

TITLE 19 – DEPARTMENT OF HEALTH AND SENIOR SERVICES
Division 100 – Division of Cannabis Regulation
Chapter 1 – Marijuana

PROPOSED AMENDMENT

19 CSR 100-1.100 Facilities Generally. The division is amending sections (1), (2), (3), (4), (5), and (6).

PURPOSE: This amendment improves ownership change requests by: removing the 50% threshold for preapproval of ownership changes and replacing it with an annual review of ownership percentages; establishing a framework for approval of publicly traded companies' ownership in marijuana licenses; and clarifying document requirements. This amendment also clarifies the recall procedure for marijuana product unable to be traced to marijuana grown in Missouri and addresses how ownership ineligibility or prior violations of rules may affect individuals' or entities' participation in the regulated marijuana industry.

(1) Licensing and location.

(B) Each license or certification shall be charged an annual fee once the license or certification is granted. **The department shall publish the current fees, including any adjustments, on its website. The fees due will be the amount that is effective as of that license or certification's annual fee due date.** The first annual fee will be due thirty (30) days after a license or certification is issued and shall be due annually on that same date as long as the license or certification remains valid, except:

1. in the case of microbusinesses, **the** *[whose]* first annual fee will be due on the **first** anniversary of their licensure.

2. **in the case of off-site warehouse certificates, annual fees will be due on the same date as the annual fee for the license associated with the off-site warehouse.**

[The department shall publish the current fees, including any adjustments, on its website. The fees due will be the amount that is effective as of that license or certification's annual fee due date.]

(E) **Prior to operating, every medical or marijuana licensee owned in whole or in part by a Limited Liability Company or like entity shall have a written operating agreement or similar governance document. Such agreement must include a procedure to remove an owner within thirty (30) days if the department determines:**

1. **an owner has violated provisions of this chapter,**

2. **an owner is prohibited from being an owner in a marijuana or medical marijuana license due to a disqualifying felony offense,**

3. **having the individual as an owner exceeds the ownership limits in Article XIV, or**

4. **removal of the owner is required by any other reason in law.**

It shall be the responsibility of the licensee to utilize the procedure in such cases, but the department may also require the licensee to utilize the procedure in such cases. The operating agreement shall be made available to the department upon request.

(2) Marijuana facility business change applications. **Change applications may be approved if the request contains all documents, fees, and information required by this section, and the resulting change in ownership does not violate any provision of this chapter or Article XIV. Otherwise, the change application may be denied. Ownership and transfer change requests**

may also be denied if the department determines good cause to do so, including previous violations of this chapter by any owner, manager, or employee of the applicant entity. Any administrative and processing fee for a microbusiness change application in (A)-(D) shall be half the amount listed. Marijuana facility licensees must apply for and obtain the department's approval before they may—

(A) Transfer their license to a different entity with the same **or different** ownership. Once the department has confirmed receipt of a complete application, it will approve or deny the application within sixty (60) days. Such a request must include at least the following:

1. Current legal name of the licensee, including fictitious business names, and proposed new legal name of the licensee, including fictitious business names

2. All **current** owners of the licensed entity and **proposed owners of the new entity**, and their *[individual]* ownership percentage *[which must show the proposed new entity is owned by the same owners as is the licensee]*;

3. A visual representation of the licensee's ownership structure, including all owner entities;

4. Other documentation as requested *[to verify ownership]* **associated with the transfer, such as:**

A. Asset purchase agreement;

B. Written operating agreement, or similar governance document, for licensee and transferee;

C. Merger, sale, transfer, Memorandum of Understanding (MOU), or other like agreement between the licensee and transferee;

D. Brand, management, or consultant agreements or contracts, or any other agreement or contracts;

E. Location lease agreement or proof of ownership if location is owned;

F. Documentation to verify ownership;

5. *[An administrative and processing fee of two thousand dollars (\$2000)]* **Verification that the change will not result in any substantially common control, ownership, or management between a testing licensee and any other marijuana licensee;**

6. **An administrative and processing fee of five thousand dollars (\$5,000). If transferring to an entity with same ownership, an administrative and processing fee of two thousand dollars (\$2,000); and**

7. **If the proposed transfer would result in an individual or entity becoming an owner, a separate request must also be submitted under (2)(B).**

(B) Make any changes that would result in an individual **or entity, other than a publicly traded company**, becoming an owner of the licensed entity *[who was not previously an owner]*. Once the department has confirmed receipt of a complete application, it will approve or deny the application within ninety (90) days. Such requests must include at least the following:

