

**SUBSTITUTE FOR
SENATE BILL NO. 1262**

A bill to amend 2016 PA 281, entitled
"Medical marihuana facilities licensing act,"
by amending sections 102, 207, 301, 305, 401, 402, 406, 407, 409,
and 702 (MCL 333.27102, 333.27207, 333.27301, 333.27305, 333.27401,
333.27402, 333.27406, 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-APPLICANT INCLUDES, WITH~~ respect to
6 disclosures in an application, ~~or-for~~ purposes of ineligibility for
7 a license under section 402, ~~the term applicant includes an~~
8 ~~officer, director, and managerial employee of the applicant and a~~
9 ~~person who holds any direct or indirect ownership interest in the~~
10 ~~applicant.~~ **OR FOR PURPOSES OF PRIOR BOARD APPROVAL OF A TRANSFER OF**
11 **INTEREST UNDER SECTION 406, AND ONLY FOR APPLICATIONS SUBMITTED ON**
12 **OR AFTER JANUARY 1, 2019, A MANAGERIAL EMPLOYEE OF THE APPLICANT, A**
13 **PERSON HOLDING AN INDIRECT OWNERSHIP INTEREST OF 10% OR MORE IN THE**
14 **APPLICANT, AND THE FOLLOWING FOR EACH TYPE OF APPLICANT:**

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

17 (ii) **FOR A PARTNERSHIP AND LIMITED LIABILITY PARTNERSHIP: ALL**
18 **PARTNERS AND THEIR SPOUSES. FOR A LIMITED PARTNERSHIP AND LIMITED**
19 **LIABILITY LIMITED PARTNERSHIP: ALL GENERAL AND LIMITED PARTNERS,**
20 **NOT INCLUDING A LIMITED PARTNER HOLDING A DIRECT OR INDIRECT**
21 **OWNERSHIP INTEREST OF LESS THAN 10% AND WHO DOES NOT EXERCISE**
22 **CONTROL OVER OR PARTICIPATE IN THE MANAGEMENT OF THE PARTNERSHIP,**
23 **AND THEIR SPOUSES. FOR A LIMITED LIABILITY COMPANY: ALL MEMBERS AND**
24 **MANAGERS, NOT INCLUDING A MEMBER HOLDING A DIRECT OR INDIRECT**
25 **OWNERSHIP INTEREST OF LESS THAN 10% AND WHO DOES NOT EXERCISE**
26 **CONTROL OVER OR PARTICIPATE IN THE MANAGEMENT OF THE COMPANY, AND**
27 **THEIR SPOUSES.**

1 (iii) FOR A PRIVATELY HELD CORPORATION: ALL CORPORATE OFFICERS
2 OR PERSONS WITH EQUIVALENT TITLES AND THEIR SPOUSES, ALL DIRECTORS
3 AND THEIR SPOUSES, AND ALL STOCKHOLDERS, NOT INCLUDING THOSE
4 HOLDING A DIRECT OR INDIRECT OWNERSHIP INTEREST OF LESS THAN 10%,
5 AND THEIR SPOUSES.

6 (iv) FOR A PUBLICLY HELD CORPORATION: ALL CORPORATE OFFICERS
7 OR PERSONS WITH EQUIVALENT TITLES AND THEIR SPOUSES, ALL DIRECTORS
8 AND THEIR SPOUSES, AND ALL STOCKHOLDERS, NOT INCLUDING THOSE
9 HOLDING A DIRECT OR INDIRECT OWNERSHIP INTEREST OF LESS THAN 10%,
10 AND THEIR SPOUSES.

11 (v) FOR A MULTILEVEL OWNERSHIP ENTERPRISE: ANY ENTITY OR
12 PERSON THAT RECEIVES OR HAS THE RIGHT TO RECEIVE 10% OR MORE OF THE
13 GROSS OR NET PROFIT FROM THE ENTERPRISE DURING ANY FULL OR PARTIAL
14 CALENDAR OR FISCAL YEAR.

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

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

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

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

24 (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 (h) "Licensee" means a person holding a state operating
2 license.

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

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

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

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

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

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

19 (o) "Municipality" means a city, township, or village.

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

25 (q) "Person" means an individual, corporation, limited
26 liability company, partnership, limited partnership, limited
27 liability partnership, limited liability limited partnership,

1 trust, or other legal entity.

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

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

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

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

25 (v) "Registered qualifying patient" means a qualifying patient
26 who has been issued a current registry identification card under
27 the Michigan medical marihuana act or a visiting qualifying patient

1 as that term is defined in section 3 of the Michigan medical
2 marihuana act, MCL 333.26423.

