Department of Cannabis Control

Medicinal and Adult-Use Commercial Cannabis Regulations

California Code of Regulations, Title 4, Division 19

Proposed Regulation Text:

Modifications to A and M Designation

Chapter 1. All Licensees

Article 1. Division Definitions and General Requirements

§15000.1. General Requirements.

(a) Every person who conducts commercial cannabis activity shall obtain and maintain a valid license from the Department for each separate premises at which commercial cannabis activity is conducted.

(b) Commercial cannabis activity shall only be conducted between licensees. Licensed retailers and licensed microbusinesses authorized to engage in retail sales may conduct commercial cannabis activity with customers or nonprofits in accordance with this division.

(c) The licensee shall only conduct commercial cannabis activities authorized by the license and on the premises licensed for the activity.

(d) All transfers of cannabis and cannabis product shall be conducted by a licensed distributor.

(e) Licenses are issued for a specific premises and to a specific person. For purposes of this division, when separate A and M licenses are held by one entity or two related entities having the same ownership and on the same premises, they shall be considered to be one licensee for compliance and enforcement purposes.~~shall not be transferable or assignable to another person or premises, except as provided in section 26050.2 of the Business and Professions Code. In the event of the sale~~ Sale or other transfer of ~~the~~ a commercial cannabis business, including changes in ownership, shall be made in accordance with section 15023.

(f) Applicants and licensees shall use their legal business name on all documents related to commercial cannabis activity.

Authority cited: Section 26013, Business and Professions Code. Reference: Sections 26012, 26053, 26057 and 26070, Business and Professions Code.

§15000.2. A- and M-Designations and Licenses.

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

(b) Licensees authorized to engage in retail activities may hold separate A and M licenses for the same premises under separate business entities if the following criteria are met:

(1) The businesses share the same individual owners and designated responsible party.

(2) All cannabis goods are physically separated according to the A or M license they belong to and distinguished in inventory and tracking records.

(3) All business records are maintained separately for each license and clearly indicate whether they are applicable to the A or M license.

(4) The separate business entities shall be jointly and severally liable for all obligations, debts, and violations incurred under either license.

~~(b)~~(c) Notwithstanding subsection (a), licensees ~~Licensees~~ authorized to engage in distribution shall only transport and sell cannabis goods designated as "For Medical Use Only" to M-designated retailers or M-designated microbusinesses authorized to engage in retail sales.

~~(c)~~(d) Licensees authorized to engage in retail sales shall only sell cannabis goods designated as "For Medical Use Only" to medicinal customers.

Authority cited: Section 26013, Business and Professions Code. Reference: Sections 26001, 26013, 26050 and 26053, Business and Professions Code.

Article 3. Licensing

§15023.1. Modification to Separate A and M Licenses for Licensees Authorized to Engage in Retail.

(a) Notwithstanding any other section of this division, a licensee authorized to engage in retail activities with a combined A- and M-designated license may modify their jointly designated license to an A-license and receive a new M-license.

(b) To request a modification pursuant to this section, licensees authorized to engage in retail must submit the following information to the Department at licensechange@cannabis.ca.gov:

(1) The existing A- and M-designated license they intend to separate.

(2) The name under which the M-license will be listed and the name of the existing Designated Responsible Party submitting the request.

(3) Business formation documents that demonstrate the requirements of subsection (b) of section 15000.2.

(4) The licensee's federal employer identification number.

(5) The licensee's valid seller's permit number issued by the California Department of Tax and Fee Administration.

(c) The Department shall review requests submitted pursuant to subsection (b) for compliance with those provisions as soon as possible, but no later than five (5) business days after receipt of the request. If the licensee satisfies the requirements of subsection (b), the Department will change the existing A- and M-designated license to a single A-license and issue a new M-license to the licensee. If the licensee does not satisfy the requirements of subsection (b), the Department shall send written notification to the licensee of all deficiencies.

(d) Licensees that are approved for the modification shall comply with the following conditions:

(1) The licensee shall maintain all inventory held at the time of the designation change, and conduct all sales of such inventory, under the existing track and trace account for the A-License.

(2) The licensee shall pay the applicable annual license fee for the M-license prior to transferring inventory to the M-license.

(3) The licensee shall comply with the requirements of section 15000.2.

(4) The licensee shall operate under the new M-license in compliance with local regulations and ordinances.

(e) Failure to comply with this section is grounds for suspension or revocation of both licenses in accordance with title 4, California Code of Regulations, division 19, chapter 12.

(f) Licensees that have been issued a new M-license shall have no license fee due for the license until the renewal period. At each subsequent renewal, the licensee must pay the Department the applicable license fee as required by section 15014 or 15014.1.

Authority cited: Sections 26012 and 26013, Business and Professions Code. Reference: Sections 26001, 26013, 26050 and 26053, Business and Professions Code.