



June 8, 2017

Residents of the City of Los Angeles  
City of Los Angeles Neighborhood Councils  
City of Los Angeles Neighborhood Council Alliances

**RE: DRAFT COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS**

Dear City Residents:

The City Council has been conducting an ongoing open and public dialogue over the last year about how to best regulate all aspects of the cannabis, or marijuana, industry within the City of Los Angeles. This public process has marked another important opportunity for Neighborhood Councils and City residents to be fully engaged in the City's legislative process and have a seat at the table.

Today marks another important day and step forward in that process, the release of the first draft of the "Proposed Requirements for Commercial Cannabis Activity in the City of Los Angeles" (**see attached**) and the beginning of a 60-day public comment period prior to any further action by the City Council. Furthermore, the Department of City Planning is releasing a draft ordinance which proposes the land use and sensitive use requirements for Commercial Cannabis Activity in the City of Los Angeles as well. That draft ordinance will also be available for a minimum 60-day public comment period prior to any action by the Citywide Planning Commission and the City Council.

As Neighborhood Council board members and participants, once again this is your time to shine and show the City and its residents the importance and value you bring to City government. These are our communities ... our neighborhoods, and together we will continue to have a robust conversation about the regulatory issues concerning the cannabis industry and a healthy debate prior to final recommendations being considered by the full City Council.

As part of our conversation over the next two months, **we are requesting that each Neighborhood Council, Alliance, and citywide committee agendaize this item for discussion.** We want you to take advantage of this opportunity to provide the City Council with Community Impact Statements, white papers, suggestions, public comment, and recommendations. We will consider all the information provided to us prior to the City Council making any final decisions.

Lastly, we also want to ensure that all residents, including homeowner groups, civic organizations, business groups, and others participate in this process, and we look forward to your public comments and discussing this further with many of you. We need your help in coming up with a final version of these requirements and draft ordinance(s) and we are eager to receive your suggestions.

If you have any questions, please contact our offices. We invite everyone to be a part of this discussion, because only together will we make each neighborhood, and our City as a whole, stronger and a better place for all of us.

Sincerely,

  
**HERB J. WESSON, JR.**  
President, Los Angeles City Council  
Councilmember, 10<sup>th</sup> District

  
**BOB BLUMENFIELD**  
Councilmember, 3<sup>rd</sup> District

  
**PAUL KORETZ**  
Councilmember, 5<sup>th</sup> District

  
**NURY MARTINEZ**  
Assistant President Pro Tempore  
Councilmember, 6<sup>th</sup> District

HW:ajw

Cc: Members of the Los Angeles City Council  
The Honorable Eric Garcetti, Mayor, City of Los Angeles  
The Honorable Michael Feuer, City Attorney, City of Los Angeles  
The Honorable Ron Galperin, City Controller, City of Los Angeles  
Grayce Liu, General Manager, Department of Neighborhood Empowerment  
Cannabis Industry Groups

**PROPOSED REQUIREMENTS**

**FOR**

**COMMERCIAL CANNABIS ACTIVITY**

**IN THE**

**CITY OF LOS ANGELES**

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## **INTRODUCTION**

With the introduction of a Motion ([Council File No. 14.0366-S5](#)) in May 2016 by Council President Herb J. Wesson, Jr. and Councilmembers Paul Koretz and Nury Martinez, seconded by Councilmembers Mike Bonin, José Huizar, Mitch O’Farrell, and Curren D. Price, the Los Angeles City Council has been engaged in policy making to regulate commercial cannabis businesses located within the City of Los Angeles.

Throughout the last year of public meetings held by the Rules, Elections, Intergovernmental Relations, and Neighborhoods (REIGN) Committee, the Planning and Land Use Management Committee, the Budget & Finance Committee, the Public Safety Committee, the Los Angeles City Council, the adoption of Proposition M by the voters in March 2017, internal Cannabis Policy Working Group meetings with City staff, and external Cannabis Working Group meetings with cannabis industry leaders, Neighborhood Council board members, and members of the communities and neighborhoods within the City of Los Angeles held by Council President Herb J. Wesson, Jr.’s office, the City of Los Angeles has developed and is now proposing the first draft of the requirements and regulations for the proposed City of Los Angeles Cannabis Commission and Cannabis Department.

This draft document will be provided to all interested members of the public for 60 days of public comment prior to any further action by the City Council. At minimum, the REIGN Committee will hold one public hearing to hear comments, whether written or verbal, during this 60-day public comment period. Neighborhood Councils are encouraged to submit Community Impact Statements to the City Clerk’s office during this period of time.

ALL WRITTEN COMMENTS SHOULD BE REFERRED TO:

LOS ANGELES CITY CLERK’S OFFICE  
RICHARD WILLIAMS - LEGISLATIVE ASSISTANT  
200 N. SPRING STREET, ROOM 360  
LOS ANGELES, CA 90012  
(213) 978-1071 OR EMAIL [RICHARD.WILLIAMS@LACITY.ORG](mailto:RICHARD.WILLIAMS@LACITY.ORG)

AND

REFERENCE [COUNCIL FILE NO. 14-0366-S5](#)  
FOR SUBMISSION AND ATTACHMENT TO THE ONLINE COUNCIL FILE.

Special Thanks should be given to the members of the REIGN Committee: Council President Herb J. Wesson, Jr. and Councilmembers Marqueece Harris-Dawson and José Huizar; original motion authors Councilmembers Paul Koretz and Nury Martinez; and Councilmember Bob Blumenfield for their public input into the drafting of this document.

## **DEFINITIONS**

1. “BTRC” means a Business Tax Registration Certificate issued by the City of Los Angeles Office of Finance.
2. “Business” means any business applying for, or conducting and engaging in Commercial Cannabis Activity.
3. “Commercial Cannabis Activity” includes Commercial Cannabis Activity and Commercial Marijuana Activity as defined by the State of California.
4. “Commission” means the City of Los Angeles Cannabis Commission.
5. “Certificate of Compliance” means the official document issued by the Commission to the Business for the purposes of conducting and engaging in Commercial Cannabis Activity.
6. “Department” means the City of Los Angeles Cannabis Department.
7. “EMMD” means an Existing Medical Marijuana Dispensary, as defined by Proposition M, for the purposes of Proposition M Priority processing.
8. “Notice of Determination” means the official determination of the Commission, Department, or City Council at any time during the Application Processing process.
9. “Premises” means the identified location of a Business applying for, or conducting and engaging in Commercial Cannabis Activity.
10. “Proper Notice” means providing notice to the applicant, occupants and property owners who reside or own property within 500 feet of the proposed Commercial Cannabis Activity, the local Neighborhood Council, and Council office.
11. “Provisional Certificate of Compliance” means the official document issued by the Department to those Businesses deemed eligible for Proposition M Priority and Non-Retail Registry processing for the purposes of conducting and engaging in Commercial Cannabis Activity.
12. “Transitional Worker” means an individual who, at the time of commencing work at the Business, resides in an Economically Disadvantaged Area or Extremely Economically Disadvantaged Area and faces at least two of the following barriers to employment: (1) being homeless; (2) being a custodial single parent; (3) receiving public assistance; (4) lacking a GED or high school diploma; (5) having a criminal record or other involvement with the criminal justice system; (6) suffering from chronic unemployment; (7) emancipated from the foster care system; or (8) being a veteran.

13. “UID” means the Track-and-Trace system Unique Identifiers as established by the State of California.

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## COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

### GENERAL

1. Applications for Commercial Cannabis Activity Certificates of Compliance must be completed online or by delivering a printed copy to the Department office during the appropriate processing window. Every application shall, at minimum, meet all application requirements as outlined prior to further processing. Every applicant will be provided a date and time stamp of receipt of each application. The Department shall provide a master Commercial Cannabis Activity application form to the public. The Department will begin accepting applications as indicated.
2. If the Department determines that the application is incomplete, the Department shall provide notice to the applicant. An applicant has three months from the date of the notice to correct all deficiencies. The Department may request additional information and documents from the applicant not listed in the application requirements to determine if an application is complete. If the applicant fails to correct the deficiencies within the three-month period, the application shall be considered abandoned. An applicant may reapply at any time following an abandoned application during the appropriate application processing window. The Department will not refund application fees for an incomplete or abandoned application.
3. The Department will issue Certificates of Compliance in four phases: (1) Proposition M Priority eligible applicants, (2) Non-Retail Registry eligible applicants, (3) a restricted phase in which the number of Certificates of Compliance issued to General Public applicants may not exceed the number of Certificates of Compliance issued to Social Equity Program applicants, and (4) an unrestricted phase that commences after the Social Equity Program has been fully funded and implemented as determined by the City Council. In determining the issuance of Certificates of Compliance after Proposition M Priority and Non-Retail Registry processing, the Department will consider the equitable dispersion of Businesses throughout the City of Los Angeles prior to the issuance of a Certificate of Compliance to the extent practicable.
4. If the Department determines that the application is complete, the Department shall provide Proper Notice. Once an application is deemed complete by the Department, the Department will have 60 days to make the following determination for:
  - a. **RETAILER COMMERCIAL CANNABIS ACTIVITY**
    - i. **RECOMMENDED APPROVAL:** Commission public hearing within 30 days with proper noticing. If the proposed Business is located in the San Fernando Valley, the Commission will hold the public hearing in the San Fernando Valley. At a regularly scheduled public meeting, the Commission will consider the Department recommendation, written or verbal correspondence from other City Departments and the State of California, and written or verbal testimony from the public prior to making

a determination. Once the Commission makes a decision, the Department will issue a Notice of Determination and Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process.

- ii. **DEPARTMENT DENIAL:** Once the Department issues a Notice of Determination, Proper Notice will be given, including but not limited to a copy of the Notice of Determination and an explanation of the appeals process. An application may be denied for any of the following reasons including, but not limited to: The applicant does not fully comply with application requirements; 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 premises are not the same; the applicant denied Department employees or agents access to the premises; the applicant made a material misrepresentation on the application; the applicant failed to correct the deficiencies within the application in accordance with Department requirements and procedures, or the applicant has been denied a license, permit, or other authorization to engage in Commercial Cannabis Activity by a state or local licensing authority. Every applicant shall notify the Commission in writing within 5 business days of any change to any item listed in the application. The notification shall be signed by an owner as defined. Approval of a state license does not allow a business to conduct Commercial Cannabis Activity in the City of Los Angeles without a Department issued Certificate of Compliance.

