



June 13, 2017

Ms. Lori Ajax
Chief, Bureau of Medical Marijuana Regulation
California Department of Consumer Affairs
1625 North Market Blvd, Suite S-202
Sacramento, CA 95834

Transmit Via E-Mail: BMCR.comments@dca.ca.gov

RE: Comments on Proposed Bureau of Marijuana Control Regulations

Dear Ms. Ajax:

On behalf of the Rural County Representatives of California (RCRC), the Urban Counties of California (UCC), and the California State Association of Counties (CSAC), we offer our comments on the proposed regulations for the State's licensing and enforcement criteria for commercial cannabis licensees.

The specific language revisions that counties recommend for the proposed Bureau of Marijuana Control Regulations are set forth in an appendix to this letter. These recommendations are largely self-explanatory, but we would also like to provide the following detailed comments:

- The licensed "premises" is subject to a comprehensive array of regulatory controls. The regulations should clearly define the "premises" in a manner that avoids evasion of those controls or enforcement difficulties (e.g., confusion regarding whether a particular area is subject to mandatory access/inspection by the Bureau). We have consequently recommended that the regulations define "premises" as the entire portion of a legal parcel (or contiguous parcels) under the licensee's possession or control. This would allow multiple licenses on a single parcel (provided that each licensee is leased and controls a separate portion of the property), but extend each licensee's obligations respecting activities on the "premises" to the entirety of the contiguous area that they actually control. We have also proposed language (adapted from § 8206 of the CDFR regulations) setting forth certain controls to ensure that each separately licensed "premises" is truly separate. (Regs., §§ 5010, 5012(d).)

- The regulations' proposed definition of “owner” and related provisions (§§ 5004, 5006(b)(21)) appear inconsistent with MCRSA, and creates easy avenues for ineligible persons to participate in (and profit from) cannabis licensees.
 - The exclusion of equity owners (of non-publicly traded companies) with less than a 20% interest appears to contravene Business and Professions Code section 19300.5, subdivision (b)(2), which requires inclusion of “each person . . . having a financial interest in, the proposed premises” - without exception.
 - The exclusion of owners of an entity that, in turn, owns the licensee (so long as those individuals do not serve as CEO or board member of the intermediate entity) is likewise inconsistent with Business and Professions Code section 19300.5, subdivision (b), and will allow easy evasion of the background check and cross-ownership restrictions.
 - The regulation likewise has no provision addressing financial interests other than equity ownership (e.g., investors, private lenders, holders of debt securities). This is likewise inconsistent with the broad reach of MCRSA – and with the careful approach taken by other states endeavoring to regulate adult-use cannabis enterprises (see below).
 - Business and Professions Code section 19300.5, subdivision (b)(1) explicitly includes the “[o]wner or owners of the proposed premises, including all persons or entities having ownership interest other than a security interest, lien, or encumbrance on property that will be used by the premises.” This provision seems disregarded in the regulations, which have no provision addressing property (fee) owners.
 - The proposed definition of persons “participating in the direction, control, or management of” the licensee is unduly narrow, and will promote evasion and participation by ineligible individuals. We have recommended a revised definition based upon the Fair Political Practices Commission’s conflict-of-interest regulations (Cal. Code Regs., tit. 2, § 18704), which are likewise designed - and effectively function - to identify and regulate the true decision-makers within an organization.

We have proposed a revised definition of owner consistent with MCRSA, premised largely upon the disclosure provisions found elsewhere in the draft regulations (§ 5006(b)(22)(K).) We would alternatively suggest that the Bureau review the regulatory approach taken by the states of Colorado and Washington, and consider developing a modified definition of “owner” consistent with those provisions. (See the Colorado and Washington regulations, <https://www.colorado.gov/pacific/sites/default/files/Complete%20Retail%20Mariju>

ana%20Rules%20as%20of%20April%2014%202017.pdf – p. 4, and <http://apps.leg.wa.gov/wac/default.aspx?cite=314-55-035>)

