

**Focus reporter John Charlton: Are dispensary license applications accepted if more than one of those applications lists the same address where the dispensary will operate?**

**CHFS spokesperson Stephanie French:** *Yes. With the initial license application, the applicant must provide a proposed location and provide “[d]ocumentation such as a contingent agreement for property sale or lease or an existing deed or lease that shows the applicant has the authority to use the proposed location as a cannabis business for, at a minimum, the term of the license.” See 915 KAR 1:010E, Section 3(5)(d)(1). This is also expressly explained on page 28-29 of the Business Licensing and Application Guide, which the Cabinet referred you to.*

*For example, a landlord may sign multiple contingent leases with prospective dispensary applicants where the issuance of the license to one such applicant will trigger the lease to become effective for the successful applicant, but not for the other applicants who were unsuccessful. This could occur where local zoning laws limit dispensary locations to specific areas or require certain setbacks.*

**JC: Is the cabinet aware that multiple LLC's or "subsidiary entities" are being created/established under one "parent" company in order to apply for licenses in one cannabis business type, in this case a dispensary, and then each of those "subsidiary entities" submit an application on the same address? Is that allowed?**

**SF:** *The Cabinet is not aware of this. It is prohibited. The language of 915 KAR Chapter 1:001, Section 1(5) defines “**applicant**” as “...**a person or entity, including any parent entity**, who applies for a cannabis business license to operate as a cultivator, processor, producer, dispensary, or safety compliance facility in the Commonwealth.” Under the regulations, applicants must disclose ownership, including parent entities. Moreover, 915 KAR 1:010E prohibits “applicants” – which as defined above includes parent entities – from submitting more than one dispensary application in each region. See 915 KAR 1:010E, Section 3(4)(d).*

**JC: What happens if several of those "subsidiary entities," submitting on the same address, get picked in the lottery in a one of the 11 dispensary license regions? Will they then have the option to try to relocate to another allowable location within that region?**

**SF:** *See above. This is prohibited, except to the extent that an applicant may submit one – and no more than one – dispensary application per region, as provided under the regulations above. See 915 KAR 1:010E, Section 3(4)(d).*

**JC: If the answer is yes to one or all of the above questions, does the cabinet still think the lottery is the fairest and most transparent way to give Kentucky small businesses an equal chance of winning a dispensary business license?**

**SF:** *The answer was no to the above. However, the license lottery is, was, and will continue to be the fairest and most transparent way to provide every serious applicant with an opportunity to be a part of this new medical cannabis program.*

**JC: Would the cabinet agree that the bigger, out-of-state companies with much more capital behind them actually do have a better chance in the lottery through stacking applications?**

**SF:** *The Cabinet needs clarity as to what the reporter means by “stacking.” As stated above, applicants are defined as including the parent entities. Applicants – which include any subsidiary company’s parent entity – are expressly prohibited from submitting more than one dispensary application per region. See 915 KAR 1:010E, Section 3(4)(d).*

**JC:** **Is the cabinet taking note of "parent" companies and their "subsidiary entities," and tracking them?**

**SF:** *Yes. Applicants are required to disclose their corporate structure and ownership. Under 915 KAR 1:010E, Section (3)(5), The applicant shall submit the following in the initial license application: (h) A document showing the ownership organizational structure of the proposed cannabis business. As noted on Page 57 of the Business Licensing Application Guide, which we referred you to, provides guidance as to what constitutes accepted documentation, including “A visual diagram or chart showing the ownership structure of the applicant’s proposed cannabis business, including **any parent, affiliate, and subsidiary companies.**”*

*Moreover, under 915 KAR 1:010E, Section 3(5): “The applicant shall submit the following in the initial license application: (a) **The legal name, business type, any trade name or doing business as (“DBA”),** mailing address, federal tax identification number, website (if any), email address, and phone number of the proposed cannabis business and confirmation that the entity is registered with the Kentucky Secretary of State and authorized to do business in Kentucky”*

**JC:** **Is the cabinet considering modifying regulations during this round of application submissions and/or in the next round to prevent the strategy of stacking applications for the lottery?**

**SF:** *915 KAR 1:010E prohibits “applicants” – which as defined above includes parent entities – from submitting more than one dispensary application in each region. See 915 KAR 1:010E, Section 3(4)(d).*

**JC:** **Are dispensary license applicants now required to provide proof of direct access to capital on hand, which is at least \$150,000, or does proof of an approved line of credit still suffice?**

**SF:** *Since it was filed on April 18, 2024, 915 KAR 1:010E, Section 3(5) has always required: “[t]he applicant shall submit the following in the initial license application: (q) **Documentation of sufficient capital** available to the applicant, **EITHER on deposit OR through extension of credit from one or more financial institutions, in the following amounts as applicable:… 7. Dispensary: \$150,000.**” The Business Licensing Application Guide also provides guidance as to “accepted documentation,” including bank statements or letters of credit or similar document from a financial institution extending credit to the applicant.*