

**TABLE OF CONTENTS**  
PROPOSED REGULATIONS FOR MEDICAL CANNABIS CULTIVATION PROGRAM

Article 1. Definitions .....	1
§ 8000. Definitions.....	1
Article 2. Applications .....	3
§ 8100. Application Fees.....	3
§ 8102. Application Requirements.....	5
§ 8103. Property Owner Approval.....	10
§ 8104. Requirements for Continued Operation While Application Pending.....	11
§ 8105. Priority Review.....	11
§ 8106. Date Operation Began.....	11
§ 8107. Good Standing.....	12
§ 8108. Substantially Related Offenses Review.....	13
§ 8109. Water Source Supplemental Information.....	14
§ 8110. Application Processing.....	16
§ 8111. Withdrawal of Application.....	16
§ 8112. Grounds for Denial of a License.....	16
§ 8113. Notification of License Information Change.....	17
§ 8114. Physical Modification of Premises.....	17
§ 8115. Renewal of License.....	18
§ 8116. Surrender of License.....	18
§ 8117. Waiver of Sovereign Immunity.....	19
Article 3: Cultivation License Fees and Requirements.....	20
§ 8200. License Fees.....	20
§ 8201. License Posting Requirement.....	20
§ 8202. General License Requirements.....	21
§ 8203. Cultivation License Types.....	21
§ 8204. Cultivation License Limits.....	22
§ 8205. Medium Cultivation License Limits.....	22
§ 8206. Multi-Tenant Cultivation.....	22
§ 8207. License to License Movement and Commingling.....	22
§ 8208. Vertical Integration.....	23
§ 8209. Sample Collection by the Bureau.....	23
§ 8210. Prohibition of Product Returns.....	23
Article 4. Cultivation Site Requirements.....	23
§ 8300. Premises Diagram.....	23
§ 8301. Cultivation Plan Requirements for Specialty Cottage, Specialty, Small and Medium Licenses.....	24
§ 8302. Cultivation Plan Requirements for Nursery Licenses.....	25

§ 8303. Cultivation Plan Requirements for Processor Licenses.....	26
§ 8304. Holding Area Requirements for Destruction of Material.....	26
§ 8305. Cannabis Waste Management.....	26
§ 8306. Standards of Cleanliness.....	28
§ 8307. Packaging of Nonmanufactured Cannabis Products for Distribution.....	28
§ 8308. Labeling of Nonmanufactured Cannabis Products for Distribution.....	29
§ 8309. Propagation Requirements for Specialty Cottage, Specialty, Small, and Medium Licenses.....	29
§ 8310. Processing Requirements for Specialty Cottage, Specialty, Small, and Medium Licenses.....	30
§ 8311. Cultivation Requirements for Nurseries.....	30
§ 8312. Cultivation Requirements for Processor Licenses.....	30
§ 8313. Environmental Protection Measures.....	31
§ 8314. Additional Environmental Protection Measure for Mixed-Light Licenses.....	31
§ 8315. Additional Environmental Protection Measure for Indoor Licenses.....	32
Article 5. Records and Reporting.....	32
§ 8400. Record Retention.....	32
§ 8401. Track-and-Trace System.....	33
§ 8402. Track-and-Trace System Unique Identifiers (UID).....	34
§ 8403. Track-and-Trace System User Requirements.....	35
§ 8404. Track-and-Trace System Reporting Requirements.....	35
§ 8405. Track-and-Trace System Inventory Requirements.....	36
§ 8406. Track-and-Trace System Requirements for Product in Licensee Possession at the Time of License Issuance.....	37
§ 8407. Inventory Audits.....	37
§ 8408. Notification of Diversion, Theft, Loss, or Criminal Activity.....	37
Article 6. Inspections, Investigations and Audits.....	37
§ 8500. Applicability.....	38
§ 8501. Inspections, Investigations and Audits.....	38
Article 7. Enforcement.....	39
§ 8600. Applicability.....	39
§ 8601. Administrative Actions.....	39
§ 8602. Notice of Violation.....	53
§ 8603. Administrative Hold Procedure.....	53
§ 8604. Informal Administrative Hearings.....	54
§ 8605. Informal Hearing Schedule and Notification.....	55
§ 8606. Conduct of Informal Hearings.....	55
§ 8607. Licensing Actions.....	56
§ 8608. Formal Administrative Hearings.....	56

TEXT OF PROPOSED REGULATIONS

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Original proposed additions are indicated by underline.

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CALIFORNIA CODE OF REGULATIONS  
TITLE 3. FOOD AND AGRICULTURE  
DIVISION 8. MEDICAL CANNABIS CULTIVATION  
CHAPTER 1. MEDICAL CANNABIS CULTIVATION PROGRAM

**Article 1. Definitions**

§ 8000. Definitions.

The following definitions, in addition to those stated in Section 19300.5 of the Business and Professions Code, apply to this Chapter.

- (a) “Act” means the Medical Cannabis Regulation and Safety Act, Business and Professions Code Section 19300, et seq.
- (b) “Batch” or “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.
- (c) “Bureau” means the Bureau of Medical Cannabis Regulation.
- (d) “Canopy” means all of the following:
- (1) The designated area(s) at a licensed premises that will contain mature plants at any point in time;
  - (2) Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all area(s) that will contain mature plants at any point in time, including all of the space(s) within the boundaries;
  - (3) Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary such as an interior wall or by at least 10 feet of open space; and
  - (4) If mature plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.
- (e) “Commercial cannabis activity” includes the cultivation, possession, manufacture, processing, storing, laboratory testing, labeling, transporting, distribution, delivery, or sale of medical cannabis or a medical cannabis product, except as set forth in Section 19319 of the Business and Professions Code, related to qualifying patients and primary caregivers.
- (f) “Commingling” means the physical aggregation of harvest batches or nonmanufactured cannabis products by a licensee.
- (g) “Cultivation” means any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of

## TEXT OF PROPOSED REGULATIONS

cannabis.

- (h) “Cultivation site” means a location where commercial cannabis is planted, grown, harvested, dried, cured, graded, or trimmed, or that does all or any combination of those activities.
- (i) “Department” means the California Department of Food and Agriculture.
- (j) “Dried flower” means all dead cannabis that has been harvested, dried, cured, or otherwise processed, excluding leaves and stems.
- (k) “Flowering” means that a cannabis plant has formed a mass of pistils measuring greater than one half inch wide at its widest point.
- (l) “Immature plant” means a cannabis plant that is not flowering.
- (m) “Indoor cultivation” means the cultivation of cannabis within a structure using artificial light, at a rate greater than 25 watts per square foot.
- (n) “Licensee” means a person issued a state license by the Department to engage in commercial cannabis cultivation activity.
- (o) “Lot” means a batch, or a specifically identified portion of a batch.
- (p) “Mature plant” means a cannabis plant that is flowering.
- (q) “Mixed-light cultivation” means the cultivation of cannabis using light deprivation and/or artificial lighting below a rate of 25 watts per square foot.
- (r) “Nonmanufactured cannabis product” means dried flower, shake, leaf, and pre-rolls intended to be sold for use by medical cannabis patients.
- (s) “Nursery” means a licensee that produces only clones, immature plants, seeds, and other agricultural products used specifically for the planting, propagation, and cultivation of medical cannabis.
- (t) “Outdoor cultivation” means the cultivation of cannabis without the use of light deprivation and/or artificial lighting in the canopy area. Supplemental low intensity lighting is permissible only to maintain immature plants as a source for propagation.
- (u) “Ownership interest” means an interest held by a person who is an owner as defined in Section 8101 of this Chapter.
- (v) “Package” or “Packaging” means any container or wrapper that may be used for enclosing or containing any nonmanufactured cannabis product for final retail sale. The term “package” does not include any shipping container or outer wrapping used solely for the transportation of nonmanufactured cannabis products in bulk quantity to any licensed manufacturer, processor, or distributor.
- (w) “Person” means an 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 includes the plural as well as the singular number.
- (x) “Pest” means any of the following things that is, or is liable to be, dangerous or detrimental to the agricultural industry.

## TEXT OF PROPOSED REGULATIONS

of the state:

- (1) Any infectious, transmissible, or contagious disease of any plant, or any disorder of any plant which manifests symptoms or behavior which the director, after investigation and hearing, finds and determines is characteristic of an infectious, transmissible, or contagious disease;
  - (2) Any form of animal life;
  - (3) Any form of vegetable life;
- (y) "Pesticide" means any of the following:
- (1) Any spray adjuvant;
  - (2) Any substance, or mixture of substances which is intended to be used for defoliating plants, regulating plant growth, or for preventing, destroying, repelling, or mitigating any pest, as defined in Section 12754.5 of Food and Agricultural Code, which may infest or be detrimental to vegetation, man, animals, or households, or be present in any agricultural or nonagricultural environment whatsoever.
- (z) "Premises" means the designated structure(s) and land specified in the application that are in possession of and used by the applicant or licensee to conduct the commercial cannabis activity. The premises shall be a contiguous area and may only be occupied by one licensee.
- (aa) "Pre-roll" means only dried flower rolled in paper prior to retail sale.
- (bb) "Processing" means all activities associated with drying, curing, grading, trimming, storing, packaging, and labeling of nonmanufactured cannabis products.
- (cc) "Propagate" means to cultivate immature plants from cuttings or seeds.
- (dd) "Strain" means a hybrid or variety of cannabis with similar or identical combinations of properties such as appearance, taste, color, smell, cannabinoid profile, and potency.
- (ee) "Track-and-trace system" means the state approved system used to track commercial cannabis activity and movement.
- (ff) "Watts per square foot" means the sum of the maximum wattage of all lights identified in the designated canopy area(s) in the Cultivation Plan divided by the sum of the dimensions in square feet of designated canopy area(s) identified in the Cultivation Plan.

Authority: Sections 19300.5 and 19304, Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19300.5, 19302.1, 19304, 19322, 19332, 19335, Business and Professions Code; and Sections 5006, 12753, and 12754.5, Food and Agricultural Code.

### **Article 2. Applications**

#### **§ 8100. Application Fees.**

The following nonrefundable application fees apply for the specified license type and are due at the time the application is

TEXT OF PROPOSED REGULATIONS

submitted to the Department:

<u>(a) Specialty Cottage Outdoor-</u>	<u>\$65</u>
<u>(b) Specialty Cottage Indoor-</u>	<u>\$100</u>
<u>(c) Specialty Cottage Mixed-Light-</u>	<u>\$285</u>
<u>(d) Specialty Outdoor-</u>	<u>\$130</u>
<u>(e) Specialty Indoor-</u>	<u>\$1,070</u>
<u>(f) Specialty Mixed-Light-</u>	<u>\$555</u>
<u>(g) Small Outdoor-</u>	<u>\$265</u>
<u>(h) Small Indoor-</u>	<u>\$1,935</u>
<u>(i) Small Mixed-Light-</u>	<u>\$1,105</u>
<u>(j) Medium Outdoor-</u>	<u>\$765</u>
<u>(k) Medium Indoor -</u>	<u>\$4,260</u>
<u>(l) Medium Mixed-Light-</u>	<u>\$2,435</u>
<u>(m) Nursery-</u>	<u>\$60</u>
<u>(n) Processor</u>	<u>\$310</u>

Authority: Sections 19302.1, 19304, 19322 and 19350, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19350, Business and Professions Code.

§ 8101. Owner.

- (a) For publicly traded companies, “owner” means the chief executive officer or any person or entity with an aggregate ownership interest of 5 percent or more.
- (b) For all businesses other than publicly traded companies, an owner is:
- (1) An individual that has an aggregate ownership interest, other than a security interest, lien, or encumbrance, of 20 percent or more in the commercial cannabis business;
  - (2) The chief executive officer and all members of the board of directors of an entity when that entity has an aggregate ownership interest, other than a security interest, lien, or encumbrance, of 20 percent or more in the commercial cannabis business; or
  - (3) An 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 that 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

## TEXT OF PROPOSED REGULATIONS

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:

(A) To hire or separate employees.

(B) To contract for the purchase or sale of cannabis.

(C) To make or participate in making policy decisions relative to operations of the licensed commercial cannabis business.

(c) Individuals that have a community property interest under Section 760 of Family Code 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 8102, subsection (b)(13) of this Chapter. However, information regarding an individual with a community property interest shall be disclosed by the owner in the application for licensure pursuant to 8102, subsection (b)(13)(O) of this Chapter. If a license in which an individual has a community property interest is revoked, the individual with community property interest shall be barred from holding an interest in a cultivation 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 a cultivation license for a period of one year.

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

(e) 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 8102, subsection (b)(13) of this Chapter:

(1) 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;

(2) 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

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

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19300.5, Business and Professions Code.

### § 8102. Application Requirements.

(a) All applications for cultivation licenses or renewals shall be submitted to the Department in a manner prescribed by the

## TEXT OF PROPOSED REGULATIONS

Department.

