1 2 3 4 FOR 5 HOUSE BILL NO. 3786 6 7 8 9 10 11 12 1.3 14 15 16

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HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

2nd Session of the 57th Legislature (2020)

COMMITTEE SUBSTITUTE

By: Fetgatter and Davis of the

House

and

Pederson of the Senate

COMMITTEE SUBSTITUTE

An Act relating to industrial hemp; creating the Oklahoma Industrial Hemp Reform Program; providing applicability of the program; requiring license for certain activities; defining terms; providing application process; requiring certain application fees; providing license duration; requiring license for tracking software; prohibiting falsification of certain information; requiring notification under certain circumstances; prohibiting certain participation upon certain convictions; requiring background checks; requiring certain record keeping; requiring certain cooperation; requiring certain reports and fees; requiring certain documentation; providing licenses are not transferrable; limiting area to grow hemp plants; prohibiting plants with certain concentration; requiring destruction or recording of certain volunteer plants; requiring destruction of certain plants with certain concentration; prohibiting cannabis plants outside of licensed areas; providing for site modification plans; requiring hemp to be grown in licensed area; prohibiting live hemp plants in any area that is not a licensed area; prohibiting public unsupervised access to hemp; providing requirements for transporting hemp; requiring certain compliance; requiring license to obtain hemp; requiring approved

1 seeds to meet certain conditions; providing requirements for certified seeds; authorizing 2 prohibition of certain hemp; requiring pre-planting report; requiring planting report; requiring harvest 3 and disposal report; requiring a production report; requiring report of hemp crop acreage; requiring 4 certain authorities to have access to certain areas; providing inspection and sampling procedures; 5 providing testing procedures; requiring certain labeling; authorizing certified laboratories to demonstrate compliance; authorizing internal testing; 6 requiring corrective action plan for any negligent 7 violations; prohibiting criminal enforcement for negligent violations; providing penalties for violations; authorizing certain appeals; requiring 8 certain notice; construing certain records to not be 9 considered government records; making certain information public record; requiring certain reports 10 and information be provided to the U.S. Secretary of Agriculture; amending Section 1, Chapter 64, O.S.L. 11 2018, as amended by Section 2, Chapter 91, O.S.L. 2019 and Section 10, Chapter 64, O.S.L. 2018, as 12 amended by Section 9, Chapter 91, O.S.L. 2019 (2 O.S. Supp. 2019, Sections 3-401 and 3-410), which relate 1.3 to the Oklahoma Industrial Hemp Program; abolishing the Oklahoma Industrial Hemp Program; making certain 14 licenses subject to Oklahoma Industrial Hemp Reform Program; renaming revolving fund; repealing Section 15 2, Chapter 64, O.S.L. 2018, as amended by Section 3, Chapter 91, O.S.L. 2019, Section 3, Chapter 64, 16 O.S.L. 2018, as last amended by Section 1, Chapter 478, O.S.L. 2019, Section 4, Chapter 64, O.S.L. 2018, 17 as amended by Section 5, Chapter 91, O.S.L. 2019, Section 6, Chapter 64, O.S.L. 2018, as amended by 18 Section 6, Chapter 91, O.S.L. 2019, Section 7, Chapter 64, O.S.L. 2018, as amended by Section 7, 19 Chapter 91, O.S.L. 2019, Section 8, Chapter 64, O.S.L. 2018, as last amended by Section 2, Chapter 20 478, O.S.L. 2019 and Section 11, Chapter 91, O.S.L. 2019 (2 O.S. Supp. 2019, Sections 3-402, 3-403, 3-21 404, 3-406, 3-407, 3-408 and 3-411), which relate to the Oklahoma Industrial Hemp Program; providing for 22

codification; and providing an effective date.

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- 1 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:
- 2 | SECTION 1. NEW LAW A new section of law to be codified
- 3 | in the Oklahoma Statutes as Section 3-501 of Title 2, unless there
- 4 | is created a duplication in numbering, reads as follows:
- 5 A. This act shall be known and may be cited as the "Oklahoma
- 6 | Industrial Hemp Reform Program".
- 7 B. The Oklahoma Industrial Hemp Reform Program applies to any
- 8 person that grows, processes, handles or transports certified seeds
- 9 or hemp in this state.
- 10 | C. No person shall grow, process, handle, transport or sample
- 11 | certified seeds or hemp in this state without an annual license
- 12 | issued by the Oklahoma Department of Agriculture, Food, and
- 13 Forestry.
- 14 SECTION 2. NEW LAW A new section of law to be codified
- 15 | in the Oklahoma Statutes as Section 3-502 of Title 2, unless there
- 16 | is created a duplication in numbering, reads as follows:
- As used in the Oklahoma Industrial Hemp Reform Program, the
- 18 | following words and terms, and any derivative of such word or term,
- 19 | shall have the following meanings, unless the context clearly
- 20 | indicates otherwise:
- 1. "Agent" means an employee, consultant or contractor of a
- 22 hemp producer or transporter;
- 23 2. "Applicant" means a person that applies to the Department
- 24 | for a license;

- 3. "Cannabis" means a genus of flowering plants in the family Cannabaceae of which Cannabis sativa is a species and Cannabis indica and Cannabis ruderalis are subspecies thereof. Cannabis refers to any form of the plant in which the delta-9 tetrahydrocannabinol concentration on a dry-weight basis has not yet been determined;
- 4. "Certified seed" means a hemp seed that has been certified by the Department based on a database of historical harvest of hemp under the program or by the USDA with defined THC level for hemp;
- 5. "Commercial sale" means the sale of a product in the stream of commerce at retail, wholesale, or on the Internet;
- 6. "Conviction" means any plea of guilty or nolo contendere, or any finding of guilt, except when the finding of guilt is subsequently overturned on appeal, pardoned or expunged. For purposes of the program, a conviction is expunged when the conviction is removed from the person's criminal history record and there are no legal disabilities or restrictions associated with the expunged conviction, other than the fact that the conviction may be used for sentencing purposes for subsequent convictions. In addition, when a person is allowed to withdraw an original plea of guilty or nolo contendere and enter a plea of not guilty and the case is subsequently dismissed, the person is no longer considered to have a conviction for purposes of the program;

