

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

Monday, September 25, 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 August 28th, 2023 Meeting. The motion was approved.

Administration Update on the Governor's Closeout Supplemental Budget

- Rory O'Hanlon, Deputy Chief of Staff for EOED, provided an update on the FY23 closeout supplemental budget, which addresses the funding transfer mechanism for the Trust Fund to clarify that 15% of the prior fiscal year's revenue deposited into the Marijuana Regulation Fund will be transferred to the Social Equity Trust Fund by January 1st.

Draft Trust Fund Regulations Overview

- Robert McGovern, Deputy General Counsel for EOED, provided an overview of the draft regulations and process to promulgate the regulation

Eligibility:

- Mr. McGovern described the types of applicants that would be eligible to apply to the fund, including individuals or businesses that are an Economic Empowerment Priority Applicant, Social Equity Business or Social Equity Program Participant, and potentially municipalities.
- Chair Brice noted concerns about eligibility for the fund and asked if the CCC would provide a list of eligible applicants and applicants who meet the criteria for eligibility but are not yet designated as a social equity business would be considered for financial assistance; Mr. McGovern indicated that EOED will coordinate with the CCC to verify eligible applicants.
- Mr. Fevry offered that EOED could consider accepting an applicant's Social Equity number issued by the CCC to verify eligibility for prospective fund applicants. He also shared concerns that the statute limits funds to social equity businesses that do not meet the ownership threshold.
- Mr. Goines noted the importance of a level of standardization for qualifications of financial assistance, and proposed eligible applicants must have at least 51% managerial control of the business. He reiterated his support for applicants having at least 51% control to avoid watering down the intent of the program.

- Mr. McGovern indicated that the ownership threshold for fund eligibility is established by the definitions of eligible applicants that are set forth in the authorizing statute.
- Mr. Fevry and Chair Brice indicated their support for recommending a legislative change to the 51% threshold.

Applications:

- Mr. McGovern indicated the type of information an applicant will need to provide on applications for financial assistance, the timing of applications and potential limitations on frequency of applicants.
- Chair Brice indicated concerns with the limitation on one application per funding round; Mr. McGovern clarified that EOED is contemplating the ability to accept applications on a rolling basis and through competitive rounds.
- Mr. Fevry noted that certifications of good standing for the Department of Revenue and Secretary of State may be difficult to obtain for certain applicants experiencing financial hardship.

Award of Funds:

- Mr. McGovern described the review and selection process, contract requirement for awardees, and restrictions on certain assets purchased with funds.
- Mr. Fevry asked for clarification on the reimbursement process for the issuance of grant funds; Mr. McGovern indicated that similar EOED grant programs are on a reimbursement basis where applicants enter contracts.

Defaults, Material Breaches and Penalties:

- Mr. McGovern described events that may constitute a default or breach of contract and the resulting remedies and penalties.
- Mr. Fevry asked if there would be a cure period providing applicants time to remediate issues or violations of the contract; Mr. McGovern noted that the contracts include such language.

Role of the Advisory Board

- Mr. McGovern listed the scope of roles and responsibilities for the Cannabis Social Equity Trust Fund Advisory Board.

General Discussion

- Mr. Fevry asked for clarification on the importance of consideration for business viability based on other sources of financing; Mr. McGovern noted that the evidence of other sources of funding demonstrates that the Trust Fund is not the only source of funding; Chair Brice asked if we will be asking applicants to disclose other sources of funding and if the application could also include disclosure of management agreements by outside parties.
- Board members engaged in a discussion regarding lowering the eligibility threshold for businesses to less than 51% ownership; Mr. Fevry & Chair Brice indicated their fear for leaving out potential social equity operators and reiterated their support to lowering the threshold; Mr.

McGovern reiterated that the statute controls and limits eligibility; Mr. Goines indicated his belief is that the intent of the ownership threshold was to prevent minority figureheads while non-social equity applicants reap the benefits of this fund and suggested a sliding scale starting at 30% ownership where the ability to retain more company ownership increases the ability to receive more financial assistance; Ms. Brown indicated her support for Mr. Goines rationale regarding the need to maintain at least 30% ownership.

- Chair Brice proposed the ability for municipalities that prohibit marijuana businesses to apply for municipal grant funds if they authorize such businesses and set place makers for social equity participants.

Adjournment

- Chair Brice called for a motion to adjourn the meeting at 5:10 PM, which was made and seconded. All members present voted in the affirmative. The meeting was adjourned.