1. All current and proposed owners of the licensed entity and their proposed individual ownership percentage;

2. A visual representation of the licensee's proposed ownership structure, including all owner entities;

3. *[A chart comparing the previously approved ownership percentages to the proposed ownership percentages]* **All current and proposed owner(s) of the licensed entity, and ownership percentages, in a department approved format;**

4. Verification that the change will not result in any substantially common control, ownership, or management between a testing licensee and any other medical or marijuana licensee;

5. An attestation that all individuals subject to analysis for disqualifying felony offenses will submit fingerprints within two (2) weeks after the application submission, or have previously submitted such fingerprints, for a state and federal fingerprint-based criminal background check to be conducted by the Missouri State Highway Patrol;

[6. For microbusinesses, if the proposed change affects eligibility, documentation sufficient to demonstrate eligibility for microbusiness facility ownership, as provided in the application and selection section of this chapter;]

[7.] 6. Other documentation as requested to verify ownership; and

[8.] 7. An administrative and processing fee of five thousand dollars (\$5000), which shall only be assessed once on multiple licensed entities with identical ownership making the same changes in ownership, when submitted at the same time;

(C) Make any change[s] that would result in *[an overall change in ownership interests of fifty percent (50%) or more from the last approved ownership of the license.]* **a publicly traded company becoming an owner.** Once the department has confirmed receipt of a complete application, it will approve or deny the application within *[one hundred fifty (150)]* **ninety (90)** days. Such requests *[may only be submitted after the licensee's facility has received approval to operate and]* must include at least the following:

[1. All current and proposed owners of the licensed entity and their proposed individual ownership percentage

2. A chart comparing the previously approved ownership percentages to the proposed ownership percentages;

3. A visual representation of the licensee's proposed ownership structure including all owner entities;

4. Verification that the change will not result in any substantially common control, ownership, or management between a testing licensee and any other marijuana licensee;

5. An attestation that all proposed owners will submit fingerprints within two (2) weeks after the application submission, or have previously submitted such fingerprints, for a state and federal fingerprint-based criminal background check to be conducted by the Missouri State Highway Patrol;

6. In the case of full asset transfer to a different entity, applications must also include:

A. Asset purchase agreement;

B. Merger, sale, transfer, Memorandum of Understanding (MOU), or other like agreement between the licensee and transferee;

C. Brand, management, consultant agreements or contracts, or any other agreement or contracts; and

D. Location lease agreement or proof of ownership;

7. For microbusinesses, documentation sufficient to demonstrate eligibility for microbusiness facility ownership, as provided in the application and selection section of this chapter;

8. Other documentation as requested to verify ownership; and

9. An administrative and processing fee of eight thousand dollars (\$8,000), which shall only be assessed once on multiple licensed entities with identical ownership making the same changes in ownership, when submitted at the same time;]

1. All documentation required in (2)A and (2)B;

2. Information necessary to verify the publicly traded company, including:

A. The most recent Non-Objecting Beneficial Owner (NOBO) list

B. Securities exchange(s) on which its securities are listed and traded;
C. Stock symbol(s);
D. Identity of all regulators with regulatory oversight over its securities;
E. Location lease agreement or proof of ownership if location is owned; and
F. Divestiture plan for any owner by virtue of shares in the publicly traded company who, by reason of a disqualifying felony or other reason in law, is prohibited from owning a marijuana or medical marijuana license.

3. An administrative and processing fee of five thousand dollars. (\$5000).

(E) Make any changes to ownership in a microbusiness resulting in a new owner or changing majority ownership. Once the department has confirmed receipt of a complete application, it will approve or deny the application within ninety (90) days. Such requests must include at least the following:

1. All information and documentation as requested in (2)(B).
2. If the proposed change affects majority ownership by eligible individuals, documentation sufficient to demonstrate eligibility for microbusiness facility ownership, as provided in 19 CSR 100-1.060(4).

3. An administrative and processing fee of two thousand dollars (\$2000)

[(E) Any administrative and processing fee for a microbusiness change application shall be half the amount listed in (A)-(D) of this section; and

(F) Change applications will be approved if the request contains all of the documents, fees, and information required by this section, and the resulting change in ownership or ownership interests does not violate any provision of this chapter or Article XIV. Change requests will be denied if the request does not contain all the documents, fees, and information required by this section, or if the resulting change violates any provision of this chapter or Article XIV.]

