ORDINANCE NO. 185344

An ordinance establishing rules and regulations in support of Article 4 of Chapter X of the Los Angeles Municipal Code to regulate Commercial Cannabis Activity in the City of Los Angeles.

THE PEOPLE OF THE CITY OF LOS ANGELES DO ORDAIN AS FOLLOWS:

Section 1. The following requirements shall be established for Commercial Cannabis Activity in the City of Los Angeles.

RULES AND REGULATIONS FOR CANNABIS PROCEDURES

Regulation No. 1. Definitions.

The definitions set forth in Los Angeles Municipal Code Section 104.01 apply to these Rules and Regulations. In addition, the following definitions shall apply to these Rules and Regulations:

1. "**LAMC**" means the Los Angeles Municipal Code.

2. **"Cannabis Goods"** means Cannabis, including dried flower, and products containing Cannabis, as currently defined in Section 5000 of Title 16, Div. 42 of the California Code of Regulations, or as may be amended.

3. "**Track and Trace System**" means a system as described in Section 26067 of the California Business and Professions Code which reports the movement of cannabis products throughout the distribution chain, using a unique identifier.

Regulation No. 2. Licenses.

The Licenses available for Commercial Cannabis Activity are the same as those listed in LAMC Section 104.02. Applicants shall follow the requirements of LAMC Section 104.03 when applying for a License.

The BTRC information provided on an application will be final. Any changes to a BTRC after an application has been filed must have written approval from DCR and Office of Finance.

Regulation No. 3. Application Procedure.

A. General

1. The DCR shall provide a master License application form to the public ("application" in these Rules and Regulations refer to this form, unless otherwise stated). Every Applicant will be provided a date and time stamp of receipt of each application or the electronic equivalent. Complete applications that are in conflict with each other due to sensitive use requirements will be processed in the order received. The date and time stamp shall determine the processing order only between complete applications. Any application, pre-licensing inspection, and any outstanding taxes are due before further processing.

2. If the DCR determines that the application is incomplete, the DCR shall notify the Applicant. The DCR may request additional information and documents from the Applicant not listed in the application requirements to determine if an application is complete. If the Applicant fails to correct the deficiencies within the time allowed by DCR, the application shall be considered abandoned. An Applicant may reapply at any time following an abandoned application and must pay all fees associated with the new application.

3. The application must include:

(a) The name of the Applicant. For Applicants who are individuals, the Applicant shall provide both the first and last name of the individual. For Applicants who are business entities, the Applicant shall provide the legal Business name of the Applicant. If applicable, the business trade name ("DBA") of the Applicant must be disclosed.

(b) The Commercial Cannabis Activity and License type the Applicant is applying for and whether the proposed Commercial Cannabis Activity will involve medical (M-Type-) and/or adult use (A-Type-).

(c) The date the Applicant began operations.

(d) A list of the license types and the license numbers issued from the State of California and all other out-of-state or local licensing authorities that the Applicant holds, including the date the license was issued and the licensing authority that issued the license, permit or other authorization.

(e) Whether the Applicant has been denied the right to conduct Commercial Cannabis Activity by the DCR or any other cannabis licensing authority. The Applicant shall provide the type of license applied for, the name of the licensing authority that denied the application, the date of denial and the basis of the denial.

(f) Business Premises and information.

(1) The physical address of the Business Premises where the Commercial Cannabis Activity will be conducted.

(2) The address of record for the Applicant.

(3) The telephone number for the Business Premises.

(4) The website address of the Applicant's Commercial Cannabis Activity business, if applicable.

(5) The email address for the Applicant's Commercial Cannabis Activity business, if applicable.

(6) Contact information for the Applicant's designated primary contact person including the name, title, address, phone number, and email address of the individual.

(7) Contact information for the designated agent for service of process including the name, title, address, phone number, and email address of this individual.

(8) The Council District, the Neighborhood Council and the Police Department Area in which the proposed Business Premises is located.

(g) The Applicant's organizational structure for the Commercial Cannabis Activity business, for example, partnership or corporation. The business-formation documents, which may include, but are not limited to, articles of incorporation, operating agreements, partnership agreements, and fictitious business name statements. The Applicant shall also provide all documents filed with the State of California, which may include, but are not limited to articles of incorporation, certificates of stock, articles of organization, certificates of limited partnership, and statements of partnership authority.

(h) A list of every fictitious business name the Applicant is operating under, including the address where the Business Premises is located.

(i) The Applicant shall provide all financial information required by the State of California on its application form.

(j) Evidence that the Applicant has the legal right to occupy and use the Business Premises and complies with the requirements of the DCR. If the Applicant is not the landowner of the property upon which the Business Premises is located, the Applicant shall provide a landowner's affidavit, on a form provided by the DCR, that conclusively establishes that the Applicant has the right to occupy the property and acknowledging that the Applicant may use the property for the Commercial Cannabis Activity for which the Applicant is seeking a License. It shall also state the landowner has not entered into any agreement or offered to lease the property to any other Applicant or potential Applicant. If the landowner of the property is incapacitated, the Applicant may provide this

affidavit by a duly-authorized agent of the landowner. An Applicant shall also provide a copy of the lease agreement, if applicable. If the Applicant is the landowner of the property on which the Business Premises is located, the Applicant shall provide to the DCR a copy of the title or deed to the property. The Applicant shall provide evidence that the proposed location meets all City of Los Angeles land use and sensitive use requirements under Article 5 of Chapter X of the LAMC.

(k) Applicants must submit a staffing plan and organizational chart that outlines the positions and responsibilities of each employee, as well as the reporting or supervisory structure for each employee. This plan shall also include a diversity plan and employee safety plan for staffing

4. The Applicant shall submit a complete and detailed diagram of the proposed Business Premises, in the format required by the DCR. Business Premises means the designated structures and land specified in the application that are in the possession of and used by the Applicant. The Business Premises must be a contiguous area and may only be occupied by one Licensee. The diagram must be to scale. If the proposed Business Premises consist of only a portion of a property, the diagram must be labeled indicating which part of the property is the proposed Business Premises and how the remaining property is used. Multiple Licensees may be located on the same property, as established by an assessor's parcel number, if each Business Premises has a unique entrance and immovable physical barriers between unique premises. Multiple Licensees on the same property must meet all applicable land use and sensitive use requirements under Article 5 of Chapter X of the LAMC.

5. The Applicant shall provide a BTRC and a valid seller's permit number issued by the California State Board of Equalization (if applicable) or the Department of Tax and Fee Administration, as required by the State of California. If the Applicant has not yet received a BTRC and a seller's permit, the Applicant shall attest that the Applicant is currently applying for a BTRC and a seller's permit and will provide the BTRC and seller's permit within five business days of Temporary Approval or receiving a License. The Applicant shall also provide a Federal Employer Identification Number.

6. The Applicant shall attest to providing proof of a bond and/or insurance, including product liability insurance, as required by the State of California and the DCR, within 15 days of receiving a License. An Applicant shall indemnify the City from any liability on a form approved by DCR.

7. The Applicant shall include a description of the Applicant's practices for allowing individuals access to the limited-access areas of the Business Premises.

8. The Applicant must submit a security plan for review and approval by the DCR. The approved security plan will be maintained by the DCR and be made available to other City Departments for purposes of verification and inspections. At a minimum, the security plan will include:

(a) A description of the Applicant's video surveillance system, including camera placement and practices for the maintenance of video surveillance equipment;

(b) How the Applicant will ensure that all access points to the Business Premises will be secured, including the use of security personnel; a description of the Applicant's security alarm system; and

(c) A description of the Applicant's fire-proof safe if applicable.

9. The Applicant shall include a detailed description of how the Applicant will meet the State of California and DCR's track-and-trace, inventory, returns, destruction of products, waste management, environmental sustainability, records retention, and operational requirements.

10. Any Applicant that is required under state law to apply for and maintain a Certified Uniform Program Agency (CUPA) permit issued by the Fire Department must do so prior to the issuance of a License and prominently display the CUPA permit on the Business Premises where it can be viewed by state and local agencies.

