



## Understanding Cannabis Licensing Applications

Your webinar will start at 2 p.m.

- ✓ Choose the option to call in or have WebEx call you.
- ✓ Please make sure to **mute** your phone or computer upon entry.
- ✓ Use the chat to send in your questions. Click on the talking bubble icon on the top right of your screen.
- ✓ Send your questions to everyone.
- ✓ Presentation is being recorded.



## Agenda

- Assumption application
- Change in governing people, percentage owned and/or stock/unit ownership and percentages
- Questions and Answers



## Types of Cannabis Change Applications

- Application for Adding a Financier (Adding Additional Funds to an Existing Business)
- Request to Alter Marijuana Site and/or Operating Plan
- Request to Add a Processor License
- Splitting a Producer and Processor License
- Change of Location
- Change in Governing People, Percentage Owned, and/or Stock/Unit Ownership
- Assumption



## Changes in Governing People vs. Assumptions

### Change in Governing People/Percentage (Business Structure):

- *UBI stays the same*
- *Add New Governing People or Make Changes to Existing Members (Percentages of Ownership, Marital Statuses, and/or Stocks/Units of Ownership)*
- *Application Fee \$75*
- *Added members **will** inherit all liabilities, assets, and infractions (violation history)*

### Assumption(Change in Ownership):

- *UBI changes to the Assuming Business's UBI*
- *New and/or existing members allowed to assume business*
- *Application Fee \$250*
- *New licensing fees are collected*
- *The seller will no longer have rights to the privileges of the cannabis license*
- *Assuming Business/Buyer will **not** inherit liabilities, assets, and infractions (violation history)*



## How do I Apply for a Change to my Licensed Cannabis Business?

1. Go to our website [www.lcb.wa.gov](http://www.lcb.wa.gov)
2. Hover over the Licensing Services tab at the top and click on **Marijuana Licensing**
3. Then click on the appropriate application towards the bottom of the page under Business Licensing Services Applications.

Drop Down to Marijuana Licensing

The screenshot shows the Washington State Liquor and Cannabis Board website. The navigation menu at the top includes 'Home', 'Licensing Services', 'Enforcement', 'Education', 'Careers', and 'Business Portal'. A green arrow points to the 'Licensing Services' tab, which has a dropdown menu open. The dropdown menu is titled 'Marijuana 2018' and contains a 'Read More' button. Below the dropdown menu, there are several application links: 'Traceability', 'Marijuana 2018', 'Order Banquet Permits', 'Online Reporting for Distillers and Craft Distillers', 'What to Expect when Applying for a Liquor License', and 'Vapor Products'. The background of the screenshot shows a document titled 'MEMORANDUM FOR ALL UNITED STATES ATTORNEYS' from James M. Cole, Deputy Attorney General, regarding 'Guidance Regarding Marijuana'.



## Change in Governing People, Percentage Owned, and/or Stock/Unit Ownership

- **Adding or removing someone from the business structure:**
  - ✓ Spouse (marriage, death, or divorce)
  - ✓ Members selling their shares and/or leaving the business
  - ✓ New members buying into the business
  - ✓ Gifts or Transfers of ownership interest
  - ✓ Death of a member
- **Change in an individual's or percentage of ownership**
- **Addition of a new true party of interest (WAC 314-55-035)**
  - ✓ Anyone receiving business profits or making business decisions



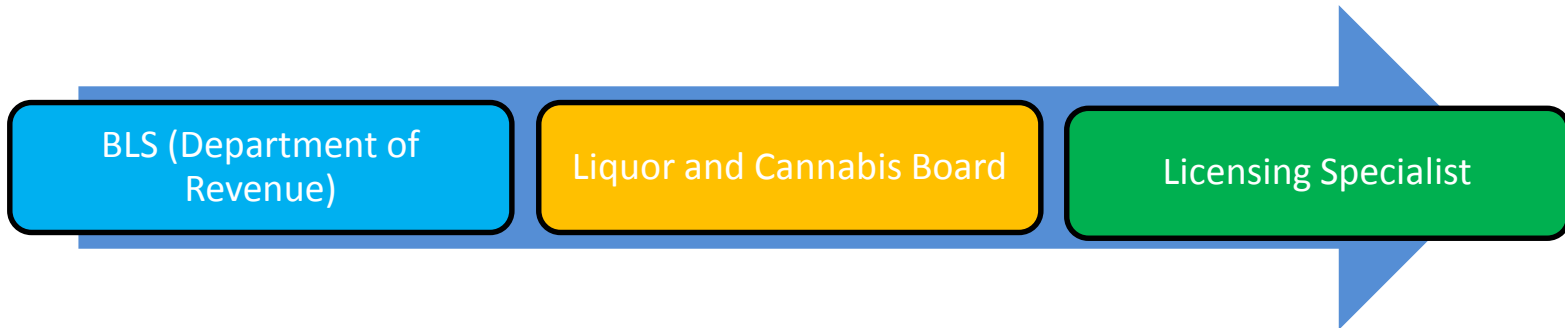
## Assumption

(Department of Revenue's Business License Application)

