

HOUSE BILL No. 6500

November 27, 2018, Introduced by Rep. Kesto and referred to the Committee on Law and Justice.

A bill to amend 2016 PA 281, entitled
"Medical marihuana facilities licensing act,"
by amending sections 102, 207, 301, 305, 401, 402, 407, 409, and
702 (MCL 333.27102, 333.27207, 333.27301, 333.27305, 333.27401,
333.27402, 333.27407, 333.27409, and 333.27702), section 102 as
amended by 2018 PA 10 and section 402 as amended by 2017 PA 105,
and by adding section 407a; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 102. As used in this act:

2 (a) "Advisory panel" or "panel" means the marihuana advisory
3 panel created in section 801.

4 (b) "Affiliate" means any person that controls, is controlled
5 by, or is under common control with; is in a partnership or joint

1 venture relationship with; or is a co-shareholder of a corporation,
2 a co-member of a limited liability company, or a co-partner in a
3 limited liability partnership with a licensee or applicant.

4 (c) "Applicant" means a person who applies for a state
5 operating license. ~~With~~

6 (D) **"APPLICANT" INCLUDES, WITH** respect to disclosures in an
7 application, or for purposes of ineligibility for a license under
8 section 402, ~~the term applicant includes an officer, director, and~~
9 ~~managerial employee of the applicant and a person who holds any~~
10 ~~direct or indirect ownership interest in the applicant.~~**FOR**
11 **APPLICATIONS SUBMITTED ON OR AFTER DECEMBER 15, 2017, THE FOLLOWING**
12 **FOR EACH TYPE OF APPLICANT:**

13 (i) **FOR AN INDIVIDUAL OR SOLE PROPRIETORSHIP: THE PROPRIETOR**
14 **AND SPOUSE.**

15 (ii) **FOR A PARTNERSHIP AND LIMITED LIABILITY PARTNERSHIP: ALL**
16 **PARTNERS AND THEIR SPOUSES. FOR A LIMITED PARTNERSHIP AND LIMITED**
17 **LIABILITY LIMITED PARTNERSHIP: ALL GENERAL AND LIMITED PARTNERS AND**
18 **THEIR SPOUSES. FOR A LIMITED LIABILITY COMPANY: ALL MEMBERS,**
19 **MANAGERS, AND THEIR SPOUSES.**

20 (iii) **FOR A PRIVATELY HELD CORPORATION: ALL CORPORATE OFFICERS**
21 **OR PERSONS WITH EQUIVALENT TITLES AND THEIR SPOUSES AND ALL**
22 **STOCKHOLDERS AND THEIR SPOUSES.**

23 (iv) **FOR A PUBLICLY HELD CORPORATION: ALL CORPORATE OFFICERS**
24 **OR PERSONS WITH EQUIVALENT TITLES AND THEIR SPOUSES.**

25 (v) **FOR A MULTILEVEL OWNERSHIP ENTERPRISE: ANY ENTITY OR**
26 **PERSON THAT RECEIVES OR HAS THE RIGHT TO RECEIVE A PERCENTAGE OF**
27 **THE GROSS OR NET PROFIT FROM THE ENTERPRISE DURING ANY FULL OR**

1 PARTIAL CALENDAR OR FISCAL YEAR.

2 (vi) FOR A NONPROFIT CORPORATION: ALL INDIVIDUALS AND ENTITIES
3 WITH MEMBERSHIP OR SHAREHOLDER RIGHTS IN ACCORDANCE WITH THE
4 ARTICLES OF INCORPORATION OR THE BYLAWS AND THEIR SPOUSES.

5 (E) "APPLICANT" DOES NOT INCLUDE, WITH RESPECT TO DISCLOSURES
6 IN AN APPLICATION, OR FOR PURPOSES OF INELIGIBILITY FOR A LICENSE
7 UNDER SECTION 402, FOR APPLICATIONS SUBMITTED ON OR AFTER DECEMBER
8 15, 2017, ANY OF THE FOLLOWING:

9 (i) A PERSON OR ENTITY RECEIVING FROM AN APPLICANT REASONABLE
10 PAYMENT FOR RENT ON A FIXED BASIS UNDER A BONA FIDE LEASE OR RENTAL
11 OBLIGATION, UNLESS THE LESSOR OR PROPERTY MANAGER EXERCISES CONTROL
12 OVER OR PARTICIPATES IN THE MANAGEMENT OF THE APPLICANT'S BUSINESS.

13 (ii) A PERSON WHO RECEIVES A BONUS AS AN EMPLOYEE OF AN
14 APPLICANT IF THE EMPLOYEE IS ON A FIXED WAGE OR SALARY AND THE
15 BONUS IS NOT MORE THAN 25% OF THE EMPLOYEE'S PREBONUS ANNUAL
16 COMPENSATION OR IF THE BONUS IS BASED ON A WRITTEN INCENTIVE/BONUS
17 PROGRAM THAT IS NOT OUT OF THE ORDINARY FOR THE SERVICES RENDERED.

18 (F) ~~(d)~~—"Board" means the medical marihuana licensing board
19 created in section 301.

20 (G) ~~(e)~~—"Cutting" means a section of a lead stem or root stock
21 that is used for vegetative asexual propagation.

22 (H) ~~(f)~~—"Department" means the department of licensing and
23 regulatory affairs.

24 (I) ~~(g)~~—"Grower" means a licensee that is a commercial entity
25 located in this state that cultivates, dries, trims, or cures and
26 packages marihuana for sale to a processor, provisioning center, or
27 another grower.

1 **(J)** ~~(h)~~—"Licensee" means a person holding a state operating
2 license.

3 **(K)** ~~(i)~~—"Marihuana" means that term as defined in section 7106
4 of the public health code, 1978 PA 368, MCL 333.7106.

5 **(L)** ~~(j)~~—"Marihuana facility" means a location at which a
6 licensee is licensed to operate under this act.

7 **(M)** ~~(k)~~—"Marihuana plant" means any plant of the species
8 *Cannabis sativa* L.

9 **(N)** ~~(l)~~—"Marihuana-infused product" means a topical
10 formulation, tincture, beverage, edible substance, or similar
11 product containing any usable marihuana that is intended for human
12 consumption in a manner other than smoke inhalation. Marihuana-
13 infused product is not considered a food for purposes of the food
14 law, 2000 PA 92, MCL 289.1101 to 289.8111.

15 **(O)** ~~(m)~~—"Marihuana tracking act" means the marihuana tracking
16 act, 2016 PA 282, MCL 333.27901 to 333.27904.

17 **(P)** ~~(n)~~—"Michigan medical marihuana act" means the Michigan
18 medical marihuana act, 2008 IL 1, MCL 333.26421 to 333.26430.