**b. NON-RETAILER COMMERCIAL CANNABIS ACTIVITY**

- i. **DEPARTMENT APPROVAL:** The Department shall have authority to approve an application for non-retail Commercial Cannabis Activity, subject to the appeals process. Once the Department issues a Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the determination, an explanation of the appeals process, and list the approved application on the next agenda of a regularly scheduled public meeting of the Commission.
- ii. **DEPARTMENT DENIAL:** Once the Department issues a Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. An application may be denied for any of the following reasons including, but not limited to: The applicant does not fully comply with application requirements; 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 premises are not the same; the applicant denied Department employees or agents access to the premises; the applicant made a material misrepresentation on the application; the applicant failed to correct the deficiencies within the application in accordance with Department requirements and procedures, or the applicant has been denied a license, permit, or other authorization to engage in Commercial Cannabis Activity by a state or local licensing authority. Every applicant shall notify the Department in writing within 5 business days of any change to any item listed in the application. The notification shall be signed by an owner as defined. Approval of a state license does not allow Commercial Cannabis Activity in the City of Los Angeles without a Department issued Certificate of Compliance.

c. APPEALS PROCESS

- i. Appeals may only be based on the rules, regulations, and procedures of the Commission and Department. The Department will provide a master Appeals application form for use in processing all appeals. Acceptance by the Department of an appeal requires the Commission to hold a public hearing within 60 days, or by the City Council within 15 Council days, with Proper Notice.

ii. APPEALS BEFORE THE COMMISSION

1. DENIED APPLICATION: If an application has been denied by the Department, the Department will issue a Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. The applicant and occupants or property owners as defined will have 15 business days from the date of the Notice of Determination to file an appeal.

If the Department accepts an appeal, at a regularly scheduled public meeting, the Commission will consider the Department recommendation, written or verbal correspondence from other City Departments and the State of California, and written or verbal testimony from the public prior to making a determination. Once the Commission makes a decision, the Department will issue a Notice of Determination and Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the City Council appeals process.

iii. APPEALS BEFORE THE CITY COUNCIL

1. APPROVED APPLICATION: If an application has been approved by the Commission or Department, the Department will issue a

Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. The applicant and occupants or property owners as defined will have 15 business days from the date of the Notice of Determination to file an appeal.

If the Department accepts an appeal, the appeal will be transmitted to the City Council. The City Council must act within 15 Council days on the appeal, or the Commission or Department's decision shall be final. If the City Council acts on the appeal, the decision of the City Council shall be final. The City Council shall have all the same rights and privileges as the Commission and Department in making a determination on the appeal or application.

2. DENIED APPLICATION: If an application has been denied by the Commission or Department, the Department will issue a Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. The applicant and occupants or property owners as defined will have 15 business days from the date of the Notice of Determination to file an appeal.

If the Department accepts an appeal, the appeal will be transmitted to the City Council. The City Council must act within 15 Council days on the appeal, or the Commission or Department's decision shall be final. If the City Council acts on the appeal, the decision of the City Council shall be final. The City Council shall have all the same rights and privileges as the Commission and Department in making a determination on the appeal or application.

5. If an application for Commercial Cannabis Activity is denied a Certificate of Compliance by the City of Los Angeles or a license the State of California, the applicant shall cease all Commercial Cannabis Activity at the location and premises as identified in the application until approved by both entities. Only Proposition M Priority and Non-Retail Registry applicants who have been approved for eligibility as defined may continue to conduct Commercial Cannabis Activity while their application is pending in accordance with the Provisional Certificate of Compliance, and until such time as a final decision by the Commission, Department, or City Council is made. The applicant and property owner will be subject to enforcement for continuing operations after an application has been denied.
6. An applicant may withdraw an application at any time prior to the Commission or Department's approval or denial of a Certificate of Compliance for Commercial Cannabis Activity. Requests to withdraw an application must be submitted to the Department in writing, dated, and signed by the applicant. Withdrawal of an application shall not, unless the Department has consented in writing to such withdrawal, deprive the Department of

its authority to institute or continue a proceeding against the applicant for the denial of a Certificate of Compliance upon any ground provided by the rule and regulations of the Department or State of California or to enter an order denying the application upon any such ground. The Department will not refund application fees for a withdrawn application. An applicant may reapply at any time following the withdrawal of an application.

#### PROPOSITION M PRIORITY PROCESSING

1. Applications will be accepted by the Department for the first 60 days from when applications are first made available to the public. After 5 p.m. Pacific Time on the 60th day, the Department will close the Proposition M Priority Processing window permanently. Applications under the Proposition M Priority Processing will only be allowed to apply for Retailer Commercial Cannabis Activity, which may include on-site cultivation as allowable under Proposition D. The size of the canopy for on-site cultivation may not exceed the size of the EMMD's existing canopy or square footage of building space as documented by a lease or Certificate of Occupancy prior to January 1, 2017. All on-site cultivation will be required to end operations by Dec. 31, 2024 if the EMMD's premises is within a land use designation that does not allow for Indoor Cultivation Commercial Cannabis Activity as defined by the City of Los Angeles. Any applications received after 60 days will be deemed new applications and require eligibility under a separate processing, subject to all requirements for new Commercial Cannabis Activity.
2. An EMMD that either received a 2016 or 2017 BTRC that is operating in substantial compliance with the limited immunity and tax provisions of Proposition D, may continue to operate within the City at the one location identified in its original or amended BTRC at the time of the beginning of the application processing window until such time that the EMMD applies for and receives a final response to its application for a Department Certificate of Compliance for Commercial Cannabis Activity being conducted at that location. No changes shall be made to the BTRC once application processing begins. The Department shall give priority in processing applications of EMMDs that can demonstrate to the Department that the EMMD has operated in substantial compliance with the provisions of the limited immunity and tax provisions of Proposition D. Any mitigating circumstances due to gaps in operations, ownership change, location change or closure, tax payments, etc. must be described in detail for the Department to consider eligibility. Only three Certificates of Compliance per owner or individual will be allowed.
3. The Department will determine eligibility for Proposition M Priority Processing and its determination will be final. If an application is denied eligibility for Proposition M Priority Processing, the applicant shall cease all Commercial Cannabis Activity at the location or premises identified until a Department issued Certificate of Compliance is approved. If the application is determined to be eligible for Proposition M Priority Processing, the Department shall issue a Provisional Certificate of Compliance until such time as the application is approved or denied by the Commission, Department, or the City Council. The applicant and property owner will be subject to enforcement for continuing

operations after an application for Proposition M Priority Processing eligibility has been denied by the Department.

#### NON-RETAIL REGISTRY PROCESSING

1. All applicants that were conducting Indoor Cultivation Commercial Cannabis Activity or Manufacture Commercial Cannabis Activity in the City of Los Angeles prior to January 1, 2016 and as otherwise specified by the Department, may continue to operate while their application is pending approval if a completed application is submitted to the Commission within 30 days of the first date of applications be made available to the public, the continuing operations of the applicant are the same activities in which the applicant is seeking a Certificate of Compliance for indoor cultivation or manufacture, the location or premises meets all of the adopted or proposed land use and sensitive use requirements of the City of Los Angeles and other eligibility requirements as listed, and the Department approves eligibility. After 5 p.m. Pacific Time on the 30th day, the Department will close the Non-Retail Registry processing window permanently. For the purposes of this provision, the date on which an applicant was in operation is the date an applicant began actively conducting the same Indoor Cultivation or Manufacture Commercial Cannabis Activity as the cultivation or manufacture type for which the applicant is applying. For purposes of this section, “actively conducting” means engaging in Indoor Cultivation or Manufacture Commercial Cannabis Activity as defined and allowed by the Department and the State of California
2. The applicant shall attest to the date and shall provide evidence of the date operations began by submitting a dated copy of any or all of the following: articles of incorporation; certificate of stock; articles of organization; certificate of limited partnership; statement of partnership authority; receipts evidencing business transactions to or from the applicant; collective or cooperative membership agreement; tax or business forms submitted to the Board of Equalization or Franchise Tax Board, including documentation of no outstanding tax payments due; any other verifiable business record adequate to demonstrate the operation of the Business prior to January 1, 2016. The Department may request additional documentation to verify the applicant's date of commencement of operations or any other business record as deemed fit by the Department.
3. The Department will determine eligibility for Non-Retail Registry processing and its determination will be final. If the application is denied eligibility for Non-Retail Registry processing, the applicant shall cease all Commercial Cannabis Activity at the location or premises identified until a Certificate of Compliance is approved. If the application is determined to be eligible for Non-Retail Registry processing, the Commission shall issue a Provisional Certificate of Compliance until such time as the application is approved or denied by the Commission, Department, or the City Council. The applicant and property owner will be subject to enforcement for continuing operations after an application for Non-Retail Registry eligibility has been denied.

## SOCIAL EQUITY PROGRAM PROCESSING

1. Criteria for applicants under the Social Equity Program will be developed based on a social equity analysis aimed at promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and to address the disproportionate impacts of the war on drugs in those communities. Processing will commence once the Social Equity Program has been approved by the City Council. The Department shall provide regularly reporting to the City Council on the monitoring and evaluation of the Social Equity Program.

## GENERAL PUBLIC PROCESSING

1. Processing will commence once the Social Equity Program has been approved by the City Council, but will be restricted as described above until the Social Equity Program has been fully funded and implemented as determined by the City Council.

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## **CERTIFICATE OF COMPLIANCE TYPES AVAILABLE FOR APPLICATION**

### **1. RETAILER COMMERCIAL CANNABIS ACTIVITY**

- a. Type 10 – Dispensary; General or Type 10 – Retailer as defined by the State of California and the Department.
- b. To obtain a Type-10A producing Certificate of Compliance, a business conducting, or proposing to conduct, Retailer Commercial Cannabis Activity shall either: Hold at least one Type-10 Department issued Certificate of Compliance; or concurrently apply for at least one Type-10 Department Certificate of Compliance. An applicant applying for a Type-10A producing Certificate of Compliance shall designate an authorized Type 10 Business conducting Retailer Commercial Cannabis Activity held by the Business to concurrently hold both a Type-10 Certificate of Compliance and the Type-10A producing Certificate of Compliance. An authorized Business conducting Retailer Commercial Cannabis Activity shall hold a separate Type-10 Certificate of Compliance for each authorized Retailer Commercial Cannabis Activity he or she operates. An applicant who holds a Type-10A producing Certificate of Compliance shall not hold Certificates of Compliance for more than three Type-10 businesses conducting Retailer Commercial Cannabis Activity. An applicant who holds a Type-10A producing Certificate of Compliance may apply for a Certificate of Compliance in other categories as allowed by the State of California. Type-10A Certificates of Compliance under the Proposition M Priority processing window will be required to end operations by Dec. 31, 2024 if the Business is within a land use designation that does not allow for Indoor Cultivation Commercial Cannabis Activity as defined by the City of Los Angeles. Type-10A Certificates of Compliance will not be issued to new Retailer Commercial Cannabis Activity businesses who do not meet the land use and sensitive use requirements of the City of Los Angeles.
- c. Only three Certificates of Compliance per owner or individual shall be issued for Retailer Commercial Cannabis Activity, including Delivery for Retailer Commercial Cannabis Activity.

### **2. DELIVERY FOR RETAILER COMMERCIAL CANNABIS ACTIVITY**

- a. Type 10 – Dispensary; General or Type 10 – Retailer as defined by the State of California and the Department.
- b. Only three Certificates of Compliance per owner or individual shall be issued for Retailer Commercial Cannabis Activity, including Delivery for Retailer Commercial Cannabis Activity.

