

*Bureau of Cannabis Control  
Key Changes to the Regulations  
Effective January 16, 2019*

CCIA Webinar  
Presented February 27, 2019



**BUREAU OF  
CANNABIS  
CONTROL**  
CALIFORNIA

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# Section 5000. Definitions

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## New definitions

- Branded merchandise
- Business day
- Cannabis accessories
- Immature cannabis plant
- Kief
- Pre-roll
- Promotional materials
- Tamper-evident
- Wholesale cost

## Removed definitions

- Nonvolatile solvent
- Security monitoring

## Changed definitions

- Cannabis waste
- Delivery employee
- Package and packaging
- Retail area

# Provisional Licenses

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- **Business and Professions Code section 26050.2**
- Can issue a provisional license if applicant:
  - Held temporary license for same premises and same commercial activity for which the provisional license will be issued; and
  - Has submitted a completed application.
- Valid for 12 months.
- CEQA not required.

# Licensing Fees

Based on Estimated Gross Revenue & Additional Tiers  
Section 5014

June 2018 Readopt

<u>Distributor</u>	<u>up to 3 million</u>	<u>\$ 1,200</u>
	<u>greater than 3 million to 12 million</u>	<u>\$ 10,000</u>
	<u>greater than 12 million to 60 million</u>	<u>\$ 50,000</u>
	<u>greater than 60 million to 120 million</u>	<u>\$100,000</u>
	<u>Greater than 120</u>	<u>\$200,000</u>

- Five tiers of license fees expanded to nine tiers, scaled to the size of the business entity licensed.
- Removed “Distributor Transport Only” as a separate fee category from “Distributor.”

Current Regulations  
Gross Revenue (\$ Max. Per License)



Distributor	Less or equal to \$1.0 million	\$1,500
Type 11	More than \$1.0 million and less or equal to \$2.5 million	\$6,000
Type 13	More than \$2.5 million and less or equal to \$5.0 million	\$11,250
(unless only engaging in transport only self-distribution)	More than \$5.0 million and less or equal to \$10.0 million	\$22,500
	More than \$10.0 million and less or equal to \$20.0 million	\$45,000
	More than \$20.0 million and less or equal to \$30.0 million	\$75,000
	More than \$30.0 million and less or equal to \$50.0 million	\$120,000
	More than \$50.0 million and less or equal to \$70.0 million	\$180,000
	More than \$70.0 million	\$240,000

# Business Modifications

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- **Section 5023**
- Notification timeframe has changed from 10 business days → 14 calendar days, as applicable.
- Notifications must be made on the Bureau's Notification and Request Form, BCC-LIC-027 (New 10/18), unless otherwise specified.
- Change in Ownership
  - Businesses may continue to operate under an active license while the Bureau reviews qualifications of new owners for a change in ownership, as long as one existing owner remains.
- Clarifies when the Bureau needs to be notified of any changes to the commercial cannabis business:
  - Contact information
  - Name – individual, legal business name, or business trade name (DBA or FBN)
  - Financial information
  - Bond
  - Insurance coverage

# Cannabis Goods After Termination of License

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- **Section 5024.1**
- Upon termination of a commercial cannabis license, cannabis goods remaining must be either destroyed, or purchased by a current licensee.
- Purchase of cannabis goods after termination:
  - Only upon approval and authorization by the Bureau.
  - Only by a licensed distributor or licensed microbusiness authorized to engage in distribution activities.
  - Request to purchase must be submitted on the Bureau's Notification and Request Form, BCC-LIC-027 (New 10/18), within 14 calendars of the license termination.
- Additional testing may not be needed if the cannabis goods have a valid certificate of analysis less than 12 months old.

# Advertising

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- **Section 5040**

- Advertising or marketing shall not:
  - Use any depictions or images of anyone under 21.
  - Contain the use of objects, such as toys, inflatables, movie or cartoon characters, or any other display, depiction, or images designed to be appealing to anyone under 21.
  - Advertise free cannabis goods or giveaways, including non-cannabis products (e.g. BOGO, sweepstakes, raffles, contests.)
- Outdoor signs (including billboards) shall:
  - Be affixed to a building or permanent structure.
  - Not be located within a 15-mile radius of the California state border on an Interstate Highway or a State Highway that crosses the California border.
  - Comply with the Outdoor Advertising Act, Business and Professions Code section 5200 et seq.

# Marketing Cannabis Goods as Alcoholic Products

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- **Section 5040.1**
- Licensees are prohibited from selling or transporting cannabis goods labeled as beer, wine, liquor, spirits, or any other term that may create a misleading impression that the product is an alcoholic beverage.