- The applicant is applying to take over the currently licensed location.
- The current license remains in operation and compliance with the WAC, until the new business is approved at that location.
- Once approved, the license number and license type remains the same -new business structure and new UBI.



## What Happens Once I Mail in my Application to Business Licensing Services (BLS)?



- BLS will process and send it to WSLCB
- Once received by the WSLCB, the application will be assigned to a licensing Specialist
- The Licensing Specialist will contact you to schedule the initial phone interview





## How can I prepare for the phone interview?

The following information will be needed for all members, spouses, and true parties of interest:

- Full legal name
- Date of Birth
- Social Security Number
- Email address
- Marital Status
- Title and percentage of ownership
- If shares or units are being purchased or gifted
- If purchased, what is the purchase amount?
- If gifted or transferred, what is the reason for the gift/transfer?
- The source and amount of available funds being utilized for this change

✦ Whoever conducts the interview will be the main point of contact throughout the application process. ✦



## Tips on Preventing Application Delays:

- Send the application and payment via postal mail
- Be ready for your telephone interview
- Read your request for documents letter thoroughly.
- Fill out all forms completely.
- Complete the fingerprinting process promptly
- Be able to identify the amount and source of funds being used for this application.
- LCB approval is required before any change to the business structure.
- The WSLCB will require documents that show all governing people consent to the change.



## Documents Most Commonly Requested After The Initial Interview:

- Entity Business Structure
- Total Costs and Source of Funds
- Personal/Criminal History Statement
- Financial Statement
- Financial Documents
- Authorization to Disclose and Furnish Record
- Purchase and Sale Agreement
- Bill of Sale
- Proof of Residency
- License Association Form



WAC 314-55-020 - Each application is unique and investigated individually, where further information may be requested.





## Entity Business Structure

(Not required for a Sole Proprietorship)

All members and spouses will be listed with the following information:

- Name of Entity (business)
- A phone number for the main contact
- Business mailing address
- Entity type (corporation, LLC, General Partnership, etc.)
- The date the entity (business) was formed
- All individuals making up the business structure and spouses
- Everyone's date of birth, title, and percentage of ownership
- Signature and date at the bottom
  
- **MUST ADD UP TO 100%**



## Total Costs and Source of Funds

- Filled out by the main point of contact for the business
- Conveys the total amount of all funds being invested
  - Who is investing
  - The amount
  - The source

Example :

- The total costs to make changes to the business will be **\$10,000**.
- **\$5,000** is coming from Sarah Smith's Bank of America account and **\$5,000** is coming from John Doe. **\$3,000 from** Wells Fargo Bank Account and **\$2,000** from Timberland Bank account. Therefore, this change would cost a total of **\$10,000**.



## Source of Funds

- Filled out by each person making (monetary or nonmonetary) contributions to the business.
- Includes the following:
  - The total amount contributed
  - The source the money is coming from
  - The account number that the money is coming from
  - If you are not contributing money, then list your nonmonetary contribution.

Example:

- John Doe is contributing a total of **\$5,000**.
  - **\$3,000** is coming from his Wells Fargo account; account number **7859965425**
  - **\$2,000** from his Timberland Bank account; account number **4589625458**.



## Personal/Criminal History Statement

Anyone (including spouses) that is being added to a business or contributing funds will need to go through a background check and get their fingerprints taken.

Remember...

- You must fill out ALL sections that apply to you.
- You must disclose ALL criminal history. Please refer to **(WAC 314-55-040)** for more information.
- You must include ALL employment history and residence information for the **last 10 years**.
- You will need to sign and date the form.
- You may attach any additional documentation if needed for the Criminal History Statement, Employment history and/or Residence Information.



## Financial Statement

Anyone being added to the license or adding money to the business must complete a financial statement.

- You must fill out ALL sections that apply to you.
- If you are married, this form should reflect all assets and liabilities between the two of you.
- If you answer yes to any of the questions on the form, you must provide an explanation.





