



Cannabis Corporate

— LAW FIRM —

Legal Licensing and Compliance in
the Commercial Cannabis Industry



Legal Licensing and Compliance in the Cannabis Industry

- Local Approvals - City and County
- Regulations
- Filing your Cannabis License
- Affiliated Agencies and Compliance Outside of Licensing
- Money and Taxes

City and County Local Approvals



City and County Local Approvals

Step One

Find A Compliant Property

- Zoning, Sensitive Use Restrictions, Concentration Restrictions
- Proof of Ownership or Landlord Approval

Step Two

Hire Your Professional Team & Create Your Plan

- Lawyer, Architect, CPA and Contractor
- Master Grower, Scientist, Key Personnel



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City and County Local Approvals

Step Three

File Your Application For A Business License And Permit

- Execute development agreement or license agreements with the city or county

Step Four

Obtain Local Authorization To Engage On Commercial Cannabis Activity

- Public hearing, pay fees, obtain CUP



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City and County Local Approvals



Development Services Department
Planning Division

July 18, 2017

Cannabis Corporate Law
Firm Client
123 Main Street
Adelanto, CA 92301

Subject: Medical Marijuana Manufacturing Permit 17-XX
123 Main Street, Adelanto, CA 92301 (APN: 0123-456-78)

Dear Cannabis Corporate Law Firm Client:

The Development Services Department has approved the above referenced permit, subject to the following requirements.

1. A Conditional Use Permit and Business License shall be applied for this location (123 Main Street) and approved prior to operations. **If operations commence prior to approval of Conditional Use Permit, this permits (MMM 17-XX) will be revoked.**
2. In accordance with City Ordinance No. 545, the City and Applicant may enter into an agreement to reimburse the City for impacts related to your project. This will be in the form of an annual Fiscal Mitigation Impact Fee.
3. This approval is the result of a preliminary review of your application. Further review may be required as your business begins production to inspect facilities and review Live Scan results of employees.
4. Within one year of approval a review of your operation and facility will be performed to determine continued compliance with the most current Cannabis Ordinance. Your permit remains valid indefinitely as long as your organization remains in good standing.
5. The applicant and operation shall continually remain in compliance with all Adelanto Codes, Regulations, Ordinances and applicable State and Federal laws.
6. This approval is for medical marijuana manufacturing in a proposed area of 2,500 square feet inside of an existing 43,000 square foot industrial building located at 123 Main Street, Adelanto, CA (APN: 0123-456-78). The floor area must be verified on all submitted and approved floor plan(s).
7. Your Medical Cannabis Manufacturing area must be physically separated from the Medical Cannabis Cultivation area by floor-to-ceiling demising wall. Both areas must have separate entrances.
8. Implied with this approval is the implementation of your security plan. Per the City's Ordinance No. 545, access to your security cameras must be granted upon request to City representatives seeking access to your building.
9. Please be advised Medical Cannabis Testing or a Medical Cannabis Testing Lab are **NOT PERMITTED AT THIS LOCATION.**
10. By signing this letter and returning it to the Planning Division, the applicant acknowledge the requirements of the City and agrees to all the Conditions of Approval. Failure to comply with the



conditions of this permit and other applicable regulations, will result in revocation of this permit.

11. Approval of this permit will become valid only after a signed copy of this approval letter is received by the Planning Division acknowledging acceptance of all conditions of approval.

Anyone dissatisfied with this decision may appeal a decision within 10 working days from the date of the approval. Any appeals must be filed in writing with the Planning Department and also must be accompanied by a deposit of \$635, which represents estimated processing costs. Applicants for appeals are responsible for paying full costs of processing the appeal request. Caution should be exercised in making any expenditures or commitments based upon this approval until the expiration of the appeal period and disposition of any appeals that may be filed.