- 7. "Corrective action plan" means a plan established by the 1 2 Department for a hemp producer or transporter to correct a negligent 3 violation or noncompliance with the program;
 - 8. "CSA" means the Controlled Substances Act as codified in 21 U.S.C., Section 801 et seq.;
- 6 "DEA" means the United States Drug Enforcement 7 Administration;
 - "Decarboxylated" means the completion of the chemical reaction that converts THC-acid (THC-A) into delta-9 THC, the intoxicating component of cannabis. The decarboxylated value is also calculated using a conversion formula that sums delta-9 THC and 87 and seven-tenths percent (87.7%) of THC-acid;
 - 11. "Decarboxylation" means the removal or elimination of the carboxyl group from a molecule or organic compound;
 - "Department" means the Oklahoma Department of Agriculture, Food, and Forestry;
 - "Dry-weight basis" means the ratio of the amount of moisture in a sample to the amount of dry solid in a sample which shall be a basis for expressing the percentage of a chemical in a substance after removing the moisture from the substance.
- Percentage of THC on a dry-weight basis means the percentage of THC, 22 by weight, in a cannabis item (plant, extract or other derivative),

23 after excluding moisture from the item;

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- THC level" means a delta-9 tetrahydrocannabinol concentration of not more than three-tenths of one percent (0.3%) on a dry-weight basis for hemp or in a hemp product, or such other standard as the USDA may adopt from time to time. Hemp will satisfy the standard of federally defined THC level for hemp or acceptable hemp THC level if testing from a certified laboratory confirms a result within a measurement of uncertainty that includes the THC concentration level of three-tenths of one percent (0.3%);
 - 15. "FSA" means the Farm Service Agency of the USDA;
 - 16. "Gas chromatography" means a type of chromatography in analytical chemistry used in sampling to separate, identify and quantify each component in a mixture. Gas chromatography relies on heat for separating and analyzing compounds that can be vaporized without decomposition;
 - 17. "Geospatial location" means a location designated through a global system of navigational satellites used to determine ground position of a place or object;
 - 18. "Gross negligence" means any act taken intentionally, knowingly, willfully or recklessly;
- 21 19. "Grow" means to plant, cultivate, irrigate, grow or harvest 22 hemp;
 - 20. "Grower" means any person who grows or harvests hemp;

- 21. "Growing area" means either an area, whether outdoors or enclosed indoors, where hemp is grown;
- 22. "Handle" means possessing or storing hemp for any period of time on premises owned, operated or controlled by a person holding a license or in a vehicle for any period of time other than during the actual transport of hemp from or between the premises of the person holding a license or persons or entities authorized to produce hemp pursuant to 7 U.S.C., Section 16390 et seq., and any state law or rule adopted pursuant thereto;
- 23. "Handler" means any person who handles hemp or hemp products including, but not limited to, a seed cleaner, certified laboratory, trader, harvesting entity, broker, and any other service provider, but does not mean the possession or storage of finished hemp products;
- 24. "Harvest" means the termination of the growing process including, but not limited to, taking cuttings, or the movement of hemp from the licensed area designated for growing to another location, or movement within the licensed area designated for growing between indoor and outdoor planting areas;
- 25. "Hemp" means the plant Cannabis sativa L. and any part of such plant including, but not limited to, the seeds and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, and grown from a certified seed with a delta-9 tetrahydrocannabinol concentration of not more

- than three-tenths of one percent (0.3%) on a dry-weight basis. Hemp shall be considered an agricultural commodity and not a controlled substance;
 - 26. "Hemp extract" means the oil extracted from hemp's aerial plant part, such as seeds, stalks or flowers, using chemical processes, containing a natural blend of phytocannabinoids;
 - 27. "Hemp oil" means oil obtained by physically pressing hemp seeds with a 3:1 ratio of omega-6 to omega-3 essential fatty acids and does not include cannabidiol or CBD;
 - 28. "Hemp producer" means a person authorized by the Department to grow, process or handle hemp in this state;
 - 29. "Hemp product" means a finished product with a delta-9 tetrahydrocannabinol concentration of not more than three-tenths of one percent (0.3%) that is derived from or made by processing hemp or any part of hemp and prepared in a form available for commercial sale. A hemp product includes, but is not limited to, cosmetics, personal care products, food intended for human or animal consumption, cloth, cordage, fiber, fuel, paint, paper, particleboard, plastics, and any product containing one or more hemp-derived cannabinoids, such as cannabidiol. A hemp product shall not be considered a controlled substance due to the presence of hemp;
 - 30. "High-performance liquid chromatography" means a type of chromatography technique in analytical chemistry used to separate,

- identify and quantify each component in a mixture. High-performance
 liquid chromatography relies on pumps to pass a pressurized liquid
 solvent containing the sample mixture through a column filled with a
- 4 | solid adsorbent material to separate and analyze compounds;
 - 31. "Information sharing system" means the database that allows the USDA to share information collected under state, tribal and USDA plans with federal, state, tribal, local law enforcement and/or the company licensing the tracking software;
 - 32. "Key participant" means any person that controls or manages a person including, but not limited to, any shareholder or director of a corporation, any general or limited partner in a partnership, any manager or member of a limited liability company, or any trustee of any trust;
 - 33. "Law enforcement" means any federal, state or local agencies responsible for maintaining public order and enforcing the law:
 - 34. "License" means the written authorization by the Department for any person to grow, process, handle or transport certified seeds or hemp in this state;
- 20 35. "Licensed area" means the land area licensed by the
 21 Department on which a hemp producer plans to grow, process and/or
 22 handle hemp;