19 **(Q)** ~~(o)~~—"Municipality" means a city, township, or village.

20 **(R)** ~~(p)~~—"Paraphernalia" means any equipment, product, or
21 material of any kind that is designed for or used in growing,
22 cultivating, producing, manufacturing, compounding, converting,
23 storing, processing, preparing, transporting, injecting, smoking,
24 ingesting, inhaling, or otherwise introducing into the human body,
25 marihuana.

26 **(S)** ~~(q)~~—"Person" means an individual, corporation, limited
27 liability company, partnership, limited partnership, limited

1 liability partnership, limited liability limited partnership,
2 trust, or other legal entity.

3 **(T)** ~~(r)~~—"Plant" means any living organism that produces its
4 own food through photosynthesis and has observable root formation
5 or is in growth material.

6 **(U)** ~~(s)~~—"Processor" means a licensee that is a commercial
7 entity located in this state that purchases marihuana from a grower
8 and that extracts resin from the marihuana or creates a marihuana-
9 infused product for sale and transfer in packaged form to a
10 provisioning center or another processor.

11 **(V)** ~~(t)~~—"Provisioning center" means a licensee that is a
12 commercial entity located in this state that purchases marihuana
13 from a grower or processor and sells, supplies, or provides
14 marihuana to registered qualifying patients, directly or through
15 the patients' registered primary caregivers. Provisioning center
16 includes any commercial property where marihuana is sold at retail
17 to registered qualifying patients or registered primary caregivers.
18 A noncommercial location used by a primary caregiver to assist a
19 qualifying patient connected to the caregiver through the
20 department's marihuana registration process in accordance with the
21 Michigan medical marihuana act is not a provisioning center for
22 purposes of this act.

23 **(W)** ~~(u)~~—"Registered primary caregiver" means a primary
24 caregiver who has been issued a current registry identification
25 card under the Michigan medical marihuana act.

26 **(X)** ~~(v)~~—"Registered qualifying patient" means a qualifying
27 patient who has been issued a current registry identification card

1 under the Michigan medical marihuana act or a visiting qualifying
2 patient as that term is defined in section 3 of the Michigan
3 medical marihuana act, MCL 333.26423.

4 **(Y)** ~~(w)~~—"Registry identification card" means that term as
5 defined in section 3 of the Michigan medical marihuana act, MCL
6 333.26423.

7 **(Z)** ~~(x)~~—"Rules" means rules promulgated under the
8 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
9 24.328, by the department in consultation with the board to
10 implement this act.

11 **(AA)** ~~(y)~~—"Safety compliance facility" means a licensee that is
12 a commercial entity that takes marihuana from a marihuana facility
13 or receives marihuana from a registered primary caregiver, tests
14 the marihuana for contaminants and for tetrahydrocannabinol and
15 other cannabinoids, returns the test results, and may return the
16 marihuana to the marihuana facility.

17 **(BB)** ~~(z)~~—"Secure transporter" means a licensee that is a
18 commercial entity located in this state that stores marihuana and
19 transports marihuana between marihuana facilities for a fee.

20 **(CC)** ~~(aa)~~—"Seed" means the fertilized, ungerminated, matured
21 ovule, containing an embryo or rudimentary plant, of a marihuana
22 plant that is flowering.

23 **(DD)** ~~(bb)~~—"Seedling" means a marihuana plant that has
24 germinated and has not flowered and is not harvestable.

25 **(EE)** ~~(ee)~~—"State operating license" or, unless the context
26 requires a different meaning, "license" means a license that is
27 issued under this act that allows the licensee to operate as 1 of

the following, specified in the license:

(i) A grower.

(ii) A processor.

(iii) A secure transporter.

(iv) A provisioning center.

(v) A safety compliance facility.

(FF) ~~(dd)~~ "Statewide monitoring system" or, unless the context requires a different meaning, "system" means an internet-based, statewide database established, implemented, and maintained by the department under the marihuana tracking act, that is available to licensees, law enforcement agencies, and authorized state departments and agencies on a 24-hour basis for all of the following:

(i) Verifying registry identification cards.

(ii) Tracking marihuana transfer and transportation by licensees, including transferee, date, quantity, and price.

(iii) Verifying in commercially reasonable time that a transfer will not exceed the limit that the patient or caregiver is authorized to receive under section 4 of the Michigan medical marihuana act, MCL 333.26424.

(GG) ~~(ee)~~ "Tissue culture" means a marihuana plant cell, cutting, tissue, or organ, that is kept under a sterile condition on a nutrient culture medium of known composition and that does not have visible root formation. A tissue culture is not a marihuana plant for purposes of a grower.

(HH) ~~(ff)~~ "Usable marihuana" means the dried leaves, flowers, plant resin, or extract of the marihuana plant, but does not

1 include the seeds, stalks, and roots of the plant.

2 Sec. 207. (1) ~~A~~**EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION**

3 **(2), A** licensee shall adopt and use a third-party inventory control
4 and tracking system that is capable of interfacing with the
5 statewide monitoring system to allow the licensee to enter or
6 access information in the statewide monitoring system as required
7 under this act and rules. The third-party inventory control and
8 tracking system must have all of the following capabilities
9 necessary for the licensee to comply with the requirements
10 applicable to the licensee's license type:

11 (a) Tracking all marihuana plants, products, packages, patient
12 and primary caregiver purchase totals, waste, transfers,
13 conversions, sales, and returns that are linked to unique
14 identification numbers.

15 (b) Tracking lot and batch information throughout the entire
16 chain of custody.

17 (c) Tracking all products, conversions, and derivatives
18 throughout the entire chain of custody.

19 (d) Tracking marihuana plant, batch, and product destruction.

20 (e) Tracking transportation of product.

21 (f) Performing complete batch recall tracking that clearly
22 identifies all of the following details relating to the specific
23 batch subject to the recall:

24 (i) Sold product.

25 (ii) Product inventory that is finished and available for
26 sale.

27 (iii) Product that is in the process of transfer.

1 (iv) Product being processed into another form.

2 (v) Postharvest raw product, such as product that is in the
3 drying, trimming, or curing process.

4 (g) Reporting and tracking loss, theft, or diversion of
5 product containing marihuana.

6 (h) Reporting and tracking all inventory discrepancies.

7 (i) Reporting and tracking adverse patient responses or dose-
8 related efficacy issues.

9 (j) Reporting and tracking all sales and refunds.

10 (k) Electronically receiving and transmitting information as
11 required under this act, the Michigan medical marihuana act, 2008
12 IL 1, MCL 333.26421 to 333.26430, and the marihuana tracking act.

13 (l) Receiving testing results electronically from a safety
14 compliance facility via a secured application program interface
15 into the system and directly linking the testing results to each
16 applicable source batch and sample.

