Cannabis Stakeholder Meeting

DEC. 4, 2017
1. Equity Program
2. Use of Ethanol in Nonvolatile Manufacturing
3. Tiered Manufacturing
4. Removing CUP Requirements
   ◦ A. For Small Manufacturers
   ◦ B. For Testing Facilities
5. Production CUP
6. Distribution
7. Adult Use Retail
   A. By Permitted Storefront Dispensaries
   B. By Non storefron Dispensaries
8. Delivery
   ◦ A. By Permitted Storefront Dispensaries
   ◦ B. By Non storefront Dispensaries

9. Distribution
   ◦ A. Distribution Centers
   ◦ B. Distribution Service

10. Amendments to Background Checks

11. New and Revised Permit Fees
Equity Program

- Small business support center
- Mentoring program for minorities, women, and veteran owned businesses
- CUP and BOP fee deferral system for qualified participants
- Priority CUP and BOP processing for qualified participants
- Provide Non-Operational BOP to participants who have completed program
- Community Outreach
- Priority Processing of CUPs & BOPs
# Equity Program Eligibility

<table>
<thead>
<tr>
<th>INDIVIDUALS:</th>
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<tbody>
<tr>
<td><strong>Type 1:</strong> Residing in a zip code of a priority neighborhood for at least 7 years, between 1994 and the date of application, or from most negatively impacted zip code</td>
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<tr>
<td><strong>Type 2:</strong> Economically disadvantaged status, as marked by income below 200% Federal Poverty Level and net worth below $250,000</td>
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<td><strong>Type 3:</strong> A women or veteran-owned business</td>
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<table>
<thead>
<tr>
<th>BUSINESSES:</th>
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<tbody>
<tr>
<td><strong>Type 4:</strong> Commitment to employ 51% transitional workers.</td>
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<tr>
<td><strong>Type 5:</strong> Business with equity incubator or Cannabis Social Enterprise. A business that hosts an equity business, Type 1,2, or 3.</td>
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Equity Program Benefits

**Type 1:**
- Eligible business support center services:
  - expungement of criminal records,
  - priority CUP and BOP processing and fee waiver/deferral

**Type 2 & 3:** Eligible for services offered by business support center, priority CUP and BOP processing and fee deferral.

**Type 4 & 5:** Eligible for priority CUP and BOP processing.
Ethanol in Nonvolatile Manufacturing

- Ethanol defined in State Emergency Regulations released on 11/16/17 as a non-volatile substance

- Fire Marshal Approval Required
Tiered Manufacturing

By Gross Receipts:
- Class A – Under $100,000
- Class B – Under 1,000,000
- Class C – Under 3,000,000
- Class D – Over 3,000,000

By Type:
- Type 1: Non-Volatile Manufacturing (all aspects)
- Type N: Production of Edibles, Topicals and Other Products.
- Type P: Packaging and Labeling
Removing CUP Requirements

A. For Small Manufacturers:

- $100,000 or less in gross receipts
- Producers of edibles and topicals
- Packaging and labeling
- Will not apply to extractors
- Includes Council Call-up Provision of BOP
Removing CUP Requirements (cont.)

B. For Testing Facilities

- Will allow testing as a by-right activity in C-2, C-4, M-1, M-1(S), M-2, M-2(S), MIP and MRD zones
- Similar laboratories in Sacramento do not require a CUP
- Establishes Council Call-Up Process of Testing BOPs
Production CUP

➤ Single CUP for:
  ▪ Cultivation
  ▪ Manufacturing
  ▪ Distribution

➤ Adding new uses requires Modification of CUP and Public Hearing

➤ Less expensive means to do business

➤ Council Call Up provisions still apply.
**Distribution**

**2 Types of Permit:**

Distribution Center
- Over 2,500 sq. ft. with sole function of distributing and transporting cannabis products

Distribution Service
- 2,500 sq. ft. or less intended as an add-on or secondary permit to allow a cannabis business to transport/distribute their own cannabis products
Adult Use Retail

A. By Permitted Storefront Dispensaries
- Must Modify CUP and BOP
- CUP Modification Requires Neighborhood Responsibility Plan
- Pre-qualification from Office of Cannabis and Enforcement to ensure dispensary is in good standing for 30 days

B. By New Non storefront Delivery-only Dispensaries
- Must obtain a CUP for brick-and-mortar location
- Must apply for BOP for a dispensary
Delivery

A. By Permitted Storefront Dispensaries
   ➢ Must Modify BOP

B. By New Non storefront Delivery-only Dispensaries
   ➢ Must obtain a CUP for brick-and-mortar location
   ➢ Must apply for a BOP for a dispensary
Background Check Requirements

- Definition of Interested Parties = Owners, Managers and 20% share in the business
- Background checks for Interested Parties only
- No background checks for employees
Permit Fees

<table>
<thead>
<tr>
<th>Permit Type</th>
<th>BOP Fee New</th>
<th>BOP Fee Renewal</th>
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<tbody>
<tr>
<td>Cultivation up to 5,000 sq ft</td>
<td>$9,700</td>
<td>$8,570</td>
</tr>
<tr>
<td>Cultivation up to 10,000 sq ft</td>
<td>$20,210</td>
<td>$17,840</td>
</tr>
<tr>
<td>Cultivation up to 22,000 sq ft</td>
<td>$28,910</td>
<td>$25,300</td>
</tr>
<tr>
<td>Dispensary</td>
<td>$23,610</td>
<td>$20,800</td>
</tr>
<tr>
<td>Dispensary w/ Delivery</td>
<td>$2,810</td>
<td>$-</td>
</tr>
<tr>
<td>Dispensary - Delivery Only</td>
<td>$23,610</td>
<td>$20,800</td>
</tr>
<tr>
<td>Dispensary - Delivery Only - Less than $500k</td>
<td>$9,760</td>
<td>$8,580</td>
</tr>
<tr>
<td>Distribution Center</td>
<td>$29,000</td>
<td>$25,500</td>
</tr>
<tr>
<td>Distribution Service</td>
<td>$5,530</td>
<td>$4,850</td>
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<tr>
<td>Manufacture Type 1 - (Class A) - up to $100k</td>
<td>$4,440</td>
<td>$3,700</td>
</tr>
<tr>
<td>Manufacture Type 1 - (Class B) - up to $1m</td>
<td>$8,880</td>
<td>$8,400</td>
</tr>
<tr>
<td>Manufacture Type 1 - (Class C) - up to $3m</td>
<td>$17,660</td>
<td>$15,500</td>
</tr>
<tr>
<td>Manufacture Type 1 - (Class D) - over $3m</td>
<td>$30,900</td>
<td>$25,625</td>
</tr>
<tr>
<td>Manufacture N or P (Class A) - up to $100k</td>
<td>$2,590</td>
<td>$2,290</td>
</tr>
<tr>
<td>Manufacture N or P (Class B) - up to $1m</td>
<td>$7,670</td>
<td>$6,750</td>
</tr>
<tr>
<td>Manufacture N or P (Class C) - up to $3m</td>
<td>$16,920</td>
<td>$14,875</td>
</tr>
<tr>
<td>Manufacture N or P (Class D) - over $3m</td>
<td>$28,410</td>
<td>$23,400</td>
</tr>
<tr>
<td>Testing Lab</td>
<td>$14,270</td>
<td>$12,570</td>
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BOP Modification Fee: $1,000
Relocation Fee: $1,000