

**BUREAU OF MARIJUANA CONTROL
PROPOSED TEXT OF REGULATIONS**

**CALIFORNIA CODE OF REGULATIONS
TITLE 16
DIVISION 42. BUREAU OF MARIJUANA CONTROL**

**CHAPTER 1. GENERAL PROVISIONS APPLICABLE TO
ALL BUREAU OF MARIJUANA CONTROL
APPLICANTS AND LICENSEES**

Article 1. General Provisions

§ 5000. Definitions

For the purposes of this division, the definitions in this section shall govern the construction of this division unless otherwise indicated.

(a) “Act” means the Medical Cannabis Regulation and Safety Act.

(b) “Address of record” means the permanent address of an individual or organization.

(c) “Bureau” means the Bureau of Marijuana Control, previously named Bureau of Medical Cannabis Regulation and Bureau of Medical Marijuana Regulation.

(d) “Cannabis waste” means waste that is not hazardous waste, as defined in Public Resources Code section 40191, that contains cannabis and that has been made unusable and unrecognizable in the manner prescribed in section 5080 of this division.

(e) “Commercial vehicle” means a vehicle as defined in Vehicle Code section 260.

(f) “Delivery employee” means an individual employed by a licensed dispensary who delivers medical cannabis goods from the licensed dispensary premises to a medical cannabis patient or primary caregiver at a physical address.

(g) “Display” means medical cannabis goods that are stored in the licensed dispensary’s retail area during the hours of operation.

(h) “Display case” means container in the licensed dispensary retail area where medical cannabis goods are stored and visible to customers.

(i) “Free sample” means any amount of medical cannabis goods provided to a medical cannabis patient or primary caregiver without cost or payment or exchange of any other thing of value.

(j) “Limited-access area” means an area in which medical cannabis goods are stored or held and is only accessible to a licensee and his or her employees and contractors.

(k) “Lot number” or “batch number” means a distinctive group of numbers, letters, or symbols or any combination of these that is unique to the lot of medical cannabis goods.

(l) “Medical cannabis goods” means medical cannabis, including dried flower, and manufactured medical cannabis products.

(m) “Medical cannabis patient” is a person whose physician has recommended the use of cannabis to treat a serious illness, including cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which cannabis provides relief.

(n) “Nonvolatile solvent” means any solvent used in the extraction process that is not a volatile solvent. For purposes of this division, a nonvolatile solvent includes carbon dioxide used for extraction.

(o) “Operating hours” means the hours within a day during which a licensed dispensary may allow medical cannabis patients and primary caregivers to enter the dispensary premises and purchase medical cannabis goods.

(p) “Ownership interest” means an interest held by a person who is an owner as defined in section 5004 of this division.

(q) “Package” and “Packaging” means any container or wrapper that may be used for enclosing or containing any medical cannabis goods for final retail sale. “Package” and “packaging” does not include a shipping container or outer wrapping used solely for the transport of medical cannabis goods in bulk quantity to a licensee.

(r) “Pest” means undesired insect, rodent, nematode, fungus, bird, vertebrate, invertebrate, weed, virus, bacteria, or other microorganism that is injurious to human health.

(s) “Pre-roll” means dried cannabis flower rolled in paper prior to retail sale.

(t) “Proprietary private security officer” has the same meaning as that term as defined in Business and Professions Code section 7574.01.

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

(v) “Purchase” means obtaining medical cannabis goods in exchange for consideration.

(w) “Purchaser” means a person who is engaged in a transaction with a licensee for purposes of obtaining medical cannabis goods.

(x) “Quarantine” means the storage or identification of medical cannabis goods, to prevent distribution or transfer of the medical cannabis goods, in a physically separate area clearly identified for such use.

(y) “Residential area” is an area that is within 600 feet of any single-family or multifamily residence, other than commercial hotels, motels, and similar establishments for temporary lodging.

(z) “Retail area” means a building, room, or other area upon the licensed dispensary premises in which medical cannabis goods are sold or displayed.

(aa) “Security monitoring” means the continuous and uninterrupted attention to potential alarm signals that can be transmitted from a security alarm system for the purpose of summoning law enforcement.

(bb) “Sell,” “sale,” and “to sell” include any transaction whereby, for any consideration, title to medical cannabis is transferred from one person to another, and includes the delivery of medical cannabis goods pursuant to an order placed for the purchase of the same and soliciting or receiving an order for the same, but does not include the return of medical cannabis goods by a licensee to the licensee from whom such medical cannabis goods were purchased.

(cc) “Sublet” means to lease or rent all or part of a leased or rented property.

(dd) “Vehicle alarm system” is a device or series of devices installed to discourage theft of the commercial vehicle or its contents and is intended to summon general attention or to summon law enforcement as a result of an indication of an attempted breach of the commercial vehicle.

(ee) “Wholesale” means the sale of medical cannabis goods to a distributor for resale to one or more dispensaries.

Authority: Section 19302, 19302.1, 19304, and 19300.5(b), Business and Professions Code.

Reference: Section 19300.5(b), 19302, and 19304, Business and Professions Code.

§ 5001. [RESERVED]

§ 5002. [RESERVED]

Article 2. Applications

§ 5003. [RESERVED]

§ 5004. 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 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 medical cannabis goods.

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

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

(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 5006, subsection (b)(22) of this division:

(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: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Section 19300.5(b), Business and Professions Code.

§ 5005. [RESERVED]

§ 5006. Application Requirements

(a) Applications may be completed online at www.bmcr.ca.gov or by delivering a printed copy to the bureau.

(b) An application for medical cannabis licensure includes 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) If applicable, the business trade name (“DBA”) of the applicant.

(3) The license type the applicant is applying for.

(4) For applicants who are individuals, whether the owner is serving or has previously served in the military. Disclosure of military service is voluntary. An applicant that has served as an active duty member of the Armed Forces of the United States and was honorably discharged and who can provide evidence of such honorable discharge shall have his or her application expedited pursuant to Business and Professions Code section 115.4.

(5) A list of the license types and the license numbers issued from the bureau and all other medical cannabis licensing authorities that the applicant holds, including the date the license was issued and the licensing authority that issued the license.

(6) Whether the applicant has been denied a license by the bureau or any other medical cannabis licensing authority. The applicant shall provide the type of license applied for, the name of the licensing authority that denied the application, and the date of denial.

(7) The physical address of the premises.

(8) The address of record for the applicant.

(9) The telephone number for the premises.

(10) The website address of the applicant’s business if applicable.

(11) The email address for the applicant’s business if applicable.

(12) Contact information for the applicant’s designated primary contact person including the name, title, address, phone number, and email address of the individual.

(13) Contact information for the designated agent for service of process including the name, title, address, phone number, and email address of this individual.

(14) The business organizational structure of the applicant, for example partnership or corporation.

(15) The business-formation documents, which may include but are not limited to articles of incorporation, operating agreements, partnership agreements, and fictitious business name statements. The applicant shall also provide all documents filed with the California Secretary of

State, which may include but are not limited to articles of incorporation, certificates of stock, articles of organization, certificates of limited partnership, and statements of partnership authority.

(16) A list of every fictitious business name the applicant is operating under including the address where the business is located.

(17) An applicant that is a foreign corporation shall include in its application the certificate of qualification issued by the California Secretary of State under Corporations Code section 2105.

(18) The applicant shall supply the following financial information:

(A) A list of funds belonging to the commercial cannabis business held in savings, checking, or other accounts maintained by a financial institution. The applicant shall provide for each account, the financial institution's name, the financial institution's address, account type, account number, and the amount of money in the account.

(B) A list of loans made to the commercial cannabis business. For each loan, the applicant shall provide the amount of the loan, the date of the loan, term(s) of the loan, security provided for the loan, and the name, address, and phone number of the lender.

(C) A list of investments made into the commercial cannabis business. For each investment, the applicant shall provide the amount of the investment, the date of the investment, term(s) of the investment, and the name, address, and phone number of the investor.

(D) A list of all gifts of any kind given to the applicant for its use in conducting commercial cannabis activity. For each gift the applicant shall provide the value of the gift or description of the gift, and the name, address, and phone number of the provider of the gift.

(19) The date the applicant began operations pursuant to section 5022 of this division.

(20) The contact information for the local jurisdiction in which the applicant proposes to operate, including the name of the local licensing authority, the address, and phone number.

(21) A complete list of every individual that has a noncontrolling interest in the commercial cannabis business as defined in section 5004, subsection (e) of this division.

(22) A complete list of every owner of the applicant as defined in section 5004 of this division. Each individual named on this list 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 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 telephone number. This may include a number for the owner's home, business, or mobile telephone.

(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 entity by the owner.

(J) If applicable, the number of shares in the applicant entity that the owner holds.

(K) Whether the owner has a financial interest in any other licensee under the Act. For purposes 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.

(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 that includes the name, date of birth, physical description, and picture of the person, such as a driver license.

(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 Penal Code section 1203.4 or equivalent non-California law must be disclosed. Juvenile adjudications and traffic infractions under \$300 that did not involve alcohol, dangerous drugs, or controlled substances 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.

(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 bureau 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 Penal Code section 4852.01, and 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) Attestation to the following statement: Under penalty of perjury, I hereby declare that the information contained within and submitted with the 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.

(P) The following information regarding an individual with a community property interest in the commercial cannabis business under Family Code section 760 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 telephone number. This may include a number for the owner's home, business, or mobile telephone.

(vi) Whether the individual has a financial interest in any other licensee under the Act. For purposes 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.

(23) Documentation issued by the local jurisdiction in which the applicant proposes to operate certifying that the applicant is in compliance with all local ordinances and regulations, or will be in compliance with all local ordinances and regulations by the time the bureau issues a license.

(24) Evidence that the applicant has the legal right to occupy and use the proposed location that complies with section 5014 of this division.

(25) For an applicant applying for a dispensary license, the applicant shall provide evidence that the proposed location is at least a 600-foot radius from a school, as required by section 11362.768 of the Health and Safety Code.

(26) For an applicant with 20 or more employees, the applicant shall attest that the applicant has entered into a labor peace agreement and provide a copy of the agreement.

(27) The applicant shall provide 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.

(28) A diagram of the premises as required by section 5012 of this division.

(29) Proof of a bond as required by section 5016 of this division.

(30) For applicants applying for a license to distribute medical cannabis goods, the application shall include a detailed description of the applicant's operating procedures including the following:

(A) Inventory Practices

- (i) A description of the applicant's practice for receiving shipments of inventory.
- (ii) Where the applicant's inventory will be kept and how records of the inventory will be maintained.
- (iii) The applicant's practice for performing inventory reconciliation and for ensuring that inventory records are accurate.

(B) Quality-Assurance Practices

- (i) The applicant's practices for preventing the deterioration of any medical cannabis goods held by the applicant.
- (ii) The applicant's practices for ensuring that all medical cannabis goods are properly packaged and labeled prior to retail sale.
- (iii) The applicant's practices for ensuring a licensed testing laboratory samples and analyzes medical cannabis goods held by the applicant.

(C) Security Practices

- (i) The applicant's practices for allowing individuals access to the premises.
- (ii) A description of the applicant's video surveillance system including camera placement and practices for the maintenance of video surveillance equipment.
- (iii) How the applicant will ensure that all access points to the premises will be secured, including the use of security personnel.
- (iv) A description of the applicant's security alarm system.

(31) For applicants applying for a license to transport medical cannabis goods, the application shall include a detailed description of the applicant's operating procedures including the following:

- (A) The applicant's practices for taking possession of medical cannabis goods.
- (B) The applicant's practices for holding medical cannabis goods while not in transport.
- (C) The applicant's practices for preventing the deterioration of any medical cannabis goods held by the applicant.
- (D) The applicant's practices for transport of medical cannabis goods.

(E) Security Practices

- (i) The applicant's practices for allowing individuals access to the premises.
- (ii) A description of the applicant's video surveillance system, including camera placement and procedures for the maintenance of video surveillance equipment.

(iii) How the applicant will ensure that all access points to the premises will be secured, including the use of security personnel.

(iv) A description of the applicant's alarm system.

(32) For applicants applying for a license to dispense medical cannabis goods, the application shall include a detailed description of the applicant's operating procedures including the following:

(A) Inventory Practices

(i) A description of the applicant's practices for receiving shipments of inventory.

(ii) Where the applicant's inventory will be kept and how records of the inventory will be maintained.

(iii) The applicant's practices for performing inventory reconciliation and for ensuring that inventory records are accurate.

(B) Quality-Assurance Practices

(i) The applicant's practices for preventing the deterioration of any medical cannabis goods held by the applicant.

(ii) The applicant's practices for ensuring that all medical cannabis goods are properly packaged and labeled prior to sale.

(C) Security Practices

(i) The applicant's practices for allowing individuals access to the licensed premises.

(ii) A description of the applicant's video surveillance system including camera placement and practices for the maintenance of video surveillance equipment.

(iii) How the applicant will ensure that all access points to the premises will be secured, including the use of security personnel.

(iv) A description of the applicant's security alarm system.

(33) The waiver of sovereign immunity required by Section 5017 of this division, if applicable.

Authority: Sections 19302, 19302.1, 19304, and 19322(a)(8), Business and Professions Code.

Reference: Section 2105, Corporations Code and Section 19322, Business and Professions Code.

§ 5007. [RESERVED]

§ 5008. Law Enforcement Personnel Not to Hold Licenses

(a) No license authorized by the Act and issued by the bureau shall be held by, or issued to, any person holding office in, or employed by, any agency of the State of California or any of its political subdivisions when the duties of such person have to do with the enforcement of the Act or any other penal provisions of law of this State prohibiting or regulating the sale, use,

possession, transportation, distribution, testing, manufacturing, or cultivation of medical cannabis goods.

(b) This section applies to, but is not limited to, any persons employed in the State of California Department of Justice, in any district attorney's office, in any city attorney's office, in any sheriff's office, in any local police department, or in the State Department of Consumer Affairs.

(c) This section shall not prohibit the ownership of any licensed commercial cannabis business by any local law enforcement officer or local reserve law enforcement officer when the licensed premises are located in a county other than that in which he or she is employed as a law enforcement officer.

(d) This section applies to any person mentioned herein who has any ownership interest, directly or indirectly, in any business to be operated or conducted under a medical cannabis license.

(e) This section does not apply to any person who holds a license in the capacity of executor, administrator, or guardian.

Authority cited: 19302, 19302.1, and 19304, Business and Professions Code, and 19990, Government Code. Reference: Section 19302, 19302.1, and 19304, Business and Professions Code.

§ 5009. [RESERVED]

§ 5010. Premises

(a) Premises means the designated structures and land specified in the application that are in the possession of and used by the applicant or licensee to conduct the commercial cannabis activity.

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

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19320, and 19323, Business and Professions Code.

§ 5011. [RESERVED]

§ 5012. Premises Diagram

An applicant shall submit to the bureau with his or her application a complete and detailed diagram of the proposed premises.

(a) The diagram must show the boundaries of the property and the proposed premises to be licensed, showing all boundaries, dimensions, entrances and exits, interior partitions, walls, rooms, windows, doorways, and common or shared entryways. The diagram must show the areas in which all commercial cannabis activities will take place, including but not limited to, limited-access areas.

(b) The diagram must be to scale.

(c) The diagram shall not contain any highlighting.

(d) If the proposed premises consists of only a portion of a property, the diagram must be labeled indicating which part of the property is the proposed premises and what the remaining property is used for.

Authority: Sections 19302, 19302.1, 19304, 19320(c), 19322(a)(8), and Business and Professions Code. Reference: Sections 19320(c), Business and Professions Code.

§ 5013. [RESERVED]

§ 5014. Property-Owner Approval

(a) If the applicant is not the landowner of the property upon which the premises is located, the applicant shall provide to the bureau a document from the landowner that states that the applicant has the right to occupy the property and acknowledging the applicant may use the property for the commercial cannabis activity for which the applicant is applying for licensure. An applicant shall also provide a copy of the rental agreement, as applicable.

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

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Section 19300.5(b), and 19321(b), Business and Professions Code.

§ 5015. [RESERVED]

§ 5016. Bond

An applicant shall provide proof of having obtained a surety bond in the amount of \$5,000 payable to the State of California to ensure payment of the cost incurred for the destruction of medical cannabis goods necessitated by a violation of the Act or the regulations adopted thereunder. All bonds required under this regulation must be issued by a corporate surety licensed to transact surety business in the state of California.

Authority: Sections 19302, 19302.1, 19304, 19322, and 19334, Business and Professions Code. Reference: Sections 19322 and 19334, Business and Professions Code.

§ 5017. Waiver of Sovereign Immunity

(a) Any applicant or licensee that may fall within the scope of sovereign immunity that may be asserted by a federally recognized tribe or other sovereign entity must waive any sovereign immunity defense that the applicant or licensee may have, may be asserted on its behalf, or may otherwise be asserted in any state 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. The applicant or licensee must submit a written waiver of sovereign immunity to the bureau with any license application or renewal, which is valid for the period of the license. The written waiver shall include that the applicant or licensee has the lawful authority to enter into the waiver required by this section, the applicant or licensee hereby waives sovereign immunity, and the applicant or licensee agrees to do all of the following:

(1) Provide documentation to the bureau that establishes that the applicant or licensee has the lawful authority to enter into the waiver required by this section;

(2) Conduct all commercial cannabis activity in full compliance with the state laws and regulations governing commercial cannabis activity, including submission to all enforcement provisions thereof;

(3) Allow access as required by state statute or regulation by persons or entities charged with duties under the state 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; and

(7) Submit to the personal and subject matter jurisdiction of the California courts to address any matter related to the waiver or the commercial cannabis application, license, or activity, and that all such matters and proceedings shall be governed, construed and enforced in accordance with California substantive and procedural law, including but not limited to the Medical Cannabis Regulation and Safety Act and the Administrative Procedure Act.

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

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

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

§ 5018. Requirements for Continued Operation While Application Pending

All applicants that were in operation prior to January 2, 2018, may continue to operate while their application is pending if a completed application is received by the bureau no later than 5:00 p.m. Pacific Time on July 2, 2018, and the continuing operations are the same commercial cannabis activity as the license type for which the applicant is applying. If the application for

licensure is denied, the applicant shall cease all commercial cannabis business operations until a license is obtained.

Authority: Sections 19304 and 19321, 19322, Business and Professions Code. Reference: Sections 19321 and 19322, Business and Professions Code.

§ 5019. [RESERVED]

§ 5020. Priority Review

Priority review of the application shall be given to applicants that were in operation and in good standing with the local jurisdiction by January 1, 2016, 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 19302, 19302.1, 19304, and 19321(b), Business and Professions Code. Reference: Section 19321(b), Business and Professions Code.

§ 5021. [RESERVED]

§ 5022. Date Operation Began

(a) For the purposes of sections 5018 and 5020 of this division, 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 the transportation, distribution, testing, or sale of medical cannabis goods as authorized by the local jurisdiction.

(c) The date an applicant began actively conducting the commercial cannabis activity shall be provided by the applicant. The applicant shall attest to the date under the 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; or

(9) Any other business record.

Authority: Section 19304 and 19321(b), Business and Professions Code. Reference: Sections 19320(b) and 19321(b), Business and Professions Code.

§ 5023. [RESERVED]

§ 5024. Good Standing

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

(a) Name of the applicant;

(b) Address of the premises to be licensed;

(c) License type that the applicant is applying to the bureau for;

(d) Name of the local jurisdiction;

(e) Name of the local jurisdiction office that issued the license, permit, or other authorization for the applicant to conduct commercial cannabis activity in the jurisdiction as required by Business and Professions Code section 19320;

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

(g) Signature of the person authorized to sign on behalf of the local jurisdiction; and

(h) A statement to the effect of: “The above named party has been issued a license, permit, or other authorization from this jurisdiction to conduct commercial cannabis activity. The above named party began operation and was in good standing in this jurisdiction on or before January 1, 2016.”

Authority: Section 19304, 19320 and 19321(b), Business and Professions Code. Reference: Section 19321(b), Business and Professions Code.

§ 5025. [RESERVED]

§ 5026. Additional Information

The bureau may request additional information and documents from the applicant. The bureau will provide the applicant a deadline for submittal of additional information. The bureau will consider the complexity of the information requested and the ease with which the information can be obtained and transmitted to the bureau by the applicant in determining the deadline.

Authority: Sections 19302, 19302.1, 19304, and 19322(a)(4), Business and Professions Code. Reference: Sections 19302 and 19322, Business and Professions Code.

§ 5027. [RESERVED]

§ 5028. Incomplete Applications

(a) If the bureau determines that the application is incomplete, the bureau shall provide notice to the applicant in accordance with Business and Professions Code section 124.

(b) An applicant has one year from the date of the notice in subsection (a) to correct all deficiencies. If the applicant fails to correct the deficiencies within the one-year period, the application shall be considered abandoned under Business and Professions Code section 142.

(c) An applicant may reapply at any time following an abandoned application.

(d) The bureau will not refund application fees for an incomplete application.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 124, 142, and 19322 Business and Professions Code.

§ 5029. [RESERVED]

§ 5030. Withdrawal of Application

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

(b) Requests to withdraw an application must be submitted to the bureau in writing, dated, and signed by the applicant.

(c) In accordance with Business and Professions Code section 118, withdrawal of an application shall not, unless the bureau has consented in writing to such withdrawal, deprive the bureau of its authority to institute or continue a proceeding against the applicant for the denial of the license upon any ground provided by law or to enter an order denying the license upon any such ground.

(d) The bureau will not refund application fees for a withdrawn application.

(e) An applicant may reapply at any time following the withdrawal of an application.

Authority: Sections 19302, 19302.1, 19304, and 19322, Business and Professions Code. Reference: Sections 118 and 19322, Business and Professions Code.

Article 3. General Licensing

§ 5031. [RESERVED]

§ 5032. Substantially Related Offenses

(a) For the purpose of denial of a license, convictions that are substantially related to the qualifications, functions, or duties of the business for which the application is made include:

(1) A violent felony conviction, as specified in subdivision (c) of Section 667.5 of the Penal Code.

(2) A serious felony conviction, as specified in subdivision (c) of Section 1192.7 of the Penal Code.

(3) A felony conviction involving fraud, deceit, or embezzlement.

(4) A felony conviction for hiring, employing, or using a minor in transporting, carrying, selling, giving away, preparing for sale, or peddling, any controlled substance to a minor; or selling, offering to sell, furnishing, offering to furnish, administering, or giving any controlled substance to a minor.

(5) A felony conviction for drug trafficking with enhancements pursuant to Health and Safety Code sections 11370.4 or 11379.8.

(b) Except as provided in subparagraphs (4) and (5) of paragraph (a) and notwithstanding Chapter 2 (commencing with Section 480) or Division 1.5, a prior conviction, where the sentence, including any term of 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 for denial of 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 a license.

Authority: Sections 19302, 19302.1, 19304, and 19323(b)(4), Business and Professions Code.

