

VIA HAND DELIVERY

July 10, 2015

Ashley Johansson
Initiative Coordinator
California Department of Justice
P.O. Box 944255
Sacramento, CA 94244-2550
(916) 445-4752

RECEIVED

JUL 13 2015

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Re: Request for Title and Summary for Proposed Initiative
Page 1

Dear Ms. Johansson:

The undersigned on this and subsequent pages are the proponents of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2" Please prepare a circulating title and summary of the chief purposes and points of the measure. We have also included with this letter the signed statements required by Election Code sections 9001 and 9608, our addresses as registered to vote and a check for \$200.00.

Thank you for your time and attention to this matter. If you have any questions, please do not hesitate to contact John Lee at John@AFPR.us

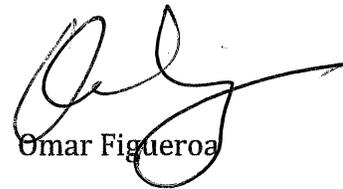
Sincerely,



Edie Lerman



David Nick



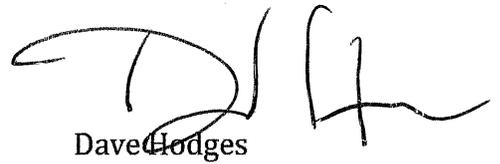
Omar Figueroa



Russell Goddrow



John Lee
John@AFPR.us



Dave Hodges



Michael Grafton

July 10, 2015

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Re: Request for Title and Summary for Proposed Initiative
Proponent Signature Page 2

The undersigned are the proponents of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2."


Shona Levana Gochenaur

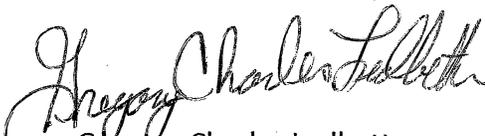

Sandra Bacon Tercero

Elihu Hernandez




Jason W. Bennett


Gilbert E. Canedo


Gregory Charles Ledbetter


Denise N. Dorey

Jon Martinelli


July 10, 2015

Ashley Johansson
Initiative Coordinator
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Re: Request for Title and Summary for Proposed Initiative
Proponent Signature Page 3

The undersigned are the proponents of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2."


Dege R. Courtee



Theresa Joyce Randolph

July 10, 2015

Ashley Johansson
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Re: Request for Title and Summary for Proposed Initiative
Proponent Signature Page 6

The undersigned is a proponent of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2."


Jason Browne

July 10, 2015

Ashley Johansson
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Re: Request for Title and Summary for Proposed Initiative
Proponent Signature Page 7

The undersigned is a proponent of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2."



Gregory F. Fuentes

July 10, 2015

Ashley Johansson
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Re: Request for Title and Summary for Proposed Initiative
Proponent Signature

The undersigned is a proponent of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2."

A handwritten signature in cursive script that reads "Lanette M. Davies". The signature is written in black ink and is positioned above the printed name.

Lanette M. Davies

July 10, 2015

Ashley Johansson
Initiative Coordinator
California Department of Justice
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Re: Request for Title and Summary for Proposed Initiative
Proponent Signature Page 10

The undersigned is a proponent of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2."

A handwritten signature in cursive script, appearing to read "Richard Miller".

Richard Miller

July 10, 2015

Ashley Johansson
Initiative Coordinator
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(916) 445-4752

Re: Request for Title and Summary for Proposed Initiative

Proponent Signature Page 11

The undersigned is a proponent of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2."

Marc Baylen

A handwritten signature in black ink, appearing to read "MB", with a long horizontal stroke extending to the right.

July 10, 2015

Ashley Johansson
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Re: Request for Title and Summary for Proposed Initiative
Proponent Signature Page 13

The undersigned is a proponent of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2."

A handwritten signature in cursive script that reads "Patricia A. Smith". The signature is written in black ink and is positioned above the printed name.

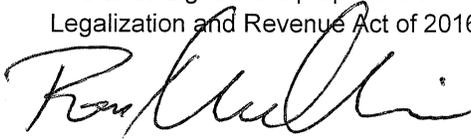
Patricia A. Smith

July 10, 2015

Ron Mullins
California Department of Justice
P.O. Box 944255
Sacramento, CA 94244-2550
(916) 445-4752

Re: Request for Title and Summary for Proposed Initiative
Proponent Signature Page 14

The undersigned is a proponent of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2."

A handwritten signature in black ink, appearing to read "Heather L. Burke". The signature is fluid and cursive, with the first name being the most prominent.

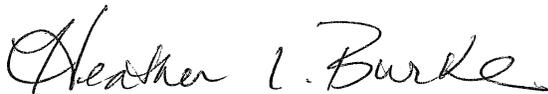
Heather L. Burke

July 10, 2015

Ashley Johansson
Initiative Coordinator
California Department of Justice
P.O. Box 944255
Sacramento, CA 94244-2550
(916) 445-4752

Re: Request for Title and Summary for Proposed Initiative
Proponent Signature Page 14

The undersigned is a proponent of the attached initiative measure entitled "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2."

A handwritten signature in black ink that reads "Heather L. Burke". The signature is written in a cursive style with a large initial 'H' and a long, sweeping underline.

Heather L. Burke

Text of Proposed Law

SECTION 1. Title.

This measure shall be known and may be cited as "The Marijuana Control, Legalization and Revenue Act of 2016."

SEC. 2. Statement of General Purpose.

This initiative measure grants the freedom to possess, furnish, process, concentrate, use, grow, transport and sell Cannabis in the State of California subject to reasonable regulation and taxation in a manner similar to alcohol.

SEC. 3. Findings, Declarations, and Intent.

(A) Findings

(1) The State of California's laws criminalizing Cannabis (marijuana) have failed and need to be reformed. Despite spending decades arresting millions of non-violent Cannabis consumers, the State of California has failed to control Cannabis or reduce its availability.

(2) According to surveys, roughly 100 million Americans (around 1/3 of the country's population) acknowledge that they have used Cannabis. Cannabis consumption is simply a fact of life for a large percentage of Americans.

(3) Despite having some of the strictest Cannabis laws in the world, the United States has the largest number of Cannabis consumers. The percentage of U.S. citizens who consume Cannabis is double that of the percentage of people who consume Cannabis in the Netherlands, a country where the selling and adult possession of Cannabis is allowed.

(4) According to The National Research Council's recent study of the 11 U.S. states where Cannabis was decriminalized, there is little apparent relationship between severity of sanctions and the rate of consumption.

(5) Cannabis has fewer harmful effects than either alcohol or cigarettes, which are both legal for adult consumption. Cannabis is not physically addictive, does not have long term toxic effects on the body, and does not cause its consumers to become violent.

(6) There is an estimated \$15 billion in illegal Cannabis transactions in the State of California each year. Taxing and regulating Cannabis, like alcohol and cigarettes, will generate billions of dollars in annual revenues for California to fund what matters most to Californians: jobs, health care, schools and libraries, roads, and the rebuilding of the urban core.

(7) The State of California wastes millions of dollars each year targeting, arresting, trying, convicting, and imprisoning non-violent citizens for Cannabis related offenses. This money would be better used to combat violent crimes and gangs, provide health services for the addicted, investigate, interdict and prosecute major drug traffickers.

(8) The illegality of Cannabis enables the continuation of an out-of-control criminal market, which in turn spawns other illegal and often violent activities by drug lords profiting from illegal sales and addiction to support domestic and foreign criminal enterprises. Establishing legal, regulated sales outlets would put dangerous street dealers and drug lords out of business which would once again make urban communities a safer place to reside.

(9) The war on drugs has not targeted the major foreign producers and importers but rather has disproportionately targeted poor and minority recreational Cannabis users in urban communities, resulting in criminal records, imprisonment and financial penalties not imposed upon Cannabis users in majority communities, and resulting in a cycle of unemployment, poverty, family breakup and other disparate impacts on minority citizens due to criminal records.

(10) Regulating Cannabis will make Californians safer by cutting off the profits to criminal gangs and cartels and eliminating the illegal growing of Cannabis throughout the State of California.

(11) California voters approved Proposition 215, the Compassionate Use Act, in 1996 to allow patients to cultivate and use Cannabis for medical purposes. Confusion about that law requires clarification. None of the rights or privileges established by proposition 215 or its subsequent relevant legislation shall be restricted in any way by the passage of this Act.

(B) Intent

(1) This Act is intended to limit the application and enforcement of state and local laws relating to possession, transportation, cultivation, processing, consumption and sale of Cannabis, to eliminate prosecution, conviction, and sentencing disparities affecting poor and minority Cannabis users, create a system for regulating and taxing Cannabis use and to use the resulting taxes and fees to fund drug abuse education, prevention, research and treatment activities, general health, education and civil rights activities by nonprofit and government entities to further the intentions of this act.

SEC. 4. *A new Division 10, entitled "Cannabis Legalization, Regulation and Taxation" (Sections 27100 to 27890) is added to the Business and Professions Code, to read:*

Chapter 1. General.

§ 27100. Purposes.

This Act implements a comprehensive, statewide scheme authorizing, controlling, and regulating the cultivation, processing and distribution of Cannabis for Dietary, Medical and Social Use. The subjects addressed by this Act are a matter of statewide concern. It is the intent of the People in enacting this Act to accomplish all of the following:

- (a) Reform California's Cannabis laws in a way that will benefit the state.
- (b) Tax and regulate Cannabis to generate billions of dollars for state and local governments to fund what matters most: jobs, education, drug treatment and prevention, schools, and more.
- (c) Stop arresting thousands of non-violent Cannabis consumers, producers and providers, freeing up police resources and saving millions of dollars each year, which could be used for apprehending truly dangerous criminals and keeping them locked up, and for other essential state needs that lack funding.
- (d) Make Cannabis available for scientific, medical, industrial, and research purposes.
- (e) Clarify and strengthen the State of California's Medical Marijuana laws;
- (f) Permit the State of California to fulfill the state's obligations under the United States Constitution to enact laws concerning health, morals, public welfare and safety within the State.
- (g) Implement a legal regulatory framework to prevent the distribution of Cannabis to minors in the State of California, except as permitted under California's Medical Marijuana laws.
- (h) Prevent the profits from the sale of Cannabis from going to criminal enterprises, gangs and cartels, putting dangerous, underground street dealers out of business, so their influence in communities will fade.
- (i) Prevent state-authorized Cannabis activity from being used as a cover or pretext for the trafficking of illegal drugs or other illegal activity;
- (j) Prevent the violence and the use of illegal firearms in the cultivation and distribution of Cannabis;
- (k) Prevent driving while impaired by Cannabis and other adverse public health consequences associated with Cannabis use;
- (l) Prevent the growing of Cannabis on public lands and the attendant public safety and environmental dangers;
- (m) Impose a state tax that will create a restoration fund and provide a legal framework to ensure that if the voters of a city decide not to tax and regulate the sale of Cannabis, that buying and selling Cannabis within that city's jurisdiction remains illegal, but that the residents still have the right to cultivate, possess and consume Cannabis based on neighborhood standards, except as permitted under California's Medical Marijuana laws.
- (n) Ensure that if the voters of a city decide to tax and regulate the buying and selling of Cannabis (to and from adults only), that a strictly controlled state wide legal system is implemented to oversee and regulate cultivation, distribution, and sales, and that the community will have control over how and how much Cannabis can be cultivated, except as permitted under California's Medical Marijuana laws.
- (o) Preempt any laws or regulations preventing the regulation or the Social Use of Cannabis in a manner comparable to alcohol;
- (p) Create a right to use or dispense Cannabis that is consistent with reasonable local regulations as provided herein;
- (q) Permit the enactment of consistent and reasonable local regulations, as provided herein, to accommodate medical Cannabis Businesses that follow the Attorney General Guidelines;
- (r) Ensure that if a medical Cannabis collective, Cooperative or Cannabis Business follows the Attorney General Guidelines, any conflict with a local zoning law shall be deemed a legal but non-conforming use of the relevant property or properties;
- (s) Ensure that local jurisdictions may not define as a nuisance per se any action or conduct authorized by this Act, rather, a showing of an actual nuisance shall be required;
- (t) Allow for a comprehensive seed-to-sale program for Cannabis grown in the State of California to be administered by the Cannabis Control Commission.
- (u) Encourage the Franchise Tax Board to allow business deductions for activities authorized under this Act.
- (v) Encourage the federal government to reconsider its policies concerning Cannabis, to change its laws, and to remove IRS Code Section 280E as it relates to Cannabis.
- (w) Encourage the Governor and Legislature to:
 - (1) Enact legislation allowing non-violent inmates who were convicted of buying, selling or possessing Cannabis to have their sentences reviewed and criminal records expunged or vacated;