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

5 (x) "Rules" means rules promulgated under the administrative
6 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, by the
7 department in consultation with the board to implement this act.

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

14 (z) "Secure transporter" means a licensee that is a commercial
15 entity located in this state that stores marihuana and transports
16 marihuana between marihuana facilities for a fee.

17 (aa) "Seed" means the fertilized, ungerminated, matured ovule,
18 containing an embryo or rudimentary plant, of a marihuana plant
19 that is flowering.

20 (bb) "Seedling" means a marihuana plant that has germinated
21 and has not flowered and is not harvestable.

22 (cc) "State operating license" or, unless the context requires
23 a different meaning, "license" means a license that is issued under
24 this act that allows the licensee to operate as 1 of the following,
25 specified in the license:

26 (i) A grower.

27 (ii) A processor.

1 (iii) A secure transporter.

2 (iv) A provisioning center.

3 (v) A safety compliance facility.

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

11 (i) Verifying registry identification cards.

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

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

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

23 (ff) "Usable marihuana" means the dried leaves, flowers, plant
24 resin, or extract of the marihuana plant, but does not include the
25 seeds, stalks, and roots of the plant.

26 Sec. 207. (1) ~~A~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION**
27 **(2), A** licensee shall adopt and use a third-party inventory control

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

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

12 (b) Tracking lot and batch information throughout the entire
13 chain of custody.

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

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

17 (e) Tracking transportation of product.

18 (f) Performing complete batch recall tracking that clearly
19 identifies all of the following details relating to the specific
20 batch subject to the recall:

21 (i) Sold product.

22 (ii) Product inventory that is finished and available for
23 sale.

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

25 (iv) Product being processed into another form.

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

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

3 (h) Reporting and tracking all inventory discrepancies.

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

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

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

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

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

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

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

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

25 (q) Providing law enforcement agencies with access to only the
26 information in the database that is necessary to verify that an
27 individual possesses a valid and current registry identification

1 card.

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

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

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

12 (i) Total daily sales.

13 (ii) Total marihuana plants in production.

14 (iii) Total marihuana plants destroyed.

15 (iv) Total inventory adjustments.

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

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

25 (2) The board consists of 5 members who are residents of this
26 state, not more than 3 of whom are members of the same political
27 party. The governor shall appoint the members. One of the members

1 shall be appointed from 3 nominees submitted by the senate majority
2 leader and 1 from 3 nominees submitted by the speaker of the house.
3 The governor shall designate 1 of the members as chairperson.

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

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

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

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

26 (7) The governor may remove any member of the board for
27 neglect of duty, misfeasance, malfeasance, nonfeasance, or any

1 other just cause.

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

7 (8) ~~(9)~~ The board shall not appoint or employ an individual if
8 any of the following circumstances exist:

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

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

22 (9) ~~(10)~~ Each member of the board ~~, the executive director,~~
23 and each key employee as determined by the department shall file
24 with the governor a financial disclosure statement listing all
25 assets and liabilities, property and business interests, and
26 sources of income of the member ~~, executive director,~~ and key
27 employee and his or her spouse, if any, affirming that the member ~~,~~

1 ~~executive director,~~ and key employee are in compliance with
2 subsection ~~(9)(a)~~ **(8) (A)** and (b). The financial disclosure
3 statement shall be made under oath and filed at the time of
4 employment and annually thereafter.

5 **(10)** ~~(11)~~—Each employee of the board shall file with the board
6 a financial disclosure statement listing all assets and
7 liabilities, property and business interests, and sources of income
8 of the employee and his or her spouse. This subsection does not
9 apply to ~~the executive director or~~ a key employee.

10 **(11)** ~~(12)~~—A member of the board, ~~executive director,~~ or key
11 employee shall not hold any direct or indirect interest in, be
12 employed by, or enter into a contract for services with an
13 applicant, a board licensee, or a marihuana facility for a period
14 of 4 years after the date his or her employment or membership on
15 the board terminates. The department in consultation with the board
16 shall define the term "direct or indirect interest" by rule.

17 **(12)** ~~(13)~~—For 2 years after the date his or her employment
18 with the board is terminated, an employee of the board shall not
19 acquire any direct or indirect interest in, be employed by, or
20 enter into a contract for services with any applicant, licensee, or
21 marihuana facility.

22 **(13)** ~~(14)~~—For 2 years after the termination of his or her
23 office or employment with the board, a board member or an
24 individual employed by the board shall not represent any person or
25 party other than this state before or against the board.