## Financial Documents that may be requested

- Tax Returns
- Bank Statements
- Credit Card Statements
- Investment Accounts
- Pay Stubs
- Loan/Line of Credit Documents
- Trust Documents
- Insurance Policies
- Proof of sale for property



## Proof of Purchase

When shares or units are being purchased, gifted or transferred, you will need to provide the following:

- Purchase and Sale Agreement
  - Including buyer, seller, terms of agreement and total costs.
  - Signed and dated
  
- Bill of Sale
  - Final agreement signed by buyer and seller that confirms terms of agreement and proof of transferred/purchase.
  - Signed and dated
  - Submitted after LCB verifies all documentation submitted and approved.
  
- Gift agreement (If no monetary exchange is occurring)
  - Explanation of gifted percentage
  - Signed and dated



## WAC 314-55-035

What persons or entities have to qualify for a marijuana license?

A marijuana license must be issued in the name(s) of the true party(ies) of interest.

(1) True parties of interest - For purposes of this title, "true party of interest" means:

True party of interest	Persons to be qualified
Sole proprietorship	✓ Sole proprietor and spouse
General partnership	✓ All partners and spouses
Limited partnership, limited liability partnership, or limited liability limited partnership	✓ All general partners and their spouses ✓ All limited partners and spouses
Limited liability company	✓ All members and their spouses ✓ All managers and their spouses
Privately held corporation	✓ All corporate officers (or persons with equivalent title) and their spouses ✓ All stockholders and their spouses
Publicly held corporation	✓ All corporate officers (or persons with equivalent title) and their spouses ✓ All stockholders and their spouses
Multilevel ownership structures	✓ All persons and entities that make up the ownership structure (and their spouses)



# Washington State Liquor and Cannabis Board


Continued...

True party of interest	Persons to be qualified
<p>Any entity or person (inclusive of <b>financiers</b>) that are expecting a percentage of the profits in exchange for a monetary loan or expertise. Financial institutions are not considered true parties of interest.</p>	<p>Any entity or person who is in receipt of, or has the right to receive, a percentage of the gross or net profit from the licensed business during any full or partial calendar or fiscal year.</p> <p>Any entity or person who exercises control over the licensed business in exchange for money or expertise.</p> <p>For the purposes of this chapter:</p> <ul style="list-style-type: none"><li>• "Gross profit" includes the entire gross receipts from all sales and services made in, upon, or from the licensed business</li><li>• "Net profit" means gross sales minus cost of goods sold.</li></ul>
<p>Nonprofit corporations</p>	<ul style="list-style-type: none"><li>• All individuals and spouses, and entities having membership rights in accordance with the provisions of the articles of incorporation or the bylaws.</li></ul>



## WAC 314-55-040

- (1) When the WSLCB processes a criminal history check on an applicant, it uses a point system to determine if the person qualifies for a license. The WSLCB will not normally issue a marijuana license or renew a license to an applicant who has accumulated eight or more points as indicated below:
- (2) If a case is pending for an alleged offense that would earn **eight or more points**, the WSLCB will hold the application for the **disposition of the case**. If the disposition is not settled within ninety days, the WSLCB will administratively close the application.



Description	Time period during which points will be assigned	Points assigned
Felony conviction	Ten years	12 points
Gross misdemeanor conviction	Three years	5 points
Misdemeanor conviction	Three years	4 points
Currently under federal or state supervision for a felony conviction	n/a	8 points
Nondisclosure of any of the above	n/a	4 points each



# Washington State Liquor Control Board

WAC 314-55-040 Continued...

- (3) **The WSLCB may not issue a marijuana license to anyone who has accumulated eight or more points as referenced above.** This is a discretionary threshold and it is further recommended that the following exceptions to this standard be applied:
  - **Exception to criminal history point assignment.**
  - (a) Prior to initial license application, two federal or state misdemeanor convictions for the possession only of marijuana within the previous three years may not be applicable to the criminal history points accumulated. All criminal history must be reported on the personal/criminal history form.
    - (i) Regardless of applicability, failure to disclose full criminal history will result in point accumulation;
    - (ii) State misdemeanor possession convictions accrued after December 6, 2013, exceeding the allowable amounts of marijuana, usable marijuana, and marijuana-infused products described in chapter [69.50](#) RCW shall count toward criminal history point accumulation.
  - (b) Prior to initial license application, any single state or federal conviction for the growing, possession, or sale of marijuana will be considered for mitigation on an individual basis. Mitigation will be considered based on the quantity of product involved and other circumstances surrounding the conviction.
- (4) **Once licensed, marijuana licensees must report any criminal convictions to the WSLCB within fourteen days.**