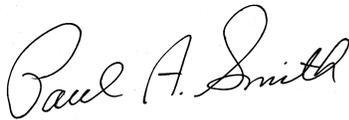
- The provision in Section 5118 allowing persons exempt from licensure under Business and Professions Code section 19319 to transport medical cannabis goods between licensees contravenes MCRSA. The limited exemption in Section 19319 relates to certain personal activities of qualified patients and primary caregivers – and does not permit commercial cannabis activities of any nature, such as transport between licensees. This exemption is not relevant to the subject matter of Section 5118, and we have consequently recommended that this reference be removed.
- In order to effectuate the dual licensing system set forth in MCRSA, we propose to clarify the sovereign immunity waiver provisions of Section 5017 to explicitly require compliance with – and enforceability of – local (as well as state) laws applicable to tribal cannabis cultivation.
- The proposed revisions to Section 5096 and 5145 are similar in concept to Section 40175 of the draft CDPH regulations (which bans manufacturers from producing non-cannabis products on the licensed premises), but have been tailored to fit distribution and dispensary licensees, respectively. These provisions are necessary to avoid the confusion, product contamination, and enforcement difficulties that could arise if licensees are allowed to commingle regulated cannabis and non-cannabis activities on the same premises – particularly if food products are involved. Note that the provisions applicable to dispensaries would not preclude the sale of edible cannabis products (which are not classified as foods or drugs, see Bus. & Prof. Code, § 19300.5, subd. (s)) or non-cannabis products other than foods, such as smoking accessories.
- We have proposed additional revisions to Section 5145 to (1) avoid the confusion and enforcement difficulties that might arise if licensees (or others) were permitted to engage in unlicensed (e.g., primary caregiver) cannabis activities on the same property as the licensed dispensary, and (2) clarify that except for permitted deliveries, off-site sales (e.g., at trade shows) are prohibited.
- We have proposed revisions to Sections 5006(b)(23) and 5024(h) to clarify the nature and (limited) effects of the local jurisdiction's communications and assurances regarding an applicant's compliance with local ordinances.
- We have proposed to revise Sections 5018 and 5022(b) to include language taken directly from the governing statute, Business and Professions Code section 19321, subdivision (b), for clarity and avoidance of confusion.

- We propose to revise Section 5024(f)-(g) to clarify that the local signatory is merely authorized to certify the validity and due issuance of the local permit – and remove any implication that they are authorized to bind the local jurisdiction in any other fashion.
- We have proposed revisions to Sections 5039(a) and 5060 to clarify and expand the critical events that must be promptly reported by licensees, and to provide that notification of these events should also be sent to the local jurisdiction.
- We recommend addition of a new Subdivision (c)(5) to Section 5042, requiring submission of compliance documentation issued by the local jurisdiction as part of the annual renewal process (as opposed to self-certification of compliance by the licensee).
- The proposal in Section 5094(c) to allow non-licensees (other than employees of the distributor) to handle cannabis in the distribution chain and engage in regulated commercial cannabis activity (i.e., labeling and packaging) is fundamentally inconsistent with MCRSA's closed loop system, and contravenes Business and Professions Code sections 19300.5(j) [defining commercial cannabis activity to include possession, processing, and labeling], and 19320 and 19360 [prohibiting commercial cannabis activity by non-licensees]. It is also unnecessary to accomplish the goals of this subdivision as set forth in the ISOR (p. 45). We have consequently recommended that this provision be removed.
- We have proposed revisions to Section 5172 to reference (and enforce) the limitations on primary caregivers' exemption from licensure under Business and Professions Code section 19319.
- We have proposed revisions to clarify and strengthen the transport and delivery method requirements (§§ 5124, 5193) consistent with the apparent intent of both the regulations and MCRSA.
- We have also proposed revisions to the delivery process regulation (§ 5187) to (1) clarify that deliveries may be made only in response to a specific request from an eligible customer (i.e., no mobile dispensaries, carrying cannabis outside of the licensed premises without a specific customer destination), and (2) to explicitly cross-reference the preclusion on delivery within jurisdictions where delivery is banned by ordinance. (Bus. & Prof. Code, § 19340, subds. (a), (b)(1).) We have also proposed to include a prohibition upon carrying persons other than dispensary employees in the delivery vehicle, similar to the restriction applicable to transporters.
- The ISOR (p. 72) indicates that Section 5205 is intended to require the receipt be prepared in advance of the delivery; however, this is not entirely clear from the

regulatory text. Clarification of this point is necessary to ensure that each delivery is commenced only upon specific request of an eligible customer, and that documentation of such request is available at all times during delivery - as mandated by Business and Professions Code section 19340, subdivision (d). This is also practically necessary to allow law enforcement to practicably separate licensed deliveries from unlicensed and unlawful conduct. We have proposed revisions to this section to allow one document prepared in advance to function as both the request and receipt while still effectuating the foregoing necessary objectives.

