THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Commerce, Community, and Economic Development

ALCOHOL & MARIJUANA CONTROL OFFICE
550 West 7th Avenue, Suite 1600
Anchorage, AK 99501
Main: 907.269.0350

MEMORANDUM

TO:	Chair Mlynarik and Members of the Board	DATE:	November 14, 2017
FROM:	Erika McConnell, Director	RE:	Arctic Farm, LLC #13663 Limited Cultivation Facility

This application for a limited cultivation facility in Houston has a percentage-based lease that I am bringing to the board's attention, because it is much higher than other percentage-based leases that we have seen and the board has approved.

The lease shows that the landlord would initially receive 100 percent of the facility's revenue less taxes and expenses, i.e., all of the profit. Once the marijuana facility pays $175,000 in rent, the rent would be reduced to 50 percent of the facility's profit.

The landlord is Northern Lights Land, LLC, a limited liability company owned by six people with shares ranging from 2.86 percent to 60 percent.

It appears that the high percentage on the percentage-based lease is a means to funnel profits from the marijuana business to people who are not licensees, taking advantage of the percentage-based lease exemption in the definition of "direct or indirect financial interest" at 3 AAC 306.015(e). Despite the exemption, the landlords clearly have a financial interest in the business and should be licensees.

When landlords have a large percentage interest in a business, it places them in a position to exert influence in the business in a manner that is intended to be limited to licensees. This concern was raised at the May 15, 2017, board meeting, and the board voted unanimously to open a regulations project to address this issue. The board will be considering that regulations project later on this agenda.

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MEMORANDUM

TO: Chair and Members of the Board DATE: November 1, 2017

FROM: Erika McConnell
Director, Marijuana Control Board

RE: Arctic Farm, LLC #13663

This is an application for a Limited Marijuana Cultivation Facility in the City of Houston by Arctic Farm, LLC DBA Arctic Farm, LLC.

Date Application Initiated:	06/23/2017
Objection Period Ends:	08/11/2017
Date Under Review:	07/14/2017
Incomplete Letter(s) Date:	09/19/2017
Date Final Corrections Submitted:	09/26/2017
Determined Complete/Notices Sent:	09/29/2017
Local Government Response/Date:	Pending
DEC Response/Date:	N/A
Fire Marshal Response/Date:	10/02/2017-Approved
Background check status:	Pending
Objection(s) Received/Date:	No
Other Public Comments Received:	No
Staff Questions/Issues for Board:	See Director memo