- 36. "Lot" means a contiguous area in a field, greenhouse or indoor growing structure containing the same variety or strain of cannabis that was planted at the same time throughout the area;
- 37. "Measurement of uncertainty" means the parameter associated with the result of a measurement that characterizes the dispersion of the values that could reasonably be attributed to the particular quantity subject to measurement;
- 38. "Negligence" means failure to exercise the level of care that a reasonably prudent person would exercise in complying with the program;
- 39. "Person" means any natural person or any corporation, general partnership, limited partnership, limited liability partnership, limited liability company, trust, estate, charitable organization, joint stock company, joint venture, association, or any other business or similar organization recognized under this state;
- 40. "Phytocannabinoid" means the cannabinoid chemical compounds found in the cannabis plant, two of which are delta-9 tetrahydrocannabinol (delta-9 THC) and cannabidiol;
 - 41. "Plantlets" means young or small hemp plants or propagules;
- 42. "Postdecarboxylation" means, in the context of testing methodologies for THC concentration levels in hemp, a value determined after the process of decarboxylation that determines the total potential delta-9 tetrahydrocannabinol content derived from

1 | the sum of the THC and THC-A content and reported on a dry-weight

2 basis. The postdecarboxylation value of THC can be calculated by

3 using a chromatograph technique using heat or gas chromatography

4 | through which THC-A is converted from its acid form to its neutral

5 | form, THC. This test calculates the total potential THC in a given

6 sample. The postdecarboxylation value of THC can also be calculated

by using a high-performance liquid chromatography technique, which

keeps the THC-A intact, and requires a conversion calculation of

that THC-A to calculate total potential THC in a given sample;

- 43. "Process" means to convert hemp into a marketable product or form including, but not limited to, all derivatives, extracts,
- 12 cannabinoids, isomers, acids, salts and salts of isomers, whether or
- 13 | not such product or form is involved in a commercial sale;
- 14 44. "Processor" means any person that processes hemp into hemp
- 15 | products in any manner or method;
- 16 45. "Program" means the Oklahoma Hemp Industrial Reform Program
- 17 | for the regulation and administration of hemp, as amended, and any
- 18 | final ruling from the USDA;
- 19 46. "Propagules" means any vegetative structure, typically a
- 20 stem cutting, that can be detached from a hemp plant and used to
- 21 propagate a new plant;

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- 22 47. "State" means the State of Oklahoma;
- 48. "THC" means delta-9 tetrahydrocannabinol, which is a
- 24 psychoactive component in cannabis plants;

- 49. "Tracking software" means software that is approved by the Department and is capable of transparently tracking hemp in any state or form whatsoever including, but not limited to, a certified seed, any stage of growth, processing, or handling, or any hemp product;
- 50. "Transport" means the movement or shipment of certified seeds or hemp from the premises of a person holding a license to the premises of another person holding a license or from the premises of a person holding a license to the premises of a person licensed for the commercial sale of certified seeds, hemp or hemp products;
- 51. "Transporter" means any person operating in intrastate commerce to transport or deliver certified seeds, hemp or hemp products;
 - 52. "USDA" means the United States Department of Agriculture;
- 53. "Variety" means a group of plants or an individual plant that exhibits a distinctive observable physical characteristic(s) or has a distinct genetic composition; and
- 54. "Volunteer plant" means a hemp plant that grows on its own by natural regeneration rather than being deliberately planted.
- SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-503 of Title 2, unless there is created a duplication in numbering, reads as follows:
- A. Each person applying for a license under the Oklahoma Industrial Hemp Reform Program shall submit a signed, complete,

- accurate and legible application form approved by the Department for the initial application and for each renewal application. Denied applications may be resubmitted within twelve (12) months from the
 - B. Handlers, processors and transporters shall apply to the Department at least thirty (30) days prior to the anticipated date of handling, processing or transporting certified seeds, hemp or hemp products.
 - C. Growers shall apply to the Department at least thirty (30) days prior to the anticipated date of planting.
 - D. All applications shall include the following:
 - 1. The name and address of the applicant, whether the applicant is an individual or business, and the Social Security number for any natural person or the employer identification number for any other person;
 - 2. A statement of intended end use;

date an application is denied.

- 3. The legal description of the property involving the proposed licensed area on which any growing, processing, handling or transporting is proposed including, but not limited to, the county, municipality and block and lot number or numbers;
- 4. The geospatial location, including the Global Positioning System location coordinates taken at the approximate center of the proposed licensed area;

- 5. Map of the licensed area on which the applicant plans to grow, process, handle or transport hemp, showing the boundaries and dimensions of the area or areas in acres or square feet; and
- 6. A nationwide criminal background check from state law enforcement agency for the applicant and other key participants.