(b) An application for a cultivation license shall include the following:

- (1) The name of the applicant. For applicants who are individuals, the applicant shall provide both the first and last name of the individual. For applicants who are business entities, the applicant shall provide the legal business name of the applicant;
- (2) The license type for which the applicant is applying;
- (3) A list of the types and numbers of licenses from the Department and other cannabis licensing authorities that the applicant already holds, including the date the license was obtained and the licensing authority that issued the license;
- (4) The physical address of the premises;
- (5) The mailing address of the applicant;
- (6) The phone number for the premises;
- (7) Contact information for the applicant's designated primary contact person including the name, title, address, phone number, and email address of this individual;
- (8) A designated responsible party, who may also be the designated primary contact, with legal authority to bind the entity and serves as agent for service of process. The following information shall be provided for the responsible party: name, title, address, phone number, email address, and a copy of the owner's government-issued identification. Acceptable forms of identification are a document issued by a federal, state, county, or municipal government, including, but not limited to, a driver's license, that contains the name, date of birth, physical description, and picture of the person;
- (9) The applicant shall also provide all documents filed with the California Secretary of State which may include but are not limited to: the business formation documents: articles of incorporation, operating agreement, partnership agreement, fictitious business name statement, certificate of stock, articles of organization, certificate of limited partnership, and statement of partnership authority. If an applicant is a foreign corporation, a certificate of qualification issued by the California Secretary of State pursuant to Section 2105 of Corporations Code;
- (10) The following documentation issued by the local jurisdiction in which the business is proposing to operate:
  - (A) A copy of the license, permit, or other authorization issued by the local agency with jurisdiction over the proposed premises. The authorization shall contain:
    - (i) Name of the applicant;
    - (ii) Address of the premises being locally licensed;
    - (iii) License type for which the applicant is locally licensed;
    - (iv) Expiration date of the local authorization;
    - (v) Name of the local jurisdiction;



## TEXT OF PROPOSED REGULATIONS

(vi) Name of the local jurisdiction office that issued the license, permit, or other authorization;

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

(viii) Signature of the person authorized to sign on behalf of the local jurisdiction.

(B) Certification that the applicant is in, or will be in compliance with all local ordinances and regulations including the General Plan, zoning ordinances, building code standards, noise ordinances, and land use plans.

(11) 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. If the local jurisdiction did not prepare a CEQA document, the applicant will be responsible for providing an environmental document in compliance with CEQA that can be certified by the Department in its role as lead agency;

(12) The date the applicant began operations as specified in Section 8106 of this Chapter, if applicable;

(13) A complete list of every owner of the applicant entity as required by Section 8101 of this Chapter. Each individual named shall submit the following information:

(A) The full name of the owner;

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

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

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

(E) The owner's home address;

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

(G) The owner's email address;

(H) The date the owner acquired an ownership interest in the applicant entity;

(I) The percentage of the ownership interest held in the applicant organization by the owner;

(J) If applicable, the number of shares in the applicant entity by the owner;

(K) Whether the owner has a financial interest in any other cannabis business licensed by the State of California.

For purposes of this section "financial interest" means an investment in a commercial cannabis business, a loan provided to a commercial cannabis business, or any other equity interest in a commercial cannabis business;

(L) A copy of the owner's government-issued identification. Acceptable forms of identification are a document issued by a federal, state, county, or municipal government, including, but not limited to, a driver's license, that contains the name, date of birth, physical description, and picture of the person;

(M) A detailed description of the owner's convictions. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Convictions dismissed under Section 1203.4 of the Penal Code or equivalent non-California law shall be disclosed. Juvenile adjudications and traffic

## TEXT OF PROPOSED REGULATIONS

infractions do not need to be included. For each conviction, the owner shall provide the following:

(i) The date of conviction;

(ii) Dates of incarceration if applicable;

(iii) Dates of probation if applicable;

(iv) Dates of parole if applicable;

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

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

(N) A copy of the owner's completed application for electronic fingerprint images submitted to the Department of Justice;

(O) The following information regarding an individual with a community property interest in the commercial cannabis business under Section 760 of the Family Code shall be provided by the owner:

(i) The full name of the individual;

(ii) The individual's date of birth and place of birth;

(iii) The individual's social security number or individual taxpayer identification number;

(iv) The individual's mailing address;

(v) The individual's phone number. This may include a number for the owner's home, business, or mobile phone;

(vi) Whether the individual has a financial interest in any other licensee under the Act. For the purpose of this section "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; and

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

(14) Evidence that the applicant has the legal right to occupy and use the proposed location as outlined in Section 8103 of this Chapter;

(15) Evidence that the proposed location is at least a 600-foot radius from a school, as defined by Section 11362.768 of the Health and Safety code;

## TEXT OF PROPOSED REGULATIONS

- (16) A valid seller's permit number issued by the California State Board of Equalization. If the applicant has not yet received a seller's permit, the applicant shall attest that the applicant is currently applying for a seller's permit;
- (17) Evidence of having obtained a surety bond in the amount of not less than \$5,000, payable to the Department, to ensure payment for the cost of destroying cannabis product when such destruction is necessitated by a violation of the Act or this Chapter. The bond shall be issued by a corporate surety licensed to transact surety business in the State of California;
- (18) Evidence of permits issued by the applicable Regional Water Quality Control Board or State Water Resources Control Board for water quality protection or written verification from the appropriate Board that a permit is not necessary;
- (19) Evidence that the applicant has conducted a hazardous materials record search of the EnviroStor database for the proposed premises. If hazardous sites were encountered, the applicant shall provide documentation of protocols implemented to protect employee health and safety;
- (20) A diagram of the premises as required by Section 8300 of this Chapter;
- (21) A proposed Cultivation Plan developed as required in Sections 8301, 8302, or 8303 of this Chapter;
- (22) The proposed location for retention of records as required by Section 8400 of this Chapter;
- (23) For an applicant continuing operation under a local permit, license or other authorization prior to receiving a state license, a copy of a valid California Department of Fish and Wildlife Permit 1602, pursuant to Section 1602 of Fish and Game Code, or written verification from the Department of Fish and Wildlife that a streambed alteration agreement is not required;
- (24) Identify at least one of the following water sources for cultivation activities and the applicable supplemental information for each source as specified in Section 8109 of this Chapter:
- (A) A retail water supplier;
  - (B) A groundwater well;
  - (C) A rainwater catchment system;
  - (D) A diversion from a surface waterbody or an underground stream flowing in a known and definite channel; or
  - (E) A diversion from a surface waterbody or an underground stream flowing in a known and definite channel claiming an exception from the requirement to file a statement of diversion and use;
- (25) Applicants for indoor license types shall provide the power source(s) for cultivation activities, including but not limited to, illumination, heating, cooling, and ventilation;
- (26) Businesses authorized to operate pursuant to Section 19328 (c) of Business and Professions Code shall provide the following:
- (A) Copy of the local ordinance adopted prior to July 1, 2015;
  - (B) Evidence that the applicant was cultivating, manufacturing, and dispensing cannabis products on January 1,

## TEXT OF PROPOSED REGULATIONS

2016, and has continuously done so since that date;

(C) Evidence that the applicant has been in full compliance with all applicable local ordinances at all times prior to submission of the application to the Department, and;

(D) Evidence that the applicant is registered with the State Board of Equalization for tax purposes.

(27) Applicants that will have 20 or more employees on payroll at any one time, shall attest that they will enter into, or demonstrate that it has already entered into, and will abide by the terms of a labor peace agreement;

(28) The applicant shall attest that no owner is a licensed retailer of alcoholic beverages;

(29) The applicant shall attest that it is an "agricultural employer" as defined by the Alatorre-Zenovich-Dunlap-Berman Agricultural Labor Relations Act of 1975; Part 3.5 (commencing with Section 1140) Div. 2 Labor Code;

(30) If applying for an indoor license type, the applicant shall attest that the local fire department has been notified of the cultivation site;

(31) Any applicant that may fall within the scope of sovereign immunity that may be asserted by a federally recognizable tribe or other sovereign entity shall waive any sovereign immunity defense that the applicant 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 laws and regulations governing commercial cannabis activity; and provide documentation as may be requested that establishes that the applicant has the lawful authority to enter into the waiver described above, and has effectively done so. The waiver shall meet the requirements of Section 8117 of this Chapter.

(32) The application shall be signed by the responsible party. The signature block shall contain an affidavit that the information in the application is true and that the applicant and all owners agree to operate in compliance with all applicable state law and local ordinances. Failure to comply may result in revocation of the license.

Authority: 19302.1, 19304, 19322, 19332, and 19332.2, Business and Professions Code and Sections 11362.768 and 11362.777 Health and Safety Code. Reference: Section 2105 Corporations Code. Sections 19303, 19320, 19321, 19322, 19323, 19328, 19329, 19332, 19332.2, and 19360 Business and Professions Code. Section 760 of Family Code. Section 1602 of Fish and Game Code. Section 1140 of Labor Code.

### § 8103. Property Owner Approval.

(a) If the applicant is not the owner of the property upon which the premises is located, the applicant shall provide the following to the Department:

(1) A document from the property owner that states the applicant has the right to occupy the property and acknowledges that the applicant may use the property for commercial cannabis cultivation;

## TEXT OF PROPOSED REGULATIONS

(2) Property owner’s mailing address and phone number; and

(3) Copy of the lease or rental agreement, or other contractual documentation.

(b) If the applicant is the owner of the property on which the premises is located, the applicant shall provide to the Department a copy of the title or deed to the property.

Authority: Sections 19300.5, 19302.1, and 19304, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19322, Business and Professions Code.

### § 8104. Requirements for Continued Operation While Application Pending.

All applicants that were in operation prior to January 1, 2018, as specified in Section 8106 of this Chapter, may continue to operate while their application is pending if a completed application is submitted to the Department no later than 5:00 p.m. Pacific Standard Time on July 2, 2018, and the continuing operations of the applicant are the same activities in which the applicant is seeking licensure. If the application for licensure is denied, the applicant shall cease all commercial cannabis business operations until a license is obtained.

Authority: Sections 19304, 19321, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19321 and 19322, Business and Professions Code.

### § 8105. Priority Review.

Priority shall be given to applicants that began operation and were in good standing with the local jurisdiction by January 1, 2016, as specified in Sections 8106 and 8107 of this Chapter, and whose business ownership or premises are currently the same as they were on January 1, 2016. Priority applications shall be processed for review in the order in which they are received.

Authority: Section 19304, 19321, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19321, Business and Professions Code.

### § 8106. Date Operation Began.

(a) For the purposes of Sections 8104 and 8105 of this Chapter, the date on which an applicant was in operation is the date an applicant began actively conducting the same commercial cannabis activity as the license type for which the applicant is applying.

(b) For purposes of this section, “actively conducting” means engaging in cultivation of cannabis as authorized by the local jurisdiction.

## TEXT OF PROPOSED REGULATIONS

(c) The applicant shall attest to the date under penalty of perjury and shall provide evidence of the date operations began by submitting a dated copy of any of the following:

- (1) Articles of incorporation;
- (2) Certificate of stock;
- (3) Articles of organization;
- (4) Certificate of limited partnership;
- (5) Statement of partnership authority;
- (6) Tax form;
- (7) Local license, permit, or other written authorization;
- (8) Receipts evidencing business transactions to or from the applicant; or
- (9) Any other business record as deemed fit by the Department.

Authority: Sections 19304, 19321, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19320 and 19321, Business and Professions Code.

### § 8107. Good Standing.

For the purposes of Section 8105 of this Chapter, good standing shall be evidenced by a document issued or signed by the local jurisdiction that contains all of the following:

- (a) Name of the applicant;
- (b) Address of the premises to be licensed;
- (c) License type for which the applicant is applying;
- (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 Section 19320 of Business and Professions Code;
- (f) Name and contact information for the person authorized by the local jurisdiction to sign on its behalf;
- (g) Signature of the person authorized to sign on behalf of the local jurisdiction; and
- (h) The following statement: "The above named party has been issued a license, permit, or other authorization from this jurisdiction to conduct commercial cannabis cultivation. The above named party is currently in operation and was operating in good standing in this jurisdiction on or before January 1, 2016."

Authority: Sections 19304, 19321, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19320 and 19321, Business and Professions Code.

## TEXT OF PROPOSED REGULATIONS

### § 8108. Substantially Related Offenses Review.

- (a) For the purpose of denial of a license, the following convictions shall be considered substantially related to the qualifications, functions, or duties of the business for which the application is made:
- (1) A violent felony conviction, as specified in subdivision (c) of Section 667.5 of Penal Code;
  - (2) A serious felony conviction, as specified in subdivision (c) of Section 1192.7 of Penal Code;
  - (3) A felony conviction involving fraud, deceit, or embezzlement;
  - (4) Those contained in Section 19323 of Business and Professions Code;
  - (5) Any felony conviction involving the hiring, employment, or use of children in transporting, carrying, selling, giving away, preparing for sale or peddling any controlled substance to a minor, or offering, furnishing, or selling any controlled substance to a minor; and
  - (6) A felony conviction for drug trafficking with enhancements pursuant to Sections 11370.4 or 11379.8 of Health and Safety Code.
- (b) Except as provided in subparagraphs (5) and (6) of paragraph (a) and notwithstanding Chapter 2 (commencing with Section 480) of Division 1.5 of Penal Code, a prior conviction, where the sentence, including any term or probation, incarceration, or supervised release, is completed, for possession of, possession for sale, sale, manufacture, transportation, or cultivation of a controlled substance is not considered substantially related, and shall not be the sole ground of denial for a license. Conviction for any controlled substance felony subsequent to licensure shall be grounds for revocation of a license or denial of the renewal of the license.
- (c) To determine whether an applicant who has been convicted of a criminal offense that is substantially related to the qualifications, functions, or duties of the business for which the application is made should be issued a license, the Department shall conduct a review of the nature of the crime, conviction, circumstances, and evidence of rehabilitation. Evidence of rehabilitation includes:
- (1) The nature and severity of the act or offense;
  - (2) Whether the person has a felony conviction based on possession or use of cannabis or cannabis products that would not be a felony if the person was convicted of the offense on the date of the person's application;
  - (3) The applicant's criminal record as a whole;
  - (4) Evidence of any act committed subsequent to the act or offense under consideration that could be considered grounds for denial, suspension, or revocation of a commercial cannabis activity license;
  - (5) The time that has elapsed since commission of the act or offense;
  - (6) The extent to which the applicant has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant;
  - (7) If applicable, evidence of dismissal under Section 1203.4 of Penal Code or another state's similar law;

TEXT OF PROPOSED REGULATIONS

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

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

(c) If an applicant has been denied a license based on a conviction, the applicant may request a hearing pursuant to Section 19324 of Business and Professions Code to determine if the applicant should be issued a license.