17 (m) Identifying test results that may have been altered.

18 (n) Providing the licensee with access to information in the
19 tracking system that is necessary to verify that the licensee is
20 carrying out the marihuana transactions authorized under the
21 licensee's license in accordance with this act.

22 (o) Providing information to cross-check that product sales
23 are made to a registered qualifying patient or a registered primary
24 caregiver on behalf of a registered qualifying patient and that the
25 product received the required testing.

26 (p) Providing the department and state agencies with access to
27 information in the database that they are authorized to access.

1 (q) Providing law enforcement agencies with access to only the
2 information in the database that is necessary to verify that an
3 individual possesses a valid and current registry identification
4 card.

5 (r) Providing licensees with access only to the information in
6 the system that they are required to receive before a sale,
7 transfer, transport, or other activity authorized under a license
8 issued under this act.

9 (s) Securing the confidentiality of information in the
10 database by preventing access by a person who is not authorized to
11 access the statewide monitoring system or is not authorized to
12 access the particular information.

13 (t) Providing analytics to the department regarding key
14 performance indicators such as the following:

15 (i) Total daily sales.

16 (ii) Total marihuana plants in production.

17 (iii) Total marihuana plants destroyed.

18 (iv) Total inventory adjustments.

19 **(2) IF THE STATEWIDE MONITORING SYSTEM IS CAPABLE OF ALLOWING**
20 **A LICENSEE TO ACCESS OR ENTER INFORMATION INTO THE STATEWIDE**
21 **MONITORING SYSTEM WITHOUT USE OF A THIRD-PARTY INVENTORY CONTROL**
22 **AND TRACKING SYSTEM, A LICENSEE MAY ACCESS OR ENTER INFORMATION**
23 **INTO THE STATEWIDE MONITORING SYSTEM DIRECTLY AND THE LICENSEE IS**
24 **NOT REQUIRED TO ADOPT AND USE A THIRD-PARTY INVENTORY CONTROL AND**
25 **TRACKING SYSTEM.**

26 Sec. 301. (1) The medical marihuana licensing board is created
27 within the department of licensing and regulatory affairs.

1 (2) The board consists of 5 members who are residents of this
2 state, not more than 3 of whom are members of the same political
3 party. The governor shall appoint the members. One of the members
4 shall be appointed from 3 nominees submitted by the senate majority
5 leader and 1 from 3 nominees submitted by the speaker of the house.
6 The governor shall designate 1 of the members as chairperson.

7 (3) The members shall be appointed for terms of 4 years,
8 except, of those who are first appointed, 1 member shall be
9 appointed for a term of 2 years and 2 members shall be appointed
10 for a term of 3 years. A member's term expires on December 31 of
11 the last year of the member's term. If a vacancy occurs, the
12 governor shall appoint a successor to fill the unexpired term in
13 the manner of the original appointment.

14 (4) Each member of the board shall be reimbursed for all
15 actual and necessary expenses and disbursements incurred in
16 carrying out official duties.

17 (5) A board member shall not hold any other public office for
18 which he or she receives compensation other than necessary travel
19 or other incidental expenses.

20 (6) A person who is not of good moral character or who has
21 been indicted for, charged with, or convicted of, pled guilty or
22 nolo contendere to, or forfeited bail concerning any felony or a
23 misdemeanor involving a controlled substance violation, theft,
24 dishonesty, or fraud under the laws of this state, any other state,
25 or the United States or a local ordinance in any state involving a
26 controlled substance violation, dishonesty, theft, or fraud that
27 substantially corresponds to a misdemeanor in that state is not

1 eligible to serve on the board.

2 (7) The governor may remove any member of the board for
3 neglect of duty, misfeasance, malfeasance, nonfeasance, or any
4 other just cause.

5 ~~—— (8) The department in conjunction with the board shall employ~~
6 ~~an executive director and other personnel as necessary to assist~~
7 ~~the board in carrying out its duties. The executive director shall~~
8 ~~devote his or her full time to the duties of the office and shall~~
9 ~~not hold any other office or employment.~~

10 (8) ~~(9)~~ The board shall not appoint or employ an individual if
11 any of the following circumstances exist:

12 (a) During the 3 years immediately preceding appointment or
13 employment, the individual held any direct or indirect interest in,
14 or was employed by, a person who is licensed to operate under this
15 act or under a corresponding license in another jurisdiction or a
16 person with an application for an operating license pending before
17 the board or in any other jurisdiction. The board shall not employ
18 an individual who has a direct or indirect interest in a licensee
19 or a marihuana facility.

20 (b) The individual or his or her spouse, parent, child,
21 child's spouse, sibling, or spouse of a sibling has an application
22 for a license pending before the board or is a member of the board
23 of directors of, or an individual financially interested in, any
24 licensee or marihuana facility.

25 (9) ~~(10)~~ Each member of the board ~~, the executive director,~~
26 and each key employee as determined by the department shall file
27 with the governor a financial disclosure statement listing all

1 assets and liabilities, property and business interests, and
2 sources of income of the member ~~, executive director,~~ and key
3 employee and his or her spouse, if any, affirming that the member ~~,~~
4 ~~executive director,~~ and key employee are in compliance with
5 subsection ~~(9) (a)~~ **(8) (A)** and (b). The financial disclosure
6 statement shall be made under oath and filed at the time of
7 employment and annually thereafter.

8 **(10)** ~~(11)~~ Each employee of the board shall file with the board
9 a financial disclosure statement listing all assets and
10 liabilities, property and business interests, and sources of income
11 of the employee and his or her spouse. This subsection does not
12 apply to ~~the executive director or a~~ key employee.

13 **(11)** ~~(12)~~ A member of the board ~~, executive director,~~ or key
14 employee shall not hold any direct or indirect interest in, be
15 employed by, or enter into a contract for services with an
16 applicant, a board licensee, or a marihuana facility for a period
17 of 4 years after the date his or her employment or membership on
18 the board terminates. The department in consultation with the board
19 shall define the term "direct or indirect interest" by rule.

20 **(12)** ~~(13)~~ For 2 years after the date his or her employment
21 with the board is terminated, an employee of the board shall not
22 acquire any direct or indirect interest in, be employed by, or
23 enter into a contract for services with any applicant, licensee, or
24 marihuana facility.

25 **(13)** ~~(14)~~ For 2 years after the termination of his or her
26 office or employment with the board, a board member or an
27 individual employed by the board shall not represent any person or

1 party other than this state before or against the board.