(3) Medical facility business change applications. **Change applications may only be approved if the request contains all documents, fees, and information required by this section, and the resulting change in ownership or ownership interests does not violate any provision of this chapter or Article XIV. Otherwise, the change application may be denied. Ownership and transfer change requests may also be denied if the department determines good cause to do so, including previous violations of this chapter by any owner, manager, or employee of the applicant entity. Medical facility licensees must apply for and obtain the department's approval before they may—**

(A) Transfer their license to a different entity *[with the same ownership]*. **If the proposed transfer would result in an individual or entity becoming an owner, a separate request must also be submitted under (2)(B). Once the department has confirmed receipt of a complete application, it will approve or deny the application within sixty (60) days. Such a request must include at least the following:**

1. Current legal name of the licensee, including fictitious business names, and proposed new legal name of the licensee, including fictitious business names;

2. *[Any entity that owns any part of the licensed entity and their individual ownership percentage, which must show the proposed new entity is owned by the same entities as is the licensee]***All current individuals and entities with any ownership interest in the licensed entity and proposed individuals and entities with any ownership interest in the new entity, and their individual ownership percentage;**

3. A visual representation of the licensee's ownership structure, including all entities that own any part of the licensed entity;

4. Other documentation as requested *[to verify ownership; and]* associated with the transfer, such as

A. Asset purchase agreement;

B. Merger, sale, transfer, Memorandum of Understanding (MOU), or other like agreement between the licensee and transferee;

C. Brand, management, or consultant agreements or contracts, or any other agreement or contracts

D. Location lease agreement or proof of ownership if location is owned

E. Documentation to verify ownership interest;

5. Verification that the change will not result in any substantially common control, ownership, or management between a testing licensee and any other marijuana licensee; and

6. An administrative and processing fee of two thousand dollars (\$2,000);

(B) Make any changes that would result in an individual or entity, other than a publicly traded company, becoming an owner of the licensed entity. Once the department has confirmed receipt of a complete application, it will approve or deny the application within ninety (90) days. Such requests must include at least the following:

1. All current and proposed owners of the licensed entity and their proposed individual ownership percentage;

2. A visual representation of the licensee's proposed ownership structure, including all owner entities;

3. A chart comparing the previously approved ownership percentages to the proposed ownership percentages;

4. Verification that the change will not result in any substantially common control, ownership, or management between a testing licensee and any other medical or marijuana licensee;

5. An attestation that all individuals subject to analysis for disqualifying felony offenses will submit fingerprints within two (2) weeks after the application submission, or have previously submitted such fingerprints, for a state and federal fingerprint-based criminal background check to be conducted by the Missouri State Highway Patrol;

6. Other documentation as requested to verify ownership; and

7. An administrative and processing fee of five thousand dollars (\$5000), which shall only be assessed once on multiple licensed entities with identical ownership making the same changes in ownership, when submitted at the same time;

(C) Make any change that would result in a publicly traded company becoming an owner. Once the department has confirmed receipt of a complete application, it will approve or deny the application within ninety (90) days. Such requests must include at least the following:

1. All documentation required in (2)A and (2)B;

2. Information necessary to verify the publicly traded company, including:

A. Securities exchange(s) on which its securities are listed and traded;

B. Stock symbol(s);

C. Identity of all regulators with regulatory oversight over its securities;

D. Location lease agreement or proof of ownership if location is owned; and

E. Divestiture plan for any owner by virtue of shares in the publicly traded company who, by reason of a disqualifying felony or other reason in law, is prohibited from owning a marijuana or medical marijuana license.

3. An administrative and processing fee of five thousand dollars. (\$5,000).

(D) Change the licensee's facility or warehouse location. Once the department has confirmed receipt of a complete application, it will approve or deny the application within ninety (90) days. Such requests shall include at least the following:

1. Proposed blueprints that outline the entire facility and feature all rooms and areas clearly labeled, including purpose and square footage, camera locations, limited access areas, and access permissions;

2. Documentation from the local government with jurisdiction over the facility's location confirming that the proposed location complies with local distance requirements, or stating that there are none;

3. If the local government in which the facility will be located has enacted applicable zoning restrictions, documentation from the local government with jurisdiction over the facility's location confirming that the proposed location complies with applicable zoning restrictions;

4. Location lease agreement and/or proof of ownership; and

5. An administrative and processing fee of five thousand dollars (\$5000);

[(B) Make any changes that would result in an overall change in financial or voting interests of fifty percent (50%) or more from the last approved ownership of the licensee. Such requests may only be submitted after the licensee's facility has received approval to operate and must include at least the following:

1. All current and proposed entities with any financial or voting interest in the licensed entity and their proposed individual ownership percentage;