We appreciate the opportunity to provide these comments on the proposed Bureau of Marijuana Control Regulations. If you have any questions, please contact Paul A. Smith at psmith@rcrcnet.org, Jolena Voorhis at jolena@urbancounties.com or Cara Martinson at cmartinson@counties.org.

Sincerely,



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Senior Legislative Advocate
RCRC



CARA MARTINSON
Legislative Representative
CSAC



JOLENA L. VOORHIS
Executive Director
UCC

cc: Graciela Castillo-Krings, Office of Governor Edmund G. Brown, Jr.
Kim Craig, Office of Governor Edmund G. Brown, Jr.
Darci Sears, Office of Assembly Speaker Anthony Rendon
Gayle Miller, Office of Senate President Pro Tempore Kevin de León

Attachment: Appendix to Counties' Comment Letter

**APPENDIX TO COUNTIES' COMMENT LETTER
LANGUAGE REVISIONS RECOMMENDED FOR
BUREAU OF MARIJUANA CONTROL REGULATIONS**

Revise Proposed Regulations § 5000, subd. (u) to read:

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

Revise Proposed Regulations § 5004 to read:

§ 5004. Owner

- (a) For publicly traded companies, "owner" means the chief executive officer ~~or any and each~~ person or entity with an aggregate ownership interest of 5 percent or more.
- (b) For all business ~~entitises~~ other than publicly traded companies, an owner is all of the following:
- (1) ~~An-Each~~ individual that has ~~an aggregate ownership~~ financial interest, other than a security interest, lien, or encumbrance, in the business entity that is an applicant or licensee under this chapter; of 20 percent or more in the commercial cannabis business;
- (2) ~~Each individual that has a financial interest, other than a security interest, lien, or encumbrance, in any business. The chief executive officer and all members of the board of directors of an entity when that entity~~ has a financial interest, other than a security interest, lien, or encumbrance, in the business entity that is an applicant or licensee under this chapter has an aggregate ownership interest, other than a security interest, lien, or encumbrance, of 20 percent or more in the commercial cannabis business; or
- ~~(2)(3)~~ Each individual having an ownership interest, other than a security interest, lien, or encumbrance, in the real property upon which the licensed premises will be located; and
- (4) ~~An-Each~~ individual that will be participating in the direction, control, or management of the licensed commercial cannabis business. For purposes of this section, participating in the direction, control, or management of the licensed commercial cannabis business means any of the following:
- ~~that (A) †~~The individual has been delegated discretionary powers to organize, direct, carry on or control the operations of the licensed commercial cannabis business. Authority to control one or more of the following functions may be considered evidence that such an individual is participating in the direction, control, or management of the licensed commercial cannabis business:
- (i) To hire or separate employees.
 - (ii) To contract for the purchase or sale of medical cannabis goods.
 - (iii) To make or participate in making policy decisions relative to operations of the licensed commercial cannabis business.

(B) The individual authorizes or directs any action of the licensed commercial cannabis business, obligates or commits the business to any course of action, or enters into any contractual agreement on behalf of the business.

(C) The individual provides information, an opinion, or a recommendation for the purpose of affecting decisions of the commercial cannabis business without significant intervening substantive review.

(c) Individuals that have a community property interest under Family Code section 760 in the commercial cannabis business but who will not be participating in the direction, control, or management of the commercial cannabis business as defined under subsection (b)(3) of this section are not required to submit the information required of owners in the application for licensure under section 5006, subsection (b)(22) of this division. However, information regarding an individual with a community property interest shall be disclosed by the owner in the application for licensure pursuant to 5006, subsection (b)(22)(P). If a license in which an individual has a community property interest is revoked, the individual shall be barred from holding an interest in the same license type as the license that was revoked for the same period of time as the owner is barred from obtaining a new license. If a license in which an individual has a community property interest in is denied, the individual shall be barred from holding an interest in the same license type as the license that was denied for the same period of time as an owner is barred from obtaining a new license under Business and Professions Code section 486.

