register and operate their licensed premises as a shared-use facility in accordance with Article 6 (commencing with Section 40190).

(4) "Type P," for manufacturers that only package or repackage cannabis products or label or relabel the cannabis product containers or wrappers. ~~Manufacturers that engage in packaging or labeling of cannabis products as part of the manufacturing operation do not need to hold a separate Type P license.~~

(5) "Type S," for manufacturers that conduct commercial cannabis manufacturing activities in accordance with Article 6 (commencing with Section 40190) at a registered shared-use facility.

Authority: Sections 26012; 26013 and 26130, Business and Professions Code.

Reference: Sections 26012; 26050; and 26130, Business and Professions Code.

SUBCHAPTER 2 – MANUFACTURING LICENSES

Article 1. Applications for Licensure

Readopt §40126

§40126. Temporary Licenses.

(a) To request a temporary license, an applicant shall submit to the Department the following:

(1) Form CDPH-9041 (10/17), which is hereby incorporated by reference.

(2) A copy of a local license, permit, or other authorization, issued by a local jurisdiction, that enables the applicant to conduct commercial cannabis business at the location requested for the temporary license. Upon receipt of the application, the Department 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 Department shall consider the authorization valid.

(b) A temporary license shall be valid for 120 days from the effective date. No temporary license shall be effective prior to January 1, 2018.

(c) A temporary license may be extended by the Department for additional 90-day periods if the holder of a temporary license submits a complete application for annual licensure to the Department pursuant to Section 40128 prior to the initial expiration date of the temporary license.

(d) A temporary license is a conditional license and authorizes the holder thereof to engage in commercial cannabis activity as would be permitted under the privileges of the license for which the applicant may submit an application to the licensing authority.

(e) Refusal by the Department to issue or extend a temporary license shall not entitle the applicant to a hearing or appeal of the decision. Chapter 2 (commencing with Section 480) of Division 1.5 and Chapter 4 (commencing with Section 26040) of the Business and Professions Code shall not apply to temporary licenses.

(f) A temporary license does not obligate the Department to issue an annual license to the temporary license holder, 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 annual license.