Reference: Sections 19302.1 and 19323(b)(4), Business and Professions Code.

§ 5033. Criteria for Rehabilitation

(a) When evaluating 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 bureau shall consider the following criteria of rehabilitation:

(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 Penal Code section 1203.4 or another state's similar law;

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

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

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

Authority: Sections 19302, 19302.1, 19304, and 19323(b)(4), Business and Professions Code.

Reference: Sections 19302.1 and 19323(b)(4), Business and Professions Code.

§ 5034. [RESERVED]

§ 5035. [RESERVED]

§ 5036. Additional Grounds for Denial of a License

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

(a) The applicant’s premises does not fully comply with standards set in regulation.

(b) The applicant’s premises is substantially different from the diagram of the premises submitted by the applicant, in that the size, layout, location of a common entryways, doorways, or passage ways, means of public entry or exit, or limited-access areas within the licensed premises are not the same.

(c) The applicant denied the bureau access to the premises.

(d) The applicant made a material misrepresentation on the application.

(e) The applicant failed to correct the deficiencies within the application in accordance with section 5028 of this division.

(f) The applicant has been denied a license, permit, or other authorization to engage in commercial cannabis activity by a state or local licensing authority.

Authority: Sections 19302, 19302.1, 19304, and 19323, Business and Professions Code.

Reference: Sections 19302.1, 19322, and 19323, Business and Professions Code.

§ 5037. [RESERVED]

§ 5038. [RESERVED]

§ 5039. Notification of Change

(a) Every licensee shall notify the bureau in writing within 10 calendar days of any change to any item listed in the application. The notification shall be signed by an owner as defined in section 5004 of this division.

(b) If at the time of licensure a licensee employed less than 20 employees and later employs 20 or more employees, the licensee shall provide to the bureau a document attesting that the licensee has entered into a labor peace agreement and a copy of the agreement within 180 days of employing 20 or more employees.

(c) Licenses are not transferable. A change to the business organizational structure or ownership requires a new application under section 5006 of this division and the initial license fees.

Authority: Section 19302, 19302.1, and 19304 Business and Professions Code. Reference: Section 136, 19300.5(b) and 19322, Business and Professions Code.

§ 5040. [RESERVED]

§ 5041. [RESERVED]

§ 5042. Renewal of License

(a) To renew a license, a completed license renewal form and renewal license fee shall be received by the bureau from the licensee no earlier than 60 calendar days before the expiration of the license, and no later than 5:00 p.m. Pacific Time on the last business day before the expiration of the license. Failure to receive a notice for license renewal does not relieve a licensee of the obligation to renew all licenses as required.

(b) In the event the license is not renewed prior to the expiration date, the licensee must cease all commercial medical cannabis operations.

(c) The license renewal form shall contain the following:

(1) The name of the licensee. For licensees who are individuals, the applicant shall provide both the first and last name of the individual. For licensees who are business entities, the licensee shall provide the legal business name of the applicant.

(2) The license number and expiration date.

(3) The licensee's address of record and premises address.

(4) An attestation that all information provided to the bureau in the original application under section 5006 of this division or subsequent notification under section 5039 of this division, is accurate and current.

Authority: Section 19302, 19302.1, 19304, 19321, and 19322, Business and Professions Code. Reference: Sections 19321 and 19322, Business and Professions Code.

§ 5043. [RESERVED]

§ 5044. [RESERVED]

§ 5045. 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 abandoning the licensed premises, surrender the license certificate or license certificates to the bureau. The bureau 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) The bureau may cancel the license or licenses of a licensee upon request by the licensee.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302 and 19322, Business and Professions Code.

§ 5046. [RESERVED]

§ 5047. [RESERVED]

§ 5048. Physical Modification of Premises

(a) A licensee shall not make a physical change, alteration, or 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 bureau. A licensee whose premises is to be materially or substantially changed, modified, or altered is responsible for filing a request for premises modification with the bureau.

(b) Material or substantial changes, alterations, or modifications requiring approval include, but are not limited to, the removal, creation, or relocation of a common entryway, doorway, passage, or a means of public entry or exit, when such common entryway, doorway, or passage alters or changes limited-access areas within the licensed premises.

(c) A licensee shall request approval of a physical change, alteration, or modification in writing, and the request shall include:

(1) A new premises diagram that conforms to requirements in section 5012 of this division; and

(2) A nonrefundable fee.

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

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1 and 19320, Business and Professions Code.

§ 5049. [RESERVED]

§ 5050. Track and Trace Requirements

(a) A licensee shall create and maintain an active account within the track and trace system prior to buying, selling, or transporting, any medical cannabis goods under a license issued by the bureau.

(b) A licensee shall designate one individual within the organization as the licensee's designated track and trace administrator.

- (1) The designated track and trace administrator may authorize additional licensee representatives to obtain track and trace system administrator accounts.
- (2) Each licensee representative who obtains access to the track and trace system on behalf of the licensee, shall obtain his or her own unique track and trace system administrator log-on and password.
- (3) Licensee representatives shall only log into the track and trace system and submit information to the track and trace system using a log-on that has been assigned to that licensee representative.
- (4) A licensee shall maintain a complete and accurate list of all track and trace system administrators for each licensed premises. This list shall be provided to the bureau upon request.
- (c) A licensee shall ensure that only authorized individuals are able to access the track and trace system on behalf of the licensee.
- (d) A licensee shall accurately record all transactions involving the physical movement or destruction of medical cannabis goods in the track and trace system.
- (1) A licensed transporter shall record transactions into the track and trace system pursuant to Chapter 3 of this division.
- (2) A licensed distributor shall record transactions into the track and trace system pursuant to Chapter 2 of this division.
- (3) A licensed dispensary shall record transactions into the track and trace system pursuant to Chapter 4 of this division.
- (4) A licensed testing laboratory shall record transactions into the track and trace system pursuant to Chapter 5 of this division.
- (e) All transactions must be entered into the track and trace system no later than the end of the day that the transaction occurred.
- (f) If, for any reason, a licensee is not able to access the track and trace system, the licensee shall create and maintain records detailing all transactions that would have been entered into the track and trace system. Upon the restoration of access to the track and trace system, all transactions that occurred while access to the track and trace system was not available shall be accurately entered into the track and trace system.
- (g) Licensees shall only enter accurate information into the track and trace system and shall correct any known errors in the information entered into the track and trace system by the licensee immediately upon discovery.

Authority: Sections 19302, 19302.1, 19304, and 19335, Business and Professions Code.

Reference: Section 19335, Business and Professions Code.

Article 4. Enforcement

§ 5051. Licensee's Responsibility for Acts of Employees and Agents

In construing and enforcing the provisions of the Act and the regulations in this division, the act, omission, or failure of an agent, officer, or other person acting for or employed by a licensee, within the scope of his or her employment or office, shall in every case be deemed the act, omission, or failure of the licensee.

Authority: Sections 19302, 19302.1, 19304, 19311, and 19312, Business and Professions Code.
Reference: Sections 19300, 19300.5, 19302.1, 19311, and 19312, Business and Professions Code.

§ 5052. [RESERVED]

§ 5053. [RESERVED]

§ 5054. Additional Grounds for Disciplinary Action

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

(a) The licensee's premises is substantially different from the premises diagram submitted to the bureau, or from any change, alteration, or modification approved by the bureau.

(b) The licensee denied the bureau access to the premises for inspection.

(c) The licensee impeded an investigation by the bureau, law enforcement, or any other licensing authority.

Authority: Sections 19302, 19302.1, 19304, and 19311, Business and Professions Code.
Reference: Section 19307, 19311, 19302.1, 19322, 19327, and 19360, Business and Professions Code.

§ 5055. [RESERVED]

Article 5. Records and Reporting

§ 5056. Record Retention

(a) Each licensee shall keep and maintain the following records for at least seven years:

(1) Financial records including, but not limited to, bank statements, sales invoices, receipts, tax records, and all records required by the California State Board of Equalization under Title 18 California Code of Regulations section 1968.

(2) 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.

(3) Training records, including but not limited to the content of the training provided and the names of the employees that received the training.

(4) Contracts with other licensees regarding commercial cannabis activity.

(5) Permits, licenses, and other local authorizations to conduct the licensee's commercial cannabis activity.

(6) Security records.

(b) The bureau may make any examination of the books and records of any licensee as it deems necessary to perform its duties under the Act.

(c) Records shall be kept in a manner that allows the records to be produced for the bureau at the licensed premises in either hard copy or electronic form, whichever the bureau requests.

(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 his or her responsibilities under this section.

Authority: Sections 19302, 19302.1, 19304, and 19327, Business and Professions Code.

Reference: Section 19327, Business and Professions Code and Section 1968, California Code of Regulations, Title 18.

§ 5057. [RESERVED]

§ 5058. Significant Discrepancy in Inventory

A significant discrepancy in inventory of medical cannabis goods means a difference of at least \$1,000 of medical cannabis goods within a 7-day period or at least \$2,000 of medical cannabis goods in a 30-day period.

Authority: Sections 19302, 19302.1, 19304, and 19334, Business and Professions Code.

Reference: Section 19334, Business and Professions Code.

§ 5059. [RESERVED]

§ 5060. Notification of Criminal Acts, Civil Judgments, and Revocation of a Local License, Permit, or Other Authorization After Licensure

(a) A licensee shall ensure that the bureau is notified in writing of a criminal conviction, either by mail or electronic mail, within 48 hours of the conviction.

(b) A licensee shall ensure that the bureau is notified in writing of a civil penalty or judgment rendered against the licensee, either by mail or electronic mail, within 48 hours of delivery of the verdict or entry of judgment, whichever is sooner.

(c) A licensee shall ensure that the bureau is notified in writing of the revocation of a local license, permit, or other authorization, either by mail or electronic mail within 48 hours of receiving notice of the revocation.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19320, 19323, and 19360, Business and Professions Code.

§ 5061. [RESERVED]

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

Licenses shall notify the bureau and law enforcement authorities, within 24 hours, of theft or loss of medical cannabis goods.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19334, Business and Professions Code.

Article 6. Security

§ 5063. [RESERVED]

§ 5064. Access to Limited-Access Areas

Licenses shall ensure that any person on the licensed premises, except for employees and contractors of the licensee, are escorted at all times by the licensee or at least one employee of the licensee when in the limited-access areas of the premises.

Authority: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Section 19322, 19334, Business and Professions Code.

§ 5065. [RESERVED]

§ 5066. Licensee Employee Badge Requirement

All agents, officers, or other persons acting for or employed by a licensee shall display a laminated identification badge issued by the licensee. The identification badge shall, at a minimum, include the licensee’s “doing business as” name and license number, the employee’s first and last name, and a color photograph of the employee that shows the full front of the employee’s face and that is at least 2 inches by 2 inches in size.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Section 19304, 19322, 19334 Business and Professions Code.

§ 5067. [RESERVED]

§ 5068. Video Surveillance System

(a) At a minimum, a licensed premises shall have a complete digital video surveillance system with a minimum camera resolution of 1280 × 1024 pixels.

(b) The surveillance-system storage device or the cameras shall be transmission control protocol/TCP/capable of being accessed through the internet.

(c) All areas recorded by the video surveillance system shall at all times have adequate lighting to allow the surveillance cameras to effectively record images.

(d) Cameras must be immobile and in a permanent location. Cameras shall be placed in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the licensed premises, and allows for the clear and certain identification of any person and activities in all areas required to be filmed under subsection (e).

(e) Areas that shall be recorded on the video surveillance system include, but are not limited to, the following:

(1) Areas where medical cannabis goods are weighed, packed, stored, quarantined, loaded and unloaded for transportation, prepared, or moved within the premises;

(2) Areas where cannabis is destroyed;

(3) Limited-access areas;

(4) Security rooms;

(5) Areas storing a surveillance-system storage device with at least one camera recording the access points to the secured surveillance recording area; and

(6) Entrances and exits to the premises, which shall be recorded from both indoor and outdoor vantage points.

(f) Dispensaries shall also record on the video surveillance system point-of-sale areas and areas where medical cannabis goods are displayed for sale. At each point of sale location, camera placement must allow for the recording of the facial features of any person purchasing or selling medical cannabis goods, or any person in the retail area, with sufficient clarity to determine identity.

(g) Cameras shall record continuously 24 hours per day and at a minimum of 20 frames per second.

(h) The physical media or storage device on which surveillance recordings are stored must be secured in a manner to protect the recording from tampering or theft.

(i) Surveillance recordings shall be kept for a minimum of 30 days.

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

(k) Recorded images shall clearly and accurately display the time and date. Time is to be measured in accordance with the United States National Institute Standards and Technology standards.

Authority: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19332 and 19334, Business and Professions Code.

§ 5069. [RESERVED]

§ 5070. Security Personnel

A licensee shall hire or contract for security personnel to provide security services for the licensed premises. All security personnel hired or contracted for by the licensee shall comply with Chapters 11.4 and 11.5 of Division 3 of the Business and Professions Code.

Authority: Sections 19302, 19302.1, 19304, 19322(b)(6), and 19334, Business and Professions Code. Reference: Sections 19322(b)(6) and 19334, Business and Professions Code.

§ 5071. [RESERVED]

§ 5072. Locks

A licensee shall ensure that the limited-access areas described in section 5151 of this division can be securely locked using commercial-grade, nonresidential door locks. A licensee shall also use commercial-grade, nonresidential locks on all points of entry and exit to the premises.

Authority: Sections 19302, 19302.1, 19304, 19322, and 19334, Business and Professions Code. Reference: Section 19302, 19322, and 19334, Business and Professions Code.

§ 5073. [RESERVED]

§ 5074. Alarm System

(a) A licensee shall maintain an alarm system as defined in Business and Professions Code section 7590.1(n).

(b) A licensee shall ensure a licensed alarm company operator or one or more of its registered alarm agents installs, maintains, monitors, and responds to the alarm system.

(c) Upon request, a licensee shall make available to the bureau all information related to the alarm system, monitoring, and alarm activity.

Authority: Sections 19302, 19302.1, 19304, and 19322(b)(6), Business and Professions Code. Reference: Sections 19322(b)(6), and 19334, Business and Professions Code.

§ 5075. [RESERVED]

Article 7. Returns and Destruction of Product

§ 5076. Returns Between Licensees

(a) If a licensee discovers that a manufactured medical cannabis good that was purchased from another licensee is defective, the purchasing licensee may return the medical cannabis good to the selling licensee only in exchange for a non-defective version of the same medical cannabis good.

(b) Except as provided in subsection (a) of this section, a licensee may not return medical cannabis goods purchased from another licensee.

Authority: Sections 19304 and 19334, Business and Professions Code. Reference: Section 19334, Business and Professions Code.

§ 5077. [RESERVED]

§ 5078. [RESERVED]

§ 5079. [RESERVED]

§ 5080. Cannabis-Waste Management

(a) A licensee may not sell cannabis waste.

(b) A licensee shall manage all waste that is hazardous waste, as defined in Public Resources code section 40141, in compliance with all applicable hazardous-waste statutes and regulations.

(c) A licensee shall not dispose of medical cannabis goods or cannabis waste in an unsecured waste receptacle, whether in the control of the licensee or not.

(d) Medical cannabis goods that a licensee intends to render into cannabis waste shall be held in quarantine 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 quarantine period may the medical cannabis goods be handled, moved, or rendered into cannabis waste. The medical cannabis goods are subject to inspection by the bureau.

(e) A licensee shall make medical cannabis goods into cannabis waste by rendering the medical cannabis goods unusable and unrecognizable. The licensee shall render the medical cannabis goods into cannabis waste before removing the cannabis waste from the licensed premises. A licensee shall render the medical cannabis goods into cannabis waste by grinding and incorporating the medical cannabis goods with other ground material so that the resulting mixture is at least 50% non-cannabis material by volume. A licensee shall render medical cannabis goods into cannabis waste and track that cannabis waste one batch at a time and shall not comingle different batches into cannabis waste.

(f) The licensee shall render the medical cannabis goods into cannabis waste on camera in the manner required by section 5068 of this division.

(g) Medical cannabis goods that a licensee deposits at a compostable materials handling operation or facility or at an in-vessel digestion operation or 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 operation or facility or in-vessel digestion operation or facility may lawfully accept.

(h) After a licensee renders the medical cannabis goods 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 compostable materials handling operation or a manned and fully permitted compostable materials handling facility; or
- (3) Deposit the cannabis waste at a manned in-vessel digestion operation or and a manned and fully permitted in-vessel digestion facility.
- (i) In addition to all other tracking requirements set forth in section 5050 (General) of this division, a licensee shall use the track and trace system and on-site 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 (h).
- (j) A licensee shall enter the date and time that the medical cannabis goods were rendered into cannabis waste and the weight of the resulting cannabis waste into the track and trace system.
- (k) 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 deposition of cannabis waste. A licensee shall obtain a record from the solid waste facility or operation evidencing the acceptance of the cannabis waste material at the facility or operation. The record must contain the name and address of the operation or facility, the date, the volume or weight of the cannabis waste accepted, and the name and signature of the person manning the facility or operation who accepts the cannabis waste. These documents are records subject to inspection by the bureau and shall be kept in compliance with section 5114 of this division.
- (l) A licensee shall enter the date and time of the disposal or deposition of the cannabis waste at a solid waste facility into the track and trace system.

Authority: Sections 19302.1, 19304, and 19345, Business and Professions Code. Reference: Sections 19345, Business and Professions Code.

§ 5081. [RESERVED]

CHAPTER 2. DISTRIBUTORS

Article 1. Activities

§ 5082. Distributor Taking Title Before Manufacturing

A distributor may take title to and possession of medical cannabis after harvest but prior to manufacturing. A distributor may sell the medical cannabis to a manufacturer or enter into a contract with a manufacturer for manufacturing the medical cannabis into medical cannabis products.

Authority: 19302, 19302.1, 19304, and 19326, Business and Professions Code. Reference: Section 19300.5(p) and (q) and 19326, Business and Professions Code.

§ 5083. [RESERVED]

§ 5084. No Consignment

Once medical cannabis goods are received by a dispensary, a distributor shall not maintain title after transfer of the medical cannabis goods to the dispensary.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19300.5(p), 19300.5(q), and 19326, Business and Professions Code.

§ 5085. [RESERVED]

§ 5086. Distributor-to-Distributor Sales

A distributor licensee may sell medical cannabis goods to another distributor licensee.

Authority: Sections 19302, 19302.1 and 19304, Business and Professions Code. Reference: Sections 19300.5(p), 19300.5(q), and 19326, Business and Professions Code.

§ 5087. [RESERVED]

§ 5088. Distributor as Destroyer

A distributor may destroy medical cannabis goods on the distributor's licensed premises, in the manner required by section 5080 of this division, for another licensee. The distributor shall enter the destruction occurrence into the track and trace system.

Authority: Sections 19302, 19302.1 and 19304, Business and Professions Code. Reference: Sections 19300.5(p), 19300.5(q), and 19326, Business and Professions Code.

§ 5089. [RESERVED]

§ 5090. Storage

(a) A distributor shall ensure that all medical cannabis goods batches are stored separately and distinctly from other medical cannabis goods batches on the distributor's premises.

(b) A distributor shall ensure a label with the following information is physically attached to each container of each batch:

(1) The manufacturer or cultivator's name and license number;

(2) The date of entry into the distributor's storage area;

(3) The unique identifiers and batch number associated with the batch;

(4) A description of the medical cannabis goods with enough detail to easily identify the batch; and

(5) The weight of or quantity of units in the batch.

(c) A distributor shall store medical cannabis goods in a building designed to permit control of temperature and humidity and shall prevent the entry of environmental contaminants such as smoke and dust. The area in which medical cannabis goods are stored shall not be exposed to direct sunlight. A distributor may not store medical cannabis goods outdoors.

(d) Employee breakrooms, eating areas, changing facilities, and bathrooms shall be completely separated from the storage areas.

(e) A distributor shall store harvest batches and edible cannabis products that require refrigeration at 35 to 42 degrees Fahrenheit. In addition, a distributor shall store harvest batches in a darkened area with no more than 60% humidity.

Authority: Sections 19302, 19302.1, 19304, and 19334, Business and Professions Code.

Reference: Sections 19300.5, and 19334, Business and Professions Code.

§ 5091. [RESERVED]

§ 5092. Storage Only

A distributor may provide medical cannabis goods storage only services to a cultivator, manufacturer, transporter, or other distributor, unrelated to the quality assurance and laboratory testing processes.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference:

Sections 19326 and 19334, Business and Professions Code.

§ 5093. [RESERVED]

§ 5094. Packaging and Labeling

(a) A distributor may package and label medical cannabis in the form of dried flower on behalf of a cultivator or another distributor or while holding title.

(b) A distributor may re-package and re-label medical cannabis in the form of dried flower on behalf of a cultivator or another distributor or while holding title.

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

(d) A distributor shall not package, re-package, label, or re-label manufactured medical cannabis goods.

Authority: Sections 19300.5(j), 19302, 19302.1, 19304, 19326, and 19334, Business and Professions Code. Reference: Sections 19326 and 19334, Business and Professions Code.

§ 5095. [RESERVED]

§ 5096. Non-Medical-Cannabis Distribution Activities

A distributor may not store or distribute non-medical-cannabis goods on or from the premises licensed for distribution of medical cannabis goods.

Authority: Sections 19302, 19302.1, 19304, and 19334, Business and Professions Code.

Reference: Section 19300.5(p) and 19334, Business and Professions Code.

Article 2. Testing and Quality Assurance

§ 5097. [RESERVED]

§ 5098. Laboratory-Testing Logistics

(a) After taking physical possession of a medical cannabis batch, the distributor shall contact a licensed testing laboratory and arrange for one of the following to occur:

(1) A laboratory agent to come to the distributor's licensed premises to select a random sample for laboratory testing; or

(2) The distributor to transport the entire batch to the laboratory, and a laboratory agent to select a random sample at the laboratory.

(b) The distributor shall observe the laboratory agent select the random samples as defined in Chapter 5 of this division. For harvest batches, the distributor shall ensure that samples be taken from batches that do not exceed 10 pounds. The sampling shall occur on video with the batch number stated at the beginning of the video and a visible time and date indication on the video recording footage.

(c) After the sample has been selected, both the distributor and the laboratory agent shall sign and date a document, attesting to the sample selection having occurred, as required by Chapter 5 of this division.

Authority: Sections 19302, 19302.1, 19304, 19326, and 19342, Business and Professions Code.

Reference: Sections 19326 and 19342, Business and Professions Code.

§ 5099. [RESERVED]

§ 5100. Testing Sample

A distributor shall be physically present to observe the laboratory agent obtain samples of medical cannabis goods for testing. A distributor shall not assist the laboratory agent nor touch the medical cannabis goods or the sampling equipment while the laboratory agent is obtaining the samples.

Authority: Sections 19302, 19302.1, 19304, 19326, 19334, and 19342, Business and Professions Code. Reference: Sections 19326, 19334, and 19342, Business and Professions Code.

