



*Wes Moore, Governor • Aruna Miller, Lt. Governor • Will Tilburg, Director*

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Tuesday, March 26, 2024

The Honorable Pamela Beidle  
Chair, Senate Finance Committee  
3 East, Miller Senate Office Building  
Annapolis, MD 21401

**RE: House Bill 272 – Cannabis Licensing and Registration – Use of Straw Ownership – Prohibition - FAV**

Dear Chair Beidle -

The Maryland Cannabis Administration (MCA) is submitting this letter of support for House Bill 272 – Cannabis Licensing and Registration – Use of Straw Ownership – Prohibition (HB0272), and respectfully requests a favorable report on the bill.

HB0272 prohibits certain nominal ownership of cannabis licenses for the purposes of meeting the requirements established by the General Assembly under Chapters 254/255 of 2023, the Cannabis Reform Act.

The Maryland Cannabis Administration (MCA) and Office of Social Equity (OSE) are aware of attempts to exploit social equity cannabis business licensing rounds in other jurisdictions (e.g., Arizona, Connecticut, Missouri). Prior to the licensing round, MCA and OSE were also made aware that prospective and verified social equity applicants had been approached via postcards, craigslist ads, job postings, and in-person technical assistance events to serve as straw or figurehead owners in cannabis business license applications. Moreover, the MCA identified several attempts by non-social equity businesses to exploit social equity applicants during the pre-application verification period, and canceled the links for dozens of individuals who it identified were fraudulently submitting information.

MCA is undertaking measures to protect the integrity of the first cannabis license application round in the nation reserved exclusively for social equity applicants across all license categories, and HB0272 is aligned with the MCA's strategy moving forward to ensure the integrity of the application round.

The Third Reader of HB272 incorporates provisions requested by the MCA and adopted by the House of Delegates to strengthen HB0272 and ensure the MCA is able to enforce these provisions, including:

1. **Clarifying that other types of agreements pertaining to ownership or control are covered in the legislation.** Throughout the country, cannabis regulators are seeing operating agreements, management agreements, convertible debt agreements, and other contractual relationships between a licensee and another party that may be vehicles for inequitable relationships between the licensee and the other party. The MCA requested that the House define “genuine ownership” and including the existing definition of “control” to provisions of HB0272
2. **Allowing for MCA enforcement of the HB0272 provisions without criminal conviction.** HB0272 establishes criminal penalties for entities that engage in nominal ownership agreements, however, it makes suspension or revocation of a license contingent on conviction through a criminal violation. The MCA believes there is value in adding criminal penalties to these types of ownership or control agreements, but requested to authorize administrative actions against a licensee or applicant that is found to be in violation of these provisions following a hearing conducted by the MCA. This will allow the MCA to move more quickly against prohibited ownership and control structures.
3. **Aligning effective date with MCA’s licensing timeline.** As introduced, HB0272 had an effective date of October 1, 2024. The initial 30-day license application authorized under the CRA closed on December 12, 2023. All applications were notified of the status of their application on February 9, and MCA held the license application lottery on March 14th. MCA is now in the process of investigating any claims related to ownership or control with the assistance of third-party accounting, legal, and investigatory professionals. It is during this phase and into the conditional licensing period that the provisions in HB0272 would be best applied. Moving the effective date to June 1, 2024 would make the provisions most applicable to the newly selected licenses in the early stages of the conditional license period.

The MCA would additionally like to stress that due to federal restrictions and shifting economic trends, access to capital is limited in the cannabis industry, particularly for new market entrants. With these factors in mind, the CRA permits, and even encourages, partnerships between social equity applicants and non-social equity businesses. Therefore, the MCA is seeking to ensure that social equity applicants own and control the applicant entity, and welcomes support from the General Assembly with the provisions of HB0272 to ensure that

these are fair and equitable agreements, while still permitting and facilitating investment in these businesses from outside sources.

I hope this information is useful. If you would like to discuss this further, please contact me at (410) 487-8069 or [william.tilburg@maryland.gov](mailto:william.tilburg@maryland.gov) or Andrew Garrison, Chief of the Office of Policy and Government Affairs at (443) 844-6114 or [andrew.garrison@maryland.gov](mailto:andrew.garrison@maryland.gov).

Sincerely,

A handwritten signature in blue ink that reads "William Tilburg". The signature is written in a cursive style and is followed by a long, horizontal flourish.

Will Tilburg, JD, MPH  
Director, Maryland Cannabis Administration

cc: Members of the Senate Finance Committee