- (2) Remove Cannabis from the list of scheduled substances, known as the California Uniform Controlled Substances Act and add it to the list of available medicines in the State of California.
- (3) Remove Cannabis related activities from the prohibitions contained within Health and Safety Code Sections 11014.5, 11364.5, 11364.7, 11365, 11366, 11366.5, 11379.6, 11470, 11488, 11488.5, 11570, 11703 and 11705.
- (4) Amend Health and Safety Code Section 11361.5 to include prior violations of Health and Safety Code Section 11357, 11358, 11359, 11360, 11361, as well as Cannabis related violations of Health and Safety Code Section 11365, 11366, 11366.5, 11379.6, and Vehicle Code Section 23222(b).
- (5) Amend California's Asset Forfeiture laws as relate to Cannabis in deference to provisions set forth in this Act.
- (6) Review and amend evidence requirements and procedures for destruction of Cannabis illegally cultivated, processed, stored or otherwise not in compliance with this Act.
- (x) Encourage the Governor, Legislature and Law Enforcement to formulate policies that allow for the donation of Cannabis lawfully seized that has been unclaimed by the owner, and that the donations be sent to Compassionate Use Providers in compliance with this Act.

§ 27110. Definitions.

"Adult" means an individual twenty-one (21) years of age or older.

"Applicant" means any person, individual, partnership, group, association, corporation, institution, or entity, and the officers, directors, owners, managing employees, or agents thereof, that registers or applies for, or is currently certificate holder of, a Cannabis Business Certificate as defined in this chapter.

"Attorney General Guidelines" means the "*Guidelines For The Security and Non-Diversion of Marijuana Grown for Medical Use,*" issued by the California Attorney General in August 2008.

"Certificate Holder" means any person, individual, partnership, group, association, corporation, institution, or entity, and the officers, directors, owners, managing employees, or agents thereof, that has successfully registered and has been approved for a Cannabis Business Certificate as defined in this chapter.

"Cannabis" means "marijuana" or "marihuana" as defined in Health and Safety Code Section 11018.

"Cannabis Business" is a for profit or nonprofit entity that cultivates, concentrates, processes, wholesales, or retails Cannabis, and includes, but is not limited to, Cannabis Manufacturers, Cannabis Distributors, Cannabis Retailers, Analytical Cannabis Laboratories, Compassion Providers and Medical Cannabis Retailers. It does not include collectives or cooperatives.

"Cannabis Business Certificate" is a certificate issued by the division indicating that the Cannabis business has successfully registered for inclusion on the list of entities registered as Cannabis Manufacturers, Cannabis Distributors, Cannabis Retailers, Analytical Cannabis Laboratories, Medical Cannabis Retailers, or as Compassion Providers, as set forth in Section 27230 "Types of Registered Businesses."

"Cannabis-containing Product" means a product containing Cannabis that is processed for use or consumption, including but not limited to, smoking products, vaporizing products, edible products, topical products, ointments and tinctures.

"Cannabis Plant Canopy" shall mean the total combined canopy area as measured by the horizontal extent of the plant or combination of plants at the widest point and measured in a straight line.

"Commission" shall refer to Cannabis Control Commission as defined in Section 27500 of the Business and Professions Code.

"Concentrated Cannabis" shall have the same definition as in Health and Safety Code Section 11006.5.

"Cooperative" or "Collective" means any site, facility or location where a group of qualified patients or persons with an identification card associate, meet or congregate in order to collectively or Cooperatively, distribute, sell, dispense, transmit, process, deliver, exchange, or give away Cannabis for medicinal purposes pursuant to California's Medical Marijuana laws, and the Attorney General Guidelines. A medical Cannabis Cooperative or Collective must be organized as a Collective or Cooperative, as those terms are defined by the Attorney General Guidelines.

"Dietary cannabis" means Cannabis used as a food in its raw or non-psychoactive state for the unique provision of the essential cannabinoid acids, terpenes, flavonoids and other beneficial constituents.

"Dispensary" means a Cannabis business, collective, or cooperative, where Cannabis is made available.

"Endanger Others" does not mean and shall not include lawfully using, ingesting possessing and/or cultivating Cannabis within the same residence or it's curtilage, or adjoining buildings and structures or in a commercial building of any type, unless additional conduct is demonstrated by clear and convincing evidence that such acts have in fact become imminently dangerous to human safety, in addition to mere lawful use, ingestion, possession or cultivation.

“Excessive” means any requirement or fee that exceeds a normal, usual, or reasonable requirement based on expenses incurred or required fee.

“Illegal use of Firearms” means any use of a firearm that is considered illegal under California Law, whether due to the possession of the firearm itself or to the legal status of the user of the firearm. It does not mean the otherwise legal use of a firearm by persons engaged in lawful Cannabis related activities.

“Individual” means a natural person as defined in Revenue and Taxation Code Section 17005.

“Indoors” means within a fully enclosed and secure structure which can only be entered through a locked door that requires a key or combination to open and which is secure against unauthorized entry.

“Marijuana” or “Marihuana” has the meaning set forth in Health and Safety Code Section 11018.

“Medical Purposes” refers to Cannabis recommended by a physician for a medical condition to a qualified patient or primary caregiver, as defined under California’s Medical Marijuana laws.

“Minor” means an individual under the age of 21.

“Neighborhood Standards” means guidelines agreed upon on a neighborhood level, and set by a majority vote or opinion of the residents of the neighborhood.

“Outdoor” or “Outdoors” means any location that is not “indoors” within a fully enclosed and secure structure as defined herein.

“Person” means an individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, limited liability company, association, and any other organization or group of persons acting in concert.

“Registered Business” or “Listed Business” is a business that has successfully applied for inclusion on the list of entities registered as Cannabis manufacturers, Cannabis distributors, Cannabis retailers, analytical Cannabis laboratories, medical Cannabis retailers, or as compassion providers, as set forth in Section 27230 “Types of Registered Business.”

“Reasonable Regulations” means any requirement or fee that does not exceed a normal, usual, or standardized requirement for any similar business.

“Reasonable Limits” refers to one or more limits imposed by the Commission that does not allow the creation or perpetuation of monopolies and that fosters and encourages competition.

“Restricted Area” means the portion of a business location which is clearly identified as such on the floor plan proposal that is submitted with the business’ registration application to the Cannabis Control Commission. The business may cultivate, distribute, possess, produce, or allow the consumption of Cannabis in the restricted area.

“Site” means the lot, parcel or portion of a lot or parcel that is used by a person or registered business under this Act used for conduct specifically authorized under this Act.

“Social Use” means the consumption, smoking, vaporizing, ingesting, topical use, recreational use, or any other use of Cannabis and Cannabis-containing products by an individual authorized under this Act, with the exception of consumption of Cannabis and Cannabis-containing products in accordance with dietary use or a medical treatment regimen.

“Structure” means any building or enclosure constructed or erected which is supported or affixed permanently on the property, that is not mobile, and shall not include any motor vehicle.

“Topical Cannabis Products” means cannabis infused lotions or preparations intended for external use.

“Vehicle” means a device by which any person or property may be propelled, moved, or drawn upon a street, sidewalk or waterway, including but not limited to a device moved exclusively by human power.

Chapter 2. Medical Cannabis.

§ 27200. Medical Cannabis Protections.

This Act shall not limit or adversely affect the individual and group cultivation rights, medical rights and protections afforded by Health and Safety Code Sections 11362.5 through 11362.83 any future Medical Marijuana law passed by the Legislature of the State of California that is consistent with this Act, except as provided in subdivisions (a), (b) and (c).

(a) Effective July 10, 2017, the application and renewal fee established for individuals seeking to obtain or renew a voluntary medical marijuana identification card, as defined in Health and Safety Code 11362.7(g), shall not exceed thirty-five dollars (\$35), adjusted biennially, in January of each odd numbered year, for changes in the Consumer Price Index. No California public agency shall collect information pertaining to the residency of the applicant or the designated primary caregiver of the applicant. The Department of Public Health or its successor agency shall designate a portion of the application fee sufficient to cover the expenses to the county health

department or the county's designee in processing and accepting applications pursuant to Article 2.5 (commencing with Section 11362.7) of Chapter 6 of Division 10 of the Health and Safety Code.

(b) There shall be reciprocity in the State of California for other state's Medical Marijuana programs. A Medical Cannabis registry identification card, or a written medical cannabis recommendation, or its equivalent issued by another state government to permit the medical use of Cannabis by a qualifying patient or to permit a person to assist with a qualifying patient's medical use of Cannabis shall have the same force and effect as a voluntary medical marijuana identification card issued by the State of California.

(c) Any criminal defendant who is eligible to use medical marijuana pursuant to Section 11362.5 shall not be prevented from using, possessing or transporting medical marijuana while he or she is on formal or informal probation, parole, or released pending legal action, whether or not bail is posted.

(d) Despite its status as a Schedule I drug under federal law, Cannabis factually has numerous currently accepted medical uses that have been studied and verified. One of the primary functions of the Commission shall be to facilitate the safe access of Cannabis to those who, for serious medical purposes, including but not limited to, seizures, cancer, AIDS, or hospice care, may most be in need of access, but who, due to institutional, administrative, or financial barriers, may be most unable to gain safe access to Cannabis.

Chapter 3. Sales Tax and Allocation of Revenue.

§ 27300. Revenue Allocation.

(a) All revenues derived from any excise tax imposed by the Legislature pursuant to this section, with the exception of payment of refunds and reasonable and necessary administration and collection expenses, shall be deposited in the Public Benefit Fund, which is hereby created in the State Treasury, and shall be subject to annual appropriation to the State Controller for allocation in accordance with the following formula:

- (1) Ten percent (10%) for colleges or universities of the state higher education system, as defined in Section 100850 of the Education Code;
- (2) Ten percent (10%) for universal preschool and public education K thru 12;
- (3) Ten percent (10%) for water conservation and environmental restoration;
- (4) Ten percent (10%) for drug abuse education and treatment;
- (5) Ten percent (10%) for fire services, police, sheriff, and cannabis impairment studies as defined in section §27870 of this act;
- (6) Ten percent (10%) for the general fund of local cities and counties that do not have bans on storefront Cannabis retailers;
- (7) Ten percent (10%) for Cannabis research conducted by colleges or universities of the state higher education system, as defined in Section 100850 of the Education Code, and funding for the genetic repository or other activities as authorized under this Act;
- (8) Ten percent (10%) for distribution to nonprofit entities whose principal objectives are to ensure the political, educational, social and economic equality of minority citizens of the State of California, eliminate racial prejudice and disparities, and remove the impacts of racial discrimination, in order to improve the quality of life of California's minorities, for activities related to substance abuse education, entrepreneurship education and training, prevention, research and healthcare.
- (9) \$7.5 million, adjusted biennially for changes in the Consumer Price Index, or twenty percent (20%), whichever is less, for operations of the Cannabis Control Commission; and
- (10) The remainder if any, for the statewide public education system.