Authority: Sections 19302, 19302.1, 19304, and 19323 Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19302.1, 19323, and 19325 Business and Professions Code.

§ 8109. Water Source Supplemental Information.

The following information shall be provided for the applicable water source(s):

(a) Retail water supply sources:

(1) If the water source is a retail supplier, such as a municipal provider, and meets the description in subdivision (a)(1)(A) of Section 19332.2 of the Business and Professions Code the applicant shall provide the name of the retail water supplier.

(2) If the water source is a small retail supplier, such as a delivery service, and is subject to subdivisions (a)(1)(B) and either (a)(2) or (a)(3) of Section 19332.2 of the Business and Professions Code:

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

(i) The name of the contract water supplier;

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

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

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

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

(i) The name of the contract water supplier;

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

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



## TEXT OF PROPOSED REGULATIONS

(iv) A copy of the well log filed with the Department of Water Resources pursuant to Section 13751 of Water Code for each percolating groundwater well used to divert water delivered to the applicant. If no well log is available, the applicant shall provide a letter from the Department of Water Resources indicating that the Department does not have a record of the well log. If no well log is available, the State Water Resources Control Board may request additional information about the well.

(b) If the water source is a groundwater well, the applicant shall provide all of the following:

- (1) The groundwater well's geographic location coordinates in either latitude and longitude or the California Coordinate System; and
- (2) A copy of the well log filed with the Department of Water Resources pursuant to Section 13751 of Water Code. If no well log is available, the applicant shall provide a letter from the Department of Water Resources indicating that the Department does not have a record of the well log. If no well log is available, the State Water Resources Control Board may request additional information about the well.

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

- (1) The total square footage of the catchment footprint area(s);
- (2) The total storage capacity, in gallons, of the catchment system(s); and
- (3) A detailed description of the type, nature, and location of each catchment surface. Examples of catchment surfaces include a rooftop and greenhouse.

(d) If the water source is a diversion from a waterbody, the applicant shall provide any applicable statement, application, permit, license, or small irrigation use registration identification number(s); and either

- (1) A copy of any applicable registrations, permits, or licenses or proof of a pending application, issued under Part 2 (commencing with Section 1200) of Division 2 of the California Water Code as evidence of approval of a water diversion by the State Water Resources Control Board;
- (2) A copy of any statements of diversion and use filed with the State Water Resources Control Board before July 1, 2017 detailing the water diversion and use; or
- (3) A copy of documentation submitted to the State Water Resources Control Board before July 1, 2017 demonstrating that the diversion is authorized under a riparian right and that no diversion occurred in any calendar year between January 1, 2010 and January 1, 2017.

(e) If the water source is a diversion and the applicant has claimed an exception from the requirement to file a statement of diversion and use, the applicant shall provide a copy of the documentation submitted to the State Water Resources Control Board before July 1, 2017 demonstrating that the diversion is subject to subdivision (a), (c), (d), or (e) of Section 5101 of Water Code.

Authority: Sections 19302.1, 19304, 19322, 19324, and 19332.2 Business and Professions Code and Section 11362.777,

## TEXT OF PROPOSED REGULATIONS

Health and Safety Code. Reference: Sections 19322, 19332, and 19332.2, Business and Professions Code and Sections 5101 and 13751, Water Code.

### § 8110. Application Processing.

(a) The Department shall notify the applicant in writing that the application is either:

- (1) Complete and accepted for further review; or
- (2) Incomplete and the reasons for the incompleteness.

(A) The Department shall receive the missing information from the applicant no later than 90 calendar days from the date of the notification from the Department. Failure to provide the designated missing information will result in disqualification of the application for further consideration.

(B) If disqualified, the applicant may reapply and pay a new application fee.

(b) The Department shall notify the applicant in writing if the application is approved or denied with the reasons for denial.

Authority: Sections 19302.1, 19304, 19322, and 19324, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19302.1, 19322, 19323, and 19324, Business and Professions Code.

### § 8111. Withdrawal of Application.

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

(b) Requests to withdraw an application shall be submitted to the Department in writing, dated, and signed by the responsible party.

(c) The Department will not refund application fees for a withdrawn application.

(d) An applicant may reapply and pay a new application fee at any time following the withdrawal of an application.

Authority: Sections 19302.1, and 19304, Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19302.1, and 19304, Business and Professions Code.

### § 8112. Grounds for Denial of a License.

In addition to the reasons for denial in Section 19323 of Business and Professions Code, a license may be denied for the following reasons:

(a) The applicant's premises does not fully comply with standards set forth in this Chapter;

(b) The applicant's premises is substantially different from the diagram of the premises submitted by the applicant;

(c) The applicant denied the Department access to the premises;

## TEXT OF PROPOSED REGULATIONS

- (d) The applicant made a material misrepresentation on the application;
- (e) The applicant did not submit a renewal application within in the timeframe specified in Section 8115 of this Chapter.
- (e) The licensee has been denied a license, permit, or other authorization to engage in commercial cannabis activity by a state licensing authority or local agency; or
- (f) The applicant or licensee has insufficient or outstanding fees owed to the Department.

Authority: Sections 19302.1, 19304, 19322, and 19323, Business and Professions Code, and Section 11362.777, Health and Safety Code. Reference: Sections 19311, 19323, and 19332, Business and Professions Code.

### § 8113. Notification of License Information Change.

- (a) Licensee shall notify the Department in writing within 10 calendar days of any change to any item listed in the application.
- (b) Licensee shall notify the Department in writing of the following within 48 hours of:
  - (1) Receiving the penalty or judgment of a criminal penalty or civil judgement rendered against the licensee; and
  - (2) Receiving notification of the revocation of a local license, permit or other authorization.
- (c) Licenses are not transferable, and in case of a change to the business organizational structure or ownership, a new application and application fee are required.

Authority: Sections 19302.1 and 19304 Business and Professions Code and Section 11362.777, Health and Safety Code.  
Reference: Sections 19320, and 19322, Business and Professions Code.

### § 8114. Physical Modification of Premises.

- (a) A licensee shall not make a physical modification of the licensed premises that materially or substantially alters the licensed premises or the use of the licensed premises from the premises diagram originally filed with the license application without the prior written approval of the Department. The licensee whose premises are to be materially or substantially changed is responsible for filing a request for premises modification with the Department.
- (b) Material or substantial changes, alterations, or modifications requiring approval include but are not limited to the removal, creation, or relocation of canopy, propagation, processing, packaging, composting, refuse, and chemical storage areas.
- (c) Modifications or upgrades to electrical systems at a licensed premises shall be performed by a licensed electrician. A copy of the electrician's license shall be submitted with any premises modification requests for electrical systems.
- (d) A licensee shall request approval of a physical change, alteration, or modification in writing, and the request shall

## TEXT OF PROPOSED REGULATIONS

include a new premises diagram that conforms to requirements in Section 8300 of this Chapter.

(e) A licensee shall provide additional documentation requested by the Department to evaluate the licensee's request.

Authority: Sections 19302.1, and 19304, Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19302.1 and 19322 Business and Professions Code.

### § 8115. Renewal of License.

(a) An application for renewal of a cultivation license shall be submitted to the Department at least 30 calendar days prior to the expiration date of the current license.

(b) If a complete renewal application is submitted in a timely manner, the licensee may continue to operate until the Department approves or denies the renewal application. For purposes of this section, "timely manner" means postmarked no later than the expiration date of the current license.

(c) Upon expiration of the license, a licensee shall submit a late fee of 50 percent of the application fee to be paid in addition to the required annual renewal fee.

(d) A licensed cultivator that does not submit a complete license renewal application to the Department within 30 days after the expiration of the current license shall forfeit their eligibility to apply for a license renewal and, instead, shall be required to submit a new license application.

(e) The license renewal shall be submitted to the Department as prescribed by the Department and contain the following:

(1) The name of the licensee. Licensees who are individuals shall provide both the first and last name of the individual.

Licensees who are business entities shall provide the legal business name;

(2) The license number and expiration date;

(3) The licensee's mailing address and premises address;

(4) The annual license fee as prescribed in Section 8200 of this Chapter;

(5) If applicable, documentation regarding any changes that have occurred from the information originally submitted to the Department as required in Section 8102 of this Chapter; and

(6) An attestation that all information provided to the Department is accurate and current.

Authority: Sections 19304, 19321, and 19322, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19321 and 19322, Business and Professions Code.

### § 8116. Surrender of License.

(a) Every licensee who surrenders, abandons, or quits the licensed premises, or who closes the licensed premises for a period exceeding 30 consecutive calendar days, shall, within 30 calendar days after closing, surrendering, quitting, or

## TEXT OF PROPOSED REGULATIONS

abandoning the licensed premises, surrender the license certificate or license certificates to the Department. The Department may seize the license certificate or certificates of a licensee who fails to comply with the surrender provisions of this section and may proceed to revoke the license or licenses.

(b) Upon the voluntary request by any licensee the Department may cancel the license or licenses.

Authority: Sections 19302.1, 19304, and 19322, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19311 Business and Professions Code.

### § 8117. Waiver of Sovereign Immunity.

(a) 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 Department that establishes that the applicant or licensee has the lawful authority to enter into the waiver required by this section;
- (2) Conduct all commercial cannabis activity in full compliance with the state laws and regulations governing commercial cannabis activity, including submission to all enforcement provisions thereof;
- (3) Allow access as required by statute or regulation by persons or entities charged with duties under the state laws and regulations governing commercial cannabis activity to any premises or property at which the applicant conducts any commercial cannabis activity, including premises or property where records of commercial cannabis activity are maintained by or for the applicant or licensee;
- (4) Provide any and all records, reports, and other documents as may be required under the state laws and regulations governing commercial cannabis activity;
- (5) Conduct commercial cannabis activity with other state commercial cannabis licensees only, unless otherwise specified by state law;
- (6) Meet all of the requirements for licensure under the state laws and regulations governing the conduct of commercial cannabis activity, and provide truthful and accurate documentation and other information of the applicant's qualifications and suitability for licensure as may be requested;
- (7) Submit to the personal and subject matter jurisdiction of the California courts to address any matter related to the waiver or commercial cannabis application, license, or activity, and that all such matters and proceedings shall be governed, construed and enforced in accordance with California substantive and procedural law, including but not limited to the Act;

(b) Any applicant or licensee shall immediately notify the Department of any changes that may materially affect the applicant and licensee's compliance with subdivision (a).

TEXT OF PROPOSED REGULATIONS

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

Authority: Sections 19302, 19302.1, 19304 Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19303, 19304, 19311, 19312, 19322, 19323, and 19324 Business and Professions Code.

**Article 3: Cultivation License Fees and Requirements**

**§ 8200. License Fees.**

An annual license fee shall be paid to the Department prior to issuance of a license or renewal license. The fee schedule is as follows:

<u>(a) Specialty Cottage Outdoor-</u>	<u>\$595</u>
<u>(b) Specialty Cottage Indoor-</u>	<u>\$900</u>
<u>(c) Specialty Cottage Mixed-Light-</u>	<u>\$2,560</u>
<u>(d) Specialty Outdoor-</u>	<u>\$1,185</u>
<u>(e) Specialty Indoor-</u>	<u>\$9,620</u>
<u>(f) Specialty Mixed-Light-</u>	<u>\$4,980</u>
<u>(g) Small Outdoor-</u>	<u>\$2,370</u>
<u>(h) Small Indoor-</u>	<u>\$17,430</u>
<u>(i) Small Mixed-Light-</u>	<u>\$9,960</u>
<u>(j) Medium Outdoor-</u>	<u>\$6,890</u>
<u>(k) Medium Indoor-</u>	<u>\$38,350</u>
<u>(l) Medium Mixed-Light-</u>	<u>\$21,915</u>
<u>(m) Nursery-</u>	<u>\$560</u>
<u>(n) Processor-</u>	<u>\$2,790</u>

Authority: Sections 19302.1, 19304, and 19332, Business and Professions Code and Section 11362.777 Health and Safety Code; References: Sections 19300.7, 19302.1, 19332, and 19350 Business and Professions Code.

**§ 8201. License Posting Requirement.**

The license shall be prominently displayed on the licensed premises where it can be viewed by state or local agencies.