11. Applicant will provide a proposed Community Benefits Agreement consistent with requirements to be determined by the DCR.

12. The Applicant will identify and assign an employee as the official Neighborhood Liaison for every Business Premises. Such employee will have a phone number and email to receive and address complaints 24 hours a day.

13. The Applicant shall attest that no Owner is a licensed retailer of alcoholic beverages or tobacco products at the Business Premises.

14. The Applicant shall provide a dated radius map, including horizontal lines and labeling of any sensitive uses relative to the License the Applicant is seeking. The Applicant shall also provide a list of all addresses for parties subject to LAMC Section 104.05, from a vendor specified by DCR.

15. As a condition of receiving a City license for Commercial Cannabis Activity, the Business Premises shall comply with all applicable provisions of the Los Angeles Municipal Code, including without limitation, applicable provisions of the Building and Zoning Codes; applicable parking requirements, including without limitation those in LAMC 12.19, 12.21, 13.15, and in all Community Plans, Specific Plans, and other applicable parking requirements; and applicable Highway and Collector Street Dedication and Improvement requirements; and with the Commercial Citywide Design Guidelines and Industrial Citywide Design Guidelines adopted as a policy of the City Planning Commission.

16. An Applicant shall attest that it has entered into a Labor Peace Agreement if the Applicant was requested to do so by a bona-fide labor organization. If a labor organization has yet to request a Labor Peace Agreement from the Applicants, then the Applicant shall attest that it will enter into Labor Peace Agreement if in the future a labor organization so requests.

Regulation No. 4. Additional Requirements for Specific Businesses.

A. Retailer Commercial Cannabis Activity Requirements

In addition to the application requirements as described in Regulation No. 3, an Applicant shall provide a proposed retailer plan as required by the DCR, which shall include how the Applicant intends to meet all the operational requirements as described.

B. Delivery for Retailer Commercial Cannabis Activity Requirements

1. In addition to the application requirements as described in Regulation No. 3, an Applicant shall provide a proposed retailer delivery plan as required by the DCR, which shall include how the Applicant intends to meet all the operational requirements as described.

2. Contractors and vendors are allowed to apply for a License for Delivery for Retailer Commercial Cannabis Activity as third-party delivery services if allowed by the State of California.

C. Microbusiness Commercial Cannabis Activity Requirements

In addition to the application requirements as described in Regulation No. 3, an Applicant shall provide a proposed microbusiness plan as required by the DCR, which shall include how the Applicant intends to meet all the operational requirements for Retailer, Indoor Cultivation, Distributor and/or Manufacture Commercial Cannabis Activity as described.

D. Cultivation Commercial Cannabis Activity Requirements

1. In addition to the application requirements as described in Regulation No. 3, Applicants shall provide a proposed cultivation plan as required by the DCR, which shall include how the Applicant intends to meet all the operational requirements as described.

2. Applicants shall provide all water source information as required by the State of California.

3. Applicants shall submit an energy efficiency plan and provide all power source information as required by the State of California, including but not limited to, illumination, heating, cooling, and ventilation.

4. The Applicant shall attest that it is an "agricultural employer" as defined by the State of California.

5. The Applicant shall attest and provide evidence that the Fire Department's Bureau of Fire Prevention and Public Safety has been notified of the proposed Business Premises for Cultivation Commercial Cannabis Activity.

E. Manufacture Commercial Cannabis Activity Requirements

1. In addition to the application requirements as described in Regulation No. 3, Applicants shall provide a proposed manufacture plan as required by the DCR, which shall include how the Applicant intends to meet all the operational requirements as described.

2. An Applicant shall provide a detailed description of the Manufacture Commercial Cannabis Activity to be conducted on the Business Premises which shall include, but not be limited to: the type of activity conducted (extraction, infusion, packaging, labeling) including a description of extraction and infusion methods; and the types of products that will be manufactured, packaged, or labeled. In lieu of a description of the methods, processes and procedures to be used by the Applicant, the Applicant may submit a copy of every procedure with the application.

3. The Applicant shall attest and provide evidence that the Fire Department's Bureau of Fire Prevention and Public Safety has been notified of the proposed Business Premises for Manufacture Commercial Cannabis Activity.

4. In addition to Subsections E.1, 2 and 3 above, the Applicant shall meet all requirements in the California Code of Regulations for a Manufacturing Operation.

F. Testing Commercial Cannabis Activity Application Requirements

1. In addition to the applications requirements as described in Regulation No. 3, Applicants shall provide a proposed testing plan as required by the DCR, which shall include how the Applicant intends to meet all the operational requirements as described.

2. An Applicant shall provide proof of ISO 17025 accreditation or proof that the Applicant is in the process of applying or is preparing to apply for ISO 17025 accreditation, as well as laboratory-employee qualifications as required by the State of California.

G. Distributor Commercial Cannabis Activity Requirements

In addition to the application requirements as described in Regulation No. 3, Applicants shall provide a proposed distributor plan as required by the DCR, which shall include how the Applicant intends to meet all the operational requirements as described.

Regulation No. 5. Inspections.

A. Pre-License Inspections

1. Applicants will submit to a pre-License inspection of the Business Premises during regular business hours prior to the issuance of a Temporary Approval or a License. Pre-License inspection may include, but is not limited to, employees or agents of the following City or county departments: DCR, Building and Safety, Police Department, Fire Department and Los Angeles County Department of Public Health. A pre-License inspection consists of, but is not limited to, the following:

(a) Approval of the premises diagram;

(b) On-site inspection of all applicable building code and fire code requirements;

(c) Approval of the security plan;

(d) Fingerprinting; and

(e) Approval of the fire safety plan (if applicable).

An Applicant shall satisfy all requirements of a pre-License inspection prior to further application processing. An Applicant shall upgrade all applicable electrical and water systems to Building and Fire Code standards prior to further application processing.

2. The Applicant shall allow the DCR access to the proposed or authorized Business Premises for any of the following purposes:

(a) The on-site inspection of the Business Premises prior to issuing a renewal to determine accuracy and completeness of the application;

(b) To review or inspect the Business Premises to determine compliance with requirements;

(c) To audit or inspect records;

(d) To conduct an inspection or investigation in response to a complaint received by the DCR regarding the Applicant or Business Premises;

(e) To inspect: (1) incoming or outgoing shipments of cannabis and cannabis products, storage areas, production processes, labeling and packaging processes, and conveyances used in the manufacture, storage or transportation of cannabis products; (2) all pertinent equipment, raw material, finished and

unfinished materials; and (3) containers, packaging, and labeling that has a bearing on whether the cannabis or cannabis product is compliant;

(f) For investigations concerning the adulteration, misbranding or unlicensed production of any cannabis product including the ability to enter and inspect any place where any cannabis product is suspected of being manufactured or held in violation of requirements; and

(g) To conduct an investigation of the Applicant, Business Premises, the operations, and other activities associated with Commercial Cannabis Activity.

3. All inspections, investigations, and related fees shall be charged to the Applicant at full cost recovery. Prior notice of inspection, investigation or audit is not required.

B. Routine Inspections

1. A Licensee's Business Premises shall be subject to inspection, investigation, or audit by the DCR or its agents to determine compliance. An inspection, investigation or audit is a review of any books, records, accounts, inventory, or on-site operations specific to the Business Premises. Inspections, investigations, or audits may include, but are not limited to, employees or agents of the following City and County departments: the DCR, Building and Safety, Police Department, Fire Department, the Office of Finance and Los Angeles County Department of Health Services.

2. The DCR and its agents may conduct an on-site inspection prior to issuing a renewal License in accordance with the requirements of the State of California and the DCR.

3. The DCR may record the inspection, investigation, or audit.

4. The Licensee shall allow the DCR access to the proposed or authorized Business Premises for any of the purposes listed in Regulation 5.A.2.