(d) A bank or financial institution whose interest constitutes only a loan is not considered to be an owner.

~~(d) For purposes of this section “financial interest” means an investment in the business entity, a loan provided to a commercial cannabis business, or any other equity interest in a commercial cannabis business. The following individuals are considered to have a noncontrolling interest in the commercial cannabis business and are not required to submit the information required of owners in the application for licensure under section 5006, subsection (b)(22) of this division:~~

~~(e) Individuals that own an interest in a commercial cannabis business that is less than 5 percent for publicly traded companies or less than 20 percent for all other businesses;~~

~~(f) Individuals that own an interest of an entity owner under subsection (b)(2) that are not the chief executive officer nor a member of the board of directors; and~~

~~(g) Individuals that own an interest in an entity that owns an interest in a commercial cannabis business that is less than 20 percent.~~

~~(h)(e)~~

Revise Proposed Regulations § 5006, subdivision (b)(6) to read:

- (6) Whether the applicant has been denied a license by the bureau or any other medical cannabis licensing authority, or has been denied any local permit, license, or other authorization relating to commercial cannabis activity. 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.

Delete Proposed Regulations § 5006, subdivision (b)(21):

Revise Proposed Regulations § 5006, subdivision (b)(22)(I) to read:

- (I) The type and percentage of the ownership interest, as applicable, held in the applicant entity by the owner.

Revise Proposed Regulations § 5006, subdivision (b)(23) to read:

- (23) (A) A copy of the license, permit, or other authorization issued by the local agency with jurisdiction over the proposed premises; and
(B) Documentation issued by the local jurisdiction in which the applicant proposes to operate certifying stating that, to the best of the local jurisdiction's knowledge, the applicant is in compliance with all local ordinances and regulations, or will be in compliance with all local ordinances and regulations by the time the bureau issues a license. Such statement shall not preclude either the local jurisdiction or the Department from subsequently determining that the applicant is not in compliance with all local ordinances and regulations and taking appropriate enforcement action, and shall not be binding upon nor otherwise estopp either the local jurisdiction or the Department in any subsequent administrative or judicial action or proceeding.

Revise Proposed Regulations § 5010 to read:

§ 5010. Premises

(a) Premises means the ~~designated~~ structure(s) and land specified in the application that are ~~in the possession of and~~ used by the applicant or licensee to conduct the commercial cannabis activity, together with any contiguous real property and structures under the possession or control of the licensee. -

(b) The premises ~~must be a contiguous area and~~ may only be occupied by one licensee.

(c) Multiple licensees and license types may be located on the same legal parcel of real property, if each licensed premises is under the possession and control of a separate licensee, and has a unique entrance and immovable physical barriers between uniquely licensed premises.

Revise Proposed Regulations § 5012, subdivision (d) to read:

- (d) If the ~~proposed premises consists of~~ commercial cannabis activities will occur only upon a portion of a ~~property~~ the proposed premises, the diagram must be labeled indicating which part of the ~~property is the proposed premises~~ premises will be used for such activities and what the remaining property is used for.

Revise Proposed Regulations § 5017 to read:

§ 5017. 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 or local administrative or judicial enforcement actions against the applicant or licensee, regardless of the form of relief sought, whether monetary or otherwise, under the state

and local 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 and local 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 or local 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 and 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 and local 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, or any related local license, permit, or other authorization, 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 Medical Cannabis Regulation and Safety Act and the Administrative Procedure Act, as applicable.
- (b) Any applicant or licensee must immediately notify the bureau of any changes that may materially affect the applicant or licensee's compliance with subdivision (a).
- (c) Any failure by an applicant or licensee to comply with the requirements of subdivisions (a) or (b) shall be a basis for denial of an application or renewal or discipline of a licensee.

Revise Proposed Regulations § 5018 to read:

§ 5018. Requirements for Continued Operation While Application Pending

All applicants that were in operation and in good standing with the local jurisdiction prior to January 2, 2018, may continue to operate while their application is pending if a completed application is received by the bureau no later than 5:00 p.m. Pacific Time on July 2, 2018, and the continuing operations are the same commercial cannabis activity as the license type for which the applicant is applying, and provided that the applicant continues to operate in compliance with all local and state requirements, except possession of a state license. If the application for licensure is denied, the applicant shall cease all commercial cannabis business operations until a license is obtained.