§ 5101. [RESERVED]

§ 5102. Laboratory Testing Results

(a) A sample “passes” a laboratory test when the sample meets specifications in Chapter 5 of this division.

(b) When a batch from a manufactured or harvest batch passes, the medical cannabis goods may be transported to one or more dispensaries.

(c) A sample “fails” a laboratory test when it does not meet specifications of Chapter 5 of this division.

(d) If a failed sample was collected from a manufactured cannabis batch, the distributor storing the batch shall destroy the batch. A distributor shall destroy the batch in accordance with section 5080 of this division and shall do so on camera as required by section 5068 of this division.

(e) If a failed sample was collected from a harvest batch and the harvest batch could be processed by a manufacturer without the resulting production batch causing harm to medical cannabis patients, as determined under Chapter 5 of this division, a distributor may, under his or her transporter license, transport the harvest batch or arrange for transportation of the harvest batch to a manufacturer.

(f) If a failed sample was collected from a harvest batch and the harvest batch cannot be processed into a production batch that is safe for medical cannabis patients, the distributor or another licensee shall destroy the batch. A distributor shall destroy the batch in accordance with section 5080 of this division and shall do so on camera as required by section 5068 of this division.

(g) A distributor shall not transport nor arrange for the transportation of a batch that failed a laboratory testing to a cultivator, manufacturer, or other licensee unless authorized to do so by this section.

Authority: Sections 19302, 19302.1, 19304, 19342, 19343, 19344, and 19345, Business and Professions Code. Reference: Sections 19342, 19343, 19344, and 19345, Business and Professions Code.

§ 5103. [RESERVED]

§ 5104. Quality-Assurance Review

When a distributor receives a certification of analysis stating that the sample meets specifications required by law, the distributor shall ensure the following before transport to one or more dispensaries:

(a) The certificate of analysis the distributor received from the testing laboratory is the certificate of analysis that corresponds to the batch;

(b) The label on the medical cannabis goods is consistent with the certificate of analysis regarding cannabinoid content and contaminants required to be listed by law;

(c) The packaging complies with applicable packaging laws including, but not limited to, Business and Professions Code section 19347;

(d) The packaging is tamper evident. “Tamper evident” means a one-time-use seal is affixed to the opening of the package, allowing a person to recognize whether or not the package has been opened;

(e) The weight or count of the medical cannabis batch comports with that in the track and trace system. A distributor shall use scales as required by the Act; and

(f) All events up to this point have been entered into the track and trace system.

Authority: Sections 19302, 19302.1, 19304, 19326, and 19334, Business and Professions Code. Reference: Sections 19326 and 19334, Business and Professions Code.

Article 3. Other Requirements

§ 5105. [RESERVED]

§ 5106. Grace Period for Testing and Labeling

A licensee is not required to have his or her medical cannabis goods tested or to follow the labeling requirements in these regulations until 180 days after licensure, or December 31, 2018, whichever is sooner.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Section 19334, Business and Professions Code.

§ 5107. [RESERVED]

§ 5108. Insurance Requirements

(a) A distributor shall provide evidence of insurance coverage required under this section. An applicant for a distributor license shall provide the bureau with a certificate of insurance that shows the kinds of insurance and minimum amounts have been secured as required by this section. Failure to provide proof of insurance, as required, will result in denial of a license.

(b) A distributor licensee shall at all times carry and maintain commercial general liability insurance and commercial umbrella insurance for bodily injury and property damage arising out of licensed activities. This insurance shall cover such claims as may be caused by any act, omission, or negligence of the licensee or its officers, agents, representatives, assigns, or servants. The insurance shall also cover bodily injury, including disease, illness, and death; property damage associated with the licensee’s premises or operations; and personal injury. The limits of liability insurance shall not be less than one million dollars.

(c) A distributor licensee shall maintain the insurance required in subsection (b) from an insurance company authorized to do business in California by the Secretary of State.

(d) A distributor licensee shall notify the bureau in writing within 10 calendar days of a lapse in insurance.

Authority: Sections 19302, 19302.1, 19304, and 19322, Business and Professions Code.

Reference: Section 19322 and 19334, Business and Professions Code.

§ 5109. [RESERVED]

§ 5110. Employee Requirements

(a) A distributor shall not hire an employee or volunteer if the person works or volunteers for another licensee unless the other licensee is a distributor or transporter.

(b) A distributor licensee shall ensure his or her employees do not have a financial interest as defined in section 5006 subsection (b)(22)(K) of this division in another medical cannabis license. A distributor licensee shall have a document for each employee in which the employee signs and attests to not having a financial interest in another medical cannabis license unless allowed under subsection (a).

Authority: Sections 19302, 19302.1, 19304, 19322, and 19334, Business and Professions Code.

Reference: Sections 19322 and 19334, Business and Professions Code.

§ 5111. [RESERVED]

§ 5112. Inventory Reconciliation

(a) A distributor shall reconcile all inventories of medical cannabis goods a minimum of once per week.

(b) A distributor shall keep an inventory log, containing the following information for each batch:

(1) Where the batch originated and license number of the cultivator or the manufacturer;

(2) The date of physical transfer to the distributor;

(3) The time the batch arrived at the premises;

(4) The unique identifiers for the batch;

(5) The total weight or amount of the batch;

(6) Where on the premises the batch is kept;

(7) The storage conditions the batch is held in;

(8) The best-by, sell-by, or expiration date of the batch, if any;

(9) Shipping manifests and bills of lading;

(10) A copy of the service or sale contract pertaining to the batch; and

(11) Warehouse receipts.

(c) If a distributor finds a discrepancy between the inventory of stock and the inventory log or track and trace system that is outside of normal weight loss caused by moisture loss, the distributor shall commence a full audit of the batch in which the discrepancy was found. The distributor shall notify the bureau within 24 hours if, after the audit, there is a significant discrepancy in inventory.

(d) If a distributor finds evidence of theft or diversion, the licensee shall immediately report the theft or diversion to the bureau.

Authority: Sections 19302, 19302.1, 19304, and 19334, Business and Professions Code.

Reference: Sections 19327, and 19334, Business and Professions Code.

§ 5113. [RESERVED]

§ 5114. Records

(a) In addition to those records required by section 5056 of this division, a distributor shall maintain the following records:

(1) Records relating to branding and packaging and labeling;

(2) Current inventory log;

(3) Transportation bills of lading and shipping manifests;

(4) Quality-assurance records;

(5) Records relating to destruction of medical cannabis goods;

(6) Video that is required under section 5068 of this division;

(7) Laboratory-testing records;

(8) Inventory records; and

(9) Warehouse receipts.

Authority: Sections 19302, 19304, and 19327, Business and Professions Code. Reference:

Section 19327, Business and Professions Code.

§ 5115. [RESERVED]

§ 5116. Track and Trace Requirements

A distributor shall enter the following events into the track and trace system:

(a) Receipt of medical cannabis goods from cultivator, manufacturer, or distributor.

(1) Enter the following information:

(A) Cultivator's, manufacturer's, or distributor's name and license number;

(B) Name of licensee who transported the medical cannabis goods and license number;

(C) Type of medical cannabis goods received;

(D) Amount received, by weight or count;

(E) Best-by, sell-by, or expiration date of the batch;

(F) Party who holds title to the medical cannabis goods;

(G) The date of receipt of the medical cannabis goods;

(H) The unique identifiers associated with the medical cannabis goods; and

(I) Other information required elsewhere by law.

(b) Sample taken by testing laboratory.

(1) Enter the following information:

(A) The testing laboratory's name and license number;

(B) The name of the laboratory agent or agents who obtained the samples;

(C) The weights of the samples obtained;

(D) The date the samples were obtained; and

(E) Other information required elsewhere by law.

(c) Sale to dispensary.

(1) If a distributor purchases medical cannabis goods, the distributor shall enter the following information:

(A) Name of dispensary licensee with whom the distributor contracted for sale and the dispensary's license number;

(B) The date of the contract for sale;

(C) The type of medical cannabis goods contracted for sale;

(D) The amount of medical cannabis goods contracted for sale, by weight or count;

(E) The date title passed to the dispensary; and

(F) Other information required elsewhere by law.

(d) Transportation to dispensary.

(1) If the distributor uses his or her transporter license to transport the medical cannabis to a dispensary, the distributor shall enter the following information:

- (A) Transporter name and license number;
- (B) Driver’s name and driver’s license number;
- (C) Amount of medical cannabis goods transported, by weight or count;
- (D) Vehicle license plate number used for transportation;
- (E) Date of transport; and
- (F) Other information required elsewhere by law, including for transporters.
- (e) Destruction.
- (f) Laboratory-test results.

Authority: Sections 19302, 19302.1, 19304, and 19335, Business and Professions Code.
Reference: Section 19335, Business and Professions Code.

§ 5117. [RESERVED]

CHAPTER 3. TRANSPORTERS

§ 5118. Medical Cannabis Transporter

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

Authority: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19300.5(j), 19326(a), and 19334(b), Business and Professions Code.

§ 5119. [RESERVED]

§ 5120. [RESERVED]

§ 5121. [RESERVED]

§ 5122. Transporter May Not Hold Title to Medical Cannabis Goods

A transporter shall not hold title under its transporter license to medical cannabis goods it is transporting. However, a licensed transporter may hold legal title to medical cannabis goods if the transporter holds title to the medical cannabis goods under another medical cannabis license.

Authority: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19300.5 and 19328, Business and Professions Code.

§ 5123. [RESERVED]

§ 5124. Transport Requirements

The following requirements apply when transporting medical cannabis goods:

(a) Transportation by means of aircraft, watercraft, drones, rail, human powered vehicles, and unmanned vehicles is prohibited.

(b) Medical cannabis goods may only be transported inside of a commercial vehicle or trailer and may not be visible or identifiable from outside of the commercial vehicle or trailer.

(c) Medical cannabis goods shall be locked in a box that is secured to the inside of the commercial vehicle or trailer.

(d) While left unattended, the commercial vehicle and trailer shall be locked and secured.

(e) A transporter shall not leave a commercial vehicle containing medical cannabis goods unattended or parked overnight in a residential area.

(f) At a minimum, a transporter shall have a vehicle alarm system on all transport vehicles. Motion detectors, pressure switches, duress, panic, and hold-up alarms may also be used.

(g) Packages or containers containing medical cannabis goods may not be tampered with during transport.

(h) A transporter shall only travel between licensees shipping or receiving medical cannabis goods and its own licensed premises when engaged in the transportation of medical cannabis goods. The transporter may transport multiple shipments of medical cannabis goods at once in accordance with applicable laws. A transporter may not transport non-medical cannabis goods with medical cannabis goods.

(i) Transport vehicles and all licensed premises are subject to inspection by the bureau. Commercial vehicles used to transport medical cannabis goods may be inspected by the bureau at any licensed premises or during transport.

Authority: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Section 19334, Business and Professions Code.

§ 5125. [RESERVED]

§ 5126. Additional Transport Vehicle Application Requirements

(a) With the general licensing application, an applicant for a transporter license shall provide the following information to the bureau:

(1) Proof of ownership or a valid lease for any and all commercial vehicles that will be used to transport medical cannabis goods;

(2) The year, make, model, license plate number, and numerical Vehicle Identification Number (VIN) for any and all commercial vehicles that will be used to transport medical cannabis goods; and

(3) Proof of insurance in the amount of \$1,000,000 for any and all commercial vehicles being used to transport medical cannabis goods.

(b) The licensee shall provide the bureau with the information required by this section in writing for any new commercial vehicle that will be used to transport medical cannabis goods prior to using the commercial vehicle to transport medical cannabis goods.

(c) The licensee shall provide the bureau with any changes to the information required by this section in writing within 30 calendar days.

Authority: Sections 19302, 19302.1, 19304, and 19334(b), Business and Professions Code.

Reference: Section 19334(b), Business and Professions Code.

§ 5127. [RESERVED]

§ 5128. Transport Personnel Requirements

(a) No person under the age of 21 years old shall be in a commercial vehicle transporting medical cannabis goods; and

(b) Only a licensed transporter or an employee of the licensee shall be in a vehicle while transporting medical cannabis goods.

Authority: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19334 and 19337, Business and Professions Code.

§ 5129. [RESERVED]

§ 5130. Transporter Storage of Medical Cannabis Goods

A transporter may store medical cannabis goods on his or her licensed premises for no longer than 72 hours.

Authority: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19300.5(am) and 19300.5(an), Business and Professions Code.

§ 5131. [RESERVED]

§ 5132. Storage

(a) A transporter shall ensure all medical cannabis batches are stored separately and distinctly from other medical cannabis batches on the transporter's premises.

(b) A transporter shall ensure a label with the following information is physically attached to each container of each batch:

(1) The manufacturer or transporter's name and license number;

(2) The date of entry into the transporter's storage area;

(3) The unique identifiers and batch number associated with the batch;

(4) Description of product with enough detail to easily identify the batch; and

(5) Weight of or quantity of units in the batch.

(c) A transporter shall store medical cannabis goods in a building designed to permit control of temperature and humidity and shall prevent the entry of environmental contaminants such as smoke and dust. The area in which medical cannabis goods are stored shall not be exposed to direct sunlight. A transporter may not store medical cannabis goods outdoors.

(d) Employee break rooms, changing facilities, and bathrooms shall be completely separated from the storage areas.

(e) A transporter shall store harvest batches and edible cannabis products that require refrigeration at 35 to 42 degrees Fahrenheit. In addition, a transporter shall store harvest batches in a darkened area with no more than 60% humidity.

Authority: Sections 19302, 19302.1, 19304, and 19334, Business and Professions Code.

Reference: Sections 19300.5, and 19334, Business and Professions Code.

§ 5133. [RESERVED]

§ 5134. [RESERVED]

§ 5135. [RESERVED]

§ 5136. Notification of Shipment

Before transporting any medical cannabis goods, the transporting licensee shall complete an electronic shipping manifest and transmit it to the bureau and the licensee receiving the shipment.

Authority: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19335, and 19337, Business and Professions Code.

§ 5137. [RESERVED]

§ 5138. Shipping Manifest

The shipping manifest shall contain the following information:

(a) The name of the licensee;

(b) The names of authorized drivers;

(c) The type and quantity or amount of medical cannabis goods being transported;

(d) The unique identifiers issued by the Department of Food and Agriculture pursuant to Health and Safety Code section 11362.777;

(e) The quantity and weight or amount of medical cannabis goods being transported;

(f) The time and location of departure;

(g) The time and location of expected arrival; and

(h) The make, model, and license plate number of the commercial vehicle.

Authority: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19327, and 19337, Business and Professions Code.

§ 5139. [RESERVED]

§ 5140. Records

In addition to those records required by section 5056 of this division, a transporter shall maintain the following records:

(a) Commercial vehicle maintenance and ownership records; and

(b) All shipping manifests for completed transports and for medical cannabis goods in transit.

Authority: Section 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19327, and 19337, Business and Professions Code.

§ 5141. [RESERVED]

§ 5142. Transporter Track and Trace Requirements

A transporter shall enter the following information into the track and trace system:

(a) Name and license number of the transporter;

(b) Date the transporter receives the medical cannabis goods from licensee for transport;

(c) Amount transported, by weight or count;

(d) Date the transporter delivers the medical cannabis goods to the licensee;

(e) The unique identifiers associated with the medical cannabis goods transferred;

(f) Spoilage or fouling of the medical cannabis goods;

(g) Any event resulting in exposure or compromise of the medical cannabis goods; and

(h) Other information required elsewhere by law.

Authority: Sections 19302, 19302.1, 19304, 19335, and 19337, Business and Professions Code. Reference: Sections 19335 and 19337, Business and Professions Code.

§ 5143. [RESERVED]

§ 5144. [RESERVED]

CHAPTER 4. DISPENSARIES

Article 1. Premises

§ 5145. Subletting of Premises

A licensed dispensary shall not sublet any portion of the licensed premises of the dispensary.

Authority: Sections 19302, 19302.1, 19303, and 19304, Business and Professions Code.

Reference: Section 19302, Business and Professions Code.

§ 5146. [RESERVED]

§ 5147. [RESERVED]

§ 5148. Access to Dispensary Premises

(a) Except as stated in subsection (b), access to the licensed premises shall be limited to individuals who are at least 18 years old and have a bona fide business reason for entering the premises.

(b) An individual younger than 18 years of age may enter the premises to purchase medical cannabis goods only if the individual is a medical cannabis patient. Any medical cannabis patient younger than 18 years old shall be accompanied by his or her parent, legal guardian, or primary caregiver.

Authority: Sections 19302, 19302.1, 19303, 19304, and 19332, Business and Professions Code.

Reference: Sections 19332, and 19334, Business and Professions Code.

§ 5149. [RESERVED]

§ 5150. [RESERVED]

§ 5151. Limited-Access Areas

(a) A licensed dispensary shall only permit authorized individuals to enter the dispensary limited-access areas.

(b) Authorized individuals include individuals employed by the licensed dispensary as well as any outside vendors, contractors, or other individuals who have a bona fide business reason for entering the dispensary limited-access area.

(c) An individual who is not an authorized individual for purposes of entering the dispensary limited-access areas shall not enter the dispensary limited-access area at any time for any reason.

(d) An individual in the dispensary limited-access area who is not employed by the licensed dispensary shall be escorted by individuals employed by the licensee at all times within the dispensary limited-access area.

(e) An individual who enters the dispensary limited-access areas shall be at least 21 years of age.

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

(g) A licensed dispensary shall not receive consideration or compensation for permitting an individual to enter the dispensary limited-access area.

Authority: Sections 19302, 19302.1, 19303, 19304, and 19334, Business and Professions Code.
Reference: Section 19334 Business and Professions Code.

§ 5152. [RESERVED]

§ 5153. [RESERVED]

Article 2. Retail Sales

§ 5154. Retail Area

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

(1) A valid physician recommendation for medical cannabis in compliance with Health and Safety Code sections 11362.5 et seq.

(2) A valid proof of identification. Acceptable forms of identification include the following:

(A) A document issued by a federal, state, county, or municipal government, or a political subdivision or agency thereof, including, but not limited to, a valid motor vehicle operator's license, that contains the name, date of birth, physical description, and picture of the person; or

(B) A valid identification card issued to a member of the Armed Forces that includes a date of birth and a picture of the person; or

(C) A valid passport issued by the United States or by a foreign government.

(3) In the case of a primary caregiver, valid written documentation containing the signature and the printed name of the medical cannabis patient designating the individual as a primary caregiver for a medical cannabis patient.

(b) The licensee or its employees shall be physically present in the retail area at all times when there are individuals who are not employees of the licensed dispensary in the retail area.

Authority: Sections 19302, 19302.1, 19303, and 19304, Business and Professions Code.
Reference: Sections 19302.1, 19303, and 19304, 19323, and 19324, Business and Professions Code.

§ 5155. [RESERVED]

§ 5156. [RESERVED]

§ 5157. Hours of Operation

(a) A licensed dispensary may only sell medical cannabis goods during the hours of 6:00 a.m. Pacific Time to 9:00 p.m. Pacific Time.

(b) At any time the licensed dispensary is not open for retail sales, the licensee shall ensure the following:

(1) The premises shall be securely locked with commercial-grade, non-residential door locks;

(2) The premises shall be equipped with an active alarm system;

(3) When closed for retail business, all medical cannabis goods shall be stored in a locked safe or vault on the licensed premises; and

(4) Only authorized employees and contractors of the licensee shall be allowed to enter the premises after hours.

Authority: Sections 19302, 19302.1, 19303, and 19304, Business and Professions Code.

Reference: Sections 19332, 19303, and 19334, Business and Professions Code

§ 5158. [RESERVED]

§ 5159. [RESERVED]

§ 5160. Dispensary Customers

(a) A licensed dispensary shall only sell medical cannabis goods to medical cannabis patients or the primary caregivers of medical cannabis patients.

(b) A licensed dispensary shall verify the identity of a medical cannabis patient or primary caregiver as required by section 5154 of this division.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference:

Section 19302.1, 19323, 19324, Business and Professions Code.

§ 5161. [RESERVED]

§ 5162. [RESERVED]

§ 5163. Medical Cannabis Goods Display

(a) The display of medical cannabis goods for sale shall only occur in the retail area during the operating hours of the licensed dispensary.

(b) The licensee shall not display any medical cannabis goods in areas outside of the retail area. The licensed dispensary shall not display medical cannabis goods in a place where it is visible from outside the licensed premises.

(c) Medical cannabis goods on display shall not be readily accessible to the customers.

(d) The amount of medical cannabis goods that are displayed shall not exceed the average amount of medical cannabis goods the licensed dispensary sells during an average one day period. The remainder of the licensee’s inventory of medical cannabis goods shall be stored in accordance with section 5214 of this division.

(e) Medical cannabis goods may be removed from their packaging and placed in containers to allow for customer inspection. The containers shall not be readily accessible to customers without assistance of dispensary personnel. A container must be provided to the customer by the licensee or employee, who shall remain with the customer at all times that the container is being inspected by the customer.

(f) Medical cannabis goods removed from their packaging for display shall not be sold, shall not be consumed, and shall be destroyed pursuant to section 5080 of this division when the medical cannabis goods are no longer used for display.

Authority: Sections 19302, 19302.1, 19303, 19304, and 19334, Business and Professions Code. Reference: Sections 19303, and 19334, Business and Professions Code.

§ 5164. [RESERVED]

§ 5165. [RESERVED]

§ 5166. Medical Cannabis Goods for Sale

(a) A licensed dispensary shall not make any medical cannabis goods available for sale or delivery to a medical cannabis patient or primary caregiver unless:

(1) The medical cannabis goods were received from a licensed distributor and delivered to the dispensary by a licensed transporter; and

(2) The licensed dispensary has verified that the medical cannabis goods have not exceeded their expiration or sell-by date if one is provided.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19326, 19347.5, 19347.6, and 19347, Business and Professions Code.

§ 5167. [RESERVED]

§ 5168. [RESERVED]

§ 5169. [RESERVED]

§ 5170. [RESERVED]

§ 5171. [RESERVED]

§ 5172. Daily Limits

(a) A licensee shall not sell more than eight ounces of medical cannabis in a single day to a single medical cannabis patient.

(b) A licensee shall not sell more than eight ounces of medical cannabis in a single day to a primary caregiver for each medical cannabis patient that the primary caregiver is authorized to purchase for.

(c) If a medical cannabis patient or primary caregiver has a physician's recommendation that eight ounces of medical cannabis in a single day does not meet the medical cannabis patient's medical needs, the medical cannabis patient or primary caregiver may purchase an amount of medical cannabis consistent with the patient's needs as recommended by a physician.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1, and 19303, Business and Professions Code; Section 11362.77, Health and Safety Code.