5. All inspections, investigations and audits of the Business Premises shall be conducted during regular business hours, during times of apparent or alleged activity, or as otherwise agreed to by the DCR and the Licensee.

6. No Licensee, its agent or employees shall interfere with, obstruct or impede the DCR's inspection, investigation or audit. This includes, but is not limited to the following actions: denying the DCR access to the Business Premises; providing false or misleading statements; providing false, falsified, fraudulent or misleading documents and records; and/or failing to provide records, reports, and other supporting documents.

7. The DCR may perform an audit of the physical inventory of any Commercial Cannabis Business at the DCR's discretion. Variances between the physical audit and

the inventory reflected in the Track-and-Trace System at the time of the audit, which cannot be attributed to normal moisture variations in harvested cannabis, may be subject to enforcement action.

8. In construing and enforcing Article 4 of Chapter X of the LAMC and the Rules and Regulations, any act, omission, or failure of an agent, officer, or other person acting for or employed by a Licensee, within the scope of his or her employment or office, shall in every case be deemed the act, omission, or failure of the Licensee.

9. All inspections, investigations, or audits and related fees shall be charged to the Applicant at full cost recovery. Prior notice of inspection, investigation or audit is not required.

Regulation No. 6. Notice.

Notice shall be provided as set forth in LAMC Section 104.05.

Regulation No. 7. Issuance of License and Hearings.

All applications for Licenses by an Applicant will be processed together.

Regulation No. 8. Proposition M Priority Processing.

Proposition M Priority Processing will proceed as provided in LAMC Section 104.07.

Regulation No. 9. Appeal Procedures.

Appellants authorized under LAMC Section 104.06 will follow the procedure set forth in LAMC Section 104.10.

The DCR will provide a master appeal application form for use in processing all appeals.

Regulation No. 10. Operational Requirements and Violations.

In addition to the requirements set forth in Article 4 of Chapter X of the LAMC, all Licensees must adhere to the requirements listed below. The indicated characterizations of the violations are suggestions only and may vary, depending upon the circumstances of the violation.

A. General

1. A Licensee shall not make a physical change, alteration, or modification of the Business Premises that materially or substantially alters the Business Premises or the use of the Business Premises from the Business Premises diagram originally filed with

the application without the prior written approval of the DCR. A Licensee whose Business Premises is to be materially or substantially changed, modified, or altered is responsible for filing a Business Premises modification application with the DCR and paying the associated fees. Material or substantial changes, alterations, or modifications requiring approval include, but are not limited to, the removal, creation, or relocation of a common entryway, doorway, passage, or a means of public entry or exit, when such common entryway, doorway, or passage alters or changes limited-access areas within the Business Premises. (Violation Type – Moderate)

2. A Licensee shall only use the business name as identified on the License for the submission of other permits, certificates, or documents issued by the City of Los Angeles. The identified business name shall be the only name used for communications, advertising, and all documents required by the State of California. (Violation Type – Serious)

3. A change to the Licensee's organizational structure or ownership pursuant to LAMC Section 104.11(a), means a change of an individual Licensee or a change of a majority of officers or stockholders or a controlling ownership interest. Changes from non-profit status to for-profit status by EMMDs are exempt if no other ownership changes are made in accordance with Proposition D's ownership rules and notice is provided to DCR within five business days. This exemption applies until a License is issued by DCR.

4. A Licensee, its employees, agents, and officers must obey all applicable laws of the City of Los Angeles and State of California. (Violation Type – Minor)

5. All agents, officers, or other persons acting for or employed by a licensee shall display a laminated or plastic-coated identification badge issued by the licensee at all times while engaging in commercial cannabis activity. The identification badge shall, at a minimum, include the licensee's "doing business as" name and license number, the employee's first name, an employee number exclusively assigned to that employee for identification purposes, and a color photograph of the employee that clearly shows the full front of the employee's face and that is at least 1 inch in width and 1.5 inches in height. (Violation Type – Minor)

6. A Licensee shall ensure that any person on the Business Premises, except for employees and contractors of the Licensee, are escorted at all times by the Owner or at least one employee of the Licensee when in the limited-access areas of the Business Premises. (Violation Type – Minor)

7. At a minimum, the Business Premises shall have a digital video surveillance system with a minimum camera resolution of 1280 × 720 pixels. The video surveillance-system shall at all times be able to effectively and clearly record images of the area under surveillance. Each camera shall be permanently mounted and in a fixed location. Each camera shall be placed in a location that allows the camera to clearly record activity occurring within 20-feet of all points of entry and exits on the Business

Premises, and allows for the clear and certain identification of any person and activities in all areas required to be filmed. Areas that shall be recorded on the video surveillance system include, but are not limited to, the following:

(a) Areas where cannabis goods are weighed, packed, stored, loaded and unloaded for transportation, prepared, or moved within the Business Premises;

(b) Limited-access areas;

(c) Security rooms;

(d) Areas storing a surveillance-system storage device with at least one camera recording the access points to the secured surveillance recording area; and

(e) Entrances and exits to the Business Premises, which shall be recorded from both indoor and outdoor vantage points.

Retailers shall also record point-of-sale areas and areas where cannabis goods are displayed for sale on the video surveillance system. At each point of sale location, camera placement must allow for the recording of the facial features of any person purchasing or selling cannabis goods, or any person in the retail area, with sufficient clarity to determine identity. Cameras shall record continuously 24 hours per day and at a minimum of 15 frames per second (FPS). The physical media or storage device on which surveillance recordings are stored shall be secured in a manner to protect the recording from tampering or theft. Surveillance recordings shall be kept for a minimum of 90 days. Surveillance recordings are subject to inspection by the DCR and Office of Finance and shall be copied and sent to or otherwise provided to the DCR or Office of Finance, and shall be kept in a manner that allows the DCR and Office of Finance to view and obtain copies of the recordings at the Business Premises immediately upon request. The Licensee shall also send otherwise provide copies of the recordings to the DCR and Office of Finance upon request within the time specified by the DCR or the Office of Finance. Recorded images shall clearly and accurately display the time and date. Time is to be measured in accordance with the United States National Institute Standards and Technology standards. The video surveillance system shall be equipped with a failure notification system that provides notification to the Licensee of any interruption or failure of the video surveillance system or video surveillance-system storage device. (Violation Type – Moderate)

8. A Licensee shall hire or contract for security personnel to provide security services for the Business Premises. Security personnel shall not be employees of the Licensee. All security personnel hired or contracted for by the Licensee shall comply with the requirements of the State of California and City of Los Angeles and maintain an active American Red Cross first-aid card. (Violation Type – Moderate)

9. A Licensee shall ensure that the limited-access areas can be securely locked using commercial-grade, nonresidential door locks in accordance with the approved security plan. A Licensee shall also use commercial-grade, nonresidential locks on all points of entry and exit to the Business Premises in accordance with the approved security plan. (Violation Type – Moderate)

10. A Licensee shall maintain an alarm system in accordance with the approved security plan as required by the State of California and the DCR. A Licensee shall ensure a licensed alarm company operator or one or more of its registered alarm agents installs, maintains, monitors, and responds to the alarm system. Upon request, a Licensee shall make available to the DCR or the Police Department all information related to the alarm system, monitoring, and alarm activity. A Licensee must apply for, and maintain in good standing, an Alarm System Permit issued pursuant to LAMC Section 103.206. (Violation Type – Moderate)

11. A Licensee is not required to have his or her cannabis goods tested or to follow the labeling provisions as required by the State of California or DCR until 120 days after City licensure, or April 1, 2018, whichever is sooner, after which all cannabis goods shall be tested. (Violation Type – Serious)

12. A Business Premises shall be properly ventilated and the exhaust air filtered to neutralize the odor from cannabis so that the odor cannot be detected by a person with a normal sense of smell at the exterior of the Business Premises or on any adjoining property. No operable windows or exhaust vents shall be located on the building façade that abuts a residential use or zone. Exhaust vents on rooftops shall direct exhaust away from residential uses or zones. (Violation Type – Moderate)