If you require any additional information, please do not hesitate to contact me at (760) 246-2300, ext. 11187

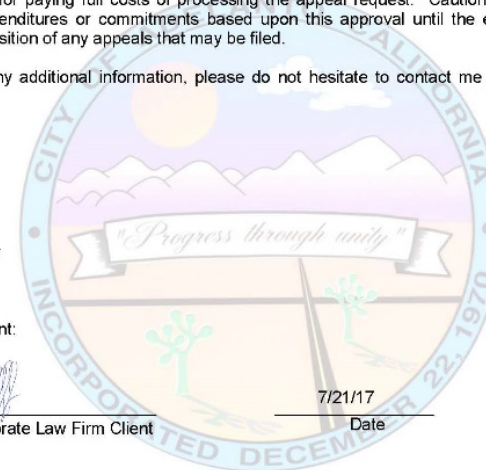
Sincerely,

Shelby Williams
Contract Planner
City of Adelanto

Acknowledgement:

 7/21/17
Cannabis Corporate Law Firm Client Date

Cc: Steve Peltier, C.S. Manager, City of Adelanto




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Regulations in the Cannabis Industry



Regulations:

Regulators in the Cannabis Industry

- **Bureau of Cannabis Control**
 - Retail (Dispensaries and Deliveries)
 - Microbusiness
 - Distribution
 - Testing
 - Event Permits
- **CalCannabis - Department of Food and Agriculture**
 - Cultivation
 - Track & Trace - METRC
- **Manufactured Cannabis Safety Branch – Department of Public Health**
 - Anything that is not flower – oil, wax, shatter, rosin, distillate, isolate, vape pens, edibles, topicals, tinctures, drinks, etc.
 - Packaging & Labeling



Regulations - Overview

- All commercial cannabis businesses must have a state issued license
 - Temporary vs. Annual
 - Collectives and coops – sunset on January 9, 2019
- Medical (M) and/or Adult-Use (A) license designation is no longer restrictive. Any licensee can do business with any other licensee regardless of designation.
 - The only restriction is at the retail level where the quantity of THC or flower is restricted differently for medicinal patients vs. recreational users
- Commercial cannabis activity is still federally illegal – DO NOT CROSS STATE LINES
- Regulations are currently emergency based and expire in June 2018
- Vertical integration is allowed EXCEPT
 - Testing lab owners cannot hold any other license and employees cannot work for another
 - One medium size grow license
- All employees must be over 21



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Regulations – Who is an Owner

Owner Means:

- A person with an aggregate interest of 20% or more
- An individual who will be participating in the direction, control or management of the business.
 - A general partner of a partnership
 - Managers or Managing Members of a limited liability company
 - An officer or director of a corporation
 - The CEO and members or directors of a nonprofit or other entity




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Regulations – Required Disclosures

- All owners must submit LiveScan fingerprints to the Department of Justice
- Financial Interest Holders
 - Loans (but not banks), investments, any equity interest




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Regulations - Distributors

- Cannabis cannot be moved without a distributor
- Transportation
- Lab Testing
- Quality Assurance – Packaging and Labeling
- Storage
- CDTFA Seller's Permit
- Alarm and GPS tracking
- Shipping Manifest
- Tax Collection and Reporting
- Brands that do not touch the cannabis




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Regulations – Retail Dispensaries and Delivery

- Type 10 – storefront and delivery
- Type 9 – delivery only
- Operating hours 6 am – 10 pm
- Prepackaged product only
- Opaque exit packaging
- Deliveries by employees of retailer only
- Drivers limited to \$3,000 retail value of cannabis
- On site consumption is allowed if allowed locally
- NO FREE SAMPLES
 - Exception for donation by the retailer to medical patients only with MMIC
- NO TOPLESS OR NUDE SERVICE




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Regulations – Quantity Restrictions

Product Type	Medicinal Limit	Adult-Use Limit
Cannabis (flower, shake, pre-rolls)	8 oz. per day	28.5 g (just over 1 OZ) per day
Manufactured Cannabis	8 g per person per day	
Edibles	10 mg THC per serving 100 mg THC per package	Maximum 8 grams THC can be sold to one person per day
Concentrated Cannabis Topicals Extractions Wax Shatter Cartridges	2,000 mg THC	
Immature Plants (< ½ inch buds)	6 plants	6 plants



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Regulations - Microbusinesses