26 **(14)** ~~(15)~~—A business entity in which a former board member or
27 employee or agent has an interest, or any partner, officer, or

1 employee of the business entity, shall not make any appearance or
2 represent a party that the former member, employee, or agent is
3 prohibited from appearing for or representing. As used in this
4 subsection, "business entity" means a corporation, limited
5 liability company, partnership, limited liability partnership,
6 association, trust, or other form of legal entity.

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

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

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

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

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

23 (2) By January 31 of each year, each employee of the board
24 shall prepare and file with the board an employee disclosure form
25 in which the employee does all of the following:

26 (a) Affirms the absence of financial interests prohibited by
27 this act.

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

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

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

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

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

27 (5) Any member, employee, or agent of the board who is

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

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

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

21 (8) A licensee or applicant shall not knowingly initiate a
22 negotiation for or discussion of employment with a member,
23 employee, or agent of the board. A licensee or applicant who
24 initiates a negotiation or discussion about employment shall
25 immediately provide written notice of the details of the
26 negotiation or discussion to the chairperson as soon as he or she
27 becomes aware that the negotiation or discussion has been initiated

1 with a member, employee, or agent of the board.

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

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

20 (11) A licensee or applicant, or an affiliate or
21 representative of an applicant or licensee, shall not, directly or
22 indirectly, give or offer to give any gift, gratuity, compensation,
23 travel, lodging, or anything of value to any member, employee, or
24 agent of the board that the member, employee, or agent of the board
25 is prohibited from accepting under subsection (10).

26 (12) A member, employee, or agent of the board shall not
27 engage in any conduct that constitutes a conflict of interest and

1 shall immediately advise the chairperson in writing of the details
2 of any incident or circumstances that would present the existence
3 of a conflict of interest with respect to performing board-related
4 work or duties.

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

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

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

23 (16) A licensee or applicant or any affiliate or
24 representative of an applicant or licensee shall not engage in ex
25 parte communications with a member of the board. A member of the
26 board shall not engage in any ex parte communications with a
27 licensee or an applicant or with any affiliate or representative of

1 an applicant or licensee.

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

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

23 (19) A new or current employee or agent of the board shall
24 obtain written permission from the ~~executive~~ director **OF THE**
25 **DEPARTMENT OR HIS OR HER DESIGNEE** before continuing outside
26 employment held at the time the employee begins to work for the
27 board. Permission shall be denied, or permission previously granted

1 shall be revoked, if the ~~executive~~ director **OF THE DEPARTMENT OR**
2 **HIS OR HER DESIGNEE** considers the nature of the work to create a
3 possible conflict of interest or if it would otherwise interfere
4 with the duties of the employee or agent for the board.

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

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

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

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

24 (24) Violation of this section by a member of the board may
25 result in disqualification or constitute cause for removal under
26 section 301(7) or other disciplinary action as recommended by the
27 board to the governor.

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

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

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

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

20 (26) Violation of this section does not create a civil cause
21 of action.

22 (27) As used in this section:

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

25 (i) Operation of a proprietorship.

26 (ii) Participation in a partnership or group business
27 enterprise.

1 (iii) Performance as a director or corporate officer of any
2 for-profit or nonprofit corporation or banking or credit
3 institution.

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

5 (b) "Political activity" or "politically related activity"
6 includes all of the following:

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

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

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

13 (iv) Knowingly soliciting or discouraging the participation in
14 any political activity of any person who is either of the
15 following:

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

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

21 Sec. 401. (1) Beginning ~~360 days after the effective date of~~
22 ~~this act~~, **DECEMBER 15, 2017**, a person may apply to the board for
23 state operating licenses in the categories of class A, B, or C
24 grower; processor; provisioning center; secure transporter; and
25 safety compliance facility as provided in this act. The application
26 shall be made under oath on a form provided by the board and shall
27 contain information as prescribed by the board, including, but not

1 limited to, all of the following:

2 (a) The name, business address, business telephone number,
3 ~~social security~~ **SOCIAL SECURITY** number, and, if applicable, federal
4 tax identification number of the applicant.

5 (b) The identity of every person having any ownership interest
6 in the applicant with respect to which the license is sought. If
7 the disclosed entity is a trust, the application shall disclose the
8 names and addresses of the beneficiaries; if a **PRIVATELY HELD**
9 corporation, the names and addresses of all shareholders, officers,
10 and directors; **IF A PUBLICLY HELD CORPORATION, THE NAMES AND**
11 **ADDRESSES OF ALL SHAREHOLDERS HOLDING A DIRECT OR INDIRECT INTEREST**
12 **OF GREATER THAN 5%, OFFICERS, AND DIRECTORS;** if a partnership or
13 limited liability partnership, the names and addresses of all
14 partners; if a limited partnership or limited liability limited
15 partnership, the names of all partners, both general and limited;
16 or if a limited liability company, the names and addresses of all
17 members and managers.