 Each applicant and key participant are responsible for obtaining and paying for such background check. The background check is to be included with each application at the time of submission.
- E. All applications shall include a nonrefundable annual application fee and an annual licensing fee to be determined by the Department. The Department shall refund the licensing fee if an application is denied but shall not refund the application fee.
- F. Growers who process or handle their own hemp shall not be required to pay additional processor or handler licensing fees. If a grower processes or handles hemp grown from at least one separate hemp producer, that grower shall pay processing or handling licensing fees, as applicable.
- SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-504 of Title 2, unless there is created a duplication in numbering, reads as follows:
- A. Each license shall be valid for one (1) year from the date of issuance.
- B. Each person holding a license shall obtain and maintain a valid license for tracking software and shall provide the Department

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- with access to all data, information and reports generated by or through the tracking software.
- C. Any applicant or key participant who materially falsifies any information contained in an application shall be ineligible to participate in the program as a hemp producer or transporter.
- D. Any information provided to the Department by an applicant, hemp producer or transporter under the Oklahoma Industrial Hemp Reform Program may be provided to law enforcement agencies without further notice to the applicant, hemp producer or transporter.
- E. Any changes to the contact information of an applicant, hemp producer or transporter shall be provided to the Department within ten (10) days of the change.
- F. Any person convicted of a felony relating to a controlled substance under state or federal law before, on, or after the date of enactment of the federal Agriculture and Nutrition Act of 2018, P.L. 115-334, shall be ineligible to participate in the program during the ten-year period immediately following the date of the conviction. This subsection shall not apply to any person growing hemp lawfully with a license, registration or authorization under a program authorized pursuant to 7 U.S.C., Section 5940 before the date of enactment of the Federal Agriculture and Nutrition Act of 2018 and the conviction occurred before December 20, 2018.

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- G. Applicants and key participants shall undergo a nationwide criminal background check by state law enforcement, and the results shall be mailed directly to the Department.
- H. Each person holding a license shall maintain all records involving the license and its business operations for a minimum period of three (3) years.
- I. Each person holding a license and its agents shall fully cooperate and assist the Department with all aspects of the administration and enforcement of the Oklahoma Industrial Hemp Reform Program including, but not limited to, the application, license, reporting, inspection and sampling processes.
- J. A hemp producer shall pay for any laboratory analysis costs that the Department deems necessary within thirty (30) days of the date of the invoice. A person holding a license shall submit all required reports by the applicable due dates specified by the Department.
- K. A hemp producer shall provide documentation showing its legal right to grow hemp on the licensed area and the legal authority to grant the Department access for inspection and sampling. Hemp producer applicants shall provide proof of authorization to grow, process, handle and transport hemp involving the licensed area along with their application including, but not limited to, deeds, leases, written agreements with a landowner, or other appropriate documentation.

L. A license shall not be assignable or transferrable.

- M. No hemp plant shall be moved to or grown in any area other than that portion of the licensed area designated for growing without the prior written approval of the Department and subject to a licensed area modification fee pursuant to subsection R of this section.
- N. Alterations to a licensed area that has already been approved and recorded by the Department shall require a site modification plan pursuant to subsection R of this section.
- O. No licensed area may contain cannabis plants or parts thereof that the hemp producer knows, or should reasonably know, are of a variety that will produce a plant that, when tested, will produce hemp with a delta-9 THC concentration greater than the federally defined THC level for hemp.
- P. A person holding a license shall not use any seeds other than certified seeds. All certified seeds, hemp plants, plantlets and propagules shall be planted, grown, harvested, handled, processed and transported under a valid license. Any volunteer plants that emerge during a subsequent license year shall either be destroyed or included on the subsequent year's license application.
- Q. Disposal or destruction shall be ordered by the Department of any certified seeds, hemp plant, plantlet, propagule or hemp product licensed under the program found to be noncompliant with the program or that have a delta-9 THC content of more than three-tenths

- of one percent (0.3%) on a dry-weight basis, as measured from

 samples collected pursuant to the program. The cost of disposal and

 destruction shall be the sole cost, obligation and responsibility of

 the person holding the license.
 - R. A hemp producer may modify the portion of the licensed area designated for growing if, at least fourteen (14) days prior to the proposed modification, the hemp producer submits a site modification plan, including:
 - 1. An updated legal description of the land involving the licensed area including, but not limited to, any new area to be added to the licensed area;
 - 2. The geospatial location, including coordinates;
 - 3. The acreage or square feet of each variety of hemp to be planted;
 - 4. A map detailing the boundaries of the modified growing area; and
 - 5. Pay a license area modification fee as determined by the Department. The fee shall not apply to storage-only sites, but the Department shall approve such sites prior to storage use. In the event the licensed area is not approved, this fee will be refunded.
 - S. Hemp may not be grown in an area other than the licensed area. This includes, but is not limited to, planting hemp in a field for which the geospatial location has not been approved by the Department or moving indoor-grown hemp to an outside area.

- T. Transporting live hemp plants, plantlets or propagules to any unlicensed area including, but not limited to, trade shows, county fairs or educational or other events is prohibited.
- U. Members of the public shall not have direct unsupervised access to hemp at any time.
- V. Any person transporting certified seeds, hemp plants, plantlets or propagules shall maintain, and provide upon request by law enforcement, proof that:
- 1. The certified seeds, hemp plants, plantlets and propagules are subject to tracking software; and
- 2. The person is authorized to engage in the commercial sale of hemp, either under a state plan pursuant to 7 U.S.C., Section 1639p or the USDA plan pursuant to 7 U.S.C., Section 1639q in a state where a state plan has not been approved from the producer of hemp.
- W. It is the responsibility of the person holding a license to understand and comply with all rules and regulations involving hemp and to obtain all approval from any other applicable local, state or federal authorities.
- SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-505 of Title 2, unless there is created a duplication in numbering, reads as follows:
 - A. Hemp including, but not limited to, plants, noncertified seeds, propagules and plantlets shall only be obtained by a person

- 1 holding a license after written approval of the Department for such 2 variety.
 - B. The Department shall not approve any hemp seed, plant, propagule or plantlet unless the person holding a license submits documentation showing that historical harvests involving such hemp seed, plant, propagule or plantlet are under the federally defined THC level for hemp and the source for such hemp seed, plant, propagule or plantlet originated from within the United States, tribal lands or territories from a USDA-approved hemp program.
 - C. The Department shall maintain a list of certified seed varieties or strains on its website.
- D. All certified seeds and hemp shipments shall be accompanied by:
 - 1. Proof of authorization to engage in the commercial sale of certified seeds or hemp; and
 - 2. A travel manifest that lists the origin, destination, product description and date of transport.
 - E. The Department may prohibit from the program any hemp seed, plant, propagule or plantlet in order to comply with federal or state law and administer the program efficiently.
- SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-506 of Title 2, unless there is created a duplication in numbering, reads as follows:

