

Co-Location Guidance



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 provide regulatory guidance for applicable cannabis businesses. Please consult an attorney if you have any questions regarding the legal requirements that apply.

[COMAR 14.17.06.11](#) permits growers and processors to co-locate operations on a single licensed premises. Two or more grower or processor licensees may submit to the MCA a proposed co-location agreement to share a licensed premises, as well as equipment and/or production materials.

A grower or processor may change location outside of the region in which they were awarded a license if the proposed location is part of a co-location agreement and at least one of the co-located licensees would be operating in the region where they were awarded a license. For example, a processor awarded a license in the eastern region may co-locate in the western region on the premises of another processor who was awarded a license in the western region. However, a grower awarded a license in the eastern region and a processor awarded a license in the western region could not co-locate in the central region, unless they co-locate with a third licensee that was awarded a license in that region.

Upon signing a co-location agreement, a co-locating licensee shall provide MCA with a copy of the co-location agreement, as well as any other documents relevant to the co-location (see [COMAR 14.17.06.11G](#)). These documents include but are not limited to leases, agreements detailing payments or obligations for the use of equipment, facility space, personnel, or other shared resources, revenue-sharing agreements, intellectual property agreements, service exchange agreements (e.g., providing labeling or packaging services in lieu of rent), collaboration agreements, site plans, and purchase options.

A co-location agreement may not take effect prior to MCA's approval of the co-location agreement and a shared premises inspection.

Co-location Agreements

MCA will review each co-location agreement to ensure compliance with COMAR 14.17.06.11. Co-location agreements must address the following requirements:

1. A co-location agreement may not result in a transfer of ownership or control of a license in violation of [Alcoholic Beverages and Cannabis Article, §36-503, Annotated Code of Maryland](#) (See [COMAR 14.17.06.11F\(1\)](#)). Co-location agreements must demonstrate that each co-located licensee maintains control, as defined in [COMAR 14.17.01.01B\(15\)](#), over all aspects of its growth or production processes, whichever applies.

Examples include but are not limited to:

- a. A co-location agreement may not limit or otherwise restrict how a co-located licensee buys, sells, or processes cannabis.
- b. Co-located licensees may share agents, provided the agents are dually badged and the dual employment arrangement does not result in an improper transfer of control. See "Shared Staff" below.
- c. Wherever co-located licensees are collaborating, e.g. sharing equipment, the co-location agreement must detail these collaborative processes and each co-locating licensee must have a detailed SOP that governs their equipment use or other collaborative process. Under no circumstances may a co-locating licensee cede or delegate control of its business as part of a co-location agreement.

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2. **Except as specifically authorized by regulation, a co-located licensee shall adhere to all requirements for operating a licensed grower or processor premises established in [COMAR 14.17.10](#) or [COMAR 14.17.11](#), whichever applies, and elsewhere in [COMAR 14.17](#). (See [COMAR 14.17.06.11E\(1\)](#) and [F\(2\)](#))**

Examples include but are not limited to:

- Grower and processor premises must have a security alarm system as required by [COMAR 14.17.10.02F](#) and [COMAR 14.17.11.02E](#), respectively. At a co-located premises, each licensee must also equally, independently, and uniquely control access to the licensee's own storage area(s), including the ability to add or remove its badged agents to access area(s) in which their plants or products are stored.
- Grower and processor premises must have a motion-activated video surveillance recording system as required by [COMAR 14.17.10.02G](#) and [COMAR 14.17.11.02F](#), respectively. At a co-located premises, each licensee's video surveillance must be recorded and saved separately, and each licensee must have equal, independent, and unique access to its own video surveillance recordings.
- If co-locating outdoor field grow operations, each licensee's plot must be secured according to [COMAR 14.17.10.02C](#).
- [COMAR 14.17.02.02](#) requires all licensees to maintain independent and accurate records within the seed-to-sale tracking system as required for their license type.
- [COMAR 14.17.10.02I](#) and [COMAR 14.17.11.02G](#) require licensees to maintain at least one handwashing sink for every 15 agents. If combining locations and staff, co-located licensees must install additional handwashing sinks as needed for additional staff on the licensed premises.

3. **A co-located licensee shall store and keep separate all of its cannabis and cannabis products at all times to avoid commingling at any stage of the growth or production process. (See [COMAR 14.17.06.11E\(3\)](#))**

Examples include but are not limited to:

- Co-located licensees must maintain independent and unique storage areas, i.e. any single room or container designated for cannabis to be kept before distribution, transfer, or processing. See [COMAR 14.17.06.11B\(3\)](#), [D\(3\)](#), and [E\(3\)](#).
- Co-located licensees must equally, independently and uniquely control access to their storage area, including the ability to add or remove agents' access to any area in which their plants or products are stored. See [COMAR 14.17.06.11E\(4\)](#).