(b) In any fiscal year, an appropriation of between one percent (1%) above or below the percentage defined in subdivision (a) shall be deemed compliant with subdivisions (a)(1) through (a)(9).

(c) Not less than sixty-seven percent (67%) of the aggregate expenditures in categories (a)(1) through (a)(9) shall be appropriated to counties, cities, cities and counties, and special districts.

(d) With the exception of the Cannabis Control Commission, the precise recipients of the revenue in the Public Benefit Fund each fiscal year shall be determined by the Governor and the Legislature during the budget process.

(e) On or before the 27th day of each month, the Controller shall allocate the amounts deposited and remaining unexpended and unresolved in the Public Benefit Fund on the 15th day of each month in accordance with the allocation scheme enacted in the budget bill.

(f) The Legislature may place an excise tax on the sale of non-medical Cannabis, including tinctures, edibles, topicals and concentrates, so long as no excise tax or combination of excise taxes shall exceed ten percent (10%) of the retail price of the products in the first three (3) years after passage of this Act. The Legislature may increase the

excise tax in yearly graduated amounts not to exceed one percent (1%) per year with a maximum cap placed at fifteen percent (15%).

(g) The Legislature may place an excise tax on the bulk storage of Cannabis, so long as no excise tax or combination of excise taxes shall exceed ten percent (10%) of the wholesale price of the products, whichever is greater. Any excise tax on bulk storage shall only apply to amounts over twenty-five (25) pounds, and may be apply to both Cannabis and Cannabis products produced by Cannabis Businesses and dried Cannabis flowers cultivated for personal use.

§ 27310. No Sales or Use Tax for Medical or Dietary Sales.

Cannabis that is sold for dietary or medical purposes shall not be subject to any sales or use taxes. All taxes and fees on medical Cannabis collected prior to the enactment of this Act shall be deemed valid and not refundable under any circumstance.

§ 27320. The Sales and Use Tax Applies to Sales for Social Use.

Except as otherwise provided in this Act, Cannabis sold for Social Use shall be subject to all state and local sales and use taxes applicable to the jurisdiction in which it is sold

Chapter 4. Adult Social Use of Cannabis is Lawful.

§ 27400. No Adverse Actions.

No person shall be subject to any administrative, civil or criminal penalty related to the use, growth, cultivation, possession, transportation, storage, processing or sale of Cannabis or the seeds, resins or pollen thereof, nor for land use related to any such activity, if the activity complies with this Act.

§ 27410. Minors.

(a) The mere presence of one or more minors in a household shall not render Cannabis cultivation unlawful *per se*. Neither the presence of cannabinoid components or metabolites in a person's bodily fluids, nor conduct permitted under this chapter related to the possession, use, transfer, cultivation, manufacture, or sale of Cannabis or Cannabis products by a custodial or noncustodial parent, grandparent, pregnant woman, legal guardian, or other person charged with the well-being of a child, shall form the sole or primary basis for any action or proceeding by a child welfare agency or in a family or juvenile court.

(b) The physician approved use of Medical Cannabis by persons under the age of 18 to treat serious medical conditions shall not be used to diminish parental rights maintain jurisdiction over said child or justify the removal of a child from the home.

(c) The protections afforded in this section shall also apply to Section 27200 above.

(d) For the purposes of this Act, a Minor who uses cannabis for medical purposes, in accordance with California's Medical Marijuana laws, is anyone under the age of 21 years.

§ 27420. Discrimination Prohibited.

This section shall not apply to employers or employees in safety-sensitive occupations covered by U.S. Department of Transportation regulations (49 CFR Part 40). Federal Drug Free Workplace policies shall only stand in California for those employers who are required by Federal contract to enforce, so long as the federal government deems, and shall upon reversal or revision of federal policy, no longer be enforceable. Discrimination against candidates for employment or those currently employed that are not subject to U.S. DOT Regulations above, involving urine screening, saliva samples, blood, hair or any other methods, shall no longer be lawful in the State of California against Adults who consume Cannabis or it's derivatives. An individual's ability to maintain employment shall not be jeopardized based on their consumption of Cannabis while off duty. Reasonable accommodation for Medical Marijuana patients shall be made in occupations where light duty is an option. This section in no way sanctions Cannabis use while on duty for adult social consumers or Medical patients unless agreed to by the employer in writing. Only Impairment as defined in Section 27870 below shall be used to determine fitness for duty, and all employees arriving to their place of employment shall be subject to rules developed by the employer regarding intoxication or impairment in the workplace so long as those rules do not penalize employees for off duty social or medical consumption. Except as provided in this Act, no person shall refuse to provide services or benefits or increase the charge for services or benefits, based on the lawful use, cultivation, possession, storage, processing or sales of Cannabis, including, but not limited to, the following:

- (a) A license, permit, or other entitlement for use, including all business, professional, trade and land use licenses and permits;
- (b) all contracts including competitively bid, labor, or personal employment contracts and franchises;
- (c) Utility services;
- (d) Banking and financial services;
- (e) Insurance and re-insurance.

§ 27450. Protections.

It shall be lawful and not a violation of California law for an adult:

- (a) To smoke, ingest, or consume Cannabis in one's home or on any privately owned property in a manner that does not endanger others or violate this division;
- (b) To be under the influence of Cannabis, except as provided in this Act and as provided in subdivision (f) of section 647 of the Penal Code;
- (c) To cultivate Cannabis indoors, or outdoors behind fenced and securely-locked privately owned property, with the consent of the owner of such property. To comply with this section, the fencing shall completely obscure the presence of the Cannabis plants from members of the general public, with the exception of aerial observations. Cultivation must comply with any local or state nuisance regulations, provided the nuisance regulation is not based on the presence and/or cultivation of Cannabis nor crafted to primarily target Cannabis cultivation, use, and/or possession.

§ 27460. Reasonable Regulation.

- (a) No license, fee, fine, or tax, on a Cannabis business, which is not specified in this division, shall exceed the amount charged or assessed for comparable businesses.
- (b) The State of California and its agencies and employees shall not disclose and shall protect the identities of all persons, individuals, and corporate entities engaged in Cannabis commerce or use, without a court order expressly authorizing the release of such information on a case by case basis.

§ 27470. Federal Prosecution Assistance.

- (a) Unless pursuant to a court order, no information required to be provided to any state or local governmental agency by this division or in connection with any activity regulated by this division may be released to an agency or agent of the federal government in connection with a federal investigation or prosecution of a person for any activity that is permitted by this division.
- (b) The State of California shall not adopt any language from IRS Code Section 280E.

§ 27480. Local Control; Zoning; Voter Referendum.

- (a) Except as provided in this section, no city, county, or city and county may ban a Cannabis business, whether producing Cannabis for dietary purposes, medical purposes, or for social use, if they comply with this division.
- (b) The governing body of a city, charter city, county, or city and county of more than 25,000 residents may not limit the number of storefront Cannabis businesses to less than one for each 25,000 residents. The governing body of a city, charter city or county with 10,000 to 25,000 residents may not limit the number of storefront Cannabis businesses to less than one. The governing body of a city, town, or charter city with fewer than 10,000 residents may ban storefront Cannabis businesses.
- (c) Except as set forth in this section, a storefront Cannabis business shall be allowed to operate in any commercial or industrial zone in a city, county, or city and county, or if permitted by ordinance, any zones other than purely residential.
- (d) Notwithstanding any other provision of this division, a city, charter city, county, or city and county may ban, or limit the number of, Cannabis businesses within its jurisdiction if an ordinance or charter amendment enacting that restriction has been approved by the majority of voters within that jurisdiction at an established election. The governing body may enact a temporary ban or number limitation, until the vote occurs, not to exceed a total of twelve (12) months, once a measure limiting or banning Cannabis businesses is placed on the ballot.
- (e) No Adult Use, retail storefront Cannabis business shall be located within a 1000-foot radius of any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

- (f) Subdivision (e) shall be collectively known as “sensitive uses.” The distance between a storefront Cannabis business and a sensitive use shall be measured as measured by the foot path of travel, from the closest public entrance of the business to the property line in which the sensitive use is located.
- (g) For facilities issued a Cannabis Business Certificate that are located within the incorporated area of a city, the city shall have full power and authority to enforce this chapter and the rules, regulations, and standards promulgated by the office. Notwithstanding Sections 101375, 101400, and 101405 of the Health and Safety Code or any contract entered into pursuant thereto, or any other law, the city shall further assume complete responsibility for any regulatory function relating to those Cannabis Business Certificate holders within the city limits that would otherwise be performed by the county or any county officer or employee, including a county health officer, without liability, cost, or expense to the county.
- (h) For storefront Cannabis Businesses located within the unincorporated area of a county, the county shall have full power and authority to enforce this chapter and the rules, reasonable regulations, and standards.
- (i) All standards and regulations promulgated pursuant to this chapter shall be the minimum standards and regulations for obtaining and maintaining a Cannabis Business Certificate. State agencies shall collaborate with local agencies to enforce state standards and regulations to the extent that it is within the scope of other statutory responsibilities of local agencies and to the extent that resources for this enforcement are available to the local agencies. This section shall not limit any other state or local requirements.
- (j) Pursuant to Section 7 of Article XI of the California Constitution, a city, county, or city and county may adopt ordinances that establish additional reasonable regulations, standards, and requirements for commercial cannabis activity. For all conflicts between the state and local standards, requirements, and regulations regarding health, safety, testing, security, and worker protections, the state laws shall preempt local ordinances.
- (k) The Commission shall establish procedures to provide any relevant state and local agencies, upon their request, with 24-hour access to information to verify a Cannabis Business Certificate, track transportation manifests, and track the inventories of facilities issued a Cannabis Business Certificate. This record shall allow state and local law enforcement, agencies, and licensing entities to verify a Cannabis Business Certificate and provide summary information on Cannabis Business Certificate holders consisting of the name of the certificate holder, the date the Cannabis Business Certificate was issued, the status of the Cannabis Business Certificate, and the certificate holder’s mailing address.
- (l) A state agency is not required by this section to enforce a city, county, city and county, or local law, ordinance, rule, or regulation regarding the site or operation of a facility or transporter who is a holder of a certificate issued under this act.
- (m) This chapter does not prevent a city, county, or city and county from doing any of the following:
- (1) Adopting local ordinances, that are consistent with this act, that do the following:
 - (A) Regulate the location,
 - (B) Hours of operation, or
 - (C) Number of Store-front locations
 - (2) Providing for the administrative, or civil enforcement of the ordinances described in paragraph (1).
 - (3) Establishing a reasonable fee for the operation within its jurisdiction of any Cannabis Business,
 - (4) Enacting and enforcing other laws or ordinances pursuant to the authority granted by Section 7 of Article XI of the California Constitution.

Chapter 5. Administration.

§ 27500. Cannabis Control Commission.

No later than April 20, 2017, the Commission and its members shall be operational and shall issue Cannabis Business Certificates for the industry as specified in this Act. In the event this is not accomplished by the stated deadline, all existing Cannabis Businesses in the State of California that can show reasonable compliance with the regulations in this Act, shall be considered in compliance as if they had been issued a Cannabis Business Certificate.

- (a) There is in state government the California Cannabis Control Commission, consisting of seven members appointed by the Governor, subject to confirmation by the Senate committee on rules.
- (b) The regulation of Cannabis including but not limited to, the cultivation, processing, transportation, distribution, storage, disposal and sales is vested in the Commission. The Commission shall issue business certificates authorizing including but not limited to, the cultivation, processing, transportation, distribution, wholesale, storage, disposal, and retail sales of Cannabis. No commercial Cannabis cultivation, processing, transportation, distribution and/or sales may be allowed without a business certificate provided by this Commission, provided that the

Commission has enacted reasonable regulations and processes allowing for the attainment of such business certificates, and has fully implemented these measures within a year's period of passage of this Act.