- A. All growers shall file a pre-planting report generated by the tracking software on a form provided by the Department at least five (5) days prior to planting that includes:
- 1. A statement of verification that the grower is using certified seeds;
- 2. A description of the certified seed and cannabis varieties, including hemp, to be planted on the licensed area, which shall include all such certified seeds and varieties to be grown within a licensed area;
- 3. A statement of intended end use for all parts of any cannabis plants, including hemp, grown within a licensed area; and
- 12 4. The name and location of any hemp processing plant to be 13 utilized.
 - B. The grower shall not plant any certified seeds or hemp in any form until the pre-planting report has been approved by the Department.
 - SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-507 of Title 2, unless there is created a duplication in numbering, reads as follows:
 - A. Within ten (10) days after planting any certified seed or hemp, and ten (10) days after emergence of any volunteer hemp plants in a licensed area, each grower shall submit a planting report generated by the tracking software on a form provided by the Department that includes:

- 1. A list or description of all varieties of certified seeds and hemp planted, and of volunteer hemp plants that have emerged and are not destroyed, within a licensed area; and
- 2. The geospatial location, including Global Positioning System coordinates, and a map showing the location and actual acreage or square feet of each variety of certified seeds and hemp planted, and of volunteer hemp plants that have emerged and are not destroyed, within a licensed area.
- B. A planting report generated by the tracking software shall be submitted any time certified seeds or hemp are planted in, moved within, or moved into a licensed area, except for replanting into a larger container within the same indoor location.
- SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-508 of Title 2, unless there is created a duplication in numbering, reads as follows:
- A. At least thirty (30) days prior to harvesting any hemp, each grower shall file a harvest and disposal report generated by the tracking software on a form provided by the Department that includes:
- 1. Documentation that the grower has entered into a purchase, extraction and/or processing agreement with a person that is licensed to extract and/or process hemp in this state. A person holding a license for hemp shall not be allowed to extract or process the hemp outside of this state. If the grower has not

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entered into such an agreement, the grower shall include a statement of intended disposition of the hemp crop; and

- 2. The date or dates and locations for each harvest for each variety of hemp grown within a licensed area.
- B. A grower shall notify the Department immediately of any changes in any reported harvest date that will delay the applicable harvest by five (5) days or more. If any such changes are made, the Department may require additional testing prior to such harvest.
- C. A grower shall not be required to document the removal of any male hemp plants on a harvest or disposal report on the condition that each male plant is destroyed or used for pollination purposes in the licensed area prior to filing a harvest report for the remaining hemp plants.
- SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-509 of Title 2, unless there is created a duplication in numbering, reads as follows:
- All hemp producers shall submit a completed production report by the tracking software for the production for the prior year on or before December 1 of the applicable year. The production report shall be submitted annually and shall include:
 - 1. The number of acres or square feet planted;
- 2. The varieties of certified seeds and hemp planted and the production methods;
 - 3. Production inputs and yields; and

4. Any other information requested by the Department.

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SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-510 of Title 2, unless there is created a duplication in numbering, reads as follows:

Hemp producers shall report hemp crop acreage to the FSA and shall include with the report, at a minimum:

- 1. Street address and geospatial location for each licensed area where hemp will be produced. If an applicant operates in more than one location, that information shall be provided for all production sites;
- 2. Acreage dedicated to the production of hemp, or greenhouse or indoor square footage dedicated to the productions of hemp; and
 - 3. License or authorization identifier.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-511 of Title 2, unless there is created a duplication in numbering, reads as follows:

As a condition of obtaining and maintaining a grower or processor license, a person holding the license, or its agents, shall permit the Department or any other state or local law enforcement agency to enter onto all premises where hemp is grown, handled, processed or transported, including, but not limited to, the licensed area, to conduct a physical inspection or to otherwise ensure compliance with the program. The Department is not required to give notice to a person holding a license of an upcoming

inspection and may require the person holding a license, or its agent, to be present during any inspection.

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SECTION 12. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-512 of Title 2, unless there is created a duplication in numbering, reads as follows:

- A. Inspections and sampling shall be conducted as follows:
- 1. All hemp producers are subject to an annual random inspection and sampling by the Department to verify that the delta-9 THC concentration of the hemp planted within a licensed area does not exceed three-tenths of one percent (0.3%) on dry-weight basis;
- 2. The Department may sample and test any hemp and hemp products to verify compliance with the program;
- 3. The Department's inspectors or authorized agent may collect two or more samples from each hemp variety planted during the growing season and before harvest to ensure compliance with the federally defined THC level for hemp in the program;
- 4. Additionally, the Department may inspect and take samples from any licensed area without advance notice. The Department may also conduct such additional inspections and sampling as the Department may elect, to verify compliance with the reporting requirements of the program;
- 5. If a person holding a license voluntarily surrenders a license, the Department may exercise its discretion to inspect and sample any licensed area prior to accepting the surrendered license;