Revise Proposed Regulations § 5022, subdivision (b) to read:

- (b) For purposes of this section, “actively conducting” means engaging in the transportation, distribution, testing, or sale of medical cannabis goods as authorized by the local jurisdiction and in compliance with local zoning ordinances and other state and local requirements.

Revise Proposed Regulations § 5024 to read:

§ 5024. Good Standing

For purposes of sections 5018 and 5020 of this division, good standing shall be evidenced by a document issued or signed by the local jurisdiction that contains the following:

- (a) Name of the applicant;
- (b) Address of the premises to be licensed;
- (c) License type that the applicant is applying to the bureau for;
- (d) Name of the local jurisdiction;
- (e) Name of the local jurisdiction office that issued the license, permit, or other authorization for the applicant to conduct commercial cannabis activity in the jurisdiction as required by Business and Professions Code section 19320;
- (f) Name and contact information for the person authorized by the governing body of the local jurisdiction to sign-verify compliance on its behalf;
- (g) Signature of the person authorized by the governing body of the local jurisdiction to sign-verify compliance on behalf of the local jurisdiction; and
- (h) A statement to the effect of: “The above named party has been issued a license, permit, or other authorization from this jurisdiction to conduct commercial cannabis activity. To the best of our knowledge, ¶the above named party began operation and was in good standing in this jurisdiction on or before January 1, 2016.” Such statement shall not preclude either the local jurisdiction or the Department from subsequently determining that the applicant is not in compliance with all local ordinances and regulations and taking appropriate enforcement action, and shall not be binding upon nor otherwise estopp either the local jurisdiction or the Department in any subsequent administrative or judicial action or proceeding.

Revise Proposed Regulations § 5036, subdivision (f) to read:

- (f) The applicant does not hold a local license, permit, or other authorization to engage in commercial cannabis activity, or has been denied a license, permit, or other authorization to engage in commercial cannabis activity by a state ~~or local~~ licensing authority or any local jurisdiction.

Revise Proposed Regulations § 5039, subdivision (a) to read:

- (a) Every licensee shall notify the bureau and each local jurisdiction in which the licensee holds a local license, permit, or other authorization in writing within 10 calendar days of any change to any item listed in the application. The notification shall be signed by an owner as defined in section 5004 of this division.

Add new Subdivision (c)(5) to Proposed Regulations § 5042 to read:

- (5) Documentation issued by the local jurisdiction verifying that the licensee's local license, permit, or other authorization remains valid and in full force and effect, and that the licensee remains in compliance with all local ordinances and regulations, in accordance with Section 8102(b)(10) of this Chapter.

Revise Proposed Regulations § 5054 to read:

§ 5054. Additional Grounds for Disciplinary Action

In addition to the provisions of Business and Professions Code section 19311, grounds for disciplinary action include the following:

- (a) The licensee's premises is substantially different from the premises diagram submitted to the bureau, or from any change, alteration, or modification approved by the bureau.
- (b) The licensee denied the bureau or local jurisdiction access to the premises for inspection.
- (c) The licensee impeded an investigation by the bureau, law enforcement, or any other licensing authority or local jurisdiction.

Revise Proposed Regulations § 5056, subdivisions (b)-(c) to read:

- (b) The bureau and other state and local agencies enforcing the Act or local ordinances may make any examination of the books and records of any licensee as ~~it-they~~ deems necessary to perform its duties under the Act or local ordinances.
- (c) Records shall be kept in a manner that allows the records to be produced for the bureau and other state and local agencies enforcing the Act or local ordinances at the licensed premises in either hard copy or electronic form, whichever the bureau or state or local bureau-agency requests.