3. MICROBUSINESS COMMERCIAL CANNABIS ACTIVITY

- a. Type 12 – Microbusiness as defined by the State of California and the Department.

4. INDOOR CULTIVATION COMMERCIAL CANNABIS ACTIVITY

- a. Type 1A – Cultivation, Specialty Indoor, Small; Type 2A – Cultivation, Indoor Small; Type 3A – Cultivation; Indoor, Medium; Type 4 – Cultivation, Nursery; and Type 5A – Cultivation, Indoor, Large as defined by the State of California and the Department.
- b. The Department shall not restrict the total number of Indoor Cultivation Commercial Cannabis Activity Certificates of Compliance an owner or individual is authorized to hold at any point in time, provided the person’s total authorized canopy, as indicated in the Certificates of Compliance, does not exceed 1.5 acres and meets all State of California and Department requirements.

5. MANUFACTURE COMMERCIAL CANNABIS ACTIVITY

- a. Type 6 – Manufacturer 1 as defined by the State of California and the Department.

6. TESTING COMMERCIAL CANNABIS ACTIVITY

- a. Type 8 – Testing as defined by the State of California and the Department.

7. DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY

- a. Type 11- Distributor as defined by the State of California and the Department.

8. TRANSPORTER COMMERCIAL CANNABIS ACTIVITY

- a. Type 12 – Transporter as defined by the State of California and the Department.

## **COMMERCIAL CANNABIS ACTIVITY APPLICATION REQUIREMENTS**

### **GENERAL**

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. If applicable, the business trade name (“DBA”) of the applicant.
2. The Commercial Cannabis Activity and Certificate of Compliance type the applicant is applying for, including if the proposed Business will involve medical and/or recreational Commercial Cannabis Activity. A Business cannot engage in Commercial Cannabis Activity for recreational use without a state license.
3. Whether the applicant is applying under the Proposition M Priority, Non-Retail Registry, Social Equity Program, or General Public processing.
4. The date the applicant began operations, if filing under the Proposition M Priority or the Non-Retail Registry processing. Social Equity Program and General Public applicants shall not conduct any Commercial Cannabis Activity until a valid Department Certificate of Compliance has been issued, and State of California license has been issued.
5. A list of the license types and the license numbers issued from the State of California and all other out-of-state or local licensing authorities that the applicant holds, including the date the license was issued and the licensing authority that issued the license, permit or other authorization.
6. Whether the applicant has been denied the right to conduct Commercial Cannabis Activity by the Department or any other 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. The address of record for the applicant. The telephone number for the premises. The website address of the applicant’s Business if applicable. The email address for the applicant’s Business if applicable. Contact information for the applicant’s designated primary contact person including the name, title, address, phone number, and email address of the individual. Contact information for the designated agent for service of process including the name, title, address, phone number, and email address of this individual.
8. The Business organizational structure of the applicant, for example partnership or corporation. 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 State of California, 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.

9. A list of every fictitious business name the applicant is operating under including the address where the business is located.
10. The applicant shall supply the following financial information for an application to be considered: a list of funds belonging to the proposed 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; a list of loans made to the proposed 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; a list of investments made to the proposed 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; 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.
11. A complete list of every individual that has a non-controlling interest in the proposed Business as defined by the State of California.
12. A complete list of every owner of the applicant as defined by the State of California. Each individual named on this list shall submit the following information: the full name of the owner; the owner's title within the applicant entity; the owner's date of birth and place of birth; the owner's social security number or individual taxpayer identification number; the owner's home address; the owner's telephone number. This may include a number for the owner's home, business, or mobile telephone; the owner's email address; the date the owner acquired an ownership interest in the applicant entity; the percentage of the ownership interest held in the applicant entity by the owner; if applicable, the number of shares in the applicant entity that the owner holds; whether the owner has a financial interest in any other Business in the State of California. For purposes of this section "financial interest" means an investment into a Business, a loan provided to a Business, or any other equity interest in a Business; 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; a copy of the owner's completed application for electronic fingerprint images submitted to the Department of Justice to be reviewed and processed by the Police Department.
13. The following information regarding an individual with a community property interest in the Business as required by the State of California shall be provided by the owner, including: the full name of the individual; the individual's date of birth and place of birth; the individual's social security number or individual taxpayer identification number; the

individual's mailing address; the individual's telephone number. This may include a number for the owner's home, Business, or mobile telephone; whether the individual has a financial interest in any other Business in the State of California. For purposes of this section "financial interest" means an investment into a Business, a loan provided to a Business, or any other equity interest in a Business.

14. All individual personal information, other than the name of the individual, will be redacted unless otherwise required by law.
15. Evidence that the applicant has the legal right to occupy and use the proposed location that complies with the requirements of the Department and the State of California. If the applicant is not the landowner of the property upon which the premises is located, the applicant shall provide to the Department 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. Only one document per premises will be accepted for any pending applications. An applicant shall also provide a copy of the rental agreement, as applicable. If the applicant is the landowner 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. The applicant shall provide evidence that the proposed location meets all State of California and City of Los Angeles land use and sensitive use requirements.
16. An applicant shall submit to the Department with his or her application a complete and detailed diagram of the proposed premises as required by the State of California and Department. Premises mean the designated structures and land specified in the application that are in the possession of and used by the applicant or Business. The premises must be a contiguous area and may only be occupied by one Business. The diagram must be to scale. If the proposed premises consist 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. Multiple Businesses may be located on the same property, as established by an assessor's parcel number, if each premises has a unique entrance and immovable physical barriers between unique premises. Businesses, including those persons issued multiple Certificates of Compliance, are prohibited from commingling cannabis from other premises as required by the State of California. Multiple Businesses on the same property must meet all applicable land use and sensitive use requirements of the City of Los Angeles.
17. Applicants will submit to a pre-inspection of the premises during regular business hours prior to the issuance of a Certificate of Compliance. Pre-inspection is not required for a Provisional Certificate of Compliance. Pre-inspections may include, but is not limited to employees or agents of the following City Departments: the Cannabis Department, Department of Building and Safety, Department of City Planning, Police Department, Fire Department, and the Office of Finance. An applicant shall upgrade all applicable electrical and water systems to Code standards prior to further application processing.

18. Applicants must provide a detailed description and plan for hiring local residents, including making an ongoing good-faith effort to ensure that at least 30 percent of hours of their respective workforce be performed by residents of the City of Los Angeles, of which at least 10 percent of their respective workforce shall be performed by Transitional Workers whose primary place of residence is within a 3-mile radius of the proposed Business. This shall also include a description of how the applicant will meet all City of Los Angeles wage and labor ordinances and requirements.
19. Applicants must submit a staffing plan an organizational chart that outlines the position and responsibilities of each employee, as well as the reporting or supervisory structure for each employee.
20. For an applicant with 10 or more employees, the applicant shall attest that the applicant has entered into a labor peace agreement and provide a copy of the agreement. Such agreement shall ensure full access for labor representatives to the premises during regular business hours as allowed by the State of California.
21. 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 and provide adequate documentation to the Department.
22. The applicant shall provide a valid state license for Commercial Cannabis Activity license issued by the State of California. If the applicant has not yet received a state license, the applicant shall attest that the applicant is currently applying for a state license and provide adequate documentation to the Department.
23. Proof of a bond and/or insurance as required by the State of California and the Department.
24. The applicant's practices for allowing individuals access to the premises.
25. Applicants must submit a security plan for review and approval by the Department and Police Department. The approved plan will be maintained by the Department and be made available to other City departments for the purposes of verification and inspections. At minimum, the security plan will include: a description of the applicant's video surveillance system including camera placement and practices for the maintenance of video surveillance equipment; how the applicant will ensure that all access points to the premises will be secured, including the use of security personnel; a description of the applicant's security alarm system; and a description of the applicant's fire-proof safe.
26. A detailed description of how the applicant will meet the State of California and Department's track-and-trace, inventory, returns, destruction of products, waste management, environmental sustainability, records retention, and operational requirements.

27. Any applicant required to apply for, and maintain a Certified Uniform Program Agency (CUPA) permit issued by the Fire Department must do so prior to the issuance of a Certificate of Compliance, and prominently display the CUPA permit on the premises where it can be viewed by state and local agencies.
28. Businesses are not transferable once a Certificate of Compliance is issued, including a Provisional Certificate of Compliance. A change to the Business organizational structure or ownership as defined by the State of California requires a new application, the initial application fees, and approval of the new application by the Commission, Department, or City Council.
29. Applicants must provide Department with a signed copy of the Indemnification agreement as provided to the applicant by the Department.
30. Applicants will provide a proposed Community Benefits Agreement for consideration that must, at minimum, include all elements as required by the Department.
31. Applicants will identify and assign an employee as the official Neighborhood Liaison for each Business. Such employee will have a phone number and email to receive and address complaints 24 hours a day.
32. Applicants will provide proof that the local Neighborhood Council in which the Business is proposed has been provided Proper Notice of the initial application and considered discussing the pending application at a duly-noticed and agenzized public meeting of the Board of the Neighborhood Council, with notice to the public and applicant.
33. Evidence that the applicant is registered with the State Board of Equalization for tax purposes.
34. The applicant shall attest that no owner is a licensed retailer of alcoholic beverages.

#### AUTOMATIC REJECTION OF APPLICATION

1. No business conducting, or proposing to conduct, Commercial Cannabis Activity shall be held by any person holding office in, or employed by, any agency of the State of California and any of its political subdivisions including the City of Los Angeles when the duties of such person have to do with the enforcement and regulation of Commercial Cannabis Activity or any other penal provisions of law of the State of California prohibiting or regulating the sale, use, possession, transportation, distribution, testing, manufacturing, or cultivation of cannabis goods. 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, the City of Los Angeles City Attorney's office, the Los Angeles Police Department, the City of Los Angeles Cannabis Commission, or the City of Los Angeles Cannabis Department. This section applies to any person mentioned herein who has any

ownership interest, directly or indirectly, in any Business. This section does not apply to any person who holds a Business in the capacity of executor, administrator, or guardian.

2. Any owner, business entity, or individual convicted for illegal volatile cannabis manufacturing will be banned from Commercial Cannabis Activity within the City of Los Angeles for a period of 10 years from the date of conviction.
3. Any owner, business entity, or individual convicted for violating any law involving wages or labor laws will be banned from Commercial Cannabis Activity within the City of Los Angeles for a period of 5 years from the date of conviction.
4. An applicant that is a foreign corporation shall not be allowed to apply to conduct Commercial Cannabis Activity in the City of Angeles.
5. Applications will not be accepted for Outdoor Cultivation Commercial Cannabis Activity, Mixed-light Cultivation Commercial Cannabis Activity, or Volatile Manufacture Commercial Cannabis Activity (Type 7-Manufacturer 2).