13. Agents or employees of the DCR requesting admission to the Business Premises for the purpose of determining compliance shall be given unrestricted access during regular business hours and must maintain and provide their City of Los Angeles issued identification badge upon request. (Violation Type – Serious)

14. The License, State of California license, BTRC, operating conditions, and emergency contact information shall be prominently displayed on the Business Premises where it can be viewed by state or local agencies. (Violation Type – Minor)

15. Every Applicant shall obtain a License for each Business Premises where it engages in Commercial Cannabis Activity. The location of the Business Premises may not be changed without the approval of DCR. Licenses are not transferrable or assignable to any other person, entity, or property without written approval from the DCR. (Violation Type – Serious)

16. A Licensee shall not sublet any portion of the Business Premises identified in the License without written approval from the DCR. (Violation Type – Serious)

17. No recommendations or approvals by a physician to use medical cannabis or medical cannabis products shall be issued at any Business Premises. (Violation Type – Moderate)

18. A Licensee shall not allow the consumption of cannabis or the sale or consumption of alcohol on the Business Premises. No employee or agent of the Licensee shall solicit or accept any cannabis or alcohol products from any customer or vendor while on the Business Premises. (Violation Type – Moderate)

19. A Licensee shall only permit authorized individuals to enter the limited-access areas of the Business Premises. Authorized individuals include individuals employed by the Licensee as well as any outside vendors, contractors, labor representatives, or other individuals who have a bona fide business reason for entering the limited-access area. An individual who is not an authorized individual for purposes of entering the limited-access areas shall not enter the limited-access area at any time for any reason. An individual in the limited-access area who is not employed by the Business shall be escorted by individuals employed by the Licensee at all times within the limited-access area. An individual who enters the limited-access areas shall be at least 21 years of age. The Licensee shall maintain a log of all authorized individuals that enter the limited-access area and are not employees. DCR may request that the Licensee provide DCR with access to the logs. A Licensee shall not receive consideration or compensation for permitting an individual to enter the limited-access area. (Violation Type – Moderate)

20. The Licensee shall be responsible for monitoring both patron and employee conduct on the Business Premises and within the parking areas under their control to assure behavior does not adversely affect or detract from the quality of life for adjoining residents, property owners, and businesses. The Licensee shall properly manage the Business Premises to discourage illegal, criminal, or nuisance activity on the Business Premises and any parking areas which have been made available or are commonly utilized for patron or employee parking. Loitering is prohibited on or around the Business Premises or the area under control of the Business. "No Loitering, Public Drinking, or Public Smoking/ Consumption of Cannabis" signs shall be posted in and outside of the Business Premises. The property and all associated parking, including the adjacent area under the control of the Licensee and any sidewalk or alley, shall be maintained in an attractive condition and shall be kept free of obstruction, trash, litter, and debris at all times. (Violation Type – Moderate)

21. All graffiti on the site shall be removed or painted over to match the color of the surface to which it is applied within 24 hours of its occurrence. (Violation Type – Minor)

22. Trash pick-up, compacting, loading, and unloading and receiving activities at the Business Premises shall be limited to 7:00 a.m. to 6:00 p.m. Monday through Friday and 10:00 a.m. to 4:00 p.m. on Saturday. No deliveries or trash pick-up shall

occur on Sunday. Waste receptacles shall be kept secure and accessible only to authorized personnel. (Violation Type – Minor)

23. No special events or parties of any type shall be held at the Business Premises, including, but not limited to, events for which a Temporary Special Event Permit has been issued by the Building and Safety Commission or any other city Department. (Violation Type – Moderate)

24. Outdoor lighting shall be shielded and directed onto the site, such that the light source cannot be seen by persons on adjacent properties or from the public right-of-way. In cases where the Business Premises immediately adjoins a public sidewalk or alley, a light source that is visible from the portion of the sidewalk or alley immediately adjoining the Business Premises shall not be deemed in violation of this provision. (Violation Type – Minor)

25. All exterior portions of the Business Premises shall be adequately illuminated in the evening as to make discernible the faces and clothing of persons utilizing the space. (Violation Type – Minor)

26. All rooftop equipment located at the Business Premises is required to be screened from view of the public, including air conditioning units, ventilation equipment, and mechanical equipment. (Violation Type –Minor)

27. Exterior mounted devices are prohibited, including security bars, grates, grills, barricades, and similar devices. The use of wrought iron spears and barbed wire (cyclone) on the Business Premises are also prohibited. (Violation Type – Minor)

28. An assigned Neighborhood Liaison shall be identified with a phone number and email address posted prominently for each Business Premises to address and receive complaints. (Violation Type – Minor)

29. A Licensee shall ensure that the DCR is notified in writing of a criminal conviction rendered against the Licensee, either by mail or electronic mail, within 48 hours of the conviction. A Licensee shall ensure that the DCR is notified in writing of a civil penalty or judgment rendered against the Licensee, either by mail or electronic mail, within 48 hours of delivery of the verdict or entry of judgment, whichever is sooner. A Licensee shall ensure that the DCR is notified in writing of the revocation of a state license, permit, or other local authorization, either by mail or electronic mail within 48 hours of receiving notice of the revocation. (Violation Type – Minor)

30. A Licensee shall notify the DCR within 24 hours of discovery of any of the following situations:

(a) The Licensee discovers a significant discrepancy in its inventory;

(b) The Licensee becomes aware of or has reason to suspect diversion, theft, loss, or any other criminal activity pertaining to the operation of the Licensee's business;

(c) The Licensee becomes aware of or has reason to suspect diversion, theft, loss, or any other criminal activity by an agent or employee pertaining to the operation of the Licensee's business;

(d) The Licensee becomes aware of or has reason to suspect the loss or unauthorized alteration of records related to cannabis goods, registered medical cannabis patients or primary caregivers, or dispensary employees or agents; or

(e) The Licensee becomes aware of or has reason to suspect any other breach of security. (Violation Type – Moderate)

31. Effective April 1, 2018, a Licensee may only transact Commercial Cannabis business with a Person who possesses a state license for Commercial Cannabis Activity. (Violation Type – Moderate)

32. Failure to fully cooperate with inspections, investigations or audits is a Serious Violation subject to enforcement.

33. A Licensee, its employees, agents, and officers must obey all applicable labor laws of the State of California and the City of Los Angeles. (Violation Type – Serious)

B. Records Retention

1. Each Licensee shall keep and maintain the following records for at least seven years:

(a) Financial records including, but not limited to, bank statements, sales invoices, receipts, tax records, and all records required by the California State Board of Equalization, other State of California agencies, the Office of Finance, or the DCR;

(b) Personnel records, including each employee's full name, social security, or individual tax payer identification number, date of beginning employment, and date of termination of employment if applicable;

(c) Training records, including, but not limited to, the content of the training provided and the names of the employees that received the training; contracts with other Licensees;

(d) Permits, licenses, and other local or state authorizations to conduct Commercial Cannabis Activity. (Violation Type – Serious)

2. The DCR or Office of Finance may make any examination of the books and records of any Licensee as it deems necessary to perform its duties. Records shall be kept in a manner that allows the records to be produced for the DCR at the Business Premises in either hard copy or electronic form, whichever the DCR requests. A Licensee may contract with a third party to provide custodial or management services of the records. Such a contract shall not relieve the Licensee of his or her responsibilities under the Rules and Regulations. (Violation Type – Serious)

3. A Licensee must maintain adequate records of all activities and transactions that involve financial implications for seven years. Such Licensees are required to utilize electronic Track and Trace Systems and point of sale terminals (if applicable). The equipment must be capable of recording and monitoring business activities, inventories, transportation, sales transactions, and generating reports on demand. The equipment must be fully integrated to process and maintain data that includes information about any business from whom the goods were received, the type and amount of goods received, the party who holds title to the goods, and the unique identifiers or lot number of the goods. Electronic equipment may include, but is not limited to:

(a) Radio-Frequency Identification Devices;

(b) Bar code identifiers;

(c) Scanning equipment and software;

(d) Cash registers;

(e) Desktop computers;

(f) Mobile devices; and

(g) Cloud-based technologies that can manage all aspects of the cannabis life cycle from "seed to sale."