2 **(14)** ~~(15)~~—A business entity in which a former board member or
3 employee or agent has an interest, or any partner, officer, or
4 employee of the business entity, shall not make any appearance or
5 represent a party that the former member, employee, or agent is
6 prohibited from appearing for or representing. As used in this
7 subsection, "business entity" means a corporation, limited
8 liability company, partnership, limited liability partnership,
9 association, trust, or other form of legal entity.

10 Sec. 305. (1) By January 31 of each year, each member of the
11 board shall prepare and file with the governor's office and the
12 board a disclosure form in which the member does all of the
13 following:

14 (a) Affirms that the member or the member's spouse, parent,
15 child, or child's spouse is not a member of the board of directors
16 of, financially interested in, or employed by a licensee or
17 applicant.

18 (b) Affirms that the member continues to meet any other
19 criteria for board membership under this act or the rules
20 promulgated by the board.

21 (c) Discloses any legal or beneficial interests in any real
22 property that is or that may be directly or indirectly involved
23 with operations authorized by this act.

24 (d) Discloses any other information as may be required to
25 ensure that the integrity of the board and its work is maintained.

26 (2) By January 31 of each year, each employee of the board
27 shall prepare and file with the board an employee disclosure form

1 in which the employee does all of the following:

2 (a) Affirms the absence of financial interests prohibited by
3 this act.

4 (b) Discloses any legal or beneficial interests in any real
5 property that is or that may be directly or indirectly involved
6 with operations authorized by this act.

7 (c) Discloses whether the employee or the employee's spouse,
8 parent, child, or child's spouse is financially interested in or
9 employed by a licensee or an applicant for a license under this
10 act.

11 (d) Discloses such other matters as may be required to ensure
12 that the integrity of the board and its work is maintained.

13 (3) A member, employee, or agent of the board who becomes
14 aware that the member, employee, or agent of the board or his or
15 her spouse, parent, or child is a member of the board of directors
16 of, financially interested in, or employed by a licensee or an
17 applicant shall immediately provide detailed written notice thereof
18 to the chairperson.

19 (4) A member, employee, or agent of the board who within the
20 previous 10 years has been indicted for, charged with, or convicted
21 of, pled guilty or nolo contendere to, or forfeited bail concerning
22 a misdemeanor involving controlled substances, dishonesty, theft,
23 or fraud or a local ordinance in any state involving controlled
24 substances, dishonesty, theft, or fraud that substantially
25 corresponds to a misdemeanor in that state, or a felony under
26 Michigan law, the laws of any other state, or the laws of the
27 United States or any other jurisdiction shall immediately provide

1 detailed written notice of the conviction or charge to the
2 chairperson.

3 (5) Any member, employee, or agent of the board who is
4 negotiating for, or acquires by any means, any interest in any
5 person who is a licensee or an applicant, or any person affiliated
6 with such a person, shall immediately provide written notice of the
7 details of the interest to the chairperson. The member, employee,
8 or agent of the board shall not act on behalf of the board with
9 respect to that person.

10 (6) A member, employee, or agent of the board shall not enter
11 into any negotiations for employment with any person or affiliate
12 of any person who is a licensee or an applicant and shall
13 immediately provide written notice of the details of any such
14 negotiations or discussions in progress to the chairperson. The
15 member, employee, or agent of the board shall not take action on
16 behalf of the board with respect to that person.

17 (7) Any member, employee, or agent of the board who receives
18 an invitation, written or oral, to initiate a discussion concerning
19 employment or the possibility of employment with a person or
20 affiliate of a person who is a licensee or an applicant shall
21 immediately report that he or she received the invitation to the
22 chairperson. The member, employee, or agent of the board shall not
23 take action on behalf of the board with respect to the person.

24 (8) A licensee or applicant shall not knowingly initiate a
25 negotiation for or discussion of employment with a member,
26 employee, or agent of the board. A licensee or applicant who
27 initiates a negotiation or discussion about employment shall

1 immediately provide written notice of the details of the
2 negotiation or discussion to the chairperson as soon as he or she
3 becomes aware that the negotiation or discussion has been initiated
4 with a member, employee, or agent of the board.

5 (9) A member, employee, or agent of the board, or former
6 member, employee, or agent of the board, shall not disseminate or
7 otherwise disclose any material or information in the possession of
8 the board that the board considers confidential unless specifically
9 authorized to do so by the chairperson or the board.

10 (10) A member, employee, or agent of the board or a parent,
11 spouse, sibling, spouse of a sibling, child, or spouse of a child
12 of a member, employee, or agent of the board shall not accept any
13 gift, gratuity, compensation, travel, lodging, or anything of
14 value, directly or indirectly, from any licensee or any applicant
15 or affiliate or representative of a licensee or applicant, unless
16 the acceptance conforms to a written policy or directive that is
17 issued by the chairperson or the board. Any member, employee, or
18 agent of the board who is offered or receives any gift, gratuity,
19 compensation, travel, lodging, or anything of value, directly or
20 indirectly, from any licensee or any applicant or affiliate or
21 representative of an applicant or licensee shall immediately
22 provide written notification of the details to the chairperson.

23 (11) A licensee or applicant, or an affiliate or
24 representative of an applicant or licensee, shall not, directly or
25 indirectly, give or offer to give any gift, gratuity, compensation,
26 travel, lodging, or anything of value to any member, employee, or
27 agent of the board that the member, employee, or agent of the board

1 is prohibited from accepting under subsection (10).

2 (12) A member, employee, or agent of the board shall not
3 engage in any conduct that constitutes a conflict of interest and
4 shall immediately advise the chairperson in writing of the details
5 of any incident or circumstances that would present the existence
6 of a conflict of interest with respect to performing board-related
7 work or duties.

8 (13) A member, employee, or agent of the board who is
9 approached and offered a bribe as described in section 118 of the
10 Michigan penal code, 1931 PA 328, MCL 750.118, or this act shall
11 immediately provide written account of the details of the incident
12 to the chairperson and to a law enforcement officer of a law
13 enforcement agency having jurisdiction.

14 (14) A member, employee, or agent of the board shall disclose
15 his or her past involvement with any marihuana enterprise in the
16 past 5 years and shall not engage in political activity or
17 politically related activity during the duration of his or her
18 appointment or employment.

19 (15) A former member, employee, or agent of the board may
20 appear before the board as a fact witness about matters or actions
21 handled by the member, employee, or agent during his or her tenure
22 as a member, employee, or agent of the board. The member, employee,
23 or agent of the board shall not receive compensation for such an
24 appearance other than a standard witness fee and reimbursement for
25 travel expenses as established by statute or court rule.

26 (16) A licensee or applicant or any affiliate or
27 representative of an applicant or licensee shall not engage in ex

1 parte communications with a member of the board. A member of the
2 board shall not engage in any ex parte communications with a
3 licensee or an applicant or with any affiliate or representative of
4 an applicant or licensee.