Authority: Sections 19302.1, and 19304, Business and Professions Code and Section 11362.777, Health and Safety Code. References: Section 19302.1, Business and Professions Code, and Sections 55530, and 56193, Food and Agricultural Code.

## TEXT OF PROPOSED REGULATIONS

### § 8202. General License Requirements.

- (a) Department issued cultivation licenses shall be valid for 12 months from the date of issuance and shall be renewed annually.
- (b) Every person shall obtain a separate license for each premises where it engages in commercial cannabis cultivation.
- (c) Cultivation licenses are not transferrable or assignable to any other person, entity, or property.
- (d) Licensees are prohibited from selling, bartering or donating any commercially cultivated cannabis from their licensed premises directly to an unlicensed premises or individual.

Authority: Sections 19302.1, 19304, 19320, and 19321 Business and Professions Code and Section 11362.777 Health and Safety Code. References: Sections 19300.5, 19320, and 19321 Business and Professions Code.

### § 8203. Cultivation License Types.

License types include:

#### (a) Specialty Cottage

- (1) "Specialty Cottage Outdoor" an outdoor cultivation site with up to 25 mature plants.
- (2) "Specialty Cottage Indoor" an indoor cultivation site with 500 square feet or less of total canopy.
- (3) "Specialty Cottage Mixed-Light" a mixed-light cultivation site with 2,500 square feet or less of total canopy.

#### (b) Specialty

- (1) "Specialty Outdoor" an outdoor cultivation site with less than or equal to 5,000 square feet of total canopy, or up to 50 mature plants on noncontiguous plots.
- (2) "Specialty Indoor" an indoor cultivation site between 501 and 5,000 square feet of total canopy.
- (3) "Specialty Mixed-Light" a mixed-light cultivation site between 2,501 and 5,000 square feet of total canopy.

#### (c) Small

- (1) "Small Outdoor" an outdoor cultivation site between 5,001 and 10,000 square feet of total canopy.
- (2) "Small Indoor" an indoor cultivation site between 5,001 and 10,000 square feet of total canopy.
- (3) "Small Mixed-Light" a mixed-light cultivation site between 5,001 and 10,000 square feet of total canopy.

#### (d) Medium

- (1) "Medium Outdoor" an outdoor cultivation site between 10,001 square feet and one acre of total canopy.
- (2) "Medium Indoor" an indoor cultivation site between 10,001 and 22,000 square feet of total canopy.
- (3) "Medium Mixed-Light" a mixed-light cultivation site between 10,001 and 22,000 square feet of total canopy.

#### (e) "Nursery" cultivation of cannabis solely as a nursery.

#### (f) "Processor" a cultivation site that conducts only trimming, drying, curing, grading or packaging of cannabis and

## TEXT OF PROPOSED REGULATIONS

nonmanufactured cannabis products.

(g) “Producing Dispensary” for dispensers who have no more than three licensed dispensary facilities and wish to hold either a cultivation or manufacturing license or both. Cultivation shall be limited to no more than 4 acres of total canopy.

Authority: Sections 19302.1, 19304, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. References: Sections 19300.7, 19302.1, 19332, and 19334 Business and Professions Code.

### § 8204. Cultivation License Limits.

The Department shall not restrict the total number of cultivation licenses a person is authorized to hold at any point in time, provided the person’s total licensed canopy does not exceed 4 acres.

Authority: Sections 19302.1, and 19304, Business and Professions Code and Section 11362.777, Health and Safety Code. References: Section 19304, Business and Professions Code.

### § 8205. Medium Cultivation License Limits.

Unless a person first presents a Producing Dispensary license issued by the Bureau, a person shall be limited to one Medium Outdoor, or one Medium Indoor, or one Medium Mixed-Light license.

Authority: Sections 19302.1, 19304, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. References: Sections 19300.7, and 19332, Business and Professions Code.

### § 8206. Multi-Tenant Cultivation.

Multiple cultivation licensees and license types may be located on the same property, as established by an assessor’s parcel number, if each licensed premises has a unique entrance and immovable physical barriers between uniquely licensed premises.

Authority: Sections 19302.1, 19304, and 19332, Business and Professions Code and Section 11362.777 Health and Safety Code. References: Sections 19302.1, and 19320, Business and Professions Code.

### § 8207. License to License Movement and Commingling.

(a) Licensees, including those persons issued multiple cultivation licenses, are prohibited from commingling cannabis from other licensed cultivation premises.



## TEXT OF PROPOSED REGULATIONS

(b) Cultivation licensees as defined in 8203 (a), (b), (c) or (d) are prohibited from transferring or receiving any cannabis or nonmanufactured cannabis products from other cultivation licensees as defined in 8203 (a), (b), (c) or (d). These cultivation licensees are allowed to receive immature plants or seeds from nursery licensees as defined in 8203 (e) and to transfer cannabis and nonmanufactured cannabis products to processor licensees as defined in 8203 (f).

Authority: Section 19304, Business and Professions Code and Section 11362.777 Health and Safety Code; References: Sections 19303, 19320, and 19335, Business and Professions Code.

### § 8208. Vertical Integration.

All cannabis cultivators that meet the requirements of Section 19328 (c)(1) of Business and Professions Code shall be licensed by the Department and are subject to all requirements in this Chapter.

Authority: Sections 19302.1, 19304, and 19332, Business and Professions Code and Section 11362.777 Health and Safety Code. References: Section 19328, Business and Professions Code.

### § 8209. Sample Collection by the Bureau.

When a licensee transfers possession, but not title of cannabis to a licensed distributor, the licensee shall allow the Bureau to collect samples for the Bureau's own laboratory analysis.

Authority: Sections 19302.1, 19304, and 19332, Business and Professions Code and Section 11362.777 Health and Safety Code. References: Section 19345, Business and Professions Code.

### § 8210. Prohibition of Product Returns.

Licensees are prohibited from accepting returns of cannabis plants or nonmanufactured cannabis products after transferring actual possession of cannabis plants or nonmanufactured cannabis to another licensee.

Authority: Section 19304, Business and Professions Code and Section 11362.777 Health and Safety Code; References: Sections 19307, and 19335, Business and Professions Code.

## **Article 4. Cultivation Site Requirements**

### § 8300. Premises Diagram.

A premises diagram shall be submitted with each application and contain the following:

(a) Boundaries of the property and the proposed premises to be licensed, showing all boundaries, dimensions, entrances

## TEXT OF PROPOSED REGULATIONS

and exits, interior partitions, walls, rooms, windows, and common or shared entryways. The diagram shall show the areas in which all commercial cannabis activities will take place, including but not limited to, areas listed in the Cultivation Plan;

- (b) The assessor's parcel number;
- (c) The diagram shall be to scale;
- (d) The diagram shall not contain any highlighting; and
- (e) If the proposed premises consists of only a portion of a property, the diagram shall be labeled indicating which part of the property is the proposed premises and what the remaining property is used for.

Authority: Sections 19302.1, 19304, and 19332, Business and Professions Code and Section 11362.777 Health and Safety Code. Reference: Sections 19320, and 19322, Business and Professions Code.

### § 8301. Cultivation Plan Requirements for Specialty Cottage, Specialty, Small and Medium Licenses.

The Cultivation Plan for Specialty Cottage, Specialty, Small and Medium licenses shall include the following information:

- (a) A diagram showing all boundaries and dimensions in feet of the following proposed areas:
  - (1) Premises diagram as required by Section 8300 of this Chapter;
  - (2) Canopy area(s) which shall contain all mature plants on the premises;
  - (3) Propagation area(s) which shall contain only immature plants;
  - (4) Designated pesticide and other agricultural chemical storage area(s);
  - (5) Designated holding area for cannabis scheduled for destruction;
  - (6) Designated processing area(s) if the licensee will process on site;
  - (7) Designated packaging area(s), if the licensee will package products on site;
  - (8) Designated composting area if the licensee will compost plant waste on site;
  - (9) Designated refuse area(s);
  - (10) Designated area(s) for harvested cannabis storage; and
  - (11) Water storage location and source information, including the following (all locations shall be noted on the diagram with locations also provided as coordinates in either latitude and longitude or the California Coordinate System):
    - (A) Sources of water used, including the location of waterbody diversion(s), pump location(s), and distribution system; and
    - (B) Location, type, and capacity of each water storage unit to be used for cultivation.
- (b) For indoor and mixed-light license type applications, a lighting diagram with the following information shall be included:
  - (1) Location of all lights in the canopy area(s); and
  - (2) Maximum wattage of each light.

TEXT OF PROPOSED REGULATIONS

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

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

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

(d) A cannabis waste management plan meeting the requirements of Section 8305 of this Chapter.

Authority: Sections 19304, 19322, 19332, and 19332.2, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19320, 19322, 19332, and 19332.2, Business and Professions Code.

§ 8302. Cultivation Plan Requirements for Nursery Licenses.

The Cultivation Plan for Nursery licenses shall include the following information:

(a) A diagram showing all boundaries and dimensions, in feet, of the following proposed areas:

(1) Premises diagram as required by Section 8300 of this Chapter;

(2) Propagation area(s) which shall contain only immature plants;

(3) Designated research and development area(s) which may contain mature plants;

(4) Designated seed production area(s) which may contain mature plants;

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

(6) Designated holding area for cannabis scheduled for destruction;

(7) Designated composting area if the licensee will compost plant waste on site;

(8) Designated refuse area(s); and

(9) Water storage location and source information, including the following (all locations shall be noted on the map or diagram with locations also provided as coordinates in either latitude and longitude or the California Coordinate System):

(A) Sources of water used, including the location of waterbody diversion(s), pump location(s), and distribution system; and

(B) Location, type, and capacity of each storage unit to be used for cultivation.

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

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

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

(c) A cannabis waste management plan meeting the requirements of Section 8305 of this Chapter.

## TEXT OF PROPOSED REGULATIONS

Authority: Sections 19304, 19322, 19332, and 19332.2, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19320, 19322, 19332, and 19332.2, Business and Professions Code.

### § 8303. Cultivation Plan Requirements for Processor Licenses.

The Cultivation Plan for Processor licenses shall include a diagram showing all boundaries and dimensions, in feet, of the following proposed areas:

- (a) Premises diagram as required by Section 8300 of this Chapter;
- (b) Designated holding area for cannabis scheduled for destruction;
- (c) Designated processing area(s);
- (d) Designated packaging area(s), if the licensee will package products on site;
- (e) Designated composting area if the licensee will compost plant waste on site;
- (f) Designated refuse area(s);
- (g) Designated area(s) for harvested cannabis storage; and
- (h) A cannabis waste management plan meeting the requirements of Section 8305 of this Chapter.

Authority: Sections 19304, 19322, 19332, and 19332.2, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19320, 19322, 19332, and 19332.2, Business and Professions Code.

### § 8304. Holding Area Requirements for Destruction of Material.

- (a) Cannabis plant material scheduled for destruction shall be held in a holding area identified in the Cultivation Plan.
- (b) Cannabis plant material shall be held for 5 calendar days after notifying the Department of the intended destruction; the Department may conduct oversight of destruction.

Authority: Sections 19304, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19304, 19307 and 19322, Business and Professions Code.

### § 8305. Cannabis Waste Management.

- (a) For the purposes of this Chapter, “cannabis waste” is waste that is not hazardous waste as defined in Section 40141 of Public Resources Code, and is solid waste, as defined in Section 40191 of Public Resources Code, that contains cannabis and that has been made unusable and unrecognizable in the manner prescribed in subsection (e). A licensee may not sell cannabis waste.
- (b) A licensee shall manage all waste that is hazardous waste, as defined in Section 40141 of Public Resources Code, in

## TEXT OF PROPOSED REGULATIONS

compliance with all applicable hazardous-waste statutes and regulations.

- (c) A licensee shall dispose of cannabis waste as identified in the licensee's Cultivation Plan approved by the Department. A licensee shall not dispose of cannabis waste in an unsecured waste receptacle, whether in the control of the licensee or not.
- (d) Cannabis that a licensee intends to render into cannabis waste shall be held in the designated holding area for a minimum of 72 hours. A licensee shall affix to each batch one or more documents with batch information and weight. At no time during the 72 hour hold period may the cannabis be handled, moved, or rendered into cannabis waste. The cannabis the licensee intends to render into cannabis waste is subject to inspection by the Department.
- (e) A licensee shall make cannabis into cannabis waste by rendering the cannabis unusable and unrecognizable. The licensee shall render the cannabis into cannabis waste before removing the cannabis waste from the licensed premises. A licensee shall render the cannabis into cannabis waste by grinding and incorporating the cannabis with other ground material so that the resulting mixture is at least 50 percent noncannabis material by volume. A licensee shall render cannabis into cannabis waste and track that waste by batch.
- (f) Cannabis that a licensee wishes to deposit at a compostable materials handling facility or at an in-vessel digestion facility may be rendered cannabis waste by incorporating any nonhazardous compostable material, as defined in Title 14 of the California Code of Regulations at Section 17852 (a)(11), that a compostable materials handling facility or in-vessel digestion facility may lawfully accept.
- (g) Unless a licensee will compost onsite, after a licensee renders the cannabis into cannabis waste, a licensee shall do one of the following with the cannabis waste:
- (1) Dispose of the cannabis waste at a manned and fully permitted solid waste landfill;
  - (2) Deposit the cannabis waste at a manned solid waste operation or a manned fully permitted compostable materials handling facility; or
  - (3) Deposit the cannabis waste at a manned solid waste operation or a manned fully permitted in-vessel digestion facility.
- (h) In addition to all other tracking requirements set forth in Sections 8404 and 8405 of this Chapter, a licensee shall use the track-and-trace system and onsite documents to ensure the cannabis waste materials are identified, weighed, and tracked while on the licensed premises and when disposed of or deposited in accordance with subsection (g).
- (i) A licensee shall enter the date and time that the cannabis was rendered cannabis waste and the weight of the resulting cannabis waste into the track-and-trace database.
- (j) A licensee shall maintain accurate and comprehensive records regarding cannabis waste material that account for, reconcile, and evidence all activity related to the generation and disposal or disposition of cannabis waste. A licensee shall obtain a record from the solid waste facility evidencing the acceptance of the cannabis waste material at the facility. The record shall contain the name and address of the facility, the date, and the volume or weight of the

## TEXT OF PROPOSED REGULATIONS

cannabis waste accepted. These documents are records subject to inspection by the Department and shall be kept in compliance with Section 8400 of this Chapter.