Data storage and reporting features must incorporate all aspects of revenue transactions inclusive of accurate inventory levels, transactional history, sales receipts and entry of all point of sales data inclusive of wholesale and retail sales. The data must also allow for the DCR or its authorized agents to clearly distinguish the activities of medical Cannabis from non-medical Cannabis. For Licensees engaging in Retailer Commercial Cannabis Activity, information required to be tracked includes the sale of the Cannabis Goods, such as the date of sale, type of goods purchased and quantity of each good, and related sale prices. For Licensees engaging in Distributor Commercial Cannabis Activity, the Licensee must disclose when it uses its own Distributor License to transport the Cannabis Goods to one or more Licensees conducting Retailer Commercial Cannabis Activity and enter that transport event into the Track and Trace System database. This information includes the distributor state license number,

amount of goods transported, vehicle information, and date of transport. (Violation Type – Serious)

C. Track and Trace System

The DCR shall utilize the State of California Track and Trace System for unique identifiers of cannabis and cannabis products, which all Licensees conducting Commercial Cannabis Activity shall use. Licensees shall meet all Track and Trace System requirements of the State of California at all times. (Violation Type – Serious)

D. Retailer Commercial Cannabis Activity

1. Except as otherwise provided by state law, access to the Business Premises shall be limited to individuals who are at least 21 years old and have a bona fide business reason for entering the Business Premises. An individual younger than 21 years of age may enter the Business Premises to purchase medical cannabis goods only if the individual is a medical cannabis patient. Any medical cannabis patient younger than 18 years old shall be accompanied by his or her parent, legal guardian, or primary caregiver. (Violation Type – Serious)

2. Individuals shall only be granted access to the area to purchase medical cannabis goods after the Licensee has identified the individual as a medical cannabis patient or a primary caregiver. Prior to identifying an individual as a medical cannabis patient or a primary caregiver, a Licensee shall verify that the individual has valid proof of identification as required by the State of California. In the case of a primary caregiver, valid written documentation containing the signature and the printed name of the medical cannabis patient designating the individual as a primary caregiver for a medical cannabis patient is required. A Licensee shall only sell medical cannabis goods to medical cannabis patients or the primary caregivers of medical cannabis patients once identification is verified. (Violation Type – Serious)

3. The Licensee or its employees shall be physically present in the retail area at all times when there are individuals who are not employees of the Licensee in the retail area. (Violation Type – Moderate)

4. A Licensee conducting Retailer Commercial Cannabis Activity may only sell cannabis goods during the hours required by the State of California Code of Regulations Title 16, Division 42, Chapter 3, Section 5403. At any time the Licensee is not open for retail sales, the Licensee shall ensure the following: the Business Premises shall be securely locked with commercial-grade, non-residential door locks; the Business Premises shall be equipped with an active alarm system; when closed for retail business, all cannabis goods shall be stored in a locked safe or vault on the Business Premises; and only authorized employees and contractors of the Licensee shall be allowed to enter the Business Premises after hours. All patrons must exit the Business Premises 15 minutes after closing. (Violation Type – Moderate)

5. The display of Cannabis goods shall comply with the following:

(a) Cannabis goods for inspection and sale shall only be displayed in the retail area.

(b) The retailer shall not display Cannabis goods in a place where it is visible from outside the licensed premises.

(c) Cannabis goods may be removed from their packaging and placed in containers to allow for customer inspection. The containers shall not be readily accessible to customers without assistance of retailer personnel. A container must be provided to the customer by the retailer or its employees, who shall remain with the customer at all times that the container is being inspected by the customer.

(d) Cannabis goods removed from their packaging for display shall not be sold, shall not be consumed, and shall be destroyed pursuant to Regulation 5054 of Title 16, Div. 42 of the California Code of Regulations, as currently defined or as may be amended, when the cannabis goods are no longer used for display. (Violation type – Moderate)

6. A Licensee shall not make any cannabis goods available for sale or delivery unless the cannabis goods were received and delivered to the Licensee, as required by the State of California, and the Licensee has verified that the cannabis goods have not exceeded their expiration or sell-by date, if one is provided. (Violation Type – Moderate)

7. A Licensee shall not sell more than the maximum daily limit established for medical cannabis goods, including edibles, or adult use cannabis goods including edibles per individual, as required by the State of California. (Violation Type – Moderate)

8. A Licensee may accept returns of cannabis goods that were previously sold at the same Business Premises. A Licensee shall not resell cannabis goods that have been returned. A Licensee shall treat any cannabis goods abandoned on the Business Premises as a return. A Licensee shall destroy all cannabis goods that have been returned to a Licensee, as required by the State of California and the DCR. (Violation Type – Moderate)

9. A Licensee shall not provide free samples of any type, including cannabis goods, to any person. A Licensee shall not allow representatives of other companies or organizations to provide free samples of any type, including cannabis goods, to individuals on the Business Premises. (Violation Type – Moderate)

10. A Licensee shall not accept cannabis goods unless they are packaged as they will be sold at final sale, in compliance with the requirements of the State of California. A Licensee shall not purchase dried flower that is not already packaged for final sale, in compliance with the requirements of the State of California. A retailer shall

not package or label cannabis goods, unless otherwise allowed by the State of California. (Violation Type – Moderate)

11. Cannabis goods purchased by a customer shall not leave the Business Premises unless they are placed in an exit package, as required by the State of California. (Violation Type – Moderate)

12. A Licensee shall store cannabis goods in a building designed to permit control of temperature and humidity and shall prevent the entry of environmental contaminants such as smoke and dust. The area in which cannabis goods are stored shall not be exposed to direct sunlight. A Licensee may not store cannabis goods outdoors. Employee break rooms, changing facilities, and bathrooms shall be completely separated from the storage areas. A Licensee shall meet all temperature and humidity requirements of the State of California. (Violation Type – Moderate)

13. A Licensee shall maintain an accurate record of its inventory as required by the State of California. Upon request, a Licensee shall provide the DCR with a record of its current inventory. (Violation Type – Moderate)

14. A Licensee shall maintain an accurate record of every sale, as required by the State of California. (Violation Type – Minor)

15. Up to 120 days after the date of City licensure or April 1, 2018, whichever is sooner, a Licensee may sell its inventory of untested cannabis goods if the Licensee places a label on each package it sells with the date of purchase and the following statement: "This product has not been tested under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA)." During the time period allowed by this section, a Licensee shall meet all applicable packaging requirements required by the State of California. (Violation Type – Serious)

16. Within the first three months of the establishment of the training program, all employees of a Licensee conducting Retailer Commercial Cannabis Activity shall enroll in the DCR and Police Department's standardized training for cannabis retailers. Upon completion of such training, the Licensee shall request the DCR to issue a letter identifying which employees completed the training. The training shall be conducted for all new hires within two months of their employment. A refresher course is required of all employees every 24 months after the initial training is completed. Online or in-person training is at the discretion of the DCR and Police Department. (Violation Type – Moderate)

17. An electronic age verification device shall be purchased and retained on the premises to determine the age of any individual attempting to purchase cannabis goods and shall be installed on at each point-of-sales location. The device shall be maintained in operational condition and all employees shall be instructed in its use. Cannabis products shall not be sold to the public without a functioning electronic age verification device. (Violation Type – Moderate)

18. Only one door, as identified in the Business Premises diagram, shall be used for patron access. Two doors, as identified in the Business Premises diagram, may be used for patron access to allow for separation of medical and adult use sales. All other doors shall be equipped on the inside with an automatic locking device and shall be kept closed at all times, other than to permit access for deliveries and trash removal. Exterior doors shall not consist of a screen or ventilated security door but shall be solid. (Violation Type – Moderate)