5 (17) Any board member, licensee, or applicant or affiliate or
6 representative of a board member, licensee, or applicant who
7 receives any ex parte communication in violation of subsection
8 (16), or who is aware of an attempted communication in violation of
9 subsection (16), shall immediately report details of the
10 communication or attempted communication in writing to the
11 chairperson.

12 (18) Any member of the board who receives an ex parte
13 communication in an attempt to influence that member's official
14 action shall disclose the source and content of the communication
15 to the chairperson. The chairperson may investigate or initiate an
16 investigation of the matter with the assistance of the attorney
17 general and state police to determine if the communication violates
18 subsection (16) or subsection (17) or other state law. The
19 disclosure under this section and the investigation are
20 confidential. Following an investigation, the chairperson shall
21 advise the governor or the board, or both, of the results of the
22 investigation and may recommend action as the chairperson considers
23 appropriate. If the chairperson receives such an ex parte
24 communication, he or she shall report the communication to the
25 governor's office for appropriate action.

26 (19) A new or current employee or agent of the board shall
27 obtain written permission from the ~~executive~~ director **OF THE**

1 **DEPARTMENT OR HIS OR HER DESIGNEE** before continuing outside
2 employment held at the time the employee begins to work for the
3 board. Permission shall be denied, or permission previously granted
4 shall be revoked, if the ~~executive-director~~ **OF THE DEPARTMENT OR**
5 **HIS OR HER DESIGNEE** considers the nature of the work to create a
6 possible conflict of interest or if it would otherwise interfere
7 with the duties of the employee or agent for the board.

8 (20) An employee or agent of the board granted permission for
9 outside employment shall not conduct any business or perform any
10 activities, including solicitation, related to outside employment
11 on premises used by the board or during the employee's working
12 hours for the board.

13 (21) The chairperson shall report any action he or she has
14 taken or proposes to take under this section with respect to an
15 employee or agent or former employee or former agent to the board
16 at the next meeting of the board. ~~The board may direct the~~
17 ~~executive-director to take additional or different action.~~

18 (22) Except as allowed under the Michigan medical marihuana
19 act, a member, employee, or agent of the board shall not enter into
20 any personal transaction involving marihuana with a licensee or
21 applicant.

22 (23) If a licensee or applicant, or an affiliate or
23 representative of a licensee or applicant, violates this section,
24 the board may deny a license application, revoke or suspend a
25 license, or take other disciplinary action as provided in section
26 407.

27 (24) Violation of this section by a member of the board may

1 result in disqualification or constitute cause for removal under
2 section 301(7) or other disciplinary action as recommended by the
3 board to the governor.

4 (25) A violation of this section by an employee or agent of
5 the board need not result in termination of employment if the board
6 determines that the conduct involved does not violate the purpose
7 of this act. However, all of the following apply:

8 (a) If, after being offered employment or beginning employment
9 with the board, the employee or agent intentionally acquires a
10 financial interest in a licensee or an applicant, or an affiliate
11 or representative of a licensee or applicant, the offer or
12 employment with the board shall be terminated.

13 (b) If a financial interest in a licensee or an applicant, or
14 an affiliate or representative of a licensee or applicant, is
15 acquired by an employee or agent that has been offered employment
16 with the board, an employee of the board, or the employee's or
17 agent's spouse, parent, or child, through no intentional action of
18 the employee or agent, the individual shall have up to 30 days to
19 divest or terminate the financial interest. Employment may be
20 terminated if the interest has not been divested after 30 days.

21 (c) Employment shall be terminated if the employee or agent is
22 a spouse, parent, child, or spouse of a child of a board member.

23 (26) Violation of this section does not create a civil cause
24 of action.

25 (27) As used in this section:

26 (a) "Outside employment", in addition to employment by a third
27 party, includes, but is not limited to, the following:

1 (i) Operation of a proprietorship.

2 (ii) Participation in a partnership or group business
3 enterprise.

4 (iii) Performance as a director or corporate officer of any
5 for-profit or nonprofit corporation or banking or credit
6 institution.

7 (iv) Performance as a manager of a limited liability company.

8 (b) "Political activity" or "politically related activity"
9 includes all of the following:

10 (i) Using his or her official authority or influence for the
11 purpose of interfering with or affecting the result of an election.

12 (ii) Knowingly soliciting, accepting, or receiving a political
13 contribution from any person.

14 (iii) Running for the nomination or as a candidate for
15 election to a partisan political office.

16 (iv) Knowingly soliciting or discouraging the participation in
17 any political activity of any person who is either of the
18 following:

19 (A) Applying for any compensation, grant, contract, ruling,
20 license, permit, or certificate pending before the board.

21 (B) The subject of or a participant in an ongoing audit,
22 investigation, or enforcement action being carried out by the
23 board.

24 Sec. 401. (1) Beginning ~~360 days after the effective date of~~
25 ~~this act,~~ **DECEMBER 15, 2017**, a person may apply to the board for
26 state operating licenses in the categories of class A, B, or C
27 grower; processor; provisioning center; secure transporter; and

1 safety compliance facility as provided in this act. The application
2 shall be made under oath on a form provided by the board and shall
3 contain information as prescribed by the board, including, but not
4 limited to, all of the following:

5 (a) The name, business address, business telephone number,
6 social security number, and, if applicable, federal tax
7 identification number of the applicant.

8 (b) The identity of every person having any ownership interest
9 in the applicant with respect to which the license is sought. If
10 the disclosed entity is a trust, the application shall disclose the
11 names and addresses of the beneficiaries; if a **PRIVATELY HELD**
12 corporation, the names and addresses of all shareholders, officers,
13 and directors; **IF A PUBLICLY HELD CORPORATION, THE NAMES AND**
14 **ADDRESSES OF ALL SHAREHOLDERS HOLDING A DIRECT OR INDIRECT INTEREST**
15 **OF GREATER THAN 1%, OFFICERS, AND DIRECTORS;** if a partnership or
16 limited liability partnership, the names and addresses of all
17 partners; if a limited partnership or limited liability limited
18 partnership, the names of all partners, both general and limited;
19 or if a limited liability company, the names and addresses of all
20 members and managers.

21 (c) An identification of any business that is directly or
22 indirectly involved in the growing, processing, testing,
23 transporting, or sale of marihuana, including, if applicable, the
24 state of incorporation or registration, in which an applicant or,
25 if the applicant is an individual, the applicant's spouse, parent,
26 or child has any equity interest. If an applicant is a corporation,
27 partnership, or other business entity, the applicant shall identify

1 any other corporation, partnership, or other business entity that
2 is directly or indirectly involved in the growing, processing,
3 testing, transporting, or sale of marihuana in which it has any
4 equity interest, including, if applicable, the state of
5 incorporation or registration. An applicant may comply with this
6 subdivision by filing a copy of the applicant's registration with
7 the Securities and Exchange Commission if the registration contains
8 the information required by this subdivision.