#### RETAILER COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the application requirements as described above, an applicant shall provide a proposed Retailer Plan as required by the State of California and Department, which shall include how the applicant intends to meet all the operational requirements as described.

#### DELIVERY FOR RETAILER COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the application requirements as described above, an applicant shall provide a proposed Retailer Delivery Plan as required by the State of California and Department, which shall include how the applicant intends to meet all the operational requirements as described.
2. On-site retail sale to the public is not required unless required by the State of California. Contractors and vendors are allowed to apply for Delivery for Retailer Commercial Cannabis Activity as third-party delivery services if allowed by the State of California.
3. All applicants proposing delivery for Retailer Commercial Cannabis Activity shall be considered new applicants and must apply under the Social Equity Program or General Public processing, including EMMDs afforded Proposition M Priority processing, except under such circumstances that delivery to medical cannabis patients was allowable under Proposition D.

#### MICROBUSINESS COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the application requirements as described above, an applicant shall provide a proposed Microbusiness Plan as required by the State of California and Department,

which shall include how the applicant intends to meet all the operational requirements for Retailer, Indoor Cultivation, and/or Manufacture Commercial Cannabis Activity as described.

#### INDOOR CULTIVATION COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Indoor Cultivation Plan as required by the State of California and the Department, which shall include how the applicant intends to meet all the operational requirements as described.
2. Applicants shall provide all water source information as required by the State of California.
3. Applicants shall provide all power source information as required by the State of California, including but not limited to, illumination, heating, cooling, and ventilation.
4. The applicant shall attest that it is an "agricultural employer" as defined by the State of California.
5. The applicant shall attest and provide evidence that the Fire Department's Bureau of Fire Prevention and Public Safety has been notified of the proposed premises for Indoor Cultivation Commercial Cannabis Activity.

#### MANUFACTURE COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Manufacture Plan as required by the State of California and the Department, which shall include how the applicant intends to meet all the operational requirements as described.
2. An applicant shall provide a detailed description of the Manufacture Commercial Cannabis Activity to be conducted on the premises which shall include, but not be limited to: the type of activity conducted (extraction, infusion, packaging, labeling) including a description of extraction and infusion methods; and the types of products that will be manufactured, packaged, or labeled. In lieu of a description of the methods, processes and procedures to be used by the applicant, the applicant may submit a copy of every such procedure with the application
3. Any applicant submitting manufacture operating procedures and protocols to the Department pursuant to the State of California and the Department 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 by the State of California or otherwise exempt from public disclosure under the California Public Records Act.

4. No applicant or associated applicant of any Certificate of Compliance issued by the Department to manufacture cannabis products shall hold a Type 8 or Type 11 state license or Department issued Certificate of Compliance, or as otherwise required by the State of California and the Department.
5. An applicant shall attest that the applicant will not manufacture, prepare, package or label any products other than cannabis products at the premises.
6. The applicant shall attest and provide evidence that the Fire Department's Bureau of Fire Prevention and Public Safety has been notified of the proposed premises for Manufacture Commercial Cannabis Activity.

#### TESTING COMMERCIAL CANNABIS ACTIVITY APPLICATION REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Testing Plan as required by the State of California and the Department, which shall include how the applicant intends to meet all the operational requirements as described.
2. An applicant shall provide proof of ISO 17025 accreditation or proof that the applicant is in the process of applying or is preparing to apply for ISO 17025 accreditation, and laboratory-employee qualifications as required by the State of California.

#### DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Distributor Plan as required by the State of California and the Department, which shall include how the applicant intends to meet all the operational requirements as described.

#### TRANSPORTER COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Transporter Plan as required by the State of California and the Department.
2. An applicant shall provide the following information to the Department: proof of ownership or a valid lease for any and all commercial vehicles that will be used to transport cannabis goods; 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 cannabis goods; and proof of insurance as required by the State of California for any and all commercial vehicles being used to transport cannabis goods.

## **COMMERCIAL CANNABIS ACTIVITY OPERATIONAL REQUIREMENTS**

### **GENERAL**

1. A Business shall be required to follow all operational requirements, as well as any other Business-specific operational requirements, as outlined below or associated with the Business' Certificate of Compliance.
2. A Business shall not make a physical change, alteration, or modification of the premises that materially or substantially alters the premises or the use of the premises from the premises diagram originally filed with the application without the prior written approval of the Department. A Business whose premises is to be materially or substantially changed, modified, or altered is responsible for filing a request for premises modification with the Department. 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 premises.
3. A Business shall only use the Business name as identified on the Certificate of Compliance for the submission of other permits, certificates, or documents issued by the City of Los Angeles. The identified Business name shall be the only name used for communications, advertising, and all documents required by the State of California. Using a different Business name other than the Business indicated on the Certificate of Compliance is subject to an enforcement action by the Department, including possible revocation.
4. A Business, its employees, agents, and officers must obey all applicable laws of the City of Los Angeles and State of California.
5. All agents, officers, or other persons acting for or employed by a Business shall display a laminated identification badge issued by the Business. The identification badge shall, at a minimum, include the Business' "doing business as" name and authorization 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.
6. Businesses shall ensure that any person on the premises, except for employees and contractors of the Business, are escorted at all times by the owner or at least one employee of the Business when in the limited-access areas of the premises.
7. At a minimum, the Business premises shall have a complete digital video surveillance system in accordance with the approved security plan with a minimum camera resolution of 1280 × 1024 pixels. The surveillance-system storage device or the cameras shall be transmission control protocol/ TCP/capable of being accessed through the internet. All areas recorded by the video surveillance system shall at all times have adequate lighting to allow the surveillance cameras to effectively record images. 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 premises, and allows for the clear and certain identification of any person and activities in all areas required to be filmed. Areas that shall be recorded on the video surveillance system include, but are not limited to, the following: areas where cannabis goods are weighed, packed, stored, quarantined, loaded and unloaded for transportation, prepared, or moved within the premises; areas where cannabis is destroyed; limited-access areas; security rooms; areas storing a surveillance-system storage device with at least one camera recording the access points to the secured surveillance recording area; and entrances and exits to the premises, which shall be recorded from both indoor and outdoor vantage points. Businesses conducting Retailer Commercial Cannabis Activity shall also record on the video surveillance system point-of-sale areas and areas where 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 cannabis goods, or any person in the retail area, with sufficient clarity to determine identity. Cameras shall record continuously 24 hours per day and at a minimum of 20 frames per second. 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. Surveillance recordings shall be kept for a minimum of 30 days. Videos are subject to inspection by the Department and shall be copied and sent to or otherwise provided to the Department, upon request. 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. Videos shall be furnished to the Police Department upon request.

8. A Business shall hire or contract for security personnel to provide security services for the premises. All security personnel hired or contracted for by the Business shall comply with the requirements of the State of California and City of Los Angeles and maintain an active American Red Cross first-aid card. A Business shall ensure that the limited-access areas can be securely locked using commercial-grade, nonresidential door locks in accordance with the approved security plan. A Business shall also use commercial-grade, nonresidential locks on all points of entry and exit to the premises in accordance with the approved security plan.
9. A Business shall maintain an alarm system in accordance with the approved security plan as required by the State of California and the Department. A Business 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. Upon request, a Business shall make available to the Department or the Police Department all information related to the alarm system, monitoring, and alarm activity. A Business must apply for, and maintain in good standing, a Police Alarm Permit issued by the City of Los Angeles.
10. A Business shall maintain a fire-proof safe on-site.

11. A Business is not required to have his or her cannabis goods tested or to follow the labeling provisions as required by the State of California or Commission until 180 days after state licensure, or December 31, 2018, whichever is sooner.
12. A Business shall be properly ventilated and the exhaust air filtered to neutralize the odor from cannabis so that the odor cannot be detected by a person with a normal sense of smell at the exterior of the Business or on any adjoining property. No operable windows or exhaust vents shall be located on the building façade that abuts a residential use or zone. Exhaust vents on rooftops shall direct exhaust away from residential uses or zones.
13. A Business is required to meet all on-site and off-site sign requirements and advertising requirements of the City of Los Angeles and the Department. Signs shall be limited to on-site wall and projecting signs. No monument, illuminated, architectural canopy, pole, marquee, roof, temporary, digital, window, or off-site signs are permitted.
14. Agents or employees of the Department requesting admission to the Business for the purpose of determining compliance shall be given unrestricted access during regular business hours.
15. The Business' Certificate of Compliance, State of California license, BTRC, operating conditions, and emergency contact phone number shall be prominently displayed on the premises where it can be viewed by state or local agencies. Commission issued Certificates of Compliance shall be valid for 12 months from the date of issuance and shall be renewed annually. Every person shall obtain a separate Certificate of Compliance for each premises where it engages in Commercial Cannabis Activity. Certificates of Compliance are not transferrable or assignable to any other person, entity, or property.
16. A Business shall not sublet any portion of the premises.
17. No recommendations or approvals by a physician to use medical cannabis or medical cannabis products shall be issued at any Business.
18. A Business shall not allow the consumption of cannabis or the sale or consumption of alcohol on the premises. No employee or agent of the Business shall solicit or accept any cannabis or alcohol products from any customer or vendor while on the premises.
19. A Business shall only permit authorized individuals to enter the limited-access areas. Authorized individuals include individuals employed by the Business as well as any outside vendors, contractors, or other individuals who have a bona fide business reason for entering the limited-access area. An individual who is not an authorized individual for purposes of entering the limited-access areas shall not enter the limited-access area at any time for any reason. An individual in the limited-access area who is not employed by the Business shall be escorted by individuals employed by the Business at all times within the limited-access area. An individual who enters the limited-access areas shall be at least 21 years of age. The Business shall maintain a log of all authorized individuals who are not employees that enter the limited-access area. These logs shall be made available to

the Department upon request. A Business shall not receive consideration or compensation for permitting an individual to enter the limited-access area.