19. There shall be no sales through exterior openings, such as drive through or walk-up windows. (Violation Type – Serious)

20. All windows that front adjacent streets shall consist of at least 50 percent transparent windows, and provide a clear and unobstructed view free of reflective coatings. (Violation Type – Moderate)

21. There shall be no adult entertainment of any type pursuant to LAMC Section 12.70 or alcohol or tobacco sales of any type. (Violation Type – Moderate)

22. No entertainment of any type shall be allowed to take place, except for ambient music. No disc jockey, karaoke, dancing or performing activity or any kind shall be allowed. Any music, sound, or noise emitted from the Business Premises shall comply with the noise regulations of the LAMC and shall not extend beyond the Business Premises. (Violation Type – Moderate)

23. There shall be no pool/billiard tables, dart games, video games, coin-operated game machines or similar game devices maintained upon the Business Premises at any time. (Violation Type – Minor)

24. There shall be no outdoor speakers, address, or paging system on the exterior portions of the Business Premises or attached to the façade of the building. (Violation Type – Moderate)

25. A Licensee shall maintain a fire-proof safe on-site. (Violation Type – Moderate)

E. Delivery for Retailer Commercial Cannabis Activity

1. A Licensee conducting Delivery for Retailer Commercial Cannabis Activity shall meet all applicable operational requirements for Retailer Commercial Cannabis Activity. (Violation Type – Minor)

2. All deliveries of cannabis goods must be performed by a delivery employee of a Licensee conducting Delivery for Retailer Commercial Cannabis Activity. Each delivery employee of a Licensee shall be at least 21 years of age. Only authorized employees of the Licensee can be in the delivery vehicle during the time of delivery. A Licensee may use the services of an independent contractor or courier service to deliver

cannabis goods if the State of California permits this type of delivery method. (Violation Type – Moderate)

3. All deliveries of cannabis goods shall be made in person, pre-ordered, packaged for sale, labeled, and placed in exit packaging prior to being dispatched for delivery. A delivery of cannabis goods shall not be made through the use of an unmanned vehicle. A Licensee may only deliver cannabis goods to a physical address within the boundaries of the City of Los Angeles. A Licensee may only deliver outside of the City of Los Angeles with the approval of DCR and the affected jurisdiction. A Licensee shall not deliver cannabis goods to an address located on publicly owned land or any address on land or in a building leased by a public agency. (Violation Type – Moderate)

4. Electronic age verification shall be utilized to determine the age of any individual attempting to purchase Cannabis goods for delivery and shall be required at each point-of-sales location. All employees shall be instructed in its use. Cannabis products shall not be sold to the public without electronic age verification. (Violation Type – Moderate)

5. A delivery employee begins the process of delivering when the delivery employee leaves the Business Premises with the cannabis goods for delivery. The process of delivering ends when the delivery employee returns to the Business Premises after delivering the cannabis goods. (Violation Type – Minor)

6. A delivery employee of a Licensee shall, during deliveries, carry a copy of the Licensee's License, the employee's government-issued identification, and an employer provided badge containing a picture and the name of the delivery employee. A Licensee shall maintain an accurate list of its delivery employees. (Violation Type – Minor)

7. A delivery employee of a Licensee, carrying cannabis goods for delivery, shall only travel in an enclosed motor vehicle operated by the delivery employee or another delivery employee of the Licensee. While carrying cannabis goods for delivery, a delivery employee of a Licensee shall ensure the cannabis goods are not visible to the public. A delivery employee of a Licensee shall not leave cannabis goods in an unattended motor vehicle unless the motor vehicle is equipped with an active vehicle alarm system. A vehicle used for the delivery of cannabis goods shall be outfitted with a dedicated Global Positioning System (GPS) device for identifying the geographic location of the delivery vehicle. A dedicated GPS device does not include a phone or tablet. The device shall be either permanently or temporarily affixed to the delivery vehicle and shall remain active and inside of the delivery vehicle at all times during delivery. At all times, the Licensee shall be able to identify the geographic location of all delivery vehicles that are making deliveries for the Licensee and shall provide that information to the DCR upon request. (Violation Type – Serious)

8. A Licensee shall only deliver cannabis goods during the hours approved by the State of California. (Violation Type – Serious)

9. While making deliveries, a delivery employee of a Licensee shall not carry cannabis goods in excess of $3,000 at any time. This value shall be determined using the retail price of all cannabis goods carried by the delivery employee. (Violation Type – Moderate)

10. Delivery employees of a Licensee shall not consume cannabis goods or be under the influence of any substance that impairs the ability of the employee while delivering cannabis goods. (Violation Type – Serious)

11. A Licensee shall prepare a delivery request receipt for each delivery of cannabis goods, as required by the State of California. (Violation Type – Minor)

12. While making deliveries of cannabis goods, a delivery employee of a Licensee shall only travel from the Business Premises to the delivery address; from one delivery address to another delivery address; or from a delivery address back to the Business Premises. A delivery employee of a Licensee shall not deviate from the delivery path, except for necessary rest, fuel, or vehicle repair stops, or because road conditions make continued use of the route unsafe, impossible, or impracticable. (Violation Type – Minor)

13. No person shall conduct any deliveries within the boundaries of the City of Los Angeles without first obtaining the required License from the DCR. Furthermore, no Licensee is authorized to provide delivery services outside of the City of Los Angeles under a License issued by the DCR, unless authorized by the jurisdiction where the delivery is to be made. (Violation Type – Serious)

14. A Licensee shall notify the DCR in writing of an arrest or criminal conviction of an employee involving a delivery vehicle either by mail or electronic mail, within 48 hours of the conviction or arrest. (Violation Type – Minor)

15. A Licensee shall maintain a fire-proof safe on-site. (Violation Type – Moderate)

16. On the first of every month and upon request, a Licensee shall provide the DCR with information regarding any motor vehicles used for the delivery of cannabis goods, including the vehicle's make, model, color, Vehicle Identification Number, and license plate number. Any motor vehicle used by the Licensee to deliver cannabis goods may be inspected by the DCR at a Business Premises or during delivery. (Violation Type – Moderate)

F. Microbusiness Commercial Cannabis Activity Requirements

1. A Licensee conducting Microbusiness Commercial Cannabis Activity shall meet all applicable operational requirements for Retailer Commercial Cannabis Activity, Cultivation Commercial Cannabis Activity, Distributor and/or Manufacture Commercial Cannabis Activity. (Violation Type – Minor)

2. All windows that front adjacent streets shall consist of at least 50 percent transparent windows and provide a clear and unobstructed view free of reflective coatings (Violation Type – Moderate)

G. Cultivation Commercial Cannabis Activity

1. The Cultivation Plan for a Licensee shall meet all the requirements of the State of California, including hazardous waste management requirements of the CUPA program. (Violation Type – Minor)

2. Licensees are prohibited from transferring or receiving any cannabis or non-manufactured cannabis products from other Licensees conducting Cultivation Commercial Cannabis Activity, except as otherwise allowed by the State of California. Licensees are allowed to receive immature plants or seeds from nurseries and to transfer cannabis and non-manufactured cannabis products under the requirements of the State of California. (Violation Type – Moderate)

3. Licensees are prohibited from accepting returns of cannabis plants or non-manufactured cannabis products after transferring actual possession of cannabis plants or non-manufactured cannabis to another Licensee. (Violation Type – Moderate)

4. Cannabis plant material scheduled for destruction shall be held in a holding area identified in the Cultivation Plan and shall be managed and disposed of in accordance with the requirements of the State of California. (Violation Type – Moderate)

5. All cannabis shall be kept commercially clean in respect to established pests of general distribution, as required by the State of California. (Violation Type – Moderate)

6. A package used to contain a non-manufactured cannabis product shall adhere to the requirements of the State of California. (Violation Type – Moderate)

7. All labeling shall meet the requirements of the State of California. (Violation Type – Serious)

8. Licensees shall only propagate immature plants for planting at their Business Premises in designated propagation area(s) according to the requirements of the State of California. Licensees propagating immature plants for distribution or seed for

distribution to another Licensee shall obtain a Type 4 License. (Violation Type – Moderate)