- At least 3 of 4 commercial cannabis activities at the same site
- Comply with applicable regulations for each activity
- Cultivation on less than 10,000 sq. ft.
- Manufacturing
- Distribution
- Retail



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Regulations – Testing Labs

- Collect samples from each batch at distributor's location
- ISO/ICE 17025 Accredited – international accreditation of the lab
- Distributor Videos the sample being selected
- Chain of Custody
- Certificate of Analysis
- Test for
 - Cannabinoids
 - Foreign materials
 - Heavy metals
 - Microbial impurities
 - Mycotoxins
 - Moisture content
 - Pesticides
 - Solvents
 - Terps




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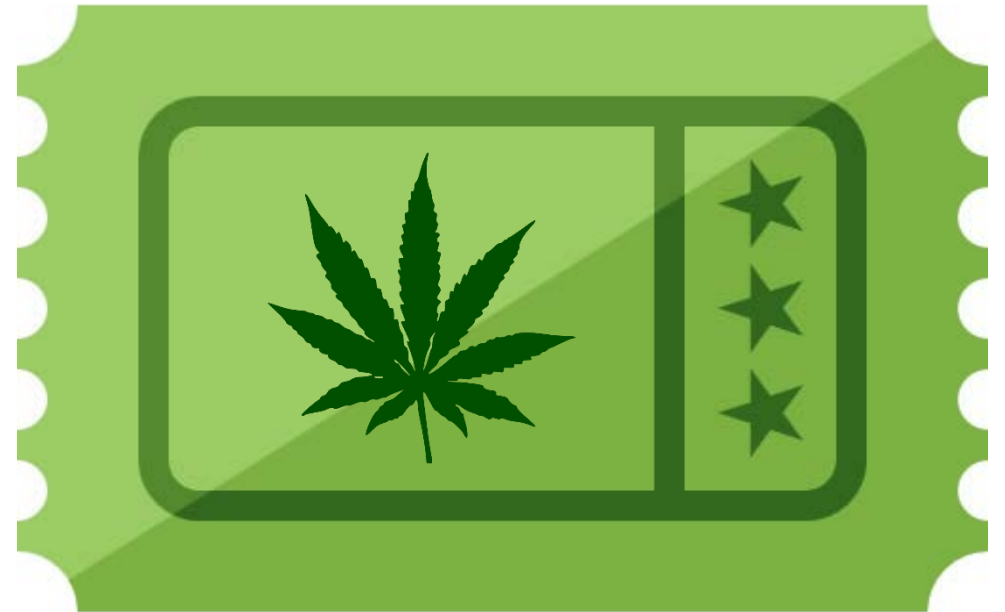
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Regulations –Event Permits

- County Fair or District Agricultural Event
- Organizer needs an organizer license
- Apply 60 days in advance minimum
- Sales by retailers and microbusinesses only
- 4 day temp license
- 21+ where sales and consumption takes place
- No alcohol or tobacco on event premises
- Local authorization
- Security required



Regulations – Cultivation

- Lighting Type
- Size of Canopy of MATURE PLANTS
 - Outdoor - identifiable boundaries
 - Indoor – separated by walls, shelves, greenhouse walls, benches, fencing, beds, trays, pots, buckets, etc.
 - If shelves are used, surface area of each level included



Regulations – Cultivation License Types

	License Type	Canopy in Square Feet or Number of Mature Plants
Type 1	Cultivation; Specialty outdoor;	up to 5,000 square feet or 50 plants
Type 1A	Cultivation; Specialty indoor;	501-5,000 Square Feet
Type 1B	Cultivation; Specialty mixed-light;	2,501-5,000 Square Feet
Type 1C	Cultivation; Specialty cottage; (AB 2516, 2016)	up to 2,500 Square Feet
Type 2	Cultivation; Outdoor; Small.	5,001 - 10,000 Square Feet
Type 2A	Cultivation; Indoor; Small.	5,001 - 10,000 Square Feet
Type 2B	Cultivation; Mixed-light; Small.	5,001 - 10,000 Square Feet
Type 3	Cultivation; Outdoor; Medium.	10,001 Square Feet - 1 acre
Type 3A	Cultivation; Indoor; Medium.	10,001 - 22,000 Square Feet
Type 3B	Cultivation; Mixed-light; Medium.	10,001 - 22,000 Square Feet
Type 4	Cultivation; Nursery.	no size restriction
Type 5	Cultivation; Unlimited; (Not available until 2023)	no size restriction
Processor	All activities associated with drying, curing, grading, trimming, storing, packaging, and labeling of <u>nonmanufactured</u> cannabis products	Cultivation is prohibited; No limitation on facility size