- 6. The Department may require a person holding a license, or its agent, to be present during an inspection to provide the Department's inspector with complete and unrestricted access to all hemp plants, parts and seeds within a licensed area, whether growing or harvested, and all land, buildings and other structures used in its business operations. During the collection of any samples, the person holding a license, or its agent, shall be present;
- 7. The Department shall have access to and receive copies of any and all documents and records of any type involving the business operations of a person holding a license at any time. Upon request, the person holding a license shall promptly provide the Department with copies of such documents and records;
- 8. Individual or composite samples of each variety of hemp may be sampled from the licensed area at the Department's discretion;
- 9. The method used for sampling from the flower material of a cannabis plant shall be sufficient at a confidence level of ninety-five percent (95%) that no more than one percent (1%) of the plant in the lot would exceed the federally defined THC level for hemp. The method used for sampling shall ensure that a representative sample is collected that represents a homogeneous composition of the lot;
- 10. The Department or its authorized agent may collect samples from the flower material of a cannabis plant within fifteen (15) days prior to the anticipated harvest of such plants;

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- 11. Upon notice that the Department will collect samples from the flower material of the cannabis plant, the hemp producer shall not harvest any cannabis plants prior to samples being taken; and
- 12. Samples of hemp plants, plantlets, propagules and/or varieties from one lot shall not be commingled with hemp plants, plantlets, propagules and/or varieties from other lots.
 - B. Testing procedures shall be as follows:

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- A quantitative determination of the delta-9 THC concentration on a dry-weight basis shall be performed by a certified laboratory;
- 2. The Department is not responsible for ensuring product quality or product compliance with other state or federal regulatory authorities;
- 3. Test results shall confirm that the final product batch contains no more than three-tenths of one percent (0.3%) delta-9 THC on a dry-weight basis using a measurement of uncertainty, and all such testing results shall be retained by the person holding the license utilizing the tracking software and made available to the Department upon demand for a minimum of three (3) years. Any hemp having more than the federally defined THC level for hemp is prohibited. Possession or distribution of such products may be subject to federal, state and local law enforcement action;
- 4. The THC testing procedure shall include a valid testing methodology that uses postdecarboxylation or other similarly

reliable methods including, but not limited to, gas or liquid chromatography with detection. The testing methodology shall consider the potentia, l conversion of delta-9 tetrahydrocannabinolic acid (THC-A) in hemp into THC, and the test result shall measure total available THC derived from the sum of the THC and THC-A content. Testing methodologies that meet these requirements include, but are not limited to, gas or liquid chromatography with detection. The total THC concentration level shall be determined and reported utilizing the tracking software on a dry-weight basis;

- 5. If any hemp product contains seeds, the hemp producer may conduct a third-party seed germination test on each final product batch produced. Test results shall confirm that the denatured seeds after exposure to high heat renders the result of a zero percent (0%) germination level, and all such testing results utilizing the tracking software shall be retained by the hemp producer, and made available to the Department upon demand, for a minimum of three (3) years. Any seed having a greater than zero percent (0%) germination level is prohibited. Possession or distribution of such seeds or products may in be in violation of state or federal law;
- 6. A sample test result with a delta-9 THC concentration on a dry-weight basis greater than the federally defined THC level for hemp shall be conclusive evidence that the lot represented by the sample contains a delta-9 THC concentration on a dry-weight basis of more than three-tenths of one percent (0.3%). Upon receipt of a

failing test result, the hemp producer shall not be in compliance
with the program. Upon receipt of a failing test result, the

Department may request resampling and retesting of the sampled lot.

Upon subsequent retesting failure, the Department shall determine
whether the failure constitutes a violation of negligence or gross
negligence and take appropriate action;

- 7. Hemp from lots determined to be noncompliant with the federally defined THC level for hemp shall not be further grown, handled, processed, transported or involved in commercial sales. The person holding the license shall ensure the lot is destroyed in accordance with the CSA and DEA regulations found at 21 CFR Section 1317.15 as enforced by federal, state and local law enforcement. The person holding the license shall promptly notify the Department and USDA of its intent to destroy the noncompliant hemp and verify destruction by submitting required documentation using the tracking software:
- 8. The person holding the license shall pay the Department a fee to be determined by the Department for all testing conducted by the Department including, but not limited to, retests and pesticide residue quantification tests. The Department may waive all inspection and sampling costs if no inconsistencies or violations are identified pursuant to this subsection;
- 9. Measurement of uncertainty shall be estimated and reported with test results; and

- 1 10. Each person holding a license shall ensure that the certified laboratory that conducts the test of a sample from its lots reports the test results for each sample tested to the Department and USDA and uploads such test results into the tracking The test results report shall contain the following information for each sample tested:
 - license or authorization identifier, a.
 - b. name of person holding the license,
 - C. business address of person holding the license,
 - d. lot identification number for the sample,
 - е. name and registration number of the certified laboratory,
 - f. date of test and report,
 - identification of a retest, and q.
 - h. test result.
 - SECTION 13. A new section of law to be codified NEW LAW in the Oklahoma Statutes as Section 3-513 of Title 2, unless there is created a duplication in numbering, reads as follows:
 - Processors shall label all hemp products to distinguish between hemp extract and hemp oil.
 - В. Processors shall label all hemp products in minimum lot and batch sizes determined by the Department and include the amount and percentages of oil and extract and the percentage of THC.

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- SECTION 14. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-514 of Title 2, unless there is created a duplication in numbering, reads as follows:
- A. A person holding a license may utilize a certified

 laboratory to demonstrate compliance with the federally defined THC

 level for hemp.
- B. Each certified laboratory shall apply to the program annually as handlers.
 - C. Each certified laboratory shall:

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- 10 1. Be registered and accredited in accordance with state and 11 federal laws, rules and regulations;
 - 2. Be registered with the Department as a handler;
- 3. Comply with the Department's testing procedures pursuant to the program;
 - 4. Transmit laboratory results directly to the Department utilizing the tracking software; and
- 5. Submit to random quality assurance testing by the Department to validate the accuracy of testing results.
- D. A person holding a license may test his or her hemp
 internally for quality assurance and quality compliance purposes. A
 person holding a license shall not test his or her hemp for the
 purpose of providing information or reports to the Department
 regarding THC levels or to certify labels for hemp and hemp
 products.