§ 5173. [RESERVED]

§ 5174. [RESERVED]

§ 5175. Medical Cannabis Goods Returned by Medical Cannabis Patients or Primary Caregivers

(a) For the purposes of this section, a medical cannabis patient or primary caregiver return means a return of medical cannabis goods that were purchased from a dispensary back to the dispensary the medical cannabis goods were purchased from.

(b) A licensed dispensary may accept patient or primary caregiver returns of medical cannabis goods that were previously sold to the medical cannabis patient or primary caregiver returning the medical cannabis goods. A primary caregiver may return medical cannabis goods sold to a patient for whom he or she provides care.

(c) A licensed dispensary shall not resell medical cannabis goods that have been returned.

(d) A licensed dispensary shall treat any medical cannabis goods abandoned on the dispensary premises as a patient return.

(e) A licensed dispensary shall destroy all medical cannabis goods that have been returned to a dispensary by a medical cannabis patient or primary caregiver, in accordance with section 5080 of this division.

Authority: Sections 19302, 19302.1, 19304, and 19347.6, Business and Professions Code. Reference: Section 19302.1, Business and Professions Code.

§ 5176. [RESERVED]

§ 5177. [RESERVED]

§ 5178. Customer Samples

(a) A licensed dispensary shall not provide free samples of medical cannabis goods to any person.

(b) A licensed dispensary shall not allow representatives of other companies or organizations to provide free samples of medical cannabis goods to individuals on the licensed dispensary premises.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Section 19303, Business and Professions Code.

§ 5179. [RESERVED]

§ 5180. [RESERVED]

§ 5181. Packaging and Labeling

(a) A dispensary shall not accept from a distributor medical cannabis goods that are not packaged as they will be sold at final sale, in compliance with this division.

(b) A dispensary shall not purchase dried flower that is not already packaged for final sale, in compliance with this division.

(c) A dispensary shall not package or label medical cannabis goods.

Authority: Sections 19300.5(j), 19302, 19304, and 19326, Business and Professions Code. Reference: Sections 19302 and 19326, Business and Professions Code.

§ 5182. [RESERVED]

§ 5183. [RESERVED]

§ 5184. Exit Packaging

(a) Medical cannabis goods purchased by a customer shall not leave the licensed dispensary premises unless they are placed in an exit package.

(b) An exit package shall meet all of the following requirements:

(1) The package shall be designed or constructed to be significantly difficult for children under five years of age to open and not difficult for adults to use properly, as defined by 16 C.F.R. 1700.20.

(2) The package shall be opaque so that the medical cannabis goods cannot be seen from outside the packaging.

(3) For any medical cannabis goods that are intended for more than a single use, the package shall have the ability to be resealed.

(4) The package shall be labeled properly pursuant to the Act and this division.

(c) This section does not apply to medical cannabis goods that are sold in packages that are child-resistant pursuant to the Act and this division.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Section 19303, Business and Professions Code.

§ 5185. [RESERVED]

Article 3. Delivery

§ 5186. [RESERVED]

§ 5187. Delivery

(a) All deliveries of medical cannabis goods must be performed by a delivery employee of a licensed dispensary.

(b) Each delivery employee of a licensed dispensary shall be at least 21 years of age.

(c) A licensed dispensary shall not use the services of an independent contractor or courier service to deliver medical cannabis goods.

(d) All deliveries of medical cannabis goods shall be made in person. A delivery of medical cannabis goods shall not be made through the use of an unmanned vehicle.

(e) A delivery employee begins the process of delivering when the delivery employee leaves the dispensary premises with the medical cannabis goods for delivery. The process of delivering ends when the delivery employee returns to the licensed dispensary premises after delivering the medical cannabis goods to the medical cannabis patients or primary caregivers.

(f) A delivery employee of a licensed dispensary shall, during deliveries, carry a copy of the dispensary's current license, the employee's government-issued identification, and an employer provided badge containing a picture and the name of the delivery employee.

(g) A licensed dispensary shall maintain an accurate list of the dispensary's delivery employees.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1, 19303, 19334, and 19340, Business and Professions Code.

§ 5188. [RESERVED]

§ 5189. [RESERVED]

§ 5190. Delivery to Physical Address

(a) A licensed dispensary may only deliver medical cannabis goods to a physical address in California.

(b) A licensed dispensary delivery employee shall not leave the state of California while possessing medical cannabis goods.

(c) A licensed dispensary shall not deliver medical cannabis goods to an address located on publicly owned land or any address on land or in a building leased by a public agency.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1, 19303, 19334, and 19340, Business and Professions Code.

§ 5191. [RESERVED]

§ 5192. [RESERVED]

§ 5193. Methods of Delivery

(a) A delivery employee of a licensed dispensary, carrying medical cannabis goods for delivery, shall only travel in an enclosed motor vehicle operated by the delivery employee or another delivery employee of the licensee.

(b) While carrying medical cannabis goods for delivery, a delivery employee of a licensed dispensary shall ensure the medical cannabis goods are not visible to the public.

(c) A delivery employee of a licensed dispensary shall not leave medical cannabis goods in an unattended motor vehicle unless the motor vehicle is equipped with an active vehicle alarm system.

(d) A vehicle used for the delivery of medical cannabis goods shall be outfitted with a dedicated Global Positioning System (GPS) device for identifying the geographic location of the delivery vehicle. A dedicated GPS device does not include a phone or tablet. The device shall be either permanently or temporarily affixed to the delivery vehicle and shall remain active and inside of the delivery vehicle at all times during delivery. At all times, the licensed dispensary shall be able to identify the geographic location of all delivery vehicles that are making deliveries for the dispensary and shall provide that information to bureau upon request.

(e) Upon request, a licensed dispensary shall provide the bureau with information regarding any motor vehicles used for the delivery of medical cannabis goods, including the vehicle's make, model, color, Vehicle Identification Number, and license plate number.

(f) Any motor vehicle used by a licensed dispensary to deliver medical cannabis goods is subject to inspection by the bureau. Vehicles used to deliver medical cannabis goods may be stopped and inspected by the bureau at any licensed premises or during delivery.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1, 19303, 19334, and 19340, Business and Professions Code.

§ 5194. [RESERVED]

§ 5195. [RESERVED]

§ 5196. Delivery Hours of Operation

A licensed dispensary shall only deliver medical cannabis goods to medical cannabis patients and primary caregivers during the hours of 6:00 a.m. and 9:00 p.m. Pacific Time.

Authority: Sections 19302, 19302.1(d), and 19304, Business and Professions Code. Reference: Sections 19302.1(d), 19303, 19334(a)(1), 19340, Business and Professions Code.

§ 5197. [RESERVED]

§ 5198. [RESERVED]

§5199. Medical Cannabis Goods Carried During Delivery

While making deliveries, a delivery employee of a licensed dispensary shall not carry medical cannabis goods in excess of \$3,000 at any time. This value shall be determined using the retail price of all medical cannabis goods carried by the delivery employee.

Authority: Sections 19302, and 19304, Business and Professions Code. Reference: Sections 19302.1, 19303, 19334, and 19340, Business and Professions Code.

§ 5200. [RESERVED]

§ 5201. [RESERVED]

§ 5202. Medical Cannabis Consumption During Delivery

Delivery employees of a licensed dispensary shall not consume medical cannabis goods while delivering medical cannabis goods to medical cannabis patients or primary caregivers.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1, 19303, 19334, and 19340, Business and Professions Code.

§ 5203. [RESERVED]

§ 5204. [RESERVED]

§ 5205. Delivery Request Receipt

A licensed dispensary shall prepare a delivery request receipt for each delivery of medical cannabis goods.

(a) The delivery request receipt shall contain the following:

(1) The name and address of the licensed dispensary.

(2) The name of the delivery employee of the licensed dispensary who delivered the order.

(3) The name of the licensed dispensary employee who prepared the order for delivery.

(4) A patient identification number for the medical cannabis patient who is requesting the delivery. Upon request from the bureau, a licensed dispensary shall provide the name of the medical cannabis patient associated with the patient identification number listed on the delivery request receipt.

(5) The date and time the delivery request was made.

(6) The delivery address.

(7) A detailed description of all medical cannabis goods requested for delivery. The description shall include the weight, volume, or any other accurate measure of the amount of any medical cannabis goods requested.

(8) The total amount paid for the delivery, including any taxes and fees.

(9) Upon delivery, the date and time the delivery was made, and the signature of the medical cannabis patient or primary caregiver who received the delivery.

(b) At the time of the delivery, the delivery employee of the licensed dispensary shall provide the medical cannabis patient, or primary caregiver, who placed the order a copy of the delivery request receipt. The delivery employee shall retain a signed copy of the delivery request receipt for the dispensary's records.

(c) The delivery request receipt shall comply with state and federal law regarding the protection of confidential medical information.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1, 19303, 19327, 19334, and 19340, Business and Professions Code.

§ 5206. [RESERVED]

§ 5207. [RESERVED]

§ 5208. Delivery Route

While making deliveries of medical cannabis goods, a delivery employee of a licensed dispensary shall only travel from the licensed dispensary premises to the delivery address; from one delivery address to another delivery address; or from a delivery address back to the licensed dispensary premises. A delivery employee of a licensed dispensary shall not deviate from the delivery path described in this section, except for necessary rest, fuel, or vehicle repair stops, or because road conditions make continued use of the route unsafe, impossible, or impracticable.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1, 19303, 19334, and 19340, Business and Professions Code.

§ 5209. [RESERVED]

Article 4. Producing Dispensary

§ 5210. [RESERVED]

§ 5211. Producing Dispensary License

(a) To obtain a Type-10A producing dispensary license, a licensee shall either:

(1) Hold at least one Type-10 dispensary license; or

(2) Concurrently apply for at least one Type-10 dispensary license.

(b) A licensee holding a Type-10A producing dispensary license shall designate a licensed Type-10 dispensary facility held by the licensee to concurrently hold both a Type-10 dispensary license and the Type-10A producing dispensary license.

(c) A licensee shall hold a separate Type-10 dispensary license for each dispensary facility he or she operates.

(d) A licensee who holds a Type-10A producing dispensary license shall not hold licenses for more than three Type-10 dispensary facilities.

(e) A licensee who holds a Type-10A producing dispensary license may apply for licenses in other license categories as allowed under Business and Professions Code section 19328(a).

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19328 and 19334, Business and Professions Code.

§ 5212. [RESERVED]

Article 5. Inventory and Records

§ 5213. [RESERVED]

§ 5214. Storage of Inventory

(a) A dispensary shall store medical cannabis goods in a building designed to permit control of temperature and humidity and shall prevent the entry of environmental contaminants such as smoke and dust. The area in which medical cannabis goods are stored shall not be exposed to direct sunlight. A dispensary may not store medical cannabis goods outdoors.

(b) Employee break rooms, changing facilities, and bathrooms shall be completely separated from the storage areas.

(c) A dispensary shall store harvest batches and edible cannabis products that require refrigeration at 35 to 42 degrees Fahrenheit. In addition, a dispensary shall store harvest batches in a darkened area with no more than 60% humidity.

Authority: Sections 19302, 19302.1, 19304, and 19334, Business and Professions Code. Reference: Sections 19300.5, and 19334, Business and Professions Code.

§ 5215. [RESERVED]

§ 5216. [RESERVED]

§ 5217. Receiving Shipments of Inventory

(a) A licensed dispensary shall only receive a shipment of medical cannabis goods from a licensed transporter.

(b) A licensed dispensary shall only accept shipments of medical cannabis goods between the hours of 6:00 a.m. Pacific Time to 9:00 p.m. Pacific Time.

(c) During business hours, any shipment of medical cannabis goods accepted by the licensed dispensary shall not enter the premises through an entrance that is available for use by the public to enter or exit the premises.

(d) Upon accepting a shipment of medical cannabis goods from a licensed transporter, the licensed dispensary shall immediately place the products in a secured and locked room, safe, or vault in a manner as to prevent diversion, theft, and loss.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1, 19303, 19326, 19327, and 19334, Business and Professions Code.

§ 5218. [RESERVED]

§ 5219. [RESERVED]

§ 5220. Inventory Documentation

A licensed dispensary shall maintain an accurate record of its inventory. A licensed dispensary shall provide the bureau with a record of its current inventory upon request. The licensed dispensary shall keep a record of the following information for all medical cannabis goods the licensed dispensary has in its inventory:

(a) A description of each item in the licensed dispensary's inventory. This description will be such that the medical cannabis goods can easily be identified;

(b) An accurate measurement of the quantity of the item;

(c) The date and time the product was received by the licensed dispensary;

(d) The sell-by or expiration date on any medical cannabis goods, if any;

(e) The name and license number of the licensed transporter that delivered the medical cannabis goods;

(f) The name and license number of the licensed distributor that provided the medical cannabis goods to the licensed dispensary; and

(g) The price the licensed dispensary paid for the medical cannabis goods, including taxes, delivery costs, or any other costs.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1, and 19327, Business and Professions Code.

§ 5221. [RESERVED]

§ 5222. [RESERVED]

§ 5223. Inventory Reconciliation

(a) A licensed dispensary shall perform a reconciliation of its inventory at least once every seven days.

(b) A licensed dispensary shall verify that the dispensary's physical inventory matches the licensed dispensary's records pertaining to inventory.

(c) The result of inventory reconciliation shall be retained in the dispensary's records and shall be made available to the bureau upon request.

(d) If a licensed dispensary identifies any evidence of theft, diversion, or loss, the licensed dispensary shall notify the bureau and law enforcement pursuant to section 5235 of this division.

(e) If a significant discrepancy is discovered between a licensed dispensary's physical inventory and the licensed dispensary's inventory records, the licensed dispensary shall notify the bureau and law enforcement pursuant to section 5235 of this division.

(f) For the purpose of this section, a significant discrepancy in inventory means a difference of at least \$1,000 of product within a seven day period or at least \$2,000 of product in a 30-day period. The price paid by the dispensary to acquire the product is the value to be used in this assessment.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Sections 19302.1(d), and 19327, Business and Professions Code.

§ 5224. [RESERVED]

§ 5225. [RESERVED]

§ 5226. Record of Sales

(a) A licensed dispensary shall maintain an accurate record of every sale made to a medical cannabis patient or primary caregiver.

(b) A record of a sale shall contain the following information:

(1) The name of the licensed dispensary employee who processed the sale;

(2) The name of the medical cannabis patient or primary caregiver who made the purchase;

(3) The date and time of the transaction;

(4) A list of all of the medical cannabis goods purchased, including the quantity purchased; and

(5) The total amount paid for the sale including the individual prices paid for each medical cannabis good purchased and any amounts paid for taxes.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Section 19327, Business and Professions Code.

§ 5227. [RESERVED]

Article 6. Other Requirements

§ 5228. [RESERVED]

§ 5229. Grace Period for Compliance

Up to 180 days after the date of licensure or December 31, 2018, whichever is sooner, a dispensary may sell its inventory of untested medical cannabis goods if the dispensary places a label on each package it sells with the date of purchase and the following statement: “This product has not been tested under the Medical Cannabis Regulation and Safety Act.” During the time period allowed by this section, a dispensary may package and sell medical cannabis goods that have not been packaged by a cultivator or distributor before it is transported to the dispensary as required by this division.

Authority: Sections 19302, 19302.1, and 19304, Business and Professions Code. Reference: Section 19334 Business and Professions Code.

§ 5230. [RESERVED]

§ 5231. [RESERVED]

§ 5232. Dispensary Track and Trace Requirements

A dispensary shall enter the following events into the track and trace system:

(a) Receipt of medical cannabis goods from a distributor or transporter;

(1) Enter the following information:

(A) Distributor’s name and license number;

(B) Name of licensee who transported the medical cannabis goods and license number;

(C) Type of medical cannabis goods received;

(D) Amount received, by weight or count;

(E) Best-by, sell-by, or expiration date, if any, of each product received;

(F) The date of receipt of medical cannabis goods;

(G) The unique identifiers associated with the medical cannabis goods received; and

(H) Other information required elsewhere by law.

(b) Sale of medical cannabis goods to a medical cannabis patient or primary caregiver;

(1) Enter the following information:

(A) The name of the licensed dispensary employee who processed the sale;

(B) The name or a patient identification number of the medical cannabis patient or primary caregiver who made the purchase;

(C) The date and time of the transaction;

(D) A list of all of the medical cannabis goods purchased, including a description of the quantity purchased;

(E) The unique identifiers associated with the medical cannabis goods sold; and

(F) Other information required elsewhere by law.

(c) Return of medical cannabis goods from a medical cannabis patient or primary caregiver:

(1) If a dispensary accepts a return of medical cannabis goods from a medical cannabis patient or a primary caregiver, the dispensary shall enter the following information:

(A) The name of the licensed dispensary employee who processed the return;

(B) The name or a patient identification number of the medical cannabis patient or primary caregiver who made the purchase;

(C) The date and time of the transaction;

(D) A list of all of the medical cannabis goods returned, including a description of the quantity purchased;

(E) The unique identifiers associated with the medical cannabis goods; and

(F) Other information required elsewhere by law.

(d) Return of medical cannabis goods to a distributor;

(1) Enter the following information:

(A) Distributor's name and license number;

(B) Name of licensee who transported the medical cannabis goods and license number;

(C) Type of medical cannabis goods returned;

(D) Amount received, by weight or count;

(E) Best-by, sell-by, or expiration date, if any, of each medical cannabis good returned;

(F) The date of the return of medical cannabis goods;

(G) The unique identifiers associated with the medical cannabis goods returned; and

(H) Other information required elsewhere by law.

(e) Destruction of medical cannabis goods;

(1) Enter the following information:

(A) The name of the licensed dispensary employee who performed the destruction;

(B) The date and time of the destruction;

(C) A list of all of medical cannabis goods destroyed, including a description of the quantity destroyed;

(D) The unique identifiers associated with the medical cannabis goods destroyed; and

(E) Other information required elsewhere by law.

(f) Transfer of medical cannabis goods to a distributor for destruction;

(1) Enter the following information:

(A) Distributor's name and license number;

(B) Name of licensee who transported the medical cannabis goods and license number;

(C) Type of medical cannabis goods transferred;

(D) Amount transferred, by weight or count;

(E) The date of the transfer of medical cannabis goods;

(F) The unique identifiers associated with the medical cannabis goods transferred; and

(G) Other information required elsewhere by law.

Authority: Sections 19302, 19302.1, 19304, 19335, 19337, Business and Professions Code.

Reference: Sections 19335 and 19337, Business and Professions Code.

§ 5233. [RESERVED]

§ 5234. [RESERVED]

§ 5235. Law Enforcement Notification

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

(1) The licensed dispensary discovers a significant discrepancy as defined in section 5223 of this division in its inventory.

(2) The licensed dispensary becomes aware of or has reason to suspect diversion, theft, loss, or any other criminal activity pertaining to the operation of the dispensary.

(3) The licensed dispensary becomes aware of or has reason to suspect diversion, theft, loss, or any other criminal activity by an agent or employee of the dispensary pertaining to the operation of the dispensary.

(4) The licensed dispensary becomes aware of or has reason to suspect the loss or unauthorized alteration of records related to medical cannabis goods, registered medical cannabis patients or primary caregivers, or dispensary employees or agents.

(5) The licensed dispensary becomes aware of or has reason to suspect any other breach of security.

Authority: Sections 19302, 19302.1, 19303, 19304, and 19334, Business and Professions Code.

Reference: Sections 19302.1, 19303, and 19334(b), Business and Professions Code.

§ 5236. [RESERVED]

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TEXT OF PROPOSED REGULATIONS

Original proposed additions are indicated by underline.

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

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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.

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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

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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

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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

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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;

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(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

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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;

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- (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,

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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;

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(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.

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(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.

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§ 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;

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(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

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(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,

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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;

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- (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

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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

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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).

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(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.

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§ 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

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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.

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(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

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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.

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(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.

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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

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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

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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

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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.

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§ 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.

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§ 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.

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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;

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- (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;

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- (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

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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.

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- (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

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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

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§ 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

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(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.

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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>

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				<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>	=	=

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	<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>

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<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>	=

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<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	=

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<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	=

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<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>	=

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	<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>	=	<u>X</u>	=
<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>	=	=	<u>X</u>
<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>	=	=	<u>X</u>
<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>	=	=	<u>X</u>
<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>	<u>X</u>	=	=
<u>BPC 19320 (c)</u> <u>CCR 8312 (c)</u>	<u>Processor licensee cultivated cannabis plants on their licensed premises.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8313 (a-f)</u>	<u>Failure to comply with specified environmental protection measures.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8314</u>	<u>Failure to ensure that lights used for cultivation were shielded from sunset to sunrise.</u>	=	=	<u>X</u>
<u>BPC 19312</u> <u>CCR 8315 (a-d)</u>	<u>Failure to comply with specified environmental protection measures.</u>	=	=	<u>X</u>

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<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>	=

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	<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	=

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<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>

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<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>

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	<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>

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<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

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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. 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.

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- (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.

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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.

California Code of Regulations, Title 17
Division 1
Chapter 13. Manufactured Cannabis Safety
SUBCHAPTER 1. General Provisions and Definitions
Article 1. Definitions

§40100. Definitions.

In addition to the definitions in Business and Professions Code section 19300.5, the following definitions shall govern the construction of this division, unless the provision or context otherwise requires:

“Act” means the Medical Cannabis Regulation and Safety Act, Business and Professions Code section 19300, et seq.

“Actual yield” means the quantity that is actually produced at any appropriate step of manufacture or packaging of a particular cannabis product.

“Adequate” means that which is necessary to accomplish the intended purpose to ensure cannabis product safety in keeping with good public health practice.

“Adulterated” or “adulteration” has the meaning stated in section 19347.6 of the Business and Professions Code.

“Allergen” means a major food allergen including any of the following: (1) Milk, eggs, fish (e.g., bass, flounder, or cod), Crustacean shellfish (e.g., crab, lobster, or shrimp), tree nuts (e.g., almonds, pecans, or walnuts), wheat, peanuts, and soybeans. (2) A food ingredient that contains protein derived from a food specified in (1), except the following: Any highly refined oil derived from a food specified in (1) and any ingredient derived from such highly refined oil.

“Allergen cross-contact” means the unintentional incorporation of a food allergen into a manufactured cannabis product.

“Applicant” means the individual or business entity that is applying for a license to manufacture medical cannabis products and in whose name the license will be issued. The applicant will be considered the licensee upon issuance of a license.

“Batch” means either:

(a) An amount of cannabis concentrate or extract produced in one production cycle using identical input materials, extraction methods, and standard operating procedures, and intended to have uniform character and quality; or

(b) An amount of a type of manufactured cannabis produced in one production cycle using identical formulation and standard operating procedures that is intended to have uniform character and quality.

“Bureau” means the Bureau of Medical Cannabis Regulation in the Department of Consumer Affairs.

“Cannabis product” as used in this division includes “manufactured cannabis” as defined by subdivision (ac) of section 19300.5 of the Business and Professions Code and “medical cannabis, medical cannabis product, or cannabis product” as defined by subdivision (af) of section 19300.5 of the Business and Professions Code.