20. The Business shall be responsible for monitoring both patron and employee conduct on the premises and within the parking areas under their control to assure behavior does not adversely affect or detract from the quality of life for adjoining residents, property owners, and businesses. The Business shall properly manage the premises to discourage illegal, criminal, or nuisance activity on the premises and any parking areas which have been made available or are commonly utilized for patron or employee parking. Loitering is prohibited on or around the premises or the area under control of the Business. "No Loitering, Public Drinking, or Public Smoking of Cannabis" signs shall be posted in and outside of the Business. The property and all associated parking, including the adjacent area under the control of the Business and any sidewalk or alley, shall be maintained in an attractive condition and shall be kept free of obstruction, trash, litter, and debris at all times.
21. Parking shall be subject to the determination of the City of Los Angeles. Any off-site parking shall be provided pursuant to the requirements of the City of Los Angeles.
22. All graffiti on the site shall be removed or painted over to match the color of the surface to which it is applied within 24 hours of its occurrence.
23. Trash pick-up, compacting, loading, and unloading and receiving activities shall be limited to 7 a.m. to 6 p.m. Monday through Friday and 10 a.m. to 4 p.m. of Saturday. No deliveries or trash pick-up shall occur on Sunday. Waste receptacles shall be kept secure and accessible only to authorized personnel.
24. No special events or parties of any type shall be held on the premises, including but not limited to events for which a Temporary Special Event Permit has been issued by the Department of Building and Safety.
25. Outdoor lighting shall be shielded and directed onto the site, such that the light source cannot be seen by persons on adjacent properties or from the public right-of-way. In cases where the premises immediately adjoins a public sidewalk or alley, a light source that is visible from the portion of the sidewalk or alley immediately adjoining the premises shall not be deemed in violation of this provision.
26. All exterior portions of the premises shall be adequately illuminated in the evening as to make discernible the faces and clothing of persons utilizing the space.
27. An assigned neighborhood liaison shall be identified with a phone number posted prominently for each premises and Business to address and receive complaints.
28. A Business shall ensure that the Department is notified in writing of a criminal conviction rendered against the Business, either by mail or electronic mail, within 48 hours of the conviction. A Business shall ensure that the Department is notified in writing of a civil

penalty or judgment rendered against the Business, either by mail or electronic mail, within 48 hours of delivery of the verdict or entry of judgment, whichever is sooner. A Business shall ensure that the Department is notified in writing of the revocation of a state license, permit, or other authorization, either by mail or electronic mail within 48 hours of receiving notice of the revocation.

29. A Business shall notify the Business and Police Department, within 24 hours, of theft or loss of cannabis goods.
30. A Business shall notify the Police Department and the Department within 24 hours of discovery of any of the following situations: the Business discovers a significant discrepancy as defined in its inventory; the Business becomes aware of or has reason to suspect diversion, theft, loss, or any other criminal activity pertaining to the operation of the Business; the Business becomes aware of or has reason to suspect diversion, theft, loss, or any other criminal activity by an agent or employee pertaining to the operation of the Business; the Business becomes aware of or has reason to suspect the loss or unauthorized alteration of records related to cannabis goods, registered medical cannabis patients or primary caregivers, or dispensary employees or agents; or the Business becomes aware of or has reason to suspect any other breach of security.

#### RECORDS RETENTION

1. Each Business shall keep and maintain the following records for at least seven years: 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, other State of California agencies, the Office of Finance, or the Department; 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; training records, including but not limited to the content of the training provided and the names of the employees that received the training; contracts with other Businesses; Certificates of Compliance, permits, licenses, and other local or state authorizations to conduct the Business' Commercial Cannabis Activity.
2. The Department may make any examination of the books and records of any Business as it deems necessary to perform its duties under the rules, regulations, and procedures of the City of Los Angeles and the State of California. Records shall be kept in a manner that allows the records to be produced for the Department at the Business premises in either hard copy or electronic form, whichever the Department requests. A Business may contract with a third party to provide custodial or management services of the records. Such a contract shall not relieve the Business of his or her responsibilities under these regulations.
3. A Business must maintain adequate records of all activities and transactions that involve financial implications for seven years. Such businesses are required to utilize electronic track and trace systems and point of sale terminals (if applicable). The equipment must be capable of recording and monitoring business activities, inventories, transportation,

sales transactions, and generating reports on demand. The equipment must be fully integrated to process and maintain data that includes information about the Business from whom the goods were received, the type and amount of goods received, the party who holds title to the goods, and the UIDs or lot number of the goods. Electronic equipment may include, but is not limited to: Radio-Frequency Identification Devices, bar code identifiers, scanning equipment and software, cash registers, desktop computers, mobile devices, and cloud-based technologies that can manage all aspects of the cannabis life cycle from "seed to sale". Data storage and reporting features must incorporate all aspects of revenue transactions inclusive of accurate inventory levels, transactional history, sales receipts and entry of all point of sales data inclusive of wholesale and retail sales. The data must also allow for the Department or its authorized agents to clearly distinguish the activities of medical cannabis from retail cannabis. For Businesses engaging in Retailer Commercial Cannabis Activity, information required to be tracked includes the sale of the cannabis goods, such as the date of sale, type of goods purchased and quantity of each good, and related sale prices. For Businesses engaging in Transporter or Distributor Commercial Cannabis Activity, the Business must disclose when it uses its own transporter Certificate of Compliance to transport the cannabis goods to one or more Businesses conducting Retailer Commercial Cannabis Activity and enter that transport event into the track and trace database. This information includes the transporter state license number, amount of goods transported, vehicle information, and date of transport.

### TRACK AND TRACE

1. The Department shall utilize the State of California track-and-trace system for UIDs of cannabis and cannabis products, which all Businesses conducting Commercial Cannabis Activity shall use. Each Business shall report in the track-and-trace system the disposition of immature and mature plants, cannabis products on the premises and any transfers associated with commercial cannabis activity between Businesses. The Business 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 Business if not corrected. Attempts to falsify or misrepresent data or information entered into the track-and-trace system is a violation and subject to enforcement.
2. Each Business shall use the track-and-trace system for recording all applicable Commercial Cannabis Activity. Each Business shall do all of the following activities: establish an account in the track-and-trace system prior to engaging in any Commercial Cannabis Activity associated with their Business and maintain an active account; designate at least one of the owners or the responsible party named in the application to be the track-and-trace system administrator. The Business may authorize additional administrator accounts; require designated administrators to complete initial training prior to accessing the system and participate in ongoing training as required by the Department and the State of California; designate track-and-trace system users, as needed, and require the designated users to be trained by the Business' 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; 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; cancel any track-and-trace system administrator or user from an associated track-and-trace system account if that individual is no longer a Business representative or the administrator; and correct any data that is entered into the track-and-trace system in error within 24 hours of discovery of the error.

3. The Business is responsible for all actions any representatives take while logged into the track-and-trace system or otherwise conducting Commercial Cannabis Activity. If a Business loses access to the track-and-trace system for any reason, the Business shall prepare and maintain comprehensive records detailing all tracking inventory activities that were conducted during the loss of access. 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. A Business shall document when access to the track-and-trace system was lost and when it was restored. A Business shall not transport any cannabis or cannabis products to another premises until such time as access is restored and all information is recorded into the track-and-trace system.
4. The Business shall only use UIDs as issued by the State of California for every applicable cannabis plant and cannabis product cultivated or as otherwise required. The UID shall accompany the cannabis and cannabis products through all phases of the growing cycle as required by the State of California.
5. The Business and any track-and-trace system administrator or user as identified by the Business shall enter all Commercial Cannabis Activity in the track-and-trace system as required by the Department and the State of California. It is a violation for any person to intentionally misrepresent or falsify information entered into the track-and-trace system. The Business 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 Business shall not dismiss a notification from the track-and-trace system until the Business resolves the issues included in the notification. Failure to comply with these requirements may result in enforcement action, including revocation of the Certificate of Compliance.
6. The Business shall report through the track-and-trace system any and all transfers of cannabis or cannabis products to another Business conducting Commercial Cannabis Activity as required by the State of California and the Department.
7. Within 15 calendar days of a Certificate of Compliance being issued by the Department, the Business shall enter into the track-and-trace system and apply a UID to each existing immature plant lot, individual mature plants, and cannabis product physically located on the premises. After this 15 day time frame expires, all cannabis at the premises shall be entered into the track-and-trace system starting with seed, clone propagated onsite or purchased from a nursery, seedling purchased from a nursery, or otherwise required by the State of California.

## RETAILER COMMERCIAL CANNABIS ACTIVITY

1. Except as otherwise provided by state law, access to the premises shall be limited to individuals who are at least 21 years old and have a bona fide business reason for entering the premises. An individual younger than 21 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.
2. Individuals shall only be granted access to the area to purchase medical cannabis goods after the Business 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 Business shall verify that the individual has a valid physician recommendation for medical cannabis and a valid proof of identification as required by the State of California. 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. A Business shall only sell medical cannabis goods to medical cannabis patients or the primary caregivers of medical cannabis patients once identification is verified.
3. The Business owner or its employees shall be physically present in the retail area at all times when there are individuals who are not employees of the Business in the retail area.
4. A Business conducting Retailer Commercial Cannabis Activity may only sell cannabis goods during the hours of 6:00 a.m. Pacific Time to 9:00 p.m. Pacific Time. At any time the Business is not open for retail sales, the Business shall ensure the following: the premises shall be securely locked with commercial-grade, non-residential door locks; the premises shall be equipped with an active alarm system; when closed for retail business, all cannabis goods shall be stored in a locked safe or vault on the premises; and only authorized employees and contractors of the Business shall be allowed to enter the premises after hours. All patrons must exit the premises by 9:15 p.m. Pacific Time.
5. The display of cannabis goods for sale shall only occur in the retail area during the operating hours of the Business. The Business shall not display any cannabis goods in areas outside of the retail area. The Business shall not display cannabis goods in a place where it is visible from outside the premises. Cannabis goods on display shall not be readily accessible to the customers. The amount of cannabis goods that are displayed shall not exceed the average amount of cannabis goods the Business sells during an average one day period. The remainder of the Business' inventory of cannabis goods shall be stored in accordance with the requirements of the State of California and the Department.
6. A Business shall not make any cannabis goods available for sale or delivery unless the cannabis goods were received and delivered to the Business as required by the State of

California, and the Business has verified that the cannabis goods have not exceeded their expiration or sell-by date if one is provided.

7. A Business shall not sell more than the maximum limit established for medical cannabis goods including edibles, or recreational cannabis goods including edibles per individual as required by the State of California.
8. A Business may accept returns of cannabis goods that were previously sold at the same premises. A Business shall not resell cannabis goods that have been returned. A Business shall treat any cannabis goods abandoned on the premises as a return. A Business shall destroy all cannabis goods that have been returned to a Business as required by the State of California and the Department.
9. A Business shall not provide free samples of cannabis goods to any person. A Business shall not allow representatives of other companies or organizations to provide free samples of cannabis goods to individuals on the Business premises.
10. A Business shall not accept cannabis goods that are not packaged as they will be sold at final sale, in compliance with the requirements of the State of California. A Business shall not purchase dried flower that is not already packaged for final sale, in compliance with the requirements of the State of California. A dispensary shall not package or label cannabis goods.
11. Cannabis goods purchased by a customer shall not leave the Business premises unless they are placed in an exit package as required by the State of California.
12. A Business shall store 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 cannabis goods are stored shall not be exposed to direct sunlight. A Business may not store cannabis goods outdoors. Employee break rooms, changing facilities, and bathrooms shall be completely separated from the storage areas. A Business shall meet all temperature and humidity requirements of the State of California.
13. A Business shall maintain an accurate record of its inventory as required by the State of California. A Business shall provide the Department with a record of its current inventory upon request. The Business shall keep a record of the following information for all cannabis goods the Business has in its inventory: a description of each item in the Business' inventory. This description will be such that the medical cannabis goods can easily be identified, separate and apart from recreational cannabis goods; an accurate measurement of the quantity of the item; the date and time the product was received by the Business; the sell-by or expiration date on any cannabis goods, if any; the name and state license number of the Business that delivered the cannabis goods; the name and state license number of the Business that provided the cannabis goods to the Business conducting Retailer Commercial Cannabis Activity; and the price the Business paid for the cannabis goods, including taxes, delivery costs, or any other costs.