9. Licensees shall process their cannabis, as required by the State of California. (Violation Type – Moderate)

10. Nurseries producing immature plants for distribution may maintain a research and development area for the cultivation of mature plants, as required by the State of California. Nurseries shall only conduct research and development on the Business Premises in designated areas identified in their Cultivation Plan and Business Premises diagram approved by the DCR. Non-manufactured cannabis products derived from the plants described above are prohibited from entering the commercial distribution chain without the appropriate DCR issued License. (Violation Type – Moderate)

11. Processors shall comply with all of the requirements of the State of California. (Violation Type – Moderate)

12. All Licensees shall comply with the environmental protection measures of the State of California. (Violation Type – Moderate)

13. Indoor license types of all sizes shall ensure that electrical power used for commercial cannabis activity shall meet the requirements of the State of California. (Violation Type – Moderate)

14. A Licensee shall comply with all requirements of a fire safety plan approved by the Fire Department. (Violation Type – Moderate)

H. Manufacture Commercial Cannabis Activity Requirements

1. Cannabis extraction shall only be conducted using the methods approved by the State of California. (Violation Type – Serious)

2. The Licensee shall establish and implement written procedures with respect to disease control, cleanliness, contamination prevention, sanitary operations, quality control, the quality of raw materials and ingredients, manufacturing operations, master manufacturing protocol, hazard analysis, standard operating procedures, and inventory control plan, as required by the State of California. (Violation Type – Moderate)

3. A Licensee shall comply with all requirements of a fire safety plan approved by the Fire Department. (Violation Type – Moderate)

4. Within the first three months of the establishment of the training program, all employees of a Licensee conducting Manufacturer Commercial Cannabis Activity (Type 7-Manufacturer 2) shall enroll in the DCR and Police Department's standardized training for cannabis manufacturers. Upon completion of such training, the Licensee shall

request the DCR to issue a letter identifying which employees completed the training. The training shall be conducted for all new hires within two months of their employment. A refresher course is required of all employees every 24 months after the initial training is completed. Online or in-person training is at the discretion of the DCR and Police Department. (Violation Type – Moderate)

5. At minimum, a Licensee will meet all facility suitability standards and be equipped with adequate sanitary accommodations, as required by the State of California. (Violation Type – Moderate)

6. The Licensee shall establish and implement written procedures to ensure that all product complaints are handled in accordance with the requirements of the State of California. (Violation Type – Moderate)

7. A Licensee shall establish and implement written procedures in the Cannabis Waste Management Plan for recalling cannabis products manufactured by the Licensee that are determined to be misbranded or adulterated in accordance with the requirements of the State of California. (Violation Type – Serious)

8. The Licensee shall be subject to and meet all manufacturer requirements of the State of California. (Violation Type – Moderate)

9. No cannabis product shall exceed the level of contaminants, as required by the State of California. (Violation Type – Serious)

10. Prior to release of a product, a Licensee shall ensure that the product is in finished form and is labeled and packaged in its final form for retail sale. A Licensee must comply with, and follow all labeling and packaging requirements of the State of California. (Violation Type – Moderate)

I. Testing Commercial Cannabis Activity Requirements

1. A Licensee shall develop and implement sampling plans, procedures, and protocols that meet the requirements of the State of California for obtaining samples of cannabis goods. (Violation Type – Moderate)

2. A Licensee shall develop, implement, and maintain written standard operating procedures and scientifically valid testing methodologies, as required by the State of California. (Violation Type – Moderate)

3. A Licensee shall only use metals, butane, propane, or any other flammable solvent or inflammable product for the purposes of testing, as required by the State of California. (Violation Type – Serious)

4. A Licensee shall test for and report measurements for the cannabinoids, as required by the State of California. (Violation Type – Serious)

5. A Licensee shall analyze samples of manufactured cannabis batches for residual solvents and processing chemicals, as required by the State of California. (Violation Type – Serious)

6. A Licensee shall test all samples for residual pesticides, microbiological impurities, mycotoxins, filth and foreign material present, and concentrations of heavy metals, as required by the State of California. (Violation Type – Serious)

7. The Licensee shall generate a certificate of analysis, as required by the State of California. (Violation Type – Serious)

8. A Licensee shall destroy nonhazardous used or unused cannabis test samples, as required by the State of California. (Violation Type – Moderate)

9. A Licensee shall conduct an internal audit at least once per year or according to the ISO accrediting body's requirement and State of California requirements, whichever is more frequent. (Violation Type – Moderate)

10. A Licensee shall maintain analytical testing laboratory records, as required by the State of California. (Violation Type – Moderate)

11. Laboratory employees shall meet the experience, education, and training requirements specified and required by the State of California. A Licensee shall verify and maintain documentation of qualifications of its employees. (Violation Type – Serious)

12. A Licensee shall deter the unauthorized entrance into areas within the laboratory where cannabis is present by controlling access to those areas through all of the following:

(a) Limiting access to only certain personnel and for the sole purpose of executing their specific job function and duties;

(b) Implementing an access-control-card system capable of preventing unauthorized access through access control points. The system must record the transaction history of all entrants;

(c) Using a security alarm system as required; and

(d) Maintaining a visitor arrival and departure log, which must contain, at minimum, the name of the visitor, date and time of arrival and departure, and the purpose of the visit. (Violation Type – Moderate)

13. A Licensee shall store cannabis in a room or cabinet, secured with a commercial-grade lock, capable of preventing diversion, theft, and loss. Secured areas must be locked at all times except when managing or retrieving a secured item or items.

A Licensee shall store medical cannabis samples and items apart and away from non-medical-cannabis samples and items. The testing laboratory shall designate secured areas for storage, as required by the State of California. (Violation Type – Moderate)

14. Licensee shall store all raw unprocessed instrument output data files and processed quantitation output files at the laboratory on some form of electronic, magnetic, or optical media. A Licensee shall allow access to these records for inspection and audit by the DCR. Licensees shall install, manage, and maintain password-protection for electronically stored data, including the data listed. (Violation Type – Serious)

15. Licensees shall notify the DCR within 24 hours of discovering any of the following: A loss of 5 percent or more of the inventory of unpackaged and unused harvest-batch samples held at the laboratory; a loss of one or more units of packaged cannabis batch samples held at the laboratory; or diversion or theft of medical cannabis or any other criminal activity pertaining to the operation of the laboratory. (Violation Type – Minor)

16. No owner or employee of a Licensee may be employed by, or have any ownership or financial interest, in any other category of Commercial Cannabis Activity. (Violation Type – Serious)

J. Distributor Commercial Cannabis Activity Requirements

1. A Licensee conducting Distributor Commercial Cannabis Activity must meet all operational requirements of the State of California. (Violation Type – Minor)

Regulation No. 11. Renewals and Cancellations.

1. The DCR shall develop a License renewal form which shall contain, at a minimum, the following:

(a) The first and last name of the individual(s) listed as Licensees;

(b) If the Licensee is a business entity, the Licensee seeking renewal shall list its legal business name;

(c) The License number and expiration date;

(d) The Licensee's address of record and Business Premises address;

(e) An attestation that all information provided to the DCR in the original application is accurate and current, or a detailed explanation of any changes or discrepancies.

2. The DCR and its agents may conduct an on-site inspection prior to issuing a renewal License in accordance with the requirements of the DCR.

3. A Licensee seeking renewal must be current on all City of Los Angeles taxes, fees, and free of any violations before a renewal will be considered by the DCR.

Regulation No. 12. Administrative Violations, Penalties and Appeals.

The DCR shall be the lead agency for any enforcement investigations and actions with respect to Article 4 of Chapter X of the LAMC and these Rules and Regulations.

A. Violations

1. Notwithstanding any other provision of law, the DCR may take an administrative action at any time within five years after the DCR discovers any violation of the License requirements. Any action of the DCR does not preclude an enforcement agency from taking its own enforcement action.