Revise Proposed Regulations § 5060 to read:

§ 5060. 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 and each local jurisdiction in which the licensee holds a local license, permit, or other authorization is notified in writing of a criminal conviction, either by mail or electronic mail, within 48 hours of the conviction.
- (b) A licensee shall ensure that the bureau and each local jurisdiction in which the licensee holds a local license, permit, or other authorization is notified in writing of a civil penalty or judgment rendered against the licensee, either by mail or electronic mail, within 48 hours of delivery of the verdict or entry of judgment, whichever is sooner.
- (c) A licensee shall ensure that the bureau and each local jurisdiction in which the licensee holds a local license, permit, or other authorization is notified in writing of the revocation of any local license, permit, or other authorization, either by mail or electronic mail within 48 hours of receiving notice of the revocation.
- (d) A licensee shall ensure that the bureau and each local jurisdiction in which the licensee holds a local license, permit, or other authorization is notified in writing

of the commencement of any civil, criminal, or administrative enforcement proceedings by any local jurisdiction, either by mail or electronic mail within 48 hours of receiving notice that such proceedings have been commenced.

Revise Proposed Regulations § 5062 to read:

§ 5062. Notification of Diversion, Theft, Loss, or Criminal Activity Pertaining to Medical cannabis goods

Licenseses shall notify the bureau ~~and~~ law enforcement authorities, and each local jurisdiction in which the licensee holds a local license, permit, or other authorization within 24 hours, of theft or loss of medical cannabis goods

Revise Proposed Regulations § 5068, subdivision (j) to read:

- (j) Videos are subject to inspection by any bureau or local jurisdiction employee and shall be copied and sent to or otherwise provided to the bureau or local jurisdiction, upon request.

Revise Proposed Regulations § 5094, subdivision (c) to read:

- (c) A distributor may have another licensee ~~or nonlicensee~~ package and label on the distributor's premises. The distributor is responsible for compliance with applicable medical cannabis packaging and labeling laws including but not limited to Business and Professions Code section 19347 and Division 8 of Title 3 of the California Code of Regulations.

Revise Proposed Regulations § 5096 to read:

§ 5096. Non-Medical-Cannabis ~~Distribution~~ Activities

(a) A distributor may not store ~~or~~ distribute, ~~or sell non-medical cannabis~~ any goods other than medical cannabis goods on or from the premises licensed for distribution of medical cannabis goods.

(b) A distributor shall not manufacture, prepare, package or label any products other than cannabis products, including without limitation any food, as defined by Section 109935 of the Health and Safety Code, any drug, as defined by Section 109925 of the Health and Safety Code, or any food additive, as defined in Section 109940, at the licensed premises.

(c) A distributor shall not sublet any portion of the licensed premises.

Revise Proposed Regulations § 5112, subdivision (c) to read:

- (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. The distributor shall notify the bureau and the local jurisdiction within 24 hours if, after the audit, there is a significant discrepancy in inventory.

Revise Proposed Regulations § 5118 to read:

§ 5118. Medical Cannabis Transporter

Only a person licensed by the bureau as a transporter may transport medical cannabis goods between licensees, ~~unless that person is exempt from holding a transporter license pursuant to Business and Professions Code section 19319.~~

Revise Proposed Regulations § 5124 to read:

§ 5124. Transport Requirements

The following requirements apply when transporting medical cannabis goods:

- (a) Transportation by means of aircraft, watercraft, drones, rail, human powered vehicles, and unmanned vehicles is prohibited.
- (b) Medical cannabis goods may only be transported inside of a commercial vehicle or trailer and may not be visible or identifiable from outside of the commercial vehicle or trailer.
- ~~(c)~~ The transport vehicle shall not be marked and shall not display advertising of any nature.
- ~~(ed)~~ Medical cannabis goods shall be locked in a box that is secured to the inside of the commercial vehicle or trailer.
- ~~(de)~~ While left unattended, the commercial vehicle and trailer shall be locked and secured.
- ~~(ef)~~ A transporter shall not leave a commercial vehicle containing medical cannabis goods ~~unattended or~~ parked overnight or left unattended for any period of time in a residential area.
- ~~(fg)~~ At a minimum, a transporter shall have a vehicle alarm system on all transport vehicles. Motion detectors, pressure switches, duress, panic, and hold-up alarms may also be used.
- ~~(gh)~~ Packages or containers containing medical cannabis goods may not be tampered with during transport.
- ~~(hi)~~ A transporter shall only travel between licensees shipping or receiving medical cannabis goods and its own licensed premises when engaged in the transportation of medical cannabis goods. The transporter may transport multiple shipments of medical cannabis goods at once in accordance with applicable laws. A transporter may not transport ~~non-medical cannabis goods with any goods other than medical cannabis goods while transporting~~ medical cannabis goods.
- ~~(ij)~~ Transport vehicles and all licensed premises are subject to inspection by the bureau and the local jurisdiction in which the transporter or the shipping or receiving licensee holds a permit, license, or other authorization. Commercial vehicles used to transport medical cannabis goods may be inspected by the bureau and the local jurisdiction in which the transporter or the shipping or receiving licensee holds a permit, license, or other authorization at any licensed premises or during transport.