14. A Business shall perform a reconciliation of its inventory at least once every seven days. A Business shall verify that the physical inventory matches the Business's records pertaining to inventory. The result of inventory reconciliation shall be retained in the Business' records and shall be made available to the Business upon request.
15. A Business shall maintain an accurate record of every sale. A record of a sale shall contain the following information: the name of the Business employee who processed the sale; the name of the individual who made the purchase (if medical); the date and time of the transaction; a list of all of the cannabis goods purchased, including the quantity purchased; and the total amount paid for the sale including the individual prices paid for each cannabis good purchased and any amounts paid for taxes.
16. Up to 180 days after the date of state licensure or December 31, 2018, whichever is sooner, a Business may sell its inventory of untested cannabis goods if the Business 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 or the Adult Use of Marijuana Act." During the time period allowed by this section, a Business may package and sell cannabis goods that have not been packaged by a cultivator or distributor before it is transported to the Business or as otherwise required by the State of California.
17. Within the first six months of the issuance of a Certificate of Compliance, all employees of a Business conducting Retailer Commercial Cannabis Activity shall enroll in the Department and Police Department's standardized training for cannabis retailers. Upon completion of such training, the Business shall request the Department to issue a letter identifying which employees completed the training. In the event there is a change in the ownership of a Business, within six months of the change, this training program shall be required for all new staff. The training shall be conducted for all new hires within two months of their employment.
18. An electronic age verification device shall be purchased and retained on the premises to determine the age of any individual attempting to purchase cannabis goods and shall be installed on at each point-of-sales location. The device shall be maintained in operational condition and all employees shall be instructed in its use.
19. Only one door, as identified in the premises diagram, shall be used for patron access. All other doors shall be equipped on the inside with an automatic locking device and shall be kept closed at all times, other than to permit access for deliveries and trash removal. Exterior doors shall not consist of a screen or ventilated security door but shall be solid.
20. There shall be no sales through exterior openings, such as drive through or walk-up windows.
21. There shall be no adult entertainment of any type pursuant to Section 12.70 of the Los Angeles Municipal Code or alcohol sales of any type.

22. No entertainment of any type shall be allowed to take place, except for ambient music. No disc jockey, karaoke, dancing or performing activity or any kind shall be allowed. Any music, sound, or noise emitted from the Business shall comply with the noise regulations of the Los Angeles Municipal Code and shall not extend beyond the Business.
23. There shall be no pool/billiard tables, dart games, video games, coin-operated game machines or similar game devices maintained upon the premises at any time.
24. There shall be no outdoor speakers, address, or paging system on the exterior portions of the Business premises or attached to the façade of the building.

#### DELIVERY FOR RETAILER COMMERCIAL CANNABIS ACTIVITY

1. A Business conducting Delivery for Retailer Commercial Cannabis Activity shall meet all applicable operational requirements for Retailer Commercial Cannabis Activity.
2. All deliveries of cannabis goods must be performed by a delivery employee of a Business conducting Delivery for Retailer Commercial Cannabis Activity. Each delivery employee of a Business shall be at least 21 years of age. A Business shall only use the services of an independent contractor or courier service to deliver cannabis goods as allowable by the State of California.
3. All deliveries of cannabis goods shall be made in person. A delivery of cannabis goods shall not be made through the use of an unmanned vehicle. A Business may only deliver cannabis goods to a physical address within the boundaries of the City of Los Angeles. A Business shall not deliver cannabis goods to an address located on publicly owned land or any address on land or in a building leased by a public agency.
4. A delivery employee begins the process of delivering when the delivery employee leaves the Business premises with the cannabis goods for delivery. The process of delivering ends when the delivery employee returns to the Business premises after delivering the cannabis goods.
5. A delivery employee of a Business shall, during deliveries, carry a copy of the Business' Certificate of Compliance, the employee's government-issued identification, and an employer provided badge containing a picture and the name of the delivery employee. A Business shall maintain an accurate list of its delivery employees.
6. A delivery employee of a Business, carrying cannabis goods for delivery, shall only travel in an enclosed motor vehicle operated by the delivery employee or another delivery employee of the Business. While carrying cannabis goods for delivery, a delivery employee of a Business shall ensure the cannabis goods are not visible to the public. A delivery employee of a Business shall not leave cannabis goods in an unattended motor vehicle unless the motor vehicle is equipped with an active vehicle alarm system. A vehicle used for the delivery of 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 Business shall be able to identify the geographic location of all delivery vehicles that are making deliveries for the Business and shall provide that information to the Department upon request.

7. A Business shall only deliver cannabis goods during the hours allowable by the State of California.
8. While making deliveries, a delivery employee of a Business shall not carry cannabis goods in excess of \$3,000 at any time. This value shall be determined using the retail price of all cannabis goods carried by the delivery employee.
9. Delivery employees of a Business shall not consume cannabis goods while delivering cannabis goods.
10. A Business shall prepare a delivery request receipt for each delivery of cannabis goods. The delivery request receipt shall contain the following: the name and address of the Business; the name of the delivery employee of the Business who delivered the order; the name of the Business employee who prepared the order for delivery; if a medical cannabis patient, a patient identification number for the medical cannabis patient who is requesting the delivery. Upon request from the Department, a Business shall provide the name of the medical cannabis patient associated with the patient identification number listed on the delivery request receipt; the date and time the delivery request was made; the delivery address; a detailed description of all cannabis goods requested for delivery. The description shall include the weight, volume, or any other accurate measure of the amount of any cannabis goods requested; the total amount paid for the delivery, including any taxes and fees; upon delivery, the date and time the delivery was made, and the name and signature of the individual who received the delivery; at the time of the delivery, the delivery employee of the Business shall provide the individual 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 Business' records. The delivery request receipt shall comply with state and federal law regarding the protection of confidential medical information if the delivery was made to a medical cannabis patient.
11. While making deliveries of cannabis goods, a delivery employee of a Business shall only travel from the Business premises to the delivery address; from one delivery address to another delivery address; or from a delivery address back to the Business premises. A delivery employee of a Business shall not deviate from the delivery path, except for necessary rest, fuel, or vehicle repair stops, or because road conditions make continued use of the route unsafe, impossible, or impracticable.
12. No Business conducting Retailer Commercial Cannabis Activity may conduct any deliveries within the boundaries of the City of Los Angeles without first obtaining a

Certificate of Compliance from the Department, including licensed or permitted Businesses located outside of the City of Los Angeles. Furthermore, no business is authorized to provide delivery services outside of the City of Los Angeles under a Certificate of Compliance issued by the Department.

13. A Business shall ensure that the Department is notified in writing of an arrest or criminal conviction involving a vehicle of an employee and the employee or employees involved, either by mail or electronic mail, within 48 hours of the conviction or arrest.

#### MICROBUSINESS COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. A Business conducting Microbusiness Commercial Cannabis Activity shall meet all applicable operational requirements for Retailer Commercial Cannabis Activity, Indoor Commercial Cannabis Activity, and/or Manufacture Commercial Cannabis Activity.

#### INDOOR CULTIVATION COMMERCIAL CANNABIS ACTIVITY

1. The Cultivation Plan for a Business shall meet all the requirements of the State of California, including hazardous waste management requirements of the CUPA program.
2. Businesses are prohibited from transferring or receiving any cannabis or non-manufactured cannabis products from other Businesses conducting Indoor Cultivation Commercial Cannabis Activity, except as otherwise indicated. Businesses are allowed to receive immature plants or seeds from nurseries and to transfer cannabis and non-manufactured cannabis products under the requirements of the State of California.
3. Businesses are prohibited from accepting returns of cannabis plants or non-manufactured cannabis products after transferring actual possession of cannabis plants or non-manufactured cannabis to another Business.
4. Cannabis plant material scheduled for destruction shall be held in a holding area identified in the Cultivation Plan and shall be managed and disposed of in accordance with the requirements of the State of California.
5. All cannabis shall be kept commercially clean in respect to established pests of general distribution as required by the State of California.
6. A package used to contain a non-manufactured cannabis product shall adhere to the requirements of the State of California.
7. Labeling requirements shall be implemented within 180 days of approval of a Certificate of Compliance, or by December 31, 2018, whichever is sooner, and meet the requirements of the State of California.
8. Businesses shall only propagate immature plants for planting at their premises in designated propagation area(s) according to the requirements of the State of California.

Businesses propagating immature plants for distribution or seed for distribution to another Business shall obtain a Type 4 Certificate of Compliance.

9. Businesses shall process their cannabis only in designated processing area(s) or transport it to a Business with the appropriate Certificate of Compliance for processing. Businesses may produce non-manufactured cannabis products for distribution without a Certificate of Compliance for Manufacture Commercial Cannabis Activity, provided the Business complies with all packaging and labeling requirements of the State of California.
10. Nurseries producing immature plants for distribution may maintain a research and development area for the cultivation of mature plants as required by the State of California. Nurseries shall only conduct research and development on the premises in designated areas identified in their Cultivation Plan approved by the Department. Non-manufactured cannabis products derived from the plants described above are prohibited from entering the commercial distribution chain without the appropriate Department issued Certificate of Compliance.
11. Processors shall comply with all of the requirements of the State of California.
12. All Businesses shall comply with the environmental protection measures of the State of California, including the following: compliance with the requirements of the CUPA program of the State of California as it pertains to management of hazardous waste, hazardous materials inventory disclosure, business emergency plans, underground storage tanks of hazardous materials, above ground storage tanks of petroleum products, accidental release prevention of hazardous substances and release reporting; compliance with the State Water Resources Control Board; all outdoor lighting used for security purposes shall be shielded and downward facing; immediately halt cultivation activities if human remains are discovered; the use of generators for cultivation is prohibited, except for temporary use in the event of a power outage or emergency; compliance with pesticide laws and regulations as enforced by the State of California.
13. Indoor license types of all sizes shall ensure that electrical power used for commercial cannabis activity shall be meet the requirements of the State of California, for example: on-grid power with 42 percent renewable source; on-site zero net energy renewable source providing 42 percent of power; purchase of carbon offsets for any portion of power above 58 percent not from renewable sources; or demonstration that the equipment to be used would be 42 percent more energy efficient than standard equipment.

#### MANUFACTURE COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. Non-volatile cannabis extraction shall only be conducted using the methods in accordance with all requirements and procedures of the State of California. There shall be no metals, butane, propane, or other flammable solvent or inflammable product used for manufacturing.