# Branded Merchandise Approval

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- **Section 5041.1**
- A licensee must obtain written approval from the Bureau prior to selling any branded merchandise not included in the definition under Section 5000(b).
- Requests for approval may be submitted by mail or email, to [bcc@dca.ca.gov](mailto:bcc@dca.ca.gov), and must include a picture of the branded merchandise.

# Inventory

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- Partial shipments can be rejected when:
  - Portion of shipment that does not correspond or is not accurately reflected on the sales invoice or receipt.
  - Cannabis goods that were damaged during transportation.
  - Cannabis goods that are not compliant with labeling requirements, or have exceeded the listed expiration date.
- Inventory must be reconciled in the track and trace system every 30 days. Otherwise, licensee must simply be able to account for inventory.
- Upon termination of a commercial cannabis license, cannabis goods remaining must be either destroyed, or purchased by a licensed distributor with approval from the Bureau.
  - Request to purchase must be submitted on the Bureau's Notification and Request Form, BCC-LIC-027 (New 10/18), within 14 calendars of the license termination.

# DISTRIBUTOR

- Sections

5300 to 5315



- May distribute only cannabis goods, cannabis accessories, and licensees' branded merchandise or promotional materials.
- May only provide storages services for cannabis goods that are packaged as they will be sold at retail, and do not include live plants.
- Tested cannabis goods packaged for retail sale and accompanied by a COA may be transferred to one or more licensed distributors within 12 months of the COA date.

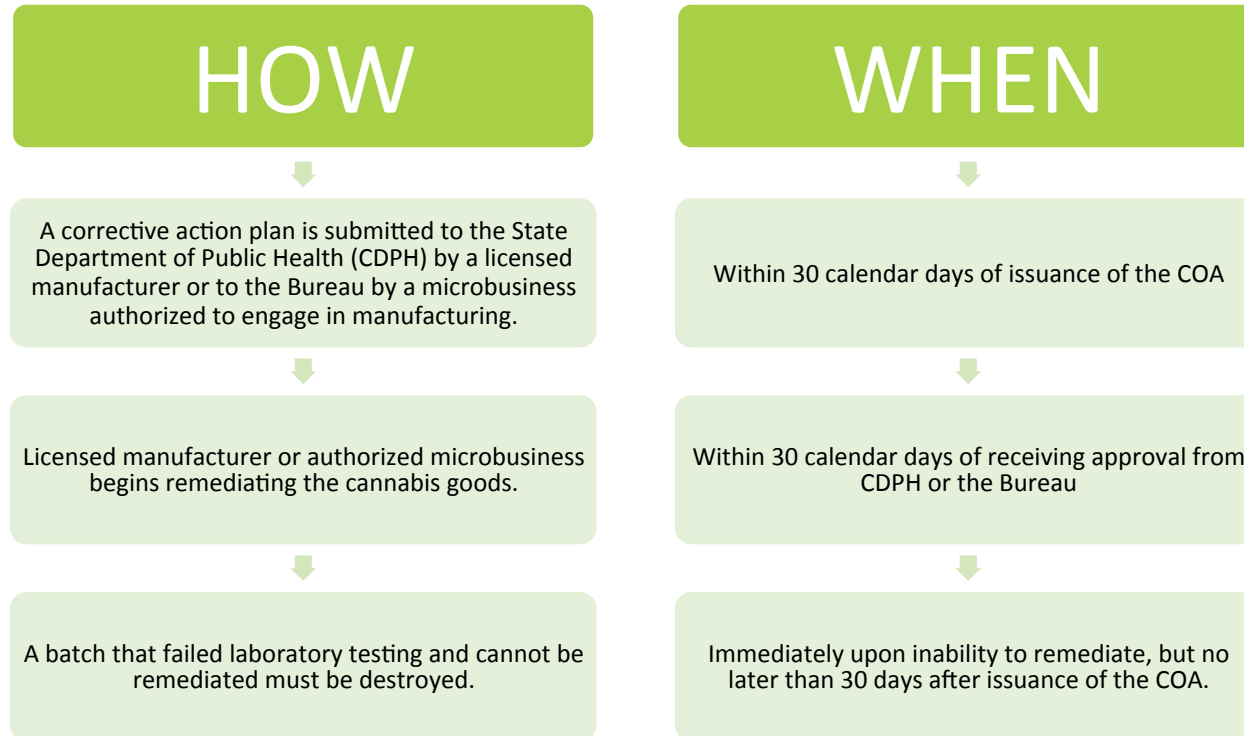
# Quality-Assurance Review

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- Confirm that Certificate of Analysis (COA) is not older than 12 months.
- Distributors must ensure labeling, as follows:
  - If cannabis goods are labeled with the content for cannabinoids, terpenoids, Total THC, and/or Total CBD prior to receiving the COA, ensure the labeled amounts are accurate.
  - If cannabis goods are not labeled with the content for cannabinoids, terpenoids, Total THC, and/or Total CBD prior to receiving the COA, appropriately label the cannabis with the amounts listed on the COA.
  - Cannabinoid and terpenoid content is within plus or minus 10%.
- Cannabis goods may not be distributed for retail sale if they exceed their expiration or sell-by date, if one is provided.
- Cannabis goods meet all packaging requirements.

