

DRAFT

Cottage Microbusiness License Information

The overarching theme of this license is to give the local jurisdiction the ability to draft their ordinances in such a way that it suits their constituents as it relates to the small cannabis operator. Further it allows the local jurisdiction to determine “Site Specific” exceptions to their own general rules when and where it’s appropriate for the small cannabis operator. This unties the hands of local jurisdictions to create a license that is more in keeping with the historical nature of the industry, as it relates to their constituents, rather than the one-size-fits-all regulations that must consider the entire State of California.

The line items in this license have been vetted by the California State Legislative Counsel and either comply with and/or further the purpose and intent of the statute.

CULTIVATION

- Limited to 5,000 sq. ft. of actual plant canopy or 2,500 sq. ft. for indoor operations.
- For the purpose of clarification, Actual Canopy for outdoor cultivation shall mean the dripline of the mature cannabis plant ($A = \pi r^2$). This shall be calculated for each plant by the licensee and added together to arrive at the total plant canopy.
- May incorporate more than one style of cultivation.
- May have flowers tested using a “Cottage Batch” or composite testing.

MANUFACTURING

- Non-Volatile. Limited to allowable volumes of cannabis for the license.
- Equipment
 - Cottage Microbusiness manufacturers may only use:
 - Non-volatile Solvents (including Co2 and ethanol).
 - Equipment intended for Home or Hobby use.
 - Commercial grade equipment if available for private consumers.

- Homemade or Custom-built equipment if it meets safety requirements and is approved by the local jurisdiction.
- Facilities
 - Areas for Cottage Microbusiness Manufacturers shall:
 - Be kept clean and well lit.
 - Have appropriate fire suppression measures (e.g. Fire extinguisher).
 - Have a barrier (permanent or temporary) to adequately separate the area from the rest of the residence from non-authorized persons, children, and/or animals while the cannabis activity is being performed.
 - Include "S" license facilities.
 - Be prohibited from performing any other activity in the area while the cannabis activity is performed.
 - Be inspected by the local authority for compliance.
 - Maintain clearly defined and lockable areas for storage of raw cannabis material or ingredients and finished cannabis products.
 - Be entitled to site-specific security measures at the discretion of the local jurisdiction.

DISTRIBUTION

- Limited to allowable volumes of cannabis and cannabis products.
- Cottage Microbusiness Licensees, that act as distributors, are still required to collect and submit the cultivation tax from the cultivators they interact with as well as the excise tax from other retailers including any accrued by the Cottage Microbusiness licensee itself if retail is a chosen activity.
- A licensed Cottage Microbusiness shall:
 - Perform all of the duties of a licensed Distributor within the limitations that are allowed regarding volume of a Cottage Microbusiness.
 - Be entitled to site-specific security measures at the discretion of the local jurisdiction.

SECURITY

- The Bureau shall authorize the local jurisdiction to use its discretion and be responsible for the review and approval of the Cottage Microbusiness License Applicant's Business/Security Plan.
 - This plan shall be "Site Specific" based on circumstances and conditions pertaining to the premises and for the activities of the licensee.

- The approved Security Plan shall be reasonable and shall not create an undue burden or hardship to the applicant/licensee.
- The Security Plan shall include language pertaining to the treatment of cannabis waste and destruction.

RETAIL

- Delivery and Events only.
- Limited to allowable volumes of cannabis and cannabis products produced by the licensee.

PREMISES

- The overall premises of a Cottage Microbusiness need not be restricted to a single parcel but rather may include another parcel or parcels, under the ownership or control of the Cottage Microbusiness licensee. An accessory license may be granted for accessory location for an activity on separate parcel limited to one accessory license per activity.

VOLUME

- ALL Cottage Microbusiness licensees may only outsource material from other licensed cultivators or manufacturers as described below.
 1. For Outdoor or Mixed Light:
 - a. From one licensee that cultivates 5,000 square feet of canopy or less.
 - b. From two licensees that cultivate 2,500 square feet of canopy or less.
 - c. From multiple licensees not to exceed 1,250 lbs.
 2. For Indoor:
 - a. From one licensee that cultivates 2,500 square feet of canopy or less.
 - b. From multiple licensees not to exceed 1,250 lbs.
 3. For Mixed styles:
 - a. The business plan shall declare the sq. ft. of each style so long as the calculations show the total canopy does not exceed the limiting volumes. Outdoor and Mixed Light is calculated at 5,000 sq. ft. while the addition of indoor would be divided in half and subtracted from the 5,000 sq. ft. total.

4. All Cottage Microbusinesses that include Manufacturing may outsource pre-manufactured concentrate in lieu of cannabis flowers not to exceed 77.5 lbs. annually.
5. Cottage Microbusiness licensees who include cultivation as an activity may also outsource additional material as described above.
6. Notwithstanding, Cottage Microbusiness licensees who include manufacturing, and can demonstrate the capability to do so, may outsource additional cannabis flowers, from any licensee, that has been tested and found unsuitable due to natural pathogens (not pesticides) for remediation (not to exceed 50 lbs. annually, per Cottage Microbusiness Licensee).