- If sharing equipment and production materials, follow procedures established in [COMAR 14.17.06.11D](#) and described below.

4. **Co-located licensees may share equipment and production materials, provided they use equipment at separate times; sanitize any equipment and work space before it is used by another licensee; and maintain independent and unique storage areas. (See [COMAR 14.17.06.11D](#))**

Examples include but are not limited to:

- If sharing equipment such as a drying rack or kitchen equipment, licensees must avoid using it concurrently to prevent commingling. Licensee A could use the drying rack on Monday and Licensee B could use it on Tuesday, with a cleaning between uses on Monday evening.
- Licensees must establish and follow SOPs for all aspects of managing equipment or production material sharing. These procedures may include tracking equipment use schedules, cleaning/sanitizing, maintenance, calibration, replacement, upgrades, etc. See [COMAR 14.17.06.11E\(2\)](#), [COMAR 14.17.10.09A\(17\)](#), and [COMAR 14.17.11.19A\(12\)](#).
- Equipment sharing should not result in operational dependence on or improper control by any co-locating party (i.e. equipment use should not be subject to restrictions, discretion, overriding authority, or approval by any one party).
- Co-located licensees may share video surveillance and security alarm systems, but each must have equal, independent, and unique control over access to its storage areas and independent and unique access to video surveillance recordings. For video surveillance recordings, this means that if one licensee can view the other co-located licensees video surveillance recordings they must both be able to see each other's recordings.
- If co-located licensees are sharing security or video surveillance systems, shall specify which licensee is responsible for ensuring a shared system complies with [COMAR 14.17.10.02F and G](#) or [COMAR 14.17.11.02E and F](#), whichever apply (see [COMAR 14.17.06.11F\(4\)](#)).

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5. Shared Services

Co-located licensees may share ancillary services, i.e. transportation, green waste, or security services, provided the co-located licensee that intends to provide the services is registered with the MCA to do so (see [COMAR 14.17.09.02A](#)).

Consider the following scenarios:

- a. A co-location agreement specifies that Licensee A will provide security services for both Licensees A and B. Licensee A should ensure the agent who will be serving as a security guard registers with MCA as a security guard prior to providing this service to Licensee B. **Note: In accordance with [Business Occupations & Professions, § 19-401\(c\)](#), a security guard must be certified by the Maryland State Police.**
- b. A co-location agreement specifies that Licensees A and B may share green wasting duties. All licensees are required to accept products returned for green waste. Provided the licensees' shared green waste procedures are documented in the co-location agreement and standard operating procedures, neither licensee must register as a green waste business.
- c. A co-location agreement specifies that Licensee A will transport its own cannabis and cannabis of Licensee B, Licensee A must register as an ancillary business.
- d. Licensees A and B will each transport their own cannabis. Neither licensee needs to register as an ancillary business.
- e. Licensees A and B, independently or as a unit, employ the same ancillary business to provide security, green waste, or transportation services. Neither licensee needs to register as an ancillary business.

6. Shared Staff

Co-located licensees may share agents provided dually employed agents obtain badges for both licensees. Co-located licensees must arrange dual employment in a way that ensures each business maintains control over its operations. MCA strongly recommends co-located licensees consider the following when establishing dual employment arrangements:

- a. Specify in a co-location agreement which roles will be dually employed agents;
- b. Establish a clear and consistent reporting structure for dually employed agents, making sure employees understand who supervises them in different contexts;

- c. Ensure that each co-located licensee has equal, independent, and unique control over which agents may access its storage area; and
- d. Arranging compensation or timekeeping so that dually employed agents maintain independent responsibilities to each licensees.

Standard Operating Procedures

Co-locating licensees must establish and follow all standard operating procedures (SOPs) for sharing a licensed premises and, if applicable, sharing equipment (see [COMAR 14.17.06.11E\(2\)](#)).

Licensees with established SOPs as required by [COMAR 14.17.10.09](#) or [COMAR 14.17.11.19](#) may need to modifying SOPs to accommodate co-location, including for the following aspects:

- Sharing equipment
- Preventing commingling of cannabis and cannabis products
- Inventory control
- Independent record keeping
- Security and visitor procedures, including theft and diversion procedures
- Green waste procedures

Enforcement

If the Administration determines a co-location agreement violates any part of COMAR 14.17.06.11F, MCA may:

- Deny or rescind approval of the co-location agreement; and
- Fine, suspend, restrict, revoke, or otherwise sanction a co-locating licensee.