Revise Proposed Regulations § 5145 to read:

§ 5145. ~~Use~~ Subletting of Premises

- ~~(a)~~ A licensed dispensary shall not sublet any portion of the licensed premises of the dispensary.
- ~~(b)~~ Except as provided in Article 3, sales of medical cannabis goods shall only occur within the retail area of the licensed premises.

(c) A licensed dispensary shall not allow, suffer, or permit the cultivation, manufacturing, preparation, production, packaging, labeling, sale, or distribution of any food, as defined by Section 109935 of the Health and Safety Code, any drug, as defined by Section 109925 of the Health and Safety Code, or any food additive, as defined in Section 109940, upon the licensed premises.

(d) A licensed dispensary shall not allow, suffer, or permit any unlicensed cultivation, dispensing, producing, processing, preparation, storage, provision, donation, sale, or distribution of cannabis or cannabis products, whether in accordance with Section 19319 of the Business and Professions Code or otherwise, to occur on their licensed premises.

Revise Proposed Regulations § 5151, subdivision (f) to read:

(f) The licensed dispensary shall maintain a log of all authorized individuals who are not employees of the dispensary that enter the dispensary limited-access area. These logs shall be made available to the bureau and local jurisdiction upon request.

Revise Proposed Regulations § 5154, subdivision (a) to read:

(a) Individuals shall only be granted access to the area to purchase medical cannabis goods after the licensee has identified the individual as a medical cannabis patient or a primary caregiver. Prior to identifying an individual as a medical cannabis patient or a primary caregiver, a licensed dispensary shall verify that the individual has all of the following:

Revise Proposed Regulations § 5172, subdivision (b) to read:

(b) A licensee shall not sell more than eight ounces of medical cannabis in a single day to a primary caregiver for each medical cannabis patient ~~for whom that~~ the primary caregiver is authorized to purchase ~~for~~. A primary caregiver may not be authorized, and a licensee may not treat a primary caregiver as authorized, to purchase cannabis for more than five qualified patients.

Revise Proposed Regulations § 5187 to read:

§ 5187. Delivery

- (a) All deliveries of medical cannabis goods must be performed by a delivery employee of a licensed dispensary.
- (b) Each delivery employee of a licensed dispensary shall be at least 21 years of age. No person other than a delivery employee of the dispensary licensee shall be in a vehicle while delivering medical cannabis goods.
- (c) A licensed dispensary shall not use the services of an independent contractor or courier service to deliver medical cannabis goods.
- (d) All deliveries of medical cannabis goods shall be made in person. A delivery of medical cannabis goods shall not be made through the use of an unmanned vehicle.
- (e) A delivery employee begins the process of delivering when the delivery employee leaves the dispensary premises with the medical cannabis goods for delivery. The process of delivering ends when the delivery employee returns to the licensed dispensary premises after delivering the medical cannabis goods to

- the medical cannabis patients or primary caregivers.
- (f) A delivery employee of a licensed dispensary shall, during deliveries, carry a copy of the dispensary's current license, the employee's government-issued identification, and an employer provided badge containing a picture and the name of the delivery employee.
 - (g) A licensed dispensary shall maintain an accurate list of the dispensary's delivery employees.
 - (h) The delivery process may be commenced only in response to a specific request placed by a qualified patient or primary caregiver whose identity has been verified as set forth in Section 5154 of this division.
 - (i) The delivery vehicle may not carry a larger quantity of medical goods than required to fulfill the specific request(s) placed by the qualified patient(s) or primary caregiver(s) to whom delivery is being made.
 - (j) No delivery may be made to any location within in a city, county, or city and county that prohibits deliveries by local ordinance.