(c) The Commission shall develop standards for, including but not limited to, potency, consistency, labeling, and testing,

(d) The regulations, fees and procedures promulgated by the Commission are hereby declared to constitute a comprehensive scheme of statewide Cannabis regulation. Any and all local Cannabis regulations, fees and procedures that are adopted and/or enforced in a manner contrary to Commission regulations are declared null and void.

(e) Initial funding for the Commission shall be advanced as a loan by the Department of Treasury and shall be repaid by the excise tax.

(f) All revenues derived from any fines or fees imposed by the Commission pursuant to this Act, with the exception of payment of refunds and reasonable and necessary administration and collection expenses, shall be deposited in the Public Benefit Fund, referred to in section §27300 of this act, and shall be subject to quarterly appropriation to the Cannabis Control Commission for allocation as required.

§ 27510. Commission Members; Eligibility; Qualifications.

(a) Each member of the Commission shall be a citizen of the United States and a resident of the State of California for no less than 3 years.

(b) One member of the Commission shall be selected from the California Department of Public Health.

(c) One member of the Commission shall be selected from the California Department of Food and Agriculture.

(d) One member of the Commission shall be selected from the California Department of Board of Equalization.

(e) One member of the Commission shall be a physician licensed by the State of California, who has for at least five (5) years who has recommended and or approved Medical Cannabis to his or her patients.

(f) One member of the Commission shall be a criminal defense, or civil Attorney licensed by the state of California, with over ten (10) years of experience defending marijuana cases and has fought cases through adjudication, or with over ten (10) years of experience creating and working with Cannabis businesses.

(g) One member of the Commission shall be a qualified medical Cannabis patient as defined in California's Medical Marijuana laws, who has been using medical Cannabis for at least 5 years, and has a set of skills that would be beneficial to the Commission.

(h) One member of the Commission shall be a qualified medical Cannabis patient as defined in California's Medical Marijuana laws, who has been responsible for owning, operating, or managing a medical Cannabis collective or cooperative in the State of California for at least 5 years.

§ 27511. Commission Members.

(a) Of the members initially appointed, three shall be appointed for a term of two years, three shall be appointed for a term of three years, and one shall be appointed for a term of four years. After the initial terms, the term of office of each newly appointed member of the Commission is four years. Four members shall constitute a quorum, and no member may serve more than two consecutive terms.

(b) The Governor shall designate one member to serve as chairperson. The initial appointments shall be made within three months of the operative date of this section. Thereafter, vacancies, such as term outs, shall be filled within 60 days of the date of the vacancy by the Governor, subject to confirmation by the Senate Committee on Rules.

(c) The Governor may remove any member of the Commission for incompetence, neglect of duty, or corruption upon first giving him or her a copy of the charges and an opportunity to be heard.

§ 27512. Commission Members; Oath of Office.

Before entering upon the duties of his or her office, each member of the Commission shall subscribe to the constitutional oath of office.

§ 27513. Salary.

The members of the Commission shall receive the salary provided for by Section 11553.5 of the Government Code.

§ 27514. Executive Director.

(a) The Commission shall have an Executive Director appointed by the Commission. A person is ineligible for appointment as Executive Director if, within two years prior to appointment, the person, or any partnership or

corporation in which the person is a principal, was employed by, retained by, or derived substantial income from, any Cannabis business.

(b) The Executive Director shall receive an annual salary established by the Commission and approved by the Department of Personnel Administration. The Executive Director shall be the Commission's executive officer and shall carry out and execute the duties as specified by law and by the Commission.

(c) The Commission may appoint other staff and clerical personnel as necessary to carry out its duties under this division.

§ 27515. Commission Offices.

(a) The Commission shall establish and maintain a general office for its regular meetings and the transaction of its business in Sacramento. The Commission may hold up to three meetings annually at other locations within the state.

(b) A public record of every vote shall be maintained at the Commission's principal office.

(c) A majority of the membership of the Commission is a quorum of the Commission. The concurring vote of three members of the Commission shall be required for any official action of the Commission or for the exercise of any of the Commission's duties, powers, or functions.

(d) Except as otherwise provided in this division, Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code applies to meetings of the Commission. Notwithstanding Section 11125.1 of the Government Code, documents, which are filed with the Commission for the purpose of evaluating the qualifications of an applicant, are exempt from disclosure under Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code.

§ 27516. Commission Meetings and Records.

(a) The Commission shall maintain for ten years a record of all proceedings at regular and special meetings of the Commission. These records shall be open to public inspection.

(b) The Commission shall maintain for five years a file of all applications for business certificates under this division, together with a record of all actions taken with respect to those applications. The file and record shall be open to public inspection.

(c) The Commission may maintain any other files and records as they deem appropriate. Except as provided in this division, the records of the Commission are exempt from disclosure under Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code.

(d) Except as necessary for the administration of this division, no Commissioner and no official, employee, or agent of the Commission, having obtained access to confidential records or information in the performance of duties pursuant to this division, shall knowingly disclose or furnish the records or information, or any part thereof, to any person who is not authorized by law to receive it. A violation of this subdivision is a misdemeanor punishable by up to one year in prison, a fine of up to \$10,000, or both.

(e) Notwithstanding subdivision (k) of Section 1798.24 of the Civil Code, a court shall not compel disclosure of personal information in the possession of the Commission to any person in any civil proceeding in which the Commission is not a party, except for good cause and upon a showing that the information cannot otherwise be obtained. Nothing herein shall be construed to authorize the disclosure of personal information that would otherwise be exempt from disclosure.

(f) The regulation of Cannabis in this state shall be highly transparent and the Commission shall be subject to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title I of the Government Code). Notwithstanding any law, the Commission shall make all records available to the public on a yearly basis, redacted only to avoid disclosure of the identity of a natural person and his or her personal contact information, on its Internet Web site. Additionally, the Commission is subject to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code) and shall conduct and maintain video and audio recordings of its meetings available on its Internet Web site.

(g) The Commission's Internet Web site shall provide all forms and information required that a person may need to understand any requirement of the Commission to properly apply for a certificate, license or permit.

§ 27517. State or Local Government Agencies.

All files, records, reports, and other information in possession of any state or local governmental agency that are relevant to an investigation by the Commission conducted pursuant to this division shall be made available to the Commission as requested. However, any tax information received from a governmental agency shall be used solely for effectuating the purposes of this division. To the extent that the files, records, reports, or information described

in this section are confidential or otherwise privileged from disclosure under any law or exercise of discretion, they shall not lose that confidential or privileged status for having been disclosed to the Commission.

§ 27518. Commission Responsibilities.

The responsibilities of the Commission shall include:

- (a) Ensuring that business certificates, approvals, and permits are not issued to, or held by, persons whose operations are conducted in a manner that is inimical to the environment, public health, safety, or welfare.
- (b) Ensuring that there is no material involvement, directly or indirectly, with a Cannabis business, or the ownership or management thereof, by persons whose operations are conducted in a manner that is inimical to the environment, public health, safety, or welfare.
- (c) Regulating, enforcing, inspecting and administering all commercial activities related to the Cannabis Industry in the State of California.
- (d) Facilitating cooperation among various State agencies in the allocation of enforcement resources to implement regulations and oversight according to provisions in this Act.

§ 27519. Commission Powers.

The Commission shall have all powers necessary and proper to enable it fully and effectively to carry out the policies and purposes of this Act, including, without limitation, all of the following:

- (a) To regulate commercial Cannabis cultivation, wholesale, retail sales, medical sales, lab testing, transportation, research, storage, distribution, disposal and processing, including producing Cannabis products in any form, including any concentrated form of the separated or extracted resins, whether obtained in crude or purified form, or extracted using any solvents. Any restricted commercial area as regulated by the Commission, shall not be governed by any other laws, and this Act shall supersede any other criminal or regulatory schemes.
- (b) The Commission shall be the sole state entity vested with these powers; the state legislature shall not encroach on the power of the Commission, nor further prohibit or legislate the use, or distribution, of Cannabis, beyond the regulations established by the Commission. Likewise, local entities, including county and municipal governments, apart from their inherent powers to create local nuisance and zoning regulations, subject to the limitations established in this measure, may not prohibit or legislate the use or distribution of Cannabis, beyond the regulations established by the Commission.
- (c) To issue Cannabis business certificates authorizing including but not limited to the cultivation, processing, manufacturing, transportation, distribution, wholesale, and retail sales of Cannabis.
- (d) To collect Cannabis business certificate fees and taxes.
- (e) To deny, suspend or revoke Cannabis business certificates for good cause following analogous procedures as those used for alcohol and adopted by regulation.
- (f) For any cause deemed reasonable by the Commission, to deny any application for a business certificate provided for in this division; to limit, condition, or restrict any Cannabis business certificate, or impose any fine upon any person certificated. The Commission may condition, restrict, discipline, or take action against any individual owner endorsed on the Cannabis business certificate of the Cannabis business whether or not the Commission takes action against the Cannabis business itself.
- (g) Approve or disapprove transactions, events, and processes as provided in this division.
- (h) Take actions deemed to be reasonable to ensure that no ineligible persons are associated with Cannabis operations authorized by this division.
- (i) Take actions deemed to be reasonable to ensure that Cannabis operations authorized by this division take place only in suitable locations.
- (j) Grant temporary Cannabis business certificates on appropriate terms and conditions.
- (k) Institute a civil action in any superior court against any person subject to this division to restrain a violation of this division. An action brought against a person pursuant to this section does not preclude a criminal action, civil action or administrative proceeding against that person by the Attorney General, by any district attorney or by any City or County Government.
- (l) Issue subpoenas to compel attendance of witnesses and production of documents and other material things at a meeting or hearing of the Commission or its committees, including advisory committees.
- (m) Issue formal opinions of the Commission and advice letters signed by the chief counsel.
- (n) To establish Reasonable Limits for personal possession, sales, distribution and cultivation quantities. In addition to any limits established in this measure, the Commission may further designate Reasonable Limits for personal possession, sales, transportation, distribution and cultivation limits provided that such limits do not:

- (1) Infringe on the right of a person to possess a sufficient quantity to satisfy their reasonable personal consumption needs in a law abiding manner.
- (2) Infringe on the ability of a cultivator or Cannabis product manufacture to produce a sufficient quantity to meet the demands of their law abiding customers or clients within the state of California
- (3) Infringe on the ability of a transporter, wholesale or retail distributor to meet the demands of their law abiding customers or clients within the state of California.
- (o) To delegate appropriate enforcement tasks and administration of this chapter to other public agencies.
- (p) To ensure that all Cannabis available for sale in California is accurately labeled, the Commission may require the use of a universal symbol or other recognizable logotype identifying the presence of Cannabis in any product available for distribution. All Cannabis sold in the State of California shall be labeled and shall include on its label a disclosure regarding the presence of any genetically modified organism (GMO).

§ 27520. Oaths.

The executive director and members of the Commission may administer oaths and certify official acts in connection with the business of the Commission.

§ 27521. Rulemaking Procedure; Review by OAL.

The regulations of the Commission shall be promulgated in compliance with the Administrative Procedure Act, except that any review by the Office of Administrative Law shall be limited to ensuring compliance only with the procedural provisions of that statute, in the same manner that it reviews regulations of the Fair Political Practices Commission.

§ 27522. Duties; Regulation Content Requirements.