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

1 equity interest, including, if applicable, the state of
2 incorporation or registration. An applicant may comply with this
3 subdivision by filing a copy of the applicant's registration with
4 the Securities and Exchange Commission if the registration contains
5 the information required by this subdivision.

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

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

24 (f) Whether an applicant has filed, or been served with, a
25 complaint or other notice filed with any public body, regarding the
26 delinquency in the payment of, or a dispute over the filings
27 concerning the payment of, any tax required under federal, state,

1 or local law, including the amount, type of tax, taxing agency, and
2 time periods involved.

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

13 (h) A description of the type of marihuana facility;
14 anticipated or actual number of employees; and projected or actual
15 gross receipts.

16 (i) Financial information in the manner and form prescribed by
17 the board.

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

22 (k) A copy of the notice informing the municipality by
23 registered mail that the applicant has applied for a license under
24 this act. The applicant shall also certify that it has delivered
25 the notice to the municipality or will do so by 10 days after the
26 date the applicant submits the application for a license to the
27 board.

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

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

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

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

24 (5) A nonrefundable application fee must be paid at the time
25 of filing to defray the costs associated with the background
26 investigation conducted by the board. The department in
27 consultation with the board shall set the amount of the application

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

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

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

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

25 (a) The applicant has been convicted of or released from
26 incarceration for a felony under the laws of this state, any other
27 state, or the United States within the past 10 years or has been

1 convicted of a controlled substance-related felony within the past
2 10 years.

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

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

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

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

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

22 ~~— (g) The applicant, if an individual, has been a resident of~~
23 ~~this state for less than a continuous 2-year period immediately~~
24 ~~preceding the date of filing the application. The requirements in~~
25 ~~this subdivision do not apply after June 30, 2018.~~

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

1 (H) ~~(i)~~—The applicant fails to meet other criteria established
2 by rule.

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

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

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

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

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

15 (c) The sources and total amount of the applicant's
16 capitalization to operate and maintain the proposed marihuana
17 facility.

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

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

27 (f) Whether the applicant has been served with a complaint or

1 other notice filed with any public body regarding payment of any
2 tax required under federal, state, or local law that has been
3 delinquent for 1 or more years.

4 (g) Whether the applicant has a history of noncompliance with
5 any regulatory requirements in this state or any other
6 jurisdiction.

7 (h) Whether at the time of application the applicant is a
8 defendant in litigation involving its business practices.

9 (i) Whether the applicant meets other standards in rules
10 applicable to the license category.

11 (4) Each applicant ~~shall submit with its application, on forms~~
12 ~~provided by the board, a passport quality photograph and shall~~
13 ensure that 1 set of fingerprints is submitted to the department of
14 state police. ~~for each person having any ownership interest in the~~
15 ~~marihuana facility and each person who is an officer, director, or~~
16 ~~managerial employee of the applicant, in order for the department~~
17 ~~of state police to conduct a criminal history check on each person~~
18 ~~and to forward each person's fingerprints to the Federal Bureau of~~
19 ~~Investigation for a national criminal history check.~~ The applicant
20 shall submit with its application ~~each person's~~ **THE APPLICANT'S**
21 written consent to the criminal history check described in this
22 section and the submission of ~~each person's~~ **THE APPLICANT'S**
23 fingerprints to, and the inclusion of ~~each person's~~ **THE APPLICANT'S**
24 fingerprints in, the state and federal database systems described
25 in subsection (7).

26 (5) The fingerprints required under subsection (4) may be
27 taken by a law enforcement agency or any other person determined by

1 the department of state police to be qualified to take
2 fingerprints. The applicant shall submit a fingerprint processing
3 fee to the department in an amount required under section 3 of 1935
4 PA 120, MCL 28.273, and any costs imposed by the Federal Bureau of
5 Investigation.

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

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

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

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

19 (a) The department of state police shall store and retain all
20 fingerprints submitted under this section in an automated
21 fingerprint identification system database that searches against
22 latent fingerprints, and provides for an automatic notification if
23 and when a subsequent fingerprint is submitted into the system that
24 matches a set of fingerprints previously submitted under this
25 section or if and when the criminal history of an individual whose
26 fingerprints are retained in the system is updated. Upon receiving
27 a notification, the department of state police shall immediately

1 notify the board. Information in the database maintained under this
2 subsection is confidential, is not subject to disclosure under the
3 freedom of information act, 1976 PA 442, MCL 15.231 to 15.246, and
4 shall not be disclosed to any person except for purposes of this
5 act or for law enforcement purposes.