“Cannabis product symbol” means the image established by the Department to indicate that a manufactured product contains THC.

“CBD” means the compound cannabidiol.

“Commercial-grade, non-residential door lock” means a lock manufactured for commercial use.

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

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

“Department” means the State Department of Public Health.

“Edible cannabis product” means manufactured cannabis intended to be used, in whole or in part, for human consumption.

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

“Extraction” means a process by which cannabinoids are separated from cannabis plant material through chemical or physical means.

“Finished product” means a manufactured cannabis product in its final form to be sold at a dispensary.

“Hazard” means any biological, chemical, radiological, or physical agent that has the potential to cause illness or injury.

“Holding” means storage of cannabis or cannabis products and includes activities performed incidental to storage of a cannabis product and activities performed as a practical necessity for the distribution of that cannabis product.

“Informational panel” means any part of the label that is not the primary panel and that contains required labeling information.

“Infusion” means a process by which cannabis, cannabinoids, cannabis concentrates, or manufactured cannabis are directly incorporated into a product formulation to produce a cannabis product.

“Ingredient” means any substance that is used in the manufacture of a cannabis product and that is intended to be present in the product’s final form.

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

“Labeling” means any label or other written, printed, or graphic matter upon a medical cannabis product, or upon its container or wrapper, or that accompanies any medical cannabis product.

“Limited-access area” means an area in which medical cannabis is stored or held and is only accessible to a licensee and authorized personnel.

“Lot” means a batch or a specifically identified portion of a batch.

“Lot number” means a distinctive group of numbers, letters, or symbols, or any combination thereof, that is unique to the lot of cannabis product, and from which the complete history of the manufacturing, packaging, labeling, and/or holding of a lot of cannabis product can be determined.

“Manufacturer licensee” or “licensee” means the holder of a manufacturer license issued pursuant to the Act associated with a specific manufacturing premises.

“Manufacture” means the production, preparation, propagation, or compounding of cannabis products. The term “manufacture” includes the following:

- (a) Extraction processes
- (b) Infusion processes
- (c) Packaging or repackaging of manufactured medical cannabis or medical cannabis products.
- (d) Labeling or relabeling the packages of manufactured medical cannabis or medical cannabis products.

The term “manufacture” does not include the following:

- (a) The repacking of medical cannabis products from a bulk container by a distributor or dispensary where the product’s original packaging and labeling is not otherwise altered.
- (b) The placing of medical cannabis products into exit packaging by a dispensary. For purposes of this section, “exit packaging” means any packaging required by the Bureau to hold a finished cannabis product after sale at a dispensary.

“Manufacturing” or “manufacturing operation” means all aspects of the extraction and/or infusion processes, including processing, preparing, holding, storing, packaging, or labeling of cannabis products. Manufacturing also includes any processing, preparing, holding, or storing of components and ingredients.

“Microorganisms” means yeasts, molds, bacteria, viruses, protozoa, and/or microscopic parasites and includes species that are pathogens. The term “undesirable microorganisms” includes those microorganisms that are pathogens, that subject manufactured cannabis to decomposition, that indicate that manufactured cannabis is

contaminated with filth, or that otherwise may cause manufactured cannabis to be adulterated.

“Monitor” means to conduct a planned sequence of observations or measurements to assess whether control measures are operating as intended.

“Nonvolatile solvent” means any solvent used in the extraction process that is not a volatile solvent. For purposes of this chapter, a nonvolatile solvent includes carbon dioxide used for extraction.

“Package” or “packaging” means any container or wrapper that may be used for enclosing or containing any cannabis and cannabis products. The term “package” does not include any shipping container or outer wrapping used solely for the transportation of cannabis or cannabis products in bulk quantity to any licensed manufacturer or distributor.

“Pathogen” means a microorganism that can cause illness or injury.

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

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

“Premises” means the designated structure(s) and land specified in the application that is owned, leased, or otherwise held under the control of the applicant or licensee where the commercial cannabis activity as defined in subdivision (f) of section 19300.5 of the Business and Professions Code, will be or is conducted. The premises shall be a contiguous area and shall only be occupied by one licensee.

“Preventive controls” means those risk-based, reasonably appropriate procedures, practices, and processes that a person knowledgeable about the safe manufacturing, processing, packing, or holding of food would employ to significantly minimize or prevent the hazards identified under the hazard analysis that are consistent with the

current scientific understanding of safe food manufacturing, processing, packing, or holding at the time of the analysis.

“Primary panel” means the part of a label that is most likely to be displayed, presented, shown, or examined under customary conditions of display for retail sale.

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

“Product Identity” or “identity of the product” means the generic name of the product type by which it is most commonly known. For edible products, the product identity shall not contain any trademarked identity of a traditional food product.

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

“Quality” means that the cannabis product consistently meets the established specifications for identity, cannabinoid concentration, composition, and limits on contaminants, and has been manufactured, packaged, labeled, and held under conditions to prevent adulteration and misbranding.

“Quality control” means a planned and systematic operation or procedure for ensuring the quality of a cannabis product.

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

“Quality control personnel” means any person, persons, or group, designated by the licensee to be responsible for quality control operations.

"Quarantine" means the storage or identification of a product, to prevent distribution or transfer of the product, in a physically separate area clearly identified for such use or through other procedures.

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

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

"Sublet" means to lease or rent all or part of a leased or rented property.

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

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

"Track and trace system" means the universal identification certificate program for commercial medical cannabis activity authorized by this Chapter.

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

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Sections 19300.5, 19304, 19341, and 19347.2, Business and Professions Code.

§40101. [Reserved]

§40102. Owner.

(a) For publicly traded companies, “owner” means the chief executive officer or any person or entity with an aggregate ownership interest in the company 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, in the business of 20 percent or more;

(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 of the commercial cannabis business;

(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 more of the following functions shall be prima facie evidence that such an individual is participating in the direction, control, or management of the licensed medical cannabis business:

(A) The hiring or firing of employees.

(B) Contracting for the purchase of furniture, equipment, or supplies.

(C) The making or participation in the making of policy decisions relative to operations of the licensed medical cannabis business.

(c) Individuals who have a community property interest under Family Code section 760 in the commercial cannabis business but who will not be participating in the direction, control, or management of the commercial cannabis business as defined under subsection (b)(3) of this section are not required to submit the information required of owners in the application for licensure under Section 40130. However, information regarding an individual with a community property interest shall be disclosed by the owner in the application for licensure pursuant to Section 40130. If a license in which an individual has a community property interest is revoked, the individual shall be

barred from holding an interest in the same license type as the license that was revoked for the same period of time as the owner is barred from obtaining a new license. If a license in which an individual has a community property interest in is denied, the individual shall be barred from holding an interest in the same license type as the license that was denied for the same period of time as an owner is barred from obtaining a new license.

(d) A bank or financial institution whose interest constitutes 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 40130:

(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: Section 19302.1, subdivision (f); 19304; and 19300.5, subdivision (b), Business and Professions Code. Reference: Section 19300.5, subdivision (b), Business and Professions Code.

§§40103 – 40114. [Reserved]

Article 2. General Provisions

§40115. License Required.

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

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

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19320, subdivisions (a) and (b); and 19341, Business and Professions Code.

§40116. [Reserved]

§40117. [Reserved]

§40118. Manufacturing License Classifications.

The following license types are available from the Department:

(a) "Type P," for entities that only package or repackage medical cannabis products or label or relabel the cannabis product container. Entities that engage in packaging or labeling of their own product as part of the manufacturing process do not need to hold a separate Type P license. For purposes of section 19328 of the Business and Professions Code, a Type P license shall be subject to the same restrictions as a Type 6 license.

(b) "Type N," for manufacturers that produce edible products or topical products using infusion processes, or other types of medical cannabis products other than extracts or concentrates, and that do not conduct extractions. For purposes of section 19328 of the Business and Professions Code, a Type N license shall be subject to the same restrictions as a Type 6 license.

(c) "Type 6," for extractions using mechanical methods or nonvolatile solvents as defined by Section 40100. A Type 6 licensee may also conduct infusion operations, or packaging and labeling of its own cannabis products on the licensed premises, provided that the infusion method is noted on the application form and that the relevant information pursuant to subsection (b) of Section 40128 is provided to the Department.

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

(1) Conduct extractions using nonvolatile solvents or mechanical methods on the licensed premises provided that the extraction process is noted on the application form and the relevant information is provided to the Department pursuant to subsection (b) of Section 40128.

(2) Conduct infusion operations on the licensed premises, provided that the infusion method is noted on the application form and that the relevant information is provided to the Department pursuant to subsection (b) of Section 40128.

(3) Conduct packaging and labeling of its own cannabis products.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19300.7, subdivisions (k) and (l); and 19341, Business and Professions Code.

§40119. [Reserved]

§40120. [Reserved]

§40121. [Reserved]

§40122. [Reserved]

§40123. [Reserved]

§40124. [Reserved]

SUBCHAPTER 2 – MANUFACTURING LICENSES
Article 1. Applications for Licensure

§40125. New License Application.

An application for a new license shall be required under any of the following circumstances:

- (a) The applicant or premises has not previously been licensed by the Department.
- (b) The license expired and was not renewed in a timely manner.
- (c) The applicant's license has been revoked by the local jurisdiction and/or the Department.
- (d) The licensee holds a Type P license and wants to begin conducting infusions or extractions.
- (e) The licensee holds a Type N license and wants to begin conducting extractions requiring a Type 6 or Type 7 license.
- (f) The licensee holds a Type 6 license (nonvolatile solvent) and wants to begin conducting Type 7 extractions (volatile solvent).
- (g) The applicant has changed.
- (h) The licensee intends to relocate any portion of the manufacturing operation to new premises.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19321, subdivision (b); and 19341, Business and Professions Code.

§40126. [Reserved]

§40127. [Reserved]

§40128. Application Requirements.

To apply for a manufacturer license from the Department, an applicant shall submit the following:

(a) A completed application form as prescribed by the Department, or an online submission form as available, which includes the following information:

(1) Applicant information:

(A) Application type (new, renewal, change in operations, change in ownership);

(B) License type sought (Type N, Type P, Type 6, or Type 7);

(C) The legal business name of the applicant and the applicant's tax identification number;

(D) The name(s) under which the business will operate ("Doing Business As");

(E) If the applicant is a sole proprietor, the applicant's social security number and date of birth;

(F) The applicant's mailing address which will serve as the address of record;

(G) The name, title and phone number of the contact person for the applicant, and the applicant's contact email address;

(H) The seller's permit number issued by the Board of Equalization or evidence that the applicant has applied for a seller's permit from the Board of Equalization;

(I) The number, date of issuance and date of expiration of the local jurisdiction's license, permit or other authorization for the manufacture of medical cannabis products;

(J) The ownership structure of the applicant as filed with the California Secretary of State (e.g. limited liability company, joint partnership, S-Corporation). An applicant that is a foreign corporation shall include in its application the certificate of qualification issued by the Secretary of State of California under Corporations Code section 2105;

(K) A list of the owners, as defined in Section 40102;

(L) Identification of other medical cannabis licenses the applicant holds or has applied for.

(2) Manufacturing Premises Information:

(A) The physical address of the manufacturing premises;

(B) The name, title and phone number of the person who manages the operation of the facility;

(C) The name, title and phone number of an alternate contact person for the facility;

(D) The number of employees at the manufacturing site;

(E) The anticipated gross annual revenue from all sales of products manufactured at the manufacturing premises;

(F) A premises diagram. The diagram shall be specific enough to enable ready determination of the bounds of the property and the proposed premises to be licensed, showing all boundaries, dimensions, entrances and exits, interior partitions, walls, room, windows, and common or shared entryways. The diagram must show the areas in which all commercial cannabis activities will be conducted. The diagram shall be to scale. 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 will identify what the remaining property is used for.

(3) Disclosure of any of the following, including a description of the circumstances:

(A) Any criminal conviction substantially related to the qualifications of a manufacturer identified in Business and Professions Code section 19323(b)(4) or in Section 40162 of these regulations;

(B) Any violation of law that is substantially related to the qualifications of a manufacturer as identified in Section 40162;

(C) Any fines or penalties for cultivation or production of a controlled substance on public or private land;

(D) Any sanctions by a licensing authority or a city or county for unlicensed commercial cannabis activity within 3 years preceding the date of the application;

(E) Any revocation of a cannabis license by a licensing authority or local jurisdiction within 3 years preceding the date of the application;

(F) Any conviction of a crime related to fraud or embezzlement;

(G) Any conviction of a violent felony as specified in subdivision (c) of section 667.5 of the Penal Code;

(H) Any conviction of a serious felony as specified in subdivision (c) of section 1192.7 of the Penal Code;

(I) Whether the applicant is on parole or probation for a felony conviction;

(J) Whether the applicant has, as a licensed physician, ever made patient recommendations for medical cannabis pursuant to section 11362.7 of the Health and Safety Code;

(K) If the applicant is a natural person, the applicant shall also provide the information required by subdivision (a)(2) of this section.

(4) Licensed Activity:

(A) The type of activity conducted (extraction, infusion, packaging, labeling) including a description of extraction and infusion methods;

(B) The types of products that will be manufactured, packaged, or labeled.

(5) Attestations: The applicant shall attest to the following:

(A) The applicant is not licensed as a retailer of alcoholic beverages pursuant to Business and Professions Code, Division 9 (commencing with Section 23000).

(B) The applicant, if it has 20 or more employees, will enter into and abide by a labor peace agreement as required by Business and Professions Code section 19322(a)(6) .

(C) The applicant is in compliance with the licensing limitations specified in Business and Professions Code section 19328.

(D) The applicant understands that the requirements of operation pursuant to Subchapter 3 shall be met.

(6) The application shall be signed by the applicant under penalty of perjury, that the information provided is complete, true, and accurate.

(b) The applicant shall also submit the following documentation with the application:

(1) A description of inventory control procedures sufficient to demonstrate how the applicant will comply with the requirements of Section 40282;

(2) A description of quality control procedures sufficient to demonstrate how the applicant will comply with the all of the applicable requirements specified in Sections 40232-40268;

(3) A description of the transportation process to be used by the applicant that is in compliance with state law;

(4) A description of security procedures sufficient to demonstrate how the applicant will comply with the requirements of Section 40200;

(5) In lieu of a description of the methods, processes and procedures to be used by the applicant, the applicant may submit a copy of such procedure with the application;

(6) A written statement signed by the owner of the property, or the owner's agent, identifying the physical location of the property and acknowledging and consenting to the manufacture of medical cannabis products on the property. The name, address and contact phone number for the owner or owner's agent shall be included;

(7) Documentation issued by the local jurisdiction certifying that the applicant is in compliance with all local ordinances and regulations, or that the applicant will be in compliance with all local ordinances and regulations by the time the Department issues a license;

(8) Proof of having obtained a surety bond in the amount of \$5,000, payable to the State as obligee, to ensure payment of the cost incurred for the destruction of medical cannabis product necessitated by a violation of the Act or the regulations adopted thereunder. All bonds required under this regulation must be in a form satisfactory to the State, issued by a corporate surety licensed to transact surety business in the State of California.

(c) The application shall be accompanied by a non-refundable application fee as specified in Section 40150.

(d) Any manufacturer submitting operating procedures and protocols to the Department pursuant to the Act and this division may claim such information as a trade secret or confidential by clearly identifying such information as "confidential" on the document at the time of submission. Any claim of confidentiality by a manufacturer must be based on the manufacturer's good faith belief that the information marked as confidential constitutes a trade secret as defined in Civil Code section 3426.1(d), or otherwise exempt from public disclosure under the California Public Records Act in Government Code section 6250 et seq.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19321, subdivision (b); and 19341, Business and Professions Code.

§40129. [Reserved]

§40130. Owner Applications.

(a) Each owner shall submit the following information on a form prescribed by the Department or through online submission as available:

- (1) Name;
- (2) Title or position held;
- (3) Social security number;
- (4) Date of birth;
- (5) Mailing address;
- (6) Email address;

(7) Whether the owner has a financial interest in any license type other than manufacturing. For the purposes of this section, “financial interest” means an investment in a medical cannabis business, a loan provided to a medical cannabis business, or any other equity interest in a medical cannabis business.

(8) Whether the owner is a licensed physician making patient recommendations for medical cannabis;

(9) The date the owner’s fingerprints were submitted to the State Department of Justice;

(10) Disclosure of the information required by Section 40128(a)(3)(A)-(K).

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

- (1) The full name of the individual.
- (2) The individual’s date of birth.
- (3) The individual’s social security number or individual taxpayer identification number.

(4) The individual’s mailing address.

(5) Whether the individual has a financial interest in any other licensee under the Act. For purposes 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.

(c) The owner form shall be signed by the owner under penalty of perjury that the information provided is complete, true, and accurate.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19321, subdivision (b); and 19341, Business and Professions Code.

§40131. [Reserved]

§40132. Waiver of Sovereign Immunity.

(a) Any applicant or licensee that may fall within the scope of sovereign immunity that may be asserted by a federally recognized tribe or other sovereign entity must waive any sovereign immunity defense that the applicant or licensee may have, may be asserted on its behalf, or may otherwise be asserted in any state 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. The applicant or licensee must submit a written waiver of sovereign immunity to the bureau with any license application or renewal, which is valid for the period of the license. The written waiver shall include that the applicant or licensee has the lawful authority to enter into the waiver required by this section, the applicant or licensee hereby waives sovereign immunity, and the applicant or licensee agrees to do all of the following:

(1) Provide documentation to the 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 state 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 the 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 Medical Cannabis Regulation and Safety Act and the Administrative Procedures Act;

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

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

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19300.5(b), Business and Professions Code.

§40133. [Reserved]

§40134. [Reserved]

§40135. Incomplete Applications.

(a) Incomplete applications will not be processed. Applications will only be considered complete if all of the information requested under Section 40130 is included. The Department shall issue a notice to the applicant informing them of any information missing from the application.

(b) If the applicant fails to submit the required information within 180 days from the date of notice, the application shall be deemed abandoned.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19321, subdivision (b); and 19341, Business and Professions Code.

§40136. [Reserved]

§40137. Application Withdrawal.

(a) An applicant may withdraw an application for licensure at any time prior to the issuance or denial of the license. Requests to withdraw an application shall be submitted in writing to the Department.

(b) An applicant may reapply at any time subsequent to the withdrawal of an application.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19321, subdivision (b); and 19341, Business and Professions Code.

§40138. [Reserved]

§40139. [Reserved]

Article 2. Operations in Existence as of January 1, 2018

§40140. Applicants Operating Prior to January 1, 2018.

(a) An applicant that has been operating as a manufacturer on or before January 1, 2018 may continue to operate until the Department approves or denies its application, under the following conditions:

(1) The applicant submits a complete application prior to July 2, 2018;

(2) The applicant is operating pursuant to a license, permit, or other authorization from the local jurisdiction;

(3) The applicant continues to operate in compliance with all state and local requirements; and

(4) The applicant submits documentation of operation prior to January 1, 2018, including, but not limited to, any of the following:

(A) Local license or permit or other written authorization;

(B) Collective or Cooperative Membership Agreement;

(C) Tax or business forms submitted to the Board of Equalization or Franchise Tax Board;

(D) Incorporation documents;

(E) Receipts evidencing business expenditures;

(F) Any other verifiable business record adequate to demonstrate the operation of the business prior to January 1, 2018.

(b) The Department may request additional documentation to verify the applicant's date of commencement of operations.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19321, subdivision (b); and 19341, Business and Professions Code.

§40141. Priority of Review of Applications.

(a) Except as provided in subdivision (b), applications will be processed in the order in which they are received and determined to be complete.

(b) Priority shall be given to applicants that can demonstrate they were in operation and in good standing with the local jurisdiction by January 1, 2016, and whose ownership or premises are currently the same as they were on January 1, 2016. Priority applicants shall have their applications processed in the order in which they are received.

(c) For purposes of priority review under subdivision (b), the date the applicant began manufacturing operations shall be provided by the applicant. The applicant shall attest to the date and “good standing” with the local jurisdiction under penalty of perjury and shall provide a copy of any of the documentation specified in subdivision (a)(4) of Section 40140 to establish that operations began on or before January 1, 2016.

(d) For purposes of this section, “good standing” shall be evidenced by a document issued or signed by the local jurisdiction that contains the following:

- (1) The name of the applicant;
- (2) The address of premises to be licensed;
- (3) The name of the office that issued the local license, permit, or other authorization;
- (4) The name, contact information, and signature of the individual authorized to sign on behalf of the local jurisdiction;
- (5) The statement: “The abovenamed party has been issued a license, permit, or other authorization from this jurisdiction to conduct commercial cannabis activity. The abovenamed party is currently in operation and is operating in good standing in this jurisdiction.”

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19321, subdivision (b); and 19341, Business and Professions Code.

§§ 40142 - 40149. [Reserved]

Article 3. Fees

§40150. Application and License Fees.

Manufacturer application fees and annual license fees shall apply to all manufacturer applicants and licensees, as follows:

(a) A nonrefundable application processing fee of \$1,000 for each new application submitted.

(b) The annual license fee, based upon a sliding scale, calculated as follows:

(1) For a licensed premises with an annual gross revenue of up to \$100,000 (Tier I), the fee shall be \$2,000.

(2) For a licensed premises with annual gross revenue of \$100,001 to \$500,000 (Tier II), the fee shall be \$7,500.

(3) For a licensed premises with annual gross revenue of \$500,001 to \$2,000,000 (Tier III), the fee shall be \$15,000.

(4) For a licensed premises with annual gross revenue of \$2,000,001 to \$5,000,000 (Tier IV), the fee shall be \$35,000.

(5) For a licensed premises with annual gross revenue of over \$5,000,000 (Tier V), the fee shall be \$50,000.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19321, subdivision (b); 19341; and 19350 Business and Professions Code.

§40151. [Reserved]

§40152. [Reserved]

§40153. [Reserved]

§40154. [Reserved]

Article 4. Approval or Denial of Application for Licensure

§40155. New License Approval.

(a) The Department shall notify the applicant upon approval of a license application.

(b) The applicant shall pay the applicable license fee specified in Section 40150 within 30 calendar days of notification.

(c) The license shall become effective on the date the Department receives the applicable license fee.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19304; 19320, subdivisions (a) and (b); and 19341, Business and Professions Code.

§40156. [Reserved]

§40157. [Reserved]

§40158. [Reserved]

§40159. Denial of License.

(a) The Department may deny an application for a new or renewal license for any reason specified in section 19323 of the Business and Professions Code. In addition, the Department may deny a license application for the following reasons:

(1) The applicant or owner has been convicted of any act involving dishonesty, fraud, or deceit with the intent to substantially benefit himself or herself or another, or to substantially injure another.

(2) The applicant or associated applicant made a material misrepresentation in the application for the license.

(3) The applicant or associated applicant has been convicted of a crime or has committed a violation of law substantially related to the qualifications, functions or duties of a manufacturer as identified in Section 40162.