- (a) The Commission shall adopt regulations for the administration and enforcement of this division.
- (b) The regulations of the Commission shall include appropriate controls on the premises for commercial production, cultivation, processing, transportation, storage, disposal and sales of Cannabis. They shall also address age verification measures to prevent the diversion of Cannabis to minors; prohibitions on the use of illegal firearms at cultivation, processing, or distribution facilities; regulations concerning time, place and manner of operation, occupancy, protection of adjoining and nearby properties, and other environmental and public health controls.
- (c) No regulation of the Commission shall infringe on the individual rights set forth in this Act. Any taxes, regulations, fines and fees imposed pursuant to this section shall not be imposed on personal amounts of Cannabis produced from a non-commercial, unregulated Cannabis garden consistent with Section 27710.
- (d) The regulations adopted by the Commission shall do all of the following:
 - (1) With respect to applications, certificates, investigations, and fees, the regulations shall include, but not be limited to, provisions that do all of the following:
 - (A) Prescribe the method and form of application and certificates.
 - (B) Prescribe the information to be furnished by any applicant concerning, as appropriate, the person's criminal record, business activities, organizational structure, and financial affairs, past or present.
 - (C) Prescribe the information to be furnished by any certificate holder relating to any employees.
 - (D) Require fingerprinting or other methods of identification of an applicant, or certificate holder.
 - (E) Prescribe the manner and method of collection and payment of fees and issuance of certificates.
 - (2) Implement the provisions of this division relating to certificates and other approvals.
 - (3) Require any registrant to report and keep records of transactions, involving cash or credit.
 - (4) Provide for the receipt of written comments and protests on an application by public agencies, public officials, local governing bodies, or residents of the location of the Cannabis establishment or future Cannabis establishment.
 - (5) Provide for the disapproval of advertising by Cannabis businesses that are determined by the Commission to be deceptive to the public. Advertisement or advertising that appeals to children or adolescents is presumptively deceptive.
 - (6) Govern all of the following:
 - (A) extension of credit,
 - (B) cashing, deposit, and redemption of checks or other negotiable instruments, and
 - (C) verification of identification in monetary transactions.
 - (7) Prescribe minimum procedures for adoption by any registrant to exercise effective control over their internal fiscal affairs, which shall include, but not be limited to, provisions for all of the following:
 - (A) The safeguarding of assets and revenues, including the recording of cash and evidences of indebtedness.

- (B) Prescribing the manner in which compensation from Cannabis sales and gross revenue shall be computed and reported by any Cannabis business.
- (C) The provision of reliable records, accounts, and reports of transactions, operations, and events, including reports to the Commission.
- (8) Provide for the adoption and use of internal audits.
- (9) Require periodic financial reports from each Cannabis business.
- (10) Specify standard forms for reporting financial conditions, results of operations, and other relevant financial information.
- (11) Ensure a uniform code of accounts and accounting classifications to ensure consistency, comparability, and effective disclosure of financial information.
- (12) Require audits to be conducted, in accordance with generally accepted auditing standards, of the financial statements of all registrants whose annual gross revenues equal or exceed a specified sum. However, nothing herein shall be construed to limit the Commission's authority to require audits of any Cannabis business.
- (13) Regulate, limit, or otherwise restrict any activity that is related to the conduct of Cannabis Business, including to but not limited to, cultivation, processing, transportation, destruction, storage and sales of Cannabis, consistent with the purposes of this division.

§ 27523. Administrative Adjudication.

The Commission may require that any matter that the Commission is authorized or required to consider in a hearing or meeting of an adjudicative nature regarding the denial, suspension, or revocation of a Cannabis business certificate be heard and determined in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

§ 27524. Mandamus.

- (a) A decision of the Commission denying a certificate, or imposing any condition or restriction on the grant of a certificate, may be reviewed by petition pursuant to Section 1085 of the Code of Civil Procedure. Section 1094.5 of the Code of Civil Procedure shall not apply to any judicial proceeding described in the foregoing sentence, and the court may grant the petition only if the court finds that the action of the Commission was arbitrary and capricious, or exceeded the Commission's jurisdiction.
- (b) Any person aggrieved by a final decision or order of the Commission that limits, conditions, suspends, or revokes any previously granted certificate, made after hearing by the Commission, may petition the Superior Court for the County of Sacramento for judicial review pursuant to Section 1094.5 of the Code of Civil Procedure and Section 11523 of the Government Code. Notwithstanding any other provision of law, the standard set forth in paragraph (1) of subdivision (h) of Section 1094.5 of the Code of Civil Procedure shall apply for obtaining a stay of the operation of a final decision or order of the Commission.

§ 27525. Executive Director; Responsibilities.

The Executive Director shall perform all investigatory functions required by this division, as well as auditing functions, and shall have all of the following responsibilities:

- (a) To receive and process applications for any certificate, and to collect all related fees. The Executive Director shall investigate the qualifications of applicants before any certificate is issued, and investigate any request to the Commission for any approval that may be required pursuant to this division. The Executive Director may recommend the denial or the limitation, conditioning, or restriction of any Cannabis business certificate.
- (b) To monitor the conduct of all Cannabis businesses and other persons having a material involvement, directly or indirectly, with a Cannabis operation or its holding company, for the purpose of ensuring that Cannabis business certificates are not issued or held by, and that there is no direct or indirect material involvement with, a Cannabis operation or holding company by ineligible persons, or persons whose operations are conducted in a manner that is inimical to the environment, public health, safety, or welfare.
- (c) To investigate suspected violations of this division or laws of this state relating to Cannabis, including any activity prohibited by the Penal Code.
- (d) To investigate complaints that are lodged against certificate holders, or other persons associated with a Cannabis operation, by members of the public.
- (e) To initiate, where appropriate, a restriction, limitation, suspension, or revocation of any certificate, or the imposition of any fine upon any person certificated.
- (f) To adopt any other regulations reasonably related to its functions and duties as specified in this division.

§ 27526. Investigations.

- (a) Investigations conducted pursuant to this division shall be limited to businesses registered under this Act.
- (b) The Executive Director has all powers necessary and proper to carry out fully and effectually the duties and responsibilities specified in this section. The investigatory powers of the Executive Director include, but are not limited to, the following:
 - (1) With reasonable notice or warrant, the Executive Director may take any of the following actions:
 - (A) Visit, investigate, and place accountants, technicians, and any other person, as it may deem necessary, in all areas of the premises wherein Cannabis operations are conducted for the purpose of determining compliance with the rules and regulations adopted pursuant to this division.
 - (B) Visit, inspect, and examine all premises where Cannabis is cultivated, manufactured, packaged, stored, tested, disposed, sold, or distributed.
 - (C) Inspect all equipment and supplies in any Cannabis establishment or on any premises where Cannabis is cultivated or equipment is manufactured, tested, sold, or distributed.
 - (D) Upon proper issuance of an inspection warrant pursuant to Code of Civil Procedure Sec. 1822.50 et seq., inspect and/or seize documents, or records from any Cannabis business for the purpose of examination and inspection. However, upon reasonable demand by the Cannabis business, a copy of all documents and records seized shall be made and left on the premises.
 - (E) Demand access to, and inspect, examine, photocopy, and audit all papers, books, and records of a Cannabis business on the Cannabis business's premises in the presence of the owner or agent.
 - (2) Upon obtaining an inspection warrant pursuant to Section 1822.50 et seq. of the Code of Civil Procedure, the Executive Director may inspect and seize for inspection, examination, or photocopying any documents possessed, controlled, baled, or otherwise held by any Cannabis business.
 - (3) The Executive Director may investigate any suspected violation of this division.
 - (4) The Executive Director may do both of the following:
 - (A) Issue subpoenas to require the attendance and testimony of witnesses and the production of books, records, documents, and physical materials.
 - (B) Administer oaths, examine witnesses under oath, take evidence, and take depositions and affidavits or declarations. Notwithstanding Section 11189 of the Government Code, the Executive Director, without leave of court, may take the deposition of any Cannabis business owner or any certificate holder. Sections 11185 and 11191 of the Government Code shall not apply to a witness who is an owner of a Cannabis business.
- (c) Subdivision (b) shall not be construed to limit warrantless inspections, except as required by the California Constitution or the United States Constitution.
- (d) Subdivision (b) shall not be construed to prevent entries and administrative inspections, including seizures of property, without a warrant in the following circumstances:
 - (1) With the consent of the owner, operator, or agent in charge of the premises;
 - (2) In situations presenting imminent danger to health and safety;
 - (3) In accordance with this division; and
 - (4) In all other situations where a warrant is not constitutionally required.

§ 27527. Applicants.

- (a) Without limiting any privilege that is otherwise available under law, any communication or publication from, or concerning, an applicant or certificate holder, in oral, written, or any other form, is absolutely privileged and shall not form a basis for imposing liability for defamation or constitute a ground for recovery in any civil action, under any of the following circumstances:
 - (1) It was made or published by an agent or employee of the Commission in the proper discharge of official duties or in the course of any proceeding under this division.
 - (2) It was required to be made or published to the Commission, or any of its agents or employees, by law, regulation, or subpoena of the Commission.
 - (3) It was, in good faith, made or published to the Commission for the purpose of causing, assisting, or aiding an investigation conducted pursuant to this division.
- (b) If any document or communication provided to the Commission contains any information that is privileged pursuant to Division 8 (commencing with Section 900) of the Evidence Code, or any other provision of law, that privilege is not waived or lost because the document or communication is disclosed to the Commission or to any of its agents or employees.

(c) The Commission, and their agents and employees shall not release or disclose any information, documents, or communications provided by an applicant, registrant, or other person, that are privileged pursuant to Division 8 (commencing with Section 900) of the Evidence Code, or any other provision of law, without the prior written consent of the holder of the privilege, or pursuant to lawful court order after timely notice of the proceedings has been given to the holder of the privilege. An application to a court for an order requiring the Commission to release any information declared by law to be confidential shall be made only upon motion made in writing to the Commission, and to all persons who may be affected by entry of the order.

§ 27528. District Attorneys and State and Local Law Enforcement Agencies.

(a) Every district attorney, and every state and local law enforcement agency, shall furnish to the Commission, on forms prepared by the Commission, all information obtained during the course of any investigation or prosecution of any person, as determined by the Commission, if it appears that a violation of any law related to Cannabis has occurred, including any violation of the Penal Code.

(b) State and Local Agencies shall adopt policies that seek to educate their agents, employees and volunteers regarding their responsibilities and obligations under This Act, and shall within one year of the passage of this act have a written policy approved by the Cannabis Control Commission that integrates Cannabis legalization into their agencies training.

(c) Any local law or ordinance that is inconsistent with the policy of the state that Cannabis be safe, regulated, and accessible is preempted.

Chapter 6. Business Regulation.

§ 27600. Cannabis Business Certificates; Priority of Issuance Defined

(a) The Commission shall prioritize the issuance of Cannabis Business Certificates based on the following criteria:

(1) any applicant(s) who, at the time of the passage of this act, hold a license, permit, or certificate for the operation of a medical marijuana business, shall have first priority.

(2) any applicant(s) who, at the time of the passage of this act, has presented a collective defense in court using California's medical marijuana laws, shall have second priority.

(3) any applicant(s) who, at the time of the original filing of this initiative, has proof of operating a medical cannabis collective or cooperative, or can prove involvement in a medical marijuana related business, shall have third priority.

(4) any applicant(s) who provides a statement that the applicant(s) will enter into, or demonstrate that it has already entered into, and abide by the terms of a labor peace agreement, shall have fourth priority.

(5) a resident of California for more than 2 years

(b) Cannabis businesses within the City of Los Angeles who conform to the provisions of Measure D, approved by the voters of the City of Los Angeles on the May 21, 2013, ballot for the city, shall have the highest priority.

(c) Cannabis businesses within the City of Oakland who conform to the provisions of Measure Z, approved by the voters of the City of Oakland on the November 2, 2004, ballot for the city, shall have the second highest priority.

(d) The qualifications listed in subsection (a) through (c) shall be both ranked in order and combined to prioritize applicants. If a person or group qualifies for subsection (a)(1), subsection (a)(2), and subsection (a)(3), that person or group would have a higher priority than another person or group who only qualifies for subsection (a)(1), and subsection (a)(3).

