

**RHODE ISLAND GOVERNMENT REGISTER
PUBLIC NOTICE OF PROPOSED RULEMAKING**

**DEPARTMENT OF BUSINESS REGULATION (INCLUDES THE OFFICE OF THE
HEALTH INSURANCE COMMISSIONER)**

Title of Rule: Disclosure Requirements Regarding Public Company Interest Holders in Marijuana Establishment Licensees

Rule Identifier: 230-RICR-80-05-3

Rulemaking Action: Proposed Adoption

Important Dates:

Date of Public Notice: 04/12/2021

End of Public Comment: 05/12/2021

Authority for this Rulemaking:

R.I. Gen. Laws § 21-28.6-2, 21-28.6-4, 21-28.6-5, 21-28.6-6, 21-28.6-12, 21-28.6-14, 21-28.6-15, and 21-28.6-16.

Summary of Rulemaking Action:

The proposed new regulation will accommodate and support Rhode Island's developing cannabis industry by articulating reasonable disclosure standards for a type of interest holder not initially contemplated in the current Regulations, 230-RICR-80-05-1. Within the current Regulations, all interest holders in a marijuana licensee must be disclosed down to the individual person level. This includes persons that hold low-level shareholder interests in a corporate entity that holds an interest in a marijuana licensee. All such persons must obtain a background check and be disclosed to the Department. As Rhode Island marijuana licensees expand their businesses, publicly traded corporations may seek to invest in and/or provide management services to the State's licensees. However, disclosure of every shareholder of a publicly traded corporation is arduous and ultimately futile because shares trade daily and the list of shareholders is perpetually changing. Therefore, this new regulation adds disclosure standards for publicly traded corporation interest holders, which mirror the disclosure requirements of the stock exchanges on which the corporations are listed and/or applicable securities regulators. This is achieved by requiring disclosure of those shareholders who have an interest in the publicly traded corporation over a defined threshold, which is typically those shareholders with interests of five percent (5%) or greater.

Additional Information and Comments:

All interested parties are invited to request additional information or submit written or oral comments concerning the proposed adoption until May 12, 2021 by contacting the appropriate party at the address listed below:

Samuel Kovach-Orr
Department of Business Regulation (includes the Office of the Health Insurance
Commissioner)
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In accordance with R.I. Gen. Laws § 42-35-2.8, an oral hearing will be granted if requested by twenty-five (25) persons, by an agency or by an association having at least twenty-five (25) members. A request for an oral hearing must be made within thirty (30) days of this notice.

Regulatory Analysis Summary and Supporting Documentation:

The proposed adoption eliminates incompatibility of 230-RICR-80-05-1 with disclosure requirements for public company interest holders because of the virtual impossibility of knowing the identity of every shareholder at any point in time. This new regulation reduces burden in filling out disclosure forms, helps licensees to leverage value, and provides more options to obtain financing and investors.

In the development of the proposed amendment consideration was given to: (1) alternative approaches; (2) overlap or duplication with other statutory and regulatory provisions; and (3) significant economic impact on small business. No alternative approach, duplication, or overlap was identified based upon available information.

For full regulatory analysis or supporting documentation see agency contact person above.