- SECTION 15. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-515 of Title 2, unless there is created a duplication in numbering, reads as follows:
 - A. The Department shall require a person holding a license to comply with a corrective action plan for any negligent violation of the program. A corrective action plan established by the Department to correct the negligent violation may include, but is not limited to:
 - 1. A date by which the person holding the license shall correct the negligent violation;
 - 2. The steps that are required to become compliant; and
 - 3. A requirement that the person holding the license periodically report its compliance measures to the Department for a period of not less than the two (2) calendar years following the date of the negligent violation. The Department may perform inspections as necessary.
 - B. Negligent violations may include, but are not limited to:
 - 1. Failing to provide a legal description of the land on which the person holding the license produces hemp or the licensed area;
 - 2. Failing to obtain or maintain a license or other required authorization from the Department;
 - 3. Producing Cannabis sativa L. with a delta-9 THC concentration of more than five-tenths of one percent (0.5%) on a

- dry-weight basis, or failing to make reasonable efforts to grow compliant hemp; and
 - 4. Failing to comply with any reporting requirements set forth for the program.
 - C. Hemp that is determined to have a delta-9 THC concentration of greater than three-tenths of one percent (0.3%) percent on a dry-weight basis, but equal to or less than five-tenths of one percent (0.5%) percent on a dry-weight basis, shall be destroyed in accordance with the CSA and DEA regulations found at 21 CFR Section 1317.15 as enforced by federal, state and local law enforcement, even though it does not constitute a negligent violation pursuant to subsection B of this section.
 - D. A person holding a license that is found to have negligently violated the program shall not be subject to any criminal enforcement action by this state.
 - E. A person holding a license that has been found to have negligently violated the program three times in a five-year period shall be ineligible to hold a license in this state for a period of five (5) years beginning on the date of the third violation.
 - F. The Department may issue civil administrative penalties for violations of the program.
 - G. A person holding a license may appeal any adverse determination rendered by the Department.

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- SECTION 16. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-516 of Title 2, unless there is created a duplication in numbering, reads as follows:
 - A. If the Department determines that a person holding a license has violated the program with an act of gross negligence, the Department shall order the person to immediately suspend all licensed operations.
 - B. A notice of violation with gross negligence shall be immediately referred to the United States Attorney General for this state and any other applicable federal, state or local law enforcement agency.
 - C. A person holding a license may appeal any adverse determination rendered by the Department.
 - SECTION 17. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-517 of Title 2, unless there is created a duplication in numbering, reads as follows:
 - A. Every day upon which a violation occurs at the same location or by the same person holding a license shall be considered a separate violation for the purpose of calculating civil administrative penalties. Nothing in this section shall limit the applicability of any other penalties prescribed in the program including, but not limited to, the implementation of a corrective action plan or the suspension or revocation of a license.

- B. The Department may issue civil administrative penalties based upon the seriousness of the misconduct.
- 1. Any person without a license that is growing, processing, handling or transporting certified seeds or hemp shall be subject to a civil administrative penalty to be determined by the Department.
- 2. A person, holding a license or not, guilty of interfering or refusing to allow or cooperate with any inspection or sampling procedures to be conducted by the Department shall pay a penalty to be determined by the Department.
- 3. A person holding a license that fails to submit timely reports or does not respond to any communication from the Department within a reasonable amount of time shall pay a penalty to be determined by the Department.
- 4. No assessment shall be levied under this subsection until after the person has been notified by certified mail or personal service and has been provided an opportunity for a hearing.
- C. For any violation of the program, the Department may adjust or waive the civil administrative penalty after weighing the following nonexclusive factors:
 - 1. The violator's compliance history;
- 2. The nature, timing and effectiveness of measures the violator takes to mitigate the effects of the violation;
- 3. The nature, timing and effectiveness of measures the violator takes to prevent future similar violations;

- 4. Any unusual or extraordinary costs or impacts directly or indirectly imposed on the public or the environment as a result of the violation:
 - 5. Whether the violator is growing, processing, handling or transporting certified seeds or hemp while deliberately neglecting to obtain a license from the Department; and
 - 6. Any other relevant circumstances.
 - SECTION 18. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-518 of Title 2, unless there is created a duplication in numbering, reads as follows:
 - A. The Department shall provide a reasonable opportunity for an applicant to amend an application that is insufficient or to resolve any minor violations of the program.
 - B. The Department shall provide written notice by regular mail, certified mail or personal service to a person holding a license upon a finding of a violation. Such notice shall include:
 - 1. The facts pertaining to the violation;
- 2. A reference to any rule and/or statute that has been violated;
- 3. A finding that the conduct constitutes negligence or gross negligence;
- 4. A statement explaining whether the Department has informed law enforcement of the violation;

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- 5. The basis for the civil administrative penalty issued, if any; and
 - 6. A statement explaining the person's right to a hearing and that the person may file an appeal within twenty (20) days of receiving notice.
 - C. Any appeal to the Department for a violation of the program shall be made no later than twenty (20) calendar days after receipt of the notice of violation and be in writing.
 - D. If no hearing is requested after twenty (20) days have elapsed, the notice shall become a final order on the twenty-first day.
- E. Contested cases shall be treated in accordance with this state's administrative procedures.
- SECTION 19. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-519 of Title 2, unless there is created a duplication in numbering, reads as follows:

In addition to records designated as confidential pursuant to the provisions of the Oklahoma Open Records Act and any other law, rule or executive order, the license application, supporting documentation, filed reports or any testing results shall not be considered government records. The only information that shall be considered public shall be the name and mailing address of the person holding the license.