(e) These priorities shall only apply for an applicant's first Cannabis Business Certification for each Type of Registered Business, with the exception of applicants who have multiple storefront locations at the time of the original filing of this initiative.

(f) Applicants who have multiple existing storefront locations at the time of the original filing of this initiative, shall be given the priorities listed in this section for each storefront location.

§ 27610. Types of Registered Businesses.

The Commission shall be responsible to create the following registration types for, including but not limited to, the retail sale, distribution, on-site consumption, farmers markets, public events, veterinary use and manufacture of Cannabis and Cannabis-containing products. Nothing shall prevent any business from simultaneously registering as multiple types of registered businesses. Medical Cannabis Cooperatives and Collectives pursuant to California's Medical Marijuana laws shall not be required to register as any type of business under this Act. The Commission may impose Reasonable Limits on the total number of certificates that may be issued pursuant to this article. The Commission may reasonably adjust any fee listed in this section and operators of Cannabis Businesses that can show measurable diligence in regards to environmentally friendly modes of operation or who develop standards to protect

the environment in their regular operating procedures, may petition the Commission for reduced or pro-rated fees. Each dollar amount of five hundred dollars (\$500) or greater in this section shall be adjusted by the division for changes in the Consumer Price Index to the nearest one hundred dollars (\$100) in January of each odd numbered year.

(a) Cannabis Manufacturer. A Cannabis manufacturer is any registered business dedicated to the germination, cultivation, production, processing, conversion, extraction, in-vitro testing, distribution, or wholesale of Cannabis and Cannabis-containing products. Cultivation by Cannabis manufacturers occurring outdoors is not permitted on land zoned exclusively for residential use unless such use is approved by the local city or county. Cultivation by Cannabis manufacturers occurring indoors shall be limited to facilities that are zoned for industrial, agricultural or commercial uses, in accordance with Local Zoning Guidelines. Cannabis cultivated may be labeled as organic if grown in compliance with the requirements of the California Organic Products Act of 2003 (Chapter 10 (commencing with Section 46000) of Division 17 of the Food and Agricultural Code).

(1) A Cannabis manufacturer may:

(A) Cultivate, process, convert, distribute, receive, provide, purchase, extract, germinate, possess, produce, test, and destroy Cannabis and Cannabis-containing products;

(B) Conduct in-vitro testing necessary to assess the content of cannabinoids in its products; and

(C) Sell, ship, deliver, and transport Cannabis and Cannabis-containing products to another Cannabis manufacturer, a Cannabis distributor, a Cannabis retailer, an analytical Cannabis laboratory, a medical Cannabis retailer, a medical Cannabis collective, a medical Cannabis cooperative, a medical Cannabis dispensary or the Commission.

(2) There shall be a minimum of six classifications of Manufacturing certificates including:

(A) Artisan Cultivator.

(i) The registration fee for an Artisan Cultivator shall be an annual fee of five thousand dollars (\$5000). This fee may be waived or refunded if a crop fails to yield its expected harvest.

(ii) For purposes of this chapter, "artisan cultivation" means Cannabis cultivated by an artisan cultivator with no more than five hundred thousand dollars (\$500,000) in net annual sales or earnings in the calendar year.

(iii) The Commission may not limit the total number of Artisan Cultivators.

(iv) The Commission shall compile and update an official list of California's world-famous Cannabis appellations, including, but not limited to, Humboldt County, Mendocino County, Trinity County, Santa Cruz County, Gold Country, and the Emerald Triangle. Cannabis cultivated by an artisan cultivator may be labeled according to the official county and regional appellation where the Cannabis was cultivated. An artisan cultivator may submit official appellations to the Commission for consideration.

(v) Cannabis cultivated by an artisan cultivator with no more than one hundred thousand dollars (\$100,000) in net annual sales or earnings in the calendar year may be labeled "homegrown." All other cannabis cultivated by an artisan cultivator may be labeled as having been cultivated by an artisan cultivator.

(vi) Artisan Cultivators may offer for retail sale in accordance with the provisions of this Act for Social Use or Medical Use, upon their premises, any combination of Cannabis or Cannabis Infused products so long as any items containing cannabis were produced by a Registered Cannabis Business and are in compliance with food safety regulations as set forth in this Act.

(vii) Sales of retail or medical products shall comply with all tax regulations as set forth in this Act.

(B) Commercial Nursery.

(i) The registration fee for a Commercial Nursery shall be an annual fee of two thousand dollars (\$2,000) plus thirty dollars (\$30), per 500 individual plants or portion thereof.

(ii) Commercial Nurseries shall not cultivate flowering Cannabis except for purposes of seed harvesting and methods required to propagate clones. Nurseries shall not engage in wholesale or retail sales of flowering Cannabis plants.

(C) Commercial Cultivator.

(i) The registration fee for a Commercial Cultivator shall be an annual fee of ten thousand dollars (\$10,000) plus one hundred and fifty dollars (\$150), per 100 square feet of Cannabis Plant Canopy. This fee may be waived or refunded if a crop fails to yield its expected harvest and the refund or amount waived shall be apportioned based upon the actual square feet harvested. When cultivation occurs within a structure that uses electrical lighting as its primary source and the cultivation has its energy usage offset by solar power or other clean energy systems, the \$150 per 100 square foot fee shall be prorated based on energy savings as determined by industry standard measures, up to a 100% waiver, where 100% or more of the energy is offset.

(ii) For the purposes of this chapter, "commercial cultivation" means Cannabis cultivated by a cultivator with more than five hundred thousand dollars (\$500,000) in net annual sales or earnings in the calendar year. Commercial

cultivation of Cannabis shall be subject to extensive regulation by the Commission, including pesticide regulations for public safety.

(iii) Priority shall be given to California residents, natural persons, and any medical Cannabis dispensary, collective or cooperative that has been operating in good faith pursuant to California's Medical Marijuana laws for more than one year prior to January 1, 2017.

(D) Edible Processor.

(i) The registration fee for an Edible Processor shall be an annual fee of five thousand dollars (\$5,000).

(ii) All edible food products containing Cannabis shall be manufactured, produced, prepared, compounded, packed, stored, transported, kept for sale, and served so as to be pure and free from adulteration and spoilage, shall have been obtained from approved sources, shall be protected from dirt, vermin, unnecessary handling, droplet contamination, overhead leakage, or other environmental sources of contamination, shall otherwise be fully fit for human consumption, and, except as provided in this chapter, shall conform to the applicable provisions of the Sherman Food, Drug, and Cosmetic Law (Part 5 (commencing with Section 109875)).

(iii) Upon the effective date of this chapter, edible food products containing Cannabis may be produced and made available by cottage food operations pursuant to Chapter 11.5 (commencing with Section 114365) of Part 7 of Division 104, except that a person or business entity operation pursuant to this section is not subject to the limitation of fifty thousand dollars (\$50,000) in gross annual sales in the calendar year imposed by Section 113758, but is instead subject to a maximum of one hundred thousand dollars (\$100,000) in gross annual sales in the calendar year. Only products made available by cottage food operations pursuant to this section may be labeled "homemade." A home cottage food operation operating pursuant to this section is not subject to licensing or application fees other than those required by Chapter 11.5 (commencing with Section 114365) of Part 7 of Division 104.

(iv) All edible products shall have labels indicating the contents, dosages, contaminants, other products if any that were manufactured using the same equipment, percentages of THC, CBD, CBG, CBN and any other components as determined by the Commission including but not limited to percentages of THC and CBD, and recommended dosage.

(E) Topical Processor.

(i) The registration fee for a Topical Processor shall be an annual fee of two thousand dollars (\$2,000).

(ii) All topical cannabis products shall be manufactured, produced, prepared, compounded, packed, stored, transported, kept for sale, and served so as to be pure and free from adulteration and spoilage; shall have been obtained from approved sources; shall be protected from dirt, vermin, unnecessary handling, droplet contamination, overhead leakage, or other environmental sources of contamination; shall otherwise be fully fit for human consumption; and shall conform to the applicable provisions of the Sherman Food, Drug, and Cosmetic Law (Part 5 (commencing with Section 109875)).

(F) Concentrate Processor.

(i) The registration fee for a Concentrate Processor shall be an annual fee of ten thousand dollars (\$10,000).

(ii) Concentrating of Cannabis using compressed gases or chemical solvents other than water or food grade oils, shall be subject to extensive regulation by the Commission, and may only be performed by a Concentrate Processor as defined by this chapter.

(iii) Extraction methods using any of the following: water, compressed gases or chemical solvents shall comply with Commission regulations regarding the safe usage and handling of: carbon dioxide, nitrogen, n-butane, propane, pentane, or n-heptane; ethyl alcohols, or any flammable solvent; or any methods approved by the Department of Food and Agriculture:

(1) Must be done in a safe environment in order to prevent bodily harm;

(2) Must ensure that the final products are free of any pesticides or contaminants with the exemption of pesticides or contaminants determined to be safe, through scientific testing, by the California Department of Food and Agriculture;

(3) Must ensure that the final product has a level of residual solvents in parts per million (such as 1000 ppm) determined to be safe for human consumption, including but not limited to smoking or burning, that have been approved, through scientific testing, by the California Department of Food and Agriculture;

(4) Must ensure that the final product is labeled with its intended mode of administration (including, but not limited to, topical, inhalation, or oral);

(5) Must follow any additional regulations created by the California Department of Food and Agriculture.

(b) Cannabis Distributor. A Cannabis distributor is any registered business dedicated to the processing, conversion, testing, transportation, distribution, or wholesale sales of Cannabis. The registration fee for a Cannabis distributor shall be an annual fee of five thousand dollars (\$5000). A Cannabis distributor may:

(1) Process, convert, distribute, combine, receive, provide, purchase, possess, store, test, and destroy Cannabis and Cannabis-containing products;

(2) Sell Cannabis and Cannabis-containing products to distributors and retailers; and

(3) Ship, deliver, and transport Cannabis and Cannabis-containing products to or from another Cannabis Distributor, a Cannabis Manufacturer, a Cannabis Retailer, a Medical Cannabis Retailer, a medical cannabis collective, a medical cannabis cooperative, a medical cannabis dispensary or a regulatory department.

(c) Cannabis Retailer. A Cannabis retailer is any registered business dedicated to adult Cannabis sales. The registration fee for a Cannabis retailer shall be an annual fee of five thousand dollars (\$5,000). A Cannabis retailer may:

(1) Process, convert, distribute, Receive, provide, purchase, combine, possess, test, label and destroy Cannabis and Cannabis-containing products;

(2) Sell Cannabis and Cannabis-containing products to an individual for his or her personal use; and

(3) Ship, deliver, and transport Cannabis and Cannabis-containing products to an individual for his or her personal use, a Cannabis distributor, a Cannabis manufacturer or a regulatory department.

(4) Engage in on-premises retail sales of Cannabis and Cannabis-containing products.

(d) Analytical Cannabis Laboratory. An analytical Cannabis laboratory is any registered business dedicated to the quality control and testing of Cannabis and Cannabis-containing products. The registration fee for a Cannabis lab shall be an annual fee of one thousand dollars (\$1,000). The Commission shall mandate that a uniform reference standard and/or ISO certification methodology be established to ensure that all Laboratories in the State of California have their testing equipment calibrated to a uniform State standard. A Cannabis lab may:

(1) Process, distribute, receive, transport, possess, test, and destroy Cannabis and Cannabis-containing products;

(2) Test Cannabis and Cannabis-containing products submitted by any person, whether an unlicensed individual or an entity;

(3) Provide testimony or sworn affidavit in regards to the chemical composition and quality of Cannabis tested to the courts of the State of California;

(4) Ship, deliver, and transport Cannabis and Cannabis-containing products to a Cannabis manufacturer, a Cannabis distributor, a Cannabis retailer, a medical Cannabis retailer, a medical Cannabis collective, a medical Cannabis cooperative, a medical Cannabis dispensary or a regulatory department; and

(5) Engage in analytical testing of Cannabis and Cannabis-containing products, and the sales of on-site or mobile testing services for Cannabis and Cannabis-containing products.