2. The DCR shall use the violation classes and applicable amounts specified in LAMC Section 104.13 and follow the procedure outlined in LAMC Section 104.13 to collect the administrative fines.

B. Administrative Appeals

1. The DCR shall provide an administrative appeal form which shall include, at a minimum, the following:

(a) The respondent's name, mailing address, and daytime phone number;

(b) If applicable, the License number issued by the DCR;

(c) A clear and concise statement for the basis of the appeal;

2. The notice of the administrative appeal hearing shall contain, at a minimum, the following information:

(a) Date, location, and time of the administrative appeal hearing;

(b) Summary of the violations; and

(c) Any other information or documentation necessary for the hearing.

3. In exigent circumstances where a violation poses an immediate and serious threat to public safety, the DCR may take corrective action prior to an administrative appeal hearing. If the Licensee holds multiple Licenses, the DCR may simultaneously suspend or impose conditions upon some or all of the Licenses held by the Licensee

based on violations noted as "Serious, by taking any one of, or combination of, the following actions: suspension of the license for a specified period of time; more restrictive conditions of compliance with terms and conditions determined by the DCR; or order an administrative hold of cannabis or cannabis products.

4. If a License is revoked at an administrative appeal hearing or after the appeals process has been exhausted, the owner or individual shall not be allowed to apply to open a business conducting Commercial Cannabis Activity for a period of 5 years after the date of revocation.

5. Administrative fines shall be assessed in accordance with LAMC Section 104.13(b).

Regulation No. 13. Social Equity Program.

1. "Disproportionately Impacted Area" in LAMC Section 104.20 means the following:

Disproportionately Affected Police Reporting Districts (Police Reporting Districts with a High and Very High Number of Cannabis Arrests [Greater than 1.5 Standard Deviations from City Average] and Percentage of Low Income Households Greater Than or Equal to 50 Percent).

Police Reporting District	Area Description	Zip Code(s)^	Individual Cannabis Related Arrests	Percent Low Income Households	Percent People of Color
Citywide Mean Reporting District Values †			72	43	69
Council District 1					
245	MacArthur Park	90057	427	73	93
Council District 8					
397*	Vermont Square	90037, 90062	525	74	98
1822	Broadway-Manchester	90003	470	73	99
1842	Broadway-Manchester	90061	468	73	99
1844*	Green Meadows	90059, 90061	444	77	99
Council District 9					
1258	Florence	90003	632	79	99
397*	Vermont Square	90037, 90062	525	74	98
1269	Florence	90001, 90003	424	81	99
1259	Florence	90001, 90003	367	68	99
1345	Central-Alameda	90011	366	70	99
Council District 10					
363	Baldwin Hills/Crenshaw	90008, 90016	421	51	97
Council District 14					
156	Downton (San Julian Park)	90013	1,426	90	81
155	Downtown (Skid	90013	595	93	75

Police Reporting District	Area Description	Zip Code(s)^	Individual Cannabis Related Arrests	Percent Low Income Households	Percent People of Color
	Row)				
166	Downtown (Skid Row)	90014	521	90	81
157	Downtown (Skid Row)	90013, 90014, 90021	370	88	82
Council District 15					
1844*	Green Meadows	90059, 90061	444	77	99
1846	Watts	90059	431	77	99
1849	Watts	90059	386	71	98

† Citywide values reflect the average count of cannabis-related arrests by police reporting district derived from LAPD data along with average percentage of low income households and average distribution of the population by race/ethnicity by police reporting district derived from U.S. Census data
**When a police reporting district spans multiple Council District boundaries, it is listed under each Council District it overlaps.*
^Zip codes encompass more area than police reporting districts. Thus, areas not disproportionately impacted would be included in a zip code. Additionally, some police reporting district overlap multiple zip code boundaries. When this occurs, all zip codes overlapped are included.

Police Reporting District	Area Description	Zip Code(s)^	Individual Cannabis-Related Arrests	Percent Low Income Households	Percent People of Color
Citywide Mean Reporting District Values †			72	43	69
Council District 8					
1266*	Vermont Knolls	90044, 90003	346	78	99
1241	Hyde Park	90043	286	68	99
392	Hyde Park/Crenshaw	90043, 90062	283	71	97
1256*	Vermont Knolls	90044, 90003	269	70	99
1249*	Vermont-Slauson	90044, 90003	266	68	99
1203	Vermont Square	90062	259	70	98
1802	Broadway-Manchester	90003	253	67	99
Council District 9					
1266*	Vermont Knolls	90044, 90003	346	78	99
398	Vermont Square	90037	325	72	98
1268	Florence	90003	282	78	99
1256*	Vermont Knolls	90044, 90003	269	70	99
1249*	Vermont-Slauson	90044, 90003	266	68	99
1367	Central Alameda	90058, 90011	244	80	99
Council District 10					
362	Baldwin Hills/Crenshaw	90008, 90016	339	68	99
361	Baldwin Hills/Crenshaw	90008, 90016	270	72	99
Council District 13					
649	East Hollywood	90027	242	67	63
Council District 14					
147	Downtown	90013	351	95	73
467	Boyle Heights	90033	272	74	98

Police Reporting District	Area Description	Zip Code(s)^	Individual Cannabis Related Arrests	Percent Low Income Households	Percent People of Color
Council District 15					
1837	Watts	90059, 90002	298	82	99

† Citywide values reflect the average count of cannabis-related arrests by police reporting district derived from LAPD data along with average percentage of low income households and average distribution of the population by race/ethnicity by police reporting district derived from U.S. Census data
**When a police reporting district spans multiple Council District boundaries, it is listed under each Council District it overlaps.*
^Zip codes encompass more area than police reporting districts. Thus, areas not disproportionately impacted would be included in a zip code. Additionally, some police reporting district overlap multiple zip code boundaries. When this occurs, all zip codes overlapped are included.

Sec. 2. **URGENCY CLAUSE.** The City finds and declares that this ordinance is required for the immediate protection of the public peace, health and safety for the following reasons: As documented in, among other places, case law and the legislative histories of cannabis regulations in the City, the proliferation of unauthorized cannabis businesses, with the attendant crime and negative secondary impacts, poses a current and immediate threat to the public welfare; that despite aggressive enforcement by the office of the City Attorney, an unknown number of unauthorized cannabis businesses, including growers, delivery apps and delivery services, continue to open, close, and reopen within the City, and the proliferation of these unauthorized businesses has led to increased crime and negative secondary impacts in neighborhoods, including, but not limited to, violent crimes, robberies, the distribution of tainted marijuana, and the diversion of marijuana; that with State licenses for retail sales of cannabis, including nonmedical cannabis, becoming available in 2018, a comprehensive regulatory and enforcement system is required to protect the public and consumers of cannabis from the aforementioned crime and negative secondary impacts on the City's communities; that the passage of the 2016 Adult Use of Marijuana Act has created confusion about the legality of commercial cannabis activity in the City in the absence of a comprehensive local regulatory and enforcement system, with certain businesses selling or distributing nonmedical cannabis to the public despite lacking the proper authorization from the State or City to do so; that the State's issuance of licenses to businesses in other, nearby jurisdictions in the absence of a comprehensive local regulatory and enforcement program in the City of Los Angeles would create further confusion and potentially lead to the further proliferation of unauthorized cannabis businesses in the City; and that this further proliferation would result in that threat to the public welfare. For all of these reasons, this ordinance shall become effective upon publication pursuant to Section 253 of the Los Angeles City Charter.

Sec. 3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By _____
DAVID MICHAELSON
Chief Assistant City Attorney

Date December 5, 2017

File No. _____

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I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles, **by a vote of not less than three-fourths** of all of its members.

CITY CLERK

MAYOR

Ordinance Passed 12/06/2017

Approved 12/13/2017

Published Date: 12/19/2017
Ordinance Effective Date: 12/19/2017
Council File No.: 17-0653,14-0366-S5