(4) The applicant has been denied a license, permit, or other authorization to engage in commercial cannabis activity by a state or local licensing authority.

(5) The applicant has denied the Department access to the premises.

(b) The Department shall deny a license to an applicant if that applicant or an associated applicant holds additional licenses in violation of section 19328 of the Business and Professions Code.

(c) A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere.

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Sections 19323, Business and Professions Code.

§40160. [Reserved]

§40161. [Reserved]

§40162. Substantially Related Acts.

(a) For the purpose of denial of a license, a conviction that is substantially related to the qualifications, functions, and duties of the business for which the application is made include:

(1) A violent felony conviction, as specified in subdivision (c) of section 667.5 of the Penal Code;

(2) A serious felony conviction, as specified in subdivision (c) of Section 1192.7 of the Penal Code;

(3) A felony conviction involving fraud, deceit, or embezzlement;

(4) A felony conviction for hiring, employment or using a minor 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

(5) A felony conviction for drug trafficking with enhancements pursuant to Health and Safety Code sections 11370.4 or 11379.8.

(6) A violation of sections 110620, 110625, 110630, 110760, 110765, 110770, 110775, 111290, 111295, 111300, 111440, 111445, 111450, or 111455 of the Health and Safety Code (Sherman Food, Drug, and Cosmetic Law).

(7) A violation of the California Food Sanitation Act, Health and Safety Code sections 111950-112130 that resulted in suspension or revocation of a license or any civil or criminal proceedings.

(8) Any violation of section 382 or 383 of the Penal Code.

(b) Except as provide in subparagraphs (4) and (5) of paragraph (a) and notwithstanding Chapter 2 (commencing with section 480) of Division 1.5 of the Business and Professions Code, a prior conviction, where the sentence, including any term of 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 grounds for denial of 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 a license.

Note: Authority: Sections 19302, 19304, and 19323(b)(4), Business and Professions Code. Reference: Sections 480 et seq. and 19323(b)(4), Business and Professions Code.

§40163. [Reserved]

§40164. [Reserved]

§40165. Criteria for Evidence of Rehabilitation.

(a) An applicant or associated applicant that has a prior criminal conviction for any offense specified in subparagraphs (A) – (D) of paragraph (4) of subdivision (b) of section 19323 of the Business and Professions Code, or Section 40162 of this chapter may request that the Department consider evidence of rehabilitation prior to denial of an application.

(b) The Department shall consider the following criteria in its evaluation of evidence of rehabilitation:

(1) The nature and severity of the act or offense, including the actual or potential harm to the public.

(2) The applicant's criminal record as a whole.

(3) 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 manufacturing license.

(4) The time elapsed since commission of the act or offense listed in Section 40162, or in section 19323, subdivision (b)(4) of the Business and Professions Code.

(5) The extent to which the applicant or licensee has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or licensee.

(6) If applicable, evidence of expungement proceedings under Penal Code section 1203.4 or a similar law in another state.

(7) If applicable, a certificate of rehabilitation obtained under Penal Code section 4852.01 or a similar law in another state.

(8) Other evidence of rehabilitation submitted by the applicant or licensee.

Note: Authority: Sections 19302, 19304, and 19323(b)(4), Business and Professions Code. Reference: Section 19323(b)(4), Business and Professions Code.

§40166. [Reserved]

§40167. Appeal of License Denial.

(a) Upon denial of an application for a license, the Department shall notify the applicant in writing that the application has been denied, will provide the reasons for the denial, and will inform the applicant of their right to a hearing.

(b) The applicant may appeal the license denial by filing a written petition with the Department within 30 calendar days of service of the notice of denial. The written petition must be postmarked within the 30-day period in order to satisfy the filing requirement. If a petition is not filed within the 30-day period, the applicant's right to a hearing is waived. The petition shall address the basis for denial identified by the Department, specify the reasons the applicant meets the requirements for licensure, and include evidence of rehabilitation, if applicable.

(c) Upon receipt of the petition, the Department shall set the petition for a hearing, which shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Section 19302.1(f), 19308, 19324, Business and Professions Code.

§40168. [Reserved]

§40169. Denial of Application – Reapplication.

An applicant whose license has been denied based on a substantially related offense or act may not reapply for licensure until after a period of one year has elapsed from the effective date of the denial.

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Section 19324, Business and Professions Code.

§§40170 - 40174. [Reserved]

Article 5. Licensing

§40175. License Constraints.

(a) No applicant or associated applicant of any license issued by the Department to manufacture cannabis products shall hold a Type 8 or Type 11 license, as provided in section 19334 of the Business and Professions Code.

(b) A manufacturer licensee shall not manufacture, prepare, package or label any products other than cannabis products at the licensed premises.

(c) A manufacturer licensee shall not sublet any portion of the licensed premises of the manufacturing facility or plant.

Authority: Section 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19321, subdivision (a); and 19328, Business and Professions Code.

§40176. [Reserved]

§40177. [Reserved]

§40178. Material Change Request.

(a) A manufacturer licensee shall immediately notify the Department of any change in the information reported on the license application.

(b) A “Material Change Request” shall be submitted by a manufacturer licensee under the following circumstances:

(1) Change in ownership. When there is any change in ownership to the cannabis manufacturing operation, the licensee shall notify the Department. The new owner shall submit an owner application to the Department, and submit their fingerprints to the California Department of Justice. Consistent with Business and Professions Code section 19323, the Department shall review the qualifications of the owner and determine whether the change would constitute grounds for denial of the license. The Department may deny the change in ownership, or condition the license as appropriate.

(2) Change in Operations. If the licensee intends to conduct additional operations in accordance with section 19334 of the Business and Professions Code, the licensee shall submit a Material Change Request to the Department along with a description of each extraction or infusion method to be added, an updated product list, any applicable Standard Operating Procedures for the manufacturing operation, and an updated floor plan, if applicable. The licensee shall not conduct the additional extraction or infusion operations prior to receiving approval from the Department.

(c) The following changes cannot be provided to the Department through a Material Change Request and shall instead require a new license application:

- (1) A change in the license applicant as defined in Section 40125.
- (2) A relocation of the manufacturing premises.

Authority: Section 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f) and 19321, subdivision (a), Business and Professions Code.

§40179. [Reserved]

§40180. License Renewal.

(a) An application for renewal of a manufacturing license shall be submitted to the Department at least 30 calendar days prior to the expiration date of the current license. No renewal application shall be accepted by the Department more than 60 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 \$500 to be paid in addition to the required annual renewal fee.

(d) A licensed manufacturer that does not submit a complete license renewal application to the Department within 30 days of 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) To apply for a license renewal, the licensee shall submit any changes to their original license information (see Section 40128) on a form prescribed by the Director, or through online submission if available; the license fee as specified in Section 40150; and shall sign the form under penalty of perjury.

(f) All owners shall also complete the owner form required by Section 40130, include any change in information, and sign the form under penalty of perjury.

(g) Licensees and owners applying for license renewal are not required to submit fingerprints to the Department of Justice if they have previously submitted fingerprints with an application for a cannabis manufacturer license.

Authority: Section 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19321, subdivision (a); and 19350, Business and Professions Code.

§§40181 - 40199. [Reserved]

SUBCHAPTER 3. REQUIREMENTS OF OPERATION
Article 1. Safety and Security

§40200. Security Plan.

Every applicant and licensee shall develop and implement a security plan. At minimum, the security plan shall include a description of the security measures to be taken to:

(a) Prevent access to the manufacturing premises by unauthorized personnel and protect the physical safety of employees. This includes, but is not limited to:

(1) Establishing physical barriers to secure perimeter access and all points of entry into a manufacturing premises (such as locking primary entrances with commercial-grade, non-residential door locks, or providing fencing around the grounds, driveway, and any secondary entrances including windows, roofs, or ventilation systems);

(2) Installing a security alarm system to notify and record incident(s) where physical barriers have been breached;

(3) Establishing an identification and sign-in/sign-out procedure for authorized personnel, suppliers, and/or visitors;

(4) Maintaining the premises such that visibility and security monitoring of the premises is possible; and

(5) Establishing procedures for the investigation of suspicious activities.

(b) Prevent against theft or loss of cannabis and cannabis products. This includes but is not limited to:

(1) Establishing an inventory system to track cannabis material and the personnel responsible for processing it throughout the manufacturing process;

(2) Limiting access of personnel within the premises to those areas necessary to complete job duties, and to those time-frames specifically scheduled for completion of job duties;

(3) Supervising tasks or processes with high potential for diversion (including the loading and unloading of cannabis transportation vehicles); and

(4) Providing designated areas in which personnel may store and access personal items.

(c) Secure and back up electronic records in a manner that prevents unauthorized access and that the integrity of the records is maintained.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: 19322, subdivision (b); 19327; and 19341, Business and Professions Code.

§40201. [Reserved]

§40202. [Reserved]

§40203. [Reserved]

§40204. [Reserved]

§40205. Video Surveillance.

(a) At a minimum, licensed premises shall have a complete digital video surveillance system with a minimum camera resolution of 1280 × 1024 pixels. The video surveillance system shall be capable of recording all pre-determined surveillance areas in any lighting conditions.

(b) The video surveillance system shall be capable of supporting remote access by the licensee.

(c) To the extent reasonably possible, all video surveillance cameras shall be installed in a manner that prevents intentional obstruction, tampering with, and/or disabling.

(d) Areas that shall be recorded on the video surveillance system include, but are not limited to, the following:

(1) Areas where medical cannabis or medical cannabis products are weighed, packed, stored, quarantined, loaded and/or unloaded for transportation, prepared, or moved within the premises;

(2) Areas where cannabis is destroyed;

(3) Limited-access areas;

(4) Security rooms;

(5) Areas containing surveillance-system storage devices, in which case, at least one camera shall record the access points to such an area; and

(6) The interior and exterior of all entrances and exits to the premises.

(e) The surveillance system shall record continuously 24 hours per day and at a minimum of 20 frames per second.

(f) All recording and monitoring equipment shall be located in secure rooms or areas of the premises in an access-controlled environment.

(g) All surveillance recordings shall be kept on the licensee's recording device for a minimum of 30 days.

(h) All video surveillance recordings are subject to inspection by the Department and shall be copied and sent, or otherwise provided, to the Department upon request.

(i) The video recordings shall display the current date and time of

recorded events. Time is to be measured in accordance with the U.S. National Institute Standards and Technology standards. The displayed date and time shall not significantly obstruct the view of recorded images.

Authority: Section 19304, Business and Professions Code. Reference: Section 19334, Business and Professions Code.

§§40206 – 40219. [Reserved]

Article 2. Extractions

§40220. Permissible Extractions.

(a) Except as provided in subsection (b), cannabis extraction shall only be conducted using the following methods:

(1) Mechanical extraction, such as screens or presses.

(2) Chemical extraction using a nonvolatile solvent such as a nonhydrocarbon-based or other solvent such as water, vegetable glycerin, vegetable oils, animal fats, or food-grade glycerin. Nonhydrocarbon-based solvents shall be food grade.

(3) Chemical extraction using a professional closed loop CO₂ gas extraction system.

(4) Chemical extraction using a volatile solvent, as defined in Section 40100, subsection (bf).

(5) Any other method authorized by the Department pursuant to subsection (b).

(b) To request authorization from the Department to conduct cannabis extraction using a method other than those specified in paragraphs (1) – (4) of subsection (a), the applicant or licensee shall submit a detailed description of the extraction method, including any documentation that validates the method and any safety procedures to be utilized to mitigate any risk to public or worker health and safety.

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Section 19341, subdivisions (a) and (b), Business and Professions Code.

§40221. [Reserved]

§40222. Volatile Solvent Extractions.

Chemical extractions using volatile solvents shall be subject to the following requirements:

(a) Hydrocarbon-based solvents shall be at least 99 percent purity.

(b) All extractions shall be performed in a closed loop extraction system as described in Section 40225.

Authority: Section 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); and 19341, Business and Professions Code.

§40223. [Reserved]

§40224. [Reserved]

§40225. Closed-Loop Extraction System Requirements.

(a) Chemical extractions using CO₂ or a volatile solvent shall be conducted in a professional closed loop extraction system. The system shall be commercially manufactured and bear a permanently affixed and visible serial number. The system shall be certified by a licensed engineer that the system was commercially manufactured, safe for its intended use, and built to codes of recognized and generally accepted good engineering practices, such as:

- (1) The American Society of Mechanical Engineers (ASME);
- (2) American National Standards Institute (ANSI);
- (3) Underwriters Laboratories (UL); or
- (4) The American Society for Testing and Materials (ASTM).

The certification document must contain the signature and stamp of a professional engineer and the serial number of the extraction unit being certified.

(b) Professional closed loop systems, other equipment used, the extraction operation, and facilities must be approved for use by the local fire code official and meet any required fire, safety, and building code requirements specified in:

- (1) National Fire Protection Association (NFPA) standards;
- (2) International Building Code (IBC);
- (3) International Fire Code (IFC); and
- (4) Other applicable standards including all applicable fire, safety, and building codes related to the processing, handling and storage of the applicable solvent or gas.

Authority: Section 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19321, subdivision (a); and 19350, Business and Professions Code.

§§40226 - 40229. [Reserved]

Article 3. Good Manufacturing Practices

§40230. [Reserved]

§40231. [Reserved]

§40232. Requirements for Personnel.

The licensee shall establish and implement written procedures to ensure the following for all personnel:

(a) Disease control. Any person who by medical examination or supervisory observation is shown to have, or appears to have, an illness, open lesion (such as boils, sores, or infected wounds), or any other source of microbial contamination presenting a reasonable threat of contamination to cannabis products, contact surfaces, or packaging materials, shall be excluded from any related manufacturing operations until their health condition is corrected. Open lesions, boils, and/or infected wounds shall be adequately covered (e.g., by an impermeable cover). Personnel shall be instructed to report such health conditions to their supervisors.

(b) Cleanliness. All persons working in direct contact with cannabis products, cannabis product-contact surfaces, and cannabis product-packaging materials shall conform to hygienic practices to the extent necessary to protect against allergen cross-contact and contamination of cannabis products while on duty. The methods for maintaining cleanliness include:

(1) Wearing appropriate outer garments to protect against allergen cross-contact and contamination of cannabis products, contact surfaces, and/or packaging materials;

(2) Maintaining adequate personal cleanliness;

(3) Washing hands thoroughly in an adequate hand-washing facility before starting work, after each absence from the work station, and at any time when the hands may have become soiled or contaminated, and sanitizing hands if necessary to protect against contamination with undesirable microorganisms;

(4) Removing all unsecured jewelry and other objects that might fall into cannabis products, equipment, or containers, and removing hand jewelry that cannot be

adequately sanitized during periods in which cannabis products are manipulated by hand. If such hand jewelry cannot be removed, it may be covered by material which can be maintained in an intact, clean, and sanitary condition and which effectively protects against the contamination by these objects of the cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials.

(5) Maintaining any gloves, if they are used in cannabis product handling in an intact, clean, and sanitary condition.

(6) Where appropriate wearing hair nets, headbands, caps, beard covers, or other hair restraints in an effective manner.

(7) Storing clothing or other personal belongings in areas separate from those where cannabis products are exposed or where equipment or utensils are washed.

(8) Confining the following activities to areas separate from those where cannabis products may be exposed or where equipment or utensils are washed: eating food, chewing gum, drinking beverages, and/or using tobacco.

(9) Taking any other necessary precautions to protect against allergen cross-contact and against contamination of cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials by microorganisms or foreign substances (including perspiration, hair, cosmetics, tobacco, chemicals, and medicines applied to the skin).

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40233. [Reserved]

§40234. Grounds.

The licensee shall establish and implement written procedures to ensure that the grounds of the premises controlled by the licensee are kept in a condition that prevents the contamination of components and cannabis products. The methods for adequate maintenance of the grounds shall include at minimum:

(a) The proper storage of equipment, removal of litter and waste, and cutting of weeds or grass within the immediate vicinity of the cannabis manufacturing facility so that the premises shall not constitute an attractant, breeding place, or harborage for pests.

(b) The proper maintenance of roads, yards, and parking lots so that these areas shall not constitute a source of contamination in areas where cannabis products are handled or transported.

(c) The provision of adequate draining areas in order to prevent contamination by seepage, foot-borne filth, or the breeding of pests due to unsanitary conditions.

(d) The provision and maintenance of waste treatment systems so as to prevent contamination in areas where cannabis products may be exposed to such a system's waste or waste by-products.

(e) If the cannabis manufacturing plant grounds are bordered by grounds outside the licensee's control that are not maintained in the manner described in subsections (a) through (d) of this section, inspection, extermination, and other reasonable care shall be exercised within the cannabis manufacturing plant in order to eliminate any pests, dirt, and/or filth that pose a source of cannabis product contamination.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40235. [Reserved]

§40236. Facility Construction and Design.

At minimum, a suitable cannabis manufacturing facility shall:

(a) Provide adequate space for such placement of equipment and storage of materials as is necessary for maintenance, sanitary operations, and the production of safe cannabis products.

(b) Permit the taking of adequate precautions to reduce the potential for allergen cross-contact and for contamination of cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials by microorganisms, chemicals, filth, and other extraneous material.

(c) Permit the taking of adequate precautions to protect product ingredients in installed outdoor bulk vessels by any effective means, including:

(1) Using protective coverings.

(2) Controlling areas over and around the vessels in order to eliminate harborages for pests.

(3) Checking such vessels on a regular basis for pests and pest infestation.

(d) Be constructed in such a manner that floors, walls, and ceilings may be adequately cleaned and kept clean and in good repair.

(e) Be constructed in such a manner that drip or condensate from fixtures, ducts and pipes does not contaminate cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials.

(f) Be constructed in such a manner so as to provide adequately wide and unobstructed aisles or working spaces between equipment and walls that permit employees to both perform their duties and protect against the contamination of cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials via clothing or personal contact.

(g) Provide adequate lighting in hand-washing areas, dressing and locker rooms, and toilet facilities, in all areas where components or cannabis products are examined, manufactured, processed, packed, or held, and in all areas where equipment or utensils are cleaned.

(h) Provide shatter-resistant light bulbs, fixtures, skylights, and/or other shatter-resistant glass fixtures in all areas where glass breakage may result in the contamination of exposed cannabis components or products at any step of preparation.

(i) Provide adequate ventilation or control equipment to minimize dust, odors and vapors (including steam and noxious fumes) in areas where they may cause allergen cross-contact or contamination of cannabis products; and locate and operate fans and other air-blowing equipment in a manner that minimizes the potential for allergen cross-contact and contamination of cannabis products, cannabis product-packaging materials, and cannabis product-contact surfaces.

(j) Provide, where necessary, adequate screening or other protection against pests.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40237. [Reserved]

§40238. Sanitary Operations.

The licensee shall establish and implement written sanitary operation procedures to ensure the following:

(a) That buildings, fixtures, and other physical facilities on the premises are maintained in a clean and sanitary condition and are kept in good repair so as to prevent cannabis products from becoming adulterated.

(b) That the cleaning and sanitization of utensils and equipment is conducted in a manner that protects against allergen cross-contact and contamination of cannabis products or product components, cannabis product-contact surfaces, or cannabis product-packaging materials.

(c) That cleaning compounds and sanitizing agents used in cleaning and sanitizing procedures are free from undesirable microorganisms and are safe and adequate under their conditions of use. Only the following toxic materials shall be used or stored in a manufacturing facility where cannabis products are process or exposed:

- (1) Those required to maintain clean and sanitary conditions;
- (2) Those necessary for plant and equipment maintenance and operation; and
- (3) Those necessary for use in the cannabis manufacturing facility's operations.

(d) That toxic cleaning compounds, sanitizing agents, and pesticide chemicals are identified, held, and stored in a manner that protects against contamination of product components, cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials.

(e) That effective measures are taken to exclude pests from the cannabis manufacturing facility in all areas where cannabis components and/or products may be at risk of contamination by pests. The use of pesticides to control pests in the cannabis manufacturing plant is permitted only under precautions and restrictions that protect against the contamination of cannabis products, cannabis product-contact surfaces, and cannabis product-packaging materials.

(f) That all cannabis product-contact surfaces including utensils and equipment are cleaned as frequently as necessary to protect against allergen cross-contact and contamination of cannabis products.

(g) That cannabis product-contact surfaces used for manufacturing/processing, packing or holding low-moisture cannabis products shall be maintained in a clean, dry, and sanitary condition before use. When such surfaces are wet-cleaned, they shall, when necessary, be sanitized and thoroughly dried before subsequent use.

(h) That, when cleaning is necessary to protect against allergen cross-contact or the introduction of microorganisms into cannabis products during wet processing, all cannabis product-contact surfaces shall be cleaned and sanitized before use and after any interruption during which cannabis product-contact surfaces may have become contaminated. Where equipment and utensils are used in a continuous production operation, their surfaces shall be cleaned and sanitized as necessary.

(i) That single-service articles (such as utensils intended for one-time use, paper cups, and paper towels) are stored, handled, and disposed of in a manner that protects against allergen cross-contact and contamination of cannabis product, cannabis product-contact surfaces, or cannabis product-packaging materials.

(j) That the non-cannabis product-contact surfaces of equipment used in the cannabis manufacturing facility are cleaned in a manner and as frequently as necessary to protect against allergen cross-contact and contamination of cannabis products, cannabis product-contact surfaces, and cannabis product-packaging materials.

(k) That cleaned and sanitized portable equipment with cannabis product-contact surfaces and utensils are stored in a location and manner that protects cannabis product-contact surfaces from allergen cross-contact and contamination.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40239. [Reserved]

§40240. Sanitary Facilities and Controls.

The facility shall be equipped with adequate sanitary accommodations as follows:

(a) Water supply. The water supply shall be adequate for the operations intended and derived from an adequate source. Any water that contacts cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials shall be safe and of adequate sanitary quality. Running water at a suitable temperature, and under pressure as needed, shall be provided in all areas where required for the processing of cannabis products, for the cleaning of equipment, utensils, and cannabis product-packaging materials, and/or for employee sanitary facilities.

(b) Plumbing. Plumbing systems shall be of adequate size and design and shall be adequately installed and maintained in order to:

(1) Carry adequate quantities of water to required locations throughout the manufacturing facility.

(2) Properly convey sewage and liquid disposable waste from the facility.

(3) Avoid the creation of unsanitary conditions and/or contamination to cannabis products, water supplies, equipment, or utensils.

(4) Provide adequate floor drainage in all areas where floors are subject to flooding-type cleaning or where normal operations release or discharge water or other liquid waste on the floor.

(5) Provide that there is not backflow from, or cross-connection between, piping systems that discharge waste water or sewage, and piping systems that carry water for cannabis products or cannabis product manufacturing.

(c) Sewage disposal. Sewage shall be disposed of into an adequate sewerage system or through other adequate means.