## WAC 314-55-050

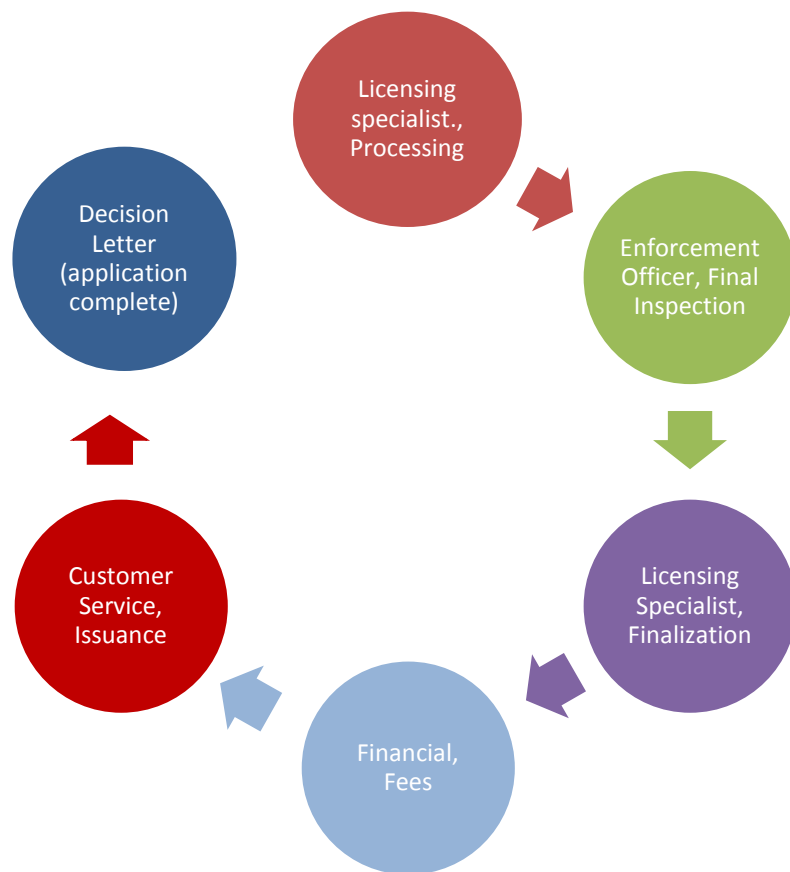
### Reasons the WSLCB may seek denial, suspension, or cancellation of a marijuana license application or license.

- Following is a list of reasons the WSLCB may deny, suspend, or cancel a marijuana license application or license. Per RCW [69.50.331](#), the WSLCB has broad discretionary authority to approve or deny a marijuana license application for reasons including, but not limited to, the following:
  - (1) Failure to meet qualifications or requirements for the specific marijuana producer, processor, or retail license, as outlined in this chapter and chapter [69.50](#) RCW.
  - (2) Failure or refusal to submit information or documentation requested by the WSLCB during the evaluation process.
  - (3) The applicant makes a misrepresentation of fact, or fails to disclose a material fact to the WSLCB during the application process or any subsequent investigation after a license has been issued.
  - (4) Failure to meet the criminal history standards outlined in WAC [314-55-040](#).
  - (5) Failure to meet the marijuana law or rule violation history standards outlined in WAC [314-55-045](#).
  - (6) The source of funds identified by the applicant to be used for the acquisition, startup and operation of the business is questionable, unverifiable, or determined by the WSLCB to be gained in a manner which is in violation by law.



# Washington State Liquor and Cannabis Board

What happens after all of your documents are received and checked for compliance by your Licensing Specialist?







# Washington State Liquor and Cannabis Board

Hold for a brief moment. While we prepare to answer your questions.

Please respond to our evaluation that you will receive following this presentation. Your feedback will help us improve future sessions.

**Thank You!**

# Q & A

- Q: Are there taxes due related to an assumption transaction? **A: No. Just licensing fees.**
- Q: Can you offer a approximate timeline for the change of ownership approval process? **A: Our goal is to complete all application within 90 days. Depending on the specific application, it can be done sooner.**
- Q: Is it possible to obtain approval of a Personal Criminal History prior to selecting a business acquisition? **A: No. You can only receive an approval if your business acquisition and the application process have been completed.**