9 (d) Whether an applicant has been ~~indicted for, charged with,~~
10 ~~arrested for, or~~ convicted of, pled guilty or nolo contendere to,
11 forfeited bail concerning any criminal offense under the laws of
12 any jurisdiction, either felony or controlled-substance-related
13 misdemeanor, not including traffic violations, ~~regardless of~~
14 ~~whether the offense has been reversed on appeal or otherwise,~~
15 including the date, the name and location of the court, arresting
16 agency, and prosecuting agency, the case caption, the docket
17 number, the offense, the disposition, and the location and length
18 of incarceration.

19 (e) Whether an applicant has ever applied for or has been
20 granted any commercial license or certificate issued by a licensing
21 authority in Michigan or any other jurisdiction that has been
22 denied, restricted, suspended, revoked, or not renewed and a
23 statement describing the facts and circumstances concerning the
24 application, denial, restriction, suspension, revocation, or
25 nonrenewal, including the licensing authority, the date each action
26 was taken, and the reason for each action.

27 (f) Whether an applicant has filed, or been served with, a

1 complaint or other notice filed with any public body, regarding the
2 delinquency in the payment of, or a dispute over the filings
3 concerning the payment of, any tax required under federal, state,
4 or local law, including the amount, type of tax, taxing agency, and
5 time periods involved.

6 (g) A statement listing the names and titles of all public
7 officials or officers of any unit of government, and the spouses,
8 parents, and children of those public officials or officers, who,
9 directly or indirectly, own any financial interest in, have any
10 beneficial interest in, are the creditors of or hold any debt
11 instrument issued by, or hold or have any interest in any
12 contractual or service relationship with an applicant. As used in
13 this subdivision, public official or officer does not include a
14 person who would have to be listed solely because of his or her
15 state or federal military service.

16 (h) A description of the type of marihuana facility;
17 anticipated or actual number of employees; and projected or actual
18 gross receipts.

19 (i) Financial information in the manner and form prescribed by
20 the board.

21 (j) A paper copy or electronic posting website reference for
22 the ordinance or zoning restriction that the municipality adopted
23 to authorize or restrict operation of 1 or more marihuana
24 facilities in the municipality.

25 (k) A copy of the notice informing the municipality by
26 registered mail that the applicant has applied for a license under
27 this act. The applicant shall also certify that it has delivered

1 the notice to the municipality or will do so by 10 days after the
2 date the applicant submits the application for a license to the
3 board.

4 (1) Any other information the department requires by rule.

5 (2) The board shall use information provided on the
6 application as a basis to conduct a thorough background
7 investigation on the applicant. A false application is cause for
8 the board to deny a license. The board shall not consider an
9 incomplete application but shall, within a reasonable time, return
10 the application to the applicant with notification of the
11 deficiency and instructions for submitting a corrected application.
12 Information the board obtains from the background investigation is
13 exempt from disclosure under the freedom of information act, 1976
14 PA 442, MCL 15.231 to 15.246.

15 (3) An applicant must provide written consent to the
16 inspections, examinations, searches, and seizures provided for in
17 section 303(1)(c)(i) to (iv) and to disclosure to the board and its
18 agents of otherwise confidential records, including tax records
19 held by any federal, state, or local agency, or credit bureau or
20 financial institution, while applying for or holding a license.
21 Information the board receives under this subsection is exempt from
22 disclosure under the freedom of information act, 1976 PA 442, MCL
23 15.231 to 15.246.

24 (4) An applicant must certify that the applicant does not have
25 an interest in any other state operating license that is prohibited
26 under this act.

27 (5) A nonrefundable application fee must be paid at the time

1 of filing to defray the costs associated with the background
2 investigation conducted by the board. The department in
3 consultation with the board shall set the amount of the application
4 fee for each category and class of license by rule. If the costs of
5 the investigation and processing the application exceed the
6 application fee, the applicant shall pay the additional amount to
7 the board. All information, records, interviews, reports,
8 statements, memoranda, or other data supplied to or used by the
9 board in the course of its review or investigation of an
10 application for a license under this act shall be disclosed only in
11 accordance with this act. The information, records, interviews,
12 reports, statements, memoranda, or other data are not admissible as
13 evidence or discoverable in any action of any kind in any court or
14 before any tribunal, board, agency, or person, except for any
15 action considered necessary by the board.

16 (6) By 10 days after the date the applicant submits an
17 application to the board, the applicant shall notify the
18 municipality by registered mail that it has applied for a license
19 under this act.

20 Sec. 402. (1) The board shall issue a license to an applicant
21 who submits a complete application and pays both the nonrefundable
22 application fee required under section 401(5) and the regulatory
23 assessment established by the board for the first year of
24 operation, if the board determines that the applicant is qualified
25 to receive a license under this act.

26 (2) An applicant is ineligible to receive a license if any of
27 the following circumstances exist:

1 (a) The applicant has been convicted of or released from
2 incarceration for a felony under the laws of this state, any other
3 state, or the United States within the past 10 years or has been
4 convicted of a controlled substance-related felony within the past
5 10 years.

6 (b) Within the past 5 years the applicant has been convicted
7 of a misdemeanor involving a controlled substance, theft,
8 dishonesty, or fraud in any state or been found responsible for
9 violating a local ordinance in any state involving a controlled
10 substance, dishonesty, theft, or fraud that substantially
11 corresponds to a misdemeanor in that state.

12 (c) The applicant has knowingly submitted an application for a
13 license under this act that contains false information.

14 (d) The applicant is a member of the board.

15 (e) The applicant fails to demonstrate the applicant's ability
16 to maintain adequate premises liability and casualty insurance for
17 its proposed marihuana facility.

18 (f) The applicant holds an elective office of a governmental
19 unit of this state, another state, or the federal government; is a
20 member of or employed by a regulatory body of a governmental unit
21 in this state, another state, or the federal government; or is
22 employed by a governmental unit of this state. This subdivision
23 does not apply to an elected officer of or employee of a federally
24 recognized Indian tribe or to an elected precinct delegate.

25 ~~— (g) The applicant, if an individual, has been a resident of~~
26 ~~this state for less than a continuous 2-year period immediately~~
27 ~~preceding the date of filing the application. The requirements in~~

1 ~~this subdivision do not apply after June 30, 2018.~~

2 (G) ~~(h)~~ The board determines that the applicant is not in
3 compliance with section 205(1).

4 (H) ~~(i)~~ The applicant fails to meet other criteria established
5 by rule.