- (k) A licensee shall enter the date and time of the disposal or deposit of the cannabis waste at a solid waste facility, compostable materials handling facility, or an in-vessel digestion facility into the track-and-trace system.

Authority: Sections 19304, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19307, 19322, and 19332, Business and Professions Code. Sections 40141 and 40191 Public Resources Code.

### § 8306. Standards of Cleanliness.

(a) All cannabis shall be kept commercially clean in respect to established pests of general distribution. Commercially clean shall mean that pests are under effective control, are present only to a light degree, and that only a few of the plants in any propagation or canopy area(s) on the premises show any infestation or infection, and of these none show more than a few individuals of any insect, animal or weed pests or more than a few individual infestations of any plant disease.

(b) Cannabis plants shall be kept free of:

- (1) Pests of limited distribution, including pests of major economic importance which are widely, but not generally distributed; and
- (2) Pests not known to be established in California.

Authority: Sections 19304, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19322, and 19332, Business and Professions Code. Sections 5721-5723, Food and Agricultural Code.

### § 8307. Packaging of Nonmanufactured Cannabis Products for Distribution.

A package used to contain a nonmanufactured cannabis product shall adhere to the following requirements:

- (a) The package shall protect the product from contamination and shall not expose the product to any toxic or harmful substance;
- (b) The package shall be tamper-evident, which means that the product is packaged in a container within which a product is sealed so that the contents cannot be opened without obvious destruction of the seal; and
- (c) The package shall not imitate any package used for products typically marketed to children.

Authority: Sections 19302.1, 19304, and 19332, Business and Professions Code and Section 11362.777 Health and Safety

## TEXT OF PROPOSED REGULATIONS

Code. Reference: Sections 19300.5, 19302.1, and 19347, Business and Professions Code.

### § 8308. Labeling of Nonmanufactured Cannabis Products for Distribution.

The following labeling requirements shall be implemented within 180 days of licensure, or by December 31, 2018, whichever is sooner:

- (a) Any information required to be listed on a label shall be written in English;
- (b) Label and all required label information shall be unobstructed and conspicuous;
- (c) The label shall be in a text size no less than 6 point font and be in relation to the size of the container; and
- (d) The label shall include the following information:
  - (1) The applicable requirements of Section 19347 of Business and Professions Code;
  - (2) The net weight of the contents in the package; and
  - (3) The unique identifier assigned by the track-and-trace system as required by Section 8402 of this Chapter.

Authority: Sections 19302.1, 19304, and 19332, Business and Professions Code and Section 11362.777 Health and Safety Code. Reference: Sections 19300.5, 19302.1, 19335, and 19347, Business and Professions Code.

### § 8309. Propagation Requirements for Specialty Cottage, Specialty, Small, and Medium Licenses.

- (a) Licensees shall only propagate immature plants for planting at their licensed premises in designated propagation area(s).
- (b) Mother plants used for propagation shall be maintained as immature plants and located in the designated propagation area(s).
- (c) Cannabis plants in the propagation area(s) are prohibited from flowering. Should plants in the propagation area begin to flower, the Department shall be notified immediately through the track-and-trace system.
- (d) Licensees shall follow standards of cleanliness required in Section 8306 of this Chapter for the production of immature plants.
- (e) Licensees producing seed for planting at their licensed premises shall do so in designated propagation area(s). All plants used for seed production shall be tagged with a unique identifier in accordance with Section 8402 of this Chapter.
- (f) Licensees propagating immature plants for distribution or seed for distribution to another licensee shall obtain a Nursery license.

Authority: Sections 19302.1, 19304, and 19332, Business and Professions Code and Section 11362.777 Health and Safety Code. Reference: Sections 19320, and 19332, Business and Professions Code.

## TEXT OF PROPOSED REGULATIONS

### § 8310. Processing Requirements for Specialty Cottage, Specialty, Small, and Medium Licenses.

- (a) Licensees shall process their cannabis only in designated processing area(s) or transport it to a licensed Processor.
- (b) Licensees may produce nonmanufactured cannabis products for distribution without a Manufacturing license, provided compliance with packaging and labeling requirements in Sections 8307 and 8308 of this Chapter.

Authority: Sections 19304, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19320, 19322, and 19332, Business and Professions Code.

### § 8311. Cultivation Requirements for Nurseries.

- (a) Nurseries producing immature plants for distribution may maintain a research and development area for the cultivation of mature plants. All mature plants shall be tagged with a unique identifier as required by Section 8402 of this Chapter. Nonmanufactured cannabis products derived from these plants are prohibited from entering the commercial distribution chain without the appropriate cultivation license.
- (b) Licensees shall only conduct research and development on the premises in designated areas identified in their Cultivation Plan approved by the Department.
- (c) Nurseries producing seed for distribution shall tag all mature plants as required by Section 8402 of this Chapter. Nonmanufactured cannabis products derived from these plants are prohibited from entering the commercial distribution chain without the appropriate cultivation license.

Authority: Sections 19304, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19322, 19332, and 19335, Business and Professions Code.

### § 8312. Cultivation Requirements for Processor Licenses.

Processor licensees shall comply with all of the following requirements:

- (a) All aggregation of product for packaging for retail sale shall adhere to Section 8402 of this Chapter;
- (b) Licensees may produce nonmanufactured cannabis products as defined by Section 8000 (r) of this Chapter for distribution without a manufacturing license, provided compliance with packaging and labeling requirements in Sections 8307 and 8308 of this Chapter; and
- (c) Cultivation of cannabis plants is prohibited at a licensed processor.

Authority: Sections 19304, 19322, and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19302.1, 19322, 19332, and 19355 Business and Professions Code.



## TEXT OF PROPOSED REGULATIONS

### § 8313. Environmental Protection Measures.

All licensees shall comply with the following environmental protection measures:

- (a) Compliance with Section 13149 of Water Code as enforced by the State Water Resources Control Board.
- (b) All outdoor lighting used for security purposes shall be shielded and downward facing.
- (c) Immediately halt cultivation activities if human remains are discovered and implement Section 7050.5 of Health and Safety Code.
- (d) The use of generators for cultivation is prohibited, except for temporary use in the event of a power outage or emergency.
- (e) Compliance with pesticide laws and regulations as enforced by the Department of Pesticide Regulation.
- (f) For all pesticides that comply with subsection (e) above and are exempt from registration requirements, licensees shall comply with the following pesticide application and storage protocols:
  - (1) Comply with all pesticide label directions;
  - (2) Store chemicals in a secure building or shed to prevent access by wildlife;
  - (3) Contain any chemical leaks and immediately clean up any spills;
  - (4) Apply the minimum amount of product necessary to control the target pest;
  - (5) Prevent offsite drift;
  - (6) Do not apply pesticides when pollinators are present;
  - (7) Do not allow drift to flowering plants attractive to pollinators;
  - (8) Do not spray directly to surface water or allow pesticide product to drift to surface water. Spray only when wind is blowing away from surface water bodies;
  - (9) Do not apply pesticides when they may reach surface water or groundwater; and
  - (10) Only use properly labeled pesticides. If no label is available consult the Department of Pesticide Regulation.

Authority: Sections 19302.1, 19304, 19322, 19332, and 19332.2, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19302.1, 19320, 19322, 19332, and 19332.2, Business and Professions Code. Section 12753 Food and Agricultural Code. Section 7050.5 Health and Safety Code. Section 13149 Water Code.

### § 8314. Additional Environmental Protection Measure for Mixed-Light Licenses.

Mixed Light license types of all sizes shall ensure that lights used for cultivation are shielded from sunset to sunrise to avoid nighttime glare.

## TEXT OF PROPOSED REGULATIONS

Authority: Sections 19302.1, 19304, 19322, and 19332 Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19302.1, 19320, 19322, and 19332, Business and Professions Code.

§ 8315. Additional Environmental Protection Measure for Indoor Licenses.

Indoor license types of all sizes shall ensure that electrical power used for commercial cannabis activity shall be provided by any combination of the following:

- (a) On-grid power with 42 percent renewable source.
- (b) Onsite zero net energy renewable source providing 42 percent of power.
- (c) Purchase of carbon offsets for any portion of power above 58 percent not from renewable sources.
- (d) Demonstration that the equipment to be used would be 42 percent more energy efficient than standard equipment, using 2014 as the baseline year for such standard equipment.

Authority: Sections 19302.1, 19304, 19322, and 19332 Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Sections 19302.1, 19320, 19322, and 19332, Business and Professions Code.

### **Article 5. Records and Reporting**

§ 8400. Record Retention.

The provisions of this section apply to all cultivators licensed by the Department. For the purposes of this Chapter, the term record includes: all records, applications, reports or other supporting documents required by the Department.

- (a) Each licensee shall keep and maintain the records listed in subsection (e) for at least 7 years from the date the document was created.
- (b) Records shall be kept in a manner that allows the records to be immediately produced for the Department at the licensed premises.
- (c) All records related to commercial cannabis activity are subject to inspection by the Department.
- (d) A licensee may contract with a third party to provide custodial or management services of the records. Such a contract shall not relieve the licensee of its responsibilities under this section.
- (e) Each licensee shall maintain all of the following records on the licensed premises or at a different location identified by the licensee and approved by the Department, including but not limited to:
  - (1) Department issued cultivation license(s);
  - (2) Cultivation Plan;
  - (3) All records evidencing compliance with the environmental protection measures required in Sections 8313, 8314, and 8315 of this Chapter;
  - (4) Any supporting documentation for data or information input into the track-and-trace system;

## TEXT OF PROPOSED REGULATIONS

- (5) Financial records, including but not limited to, bank statements, tax records, invoices, and sales receipts;
  - (6) Personnel records, including each employee's full name, social security, or individual tax payer identification number, date of beginning employment, and date of termination of employment if applicable;
  - (7) Training records, including but not limited to the content of the training provided and the names of the employees that received the training;
  - (8) Contracts with other state licensed medical cannabis businesses;
  - (9) Permits, licenses, and other local authorizations to conduct the licensee's commercial cannabis activity;
  - (10) Security records; and
  - (11) Records associated with the composting or disposal of cannabis waste.
- (f) All required records shall be prepared and retained in accordance with the following conditions:
- (1) Records shall be legible; and
  - (2) Records shall be stored in a secured area where the records are protected from debris, moisture, contamination, hazardous waste, fire and theft.

Authority: Sections 19302.1, 19304, 19327 and 19332, Business and Professions Code. Section 11362.777, Health and Safety Code. Reference: Section 19327, Business and Professions Code.

### § 8401. Track-and-Trace System.

The Department shall establish a track-and-trace system for unique identifiers of cannabis and nonmanufactured cannabis products, which all licensees shall use. Each licensee shall report in the track-and-trace system the disposition of immature and mature plants, as required by Section 8402 of this Chapter, and nonmanufactured cannabis products on the licensed premises and any transfers associated with commercial cannabis activity between licensees.

- (a) The licensee is responsible for the accuracy and completeness of all data and information entered into the track-and-trace system. Data entered into the track-and-trace system is assumed to be accurate and can be used to take enforcement action against the licensee if not corrected.
- (b) Attempts to falsify or misrepresent data or information entered into the track-and-trace system is a violation and subject to enforcement.
- (c) Each licensee shall use the track-and-trace system for recording all applicable commercial cannabis activities. Each licensee shall do all of the following activities:
  - (1) Establish an account in the track-and-trace system prior to engaging in any commercial cannabis activities associated with their license and maintain an active account while licensed;
  - (2) Designate at least one of the owners or the responsible party named in the application to be the track-and-trace system administrator. The licensee may authorize additional administrator accounts for the licensee;

## TEXT OF PROPOSED REGULATIONS

- (3) Require designated administrators to complete initial training prior to accessing the system and participate in ongoing training as required by the Department;
- (4) Designate track-and-trace system users, as needed, and require the designated users to be trained by the licensee's track-and-trace system administrator in the proper and lawful use of the track-and-trace system before the designated users are permitted to access the track-and-trace system;
- (5) Require the designated administrator to maintain an accurate and complete list of all track-and-trace system administrators and users and update the list immediately when changes occur;
- (6) Cancel any track-and-trace system administrator or user from an associated track-and-trace system account if that individual is no longer a licensee representative or the administrator; and
- (7) Correct any data that is entered into the track-and-trace system in error within 24 hours of discovery of the error.
- (d) The licensee is responsible for all actions any licensee representatives take while logged into the track-and-trace system or otherwise conducting commercial cannabis activities.
- (e) If a licensee loses access to the track-and-trace system for any reason, the licensee shall prepare and maintain comprehensive records detailing all tracking inventory activities that were conducted during the loss of access.
  - (1) Once access to the track-and-trace system is restored, all inventory tracking activities that occurred during the loss of access shall be entered into the track-and-trace system within 48 hours.
  - (2) A licensee shall document when access to the track-and-trace system was lost and when it was restored.
  - (3) A licensee shall not transport any cannabis or nonmanufactured cannabis products to other licensed premises until such time as access is restored and all information is recorded into the track-and-trace system.