SPECIALTY MEDICINES

Medical Cottage Microbusinesses may produce small quantities of specialized medicine with specific potency and/or cannabinoid ratio and/or delivery methods (e.g. suppositories) from batches of medicines/extracts that have been previously tested for compliance without having the additional expense of compliance testing for the finished product.

- These specialty small quantities may be used for individual patients with specific needs or for research.
- Aggregated quantity of the cannabis products used to formulate these specialty medicines shall not exceed 40 grams of cannabis extract per production run.
- These specialty cannabis formulas may not contain any other active ingredients and are limited to three (3), commercially available, inactive ingredients.
- Blending of previously tested batches is permissible for specialty medicines to achieve the desired finished product.
- Amounts of previously tested product used for these specialty medicines shall be entered and recorded (with batch numbers) using the track and trace system.
- These specialty medicines may only be produced by a Cottage Microbusiness that chooses manufacturing and distribution as activities and may only be sold to the

end user by a Medical Retail licensee or Medical Cottage Microbusiness that chooses the retail activity as well.

TESTING PROCEDURES

- Cottage Microbusinesses may be allowed to bring batches to a third-party testing facility to reduce costs.
 - Batches for Cottage Microbusinesses will, likely, be small.
 - Compliance costs per batch will remain the same.
 - A Cottage Microbusiness that includes distribution as an activity may be able to make plausible/reasonable arrangements, with the third-party testing agency, to deliver the cannabis product batch(es) for compliance testing in a lockable trailer (or similar acceptable method) that would have a security seal applied after sample retrieval and until the testing quarantine is complete.
 - Since Cottage Microbusiness batches would, likely, be small, they shall be granted the option to retrieve the samples taken by the testing lab for their destruction, inclusion into the marketplace, or submitted for remediation.
 - Transportation manifest would be required to be generated and recorded with Track and Trace system with a notation “for testing”.
 - Video procedures may be done with a remote camera.
 - A small farmer will likely grow various strains of cannabis with varying cannabinoid profiles. Compliance testing shall be allowable for the entire harvest (within established batch sizes), as a batch, with separate cannabinoid profile testing for individual strains (“lots” within a batch) instead of costly full compliance testing for each strain (lot).

ADDITIONAL REQUIREMENTS AND GUIDELINES

Cottage Microbusinesses — Shall conform to the following requirements and guidelines:

(A) Not more than three (3) employees working on the premises in addition to the members of the household residing on the premises or family members;

(B) The Cottage Microbusiness shall be clearly incidental and subordinate to the use of the premises for residential purposes;

(C) Cottage Microbusiness residences and accessory buildings shall be code compliant to residential building and occupancy standards including Limited Density Rural Dwellings (Class K) if applicable. Additional commercial space may be used at a different location under an accessory license to the Cottage Microbusiness however the volume of cannabis restrictions set forth by the Cottage Microbusiness License and local zoning compliance for the commercial facility shall apply.

(E) Cottage Microbusinesses shall not be required to meet the ADA requirements for a commercial building, since the residential occupancy is preserved, but rather to suit the reasonable needs of their employees (if any). If the public is allowed on the premises, the ADA requirements shall be met with a minimum of compliance as prescribed by a Certified Accessibility Specialist (CAsp).

(D) Multiple activities may be permitted within the Cottage Microbusiness. The total area occupied by all cannabis activities within the Cottage Microbusiness, including storage, shall not exceed three thousand (3,000) square feet with the exception that the total canopy and the cultivation area is excluded.

- Additional square footage of commercial space may be used, if required, at a different location, under an accessory license to the Cottage Microbusiness or an S license however the volume of cannabis restrictions set forth by the Cottage Microbusiness License and local zoning compliance for the commercial facility shall apply.

(E) With the exception of subsection 1 above, it is the intention of this license that all aspects of the Cottage Microbusiness shall be located and conducted within a dwelling unit or enclosed accessory building(s) and defined areas of the premises, with the exception of outdoor storage of materials, products or vehicles as specifically provided by the use permit when completely screened from the street and adjoining properties. There shall be no other change in the outside appearance of the building or premises, except one (1) non-illuminated sign not exceeding four (4) square feet.

(F) The sale of merchandise not produced on the premises shall be incidental and accessory to the merchandise or service produced by the Cottage Microbusiness and shall not be advertised in any manner;

(G) Not more than three (3) supplier delivery vehicles shall access the premises each day;

(H) Large vehicles or construction equipment (such as trucks of over one (1) ton rating) shall not be operated, maintained, or parked in public view in connection with a Cottage Microbusiness, except to the extent customarily used by residents in the surrounding neighborhood on their own property. Not more than one (1) vehicle for servicing may be parked in public view;

(I) No equipment or process used in the Cottage Microbusiness shall create noise, vibration, glare, fumes, dust, odors, smoke, electrical interference or other impacts in excess of those customarily generated by single-family residential uses in the neighborhood.

(J) The licensee shall sign a document indemnifying both the State of California and its branches as well as the local jurisdiction and its staff from any and all damages due to its approval of the license and/or security measures.