6 (3) In determining whether to grant a license to an applicant,
7 the board may also consider all of the following:

8 (a) The integrity, moral character, and reputation; personal
9 and business probity; financial ability and experience; and
10 responsibility or means to operate or maintain a marihuana facility
11 of the applicant and of any other person that meets either of the
12 following:

13 (i) Controls, directly or indirectly, the applicant.

14 (ii) Is controlled, directly or indirectly, by the applicant
15 or by a person who controls, directly or indirectly, the applicant.

16 (b) The financial ability of the applicant to purchase and
17 maintain adequate liability and casualty insurance.

18 (c) The sources and total amount of the applicant's
19 capitalization to operate and maintain the proposed marihuana
20 facility.

21 (d) Whether the applicant has been ~~indicted for, charged with,~~
22 ~~arrested for, or~~ convicted of, pled guilty or nolo contendere to,
23 forfeited bail concerning ~~, or had expunged~~ any relevant criminal
24 offense under the laws of any jurisdiction, either felony or
25 misdemeanor, not including traffic violations. ~~, regardless of~~
26 ~~whether the offense has been expunged, pardoned, or reversed on~~
27 ~~appeal or otherwise.~~

~~1 (e) Whether the applicant has filed, or had filed against it,~~
~~2 a proceeding for bankruptcy within the past 7 years.~~

3 (E) ~~(f)~~ Whether the applicant has been served with a complaint
 4 or other notice filed with any public body regarding payment of any
 5 tax required under federal, state, or local law that has been
 6 delinquent for 1 or more years.

7 (F) ~~(g)~~ Whether the applicant has a history of noncompliance
 8 with any regulatory requirements in this state or any other
 9 jurisdiction.

10 (G) ~~(h)~~ Whether at the time of application the applicant is a
 11 defendant in litigation involving its business practices.

12 (H) ~~(i)~~ Whether the applicant meets other standards in rules
 13 applicable to the license category.

14 (4) Each applicant ~~shall submit with its application, on forms~~
 15 ~~provided by the board, a passport quality photograph and shall~~
 16 ensure that 1 set of fingerprints is submitted to the department of
 17 state police. ~~for each person having any ownership interest in the~~
 18 ~~marihuana facility and each person who is an officer, director, or~~
 19 ~~managerial employee of the applicant, in order for the department~~
 20 ~~of state police to conduct a criminal history check on each person~~
 21 ~~and to forward each person's fingerprints to the Federal Bureau of~~
 22 ~~Investigation for a national criminal history check.~~ The applicant
 23 shall submit with its application ~~each person's~~ **THE APPLICANT'S**
 24 written consent to the criminal history check described in this
 25 section and the submission of ~~each person's~~ **THE APPLICANT'S**
 26 fingerprints to, and the inclusion of ~~each person's~~ **THE APPLICANT'S**
 27 fingerprints in, the state and federal database systems described

1 in subsection (7).

2 (5) The fingerprints required under subsection (4) may be
3 taken by a law enforcement agency or any other person determined by
4 the department of state police to be qualified to take
5 fingerprints. The applicant shall submit a fingerprint processing
6 fee to the department in an amount required under section 3 of 1935
7 PA 120, MCL 28.273, and any costs imposed by the Federal Bureau of
8 Investigation.

9 (6) The department of state police shall ~~conduct~~ **DO ALL OF THE**
10 **FOLLOWING:**

11 (A) **CONDUCT** a criminal history check on each ~~person described~~
12 ~~in subsection (4)~~ **APPLICANT** and shall request the Federal Bureau of
13 Investigation to make a determination of the existence of any
14 national criminal history pertaining to each ~~person~~. ~~The department~~
15 ~~of state police shall provide~~ **APPLICANT**.

16 (B) **PROVIDE** the board with a written report containing the
17 criminal history record information of each ~~person who was the~~
18 ~~subject of the criminal history check conducted under this~~
19 ~~section~~ **APPLICANT**.

20 (7) All of the following apply concerning fingerprints
21 submitted to the department of state police under this section:

22 (a) The department of state police shall store and retain all
23 fingerprints submitted under this section in an automated
24 fingerprint identification system database that searches against
25 latent fingerprints, and provides for an automatic notification if
26 and when a subsequent fingerprint is submitted into the system that
27 matches a set of fingerprints previously submitted under this

1 section or if and when the criminal history of an individual whose
2 fingerprints are retained in the system is updated. Upon receiving
3 a notification, the department of state police shall immediately
4 notify the board. Information in the database maintained under this
5 subsection is confidential, is not subject to disclosure under the
6 freedom of information act, 1976 PA 442, MCL 15.231 to 15.246, and
7 shall not be disclosed to any person except for purposes of this
8 act or for law enforcement purposes.

9 (b) The department of state police shall forward all
10 fingerprints submitted to it under this section to the Federal
11 Bureau of Investigation for submission of those fingerprints into
12 the FBI automatic notification system. This subdivision does not
13 apply until the department of state police is a participant in the
14 FBI automatic notification system. As used in this subdivision:

15 (i) "Automatic notification system" means a system that stores
16 and retains fingerprints, and that provides for an automatic
17 notification to a participant if and when a fingerprint is
18 submitted into the system that matches an individual whose
19 fingerprints are retained in the system or if and when the criminal
20 history of an individual whose fingerprints are retained in the
21 system is updated.

22 (ii) "FBI automatic notification system" means the automatic
23 notification system that is maintained by the Federal Bureau of
24 Investigation.

25 (8) The board shall review all applications for licenses and
26 shall inform each applicant of the board's decision.

27 (9) A license shall be issued for a 1-year period and is

1 renewable annually. Except as otherwise provided in this act, the
2 board shall renew a license if all of the following requirements
3 are met:

4 (a) The licensee applies to the board on a renewal form
5 provided by the board that requires information prescribed in
6 rules.

7 (b) The application is received by the board on or before the
8 expiration date of the current license.

9 (c) The licensee pays the regulatory assessment under section
10 603.

11 (d) The licensee meets the requirements of this act and any
12 other renewal requirements set forth in rules.

13 (10) The department shall notify the licensee by mail or
14 electronic mail at the last known address on file with the board
15 advising of the time, procedure, and regulatory assessment under
16 section 603. The failure of the licensee to receive notice under
17 this subsection does not relieve the licensee of the responsibility
18 for renewing the license.

19 (11) If a license renewal application is not submitted by the
20 license expiration date, the license may be renewed within 60 days
21 after its expiration date upon application, payment of the
22 regulatory assessment under section 603, and satisfaction of any
23 renewal requirement and late fee set forth in rules. The licensee
24 may continue to operate during the 60 days after the license
25 expiration date if the license is renewed by the end of the 60-day
26 period.