Authority: Sections 19304, 19332, and 19335, Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19335 Business and Professions Code.

### § 8402. Track-and-Trace System Unique Identifiers (UID).

- (a) UIDs shall be issued by the Department, or the Department's designee, for every applicable cannabis plant and nonmanufactured cannabis product cultivated by the licensee.
- (b) The licensee shall only use UIDs issued by the Department, or the Department's designee.
- (c) The UID shall accompany the cannabis and nonmanufactured cannabis products through all phases of the growing cycle, as follows:
  - (1) Licensees with immature plants shall apply a UID to each established lot respectively. For the purposes of this subsection, each lot of immature plants shall not have more than 100 immature plants, at any one time. All immature plants in a lot shall be kept in close proximity to each other on the licensed premises.
  - (2) Immature plants being transported by a licensed nursery to a licensed cultivation site shall be by established lot of

## TEXT OF PROPOSED REGULATIONS

immature plants as provided in subsection (c)(1). Immature plants intended for retail sale shall have a UID applied to each individual plant prior to leaving the licensed nursery premises.

(3) The licensee shall apply a UID to all individual plants at the time any plant is moved to the designated canopy area, as provided in the Cultivation Plan. The UID applied to an individual plant shall be associated with the UID from the lot of immature plants it was derived from.

(4) UIDs are required for each mature plant and shall be placed at the base of each plant.

(5) UIDs are required for all nonmanufactured cannabis products and shall be associated with the UID from the applicable harvest batch.

(d) Licensee shall only package cannabis harvested from the same harvest batch. Each harvest batch shall receive a new UID that is associated with all UIDs for each individual plant contained in the harvest batch.

(e) Upon destruction or disposal of any cannabis or nonmanufactured cannabis products, the applicable UIDs shall be retired in the track-and-trace system.

Authority: Sections 19304, 19332, and 19335 Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19335 Business and Professions Code.

### § 8403. Track-and-Trace System User Requirements.

(a) The licensee and any track-and-trace system administrator or user as identified by the licensee pursuant to Section 8401 (c) of this Chapter, shall enter all commercial cannabis activities in the track-and-trace system.

(b) Each track-and-trace system administrator and user shall have a unique log-on, consisting of a username and password, which shall not be used by any other person.

(c) It is a violation for any person to intentionally misrepresent or falsify information entered into the track-and-trace system.

(d) The licensee shall monitor all notifications from the track-and-trace system and resolve all the issues included in the notification in the time frame specified in the notification. A licensee shall not dismiss a notification from the track-and-trace system until the licensee resolves the issues included in the notification.

(e) Failure to comply with the requirements of this section may result in enforcement action, including revocation of the license.

Authority: Sections 19304, 19332, and 19335 Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19335 Business and Professions Code.

### § 8404. Track-and-Trace System Reporting Requirements.

## TEXT OF PROPOSED REGULATIONS

- (a) The licensee shall report through the track-and-trace system, any and all transfers of cannabis or nonmanufactured cannabis products to another licensed entity.
- (b) The licensee shall notify the Department at least 24 hours prior to entering a change in the disposition of cannabis plants on the licensed premises or transfer of any cannabis or nonmanufactured cannabis products to another licensed premises.
- (c) The following information shall be reported by the licensee for each transfer of cannabis or nonmanufactured cannabis products to other licensed premises:
  - (1) License number of the transporter receiving the cannabis or nonmanufactured cannabis products;
  - (2) Transaction date (i.e., month, day and year). The date of any sale or transfer of cultivated cannabis or nonmanufactured cannabis products shall be the date of transfer to the licensee receiving it;
  - (3) License number issued by the Department;
  - (4) Quantity, if applicable;
  - (5) Weight. For the purposes of this section, weight is defined as the net weight of the cannabis or nonmanufactured cannabis products, being provided to a licensed transporter. Weight shall be measured, recorded and reported in pounds, ounces and fractions thereof. All weighing shall be done on a scale or other device approved, tested and sealed in accordance with Division 5 (commencing with Section 12001), of the Business and Professions Code (Weights and Measures) and any applicable regulations thereunder;
  - (6) Applicable product category as follows:
    - (A) Flower
    - (B) Leaf
    - (C) Pre-roll;
  - (7) Departure time and estimated arrival time;
  - (8) Classification of the product. For purposes of this section, classification shall include all of the following:
    - (A) Genus
    - (B) Species
    - (C) Strain; and
  - (9) UID(s).

Authority: Sections 19304, 19332, and 19335 Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19335 Business and Professions Code.

### § 8405. Track-and-Trace System Inventory Requirements.

Licensees shall use the track-and-trace system for all inventory tracking activities at a licensed premises, including, but not

## TEXT OF PROPOSED REGULATIONS

limited to all the following:

- (a) Reconcile all on-premises and in-transit cannabis or nonmanufactured cannabis products inventories per the time frames defined by the Department; and
- (b) Record the dry weight of all harvested cannabis once all drying and curing activities have been completed.

Authority: Sections 19304, 19332, and 19335 Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19335 Business and Professions Code.

§ 8406. Track-and-Trace System Requirements for Product in Licensee Possession at the Time of License Issuance.

Within 15 calendar days of a cultivation license being issued by the Department, the licensee shall enter into the track-and-trace system and apply a UID to each existing immature plant lot, individual mature plants, and nonmanufactured cannabis product physically located on the licensed premises. After this 15 day time frame expires, all cannabis at the licensed premises shall be entered into the track-and-trace system starting with seed, clone propagated onsite or purchased from a licensed nursery, or seedling purchased from a licensed nursery. This section shall become invalid on July 1, 2019.

Authority: Sections 19304, 19332, and 19335 Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19335 Business and Professions Code.

§ 8407. Inventory Audits.

The Department may perform an audit of the physical inventory of any licensee at the Department's discretion. Variances between the physical audit and the inventory reflected in the track-and-trace system at the time of the audit, which cannot be attributed to normal moisture variations in harvested cannabis may be subject to enforcement action.

Authority: Sections 19304, 19332, and 19335 Business and Professions Code and Section 11362.777, Health and Safety Code. Reference: Section 19335 Business and Professions Code.

§ 8408. Notification of Diversion, Theft, Loss, or Criminal Activity.

Licensees shall notify the Department and law enforcement authorities, within 24 hours of discovery of any diversion, theft, loss of, or criminal activity related to licensee's cannabis or nonmanufactured cannabis products.

Authority: Sections 19302.1, 19304, and 19332, Business and Professions Code and Section 11362.777 Health and Safety Code. Reference: Section 19303, Business and Professions Code.

### **Article 6. Inspections, Investigations and Audits**

## TEXT OF PROPOSED REGULATIONS

### § 8500. Applicability.

All licensees and applicants shall be subject to inspection, investigation or audit of licensed premises by state or local government officials to determine compliance with state laws and local ordinances. Failure to fully cooperate with inspections, investigations or audits is a license violation subject to enforcement.

Authority: Sections 19304 and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19307, 19311, 19312, 19327, and 19335 Business and Professions Code.

### § 8501. Inspections, Investigations and Audits.

(a) The Department shall conduct inspections, investigations and audits of licensees.

(b) An inspection, investigation or audit is a review of any books, records, accounts, inventory, or onsite operations specific to the license.

(c) The Department may record the inspection, investigation, or audit.

(d) The applicant or licensee shall allow the Department access to the proposed or licensed premises for any of the following purposes:

(1) Onsite inspection of the premises prior to issuing a license to determine accuracy and completeness of the application.

(2) Review or inspect the licensed cultivation site to determine compliance with license requirements including, but not limited to, the Cultivation Plan.

(3) Audit or inspect records.

(4) Conduct an inspection or investigation in response to a complaint(s) received by the Department regarding the licensee.

(5) Inspect incoming or outgoing shipments of cannabis and nonmanufactured cannabis products.

(6) Conduct an investigation of the licensee, the cultivation operations, and other activities associated with commercial cannabis activities engaged in by the licensee, as deemed necessary by the Department.

(e) All inspections, investigations and audits of the licensed premises shall be conducted during regular business hours, or during times of apparent activity, or as otherwise agreed to by the Department and the licensee. Prior notice of inspection, investigation or audit is not required.

(f) No applicant, licensee, its agent or employees shall interfere with, obstruct or impede the Department's inspection, investigation or audit. This includes, but is not limited to the following actions:

(1) Denying the Department access to the licensed premises;

(2) Providing false or misleading statements;

(3) Providing false, falsified, fraudulent or misleading documents and records; and



## TEXT OF PROPOSED REGULATIONS

(4) Failing to provide records, reports, and other supporting documents.

(g) Upon completion of an inspection, investigation or audit, the Department shall notify the applicant or licensee of any violation(s) and/or action(s) the Department is taking.

Authority: Sections 19304, and 19332 Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19307, 19311, 19312, 19327, and 19335 Business and Professions Code.

### **Article 7. Enforcement**

#### **§ 8600. Applicability.**

Notwithstanding any other provision of law the Department may take a licensing or administrative action, at any time within five years after the Department discovers, or with reasonable diligence should have discovered any violation of state law or local ordinances.

Authority: Sections 19304 and 19332, Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19307, 19311, 19312, 19314, 19327, and 19332 Business and Professions Code.

#### **§ 8601. Administrative Actions.**

The Department shall use the violation classes and applicable amounts as follow:

(a) For the purpose of this section, violation classes are designated as “Serious,” “Moderate,” and “Minor”.

(1) “Serious”. Violations which preclude or significantly interfere with enforcement, or those which cause significant false, misleading or deceptive business practices, potential for significant level of public or environmental harm, or for any violation which is a repeat of a Moderate violation that occurred within a two-year period and which resulted in an administrative civil penalty.

(2) “Moderate”. Violations which undermine enforcement or those where it is likely there will be public or environmental harm; or for any violation which is a repeat of a Minor violation that occurred within a two-year period and which resulted in an administrative civil penalty.

(3) “Minor”. Violations that are not likely to have an adverse effect on public safety or environmental health.

(b) Repeat violations may result in an escalation of violation class.

(c) Table A below shall be used to establish the level of severity of a particular violation and the corresponding penalty range for “Serious,” “Moderate,” and “Minor” violation classes. The administrative penalty shall not exceed \$5,000 dollars for each violation, unless otherwise authorized by statute and indicated in Table A below.

TEXT OF PROPOSED REGULATIONS

TABLE A:		Violation Type		
		Minor	Moderate	Serious
Authority	Description of Violation	Fine Range	Fine Range	Fine Range
		\$100 - \$500	\$501 - \$1,000	\$1,001 - \$5,000
<u>BPC 19320 (a)</u>	<u>Licensee engaged in commercial cannabis activity with an unlicensed person.</u>	=	=	<u>X</u>
<u>BPC 19320 (b)</u> <u>HSC 11362.777 (b)</u>	<u>Licensee engaged in commercial cannabis activity prior to obtaining both a local license, permit, or other authorization and a state issued cultivation license.</u>	=	=	<u>X</u>
<u>BPC 19320 (c)</u> <u>HSC 11362.777 (b)</u>	<u>Licensee failed to obtain a local license, permit, or other authorization, and a state issued cultivation license for each location engaged in commercial cannabis activity.</u>	=	=	<u>X</u>
<u>BPC 19320 (d)</u>	<u>Licensee continued to operate after revocation of a local license, permit, or other authorization.</u>	=	=	<u>X</u>
<u>BPC 19326 (b)</u>	<u>Producing dispensary licensee failed to send all cannabis and nonmanufactured cannabis products to a distributor for pre-sale quality assurance and inspection by a distributor and for batch testing by a testing laboratory prior to distribution to a dispensary.</u>	=	=	<u>X</u>
<u>BPC 19327</u>	<u>Failure to maintain or provide records to Department.</u>	=	=	<u>X</u> <u>(Per BPC §</u>

TEXT OF PROPOSED REGULATIONS

				<u>19327 (f), licensee may be subject to a fine of thirty thousand (\$30,000 per individual violation )</u>
<u>BPC 19328</u>	<u>Licensee holds state issued licenses in more than 2 separate or allowable combinations pursuant to this section.</u>	=	=	<u>X</u>
<u>BPC 19328 (b)</u>	<u>Except as provided for in BPC 19328(a), licensee engaged in activities authorized by statute, but held an ownership interest in real property, personal property, or other assets associated with or used in another license category.</u>	=	=	<u>X</u>
<u>BPC 19332.2 (a)</u>	<u>Licensee used a water source that was not identified on their application.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8113 (a)</u>	<u>Failure to notify the Department in writing within 10 calendar days of changes to any item listed in the application.</u>	<u>X</u>	=	=
<u>BPC 19312</u> <u>CCR 8113 (b)(1)</u>	<u>Failure to notify the Department in writing of a penalty or judgement of a criminal penalty or civil judgement rendered against the licensee within 48 hours of receiving a penalty or</u>	<u>X</u>	=	=