2. The Business shall establish and implement written procedures with respect to disease control, cleanliness, contamination prevention, sanitary operations, quality control, the quality of raw materials and ingredients, manufacturing operations, master manufacturing protocol, hazard analysis, standard operating procedures, and inventory control plan as required by the State of California.
3. A Business shall comply with all requirements of a fire safety plan approved by the Fire Department.
4. At minimum, a Business will meet all facility suitability standards and be equipped with adequate sanitary accommodations as required by the State of California.
5. The Business shall establish and implement written procedures to ensure that all product complaints are handled in accordance with the requirements of the State of California.
6. A Business shall establish and implement written procedures in the Cannabis Waste Management Plan for recalling cannabis products manufactured by the Business that are determined to be misbranded or adulterated in accordance with the requirements of the State of California.
7. The Business shall implement a training program to ensure that all personnel present at the premises are provided information and training that, at minimum, covers all of the requirements of the State of California.
8. No Business shall infuse alcoholic beverages, as defined by the State of California, with cannabis. 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. No cannabis product shall be made of potentially hazardous food, canned cannabis product, juice, perishable bakery products, dairy products, meat products, and seafood products as required by the State of California. Edible cannabis products produced for sale by the Business shall not include products prohibited by the State of California. No manufacturer shall manufacture cannabis products by applying cannabinoid concentrate or extract to commercially available candy or snack food items. 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.
9. 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. Edible products that constitute more than a single serving shall be scored, delineated, or otherwise similarly marked to indicate one serving.
10. For manufactured cannabis that is not an edible product, no package of finished cannabis product shall contain more than 1,000 mg of THC.

11. No cannabis product shall exceed the level of contaminants as required by the State of California. 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.
12. Prior to release of a product, a Business shall ensure that the product is in finished form and is labeled and packaged in its final form for sale at a Business conducting Retailer Commercial Cannabis Activity. A Business must comply with, and follow all labeling and packaging requirements of the State of California.
13. A Business shall install an air filtration or ventilation system that neutralized odors originating from inside the premises and prevents odors from being directed beyond its exterior walls. No windows or exhaust vents shall be located on the building façade that abuts a residential use or zone. Exhaust vents shall direct exhaust away from residential uses or zones.

#### TESTING COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. A Business shall develop and implement sampling plans, procedures, and protocols that meet the requirements of the State of California for obtaining samples of cannabis goods.
2. A Business shall develop, implement, and maintain written standard operating procedures and scientifically valid testing methodologies as required by the State of California.
3. A Business shall not use metals, butane, propane, or any other flammable solvent or inflammable product for the purposes of testing.
4. A Business shall test for and report measurements for the following cannabinoids: THC; THCA; CBD; CBDA; CBG; and CBN as required by the State of California.
5. A Business shall analyze samples of manufactured cannabis batches for residual solvents and processing chemicals as required by the State of California. A laboratory does not need to analyze for residual solvents and processing chemicals in dried flower, kief, and hashish samples.
6. A Business shall test all samples for residual pesticides, microbiological impurities, mycotoxins, filth and foreign material present, and concentrations of heavy metals as required by the State of California.
7. The Business shall generate a certificate of analysis as required by the State of California for each primary sample of a batch that it tests and provide the certificate of analysis to the affected Businesses and the Department within 2 business days of the completion of the analyses. If a sample fails laboratory testing, the Business shall, within 2 business days, upload copies of the certificate of analysis to the track and trace system. If a sample

passes testing, the laboratory shall, within 24 hours, enter “pass” into the track and trace system for the batch from which the sample came. The batch is then released for retail sale. A batch may not be retested following a failed testing unless it has gone through a remediation process as required by the State of California.

8. A Business shall destroy nonhazardous used or unused cannabis test samples as required by the State of California. A Business shall discard hazardous waste, including hazardous waste containing cannabis, in accordance with federal and state hazardous waste laws. The Business shall document the waste disposal procedures followed for each sample.
9. A Business shall conduct an internal audit at least once per year or according to the ISO accrediting body’s requirement and State of California requirements, whichever is more frequent. The internal audit must cover everything required to be covered by ISO 17025 internal-audit standards. Within three business days of completing the internal audit, the Business shall submit the results of the internal audit to the Department. Failure to conduct an internal audit or failure to submit the results of an internal audit to the Department may subject the Business to enforcement action against the Business.
10. A Business shall maintain analytical testing laboratory records in such a manner that the analyst, date the analysis was performed, the approver of the certificate of analysis and data package, test method, and materials used can be determined by the Department. Business recordkeeping may be on paper or on electronic, magnetic, or optical media and shall be stored in such a way that the data are readily retrieved when requested by the Department. If the testing laboratory recordkeeping is not on paper, the laboratory must be able to produce them in hard copy for the Department upon request. All testing laboratory records must be kept for a minimum of 7 years. The Department shall be allowed access to all electronic data, including standards records, calibration records, extraction logs, laboratory notebooks, and all other laboratory-related documents listed below. A Business shall maintain all documents, forms, records, and standard operating procedures associated with the laboratory’s methods as they relate to cannabis testing. A laboratory shall keep and make available to the Department all records required and made available to the State of California. If the records are missing or incomplete, or if a Business does not produce the records for the Department upon request, the Department may take enforcement action against the testing laboratory.
11. Laboratory employees shall meet the experience, education, and training requirements specified and required by the State of California. A Business shall verify and maintain documentation of qualifications of its employees.
12. A Business shall deter the unauthorized entrance into areas within the laboratory where cannabis is present by controlling access to those areas through doing all of the following: limiting access to only certain personnel and for the sole purpose of executing their specific job function and duties; implementing an access-control-card system capable of preventing unauthorized access through access control points. The system must record the transaction history of all entrants; using a security alarm system as required; and maintaining a visitor arrival and departure log, which must contain, at

minimum, the name of the visitor, date and time of arrival and departure, and the purpose of the visit.

13. A Business shall store cannabis secured with a commercial-grade lock in a room or cabinet capable of preventing diversion, theft, and loss. Secured areas must be locked at all times except when managing or retrieving a secured item or items. A Business shall store medical cannabis samples and items apart and away from non-medical-cannabis samples and items. The testing laboratory shall designate secured areas for storage as required by the State of California.
14. Businesses shall store all raw unprocessed instrument output data files and processed quantitation output files at the laboratory on some form of electronic, magnetic, or optical media. A Business shall allow access to these records for inspection and audit by the Commission. Businesses shall install, manage, and maintain password-protection for electronically stored data, including the data listed.
15. Businesses shall notify the Department within 24 hours of discovering any of the following: An unexplained loss of 5% or more of the inventory of unpackaged and unused harvest-batch samples held at the laboratory; an unexplained loss of 1 or more units of packaged cannabis batch samples held at the laboratory; or diversion or theft of medical cannabis or any other criminal activity pertaining to the operation of the laboratory.
16. No owner or employee of a Business may be employed by, or have any ownership or financial interest, in any other category of Commercial Cannabis Activity.

#### DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. A Business may take title to and possession of cannabis after harvest but prior to manufacturing. A Business may sell the cannabis to a manufacturer or enter into a contract with a manufacturer for manufacturing the cannabis into cannabis products.
2. Once cannabis goods are received by a business conducting Retailer Commercial Cannabis Activity, a Business shall not maintain title after transfer of the cannabis goods.
3. A Business may sell cannabis goods to another business conducting Distributor Commercial Cannabis Activity.
4. A Business may destroy cannabis goods on the premises in the manner required by the State of California.
5. A Business shall ensure that all cannabis goods batches are stored separately and distinctly from other cannabis goods batches on the premises as required by the State of California.

6. A Business shall store 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 cannabis goods are stored shall not be exposed to direct sunlight. A Business may not store cannabis goods outdoors.
7. A Business may provide cannabis goods storage only services to a cultivator, manufacturer, transporter, or other distributor, unrelated to the quality assurance and laboratory testing processes.
8. A Business may package and label cannabis in the form of dried flower on behalf of a cultivator or another distributor or while holding title. A distributor may re-package and re-label cannabis in the form of dried flower on behalf of a cultivator or another distributor or while holding title. A distributor may have another Business or non-cannabis Business package and label on the distributor's premises. The distributor is responsible for compliance with applicable cannabis packaging and labeling laws required by the State of California. A Business shall not package, re-package, label, or re-label manufactured cannabis goods.
9. A Business may not store or distribute non-medical-cannabis goods on or from the premises approved for distribution of medical cannabis goods.
10. After taking physical possession of a cannabis batch, the Business shall meet all testing requirements and procedures of the State of California.
11. A Business shall not hire an employee or volunteer if the person works or volunteers for another Business, unless the other Business is a distributor or transporter. A Business shall ensure his or her employees do not have a financial interest as defined by the State of California in another Business. A distributor shall have a document for each employee in which the employee signs and attests to not having a financial interest in another Business unless allowed by the State of California.
12. A Business shall keep an inventory log as required by the State of California. A Business shall reconcile all inventories of cannabis goods a minimum of once per week.
13. In addition any other records required by the State of California, a Business shall maintain the following records: records relating to branding and packaging and labeling; current inventory log; transportation bills of lading and shipping manifests; quality-assurance records; records relating to destruction of cannabis goods; video that is required; laboratory-testing records; inventory records; and warehouse receipts.
14. A Business shall ensure that the Department is notified in writing of an arrest or criminal conviction involving a vehicle of an employee and the employee or employees involved, either by mail or electronic mail, within 48 hours of the conviction or arrest.

## TRANSPORTER COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. The requirements of the State of California apply when transporting cannabis goods, which may include: transportation by means of aircraft, watercraft, drones, rail, human powered vehicles, and unmanned vehicles is prohibited; 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; cannabis goods shall be locked in a box that is secured to the inside of the commercial vehicle or trailer; while left unattended, the commercial vehicle and trailer shall be locked and secured; a transporter shall not leave a commercial vehicle containing cannabis goods unattended or parked overnight in a residential area; 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; packages or containers containing cannabis goods may not be tampered with during transport; a transporter shall only travel between Businesses shipping or receiving cannabis goods and its own premises when engaged in the transportation of cannabis goods; the transporter may transport multiple shipments of cannabis goods at once as required by the State of California; a transporter may not transport non-medical cannabis goods with medical cannabis goods; transport vehicles and all premises are subject to inspection by the Department; and commercial vehicles used to transport cannabis goods may be inspected by the Department at any premises or during transport.
2. A Business shall not hold title under its Certificate of Compliance for cannabis goods it is transporting. However, a Business may hold legal title to cannabis goods if the transporter holds title to the cannabis goods under another Certificate of Compliance or state license.
3. The Business shall provide the Department with the information required by the State of California in writing for any new commercial vehicle that will be used to transport cannabis goods prior to using the commercial vehicle to transport cannabis goods.
4. No person under the age of 21 years old shall be in a commercial vehicle transporting cannabis goods, and only a licensed transporter or an employee of the Business shall be in a vehicle while transporting cannabis goods.
5. A Business may store cannabis goods on his or her premises for no longer than 72 hours. A Business shall ensure all cannabis batches are stored and labeled separately and distinctly from other cannabis batches on the premises as required by the State of California.
6. Before transporting any cannabis goods, the Business shall complete an electronic shipping manifest and transmit it to the Business receiving the shipment. The shipping manifest shall contain all information as required by the State of California, and shall be provided to the Department upon request.

