



The following guidance is provided by the Maryland Cannabis Administration (MCA) to assist cannabis licensees comply with State laws and regulations governing the cannabis industry. This document is not legal advice. It is meant to highlight operational changes for **any transfers of ownership or control**. Please consult an attorney if you have any questions regarding the legal requirements that apply. For guidance on transfers and changes of ownership for pre-approved or conditionally licensed business entity, please refer to this [document](#).

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## Highlighted Updates

*Recent updates to statute make certain changes for all licensees, including but not limited to the following:*

- Effective June 1, 2024, a person is prohibited from applying or holding a cannabis license or registration if any ownership interest in the license or registration is (1) nominal or without the benefits and risks of genuine ownership; and (2) assigned for the limited purpose of satisfying requirements for cannabis licensees or registrants, such as social equity requirements. Additionally, a person who violates this prohibition is subject to criminal penalties, as well as revocation of a cannabis license or registration and denial of an application for a cannabis license of registration. (Md. Code Ann., Alcoholic Beverages and Cannabis § 36-1103)

*Effective June 7, 2024, regulations under COMAR 14.17 replace existing medical program regulations under COMAR 10.62. Additionally, recent updates to regulations make certain changes for transfers of ownership, including but not limited to the following:*

- Except for stocks issued as part of an employee compensation plan, the MCA no longer needs to review or approve a transfer if it is for less than 5 percent of a cannabis licensee, and the proposed transfer will not result in the transferee holding 5 percent or more of the licensee.
- Updated regulations clarify and streamline the employee stock options process by requiring a one-time fee per employee in accordance with an MCA-approved employee compensation plan.

## Secured Creditors and Receivership

A secured creditor may be approved by the Administration to obtain a security interest in the proceeds from an Administration-approved sale of a grower, processor, or dispensary license. The secured creditor may select an eligible receiver to oversee the orderly transfer of the license if the licensee (1) is the subject of an order requiring appointment of a receiver; (2) becomes insolvent; or (3) otherwise materially breaches or defaults on its material obligations secured by the associated license. Both the secured creditor and the receiver must submit an application in the form specified by the Administration and, if approved, a detailed plan for the disposition of the license.

Note: A cannabis license may not be transferred or operated without express written approval of the Administration.

## **Ownership and Control Restrictions**

A person or entity **may not** have an ownership interest in or control of more than:

- 1 cannabis grower license (standard or micro);
- 1 cannabis processor license (standard or micro); and/or
- 4 cannabis dispensary licenses (standard or micro).

## **Transfer Restrictions**

### **Converted Licenses**

Businesses that converted a medical cannabis license to a standard medical and adult-use license are subject to a 5-year restriction on transferring ownership or control of a license. A business that converted on or before July 1, 2023 may not transfer a controlling ownership interest or control of the license prior to July 1, 2028, except under the following limited circumstances:

- Disability of the owner of the license;
- Incapacity of the owner of the license;
- Death of the owner of the licensee;
- Bankruptcy;
- Receivership in accordance with a lending agreement; or
- Court order.

**Important:** If an entity that does not meet the definition of “secured creditor” seeks to obtain a security interest in the value of the license as part of a loan, MCA will not recognize that security interest as an exception to the 5-year transfer restriction.

### **Statutory Definitions**

These restrictions only apply to a transfer of ownership or control of a license. Relevant terms defined in Title 36 of the Alcoholic Beverages and Cannabis Article include:

- “Owner” means a person with an ownership interest in a cannabis licensee;
- “Ownership Interest” means direct or indirect equity interest in a cannabis license, including its profits, revenues, shares, or stock;
- “Control” means:
  - The decision-making authority over the management, operations, or policies that guide a business; or
  - Authority over the operation of the technical aspects of a business.
- “Control” includes:
  - Holding a right to veto significant events;
  - The right or authority to make or veto decisions regarding operations and strategic planning, capital allocations, acquisitions, and divestments;
  - The right or authority to appoint or remove directors, corporate-level officers, or their equivalent;

- The right or authority to to make major marketing, production, and financial decisions; and
- The right or authority to execute exclusive contracts or significant contracts in the aggregate of \$10,000 or greater on behalf of the licensee.
- “Passive Investor” is an individual or entity that:
  - Holds an aggregate ownership interest of less than 5% in a cannabis license; and
  - Does not have control of the license.

**Important:** The statutory prohibition against holding an ownership interest in more than 1 grower license, 1 processor license, and/or 4 dispensary licenses in Maryland **does not** apply to a person or entity that meets the requirements of a passive investor (e.g., less than 5% equity and does not have control of the licensed business).

Any complaint or information received by the MCA indicating an individual may have an unauthorized interest will be investigated.

### **MCA Application of Statutory Transfer of Ownership Restriction**

“**Transfer of ownership**” of a cannabis license means the transfer of a controlling ownership interest in the license. The MCA considers the following to constitute transfer of ownership:

1. Transfers of 100% ownership interest of a license;
2. Transfers of 50% or more ownership interest of a license; or
3. Transfers of less than 50% ownership interest that convey a controlling ownership interest (e.g., License X is 60% owned by Investor A and 40% owned by Investor B; a proposed transfer of 20% from Investor A to Investor B would constitute a transfer of a controlling ownership interest).

The MCA will evaluate any request to transfer an ownership interest of a cannabis license to determine whether it proposes a restricted transfer of ownership.

A business may not transfer control of license until July 1, 2028. Indicia of control are included in the statutory definition (included above), which may also be viewed in Alcoholic Beverages and Cannabis Article, 36-101, Annotated Code of Maryland.

### **Management Agreements**

A licensee must obtain MCA approval prior to implementing any management agreement. Management agreements are subject to certain restrictions limitations, including those listed below. A management agreement may not require the licensee to:

- Operate the business under a marketing plan or system that is associated with the trademark, service mark, trade name, logotype, advertising, or other commercial symbol that designates the licensee as same or similar to the management company;
- Offer, sell, or distribute cannabis or cannabis products under a marketing plan or system prescribed by the management company;

- Limit the offerings of cannabis or cannabis products in a way that favors another licensed entity that has a financial relationship to the management company; or
- Sell or transfer ownership interest in the license *at any time* to the management company; or
- Transfer control to a management company. An invalid transfer of control is one that violates [Alcoholic Beverages and Cannabis Article, §36-503, Annotated Code of Maryland](#). Additionally, a management agreement *may* constitute a transfer of control if it conveys to a management company:
  - Unilateral control as defined in COMAR 14.17.01; or
  - The right or authority to make major marketing, production, and financial decisions, including:
    - The right or authority to operate the business under a trademark, service mark, trade name, logotype, or other commercial symbol that is the same as the management company or another licensee;
    - The right or authority to purchase a controlling interest in, or control of, the license at a later date; or
    - The right to or actual payment from the licensee over the course of a calendar year exceeding the *greatest of the following*:
      - 25 percent of the licensee's gross revenue;
      - 50 percent of the licensee's net profits; or
      - \$250,000

## Questions?

Visit [cannabis.maryland.gov](https://cannabis.maryland.gov) or use the [MCA Policy Question Intake form](#) to submit policy questions related to cannabis regulations, legislation, issued guidance, or licensing. MCA will review submissions and publish an updated FAQ document on the [Laws & Regulations page](#) on the first day of each month.