TEXT OF PROPOSED REGULATIONS

	<u>judgement criminal penalty or civil judgement.</u>			
<u>BPC 19312</u> <u>CCR 8113 (b)(2)</u>	<u>Failure to notify the Department in writing of a revocation of a local license, permit, or other authorization within 48 hours of the revocation.</u>	<u>X</u>	=	=
<u>BPC 19312</u> <u>CCR 8113 (c)</u>	<u>Failure to submit a new application, as required, for a change to the business organizational structure or ownership.</u>	=	<u>X</u>	=
<u>BPC 19312</u> <u>CCR 8114</u>	<u>Failure to file a request for premises modification with the Department associated with a physical modification of the licensed premises.</u>	<u>X</u>	=	=
<u>BPC 19312</u> <u>CCR 8116 (a)</u>	<u>Failure to surrender the license certificate or license certificates to the Department within 30 calendar days of notifying the Department of quitting the licensed premises.</u>	<u>X</u>	=	=
<u>BPC 19312</u> <u>CCR 8116 (a)</u>	<u>Failure to notify the Department within 30 calendar days of quitting or abandoning the licensed premises.</u>	=	<u>X</u>	=
<u>BPC 19312</u> <u>CCR 8117 (a)</u>	<u>Failure to provide the Department with a written waiver of sovereign immunity.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8117 (b)</u>	<u>Failure to notify the Department of any changes that may materially affect the applicant or licensee's compliance with Section 8117 (a) of this Chapter.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8201</u>	<u>Failure to prominently display license on licensed premises where it can be viewed by state and local agencies.</u>	<u>X</u>	=	=
<u>BPC 19312</u>	<u>Licensee sold, bartered or donated</u>	=	=	<u>X</u>

TEXT OF PROPOSED REGULATIONS

<u>CCR 8202 (d)</u>	<u>cannabis from their licensed premises to unlicensed premises.</u>			
<u>BPC 19332</u> <u>CCR 8203</u>	<u>Licensee total canopy size on licensed premises exceeded the total allowable canopy size for the license type.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8206</u>	<u>Licensee located on the same property with other uniquely licensed premises failed to have a unique entrance and immovable physical barrier between their licensed premises and other licensed premises located on the same property.</u>	=	<u>X</u>	=
<u>BPC 19312</u> <u>CCR 8207 (a)</u>	<u>Licensee holding multiple cultivation licenses commingled cannabis between or amongst their respective licensed cultivation premises.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8207 (b)</u>	<u>Licensee transferred or received cannabis or nonmanufactured cannabis product from a licensee defined in Section 8203 (a), (b), (c) or (d) of this Chapter.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8304 (a)</u>	<u>Failure to hold cannabis scheduled for destruction in the holding area identified in the licensee’s approved Cultivation Plan.</u>	=	<u>X</u>	=
<u>BPC 19312</u> <u>CCR 8304 (b)</u>	<u>Failure to hold cannabis scheduled for destruction for 5 calendar days after notifying the Department of the intended destruction.</u>	=	<u>X</u>	=
<u>BPC 19312</u> <u>CCR 8305 (a)</u>	<u>Licensee sold cannabis waste.</u>	=	<u>X</u>	=
<u>BPC 19312</u>	<u>Failure to dispose of cannabis waste as</u>	=	<u>X</u>	=

TEXT OF PROPOSED REGULATIONS

<u>CCR 8305 (c)</u>	<u>identified in the licensee’s approved Cultivation Plan.</u>			
<u>BPC 19312</u> <u>CCR 8305 (c)</u>	<u>Licensee disposed of cannabis waste in an unsecure waste receptacle.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8305 (d)</u>	<u>Failure to hold cannabis intended to be rendered into cannabis waste in the holding area designated in the licensee’s approved Cultivation Plan for a minimum of 72 hours.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8305 (d)</u>	<u>Licensee handled, moved, or rendered cannabis during 72 hour holding period.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8305 (e)</u>	<u>Failure to properly render cannabis unusable and unrecognizable.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8305 (e)</u>	<u>Licensee removed from the licensed premises cannabis intended to be rendered into cannabis waste before rendering.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8305 (e)</u>	<u>Failure to track rendered cannabis waste one batch at a time.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8305 (g)(1)</u>	<u>Failure to deposit cannabis waste at a manned and fully permitted solid waste landfill.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8305 (g)(2)</u>	<u>Failure to deposit cannabis waste at a manned solid waste operation or a manned fully permitted compostable materials handling facility.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8305 (g)(3)</u>	<u>Failure to deposit cannabis waste at a manned solid waste operation or a manned fully permitted in-vessel digestion facility.</u>	=	X	=
<u>BPC 19312</u>	<u>Failure to use track-and-trace system</u>	=	X	=

TEXT OF PROPOSED REGULATIONS

<u>CCR 8305 (h)</u>	<u>and onsite documents to ensure the cannabis waste materials are identified, weighed, and tracked while on the licensed premises and when disposed of or deposited in accordance with Section 8305 (g) of this Chapter.</u>			
<u>BPC 19312</u> <u>CCR 8305 (i)</u>	<u>Failure to enter the date and time that the cannabis was rendered cannabis waste and the weight of the resulting cannabis waste into the track-and-trace system.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8305 (j)</u>	<u>Failure to maintain accurate and comprehensive records regarding cannabis waste material that account for, reconcile, and evidence all activity related to the generation and disposal or disposition of cannabis waste.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8305 (k)</u>	<u>Failure to enter the date and time of the disposal or deposit of the cannabis waste at a solid waste facility, compostable materials handling facility, or an in-vessel digestion facility into the track-and-trace system.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8306 (a)</u>	<u>Failure to adhere to standards of cleanliness with respect to established pests of general distribution.</u>	=	X	=
<u>BPC 19312</u> <u>CCR 8306 (b)</u>	<u>Failure to keep cannabis plants free of pests of limited distribution or pests not known to be established in the state.</u>	=	=	X
<u>BPC 19347</u> <u>CCR 8307</u>	<u>Failure to comply with packaging requirements.</u>	=	X	=

TEXT OF PROPOSED REGULATIONS

<u>BPC 19347</u> <u>CCR 8308</u>	<u>Failure to comply with labeling requirements.</u>	=	<u>X</u>	=
<u>BPC 19312</u> <u>CCR 8309 (a)</u>	<u>Propagation of immature plants on licensee's premises in area(s) not identified on the licensee's approved Cultivation Plan.</u>	=	<u>X</u>	=
<u>19312</u> <u>CCR 8309 (b)</u>	<u>Failure to maintain mother plants for propagation as immature plants.</u>	=	<u>X</u>	=
<u>19312</u> <u>CCR 8309 (b)</u>	<u>Propagation of mother plants in area(s) not identified on the licensee's approved Cultivation Plan.</u>	=	<u>X</u>	=
<u>BPC 19312</u> <u>CCR 8309 (c)</u>	<u>Mature plants located in the area(s) designated for propagation on licensee's approved Cultivation Plan and the Department was not notified through the track-and-trace system.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8309 (d)</u>	<u>Failure to follow standard of cleanliness pursuant to Section 8306 of this Chapter for the production of immature plants.</u>	=	<u>X</u>	=
<u>BPC 19312</u> <u>CCR 8309 (e)</u>	<u>Producing cannabis seed for planting in area(s) on license premises not designated on licensee's approved Cultivation Plan.</u>	<u>X</u>	=	=
<u>BPC 19335 (a)</u> <u>HSC 11362.777 (e)</u> <u>CCR 8309 (e)</u>	<u>Failure to properly apply UIDs to cannabis plants used for seed production.</u>	<u>X</u>	=	=
<u>BPC 19320 (c)</u> <u>CCR 8309 (f)</u>	<u>Licensee propagating immature plants for distribution or seed for distribution without a Nursey license.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8310 (a)</u>	<u>Licensee processed cannabis on the licensed premises in an area(s) not</u>	=	<u>X</u>	=



TEXT OF PROPOSED REGULATIONS

	<u>designated for processing as identified on their approved Cultivation Plan.</u>			
<u>BPC 19312</u> <u>CCR 8311 (a)</u>	<u>Failure to properly tag with UID mature plants maintained in the area on the licensed premises designated for research and development.</u>	=	X	=
<u>BPC 19320 (c)</u> <u>CCR 8311 (a)</u>	<u>Licensee allowed nonmanufactured cannabis products to enter the commercial distribution chain without the appropriate cultivation license.</u>	=	=	X
<u>BPC 19312</u> <u>CCR 8311 (b)</u>	<u>Licensee conducted research and development in non-designated areas as identified in their Cultivation Plan approved by the Department.</u>	=	=	X
<u>BPC 19320 (c)</u> <u>CCR 8311 (c)</u>	<u>Licensee allowed nonmanufactured cannabis products to enter the commercial distribution chain without the appropriate cultivation license.</u>	=	=	X
<u>BPC 19347</u> <u>CCR 8312 (a)</u>	<u>Failure to adhere to product packaging requirements pursuant to Section 8307 of this Chapter for aggregation of cannabis or nonmanufactured cannabis products for retail sale.</u>	X	=	=
<u>BPC 19320 (c)</u> <u>CCR 8312 (c)</u>	<u>Processor licensee cultivated cannabis plants on their licensed premises.</u>	=	=	X
<u>BPC 19312</u> <u>CCR 8313 (a-f)</u>	<u>Failure to comply with specified environmental protection measures.</u>	=	=	X
<u>BPC 19312</u> <u>CCR 8314</u>	<u>Failure to ensure that lights used for cultivation were shielded from sunset to sunrise.</u>	=	=	X
<u>BPC 19312</u> <u>CCR 8315 (a-d)</u>	<u>Failure to comply with specified environmental protection measures.</u>	=	=	X

TEXT OF PROPOSED REGULATIONS

<u>BPC 19327 (b)</u> <u>CCR 8400 (a)</u>	<u>Failure to maintain all required records for a minimum of 7 years from the date they were created.</u>	=	=	<u>X</u>
<u>BPC 19327 (d)</u> <u>CCR 8400 (b)</u>	<u>Failure to provide required records, requested by the Department, on premises of licensed location.</u>	=	=	<u>X</u>
<u>BPC 19327 (a)</u> <u>CCR 8400 (c)</u>	<u>Failure to retain records of commercial cannabis activity.</u>	=	=	<u>X</u>
<u>BPC 19327 (d)</u> <u>CCR 8400 (d)</u>	<u>Licensee provided custodial or management services of record to a third-party without establishing a contract with the applicable third party.</u>	=	<u>X</u>	=
<u>BPC 19327 (d)</u> <u>CCR 8400 (e)</u>	<u>Failure to maintain all required records.</u>	=	=	<u>X</u>
<u>BPC 19327 (c)</u> <u>CCR 8400 (f)</u>	<u>Failure to maintain suitability of records for inspection by the Department.</u>	<u>X</u>	=	=
<u>BPC 19335</u> <u>CCR 8401 (a)</u>	<u>Licensee failed to accurately and completely enter data and information into the track-and-trace system.</u>	<u>X</u>	=	=
<u>BPC 19335</u> <u>CCR 8401 (b)</u>	<u>Licensee falsified or misrepresented data or information entered into the track-and-trace system.</u>	=	=	<u>X</u>
<u>BPC 19335</u> <u>CCR 8401 (c)(1)</u>	<u>Failure to establish an account in the track-and-trace system prior to engaging in commercial cannabis activities.</u>	=	=	<u>X</u>
<u>BPC 19335</u> <u>CCR 8401 (c)(2)</u>	<u>Licensee failed to designate licensee track-and-trace system administrator.</u>	=	<u>X</u>	=
<u>BPC 19335</u> <u>CCR 8401 (c)(3)</u>	<u>Licensee failed to designate licensee track-and-trace system administrator to complete all required track-and-</u>	=	<u>X</u>	=

TEXT OF PROPOSED REGULATIONS

	<u>trace system training.</u>			
<u>BPC 19335</u> <u>CCR 8401 (c)(4)</u>	<u>Licensee designated track-and-trace system administrator failed to properly train all licensee designated track-and-trace system users before the users were permitted to access the track-and-trace system.</u>	=	X	=
<u>BPC 19335</u> <u>CCR 8401 (c)(5)</u>	<u>Failure to maintain an accurate and complete list of all track-and-trace system administrators and users.</u>	=	X	=
<u>BPC 19335</u> <u>CCR 8401 (c)(6)</u>	<u>Failure to cancel a designated track-and-trace system administrator or user account when that individual is no longer a representative of the licensee or the designated administrator.</u>	=	X	=
<u>BPC 19327 (d)</u> <u>CCR 8401 (e)</u>	<u>Failure to prepare and maintain comprehensive records detailing all tracking inventory activities which occurred during a loss of access/connectivity to the track-and-trace system.</u>	=	X	=
<u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8402 (b)</u>	<u>Failure to use only UIDs issued by the Department, or the Department's designee.</u>	=	X	=
<u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8402 (c)(1)</u>	<u>Licensee failed to properly apply UID to each lot of immature plants.</u>	=	X	=
<u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8402 (c)(2)</u>	<u>Licensee failed to properly apply UID to immature plants transported from a licensed nursery to a licensed cultivation site.</u>	=	X	=
<u>BPC 19335</u>	<u>Licensee failed to properly apply UID to</u>	=	X	=

