

4.18.22 CCB Meeting

Cessation of Operations

April 18, 2022

Cessation – Rule 1.4.4 / 1.4.5

1.4.4 Compliance and Management Plans

All applicants must:

- (a) submit a contingency and continuity plan that addresses the dispersal or disposal of inventory in the event of an abrupt closure;

1.4.5 Insurance, Taxation, and Banking Requirements

Each applicant shall submit the following:

- (b) documentation of bond or escrow for cessation of operation of a Cannabis Establishment costs in an amount to be determined by Board guidance; (waived for T1 cultivators)

Cessation – Massachusetts 935 CMR 500.105(16)

(a) Prior to commencing operations, a Marijuana Establishment shall provide proof of having obtained a surety bond in an amount equal to its licensure fee payable to the Marijuana Regulation Fund to ensure payment of the cost incurred for:

1. The destruction of Cannabis goods necessitated by a violation of M.G.L. c.94G or 935 CMR 500.000: Adult Use of Marijuana;
2. The costs and compensation of a Court Appointee;
3. The cessation of operation of the Marijuana Establishment; or
4. Such other uses that the Commission may authorize to ensure public health, safety and welfare

(b) All bonds required under 935 CMR 500.000: Adult Use of Marijuana shall be issued by a corporate surety licensed to transact surety business in the Commonwealth.

(c) If the Marijuana Establishment is unable to secure a surety bond, as required by 935 CMR 500.105(16)(a), it may place in escrow a sum of no less than \$5,000 or such other amount approved by the Commission, to be expended for coverage of liabilities.

Cessation – Massachusetts

Bond or Escrow

All applicants are required to set aside, either through a bond or an escrow account, an amount of money sufficient to cover the dismantling and winding down of the ME or MTC. The amount set aside must be enough to cover the cost of satisfying any outstanding state or municipal sales tax obligations, costs incurred securing the licensee's facility, and cost incurred destroying the marijuana and marijuana products in its inventory.

If the applicant acquires a bond, the applicant is required to set aside the total amount of their licensing fees as set forth in 935 CMR 500.005 or 501.005, even if the fees have been waived. If the applicant establishes an escrow account, the applicant must set aside at least \$5,000, and is encouraged to set aside the total amount of their licensing fees, even if the fees have been waived.

Cessation – Considerations

Separate from insurance escrow?

Same amount as license fee, generally applicable baseline amount, insurance amount, something else?

Testing facilities, Tier 1 manufacturers?

Waiver?

Cessation – Escrow / Bond amounts

For retailers, wholesalers, integrated licensees, tier 3 manufacturers, and tier 4, 5, and 6 cultivators of any type, a sum of no less than \$5,000

For tier 2 manufacturers and tier 2 and 3 cultivators of any type, a sum of no less than \$2,500 to be expended for coverage of liabilities.