(d) Toilet facilities. Each manufacturing facility shall provide employees with adequate, readily accessible toilet facilities. Toilet facilities shall be kept clean and shall not pose a potential source of contamination of cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials.

(e) Hand-washing facilities. Each manufacturing facility shall provide hand-washing facilities designed to ensure that an employee's hands do not pose a source of

contamination to cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials. Toilet facilities shall be adequate, convenient, and furnish running water at of at least 100° F (30° C).

(f) Rubbish disposal. Rubbish shall be conveyed, stored, and disposed of so as to minimize the development of odor, minimize the potential that waste will attract, harbor, or otherwise contribute to for the breeding of pests, and protect against the contamination of cannabis products, cannabis product-contact surfaces, cannabis product-packaging materials, water supplies, and ground surfaces.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40241. [Reserved]

§40242. Equipment and Utensils.

(a) All cannabis manufacturing equipment and utensils used in manufacturing cannabis products shall be so designed and of such material and workmanship as to be adequately cleanable, and shall be adequately maintained to protect against allergen cross-contact and contamination.

(b) Equipment and utensils shall be designed, constructed, and used appropriately to avoid the adulteration of cannabis products with lubricants, fuel, metal fragments, contaminated water, or any other contaminants.

(c) Equipment shall be installed so as to facilitate the cleaning and maintenance of the equipment and of adjacent spaces.

(d) Cannabis product-contact surfaces shall be corrosion-resistant when in contact with cannabis products.

(e) Cannabis product-contact surfaces shall be made of nontoxic materials, designed to withstand the environment of their intended use, and, if applicable, cleaning compounds, sanitizing agents, and cleaning procedures.

(f) Cannabis product-contact surfaces shall be maintained to protect cannabis products from allergen cross-contact and from contamination by any source, including prohibited additives.

(g) Seams on cannabis product-contact surfaces shall be smoothly bonded or maintained so as to minimize accumulation of particles, dirt, and organic matter and thus minimize the opportunity for growth of microorganisms and allergen cross-contact.

(h) Equipment in areas where cannabis products are manufactured and that do not come into contact with cannabis products shall be constructed so that they may be kept in a clean and sanitary condition.

(i) Holding, conveying, and manufacturing systems, including gravimetric, pneumatic, closed, and automated systems, shall be of a design and construction that enables them to be maintained in an appropriate clean and sanitary condition.

(j) Each freezer and cold storage compartment used to store and hold cannabis products, ingredients, or components capable of supporting growth of microorganisms shall be fitted with an indicating thermometer, temperature-measuring device, or

temperature-recording device so installed as to show the temperature accurately within the compartment.

(k) Instruments and controls used for measuring, regulating, or recording temperatures, pH, acidity, water activity, or other conditions that control or prevent the growth of undesirable microorganisms in cannabis products, ingredients, or components shall be accurate and precise and adequately maintained and calibrated, and be provided in an adequate number for their designated use(s).

(l) Compressed air or other gases mechanically introduced into cannabis products or used to clean cannabis product-contact surfaces or equipment shall be treated in such a way that cannabis products shall not be contaminated with prohibited additives.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§§40243 - 40249. [Reserved]

Article 4. Production and Process Controls

§40250. General Provisions.

(a) Appropriate quality control operations shall be employed to ensure that cannabis products are suitable for human consumption or use, and that cannabis product-packaging materials are safe and suitable.

(b) Overall sanitation of the premises shall be under the supervision of one or more competent individuals assigned responsibility for this function.

(c) Adequate precautions shall be taken to ensure that production procedures do not contribute to allergen cross-contact and to contamination from any source.

(d) Chemical, microbial, or extraneous-material testing procedures shall be used where necessary to identify sanitation failures or possible allergen cross-contact and cannabis product contamination.

(e) Any cannabis product that has become contaminated to the extent that it is adulterated shall be rejected.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40251. [Reserved]

§40252. Quality of Raw Materials and Ingredients.

The licensee shall establish and implement written policies and procedures to ensure the quality of raw materials and ingredients as follows:

(a) Raw materials and other ingredients shall be inspected, segregated or otherwise handled as necessary to ensure that they are clean and suitable for processing into cannabis products, and shall be stored under conditions that protect against allergen cross-contact and contamination, and in such a way as to minimize deterioration.

(b) Raw materials must be washed or cleaned as necessary to remove soils and other contaminants. Water used for washing, rinsing, or conveying cannabis product ingredients must be safe and of adequate sanitary quality.

(c) Raw materials and other ingredients shall not contain levels of microorganisms that render the cannabis product injurious to human health, or shall be pasteurized or otherwise treated during manufacturing so that they no longer contains levels of microorganisms that would cause the cannabis product to be adulterated.

(d) Raw materials and other ingredients susceptible to contamination with aflatoxin or other natural toxins shall not exceed generally acceptable limits set by the U.S. Food and Drug Administration for aflatoxins, other natural toxins, pest contamination, undesirable microorganisms, or extraneous materials for those materials or ingredients, before these raw materials or other ingredients are incorporated into finished cannabis products.

(e) Raw materials and other ingredients shall be held in bulk, or in containers designed and constructed so as to protect against allergen cross-contact or contamination, and shall be held at such temperature and relative humidity and in such a manner as to prevent the cannabis products from becoming adulterated.

(f) Frozen raw materials and other ingredients shall be kept frozen. If thawing is required prior to use, it shall be done in a manner that prevents the raw materials and other ingredients from becoming adulterated.

(g) Raw materials and other ingredients that are food allergens shall be identified and held in a manner that prevents cross-contact with other raw materials or ingredients.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40253. [Reserved]

§40254. Manufacturing Operations.

The licensee shall establish and implement written manufacturing operation procedures to ensure the following:

(a) That all cannabis product manufacturing shall be conducted under such conditions and controls as are necessary to minimize the potential for the growth of microorganisms, allergen cross-contact, contamination of cannabis products, and deterioration of cannabis products.

(b) That cannabis products capable of supporting the rapid growth of undesirable microorganisms shall be held at temperatures that prevent the cannabis product from becoming adulterated during manufacturing, processing, packing and holding.

(c) That measures such as sterilizing, irradiating, pasteurizing, cooking, freezing, refrigerating, controlling pH, or controlling water activity that are undertaken to destroy or prevent the growth of undesirable microorganisms shall be adequate under the conditions of manufacture, handling, and transfer to prevent the cannabis product from being adulterated. For purposes of this section, “water activity” (a_w) is a measure of the free moisture in a manufactured cannabis product and is the quotient of the water vapor pressure of the substance divided by the vapor pressure of pure water at the same temperature.

(d) That work-in-process shall be handled in a manner that protects against allergen cross-contact, contamination, and growth of microorganisms.

(e) That effective measures shall be taken to protect finished cannabis products from allergen cross-contact and from contamination by raw materials, other ingredients, rejected components, or refuse. When raw materials, other ingredients, or refuse are unprotected, they shall not be handled simultaneously in a receiving, loading or shipping area if such handling could result in allergen cross-contact or contaminated cannabis products. Cannabis products transported by conveyer shall be protected against allergen cross-contact and against contamination as necessary.

(f) That equipment, containers, and utensils used to convey, hold, or store raw materials and other ingredients, work-in-process, or other cannabis products shall be

constructed, handled, and maintained during manufacturing, processing, packing, and holding in a manner that protects against allergen cross-contact and contamination.

(g) That adequate measures shall be taken to protect against the inclusion of metal or other extraneous material in cannabis products.

(h) That adulterated cannabis products, raw materials, and other ingredients shall be disposed of in a manner that protects against the contamination of other cannabis products.

(i) That steps such as washing, peeling, trimming, cutting, sorting and inspecting, mashing, dewatering, cooling, shredding, extruding, drying, whipping, defatting, and forming shall be performed so as to protect cannabis products against allergen cross-contact and contamination. Cannabis products shall be protected from contaminants that may drip, drain, or be drawn into the cannabis product.

(j) That, when required in the preparation of cannabis products capable of supporting microbial growth, heat blanching shall be effected by heating the cannabis product to the required temperature, holding that temperature for the required amount of time, and then either rapidly cooling the cannabis product or passing it to subsequent manufacturing without delay. Growth and contamination by thermophilic microorganisms in blanchers shall be minimized by the use of adequate operating temperatures and by periodic cleaning and sanitization as necessary.

(k) That batters, breading, sauces, gravies, dressings, dipping solutions, and other similar preparations that are held and used repeatedly over time shall be treated or maintained in such a manner that they are protected against allergen cross-contact and contamination, and in a manner that minimizes the potential growth of undesirable organisms.

(l) That filling, assembling, packaging, and related operations shall be performed in such a way that the cannabis product is protected against allergen cross-contact, contamination and growth of undesirable microorganisms.

(m) That cannabis products that principally rely on the control of water activity (a_w) for preventing the growth of undesirable microorganisms (such as dry mixes, nuts, intermediate moisture cannabis products, and dehydrated cannabis products) shall be

processed and maintained at a safe moisture level. For purposes of this section “safe moisture level” is a level of moisture low enough to prevent the growth of undesirable microorganisms in the finished product under the intended conditions of manufacturing. The safe moisture level for an edible cannabis product is related to its a_w . An a_w will be considered safe for a manufactured cannabis product if adequate data is available to demonstrate that at or below the given a_w the manufactured cannabis product will not support the growth of undesirable microorganisms.

(n) That, when ice is used in contact with cannabis products, it shall be made from water that is safe and of adequate sanitary quality in accordance with Section 40240 subdivision (a), and shall be used only if it has been manufactured in accordance with current good manufacturing practices as outlined in this part.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40255. [Reserved]

§40256. Hazard Analysis.

The licensee shall conduct a hazard analysis to identify or evaluate known or reasonably foreseeable hazards for each type of cannabis product produced at their facility in order to determine whether there exist any hazards requiring a preventive control. The hazard analysis shall include:

(a) The identification of potential hazards, including:

(1) Biological hazards, including microbiological hazards;

(2) Chemical hazards, including radiological hazards, pesticide(s) contamination, solvent or other residue, natural toxins, decomposition, unapproved additives, or food allergens; and/or

(3) Physical hazards, such as stone, glass, metal fragments, hair or insects.

(b) The evaluation of the hazards identified in order to assess the severity of any illness or injury that may occur as a result of a given hazard, and the probability that the hazard will occur in the absence of preventive controls.

(c) The hazard evaluation shall consider the effect of the following on the safety of the finished cannabis product for the intended consumer:

(1) The sanitation conditions of the manufacturing premises;

(2) The product formulation process;

(3) The design, function and condition of the manufacturing facility and its equipment;

(4) The ingredients and components used in a given cannabis product;

(5) The operation's transportation and transfer practices;

(6) The facility's manufacturing and processing procedures;

(7) The facility's packaging and labeling activities;

(8) The storage of components and/or the finished cannabis product;

(9) The intended or reasonably foreseeable use of the finished cannabis product.

(10) Any other relevant factors.

Authority: Sections 19302.1(f), 19304, and 19341, Business and Professions Code.

Reference: Section 19302.1(f), 19303, 19316, and 19347.6, Business and Professions Code.

§40257. [Reserved]

§40258. Preventive Controls.

Upon completion of the hazard analysis, the licensee shall identify and implement preventive controls to provide assurance that any hazards requiring a preventative control will be significantly minimized or prevented such that the manufactured cannabis product is not adulterated or misbranded. The preventive controls shall include the following components:

(a) The identification of critical control points. The points, steps or procedures in a given process in which control can be applied, and as a result, a hazard can be prevented, eliminated, or reduced to acceptable levels.

(b) The establishment of critical limits for each critical control point. The maximum or minimum value to which a physical, biological, or chemical hazard must be controlled in order to prevent, eliminate, or reduce to an acceptable level the occurrence of an identified hazard. For example: the establishment of specific limits on temperature, humidity, or pH.

(c) The establishment and implementation of monitoring procedures in order to use monitoring results to adjust a given process and maintain control. This shall include specifying the frequency and documentation requirements for monitoring.

(d) The establishment and implementation of corrective actions to be taken when monitoring indicates there is a deviation from an established critical limit. This shall include procedures for ensuring:

(1) Appropriate action is taken to identify and correct a problem that has occurred with implementation of a preventative control;

(2) Appropriate action is taken, when necessary, to reduce the likelihood that a problem will recur;

(3) All affected material(s) or product(s) are evaluated for safety;

(4) All affected material(s) or product(s) are prevented from entering into commerce if the safety or quality of that material(s) or product(s) cannot be verified.

(e) The establishment and implementation of record keeping procedures to document hazard analyses and control plans, identify the person responsible for each step, and identify the corrective actions that were taken upon of the discovery of a

deviation. These records shall be subject to verification and records review by the Department.

(f) The establishment and implementation of verification procedures in order to validate that preventative controls are consistently implemented and are effective in minimizing or preventing identified hazards; that monitoring activities are being conducted as required; and that appropriate decisions about corrective actions are being made.

Authority: Sections 19302.1(f), 19304, and 19341, Business and Professions Code.

Reference: Section 19302.1(f), 19303, 19316, and 19347.6, Business and Professions Code.

§40259. [Reserved]

§40260. Equipment and Machinery Qualification.

(a) The licensee shall establish and implement procedures to ensure that each piece of equipment and machinery is suitable for its intended use prior to operation. These procedures include, but are not limited to:

(1) Procedures for validating that all equipment and machinery has design specifications, operating procedures, and performance characteristics appropriate for its intended use by the licensee.

(2) Procedures for validating that all equipment and machinery are built and installed in compliance with design specification, not limited to: built as designed with proper materials, capacity, and functions, and properly connected and calibrated.

(3) Procedures for validating that all equipment and machinery perform in accordance with quality requirements in all anticipated operating ranges using the licensee's standard operating procedures. Operating ranges shall be shown to be capable of being held as long as would be necessary during routine production.

(4) The establishment of a schedule for routine re-verification of all equipment and machinery.

(b) The licensee shall maintain verification records for all equipment and machinery, which contain at minimum:

(1) Documentation of successful verification of each piece of equipment and machinery, dated and signed by the person conducting the verification.

(2) Documentation of successful re-verifications of each piece of equipment and machinery upon any modification to the equipment or machinery, intended use, or standard operating procedure.

(3) A log detailing and documenting the verification and re-verification of all equipment and machinery in operation on the licensed premises.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40261. [Reserved]

§40262. Master Manufacturing Protocol.

The licensee shall establish and follow a written master manufacturing protocol for each unique formulation of cannabis product manufactured, and for each batch size, to ensure uniformity in finished batches and across all batches produced.

(a) The master manufacturing protocol shall:

(1) Identify specifications for the points, steps, or stages in the manufacturing process where control is necessary to ensure the quality of the cannabis product and that the cannabis product is packaged and labeled as specified in the master manufacturing protocol; and

(2) Establish controls and procedures to ensure that each batch of cannabis product manufactured meets the specifications identified in accordance with subsection (a)(1) of this section.

(b) The master manufacturing protocol shall include:

(1) The name and intended cannabinoid(s) concentration per serving of the cannabis product to be manufactured, and the strength, concentration, weight, or measure of each ingredient for each batch size;

(2) A complete list of components to be used;

(3) An accurate statement of the weight or measure of each component to be used;

(4) The identity and weight or measure of each ingredient that will be declared on the ingredients list of the cannabis product;

(5) A statement of theoretical yield of a manufactured cannabis product expected at each point, step, or stage of the manufacturing process where control is needed to ensure the quality of the cannabis product, and the expected yield of the finished product, including the maximum and minimum percentages of theoretical yield beyond which a deviation investigation of a batch is necessary and material review is conducted and disposition decision is made;

(6) A description of packaging and a representative label, or a cross-reference to the physical location of the actual or representative label;

(7) Written instructions, including the following:

(A) Specifications for each point, step, or stage in the manufacturing process where control is necessary to ensure the quality of the cannabis product and that the cannabis product is packaged and labeled as specified in the master manufacturing record;

(B) Procedures for product and/or batch sampling and a cross-reference to procedures for tests or examinations of products and/or batches;

(C) Specific actions necessary to perform and validate points, steps, or stages in the manufacturing process where control is necessary to ensure the quality of the cannabis product and that the cannabis product is packaged and labeled as specified in the master manufacturing record.

(D) Such specific actions shall include verifying the weight or measure of any component used in the finished cannabis product, and verifying the addition of any component; and

(E) For manual operations, such specific actions shall include:

(i) One person weighing or measuring a component and another person verifying the weight or measure; and

(ii) One person adding the component and another person verifying the addition.

(F) Special notations and precautions to be followed; and

(G) Corrective action plans for use when a specification is not met.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40263. [Reserved]

§40264. Batch Production Record.

(a) The licensee shall prepare a written batch production record every time a batch of a cannabis product is manufactured. The batch production record shall accurately follow the appropriate master manufacturing protocol, and each step of the protocol shall be performed in the production of the batch.

(b) The batch production record shall document complete information relating to the production and control of each batch, including all of the following details:

(1) The batch number of the finished batch of cannabis product and the unique identifier number(s) of all cannabis products used in the batch.

(2) The lot number assigned for each of the following:

(A) Each lot of finished cannabis product from the batch;

(B) Each lot of cannabis product from the finished batch of cannabis product that is transferred to another licensed manufacturer for packaging or labeling;

(3) The identity of equipment and processing lines used in producing the batch;

(4) The date and time of the maintenance, cleaning, and sanitizing of the equipment and processing lines used in producing the batch, or a cross-reference to records, such as individual equipment logs, where this information is retained;

(5) The identification number assigned to each component (or, when applicable, to a cannabis product received from a supplier for packaging or labeling as a cannabis product), packaging, and label used;

(6) The identity and weight or measure of each component used;

(7) A statement of the actual yield and a statement of the percentage of theoretical yield at appropriate phases of processing;

(8) The actual results obtained during any monitoring operation;

(9) The results of any testing or examination performed during the batch production, or a cross-reference to such results; and

(10) Documentation, at the time of performance, of the manufacture of the batch, including:

(A) The date on which each step of the master manufacturing protocol was performed; and

(B) The initials of the persons performing each step, including:

(i) The initials of the person responsible for weighing or measuring each component used in the batch;

(ii) The initials of the person responsible for verifying the weight or measure of each component used in the batch;

(iii) The initials of the person responsible for adding the component to the batch; and

(iv) The initials of the person responsible for verifying the addition of components to the batch.

(11) Documentation, at the time of performance, of packaging and labeling operations, including:

(A) An actual or representative label, or a cross-reference to the physical location of the actual or representative label specified in the master manufacturing record;

(B) The expected number of packaging and labels to be used, the actual quantity of the packaging and labels used, and, when label reconciliation is required, reconciliation of any discrepancies between issuance and use of labels; and

(C) The results of any tests or examinations conducted on packaged and labeled cannabis products (including repackaged or relabeled cannabis products), or a cross-reference to the physical location of such results.

(12) Documentation at the time of performance that quality control personnel have:

(A) Reviewed the batch production record;

(B) Reviewed all required monitoring operation(s) required by this article;

(C) Reviewed the results of all tests and examinations, including tests and examinations conducted on components, in-process materials, finished batches of cannabis product, and packaged and labeled cannabis products;

(D) Either approved and released--or rejected--the batch for distribution; and

(E) Either approved and released--or rejected-- the finished cannabis product, including any repackaged or relabeled cannabis product.

(13) Documentation at the time of performance of any required material review and disposition decision.

(c) The batch production record shall:

- (1) Contain the actual values and observations obtained during monitoring and, as appropriate, during verification activities;
- (2) Be accurate, indelible, and legible;
- (3) Be created concurrently with performance of the activity documented;
- (4) Be as detailed as necessary to provide history of work performed; and:
 - (A) Include information adequate to identify the associated manufacturing plant or facility (e.g., the name, and when necessary, the location of the plant or facility);
 - (B) Include the date and, when appropriate, the time of the activity documented;
 - (C) Include the signature or initials of the person performing the activity; and
 - (D) Where appropriate, include the identity of the product and the lot number or batch identifier, if any.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40265. [Reserved]

§40266. Product Complaints.

The licensee shall establish and implement written procedures to ensure that:

(a) A qualified individual shall review and investigate all product complaints to determine whether such complaints involve a possible failure of a cannabis product to meet any of its specifications;

(b) Quality control personnel shall review and approve decisions determining whether to investigate a product complaint and shall review and approve the findings and follow up action(s) of any investigation performed;

(c) Pursuant to subdivisions (a) and (b) in this section, any review and/or investigative activities by qualified individuals and quality control personnel shall extend to all relevant batches and records.

(d) Quality control personnel shall maintain written records for every product complaint and subsequent investigation, if any. The records shall include:

- (1) The name and description of the cannabis product;
- (2) The batch, lot, or control number of the cannabis product, if available;
- (3) The date the complaint was received and the name, address, or telephone number of the complainant, if available;
- (4) The nature of the complaint including, if known, how the product was used;
- (5) The reply to the complainant, if any; and
- (6) Any findings of the investigation and/or follow-up action taken when an investigation is performed.

(e) For purposes of this section, “product complaint” means any communication that contains any allegation, written, electronic, or oral, expressing concern, for any reason, with the quality of a cannabis product that could be related to the manufacturing practices. Examples of product complaints may include but are not limited to: foul odor, off taste, illness or injury, disintegration time, color variation, foreign material in a cannabis product container, improper packaging, mislabeling, cannabis products that contain incorrect concentration of cannabinoids, or cannabis products contain a wrong ingredient, or any form of contaminant.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40267. [Reserved]

§40268. Recalls.

A licensee shall establish and implement written procedures for recalling cannabis products manufactured by the licensee that are determined to be misbranded or adulterated. These procedures shall include:

- (a) Factors which necessitate a recall;
- (b) Personnel responsible for implementing the recall procedures; and
- (c) Notification protocols, including:

(1) A mechanism to notify all customers that have, or could have, obtained the product, including communication and outreach via media, as necessary and appropriate;

(2) A mechanism to notify any licensees that supplied or received the recalled product;

(3) Instructions to the general public and/or other licensees for the return and/or destruction of recalled product.

(d) Procedures for the collection and destruction of any recalled product. Such procedures shall meet the following requirements:

1) All recalled products that are intended to be destroyed shall be quarantined for a minimum of 72 hours. The licensee shall affix to the recalled products any bills of lading, shipping manifests, or other similar documents with product information and weight, and shall notify the Department of the quarantine. The product held in quarantine shall be subject to auditing by the Department.

(2) Following the quarantine period, the licensee shall render the recalled cannabis product unusable and unrecognizable as specified in Section 40290, and on video surveillance in accordance with subsection (e) of Section 40205. Except as provided in subparagraph (A), recalled cannabis product that has been rendered unusable and unrecognizable is considered cannabis waste and shall be disposed of in accordance with Section 40290 cannabis waste destruction.

