

Ownership and Control

Summary

This proposal allows ownership of less than 5 percent in multiple growers and processors and more than four dispensaries, under certain circumstances. The proposal also expands the definition of ‘control’ and ‘ownership interest’.

10.62.0.1 Definitions.01 Definitions.

A. (text unchanged)

B. Terms Defined.

(1) – (9) (text unchanged)

(10) *Control.*

(a) “Control” means the authority to direct:

[(a)] (i) The management of a business through independent and unilateral decisions that guide the business; or

[(b)] (ii) The operation of the technical aspects of the business.

(b) *Control includes one or more of the following criteria:*

(i) *Holding a voting interest of 5 percent or more in a licensee or a right to veto significant events;*

(ii) *The right or authority to make or veto decisions regarding operations and strategic planning, capital allocations, acquisitions, and divestments;*

(iii) *The right or authority to appoint or remove directors, corporate-level officers, or their equivalent;*

(iv) *The right or authority to make major marketing, production, and financial decisions;*

(v) *The right or authority to execute exclusive contracts or significant contracts in aggregate of \$10,000 or greater on behalf of the licensee; or*

(vi) *The right or authority to earn 5 percent or more of the profits or collect 5 percent or more of the dividends.*

(11) – (34) (text unchanged)

(35) “Ownership interest” means [an] *a direct or an indirect* equity interest in a licensed grower, processor, or dispensary, including in its shares or stock.

10.62.08 Medical Cannabis Grower License

.08 Transfer of Ownership Interest in a License.

A. (text unchanged)

B. The requirements of §A(3)-(4) of this regulation do not apply if:

(1) The transferee already holds a 5 percent or greater ownership in or control of the license;

(2) The transfer would not result in the transferee acquiring an ownership or voting interest of 50 percent or greater in the license; and

(3) The Commission has performed a background check on the transferee within the prior 24 months.

[B.] C. – [D.] E. (text unchanged)[E]. *F. A person or entity may not have an ownership interest of 5 percent or more in or control of, including the power to manage or operate, more than one licensed grower.*

.12 Disclosure of Ownership and Control.

A. – D. (text unchanged)

E. Additional Ownership and Control Disclosure Requirement.

(1) As used in this regulation, the conditional right to possess an ownership or a voting interest includes vesting, conversion, exercising an option, a right of first refusal, or any agreement that would trigger an automatic transfer of or conversion to equity in an amount of 5 percent or more.

(2) A licensee shall submit a copy of any agreement that grants a person an absolute or conditional right to possess an ownership interest or a voting interest in the licensee in an amount of 5 percent or more on a future date or upon a future occurrence.

(3) The agreement shall be submitted with the annual disclosure of ownership and control required under this regulation.

F. Change of Ownership or Control.

(1) A licensee shall submit a change of ownership and control application on a form developed by the Commission at least 30 days before any stock option, warrant, or convertible debt in the licensee is exercised or becomes vested.

(2) Except as provided in F(2) of this regulation, the Commission shall:

(a) Evaluate the application to ensure that no person or entity would control or hold an ownership interest of 5 percent or greater in more than one licensed grower, as required by Regulation .08E of this chapter; and

(b) Approve the application prior to any person gaining 5 percent or greater ownership in or control of the licensee.

(3) Subsection (2) does not apply to a publicly traded licensee, if the exercise or vesting of the stock option, warrant, or convertible debt would result in the holder of the option, warrant, or debt owning less than 5 percent of the licensee's outstanding stock and overall shareholder voting rights.

10.62.19 Medical Cannabis Processor License

.07 Transfer of Ownership Interest in a License.

A. (text unchanged)

B. *The requirements of §A(3)-(4) of this regulation do not apply if:*

(1) The transferee already holds a 5 percent or greater ownership in or control of the license;

(2) The transfer would not result in the transferee acquiring an ownership or voting interest of 50 percent or greater in the license; and

(3) The Commission has performed a background check on the transferee within the prior 24 month.