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

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

19 (ii) "FBI automatic notification system" means the automatic
20 notification system that is maintained by the Federal Bureau of
21 Investigation.

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

24 (9) A license shall be issued for a 1-year period and is
25 renewable annually. Except as otherwise provided in this act, the
26 board shall renew a license if all of the following requirements
27 are met:

1 (a) The licensee applies to the board on a renewal form
2 provided by the board that requires information prescribed in
3 rules.

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

6 (c) The licensee pays the regulatory assessment under section
7 603.

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

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

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

24 (12) License expiration does not terminate the board's
25 authority to impose sanctions on a licensee whose license has
26 expired.

27 (13) In its decision on an application for renewal, the board

1 shall consider any specific written input it receives from an
2 individual or entity within the local unit of government in which
3 the applicant for renewal is located.

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

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

11 Sec. 406. Each license is exclusive to the licensee, and a
12 licensee or any other person must apply for and receive the board's
13 approval before a license is transferred, sold, or purchased. The
14 attempted transfer, sale, or other conveyance of an interest ~~of~~
15 ~~more than 1%~~ in a license without prior board approval is grounds
16 for suspension or revocation of the license or for other sanction
17 considered appropriate by the board, **BUT ONLY IF THE TRANSFER,**
18 **SALE, OR OTHER CONVEYANCE WOULD RESULT IN THE TRANSFEREE MEETING**
19 **THE DEFINITION OF APPLICANT.**

20 Sec. 407. (1) If an applicant or licensee fails to comply with
21 this act or rules, if a licensee fails to comply with the marihuana
22 tracking act, if a licensee no longer meets the eligibility
23 requirements for a license under this act, or if an applicant or
24 licensee fails to provide information the board requests to assist
25 in any investigation, inquiry, or board hearing, the board may
26 deny, suspend, revoke, or restrict a license. The board may
27 suspend, revoke, or restrict a license and require the removal of a

1 licensee or an employee of a licensee for a violation of this act,
2 rules, the marihuana tracking act, or any ordinance adopted under
3 section 205. The board may impose civil fines of up to \$5,000.00
4 against an individual and up to \$10,000.00 or an amount equal to
5 the daily gross receipts, whichever is greater, against a licensee
6 for each violation of this act, rules, or an order of the board.
7 Assessment of a civil fine under this subsection is not a bar to
8 the investigation, arrest, charging, or prosecution of an
9 individual for any other violation of this act and is not grounds
10 to suppress evidence in any criminal prosecution that arises under
11 this act or any other law of this state.

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

26 (3) After denying an application for a license, the board
27 shall, upon request, provide a public investigative hearing at

1 which the applicant is given the opportunity to present testimony
2 and evidence to establish its suitability for a license. Other
3 testimony and evidence may be presented at the hearing, but the
4 board's decision must be based on the whole record before the board
5 and is not limited to testimony and evidence submitted at the
6 public investigative hearing.

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

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

27 **SEC. 407A. BEGINNING JUNE 1, 2019, A PERSON SHALL NOT HOLD**

1 ITSELF OUT AS OPERATING A MARIHUANA FACILITY IF THE PERSON DOES NOT
2 HOLD A LICENSE TO OPERATE THAT MARIHUANA FACILITY OR IF THE
3 PERSON'S LICENSE TO OPERATE THAT MARIHUANA FACILITY IS SUSPENDED,
4 REVOKED, LAPSED, OR VOID, OR WAS FRAUDULENTLY OBTAINED OR
5 TRANSFERRED TO THE PERSON OTHER THAN PURSUANT TO SECTION 406. A
6 PERSON THAT VIOLATES THIS SECTION IS GUILTY AS FOLLOWS:

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

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

14 (C) IF THE VIOLATION CAUSES DEATH OR SERIOUS INJURY, A FELONY
15 PUNISHABLE BY A FINE OF NOT LESS THAN \$10,000.00 OR MORE THAN
16 \$25,000.00 OR IMPRISONMENT FOR NOT MORE THAN 4 YEARS, OR BOTH.

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

1 ~~appropriate by the board.~~

2 Sec. 702. The board shall submit with the annual report to the
3 governor under section ~~302(k)~~**302 (l)** and to the chairs of the
4 legislative committees that govern issues related to marihuana
5 facilities a report covering the previous year. The report shall
6 include an account of the board actions, its financial position,
7 results of operation under this act, and any recommendations for
8 legislation that the board considers advisable.

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

11 Enacting section 2. This amendatory act takes effect January
12 1, 2019.