(e) Medical Cannabis Retailer. A medical Cannabis retailer is any registered collective, cooperative, dispensary, association, or other business dedicated to medical Cannabis use and sales as well as to any bona fide eating or drinking establishment seeking to permit medical cannabis consumption on premises, to qualified patients or primary caregivers with a valid, current, physician's recommendation as defined in California's Medical Marijuana laws. The registration fee for a medical Cannabis retailer shall be an annual fee of five hundred dollars (\$500). Collectives and cooperatives that exist as storefront dispensaries, delivery services, collectives, or cooperatives, at the time of the original filing of this initiative, that are at least 600 feet from schools K-12, shall be exempt from any enforcement actions with respect to local ordinances, and shall automatically qualify as a Medical Cannabis Retailer, and may register without any fee imposed by this division. Medical Cannabis retailers shall verify medical Cannabis patients using either a written recommendation by a physician or the voluntary medical marijuana identification card issued by the State of California. A medical Cannabis retailer may:

(1) Purchase, possess, process, combine, convert, cultivate, distribute, extract, germinate, produce, provide, receive, test, and destroy Cannabis and Cannabis-containing products;

(2) Sell Cannabis and Cannabis-containing products to an individual for his or her medical use;

(3) Accept donations, contributions, investments or reimbursements for any expenses related to producing or providing Cannabis and Cannabis-containing products for an individual for his or her medical use;

(4) Allow the medical use of Cannabis and Cannabis-containing products on his or her property;

(5) Ship, deliver, and transport Cannabis and Cannabis-containing products inside the State of California to an individual for his or her medical use, another Medical Cannabis Retailer or any collective, cooperative, dispensary not in accordance with this division; and

(6) Engage in the retail sales of Cannabis and Cannabis-containing products, or on-premises consumption of Cannabis and Cannabis-containing products.

(f) Compassionate Use Provider. A compassionate-use provider is any registered collective, cooperative, dispensary, person, or other business dedicated to providing weekly or daily Cannabis and Cannabis-containing products at no cost to individuals who have a low income or severe medical condition, or are disabled, elderly, terminally ill, or veterans of the Armed Forces of the United States of America. No registration fee shall be charged to a compassionate-use provider. If a compassionate-use provider fails to comply with this section, any and all fees associated with a Cannabis retailer shall apply.

(1) To qualify as a compassionate use provider, of the total Cannabis and Cannabis-containing products produced or provided:

(A) One-quarter must be provided at no cost to individuals who have a low-income or severe medical condition, or are disabled, elderly, terminally ill, or veterans of the Armed Forces of the United States of America.

(B) One-quarter must be provided at a rate no higher than the cost of production to individuals who qualify as low income for purposes of the Medi-Cal program. The cost of production may include any overhead expense in providing the Cannabis and Cannabis-containing products, as well as any cost associated with the production of any products provided at no cost.

(C) All products provided by a compassionate-use provider pursuant to Section 27230(f)(1)(A) and (B) must be of an equivalent quality, as tested by a registered and qualified Cannabis laboratory, to Cannabis and Cannabis-containing products produced or provided for regular retail.

(2) A compassionate use provider may:

(A) Register as a cannabis manufacturer, cannabis distributor, or medical cannabis retailer at no cost; and

(B) Engage in the same activities as a Cannabis Retailer without a separate registration.

(g) Authorized Transporter. An Authorized Transporter is any person working for a cannabis business who is authorized to transport cannabis or cannabis containing products, on behalf of a cannabis business. The Cannabis Control Commission shall develop a mandatory Authorized Transporter Identification card that shall be carried at all times by the person(s) responsible for the transport of Cannabis or Cannabis products, while operating any vehicle designated for transport, to or from any other licensed or non licensed Cannabis Business. Any person transporting Cannabis or related products shall present this Identification card to any member of law enforcement as proof of permission to transport on California streets and highways.

§ 27620. Compliance with Codes and Regulations for Cannabis Businesses.

All Cannabis Businesses licensed or regulated in this Act, shall be operated according to applicable OSHA safety guidelines.

(a) All structures designed or retrofitted to accommodate Cannabis cultivation, processing, or distribution shall meet all current building codes, subject to the authority having jurisdiction.

(b) Manufacturing operations related to Cannabis Businesses shall have their refrigeration equipment maintained and serviced by qualified persons who are certificated on the handling of refrigerants per the EPA 608 rules of the Federal Clean Air Act of 1990.

(c) All cannabis Business shall be held to strict environmental safety requirements.

Chapter 7. Finance and Insurance.

§ 27700. Cannabis Insurance and Financial Cooperatives.

(a) A financial cooperative may be established pursuant to this section for, and limited to, an exclusive organization, ownership, and membership by collectives, cooperatives, and Cannabis businesses.

(1) A financial cooperative established pursuant to this section shall be subject to the California Commissioner of Financial Institutions. A financial cooperative established pursuant to this section shall not refer to itself as a "Credit Union" nor use the term "Credit Union" to describe itself in any documents related to the financial cooperative. The Commissioner shall promulgate rules for a notice that shall be provided to each prospective member and member of a financial cooperative pursuant to this section regarding the differences between the financial cooperative and other financial institutions.

(2) Pursuant to this section any state chartered credit union, or other financial entity regulated by the California Department of Business Oversight, which provides non-federally insured deposit insurance, shall not be penalized for providing commercial banking services to a Cannabis business, collective, or cooperative.

(b) An insurance cooperative may be established pursuant to this section for, and limited to, an exclusive organization, ownership, and membership by collectives, cooperatives, and Cannabis businesses.

(1) An insurance cooperative established pursuant to this section shall be subject to the California Commissioner of Insurance. The Commissioner shall promulgate rules for a notice that shall be provided to each prospective member and member of an insurance cooperative pursuant to this section regarding the differences between the insurance cooperative and other insurance agencies.

(2) Pursuant to this section any state chartered insurance agency, or other insurance entity regulated by the California Commissioner of Insurance that provides non-federally insured, insurance services, shall not be penalized for providing insurance services to a Cannabis business, collective, or cooperative.

§ 27710. Restrictions on Cultivation; Penalties.

(a) Adults may cultivate Cannabis for their own personal use within or upon their legal residence, and possess the Cannabis produced by the plants on the premises where the plants were grown, provided that the growing takes place in an enclosed, locked space, is not conducted openly or publicly, and is not made available for sale. Limits on the cultivation of cannabis may be set by the local neighborhood.

(b) Cannabis related conduct that contributes to the delinquency of a minor may also be punishable by Penal Code section 272 unless such conduct is specifically for the medical treatment of the minor in question, whereby such conduct cannot be considered as contributory to delinquency.

(d) Individuals shall be responsible for the consequences of their own use of Cannabis. Sellers or providers of Cannabis shall not be responsible for the consequences or claimed damages due to the use of Cannabis by any party or any third party claimant, except where the seller or provider knowingly or negligently:

(1) Supplies Cannabis to a minor, without the consent of his or her parent or legal guardian;

(2) Supplies Cannabis or a Cannabis-containing product to an adult without his or her knowledge or consent; or

(3) Supplies Cannabis which is contaminated, adulterated, or polluted without the full disclosure of the type of contaminating substance to the individual.

(e) Nothing in this division shall protect anyone from California's Arson Laws, Penal Code Sections 451 and 452.

(f) It is a misdemeanor to be impaired by Cannabis while operating a vehicle, boat, aircraft, or school or public bus in any manner that endangers others, or upon objection by the property owner or resident.. Nothing in this section shall restrict the application of Vehicle Code Sections 23103, 23152(a) or 23153.

(g) Punishments for violations in actions against persons registered under this division that would be applicable to the regulation of alcohol sales, including penalties for permitting individuals under twenty-one (21) years of age to purchase any product specified in this division, and other appropriate regulatory provisions concerning such matters as the time of sale, deliveries, and signage, shall be consistent with the statutory guidance regarding alcohol sales in Chapter 16 (commencing with Section 25600), to the extent that consistency is feasible.

(h) No business registered per this division shall employ any individual under the age of twenty-one (21) years or permit any individual under the age of twenty-one (21) years, without the consent of his or her parent or legal guardian, to enter or remain upon, the site where Cannabis is manufactured, distributed, or sold at retail, with the exception of medical Cannabis patients accessing the site solely in accordance with his or her medical treatment program.

(i) The Cannabis Control Commission shall mandate that air filtration equipment be used for premises seeking to permit indoor Cannabis smoking in their jurisdiction.

(j) In addition to the activities covered in subsection (g) the following activities may be punished as either a fine, misdemeanor, felony, or by a requirement to attend the county Cannabis diversion program:

(1) The diversion of Cannabis to other states.

(2) Cannabis related activity that is being used as a cover or pretext for the trafficking of illegal drugs or other illegal activity.

(3) The use of violence, coercion, or duress in the unlawful cultivation and unlawful distribution of Cannabis.

(4) Gross pollution or environmental destruction caused by the unlawful cultivation of Cannabis.

(5) Furnish Cannabis to an individual under the age of twenty-one (21) except for lawful medical purposes, as provided under the Compassionate Use Act and the Medical Marijuana Program Act.

(k) Punishment for repeat offenders shall progressively escalate in severity if the offense is repeated one or more times within a 10-year period.

Chapter 8. Enforcement.

§ 27800. Injunction.

The Commission may sue for injunctive relief to enjoin violations or to compel compliance with the provisions of this division.

§ 27810. Administrative Fines.

(a) If the Commission has evidence that a violation of this division or its regulations has occurred, it may hold a hearing. Notice shall be given and the hearing conducted in accordance with the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of the Government Code). If the Commission determines that a violation has occurred, it shall issue an order that may require the violator to do all or any of the following:

- (1) File any documents or information required by this division.
- (2) Pay a monetary fine of up to five thousand dollars (\$5,000) per violation to the General Fund of the state.

§ 27820. Civil Penalties.

Any person who violates any provision of this division or regulations of the Commission may be liable in a civil action brought by the Commission for an amount up to ten thousand dollars (\$10,000) per violation.

§ 27830. Criminal Penalties.

Any person who repeatedly and willfully violates any provision of this division or regulation of the Commission is guilty of a misdemeanor or of a felony, depending on the provision(s)

§ 27840. Statute of Limitations.

(a) No administrative, civil, or criminal action brought pursuant to this section shall be commenced more than three years after the date on which the violation occurred.

(b) If the person alleged to have violated this division engages in the fraudulent concealment of his or her acts or identity, the three-year period shall be tolled for the period of concealment. If, upon being ordered by a superior court to produce any documents sought by a subpoena in any administrative proceeding, the person fails to produce documents in response to the order by the date ordered to comply therewith, the three-year period shall be tolled for the period of the delay from the date of filing of the motion to compel until the date of the documents are produced.

§ 27850. Responsibility for Enforcement.

The Attorney General is responsible for criminal enforcement of this division. The District Attorney of any county in which a violation occurs has concurrent powers and responsibilities with the Attorney General. The commission shall develop standardized training documents and protocols for the identification, prosecution and arrest of any persons in violation of this act.

§ 27860. Diversion Program.

