



*BULLETIN: 2018 – 012*  
*Effective Date: December 11, 2018*

## **Medical Cannabis License Ownership Restrictions**

*Equity interest in more than one license per license category prohibited*

*Any transfer of 5 percent or more of a license must be approved by the Commission*

*Management agreements may not violate existing law*

### **Transfer of Equity Interest**

Maryland law prohibits a person, which includes an individual or entity, from having an interest in more than one license per category. *See* Md. Code Ann., Health-Gen. §13-3306(a)(2); COMAR 10.62.08.02 (grower); COMAR 10.62.19.02 (processor); and COMAR 10.62.25.02 (dispensary). In addition, “no *interest* of 5 percent or more of a license” may be transferred or assigned unless approved by the Commission.

Since its inception, the Commission has determined that an “interest” means equity interest in an applicant or licensed entity. Accordingly, the Commission shall object to any proposed transfer of equity interest in a medical cannabis applicant or licensed entity, if the proposed transfer would result in a person having an equity interest in more than one application or license.

Absent written approval from the Commission, a transfer of interest is not valid.

### **Management Agreements**

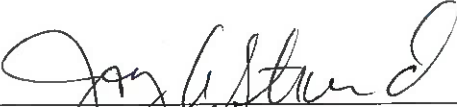
Over the past 12 months there has been a proliferation of third-party management services agreements (“management agreement”) among medical cannabis licensees. Under these agreements a third-party contractor provides management and administrative services to a medical cannabis license holder in exchange for a set fee or percentage of the license holder’s revenue. On February 21, 2018, the Commission issued Bulletin 2018-003 requiring licensees to submit a copy of any proposed management agreement to the Commission for review. The Commission reviewed each management agreement submitted pursuant to Bulletin 2018-003 and objected to at least six (6) agreements proposing a transfer of interest restricted under Maryland law.

**Depending on their precise terms, management agreements may not constitute a restricted transfer of interest as referenced in Health-General Article, §13-3311.1 and COMAR 10.62.08.02, 10.62.19.02, and 10.62.25.02.** These agreements should be submitted to the Commission to determine whether the proposed agreement is restricted under Maryland law. Management agreements may be submitted to the Commission via email at [reporting.mmcc@maryland.gov](mailto:reporting.mmcc@maryland.gov).

## Looking Ahead

The Commission is committed to achieving a “successful and consumer-friendly medical cannabis industry” that “provides patients with affordable and adequate access to medical cannabis.” In furtherance of this mission, the Commission will continue to seek to clarify the legal requirements for medical cannabis businesses and to provide opportunities for interested stakeholders to give meaningful feedback and recommendations on how to improve the medical cannabis industry.

The Commission’s Policy Committee will hold an open meeting at 1:00 PM on Tuesday, January 8, 2019, at the University of Maryland Carey School of Law (500 W. Baltimore St., Baltimore, MD 21201) to consider the related issues of ownership and third-party management services agreements. The Commission will post specific questions regarding ownership and third-party management services agreements on its website in advance of the meeting. Written comment may be submitted to the Policy Committee via email to [maryjo.mather@maryland.gov](mailto:maryjo.mather@maryland.gov). In addition, meeting attendees may submit up to 3 minutes of oral comment.



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