



## **MARYLAND CANNABIS ADMINISTRATION GUIDANCE ON TRANSFERS DURING PRE-APPROVAL OR CONDITIONAL LICENSURE**

The following guidance is being provided by the Maryland Cannabis Administration (MCA) to assist businesses that have been awarded pre-approval for a cannabis license or a conditional license in navigating the requirements related to transfers of ownership and transfers of the conditional license prior to final licensure.

### **Selected Applicant**

An applicant selected in the license lottery is a “selected applicant.” Prior to the award of a conditional license, MCA may request additional information or supporting documentation of a selected applicant. Only upon confirmation that the selected applicant meets the criteria of a conditional licensee may MCA award a conditional license to a selected applicant. A selected applicant **does not** hold a conditional license and therefore is unable to transfer ownership of a conditional license. In addition, an award of a conditional license is based on the ownership information presented to MCA in the application. Prior to the award of a conditional license, a selected applicant **may not** change the ownership interests held in the applicant entity from the information submitted to MCA in the license application..

If the ownership of a selected applicant has changed prior to the award of a conditional license, the selected applicant will be required to restore its ownership to that which was represented on the license application. Once any such changes in ownership have been restored to the ownership as it was presented in the application, MCA may move the applicant toward conditional licensure. The applicant must provide MCA with evidence of all changes in ownership that occurred prior to conditional licensing and any contracts, assignments or other documents related to the transfers being reversed or voided.

### **Transfer of the Conditional License**

The conditional license is not transferable. The conditional license may not be sold, gifted or otherwise transferred.

### **Change in ownership interest in the pre-approved or conditionally licensed business entity**

If the conditional license has been issued to a business entity, changes in ownership of the business entity during the period of conditional licensure may be permitted by MCA. Changes to ownership are permitted only if the final application materially conforms to the initial application.

Specifically, for the pre-approval licenses issued in the 2019 licensing round, at least 51% of the equity in the business must be held by individuals who qualify as disadvantaged equity applicants and/or members of the most disadvantaged groups.

For conditional licensees as a part of the 2023-2024 licensing round, at least 65% of the equity in the business must be held by individuals verified as Social Equity Applicants (SEA). Further, the individual

or individuals identified as SEA on the application that was submitted to the MCA must maintain at least 51% of the equity in the business.

**Examples:**

- If an application lists one individual who is verified as a SEA holding 100% of the equity in the business, that individual must maintain at least 51% in the applicant entity and no more than 35% of the equity can be held by someone who is not verified as a SEA.
- If an application lists one individual who is verified as a SEA as holding 65% of the equity in the business, that individual must maintain at least 51% in the applicant entity, meaning he or she could relinquish no more than 14% of equity of the applicant entity and whoever comes to acquire that equity (up to 14%) must also be verified as a SEA.
- If an application lists two individuals, each verified as a SEA as 50% owners. The two initial owners must maintain a collective 51% or greater ownership.

All new equity owners in the business entity must complete required background investigations before final licensure.

**Transfer of control of the pre-approved business entity**

A pre-approved or conditional licensee may not transfer control of the license or of the business that owns the conditional license prior to final licensure or for a period of five years after final licensure.

“Control” means the decision-making authority over the management, operations or policies of the business or authority over the technical aspects of the business. “Control” includes the right to veto significant events, to appoint or remove directors and officers, to make major marketing, production, and financial decisions or to execute contracts in the aggregate of \$10,000 or more.