

SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 5405

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DATE	D-PG	OFFICIAL STATUS
04/11/2024	13650	Introduction and first reading Referred to Commerce and Consumer Protection

1.1A bill for an act

1.2relating to cannabis; establishing requirements for ownership of cannabis

1.3businesses; establishing disclosure requirements for financing cannabis businesses;

1.4proposing coding for new law in Minnesota Statutes, chapter 342.

1.5BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6Section 1. [342.185] TRUE PARTY OF INTEREST.

1.7Subdivision 1. Definitions. (a) As used in this section, the following terms have the

1.8meanings given.

1.9(b) "Control" means the power to independently order or direct the management,

1.10managers, or policies of a licensed business.

1.11(c) "Financial institution" means any bank, mutual savings bank, consumer loan company,

1.12credit union, savings and loan association, trust company, or other lending institution under

1.13the jurisdiction of the Department of Commerce.

1.14(d) "Financier" means any person or entity that:

1.15(1) is not a financial institution or government entity;

1.16(2) provides money as a gift, grant, or loan to an applicant for a cannabis business license,

1.17a cannabis business, or both; and

1.18(3) expects to be paid back, with or without reasonable interest.

1.19(e) "Gross profit" means sales minus the cost of goods sold.

1.20(f) "Revenue" means the income generated from the sale of goods and services associated

1.21with the main operations of a business before any costs or expenses are deducted.

2.1 (g) "True party of interest" means:

2.2 (1) for a sole proprietorship, the sole proprietor;

2.3 (2) for a general partnership, all partners;

2.4 (3) for a limited partnership, limited liability partnership, or limited liability limited
2.5 partnership, all general partners and limited partners;

2.6 (4) for a limited liability company, all limited liability company members and managers;

2.7 (5) for a privately held corporation, all corporate officers and directors or persons with
2.8 equivalent titles and all stockholders;

2.9 (6) for multilevel ownership structures, all persons and entities that make up the
2.10 ownership structure;

2.11 (7) for any entity or person with a right to receive revenue, gross profit or net profit or
2.12 exercise control over a licensed business; any entity or person with the right to receive some
2.13 or all of the revenue, gross profit, or net profit from a licensed business during any full or
2.14 partial calendar or fiscal year; and any entity or person who exercises control over a licensed
2.15 business; and

2.16 (8) for a nonprofit corporation, all individuals and entities with membership rights in
2.17 accordance with the provisions of the articles of incorporation or bylaws.

2.18 True party of interest does not include:

2.19 (1) a person or entity receiving payment for rent on a fixed basis under a lease or rental
2.20 agreement. Notwithstanding, if there is a common ownership interest between the applicant
2.21 or licensee and the entity that owns the real property, the office may investigate all funds
2.22 associated with the landlord to determine if a financier relationship exists. The office may
2.23 also investigate a landlord in situations in which a rental payment has been waived or
2.24 deferred;

2.25 (2) a person who receives a bonus or commission based on the person's sales, so long
2.26 as the commission does not exceed ten percent of the person's sales in any given bonus or
2.27 commission period. Commission-based compensation agreements must be in writing;

2.28 (3) a person or entity contracting with a licensee to receive a commission for the sale of
2.29 a business or real property;

2.30 (4) a consultant receiving a flat or hourly rate compensation under a written contractual
2.31 agreement;

(5) a person with an option to purchase the applied for or licensed business, so long as no money has been paid to the licensee under an option contract or agreement for the purchase or sale of a licensed business or a business that is applying for a license;

(6) any business or individual with a contract or agreement for services with a licensed business, such as a branding or staffing company, as long as the licensee retains the right to and controls the business; or

(7) a financial institution.

Subd. 2. Limitation on married couples. A married couple may not be a true party of interest in more than one cannabis microbusiness, one cannabis mezzobusiness, five cannabis retailer businesses, three cannabis cultivator businesses, or three cannabis manufacturer businesses. The limitations in section 342.18, subdivision 2, apply to a married couple as if the licenses were held by a single entity.

Subd. 3. Notification. Except as otherwise provided in this subdivision, a cannabis business has a continuing duty to disclose the source of all money that will be invested in the business, including but not limited to all money obtained from financiers, before investing the money in the licensed business. The notice requirement under this section does not apply to:

(1) revenues of a licensed cannabis business that are reinvested in the business;

(2) proceeds of a revolving loan if the loan has been approved by the office within the three previous years, unless the source of the money has changed or the approved loan amount has increased; and

(3) if the source of the money is an identified true party of interest on the license, a previously approved financier associated with the license, or a previously approved revolving loan, the office must allow the money to be used upon receipt of an application to use the money. The office must then investigate the source of the money. If the office cannot verify the source of the money after reasonable inquiry, or the office determines that the money was obtained in a manner in violation of the law, the office may take actions consistent with the provisions of this chapter.

Subd. 4. Disclosure agreements and intellectual property. A cannabis business must not enter into an intellectual property agreement with another cannabis business if a single entity could not hold licenses for both types of cannabis business.

Subd. 5. Financiers. (a) A financier may not receive an ownership interest, control of a business, a share of revenue, gross profits or net profits, a profit sharing interest, or a

4.1 percentage of the profits in exchange for a loan or gift of money, unless the financier, if
4.2 directly involved in the loaning of money, receives office approval and has qualified on the
4.3 license as a true party of interest.

4.4 (b) The office must conduct a financial and criminal background investigation on all
4.5 financiers.