2. A chart comparing the previously approved ownership percentages to the proposed ownership percentages;

3. A visual representation of the licensee's proposed ownership structure including all entities;

4. Verification that the change will not result in any substantially common control, ownership, or management between a testing licensee and any other medical licensee;

5. An attestation that all individuals subject to analysis for disqualifying felony offenses will submit fingerprints within two (2) weeks after the application submission, or have previously submitted such fingerprints, for a state and federal fingerprint-based criminal background check to be conducted by the Missouri State Highway Patrol;

6. In the case of full asset transfer to a different entity, applications must also include:

A. Asset purchase agreement;

B. Merger, sale, transfer, MOU, or other like agreement between the licensee and transferee;

C. Brand, management, consultant agreements or contracts, or any other agreement or contracts; and

D. Location lease agreement or proof of ownership.

7. Other documentation as requested to verify ownership; and

8. An administrative and processing fee of eight thousand dollars (\$8,000), which shall only be assessed once on multiple licensed entities with identical ownership making the same changes in ownership, when submitted at the same time;

(C) Change the licensee's facility location. Such requests shall include at least the following:

1. Proposed blueprints for the facility that outline the entire facility and feature all rooms and areas clearly labeled, including purpose and square footage, camera locations, limited access areas, and access permissions;

2. Documentation from the local government with jurisdiction over the facility's location confirming that the proposed location complies with local distance requirements, or stating that there are none;

3. If the local government in which the facility will be located has enacted applicable zoning restrictions, documentation from the local government with jurisdiction over the facility's location confirming that the proposed location complies with applicable zoning restrictions;

4. Location lease agreement and/or proof of ownership; and

5. An administrative and processing fee of five thousand dollars (\$5,000); and

(D) Change applications will be approved if the request contains all of the documents and information required by this section and the resulting change in ownership or ownership interests does not violate any provision of this chapter or Article XIV.]

(4) General operations.

(C) All licensees must comply at all times with applicable state, local, and federal [requirements] laws, such as zoning requirements and payment of sales tax.

(G) Only licensees may hold rights to marijuana product within licensed facilities. **This includes that only licensees are permitted to receive payment for sale of marijuana products.**

(I) All marijuana product sold in Missouri shall have originated from marijuana grown and cultivated in a licensed cultivation facility located in Missouri.

1. It is the burden of the licensee possessing marijuana to demonstrate in the statewide track and trace system that all its marijuana product, including the psychoactive cannabinoids therein, originated from marijuana grown and cultivated in a Missouri licensed cultivation facility.

2. If a licensee is unable to demonstrate in the statewide track and trace system that its marijuana product originated from a licensed marijuana cultivator in Missouri, in addition to other penalties, the department may place the unverified marijuana product on administrative hold until the licensee can demonstrate compliance with this provision through statewide track and trace records or other evidence.

(P) The department may [issue notice of marijuana product recall to licensees or the public if, in its judgment, any particular] **require marijuana product be recalled if:**

1. in the department's judgment any marijuana product presents a threat or potential threat to the health and safety of qualifying patients or consumers;

2. a licensee cannot verify in the seed to sale tracking that the marijuana product complies with (4)(I);

All facilities are responsible for complying with recall notices. Recalled items **will be placed on administrative hold and** must be immediately pulled from production or inventory and quarantined until such time as the department determines **and notifies the licensee** the item(s) is safe, may be remediated, or must be destroyed.

(5) Signage and advertising must comply with the following:

(B) No advertisement of marijuana may contain:

3. Any content that is attractive to children, [including but not limited to the] **such as** shapes or [any] part of the shape of an animal or fruit, including realistic, artistic, caricature, or cartoon renderings, and artistic, caricature, or cartoon renderings of the shape or any part of the shape of a human; or

4. Any statement concerning a brand of marijuana that is inconsistent with any statement on the labeling;

(6) Licensee notification and reporting. Licensees have a duty to keep the department apprised of certain information as described below. Failure of a licensee to report required information to the department may result in administrative penalties, to include a fine of up to ten thousand dollars (\$10,000), suspension, or revocation of the license.

(B) Licensees must report *[at least]* annually *[—*

1. *For marijuana facility licensees, all owners, with ownership percentage; and*

2. *For medical facility licensees, all entities that own any part of the licensed entity, with ownership percentage.]* **all entities and individuals with any ownership interest, including ownership percentage for each entity or individual. The report shall be submitted in a department approved format by the anniversary of the date the license was approved to operate, but no sooner than thirty (30) days prior to such date. The department may require the licensee to submit additional documentation to verify ownership.**

(L) Licensees must report within fourteen (14) days when any entity or individual acquires a majority ownership interest in a licensed entity.