Regulations – Manufacturing

- Extracts, infusions, edibles, topicals, shatters, wax, rosins, vape cartridges
- Packaging and labeling
- Volatile or Non-Volatile Solvents
- Extraction and/or infusion processes, including processing, preparing, holding, storing, packaging, or labeling of cannabis products.



Regulations – Manufacturing License Types

Type 7	Manufacturer 2	Manufacturing sites that produce medical cannabis products using volatile solvents. The State Department of Public Health shall limit the number of licenses of this type.
Type 6	Manufacturer 1	For manufacturing sites that produce medical cannabis products using nonvolatile solvents.
Type N		Edibles, topicals or infusions where the manufacture does not extract the cannabis.
Type S		Shared Use Facilities for infusions, packaging & labeling and extracts using food grade butter or oil
Type P		Packaging and labeling only.

E-Filing Applications for State License



E-Filing – Needed Documents

- Bonds
- Insurance
- Seller's Permit
- Operating Plans & Procedures
- Labor Peace Keeping Agreement
- Local Compliance
- Live Scan
- Property Information



E-Filing – Needed Documents for Cultivation



System Message.

The following documents are required based on the information you have provided:

1. **Business - CA Secretary of State Documents:** All documents filed with the California Secretary of State which may include but are not limited to articles of incorporation, certificate of stock, articles of organization, certificate of limited partnership, and statement of partnership authority.
2. **Business - Evidence Surety Bond:** Evidence of having obtained a surety bond in the amount of not less than \$5,000, payable to the state.
3. **Business - List of Financial Interest Holders:** Provide a complete list of financial interest holders. This does not include a bank or financial institution whose interest constitutes a loan or persons whose only financial interest in the commercial cannabis business is through an interest in a diversified mutual fund, blind trust, or similar instrument. It also does not include persons whose only financial interest is a security, lien, or encumbrance on property that will be used by the commercial cannabis business or persons who hold a share of stock that is less than 5 percent of the total shares in a publicly traded company. For individuals, include the full legal name, tax identification number (SSN, ITIN, or NIN), government issued ID number, and type of government ID. For business entities, include the legal business name and EIN.
4. **Cultivation Plan - Lighting Diagram:** A diagram defining the location of all lights in the canopy area(s); and Maximum wattage or wattage equivalent of each light.
Please reference the "Compliance Handbook" for more specific information on the requirements per license type.
5. **Cultivation Plan - Property Diagram and Detailed Premises Diagram:** Diagram(s) containing all required designated areas for cultivation. Please reference the "Compliance Handbook" for more specific information on the requirements.
6. **Cultivation Plan - Pest Management Plan:** The operating procedures for pesticides and integrated pest management protocols.
Please reference the "Compliance Handbook" for more specific information on the requirements per license type.
7. **Cultivation Plan - Waste Management Plan:** The operating procedures for non-hazardous cannabis waste.
Please reference the "Compliance Handbook" for more specific information on the requirements per license type.
8. **Local - Evidence of CEQA Compliance:** Provide evidence that the local permit, license or other authorization to cultivate cannabis was issued in conformance with Division 13 of the Public Resources Code; California Environmental Quality Act (CEQA), including a copy of the Notice of Determination or Notice of Exemption, and either a copy of the CEQA document or reference to where it can be located electronically.
9. **Premises - EnviroStor Hazardous Materials Search:** Provide evidence that the applicant has conducted a hazardous materials record search of the EnviroStor database for the proposed premises.
10. **Premises - Legal Right to Occupy and Use:** Property ownership documentation or proof of legal right to occupy and use the property for cultivation activities including:
 1. Document from the property owner or property owner's agent where the commercial cannabis activity will occur that states the applicant has the right to occupy the property and acknowledges that the applicant may use the property for commercial cannabis cultivation.
 2. Copy of the lease or rental agreement, or other contractual documentation.
11. **Water - Lake and Streambed Alteration Document:** For an applicant continuing operation under a local permit, license or other authorization prior to receiving a state license, a copy of any final lake or streambed alteration agreement issued by the California Department of Fish and Wildlife, pursuant to sections 1602 or 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.
12. **Water - Water Quality Protection Permit:** Provide evidence of enrollment in applicable Regional Water Quality Control Board programs and/or State Water Resources for water quality protection or written verification that a permit is not necessary.