- SECTION 20. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3-520 of Title 2, unless there is created a duplication in numbering, reads as follows:
 - A. The Department shall collect, maintain and report to the U.S. Secretary of Agriculture relevant, real-time information for the following:
 - 1. The contact information for each person holding a license under the program;
 - 2. A legal description of the land on which certified seeds or hemp is grown, processed, handled or transported by each person holding a license; and
 - 3. The status and number of each license issued to a person or other required authorizations and any changes to that status.
 - B. The Department shall maintain the records described in subsection A of this section for a period of not less than three (3) calendar years and in compliance with records retention policies.
 - C. The Department shall submit to the USDA, by the first of each calendar month, a report providing the contact information and the status of the license or other authorization issued for each person holding a license. If the first of the month falls on a weekend or holiday, the report is due by the first business day following the due date. The report shall be submitted using a digital format compatible with the information sharing system,

whenever possible. The report shall contain the following information:

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- 1. a. For each new person holding a license, the legal name of the person, the license or authorization identifier, address, the person's Social Security number or employee identification number, telephone number, and email address and the full name, title, and email address of each applicant and key participant for whom the person is required to submit a nationwide criminal background check, or
 - b. For each person holding a license that was included in a previous report and whose reported information has changed, the previously reported information and the new information;
- 2. The status of each license or authorization for each person holding a license;
 - 3. The period covered by the report; and
- 4. An indication that there were no changes during the current reporting cycle, if applicable.
- D. The Department shall submit to the USDA, by the first of each calendar month, a report notifying the USDA of any occurrence of noncompliant hemp and hemp products and providing a disposal record of such hemp and hemp products. This report will include information regarding the name and contact information for each

- person holding a license subject to destruction during the reporting
 period and the date when such destruction was completed. If the
 first of the month falls on a weekend or holiday, reports are due by
 the first business day following the due date. The report shall
 contain the following information:
 - 1. The name and address of the person holding the license;
- 7 2. The license or authorization identifier for the person 8 holding the license;
 - 3. The location information, such as lot number, location type and geospatial location or other location descriptor for the licensed area subject to destruction;
 - 4. The information on the agent handling the destruction;
 - 5. The destruction completion date; and
 - 6. The total acreage.
 - E. In addition to the hemp destruction report required under subsection D of this section, the Department shall promptly notify the USDA Agricultural Marketing Service Administrator by certified mail, or electronically, of any occurrence of cannabis plants or plant materials that do not meet the definition of hemp and attach the records demonstrating the appropriate disposal of all of those plants and materials in the lot from which the representative samples were taken.

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- F. The Department shall submit an annual report to the USDA by
 December 15 of each calendar year containing the following
 information:
 - 1. The total planted acreage;
 - 2. The total harvested acreage; and
- 6 3. The total acreage disposed.
- 7 SECTION 21. AMENDATORY Section 1, Chapter 64, O.S.L.
- 8 | 2018, as amended by Section 2, Chapter 91, O.S.L. 2019 (2 O.S. Supp.
- 9 2019, Section 3-401), is amended to read as follows:
- 10 Section 3-401. This act shall be known and may be cited as the
- 11 | "Oklahoma Industrial Hemp Program" The Oklahoma Industrial Hemp
- 12 | Program is hereby abolished. Any licenses that are valid and active
- 13 on November 1, 2020, shall be subject to the Oklahoma Industrial
- 14 | Hemp Reform Program.

- 15 SECTION 22. AMENDATORY Section 10, Chapter 64, O.S.L.
- 16 | 2018, as amended by Section 9, Chapter 91, O.S.L. 2019 (2 O.S. Supp.
- 17 | 2019, Section 3-410), is amended to read as follows:
- Section 3-410. There is hereby created in the State Treasury a
- 19 revolving fund for the State Board of Agriculture to be designated
- 20 | the "Oklahoma Industrial Hemp Reform Program Fund". The fund shall
- 21 be a continuing fund, not subject to fiscal year limitations and
- 22 | shall consist of all monies received by the State Board of
- 23 Agriculture from fees received and collected pursuant to the
- 24 Oklahoma Industrial Hemp Reform Program, donations, grants,

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    contributions and gifts from any public or private source.
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    Board may expend funds for the purposes set forth in the Oklahoma
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    Industrial Hemp Reform Program. Expenditures from said fund shall
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    be made upon warrants issued by the State Treasurer against claims
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    filed as prescribed by law with the Director of the Office of
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    Management and Enterprise Services for approval and payment.
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        SECTION 23.
                                      Section 2, Chapter 64, O.S.L. 2018,
                        REPEALER
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    as amended by Section 3, Chapter 91, O.S.L. 2019, Section 3, Chapter
    64, O.S.L. 2018, as last amended by Section 1, Chapter 478, O.S.L.
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    2019, Section 4, Chapter 64, O.S.L. 2018, as amended by Section 5,
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    Chapter 91, O.S.L. 2019, Section 6, Chapter 64, O.S.L. 2018, as
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    amended by Section 6, Chapter 91, O.S.L. 2019, Section 7, Chapter
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    64, O.S.L. 2018, as amended by Section 7, Chapter 91, O.S.L. 2019,
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    Section 8, Chapter 64, O.S.L. 2018, as last amended by Section 2,
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    Chapter 478, O.S.L. 2019 and Section 11, Chapter 91, O.S.L. 2019 (2)
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    O.S. Supp. 2019, Sections 3-402, 3-403, 3-404, 3-406, 3-407, 3-408
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    and 3-411), are hereby repealed.
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        SECTION 24. This act shall become effective November 1, 2020.
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    COMMITTEE REPORT BY: COMMITTEE ON AGRICULTURE AND RURAL DEVELOPMENT,
    dated 02/26/2020 - DO PASS, As Amended and Coauthored.
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HB3786 HFLR BOLD FACE denotes Committee Amendments.

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