Revise Proposed Regulations § 5193 to read:

§ 5193. Methods of Delivery

- (a) A delivery employee of a licensed dispensary, carrying medical cannabis goods for delivery, shall only travel in an enclosed motor vehicle operated by the delivery employee or another delivery employee of the licensee.
- (b) While carrying medical cannabis goods for delivery, a delivery employee of a licensed dispensary shall ensure the medical cannabis goods are not visible to the public.
- (c) The delivery vehicle shall not be marked and shall not display advertising of any nature.
- (c) A delivery employee of a licensed dispensary shall not leave medical cannabis goods in an unattended motor vehicle unless the motor vehicle is equipped with an active vehicle alarm system.
- (d) A vehicle used for the delivery of medical 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 does not include a phone or tablet. 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 licensed dispensary shall be able to identify the geographic location of all delivery vehicles that are making deliveries for the dispensary and shall provide that information to bureau and any local jurisdiction in which the dispensary holds a permit, license, or other authorization upon request.
- (e) Upon request, a licensed dispensary shall provide the bureau and any local jurisdiction in which the dispensary holds a permit, license, or other authorization with information regarding any motor vehicles used for the delivery of medical cannabis goods, including the vehicle's make, model, color, Vehicle Identification Number, and license plate number.
- (f) Any motor vehicle used by a licensed dispensary to deliver medical cannabis goods is subject to inspection by the bureau and any local jurisdiction in which the dispensary holds a permit, license, or other authorization, or in which delivery is made. Vehicles used to deliver medical cannabis goods may be stopped and inspected by the bureau or such local jurisdiction at any licensed premises or during delivery.

Revise Proposed Regulations § 5205 to read:

§ 5205. Delivery Request Receipt

A licensed dispensary shall prepare a delivery request receipt for each delivery of medical cannabis goods. The delivery request receipt shall be prepared prior to commencement of the delivery process, except as set forth in subdivision (a)(9). The employee making delivery shall maintain a physical copy of the delivery request receipt in their possession at all times during the delivery process, and shall make it available upon request of the licensing authority, local jurisdiction, and law enforcement officers.

- (a) The delivery request receipt shall contain all of the following:
 - (1) The name and address of the licensed dispensary.
 - (2) The name of the delivery employee of the licensed dispensary who ~~delivered is~~ authorized to deliver the order on behalf of the dispensary.
 - (3) The name of the licensed dispensary employee who prepared the order for delivery.
 - (4) A patient identification number for the medical cannabis patient who is requesting the delivery. Upon request from the bureau or local jurisdiction, a licensed dispensary shall provide the name of the medical cannabis patient associated with the patient identification number listed on the delivery request receipt.
 - (5) The date and time the delivery request was made.
 - (6) The delivery address.
 - (7) A detailed description of all medical cannabis goods requested for delivery. The description shall include the weight, volume, or any other accurate measure of the amount of any medical cannabis goods requested.
 - (8) The total amount paid for the delivery, including any taxes and fees.
 - (9) Upon delivery, the date and time the delivery was made, and the signature of the medical cannabis patient or primary caregiver who received the delivery.
- (b) At the time of the delivery, the delivery employee of the licensed dispensary shall provide the medical cannabis patient, or primary caregiver, who placed the order a copy of the delivery request receipt. The delivery employee shall retain a signed copy of the delivery request receipt for the dispensary's records.
- (c) The delivery request receipt shall comply with state and federal law regarding the protection of confidential medical information.

Revise Proposed Regulations § 5223, subdivisions (d)-(e) to read:

- (d) If a licensed dispensary identifies any evidence of theft, diversion, or loss, the licensed dispensary shall notify the bureau, local jurisdiction, and law enforcement pursuant to section 5235 of this division.
- (e) If a significant discrepancy is discovered between a licensed dispensary's physical inventory and the licensed dispensary's inventory records, the licensed dispensary shall notify the bureau, local jurisdiction, and law enforcement pursuant to section 5235 of this division.

Revise Proposed Regulations § 5235, subdivision (a) to read:

- (a) A licensed dispensary shall notify law enforcement, the local jurisdiction, and the bureau within 24 hours of discovery of any of the following situations: