



Ohio Medical Marijuana Control Program Products Dispensary Control and Ownership Interest FAQ



No.	Question	Answer
1	What is a change of ownership in a dispensary?	<p>A change of ownership in a dispensary is defined by rule 3796:6-2-12(C) of the Ohio Administrative Code. Here are a few examples of a change of ownership:</p> <ul style="list-style-type: none"> • A licensee is now jointly-owned with a third party. • A licensee is now jointly-run with a third party. • A licensee is splitting profits with a third party. • A licensee is paying fees to third parties that will vary depending on the amount of revenue obtained by the dispensary. <p>Under rule 3796:6-2-12(C)(6) of Ohio Administrative Code, a change of ownership occurs when a licensee is “purchased or operated by a different business entity than what is listed on the original application[.]” A licensed dispensary may be determined to be “operated by a different business entity” if one or more of the following is occurring (this list is not exhaustive, but merely examples):</p> <ul style="list-style-type: none"> • A third party not identified on the original application is hiring employees to work in the dispensary • A third party not identified on the original application is choosing which medical marijuana merchandise will be purchased for sale • A third party not identified on the original application is choosing the design of a dispensary • A third party not identified on the original application is administering or controlling the daily operations of a dispensary • A third party not identified on the original application is choosing which contractors will provide services to a dispensary



Ohio Medical Marijuana Control Program Products Dispensary Control and Ownership Interest FAQ



No.	Question	Answer
		<ul style="list-style-type: none"> • A third party not identified on the original application is directly paying contractors to provide services to a dispensary • The owners or managers listed in the application must obtain authorization from a third party not identified on the original application to (1) hire or fire employees, (2) purchase medical marijuana from processors or cultivators, (3) hire or fire contractors, or (4) make other day-to-day operational decisions about a dispensary. <p>Any one or more of these scenarios may cause the Board to review the ownership of a licensed dispensary.</p>
2	May a provisional dispensary licensee change ownership or control of its business?	No. A provisional license issued under rule 3796:6-2-04(K) of the Ohio Administrative Code is exclusive to the entity and location identified in the application and is non-transferrable.
3	May a dispensary with a certificate of operation change ownership or control of its business?	Yes, but with limitations. Pursuant to rule 3796:6-2-12 of the Ohio Administrative Code , “[o]nly a dispensary that has engaged in medical marijuana dispensing under a certificate of operation for a continuous twelve-month period is eligible to apply for a change of ownership.” A dispensary application for a change of ownership must be reviewed and approved by the State Board of Pharmacy.
4	Are provisional dispensaries and operational dispensaries authorized to use consultants?	Yes; provided only consulting services are being provided. Bestowing a consultant, or any other person or entity who was not included as a Prospective Associated Key Employee (“PAKE”) in the dispensary license application, with control of the business or authority to make final implementation decisions, may constitute a change of ownership or control under rule 3796:6-2-12(C)(6) of Ohio Administrative Code .



STATE OF
OHIO
BOARD OF PHARMACY

Ohio Medical Marijuana Control Program Products Dispensary Control and Ownership Interest FAQ



No.	Question	Answer
5	Does a loan agreement constitute a change of ownership or control?	<p>In some cases, a loan agreement may constitute a change of ownership. Examples of when a loan agreement constitutes a change of ownership include:</p> <ul style="list-style-type: none">• There will be a change of ownership or control if the repayment terms of the loan include a share of the dispensary's profits.• There will be a change of ownership or control if the debt can be changed into an ownership interest either: (1) Without prior approval of the Board; or (2) The change can occur before the dispensary has operated under a certificate of operation for a continuous twelve-month period.
6	Can a lien be placed on dispensary business assets?	<p>Yes. However, if a default will result in a change of control then an eligible licensee must apply for a change of ownership. The dispensary application for a change of ownership must be reviewed and approved by the State Board of Pharmacy. Prior to the transfer pursuant to a loan agreement, the licensed business owners must maintain control of the business in the ordinary course. The actual license is not an asset that can be lawfully used as security for a loan.</p>
7	May a dispensary offer an option agreement to a third party whereby the third party receives shares or a membership interest in the licensee entity?	<p>Yes, but the actual transfer will be subject to the requisite passage of time, application, fees, approval, and must not result in a transfer of controlling interest in the licensee or control over the daily operations of the dispensary without prior Board approval.</p> <p>The transfer of a license pursuant to an option agreement constitutes a change in ownership or control. A dispensary that has engaged in medical marijuana dispensing under a certificate of operation for a continuous twelve-month period may apply for a</p>



STATE OF
OHIO
BOARD OF PHARMACY

Ohio Medical Marijuana Control Program Products Dispensary Control and Ownership Interest FAQ



No.	Question	Answer
		<p>change ownership or control, which must be approved by the State of Ohio Board of Pharmacy before the transfer may occur.</p> <p>An option agreement <i>will</i> be a change of ownership if any of the following occur: (1) The option is not conditioned on the prior approval of the Board; (2) Funds are to be transferred to the licensee prior the Board approving the change of ownership; (3) The option can be exercised before the dispensary has operated under a certificate of operation for a continuous twelve-month period; (4) The optionee has the right to control day-to-day operations of the dispensary; or (5) The optionee has a right to any of the profits prior to the exercise of the option. Prior to the transfer pursuant to an option agreement, the licensed business owners must maintain control of the business.</p>
8	We have received an offer and are not sure if it will be considered to be a change of ownership. Can we provide a copy of our proposed agreements for the Board to review?	Yes. If you are thinking of making any substantial changes to your ownership structure, please contact the Board staff before signing any documents. The Board will review the documents and be glad to work with you.