[B.] C. – [D.] E. (text unchanged)

[E]. *F. A person or entity may not have an ownership interest of 5 percent or more in or control of, including the power to manage or operate, more than one licensed processor.*

.10 Disclosure of Ownership and Control.

A. – D. (text unchanged) Each licensee shall submit a table of organization, ownership, and control to the Commission:

E. Additional Ownership and Control Disclosure Requirement.

(1) As used in this regulation, the conditional right to possess an ownership or a voting interest includes vesting, conversion, exercising an option, a right of first refusal, or any agreement that would trigger an automatic transfer of or conversion to equity in an amount of 5 percent or more.

(2) A licensee shall submit a copy of any agreement that grants a person an absolute or conditional right to possess an ownership interest or a voting interest in the licensee in an amount of 5 percent or more on a future date or upon a future occurrence

(3) The agreement shall be submitted with the annual disclosure of ownership and control required under this regulation.

F. Change of Ownership or Control.

(1) A licensee shall submit a change of ownership and control application on a form developed by the Commission at least 30 days before any stock option, warrant, or convertible debt in the licensee is exercised or becomes vested.

(2) Except as provided in F(2) of this regulation, the Commission shall:

(a) Evaluate the application to ensure that no person or entity would control or hold an ownership interest of 5 percent or greater in more than one licensed grower, as required by Regulation .08E of this chapter; and

(b) Approve the application prior to any person gaining 5 percent or greater ownership in or control of the licensee.

(3) Subsection (2) does not apply to a publicly traded licensee, if the exercise or vesting of the stock option, warrant, or convertible debt would result in the holder of the option, warrant, or debt owning less than 5 percent of the licensee's outstanding stock and overall shareholder voting rights.

10.62.25 Medical Cannabis Dispensary License

.08 Transfer of Ownership Interest in a License.

A. (text unchanged)

B. The requirements of ⁵A(3)-(4) of this regulation do not apply if:

- (1) The transferee already holds a 5 percent or greater ownership in or control of the license;*
- (2) The transfer would not result in the transferee acquiring an ownership or voting interest of 50 percent or greater in the license; and*
- (3) The Commission has performed a background check on the transferee within the prior 24 month.*

[B.] C. – [D.] E. (text unchanged)

[E.] F. A person or entity may not have an ownership interest of 5 percent or more in or control of, including the power to manage or operate, more than four licensed dispensaries.

.11 Disclosure of Ownership and Control.

A. – D. (text unchanged)

E. Additional Ownership and Control Disclosure Requirement.

(1) As used in this regulation, the conditional right to possess an ownership or a voting interest includes vesting, conversion, exercising an option, a right of first refusal, or any agreement that would trigger an automatic transfer of or conversion to equity in an amount of 5 percent or more.

(2) A licensee shall submit a copy of any agreement that grants a person an absolute or conditional right to possess an ownership interest or a voting interest in the licensee in an amount of 5 percent or more on a future date or upon a future occurrence.

(3) The agreement shall be submitted with the annual disclosure of ownership and control required under this regulation.

F. Change of Ownership or Control.

(1) A licensee shall submit a change of ownership and control application on a form developed by the Commission at least 30 days before any stock option, warrant, or convertible debt in the licensee is exercised or becomes vested.

(2) Except as provided in F(2) of this regulation, the Commission shall:

(a) Evaluate the application to ensure that no person or entity would control or hold an ownership interest of 5 percent or greater in more than one licensed grower, as required by Regulation .08E of this chapter; and

(b) Approve the application prior to any person gaining 5 percent or greater ownership in or control of the licensee.

(3) Subsection (2) does not apply to a publicly traded licensee, if the exercise or vesting of the stock option, warrant, or convertible debt would result in the holder of the option, warrant, or debt owning less than 5 percent of the licensee's outstanding stock and overall shareholder voting rights.