E-Filing - Needed Documents for Manufacturing

- Business Information
- Seller's Permit
- Secretary of State documents
- Owner Information
- Surety Bond
- Operating Plan with anticipated Revenue
- Premises Diagram or Site Plan
- Inventory Control Procedures
- Quality Control Procedures
- Transportation Plan
- Site Plan
- Waste Management Plan
- Owner/Landlord verification
- Manufacturing Protocol
- Standard Operating Procedures



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STATE OF CALIFORNIA
DEPARTMENT OF PUBLIC HEALTH
MANUFACTURED CANNABIS SAFETY BRANCH

TEMPORARY MANUFACTURING LICENSE MEDICINAL CANNABIS PRODUCTS

LICENSEE:

Cannabis Corporate Law Firm Client

LICENSED PREMISES:

123 Manufacturing Way0
Extractionville, CA

LICENSE NUMBER: CDPH-T00000XXX

LICENSE TYPE: M-Type 6: Non-Volatile Solvent Extraction

EFFECTIVE DATE: 01/01/2018

EXPIRATION DATE: 04/30/2018

This 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 annual license for which the applicant may submit an application to the licensing authority. This license is not transferable to any other person or premises.



California Department of Public Health
P.O. Box 997377, MS 7606
Sacramento, CA 95899-7377

A handwritten signature in blue ink, reading "Asif A. Maan".

Asif A. Maan Ph.D.
Chief, Manufactured Cannabis Safety Branch

The logo for Cannabis Corporate Law Firm features a green cannabis leaf icon above the text "Cannabis Corporate" in green and "LAW FIRM" in black, flanked by horizontal lines.
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Affiliated Agencies



Affiliated Agencies



California Department of Tax and Fee Administration



California Department of Fish and Wildlife



California Department of Insurance



Division of Occupational Safety and Health



Division of Measurement Standards



California Water Boards



Secretary of State Office



California Department of Pesticide Regulation



California Highway Patrol



Franchise Tax Board

Money & Taxes



Role of the Distributor in Tax Collection

- Distributor collects cultivation tax from cultivator or manufacturer
 - 9.25 per dry ounce of flower
 - 2.75 per dry ounce of trim
 - \$1.29 per ounce of fresh flower
- Once distributor brings to retail they collect the 15% California excise tax from the retailer



Calculating the Excise Tax

- Rate for cannabis excise tax is 15% based on the average market price – which is currently and for the first 6 months of 2018 is the wholesale price paid by the retailer (including the distributor's transportation cost) plus the mark up rate of 60% - does not reflect the amount actually paid by the consumer
- If it is not an arms length transaction the tax is then based on the retail sales price

Sales Tax Collected by the Retailer

- Sales tax is collected and reported by the Retailer directly to the Department of Tax and Fee Administration on the Sales and Use Tax Return
- The rate varies by county and is computed based on the total amount charged to the consumer for the cannabis product, which includes the excise tax.
 - State sales tax is charged on the cannabis excise tax.
- There may also be City or Local Taxes Due to the Local Taxing Authority that the Retailer is Required to Collect
- Exemption from Sales & Use Tax for Qualified Patients with a Medical Marijuana Identification Card issued by the State
 - This allows the consumer to avoid the sales tax paid on cannabis products

Any
Questions?



Thank You!




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