# Remediation After Failed Testing

## Section 5306. Laboratory Testing Results



# RETAILER

- Sections

5400 to 5427



- Requirements While Not Open for Business
  - Securely locked
  - Active alarm system
  - Access only by employees or authorized individuals
- Retailers may transport cannabis goods from one retail premises to another retail premises if both retail premises are owned by the same licensee.
- Until January 1, 2020, all cannabis goods must be in a child-resistant package or child-resistant exit package.
- After January 1, 2020, all cannabis goods must be in child-resistant packaging. This requirement cannot be exit packaging.
- All cannabis goods must be in an opaque exit package.

# Deliveries Facilitated by Technology Platforms

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- **Section 5415.1**
- Licensee authorized to engage in retail sales may not sell or transfer cannabis goods to a customer through the use of an unlicensed third party, intermediary business, broker, or any other business or entity.
- Such a licensee may contract with a technology platform, if:
  - Technology platform is not making deliveries.
  - Technology platform does not share in the profits of the sale of cannabis goods.
  - The licensee does not advertise in conjunction with the technology platform.
  - The licensee's legal business name and license number are fully disclosed and easy to identify on the technology platform for sale of cannabis goods, including for when customers place an order for cannabis goods, and on sales invoices and receipts to the customer.

**Delivery to a  
Physical Address**  
**Section 5416**

- Any jurisdiction in California
- Prohibited delivery to schools, day care centers, or youth centers

**Delivery Vehicle  
Requirements**  
**Section 5417**

- No exterior markings or other indication of carrying cannabis goods
- GPS System must be able to provide a history of all locations traveled during delivery
- No portion of the enclosed box, container, or cage holding cannabis goods may be comprised of any part of the body of the delivery vehicle.

**Cannabis Goods  
Carried During  
Delivery**  
**Section 5418**

- \$5,000 limit to the value of cannabis goods that can be carried in a vehicle, of which no more than \$3,000 can be for cannabis goods that have not been ordered prior to departure from the licensed premises.



# MICROBUSINESS

- Sections

5500 to 5507



- License types created by the California Department of Food and Agriculture or the State Department of Public Health in regulation are not considered qualifying commercial cannabis activities for obtaining a microbusiness license.
- Exception: Type N manufacturing license now qualifies as one of the activities for microbusinesses.

# TESTING LABORATORIES

- Sections

5700 to 5739



- Limits for ethanol does not apply to cannabis products that contain alcohol and intended to be orally-consumed, when testing for residual solvents and processing chemicals.
- Sampling
  - Collection and testing from one licensed laboratory.
  - Pre-rolls must be tested after being rolled and sampled by unit.
  - Requirements for transportation of samples similar to transportation of cannabis goods.
  - Test samples must be homogenized prior to sample analyses, excluding foreign material testing.
  - Once a sample has been obtained for regulatory compliance testing, another licensed testing laboratory may not sample or re-sample the same batch for regulatory compliance testing, unless certain criteria are met, under Section 5705 of the regulations.

# CANNABIS EVENTS

- Sections

5600 to 5604



- Expanded Locations
  - A temporary cannabis event may now be held at any venue expressly approved by a local jurisdiction for the purpose of holding a temporary cannabis event.
- Informational & Educational Events
  - When no sales or consumption of cannabis goods is occurring, a temporary cannabis event licensed issued by the Bureau is not required if the laws regarding possession of cannabis are followed.

# Commercial Cannabis Activity

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- Under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) all commercial cannabis activity shall be conducted between licensees. The employees of a licensee may engage in commercial cannabis activity on behalf of the licensee.
- **Section 5032** - Licensees may not conduct commercial cannabis activities on behalf of an unlicensed person. A person disclosed as an owner or financial interest is not unlicensed.

# Financial Interest

## What is a financial interest:

- **Sections 5004 & 5032**
- Agreement to receive a portion of the profits of a commercial cannabis business
- Investment into a commercial cannabis business
- Loan provided to a commercial cannabis business
- Any other equity interest in a commercial cannabis business

## Agreements to receive a portion of the profits:

- Employee profit share plan
- Landlord receiving share of the profits
- Consultant providing services for a share of the profits
- Person acting as an agent, such as an accountant, or attorney, for a share of the profits
- Broker engaging in activities for a share of the profits
- Salesperson who earns a commission

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Thank You!