(a) Drug diversion programs created by Penal Code Section 1211, shall no longer apply to Cannabis. In order to ensure a quality Cannabis education diversion program, in each county, the County Sheriff shall appoint a Cannabis education program administrator, who shall establish minimum requirements, criteria, and fees for the successful completion of Cannabis diversion programs. These minimum requirements shall include, but not be limited to, all of the following:

- (1) An initial assessment of each participant, which may include all of the following: (A) Social, economic, and family background; (B) Education; (C) Professional history; (D) Criminal history; (E) Medical history; and (F) Drug history and previous treatment.
 - (2) A minimum of ten (10) hours of either effective education or counseling or any combination of both for each participant.
 - (3) An exit conference which shall reflect the participant's progress during his or her participation in the program.
 - (4) Fee exemptions for individuals who cannot afford to pay.
- (b) The county Cannabis education program administrator shall implement a certification procedure for Cannabis diversion programs.

(c) The county Cannabis education program administrator shall recommend for approval by the county board of supervisors programs pursuant to this division. No program, regardless of how it is funded, may be approved unless it meets the standards established by the administrator, which shall include, but not be limited to, all of the following:

(1) Guidelines and criteria for education and treatment services, including standards of services which may include lectures, classes, group discussions, and individual counseling. However, any class or group discussion other than lectures, shall not exceed fifteen (15) individuals at any one meeting.

(2) Established and approved supervision, either on a regular or irregular basis, of the individual for the purpose of evaluating the individual's progress.

(3) A schedule of fees to be charged for services rendered to each individual under a county Cannabis program plan in accordance with the following provisions:

(A) Fees shall be used only for the purposes set forth in this division.

(B) Fees for the treatment or rehabilitation of each participant receiving services under a certified Cannabis diversion program shall not exceed the dual cost thereof, as determined by the county Cannabis education program administrator according to standard accounting practices.

(C) Actual costs shall include both of the following:

(i) All costs incurred by the providers of Cannabis diversion programs;

(ii) All expenses incurred by the county for administration, certification, or management of the Cannabis diversion program in compliance with this division.

(d) The county shall require, as a condition of certification, that the Cannabis diversion program pay to the county Cannabis education program administrator all expenses incurred by the county for administration, certification, or management of the Cannabis diversion program in compliance with this division. No fee shall be required by any county other than that county where the program is located.

(e) The use, cultivation, or sales of Cannabis by individuals under the age of twenty-one (21) for any purpose, other than medical use, shall be prohibited, but punishment shall not exceed a civil infraction as defined in Penal Code § 19.6, or, in the alternative, a requirement to attend the county Cannabis diversion program. Upon satisfactory completion of a county Cannabis diversion program, any infraction or conviction shall be automatically expunged or vacated as appropriate and shall occur at age 21 if no repeat offenses are documented.

(f) The Commission shall be required to maintain ongoing education campaigns promoting the responsible use Cannabis.

§ 27870. Cannabis Impairment And Study To Develop Uniform Standard Of Impairment.

(a) Not later than July 1, 2017, the California Highway Patrol (CHP) shall, conduct extensive randomized, double-blind, placebo-controlled trials of Cannabis consumption before and while operating a motor vehicle to determine a scientifically acceptable and uniform standard of impairment. Within six months of completion of the trials, the CHP shall deliver the results to the Cannabis Control Commission along with recommendations on how to administer and enforce provisions that prohibit driving while under the influence of Cannabis.

(b) Funds for the Commission to implement the trials described in subdivision (a) shall be advanced as a loan by the CHP and shall be repaid by the excise tax.

(d) Nothing in this section shall authorize the CHP to distribute Cannabis in violation of federal law.

(e) Driving while impaired by Cannabis shall remain punishable by Vehicle Code Sections 23103, 23152(a) and 23153, with the exception that until the CHP completes the trials described in subdivision (a), in all cases Cannabis impairment must be proven by videotaped, admissible evidence of observations, and no presumptions shall arise from any chemical test of blood, breath, hair, saliva or urine.

(f) For the purposes of this section "Cannabis impaired", refers to measurably diminished physical or mental capabilities, which can be observed through the inability to effectively perform motor skills, visual, oral and/or reasonable physical/mental skills, tests that would be otherwise achievable by the individual. Detectable presence of Cannabis in the system of an individual alone does not qualify, per se, as impairment. Cannabis impairment occurs when an individual's physical abilities are so impaired that he or she is no longer able to operate with the same degree of caution, care, and attention as he or she would have had without a detectable amount of Cannabis in his or her system.

§ 27880. California Cannabis Genetic Repository.

(a) The Commission shall be responsible for the establishment of the California Cannabis Genetic Repository, to maintain germplasm of all reasonably available strains of the plant genus Cannabis for the purpose of documenting and preserving the genetic diversity of Cannabis.

(b) Any person or business entity may anonymously or as a registered cannabis business submit a sample of Cannabis or Hemp germplasm to the repository. Registered cannabis business may designate their samples as “proprietary” or “for public use”. Cannabis Businesses that wish to designate their submissions as “for public use” shall sign a release of liability waiver indemnifying the commission for actions related to the use of the samples, for public purposes. The repository shall accept germplasm in the form of plant tissue from the mature stalk of the Cannabis or Hemp plant, which is considered non-marijuana under federal law, until that time as it can lawfully accept, under federal law, germplasm in other forms, such as seeds capable of germination. All germplasm in the bank, including those from genetically modified organisms, shall be made available for scientific, education, medical and research purposes as indicated, unless the samples are designated as “proprietary” in which case the test results shall not be made public..

(c) The Commission shall be responsible for developing a standardized nomenclature for the description of various strains of Cannabis based on plant genetics.

(d) Pursuant to regulations and testing requirements promulgated by the Commission, Cannabis cultivated by an artisan cultivator may be labeled as consisting of an officially recognized strain using standardized nomenclature developed pursuant to this section.

§ 27890. Hemp.

Any industrial cultivation and or use of Cannabis per the statutes of the California Industrial Hemp Farming Act, Division 24 (commencing with Section 81000) of the Food and Agricultural Code, shall be exempt from all regulations, restrictions, conditions and taxes set forth by this Act, with the exemption of the “California Cannabis Genetic Repository” set forth in section 27880 of this Act.

Chapter 9. Labor Practices.

§ 27900. Labor Standards.

(a) By January 1, 2017, the commission shall develop a certification program for cannabis employees. Commencing January 1, 2019, except as provided in subdivision (c), certification shall be required of all persons who perform work as cannabis employees for Registered Cannabis Businesses with 50 or more employees.

(b) Individuals desiring to be certified shall submit an application for certification and examination.

(c) (1) Certification is not required for registered apprentices working as cannabis employees as part of a state-approved apprenticeship program. An apprentice who is within one year of completion of his or her term of apprenticeship shall be permitted to take the certification examination and, upon passing the examination, shall be certified immediately upon completion of the term of apprenticeship.

(2) Commencing January 1, 2019, an uncertified person may perform work for which certification is otherwise required in order to acquire the necessary on-the-job experience for certification provided that the person shall be under the direct supervision of a cannabis employee certified pursuant to this section who is responsible for supervising no more than one uncertified person.

(3) The commission may develop additional criteria governing this subdivision.

§ 27910. Labor Peace Agreement Requirement.

(a) Any Registered Cannabis Business that has 50 or more employees, must abide by the terms of a labor peace agreement.

(b) Any Registered Cannabis Business that grows to 50 or more employees, shall provide a written statement to the Commission that the Cannabis Business will enter into, or demonstrate that it has already entered into, and will abide by the terms of a labor peace agreement within 180 days of reaching 50 or more employees.

(c) The commission may fine a Cannabis who has had 50 employees or more within the past year and failed to enter into a labor peace agreement.

SEC. 5. *Section 11357 of the Health and Safety Code is repealed.*

SEC. 6. *Section 11358 of the Health and Safety Code is repealed.*

SEC. 7. *Section 11359 of the Health and Safety Code is repealed.*

SEC. 8. *Section 11360 of the Health and Safety Code is repealed.*

SEC. 9. *Section 11361 of the Health and Safety Code is repealed.*

SEC. 10. *Section 11485 of the Health and Safety Code is repealed.*

SEC. 11. *Section 81007 of the Food and Agricultural Code is repealed.*

SEC. 12. *Section 81008 of the Food and Agricultural Code is repealed.*

SEC. 13. *Section 81009 of the Food and Agricultural Code is repealed.*

SEC. 14. *Section 81010 of the Food and Agricultural Code is amended to read:*

This division shall ~~not become operative unless authorized under federal law~~ become operative on January 1, 2017, or when authorized under federal law, whichever is earlier.

SEC. 15. No Federal Enforcement by State Officials.

(a) This Act is an exercise of the State of California's right under the 10th Amendment to the United States Constitution to enact laws not expressly delegated to the federal government. Neither the People of the State of California nor their public servants should be conscripted to enforce the uninformed classification of Cannabis under federal law. It is the right of the People of the State of California to determine the legality of rational Cannabis use inside its borders.

(b) Nothing in this division shall prohibit the State of California from preventing the diversion of Cannabis to jurisdictions where it is illegal or cooperating with the federal government to control the importation of Cannabis to, and the exportation of Cannabis from, the State of California.

(c) The distribution or transport of Cannabis to other states is prohibited, unless authorized under the law of the recipient state, and for so long as required by the United States Code and the Federal Department of Justice.

SEC. 16. Liberal Construction.

This Act shall be liberally construed to effectuate those purposes the purposes and intents expressed herein.

SEC. 17. Severability.

The provisions of this Act are severable. If any provision of this Act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 18. Conflicting Measures.

(a) The provisions and intent of this Act shall be given precedence over any state law, statute, regulation or policy that conflicts with this section, and the policy and intent of this Act shall prevail over any such contrary law, statute, regulation or policy.

(b) If this measure is approved by the voters, but superseded by any other conflicting ballot measure approved by more voters at the same election, and the conflicting ballot measure is later held invalid, it is the intent of the voters that this Act shall be given the full force of law.

(c) If any rival or conflicting initiative regulating any matter addressed by this Act receives the higher affirmative vote, then all non-conflicting parts shall become operative.

SEC. 19. Amendment.

The provisions of this Act may be amended by the Legislature to further its purposes by a statute passed in each house by roll call vote entered in the journal, two-thirds of the membership concurring.

SEC. 20. Defense by the State.

State authorities, including, but not limited to, the California Department of Justice, shall protect and defend this Act from any and all challenges in the courts to final judgment.

SEC. 21. Cannabis Applicant Privilege

Article 12 (commencing with Section 1065) is added to Chapter 4 of Division 8 of the Evidence Code, to read:

Article 12. Cannabis Applicant Privilege

1065. (a) An Applicant within the definition of Section 27110 of the Business and Professions Code, whether or not a party to the action, has a privilege to refuse to disclose, and to prevent another from disclosing, a confidential communication between the Applicant and the California Cannabis Commission if the privilege is claimed by any of the following persons:

(1) The holder of the privilege.

(2) A person who is authorized to claim the privilege by the holder of the privilege.

- (b) The Commission shall inform an Applicant of any applicable limitations on the confidentiality of communications between the Applicant and the Commission. This information may be given orally.
- (c) The court may not compel disclosure of information received by the Commission when sought by the federal government in order to investigate or prosecute violations of federal Cannabis prohibitions unless there are verified allegations of violence or threats of violence.
- (d) The court may permit the disclosure of information received by the Commission when it is essential to a fair adjudication of any factual or legal dispute between the Commission and an applicant, subject to appropriate protective orders.
- (e) When a court rules on a claim of privilege under this section, it may require the person from whom the disclosure is sought or the person authorized to claim the privilege, or both, to disclose the information in chambers out of the presence and hearing of all persons except the person authorized to claim the privilege and those other persons that the person authorized to claim the privilege consents to have present.
- (f) If the judge determines that the information is privileged and shall not be disclosed, neither he or she nor any other person may disclose, without the consent of a person authorized to permit disclosure, any information disclosed in the course of the proceedings in chambers.