7. In addition to those records required by the State of California, a Business shall maintain the following records: commercial vehicle maintenance and ownership records; and all shipping manifests for completed transports and for cannabis goods in transit.
8. A Business shall ensure that the Department is notified in writing of an arrest or criminal conviction involving a vehicle of an employee and the employee or employees involved, either by mail or electronic mail, within 48 hours of the conviction or arrest.
9. Transportation of waste cannabis deemed to be hazardous under State law must comply with the requirements of the CUPA program.

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## **INSPECTIONS**

1. All Businesses and applicants shall be subject to inspection, investigation, or audit by the Department or its agents to determine compliance. An inspection, investigation or audit is a review of any books, records, accounts, inventory, or onsite operations specific to the Business. Inspections, investigations, or audits may include, but is not limited to employees or agents of the following City Departments: the Cannabis Department, Department of Building and Safety, Department of City Planning, Police Department, Fire Department, and the Office of Finance. An applicant shall upgrade all applicable electrical and water systems to Code standards prior to further application processing. The Department and its agents may conduct an on-site inspection prior to issuing a new or renewal Certificate of Compliance in accordance with the requirements of the State of California and the Department. The Department may record the inspection, investigation, or audit. The applicant or Business shall allow the Department access to the proposed or authorized premises for any of the following purposes: onsite inspection of the premises prior to issuing an authorization to determine accuracy and completeness of the application; review or inspect the premises to determine compliance with requirements; audit or inspect records; conduct an inspection or investigation in response to a complaint(s) received by the Department regarding the Business; inspect incoming or outgoing shipments of cannabis and cannabis products; storage areas; production processes, labeling and packaging processes, and conveyances used in the manufacture, storage or transportation of cannabis products; all pertinent equipment, raw material, finished and unfinished materials, containers, packaging, and labeling that has a bearing on whether the cannabis or cannabis product is compliant; investigations concerning the adulteration, misbranding or unlicensed production of any cannabis product including the ability to enter and inspect any place where any cannabis product is suspected of being manufactured or held in violation of requirements; and, conduct an investigation of the Business, the operations, and other activities associated with Commercial Cannabis Activity engaged in by the Business, as deemed necessary by the Department. Failure to fully cooperate with inspections, investigations or audits is a violation subject to enforcement. All inspections, investigations, or audits and related fees shall be charged to Businesses at full cost recovery. Prior notice of inspection, investigation or audit is not required.
2. Applicants will submit to a pre-inspection of the premises during regular business hours prior to the issuance of a Certificate of Compliance. Pre-inspection is not required for a provisional Certificate of Compliance. Pre-inspections may include, but is not limited to employees or agents of the following City Departments: the Cannabis Department, Department of Building and Safety, Department of City Planning, Police Department, Fire Department, and the Office of Finance. An applicant shall upgrade all applicable electrical and water systems to Code standards prior to further application processing.
3. All inspections, investigations and audits of the premises shall be conducted during regular business hours, or during times of apparent or alleged activity, or as otherwise agreed to by the Department and the Business.
4. No applicant, Business, 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: denying the Department access to the premises; providing false or misleading statements; providing false, falsified, fraudulent or misleading documents and records; and failing to provide records, reports, and other supporting documents. Upon completion of an inspection, investigation or audit, the Department shall notify the applicant or Business of any violation(s) and/or action(s) the Department is taking.

5. The Department may perform an audit of the physical inventory of any Commercial Cannabis Business 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.
6. In construing and enforcing the provisions and regulations of the Commission and Department, the act, omission, or failure of an agent, officer, or other person acting for or employed by a Business, within the scope of his or her employment or office, shall in every case be deemed the act, omission, or failure of the Business.

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## **ENFORCEMENT**

1. Notwithstanding any other provision of law the Department may take an administrative action, at any time within five years after the Department discovers, or with reasonable diligence should have discovered any violation of the Certificate of Compliance requirements of the Commission. Any action of the Department does not preclude the State of California and the CUPA program local agency from taking their own enforcement action.
2. The Department shall use the violation classes and applicable amounts as follows: For the purpose of this section, violation classes are designated as “Serious,” “Moderate,” and “Minor”.
  - a. “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, intentional or knowing sale of cannabis products to a person under the age of 21 (unless a medical cannabis patient), packaging or labeling any cannabis product in a manner that violates the requirements of the State of California or Department, advertising or marketing cannabis products that violates the requirements of the State of California or Department, 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.
  - b. “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.
  - c. “Minor”. Violations that are not likely to have an adverse effect on public safety or environmental health. Repeat violations may result in an escalation of violation class. Any Minor violations of the Certificate of Compliance and conditions of compliance shall be corrected within 30 days of notification, with one 30-day extension by request, before automatic referral to the Department for review and possible revocation at a public hearing unless an administrative hearing process has been invoked.
3. A Table 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 the fine as indicated for each violation, unless otherwise required by the Department or the State of California.
4. The Department shall issue a Notice of Violation to Businesses in violation of the applicable requirements of the Department or the State of California. A copy of the Notice of Violation shall be served upon the Business and legal owner of the property. The Notice of Violation shall contain all of the following: A brief statement of the

violation(s) alleged; a statement of whether the violation is correctable, and a timeframe in which the violation shall be corrected; and appeal rights and procedures as follows: respondent's right to a hearing will be deemed waived if respondent fails to respond in writing within 10 business days from the date the Notice of Violation was received by the respondent, or respondent's agent for service.

5. To prevent destruction of evidence, illegal diversion of cannabis or cannabis products, or to address potential threats to the environment or public safety, while allowing a Business to retain its inventory pending further inspection, or enforcement action, the Department may order an administrative hold of cannabis or cannabis products pursuant to the following procedure: The notice of administrative hold shall provide a documented description of the cannabis or cannabis products to be subject to the administrative hold and a concise statement, regarding the basis for issuing the administrative hold. Within 24 hours of receipt of the notice of administrative hold, the Business shall physically segregate all designated cannabis or cannabis products subject to the hold and shall safeguard and preserve the subject property as noticed. Following the issuance of a notice of administrative hold to the Business, the Department shall identify the cannabis or cannabis products subject to the administrative hold in the track-and-trace system. While the administrative hold is in effect, the Business is restricted from selling, donating, transferring, transporting, or destroying the subject property noticed. Nothing herein shall prevent a Business from the continued possession, cultivation, or harvesting of the cannabis subject to the administrative hold. During the hold period, all cannabis or cannabis products subject to an administrative hold shall be put into separate batches. Nothing herein shall prevent a Business from voluntarily surrendering cannabis or cannabis products that are subject to an administrative hold. The Business shall identify the cannabis or 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. The Business shall have the right to appeal an administrative hold ordered by the Department.
6. The Business may appeal a Notice of Violation for “Minor” or “Moderate” violations or an administrative hold and request an administrative hearing by written correspondence to the Department. The request shall be received within 10 business days from the date the Notice of Violation was received.
  - a. The request shall include the following: The respondent’s name, mailing address, and daytime phone number; if applicable, the Certificate of Compliance number issued by the Department; copy of the Notice of Violation; a clear and concise statement for the basis of the appeal or counts within the Notice of Violation; and choice of hearing. 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. If the Notice of Violation places an administrative hold on cannabis or cannabis products, the hold shall remain in effect pending the outcome of the administrative hearing.

- b. The Department shall schedule an administrative hearing within 30 calendar days from receipt of the request for a hearing. The Department shall provide a notice of the administrative hearing to the respondent containing the following information: date, location, and time of the public hearing; summary of the violations; any other information or documentation necessary for the hearing; and standard of proof.
  - c. Administrative hearings shall be conducted as follows: The standard of proof to be applied by the hearing officer shall be preponderance of the evidence; The decision of the hearing officer shall be in writing and shall include a statement of the factual legal basis of the decision; 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; The decision shall be served on the respondent either by personal service, mail, email or via facsimile per respondent's request/direction; and the respondent may appeal the hearing officer's decision by filing a petition for appeal to the Commission.
7. The Department may take an action for any violations noted as "Serious" at the discretion of the Department. If the Business holds multiple Certificates of Compliance, the Department may simultaneously revoke, suspend, or impose conditions upon some or all of the Certificates of Compliance held by the Business based on violations noted as "Serious, by taking any one of, or combination of the following actions: revocation of the license; suspension of the license for a specified period of time; more restrictive conditions of compliance with terms and conditions determined by the Department; or order an administrative hold of cannabis or cannabis products. If a Certificate of Compliance is revoked, the owner or individual shall not be allowed to apply to open a Business conducting Commercial Cannabis Activity for a period of 5 years after the date of revocation.
8. Notice shall be given to the applicant or Business of the Department's intent to hold a public hearing of the Commission to consider the following disciplinary actions: denial of a renewal; revocation; suspension for a specified period of time; and more restrictive conditions of compliance. Hearings concerning these proceedings shall be held in accordance with the rules of the Commission and Department.

## **RENEWALS**

1. To renew a Certificate of Compliance, a completed Certificate of Compliance renewal form and renewal Certificate of Compliance fee shall be received by the Department from the Business no earlier than 60 calendar days before the expiration of the Certificate of Compliance, and no later than 5:00 p.m. Pacific Time on the last business day before the expiration of the Certificate of Compliance. Failure to receive a notice for Certificate of Compliance renewal does not relieve a Business of the obligation to renew all Certificates of Compliance as required. In the event the Certificate of Compliance is not renewed prior to the expiration date, the Business must cease all Commercial Cannabis Activity until such time that the Business is issued a new Certificate of Compliance from the Department and a license from the State of California. The applicant and property owner will be subject to enforcement for continuing operations after an application for renewal has been denied.
2. The Certificate of Compliance renewal form shall contain, at minimum, the following: The name of the Business. For Businesses who are individuals, the applicant shall provide both the first and last name of the individual. For Businesses who are business entities, the Business shall provide the legal business name of the applicant. The Certificate of Compliance number and expiration date; the Business' address of record and premises address; an attestation that all information provided to the Department in the original application is accurate and current or a detailed explanation of any changes or discrepancies.
3. A Business' security plan must be reviewed every year during the renewal process. The purpose of the review is to assess the effectiveness of the security plan, and the Police Department may modify any of the measures within the security plan with the approval of the Department.

## **CANCELLATIONS**

1. Every Business who surrenders, abandons, or quits the premises as identified in the Certificate of Compliance, or who closes the premises for a period exceeding 30 consecutive calendar days, shall, within 30 calendar days after closing, surrendering, quitting, or abandoning the premises, surrender the Certificates of Compliance to the Department. The Department may seize the Certificates of Compliance of a Business who fails to comply with the surrender provisions and may proceed to revoke the Certificates of Compliance.
2. The Department may cancel the Certificates of Compliance of a Business upon request by the Business.

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