27 (12) License expiration does not terminate the board's

1 authority to impose sanctions on a licensee whose license has
2 expired.

3 (13) In its decision on an application for renewal, the board
4 shall consider any specific written input it receives from an
5 individual or entity within the local unit of government in which
6 the applicant for renewal is located.

7 (14) A licensee must consent in writing to inspections,
8 examinations, searches, and seizures that are permitted under this
9 act and must provide a handwriting exemplar, fingerprints,
10 photographs, and information as authorized in this act or by rules.

11 (15) An applicant or licensee has a continuing duty to provide
12 information requested by the board and to cooperate in any
13 investigation, inquiry, or hearing conducted by the board.

14 Sec. 407. (1) If an applicant or licensee fails to comply with
15 this act or rules, if a licensee fails to comply with the marihuana
16 tracking act, if a licensee no longer meets the eligibility
17 requirements for a license under this act, or if an applicant or
18 licensee fails to provide information the board requests to assist
19 in any investigation, inquiry, or board hearing, the board may
20 deny, suspend, revoke, or restrict a license. The board may
21 suspend, revoke, or restrict a license and require the removal of a
22 licensee or an employee of a licensee for a violation of this act,
23 rules, the marihuana tracking act, or any ordinance adopted under
24 section 205. The board may impose civil fines of up to \$5,000.00
25 against an individual and up to \$10,000.00 or an amount equal to
26 the daily gross receipts, whichever is greater, against a licensee
27 for each violation of this act, rules, or an order of the board.

1 Assessment of a civil fine under this subsection is not a bar to
2 the investigation, arrest, charging, or prosecution of an
3 individual for any other violation of this act and is not grounds
4 to suppress evidence in any criminal prosecution that arises under
5 this act or any other law of this state.

6 (2) The board shall comply with the administrative procedures
7 act of 1969, 1969 PA 306, MCL 24.201 to 24.328, when denying,
8 revoking, suspending, or restricting a license or imposing a fine.
9 The board may suspend a license without notice or hearing upon a
10 determination that the safety or health of patrons or employees is
11 jeopardized by continuing a marihuana facility's operation. If the
12 board suspends a license under this subsection without notice or
13 hearing, a prompt postsuspension hearing must be held to determine
14 if the suspension should remain in effect. The suspension may
15 remain in effect until the board determines that the cause for
16 suspension has been abated. The board may revoke the license or
17 approve a transfer or sale of the license upon a determination that
18 the licensee has not made satisfactory progress toward abating the
19 hazard.

20 (3) After denying an application for a license, the board
21 shall, upon request, provide a public investigative hearing at
22 which the applicant is given the opportunity to present testimony
23 and evidence to establish its suitability for a license. Other
24 testimony and evidence may be presented at the hearing, but the
25 board's decision must be based on the whole record before the board
26 and is not limited to testimony and evidence submitted at the
27 public investigative hearing.

1 (4) Except for license applicants who may be granted a hearing
2 at the discretion of the board under subsection (3), any party
3 aggrieved by an action of the board suspending, revoking,
4 restricting, or refusing to renew a license, or imposing a fine,
5 shall be given a hearing before the board upon request. A request
6 for a hearing must be made to the board in writing within 21 days
7 after service of notice of the action of the board. Notice of the
8 action of the board must be served either by personal delivery or
9 by certified mail, postage prepaid, to the aggrieved party. Notice
10 served by certified mail is considered complete on the business day
11 following the date of the mailing.

12 (5) The board may conduct investigative and contested case
13 hearings; issue subpoenas for the attendance of witnesses; issue
14 subpoenas duces tecum for the production of books, ledgers,
15 records, memoranda, electronically retrievable data, and other
16 pertinent documents; and administer oaths and affirmations to
17 witnesses as appropriate to exercise and discharge the powers and
18 duties of the board under this act. The ~~executive~~ director **OF THE**
19 **DEPARTMENT** or his or her designee may issue subpoenas and
20 administer oaths and affirmations to witnesses.

21 **SEC. 407A. A PERSON SHALL NOT HOLD ITSELF OUT AS OPERATING A**
22 **MARIHUANA FACILITY IF THE PERSON DOES NOT HOLD A LICENSE TO OPERATE**
23 **THAT MARIHUANA FACILITY OR IF THE PERSON'S LICENSE TO OPERATE THAT**
24 **MARIHUANA FACILITY IS SUSPENDED, REVOKED, LAPSED, OR VOID, OR WAS**
25 **FRAUDULENTLY OBTAINED OR TRANSFERRED TO THE PERSON OTHER THAN**
26 **PURSUANT TO SECTION 406. A PERSON THAT VIOLATES THIS SECTION IS**
27 **GUILTY AS FOLLOWS:**

(A) IN THE CASE OF A FIRST VIOLATION, A MISDEMEANOR PUNISHABLE BY A FINE OF NOT LESS THAN \$10,000.00 OR MORE THAN \$25,000.00 OR IMPRISONMENT OF NOT MORE THAN 93 DAYS, OR BOTH.

(B) IN THE CASE OF A SECOND OR SUBSEQUENT VIOLATION, A MISDEMEANOR PUNISHABLE BY A FINE OF NOT LESS THAN \$10,000.00 OR MORE THAN \$25,000.00 OR IMPRISONMENT OF NOT MORE THAN 1 YEAR, OR BOTH.

(C) IF THE VIOLATION CAUSES DEATH OR SERIOUS INJURY, A FELONY PUNISHABLE BY A FINE OF NOT LESS THAN \$10,000.00 OR MORE THAN \$25,000.00 OR IMPRISONMENT FOR NOT MORE THAN 4 YEARS, OR BOTH.

Sec. 409. A state operating license is a revocable privilege granted by this state and is not a property right. Granting a license does not create or vest any right, title, franchise, or other property interest. ~~Each license is exclusive to the licensee, and a licensee or any other person must apply for and receive the board's and municipality's approval before a license is transferred, sold, or purchased.~~ A licensee or any other person shall not lease, pledge, or borrow or loan money against a license. ~~The attempted transfer, sale, or other conveyance of an interest in a license without prior board approval is grounds for suspension or revocation of the license or for other sanction considered appropriate by the board.~~

Sec. 702. The board shall submit with the annual report to the governor under section ~~302(k)~~ **302 (l)** and to the chairs of the legislative committees that govern issues related to marihuana facilities a report covering the previous year. The report shall include an account of the board actions, its financial position,

1 results of operation under this act, and any recommendations for
2 legislation that the board considers advisable.

3 Enacting section 1. Section 404 of the medical marihuana
4 facilities licensing act, 2016 PA 281, MCL 333.27404, is repealed.