**Meeting Minutes for the Fourth Meeting of the Cannabis Social Equity Advisory Board**

**Monday, August 28, 2023**

**4:00 PM**

**Board Members in Attendance via Remote Access:**

* Keisha Brice (Chair)
* Meaka Brown
* Chris Fevry
* Aaron Goines

**Meeting Minutes:**

Welcome and Introductions

* Chair Keisha Brice called the meeting to order at approximately 4:01pm.
* Chair Brice moved to approve the meeting minutes from July 24, 2023 Meeting. The motion carried.

Discussion around the Trust Fund Regulations

* McGovern provided a recap of the regulation topics previously discussed by the board at prior meetings, including eligibility requirements, license status & type, stage of business, and types of financial assistance the Trust Funds allows.
* Mr. Mcgovern noted today's discussion will involve the Application, Selection Criteria and the Default Criteria for Penalties.
* Mr. Mcgovern provided an update on the regulation process, timeline, public hearing process and draft regulations.

Board members commenced discussion on regulations, including the following topics:

* Selection Criteria when determining whether to fund an applicant – Mr. Fevry indicated criteria should vary based on stage of business. Chair Brice offered that ownership disclosures and location of the business should be considered. Mr. Goines indicated 51% of Management control of the SE or EE as a primary criteria for receiving funds. Chair Brice noted criteria for emergency funding should be determined. Mr. Fevry indicated applicants should disclose control of any other licenses, management, and purchasing agreements. Chair Brice offered there should be a cap on funding for companies with relationships with certain companies.
* Default Criteria and Penalties - Chair Brice indicated noncompliance would constitute whether the applicant provides required reporting information within allotted time period. Mr. Fevry proposed there should be a grace period of 90 days on reporting requirements for grants. Chair Brice indicated there should be a cap on financial penalties. Mr. Fevry indicated that material misrepresentation of ownership should be penalized, however there should be some form of mediation. Mr. Goines indicated the importance of a financial claw-back in violation of grant or loan terms. Board Member Meaka Brown said she is unsupportive of a dollar-for-dollar or significant financial penalty, but there should be some form of recovery. Mr. Goines indicated that penalties should apply to the business, not the individual. Chair Brice offered that penalties should be proportional to annual financial projections. Chair Brice also supported loan-forgiveness and loan repayment options in the event loan recipients are unable to repay loans.
* Demonstration of Need for Funds, Projected Use of Funds, Readiness to Use Funds, and Impact of Funds - Chair Brice offered that proof of notification of default on lease could be an example as proof of need for emergency funds. Mr. Fevry indicated a summary for the company’s statement of cashflows could demonstrate need for funds. Mr. Fevry indicated invoices for services necessary for applicants in the buildout stage should demonstrate a need for funds. Chair Brice offered that receipts for past overhead expenditures should be considered. Mr. Goines indicated there should be a tiered approach for funding based on the progress of the licensee. Mr. Goines also indicated that existing insolvent businesses should not be awarded funds. Ms. Brown suggested a differentiation of funds between applicants and existing operators.
* Viability of the business – Mr. Fevry and Ms. Brown discouraged disqualifying funds based on business viability. Chair Brice was also unsupportive of measuring potential for success, but rather we should focus on providing funds for eligible businesses. Board Member Goines conversely indicated business viability should in fact be considered as funds are finite. Mr. Goines and Ms. Brown were supportive of filtration based on current market dynamics. Mr. Fevry indicated he feels we cannot accurately understand the viability of business and be fair in our assessments. Mr. Fevry’s also indicated main concern was getting funds into the hands of eligible businesses. Chair Brice suggested considering market trends & licensing data from the Cannabis Control Commission (CCC) to prevent overcrowding. Ms. Brown suggested that inquiry of municipal market caps should be added to the application.
* Defaults, Penalties, and Violations – Chair Brice indicated violations should be differentiated based on frequency of violations and loan defaults. Ms. Brown suggested allowing applicant to correct violations, but there should be a cap on how many times they can receive a non-compliance violation. Mr. Fevry suggested material misrepresentation of ownership or failure to notify change in ownership should constitute a violation. Chair Brice indicated for businesses who experience revocation of their license, failure to return grant funds within timeline should constitute violation. Ms. Brown and Chair Brice suggested that grant funds should be allowed to be used on CCC fines or violations to support business viability. Mr. Fevry indicated that CCC penalties should not affect eligibility for funds. Mr. Goines does not support the allowable use of funds to be used for CCC fines or violations.
* How long recipient shall be prohibited from sale or transfer of license after commencing operations – Chair Brice, Ms. Brown, Mr. Fevry, and Mr. Goines indicated 3 years is a sufficient amount of time for sale or transfer of a license. Mr. Goines suggested an early exit penalty should exist for those who sell or transfer license prior to 3 years and awarded funds should be paid back in entirety. Mr. Fevry suggested that repayment of funds should be proportional to time passed, similar to First-Time Homebuyer Loans. Mr. McGovern clarified that the statute requires 100% of grant/loan funds must be recovered if sale or transfer occurs earlier than timeframe. Chair Brice, Mr. Goines, and Ms. Brown reiterated that license transfer agreements should be considered and disclosed on the application.
* EOED determination of how much violations should be for violating grant conditions – Chair Brice indicated fine amounts should be contingent amount grant or loan amounts. Ms. Brown and Mr. Goines suggested up to 50% is reasonable up to a certain amount of money. Mr. Fevry indicated violations should be on a case-by-case basis. Chair Brice suggested a criterion for forgiveness in circumstances based on explanation of violation. Mr. Fevry proposed 100 % loan forgiveness should be considered. Mr. Goines indicated loan forgiveness should only be considered if the business is no longer operational. Mr. Goines suggested loan restructuring and a grace period of 6 months to 1 year for those who cannot repay loans. Mr. Fevry suggested in circumstances where the business maintains 50% diverse workforce should qualify for loan forgiveness. Mr. Goines reiterated the money is finite due to market circumstances, if there are case of insolvency, EOED should consider repossessing equipment assets from the business.

Update on Status of Social Equity Trust Fund

* Mr. Fevry asked about the status of the Social Equity Trust Fund.
* Mr Hanlon indicated funds are on track to being transferred by early November. In the time being, EOED is drafting regulations and the program RFP which will be released in subsequent meetings in September-October. We anticipate receiving $2-4 million from the State budgets Consolidated Net Surplus as discussed in previous board meetings.

Update on Board Member appointment

* Chair Brice indicated that new board members are currently being considered and that by the next board meeting there should be an update as to who will be chosen.

Adjournment

* Chair Brice called for a motion to adjourn the meeting at 5:54 PM, which was made and seconded. All members present voted in the affirmative. The meeting was adjourned.