TEXT OF PROPOSED REGULATIONS

<u>HSC 11362.777</u> <u>CCR 8402 (c)(2)</u>	<u>immature plants intended for retail sale.</u>			
<u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8402 (c)(3)</u>	<u>Failure to apply UID to all individual plants at the time the plants were moved to the designated canopy area, identified in the licensee’s approved Cultivation Plan.</u>	=	<u>X</u>	=
<u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8402 (c)(3)</u>	<u>Licensee applied UID to an individual plant that was not associated with the UID from the lot of immature plants it was derived from.</u>	=	<u>X</u>	=
<u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8402 (c)(4)</u>	<u>Licensee failed to place the required UID at the base of the plant.</u>	=	<u>X</u>	=
<u>BPC 19312</u> <u>CCR 8402 (d)</u>	<u>Failure to only package cannabis harvested from the same harvest batch.</u>	=	=	<u>X</u>
<u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8402 (e)</u>	<u>Failure to retire UIDs in the track-and-trace system associated with the destruction or disposal of cannabis or nonmanufactured cannabis products.</u>	=	=	<u>X</u>
<u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8403 (c)</u>	<u>Misrepresented or falsified data and information entered into the track-and-trace system.</u>	=	=	<u>X</u>
<u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8403 (d)</u>	<u>Failure to monitor notifications and/or resolve issues included in the notification in the time frame specified in the notification.</u>	<u>X</u>	=	=
<u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8404 (a)</u>	<u>Failure to report through the track-and-trace system, any and all transfers of cannabis or nonmanufactured cannabis products to another licensed entity.</u>	=	=	<u>X</u>

TEXT OF PROPOSED REGULATIONS

<p><u>BPC 19312</u> <u>CCR 8404 (b)</u></p>	<p><u>Failure to report information at least 24 hours prior to entering a change in the disposition of cannabis plants on the licensed premises or transfer of any cannabis or nonmanufactured cannabis products to another licensed premises.</u></p>	<p>=</p>	<p><u>X</u></p>	<p>=</p>
<p><u>BPC 19312</u> <u>CCR 8404 (c) (1-9)</u></p>	<p><u>Licensee failed to report all required information for each transfer of cannabis or nonmanufactured cannabis products to another licensee</u></p>	<p>=</p>	<p><u>X</u></p>	<p>=</p>
<p><u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8405 (a)</u></p>	<p><u>Failure to reconcile all on-premises and in-transit cannabis or nonmanufactured cannabis product inventories per the time frames defined by the Department.</u></p>	<p>=</p>	<p><u>X</u></p>	<p>=</p>
<p><u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8405 (b)</u></p>	<p><u>Failure to record the dry weight of all harvested cannabis once all drying and curing activities have been completed.</u></p>	<p>=</p>	<p><u>X</u></p>	<p>=</p>
<p><u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8406</u></p>	<p><u>Failure to timely and properly apply UIDs to each existing immature lot, individual mature plant, and nonmanufactured cannabis product physically located on the licensed premises on the date of license issuance. (This section shall become invalid on July 1, 2019.)</u></p>	<p>=</p>	<p>=</p>	<p><u>X</u></p>
<p><u>BPC 19335</u> <u>HSC 11362.777</u> <u>CCR 8406</u></p>	<p><u>Failure to timely and properly enter in the track-and-trace system the information associated with each existing immature lot, individual mature plant, and nonmanufactured cannabis product physically located on</u></p>	<p>=</p>	<p>=</p>	<p><u>X</u></p>

TEXT OF PROPOSED REGULATIONS

	<u>the licensed premises on the date of license issuance. (This section shall become invalid on July 1, 2019.)</u>			
<u>BPC 19312</u> <u>CCR 8408</u>	<u>Failure to notify the Department and law enforcement authorities within 24 hours of discovery of any diversion, theft, loss of, or criminal activity related to licensee’s cannabis or nonmanufactured cannabis products.</u>	=	=	<u>X</u>
<u>BPC 19327 (e)</u> <u>CCR 8501 (d)</u>	<u>Failure to provide the Department with access to the proposed or licensed premises.</u>	=	=	<u>X</u>
<u>BPC 19327 (e)</u> <u>CCR 8501 (f)(1)</u>	<u>Applicant, licensee, its agent or employees denied the Department access to the licensed premises.</u>	=	=	<u>X</u>
<u>BPC 19327 (a)</u> <u>CCR 8501 (f)(2)</u>	<u>Licensee provided false or misleading statements.</u>	=	=	<u>X</u>
<u>BPC 19327 (a)</u> <u>CCR 8501 (f)(3)</u>	<u>Licensee provided false, falsified or misleading documents and records.</u>	=	=	<u>X</u>
<u>BPC 19327 (c)</u> <u>CCR 8501 (f)(4)</u>	<u>Failure to provide records, reports, and other supporting documents.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8603 (b)</u>	<u>Failure to physically segregate all designated cannabis or nonmanufactured cannabis products subject to hold within 24 hours of receipt of the notice of administrative hold.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8603 (d)</u>	<u>Licensee sold, donated, transferred, transported, or destroyed cannabis or nonmanufactured cannabis products subject to hold.</u>	=	=	<u>X</u>
	<u>Failure to put all cannabis and</u>	=	=	<u>X</u>

TEXT OF PROPOSED REGULATIONS

<u>BPC 19312</u> <u>CCR 8603 (e)</u>	<u>nonmanufactured cannabis products</u> <u>on hold into separate batches.</u>			
<u>BPC 19312</u> <u>CCR 8603 (f)</u>	<u>Failure to identify in the track-and-</u> <u>trace system cannabis or</u> <u>nonmanufactured cannabis products</u> <u>subject to an administrative hold which</u> <u>were voluntarily surrendered by the</u> <u>licensee.</u>	=	=	<u>X</u>

Authority: Sections 19304, and 19332 Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19312, 19320, 19326, 19327, 19328, 19332, 19332.2, 19335, and 19347, Business and Professions Code.

§ 8602. Notice of Violation.

The Department shall issue a Notice of Violation to licensees in violation of the applicable statutes and regulations. A copy of the Notice of Violation shall be served upon the licensee and legal owner of the property. The Notice of Violation shall contain all of the following:

- (a) A brief statement of the violation(s) alleged;
- (b) A statement of whether the violation is correctable, and a timeframe in which the violation shall be corrected; and
- (c) Appeal rights and procedures as follows:
  - (1) Respondent's right to a hearing will be deemed waived if respondent fails to respond in writing within 10 calendar days from the date the Notice of Violation was received by the respondent, or respondent's agent for service.
  - (2) If applicable, notice of an administrative hold.

Authority: Sections 19304, and 19332 Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19307, 19311, 19312, 19314, 19327, and 19332 Business and Professions Code.

§ 8603. Administrative Hold Procedure.

To prevent destruction of evidence, illegal diversion of cannabis or nonmanufactured cannabis products, or to address potential threats to the environment or public safety, while allowing a licensee to retain its inventory pending further inspection, or enforcement action, the Department may order an administrative hold of cannabis or nonmanufactured cannabis products pursuant to the following procedure:

- (a) The notice of administrative hold shall provide a documented description of the cannabis or nonmanufactured cannabis products to be subject to the administrative hold and a concise statement, regarding the basis for issuing the

## TEXT OF PROPOSED REGULATIONS

administrative hold.

- (b) Within 24 hours of receipt of the notice of administrative hold, the licensee shall physically segregate all designated cannabis or nonmanufactured cannabis products subject to the hold and shall safeguard and preserve the subject property as noticed.
- (c) Following the issuance of a notice of administrative hold to the licensee, the Department shall identify the cannabis or nonmanufactured cannabis products subject to the administrative hold in the track-and-trace system.
- (d) While the administrative hold is in effect, the licensee is restricted from selling, donating, transferring, transporting, or destroying the subject property noticed.
- (e) Nothing herein shall prevent a licensee from the continued possession, cultivation, or harvesting of the cannabis subject to the administrative hold. During the hold period, all cannabis or nonmanufactured cannabis products subject to an administrative hold shall be put into separate batches.
- (f) Nothing herein shall prevent a licensee from voluntarily surrendering cannabis or nonmanufactured cannabis products that are subject to an administrative hold. The licensee shall identify the cannabis or nonmanufactured cannabis products being voluntarily surrendered in the track-and-trace system. Voluntary surrender does not waive the right to a hearing and any associated rights.
- (g) The licensee shall have the right to appeal an administrative hold ordered by the Department as required by Section 8604 of this Chapter, except the Department shall schedule an informal hearing within 10 calendar days from receipt of the request for an informal hearing and issue the written decision within 5 calendar days after the conclusion of the hearing.

Authority: Sections 19304 and 19332 Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19307, 19311, 19312, 19314, 19327, and 19332, Business and Professions Code.

### § 8604. Informal Administrative Hearings.

- (a) The respondent may appeal a Notice of Violation or an administrative hold and request an informal hearing by written correspondence to the California Department of Food and Agriculture, Legal Office of Hearings and Appeals, 1220 "N" Street, Suite 400, Sacramento, California 95814 or via email to [calcannabis@cdfa.ca.gov](mailto:calcannabis@cdfa.ca.gov). The request shall be received within 30 calendar days from the date the Notice of Violation was received. The request shall include the following:
  - (1) The respondent's name, mailing address, and daytime phone number;
  - (2) If applicable, the license number issued by the Department;
  - (3) Copy of the Notice of Violation;
  - (4) A clear and concise statement for the basis of the appeal or counts within the Notice of Violation; and
  - (5) Choice of hearing in person, telephonic, record (written) hearing.



## TEXT OF PROPOSED REGULATIONS

- (b) Failure to submit a written request constitutes a waiver of the respondent's right to contest the Notice of Violation. Untimely requests for an informal hearing will not be considered.
- (c) If the Notice of Violation places an administrative hold on cannabis or nonmanufactured cannabis products, the hold shall remain in effect pending the outcome of the informal hearing.

Authority: Sections 19304 and 19332 Business and Professions Code; Sections 11362.777, Health and Safety Code.

Reference: Sections 19307, 19311, 19312, 19314, 19327, and 19332 Business and Professions Code.

### § 8605. Informal Hearing Schedule and Notification.

- (a) The Department shall schedule an informal hearing within 45 calendar days from receipt of the request for an informal hearing.
- (b) The Department shall provide a notice of the informal hearing to the respondent containing the following information:
  - (1) Date, location, and time of the informal hearing;
  - (2) Summary of the violations;
  - (3) Any other information or documentation necessary for the hearing; and
  - (4) Standard of Proof.

Authority: Sections 19304 and 19332 Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19307, 19311, 19312, 19327, and 19335 Business and Professions Code.

### § 8606. Conduct of Informal Hearings.

Informal hearings shall be conducted as follows:

- (a) The standard of proof to be applied by the hearing officer shall be preponderance of the evidence;
- (b) Hearings may be conducted by phone at the request of the respondent;
- (c) The decision of the hearing officer shall be in writing and shall include a statement of the factual legal basis of the decision;
- (d) The written decision shall be issued within 30 days after the conclusion of the hearing and may be issued orally at the conclusion of the hearing subject to written confirmation;
- (e) The decision shall be served on the respondent either by personal service, mail, email or via facsimile per respondent's request/direction; and
- (f) The respondent may appeal the hearing officer's decision by filing a petition for a writ of administrative mandamus in accordance with the provisions of the Section 1094.5 Code of Civil Procedure.

## TEXT OF PROPOSED REGULATIONS

Authority: Sections 19304 and 19332 Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19307, 19311, 19312, 19327, and 19335 Business and Professions Code.

### § 8607. Licensing Actions.

(a) The Department may take a licensing action for any violations noted as “Serious” in Table A, or at the discretion of the Department.

(b) If the licensee holds multiple cultivation licenses, the Department may simultaneously revoke, suspend, or impose conditions upon some or all of the cultivation licenses held by licensee based on violations noted as “Serious” in Table A above, by taking any one of, or combination of the following actions:

(1) Revocation of the license.

(2) Suspension of the license for a specified period of time.

(3) Issuance of a probationary license with terms and conditions determined by the Department.

(4) Order an administrative hold of cannabis or nonmanufactured cannabis products.

Authority: Sections 19304 and 19332 Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19307, 19311, 19312, 19320, 19327, and 19332 Business and Professions Code.

### § 8608. Formal Administrative Hearings.

(a) Notice shall be given to the applicant or licensee of the Department’s intent to hold adjudication proceedings to consider the following disciplinary actions:

(1) Denial of an application for a license;

(2) Denial of a license renewal;

(3) Revocation of a license; and

(4) Suspension of a license for a specified period of time.

(b) Hearings concerning proceedings in (a) above shall be held in accordance with the provisions of Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

Authority: Sections 19304 and 19332 Business and Professions Code and Section 11362.777, Health and Safety Code.

Reference: Sections 19307, 19311, 19312, and 19327 Business and Professions Code.