(3) A licensee shall dispose of chemical, dangerous, or hazardous waste in a manner consistent with federal, state, and local laws. This requirement shall include but is not limited to recalled products containing or consisting of pesticide or other

agricultural chemicals, certain solvents or other chemicals used in the production of manufactured cannabis batches, and cannabis soaked in a flammable solvent for the purpose of producing manufactured cannabis batches.

(4) A licensee shall not dispose of recalled product in an unsecured waste receptacle that is not in the possession and/or control of the licensee.

(e) In addition to the tracking requirements set forth in Section 40272, a licensee shall use the track-and-trace database and on-site documentation to ensure that recalled cannabis products intended for destruction are identified, weighed, and tracked while on the licensed premises and when disposed of in accordance with this section. For recalled cannabis products, the licensee shall enter the following details into the track and trace database: the weight of the product, reason for destruction, and the date the quarantine period will begin.

(f) The licensee shall notify the Department of any recall within 24 hours.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; and 19347.6, Business and Professions Code.

§40269. [Reserved]

Article 5. Record Keeping

§40270. Record Keeping Requirements.

(a) The licensee shall have the following documents available on the premises at all times and shall make the documents available to the Department and any enforcement agency upon request:

- (1) The valid state license issued by the Department;
- (2) Any other valid license issued by a state cannabis licensing agency;
- (3) The valid license, permit, or other approval issued by the local jurisdiction;
- (4) The premises diagram;
- (5) The current standard operating procedures as defined in Section 40275;
- (6) Shipping manifests;
- (7) Employee records, including evidence of employee qualifications and training procedures and logs; and
- (8) Any other record or documentation required to be kept pursuant to this Division.

(b) The records required pursuant to subsection (a) shall be maintained in a manner immediately accessible on the premises to the Department and any enforcement agencies upon request for a period of two (2) years, except that outdated standard operating procedures shall not be accessible to onsite employees. After two (2) years, records may be maintained by the licensee in an alternate manner, provided that the records can be made available to the Department or enforcement agency no later than 48 hours following a request and that the records are retained for a period of 7 years in total.

(c) All documentation shall be maintained in English.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; and 19327, Business and Professions Code.

§40271. [Reserved]

§40272. Track-and-Trace Requirements for Manufacturers.

(a) A licensee shall enter the following events into the track-and-trace database:

(1) Receipt of cannabis material.

(2) The transfer to or receipt from another licensed manufacturer of cannabis products for further manufacturing.

(3) Transfer of cannabis products to a distributor.

(b) The following information shall be recorded for each event entered into the track-and-trace database:

(1) The licensed entity from which the cannabis material or product is received, including that entity's license number, and the licensed entity to which the cannabis product is transferred, including that entity's license number.

(2) The name and license number of the transporter who transported the cannabis material or cannabis product.

(3) The type of cannabis material or cannabis product received or transferred.

(4) The weight of the cannabis material or cannabis product received or transferred.

(5) The date of receipt or transfer.

(6) The unique identifier assigned to the cannabis material or cannabis product.

(7) Any other information required by other applicable licensing authorities.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19320; 19327; and 19335, Business and Professions Code.

§40273. [Reserved]

§40274. [Reserved]

Article 6. Other Responsibilities

§40275. Standard Operating Procedures.

A licensee shall establish and maintain written standard operating procedures that are easily accessible to onsite personnel. The standard operating procedures shall, at minimum, include the following:

- (a) Any policies or procedures developed in accordance with the security plan required by Section 40200 to which personnel must adhere;
- (b) Emergency response procedures including personnel training;
- (c) Policies and procedures developed in accordance with Article 3 of this subchapter (Good Manufacturing Practices);
- (d) Policies and procedures developed in accordance with Article 4 of this subchapter (Production and Process Control);
- (e) Procedures for complying with the track-and-trace requirements established in Section 40272;
- (f) Inventory control procedures in compliance with Section 40282; and
- (g) Destruction procedures in compliance with Section 40290.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; 19320; 19327; and 19341, Business and Professions Code.

§40276. [Reserved]

§40277. [Reserved]

§40278. [Reserved]

§40279. [Reserved]

§40280. Training Program.

(a) The licensee shall implement a training program to ensure that all personnel present at the premises are provided information and training that, at minimum, covers the following topics:

(1) Within 30 days of the start of employment:

(A) Health and safety hazards;

(B) Hazards presented by all solvents or chemicals used at the licensed premises as described in the material safety data sheet for each solvent or chemical;

(C) Emergency procedures;

(D) Security procedures;

(E) Record keeping requirements; and

(F) Training requirements.

(2) Prior to independently engaging in any cannabis manufacturing process:

(A) An overview of the process and standard operating procedure(s);

(B) Quality control procedures;

(C) Hazard analysis and control procedures as appropriate;

(D) Proper and safe usage of equipment or machinery;

(E) Safe work practices applicable to an employee's job tasks, including appropriate use of any necessary safety or sanitary equipment;

(F) Cleaning and maintenance requirements;

(G) Emergency operations, including shutdown; and

(H) Any additional information reasonably related to an employee's job duties.

(3) Additionally, a licensee that produces edible cannabis products shall ensure that all personnel who prepare, handle, or package edible products successfully complete a food handler course accredited by the American National Standards Institute (ANSI) within 90 days of commencing employment at the premises and again every three years during employment. For licensees in operation pursuant to Section 40140, applicable personnel shall complete the ANSI-accredited food handler course no later than 90 days after the effective date of the license. The licensee shall obtain documentation evidencing the fulfillment of this requirement.

(4) The licensee shall ensure that all personnel receive annual refresher training to cover, at minimum, the topics listed in this section. This annual refresher training must be completed within 12 months of the previous training completion date.

(b) The licensee shall maintain a record which contains at minimum:

(1) An annual attestation by the licensee that he/she has received and understood all information and training provided in the training program.

(2) A list of all personnel at the premises, including at minimum, name and job duties of each.

(3) Documentation of training topics and dates of training completion for all personnel.

(4) Training topics and dates of refresher training completion for all personnel.

(5) The signature of the individual personnel and the licensee verifying receipt and understanding of each training or refresher training completed by the personnel.

(6) Any official documentation attesting to the successful completion of required training by personnel.

(c) The licensee may assign responsibility for ensuring compliance by individual personnel with the requirements of this section to supervisory personnel. Assigned supervisory personnel must have the education, training, or experience (or a combination thereof) necessary to ensure the production of clean and safe cannabis products by all personnel. The designated training personnel shall sign and date a document on an annual basis attesting that he or she has received and understood all information and training provided in the training program. This documentation shall be maintained as part of the record requirements.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19316; 19327; and 19341, Business and Professions Code.

§40281. [Reserved]

§40282. Inventory Control – Cannabis and Cannabis Products.

(a) A licensee shall establish and implement a written inventory control plan capable of tracking the location and disposition of all cannabis and cannabis product at the licensed premises.

(b) A licensee shall reconcile the inventory of cannabis and cannabis products at the licensed premises with the records in the track-and-trace database at the close of business each day. Reconciliation shall be performed by one person and independently verified by a second person.

(c) If a licensee finds a discrepancy between the inventory and the track-and-trace database, the licensee shall conduct an audit.

(d) The licensee shall notify the Department within 24 hours if an audit turns up a discrepancy that is not within five percent of the documented inventory.

(e) If a licensee finds evidence of theft or diversion, the licensee shall immediately report the theft or diversion to the Department.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19307; 19327; 19334, subdivision(c); 19335; and 19341, Business and Professions Code.

§40283. [Reserved]

§40284. [Reserved]

§40285. [Reserved]

§40286. [Reserved]

§40287. [Reserved]

§40288. [Reserved]

§40289. [Reserved]

§40290. Disposal of Cannabis Waste.

(a) In this division, “cannabis waste” is waste that is not hazardous waste as defined in Public Resources Code section 40141 and is solid waste, as defined in Public Resources Code section 40191, 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 Public Resources Code section 40141, in compliance with all applicable hazardous-waste statutes and regulations.

(c) A licensee shall not dispose of medical cannabis products or cannabis waste in an unsecured waste receptacle, whether in the control of the licensee or not.

(d) Medical cannabis products that a licensee intends to render into cannabis waste shall be held in quarantine 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 quarantine period may the cannabis be handled, moved, or rendered into cannabis waste. The cannabis is subject to inspection by the Department.

(e) A licensee shall make medical cannabis goods into cannabis waste by rendering the medical cannabis goods unusable and unrecognizable. The licensee shall render the cannabis goods into cannabis waste before removing the cannabis waste from the licensed premises. A licensee shall render the medical cannabis goods into cannabis waste by grinding and incorporating the cannabis with other ground material so that the resulting mixture is at least 50 percent non-cannabis material by volume. A licensee shall render medical cannabis goods into cannabis waste and track that waste one batch at a time and shall not comingle different batches into cannabis waste.

(f) The licensee shall render the medical cannabis goods into cannabis waste on camera in the manner required by Section 40205.

(g) Medical cannabis goods that a licensee wishes to deposit at a compostable materials handling operation or facility or at an in-vessel digestion operation or facility

may be rendered cannabis waste by incorporating any nonhazardous compostable material, as defined in Title 14, California Code of Regulations, Section 17852(a)(11), that a compostable materials handling operation or facility or in-vessel digestion operation or facility may lawfully accept.

(h) After a licensee renders the medical cannabis goods 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 compostable materials handling operation or a manned and fully permitted compostable materials handling facility; or

(3) Deposit the cannabis waste at a manned in-vessel digestion operation or and a manned and fully permitted in-vessel digestion facility.

(i) In addition to all other tracking requirements set forth in Section 40272, a licensee shall use the track-and-trace database and on-site 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 (h).

(j) A licensee shall enter the date and time that the medical cannabis goods were rendered cannabis waste and the weight of the resulting cannabis waste into the track-and-trace database.

(k) 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 deposition of cannabis waste. A licensee shall obtain a record from the solid waste facility or operation evidencing the acceptance of the cannabis waste material at the facility or operation. The record must contain the name and address of the operation or facility, the date, the volume or weight of the cannabis waste accepted, and the name and signature of the person manning the facility or operation who accepts the cannabis waste. These documents are records subject to inspection by the Department and shall be kept in compliance with Section 40270.

(l) A licensee shall enter the date and time of the disposal or deposition of the cannabis waste at a solid waste facility into the track-and-trace database.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19303; 19304; 19311, subdivision (d); 19332; and 19341; Business and Professions Code.

§40291. [Reserved]

§40292. Consent to Sample Collection.

A manufacturer licensee that transfers possession but not title of medical cannabis products to a licensed distributor shall allow the Bureau, upon the Bureau's request, to collect samples for purposes of conducting oversight of licensed testing laboratories.

Authority: Sections 19302.1, subdivision (f), 19304 and 19341, Business and Professions Code. Reference: Sections, 19302.1, subdivision (f); 19303; 19304; 19307; 19341; and 19343, Business and Professions Code.

§§40293 – 40299. [Reserved]

SUBCHAPTER 4. PRODUCTS
Article 1. Cannabis Product Standards

§40300. Prohibited Products.

(a) No licensee shall infuse alcoholic beverages, as defined in section 23004 of the Business and Professions Code, with cannabis.

(b) No cannabis product shall contain any non-cannabinoid additive that would increase potency, toxicity or addictive potential, or that would create an unsafe combination with other psychoactive substances. Prohibited additives include but are not limited to nicotine and caffeine.

(c) No cannabis product shall be made of potentially hazardous food. Potentially hazardous food means any food capable of supporting the growth of infectious or toxigenic microorganisms when held at temperatures above 41 degrees Fahrenheit. This includes the following:

(1) Any cannabis product that must be held at or below 41 degrees Fahrenheit to keep it safe for human consumption;

(2) Any low-acid cannabis product with a finished equilibrium pH greater than 4.6 and water activity greater than 0.85, packed in a hermetically sealed container in a reduced oxygen package (e.g. vacuum packed);

(3) Any canned cannabis product;

(4) Any juice. "Juice" means the liquid expressed or extracted from one or more fruits or vegetables, purees of the edible portions of one or more fruits or vegetables, or any concentrates of such liquid or puree;

(5) Perishable bakery products that need to be held at temperatures below 41⁰ Fahrenheit to prevent the growth of microorganisms, including, but not limited to, cream or custard-filled pies; pies or pastries which consist in whole or in part of milk or milk products, eggs, or synthetic fillings; or meat-filled pies or pastries;

(6) Dairy products of any kind;

(7) Meat products of any kind; and

(8) Seafood products of any kind.

(d) Edible cannabis products produced for sale by the manufacturing licensee shall not include products set forth in Division 15 (commencing with § 32501) of the Food and Agriculture Code.

(e) No licensee shall manufacture cannabis products by applying cannabinoid concentrate or extract to commercially available candy or snack food items.

Authority: Section 19302.1(f), 19303, 19304, and 19341, Business and Professions Code. Reference: Section 19300.5(s) and 19347.6(a)(4), Business and Professions Code.

§40301. [Reserved]

§40302. Prohibited Ingredients and Components.

No product ingredients or components, other than cannabis extracts or concentrates, shall be used in the manufacture of an edible cannabis product unless such ingredients or components are approved by the United States Food and Drug Administration for use in food or food manufacturing.

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f), 19316, and 19346.7, Business and Professions Code.

§40303. [Reserved]

§40304. [Reserved]

§40305. Edible Products – Serving Size.

(a) Edible cannabis products shall not contain more than ten (10) milligrams of THC per serving or more than one hundred (100) milligrams of THC per package of finished product.

(b) Edible products that constitute more than a single serving shall be scored, delineated, or otherwise similarly marked to indicate one serving.

Authority: Section 19302.1, subdivision (f); 19303; 19304; and 19341 Business and Professions Code. Reference: Section 19300.5 subdivision (s); and 19303, Business and Professions Code.

§40306. Finished Cannabis Products – Maximum THC Content.

For manufactured cannabis that is not an edible product, no package of finished cannabis product shall contain more than 1,000 mg of THC.

Authority: Section 19302.1, subdivision (f); 19303; 19304; and 19341 Business and Professions Code. Reference: Section 19300.5 subdivision (s); and 19303, Business and Professions Code.

§40307. Uniform Distribution.

Edible cannabis products shall be homogenized to ensure uniform disbursement of cannabinoids throughout the product.

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f), 19316, 19344, and 19346.7, Business and Professions Code.

§40308. [Reserved]

§40309. [Reserved]

§40310. Contaminants.

(a) No cannabis product shall exceed the level of contaminants identified in Business and Professions Code section 19344 or set by the Bureau pursuant thereto.

(b) The mixing of a cannabis product containing defects at levels that render that the cannabis product adulterated with another lot of cannabis product is not permitted and renders the final cannabis product adulterated, regardless of the defect level of the final cannabis product.

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f), 19316, 19344, and 19346.7, Business and Professions Code.

§§40311 – 40399. [Reserved]

SUBCHAPTER 5. LABELING AND PACKAGING REQUIREMENTS
Article 1. General Provisions

§40400. Applicability.

The requirements in this section shall apply to finished cannabis products and shall not apply to cannabis or cannabis products that are transferred between licensees for purpose of further processing or packaging.

Authority: Section 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19326, subdivision (b); 19341; Business and Professions Code.

§40401. Release to Distributor as Finished Product.

Prior to release of a product to a distributor, a licensee shall ensure that the product is in finished form and is labeled and packaged in its final form for sale at a dispensary.

Authority: Section 19302.1, subdivision (f); 19303; 19304; and 19341, Business and Professions Code. Reference: Section 19326, subdivision (b); 19341; Business and Professions Code.

§40402. [Reserved]

Article 2. Labeling Requirements

§40403. General Provisions.

- (a) Any information required to be listed on a label shall be written in English.
- (b) A label shall be unobstructed and conspicuous.
- (c) All required label information shall be unobstructed and conspicuous.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19300.5, subdivision (v); 19302.1, subdivision (f); 19347; 19347.5, Business and Professions Code.

§40404. [Reserved]

§40405. Primary Panel Labeling Requirements.

(a) The label for a cannabis product shall include a primary panel that includes the following information:

(1) The identity of the product in a text size reasonably related to the most prominent printed matter on the panel;

(2) The words “cannabis-infused” immediately above the identity of the product in bold type and a text size larger than the text size used for the identity of the product;

(3) The cannabis product symbol as prescribed in Section 40412 ;

(4) The net weight or volume of the contents of the package;

(5) The THC content and CBD content for the package in its entirety, expressed in milligrams per package;

(6) The THC content and CBD content per serving, expressed in milligrams per serving; and

(7) The content of other cannabinoids or terpenes per serving if such information is verified by the certificate of analysis issued by a licensed testing laboratory pursuant to Business and Professions Code section 19344.

(b) The primary panel text must be in type size no less than 6 point font and be in relation to the size of the primary panel and container.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19300.5, subdivision (v); 19302.1, subdivision (f); 19347; 19347.5, Business and Professions Code.

§40406. [Reserved]

§40407. [Reserved]

§40408. Informational Panel Labeling Requirements.

(a) The label for a medical cannabis product shall include an informational panel that includes the following:

(1) The licensed manufacturer and its contact number or website address;

(2) The date of manufacture;

(3) Each of the following statements:

(A) "SCHEDULE I CONTROLLED SUBSTANCE."

(B) "KEEP OUT OF REACH OF CHILDREN AND ANIMALS" in bold print.

(C) "FOR MEDICAL USE ONLY."

(D) "IF PREGNANT OR BREASTFEEDING, CONSULT A PHYSICIAN PRIOR TO USE."

(E) "THE INTOXICATING EFFECTS OF THIS PRODUCT MAY BE DELAYED BY UP TO TWO HOURS."

(F) "THIS PRODUCT MAY IMPAIR THE ABILITY TO DRIVE OR OPERATE MACHINERY, PLEASE USE EXTREME CAUTION."

(4) A list of all product ingredients in descending order of predominance by weight or volume;

(5) If an edible product that contains an ingredient, flavoring, coloring, or an incidental additive that bears or contains a major food allergen, the word "contains," followed by a list of the applicable major food allergens;

(6) If an edible product, the names of any artificial food colorings contained in the product;

(7) If an edible product, the amount, in grams, of sodium, sugar, carbohydrates, and total fat per serving;

(8) The lot number;

(9) Instructions for use, such as the method of consumption or application, and any preparation necessary prior to use;

(10) The product expiration date, "use by" date, or "best by" date; and

(11) The unique identifier.

(b) The informational panel text shall be in a type size of no less than 6 point font and in relation to the size of the primary panel and container, unless there is insufficient area on the container available to print all the required information in a type size of no less than 6 point font. In such a case, the label shall include the warning statements required by paragraph (3) in a type size of no less than 6 point font, and the product shall be accompanied by a supplemental labeling that includes all of the information required by this section. The text of the supplemental labeling shall be no less than 8 point font.

Authority: Sections 19302.1, subdivision (f); 19304; and 19341, Business and Professions Code. Reference: Section 19300.5, subdivision (v); 19302.1, subdivision (f); 19347; 19347.5, Business and Professions Code.

§40409. [Reserved]

§40410. Labeling Restrictions.

The label shall not contain any of the following:

(a) Claims that the manufactured cannabis or cannabis product was grown in a California county when the cannabis was not grown there.

(b) The name of a California county unless the cannabis was grown there.

(c) Content that is or designed to be attractive to individuals under the age of 21, including but not limited to:

(1) Cartoons;

(2) Any likeness to images, characters, or phrases that are popularly used to advertise to children; or

(3) Any imitation of candy packaging or labeling.

(d) False labeling information. Labeling is false if it is false or misleading in any particular.

(e) Claims of health benefits or other physical benefits.

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Sections 19341; and 19347, Business and Professions Code. Reference: Section 19300.5, subdivision (v); 19302.1, subdivision (f); 19332.5; 19347, 19347.5, Business and Professions Code.

§40411. [Reserved]

§40412. Cannabis Product Symbol.

The primary panel of a medical cannabis product shall be marked, stamped, or otherwise imprinted with the cannabis product symbol directly on the package.

(a) The symbol shall replicate the following in form and color:



(b) The symbol shall be no smaller in size than half (.5) inch by half (.5) inch and shall be printed legibly and conspicuously.

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Section 19300.5, subdivision (v), 19302.1, subdivision (f), 19347, 19347.5, Business and Professions Code.

§40413. [Reserved]

§40414. [Reserved]

Article 3. Packaging

§40415. Packaging.

A package used to contain a 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 shall be packaged in a container within which a product is sealed so that the contents cannot be opened without obvious destruction of the seal.

(c) The package shall be child-resistant, which means the package shall be designed or constructed to be significantly difficult for children under five years of age to open or otherwise obtain access to the product contained therein within a reasonable time, and shall not be difficult for normal adults to open or obtain access to the product contained therein. A package shall be deemed child-resistant if it satisfies the standard for “special packaging” as set forth in the Poison Prevention Packaging Act of 1970 Regulations (16 C.F.R. §1700.1(b)(4)).

(d) The package shall not imitate any package used for products typically marketed to children.

(e) If the product is an edible product, the package shall be opaque.

(f) If the package contains more than one serving of cannabis product, the package shall be re-sealable so that child-resistance is maintained throughout the life of the package.

Authority: Sections 19304 and 19341, Business and Professions Code. Reference: Section 19300.5, subdivision (v), 19302.1, subdivision (f), 19347, 19347.5, Business and Professions Code.

§§40416 - 40499. [Reserved]

SUBCHAPTER 6. INSPECTIONS AND ENFORCEMENT

§40500. Inspections.

(a) The Department and its inspectors or agents may conduct an on-site inspection prior to issuing a new or renewal license.

(b) The Department and its inspectors or agents shall have free access at reasonable times to the manufacturing premises, storage areas, records, production processes, labeling and packaging processes, and conveyances used in the manufacture, storage or transportation of medical cannabis products so that it may determine compliance with the provisions of the Act and these regulations.

Departmental inspections shall include all pertinent equipment, raw material, finished and unfinished materials, containers, packaging, and labeling that has a bearing on whether the medical cannabis product complies with the Act and these regulations.

(c) To the extent necessary for the enforcement of the Act and this Division the Department shall secure any sample or specimen of any medical cannabis product or ingredient used therein by the manufacturing operation. The Department's inspector or agent shall leave a receipt for the licensee describing any sample obtained prior to leaving the premises.

(d) The Department shall be able to make analyses or examinations of any sample obtained. If an analysis is made of a sample, a copy of the results of the analysis shall be promptly furnished to the licensee by the Department.

(e) The Department shall be able to conduct investigations concerning the adulteration, misbranding or unlicensed production of any medical cannabis product including the ability to enter and inspect any place where any medical cannabis product is suspected of being manufactured or held in violation of the Act or these regulations.

Authority: Sections 19302.1, subdivision (f); 19304; 19307; and 19341, Business and Professions Code. Reference: Section 19302.1, subdivision (f); 19303; 19307; 19327; 19341; 19347.7; 19347.8 Business and Professions Code.

§§40501-41099. [Reserved]