



MARYLAND MEDICAL CANNABIS COMMISSION RESOLUTION

A Commission Resolution concerning

Ownership Interest of Less Than 5 Percent

FOR the purpose of clarifying whether a person may hold less than a 5 percent equity interest in a certain number of publicly traded or privately held medical cannabis licenses under the Commission's authorizing statutes and regulations; allowing a person to hold less than 5 percent of more than 1 grower, 1 processor, and/or 4 dispensaries under certain circumstances; clarifying the definition of control of a medical cannabis license under the Commission's regulations; and generally relating to the transfer of ownership and control of a medical cannabis license.

WHEREAS, The Code of Maryland Regulations (COMAR) 10.62.01.01B.(35) states that "ownership interest" means "an equity interest in a licensed grower, processor, or dispensary, including in its shares or stock.";

WHEREAS, COMAR 10.62.01.01B.(10) states that "control" means "the authority to direct the management of a business through independent and unilateral decisions that guide the business; or the operation of technical aspects of the business.";

WHEREAS, COMAR 10.62.08.08E., 10.62.19.07E., and 10.62.25.08E. restrict the number of medical cannabis licenses in which a person may hold an ownership interest;

WHEREAS, COMAR 10.62.08.08B., 10.62.19.07B., and 10.62.25.08C. provide that a transfer of an ownership interest in a publicly traded company that is less than 5% does not require Commission review or approval;

WHEREAS, COMAR 10.62.08.12, 10.62.19.10, and 10.62.25.11 only require a licensee with publicly traded stock to file an annual ownership and control disclosure setting forth the name of any owners holding more than 5% of the voting shares, to the extent that information is known or contained in 13D or 13G SEC filings;

WHEREAS, The Commission adopted these exceptions to the transfer and reporting requirements for businesses with publicly traded stock because it would not be feasible for the Commission to track trading on a daily basis and enforce against any transfers of ownership that may violate the statutory or regulatory restrictions;

WHEREAS, The Commission recognizes that due to restrictions under federal law access to capital is limited for medical cannabis businesses, and access to capital is particularly limited for small-, minority-, and women-owned cannabis businesses;

WHEREAS, The Commission seeks to allow small-, minority-, and women-owned businesses to have access to the same pool of potential investors as businesses with publicly traded stock;

NOW THEREFORE BE IT RESOLVED, That the Commission hereby determines that a person may hold an ownership interest of less than 5 percent in more than 1 grower, 1 processor, and/or more than 4 dispensaries, as long as they do not have control over more than 1 grower, processor, and/or 4 dispensaries;

BE IT FURTHER RESOLVED, That whether a person has control of a medical cannabis business, as defined in COMAR 10.62.01.01B.(10), is a case-by-case determination made by the Commission based on a review of relevant aspects of the business's operations, including whether the holder of an ownership interest has the right or authority to: (1) appoint or remove directors, corporate level officers or their equivalent, (2) earn more than 5 percent of the profits or dividends, (3) execute contracts on behalf of the business; (4) make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments, (5) make marketing, production or financial decisions, or (6) exercise a significant influence over the corporate governance of the business;

BE IT FURTHER RESOLVED, That this resolution applies to a person who holds an ownership interest of less than 5 percent in a publicly traded or privately held medical cannabis business;

BE IT FURTHER RESOLVED, That the Commission directs staff to develop regulations that further clarify the circumstances under which a person may hold an ownership interest of less than 5 percent in more than 1 grower, more than 1 processor, and/or more than four dispensaries.

The above resolution was adopted by the Commission members at the April 13, 2022, meeting of the Maryland Medical Cannabis Commission.



Tiffany D. Randolph, Esq., Acting Chair

04/13/2022

Date