

## ATTACHMENT A

### **Mandatory Conditions for Vertical Integration (Industry Control over Distribution) February 24, 2017**

Recreational and Medical Marijuana businesses may own and operate their own product distribution networks only under the following conditions:

- 1) Sanctions for Significant Violations related to Distribution Activity
  - Lifetime loss of Distribution License
  - “Significant violation” to be determined by licensing entity
  - Sanctions for repeat minor violations would be included

Point of discussion: this should apply to all licensees, not just the ones who do their own distribution

- 2) Restriction on Transfer of License Under Investigation
  - Prohibition on all transfers of a license once an investigation has commenced
  - Prohibition to remain in force pending resolution of the investigation

Point of discussion: this should apply to all licensees, not just the ones who do their own distribution

- 3) Electronic Cargo Manifest requirement
  - An electronic cargo manifest for all shipments and transport of product will be required. The manifest must be available online to state regulators and law enforcement alike, in real time.
  - This will not apply to deliveries, i.e. small amounts of product destined for individual consumers, and below a threshold to be determined by Department of Consumer Affairs
- 4) For purposes of regulating the transportation of cannabis or cannabis products, vehicles shall not be considered agricultural vehicles
- 5) A driver of a commercial vehicle operated in California must possess a valid commercial driver’s license
- 6) Compliance with State laws and regulations on legal truck size and weight, licensing and registration, documents to carry, and safety requirements
- 7) Compliance with CVC 34501.2(Vehicle Safety Regulations) and 13 CCR Sec. 1201
- 8) Safety requirements will include controlled substance and alcohol testing, load securement standards, and log book with recorded hours of service
- 9) Vehicles will be equipped with a fire extinguisher and three property maintained red emergency reflectors

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- 10) All vehicle (mechanical) equipment, such as lights, windshields, reflectors, etc., must comply with the United States Federal Motor Carrier Safety Administration standards.
- 11) Independent Inspector to perform QA and QC compliance checks. Companies that do not use an independent 3<sup>rd</sup> party distributor must use an independent inspector for testing and quality assurance.
  - During regular inspections the inspector shall select a random sample for testing and perform quality assurance and quality compliance—including verification that products that have failed testing requirements are destroyed.
  - Independent Inspector to perform random compliance checks in addition to those that are regularly scheduled to both third party distributors and in-house distributors
- 12) Self-distribution triggers transporter requirement
- 13) Self-distribution and third party distribution of other products triggers anti-trust/ determination of sufficient competition language