

**STATE OF CONNECTICUT
SOCIAL EQUITY COUNCIL
PROPOSED REGULATION PURSUANT TO SECTION 21a-420h OF THE GENERAL
STATUTES
CONCERNING
THE SALE OR CHANGE IN OWNERSHIP OR CONTROL OF A SOCIAL EQUITY
LICENSEE**

Section 1. The Regulations of Connecticut State Agencies are amended by adding Sections 21a-420h-1 to Section 21a-420h-4, inclusive, as follows:

(NEW) Section 21a-420h-1. DEFINITIONS. As used in sections 21a-420h-1 to 21a-420h-4, inclusive:

“Approved owner” means an individual determined by the Social Equity Council to meet the qualifications set forth in section 21a-240(48)(A) and (B), in order for the social equity licensee to qualify as a social equity applicant pursuant to section 21a-420g(d)(1) or 21-420o.

“Restricted period” means the period of provisional licensure between when a provisional license is granted to a social equity licensee and when a final license is awarded, and the three years following the issuance of final license.

“Social equity licensee” means a cannabis establishment that was determined by the Social Equity Council to qualify as a social equity applicant pursuant to subdivision 21a-420g(d)(1), subsection 21a-420m(c), 21a-420u(c) or section 21a-420o of the Connecticut General Statutes and subsequently licensed by the Department of Consumer Protection.

(NEW) Section 21a-420h-2. PROHIBITION ON TRANSFER OF INTEREST IN SOCIAL EQUITY LICENSEE.

- (a)** During the restricted period, social equity licensees and approved owners may not sell, transfer, grant, donate, gift, or otherwise convey any portion of ownership or control in a social equity licensee, except as provided in subsection (c) of this section.
- (b)** During the restricted period, no social equity licensee or approved owner shall enter into any agreement, contract, stipulation, promise, legal instrument, financial transaction, loan agreement, financing agreement or other arrangement, the purpose or effect of which is to cause the sale, transfer, or change in the legal or beneficial ownership or control of a social equity licensee, except as provided in subsection (c) of this section.
- (c)** An approved owner may sell, transfer, grant, donate, gift, or convey his or her ownership or control of a social equity licensee during the restricted period if such transfer is approved by the Social Equity Council in accordance with the policies and

procedures set forth in section 21a-420h-3. The Social Equity Council shall approve such a transfer if the social equity licensee or approved owner demonstrates to the satisfaction of the Social Equity Council that:

- (1) The approved owner, whose ownership or control will be transferred, has died or has a condition that would interfere with the approved owner's ability to operate the social equity licensee. Such conditions include, but are not limited to, a physical illness or loss of skill or deterioration due to the aging process, emotional disorder or mental illness; or
- (2) Such sale, transfer, grant, donation, gift, or conveyance will be made to another individual who has been approved by the Social Equity Council as an approved owner.

(NEW) Section 21a-420h-3. NOTICE AND REVIEW OF CHANGE OF OWNERSHIP

- (a)** Prior to any sale, transfer, or change in ownership or control of a social equity licensee, the approved owner or the social equity licensee shall notify the Social Equity Council of the intent to make such change, using forms prescribed by the Social Equity Council.
- (b)** The notification shall include all documents deemed necessary by the Social Equity Council to assess whether the proposed change in ownership and control is permissible under these policies and procedures. Such documentation shall include, but not be limited to operating agreements, transfer, sale, or conveyance documents, and any other most recent documents required by the Social Equity Council to make the determination as to ownership and control.
- (c)** With respect to a transfer to be made during the restricted period, the Social Equity Council shall either approve or deny such transfer within 90 days of receipt of the notification required by this section. During the restricted period, no sale, transfer, or change in ownership and control of a social equity licensee or approved owner shall be complete, effective, or valid without the review and approval of the Social Equity Council.

(NEW) Section 21a-420h-4. CHANGE OF OWNERSHIP AND CONTROL, AUDIT AND ENFORCEMENT

- (a)** The Social Equity Council may require a social equity licensee or approved owner to furnish documents or other information to ensure that the approved terms of ownership and control are maintained, and such social equity licensee or approved owner shall make the requested documents immediately available for inspection within three days. Such documents shall be provided to the Social Equity Council in electronic format, unless not commercially practical.

- (b) The Social Equity Council, its employees, or agents, may conduct investigations regarding changes of ownership or control of social equity licensees, and to confirm compliance with approved terms of ownership and control.
- (c) Upon concluding an investigation pursuant to subsection (b) of this section, the executive director of the Social Equity Council shall complete an investigation report containing evidence sufficient to demonstrate a violation of Section 21a-420h-2 of the Regulations of Connecticut State Agencies. The executive director may refer such investigation report and supporting documentation to the Department of Consumer Protection for further review and enforcement, if appropriate.
- (d) The Commissioner of Consumer Protection, or designee, may, upon review of an investigation report, suspend or revoke a license or registration, issue fines of not more than ten million dollars for any violation, accept an offer in compromise or refuse to grant or renew a license or registration of a social equity licensee or approved owner, or place such social equity licensee or registrant on probation, place conditions on such social equity licensee or registrant or take other actions permitted by law.

Statement of Purpose

The regulation is issued pursuant to C.G.S. § 21a-420h and is intended to establish the conditions and process to prevent the sale or change in ownership or control of a cannabis establishment license awarded to a social equity applicant to someone other than another qualifying social equity applicant during the period of provisional licensure, and for three years following the issuance of a final license.

During the period of provisional licensure, and for three years following the issuance of a final license, prior to entering into any transaction or agreement that results in the change of ownership or control of the social equity owner(s), cannabis establishments considered social equity licensees must submit a notice to and obtain approval from the Social Equity Council.

The regulation replicates the existing requirements under current Council policy and procedures.