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Sent: Monday, October 4, 2021 12:19 PM
To: CAC Meetings
Cc: Eric Foster
Subject: Fwd: M4MM Suggestions on Social Equity in NV

Greetings CAC committee meeting members, on behalf of my Minorities for Medical Marijuana and our National Policy Director, Mr. Eric Foster, we would like to submit suggestions for the committee to consider in regards to defining social equity qualifications for applicants in the state of Nevada. I know that these suggestions have been submitted outside of the required time for review today, but I wanted to get the suggestions to you before you started your meeting. Please let me know if you have any questions or if there's anything else that Minorities For Medical Marijuana can do to support you all.

Nevada – previous recommendations on AB 341 My suggestions on Social Equity designation

Sec. 9. “Social equity applicant” means an applicant for the issuance or renewal of an adult-use cannabis establishment license for a retail cannabis consumption lounge or an independent cannabis consumption lounge who has been adversely affected by provisions of previous laws which criminalized activity relating to cannabis, including, without limitation, adverse effects on an owner, or officer or board member of the applicant. or on the geographic area in which the applicant will operate.

Modify the definition of Social Equity applicants to include the following language:

“Social equity participant” means an individual, or an entity that is controlled by one or more individuals who hold a direct or indirect ownership interest of not less than 50% who satisfies two or more of the following criteria:

- (i) has an income that is less than 250% of the poverty line updated periodically in the Federal Register by the United States Department of Health and Human Services under the authority of 42 U.S.C. 9902(2) and has a net worth not greater than \$250,000;
- (ii) has resided for 5 or more of the past 10 years in a disproportionately impacted community;
- (iii) Be a person who has been, or a person whose parent, guardian or spouse has been arrested for, prosecuted for, or convicted of a non-violent marijuana offense, except for a conviction involving provision of marijuana to a minor, or a conviction of driving under the influence of marijuana. The arrest, charge, or conviction must have occurred at least one year prior to effective date of this section.
- (iv) Resides in a ZIP Code or census track area where either; *the total number of marijuana-related convictions exceeded the average marijuana-related conviction rate for the state, where 30% or more of the population live below the federal poverty level, has an average unemployment rate that is 50% above the State average rate.*
- (v) A majority of the ownership is made up of individuals from Black, African American, Native American, Hispanic or Latino descent Arab American and/or Asian American;
- (vi) Have a valid service-connected disability card issued by the United States Department of Veterans Affairs, or successor agency;
- (vii) Meets 2 of the “Transitional Worker” barriers to employment qualifications

“Transitional worker” means a person who, at the time of starting employment at the business premises, resides in a ZIP Code or census track area with higher than average unemployment, crime, or child death rates, and faces at least one of the following barriers to employment:

1. Is homeless;
2. Is a custodial single parent;
3. Is receiving public assistance;
4. Lacks a GED or high school diploma;
5. Has a criminal record or other involvement with the criminal justice system;
6. Suffers from chronic unemployment;

7. Is emancipated from the foster care system;
8. Is a veteran; or
9. Is over 65 years of age and is financially compromised.

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“Disproportionately impacted community” means a community determined by the marijuana regulatory agency to have been disproportionately impacted by marijuana prohibition and enforcement based upon both of the following criteria:

- (i) arrest or conviction rates for marijuana-related criminal offenses, and
- (ii) proportion of residents earning less than the poverty line updated periodically in the Federal Register by the United States Department of Health and Human Services under the authority of 42 U.S.C. 9902(2).
- (iii) Resides in a ZIP Code or census tract area where either; *the total number of marijuana-related convictions exceeded the average marijuana-related conviction rate for the state, where 30% or more of the population live below the federal poverty level, has an average unemployment rate that is 50% above the State average rate.*

New Jersey – existing language

§ 17:30-6.4 DIVERSELY OWNED BUSINESSES

(a) Until such time that the Commission determines that it will develop its own certification process, a “Diversely Owned Business” means a license applicant or a license-holder that has been certified as a minority business, as a woman’s business, as a disabled-veterans’ business, or as any combination thereof, by the Division of Revenue and Enterprise Services in the Department of the Treasury.

1. A minority business or minority-owned business enterprise is a business that meets the requirements of N.J.S.A. 52:27H-21.18 et seq., including, but not limited to, that:

- i. At least 51% of the ownership interest is held by persons who are minorities; and
- ii. The management and daily business operations are controlled by one or more of the minorities who own it.

2. A women’s business or women-owned business enterprise is a business that meets the requirements of N.J.S.A. 52:27H-21.18 et seq., including, but not limited to, that:

- i. At least 51% of the ownership interest is held by persons who are women; and
- ii. The management and daily business operations are controlled by one or more of the women who own it.

3. A disabled-veterans’ business or disabled veteran-owned business enterprise is a business that meets the requirements of N.J.S.A. 52:32-31.2, including, but not limited to, that:

- i. At least 51% of the ownership interest and control is held by persons who are disabled veterans; or
- ii. The business has been officially verified by the U.S. Department of Veterans Affairs as a service-disabled veteran-owned small business.

(b) A diversely owned business shall submit, in its cannabis business license application, the certification from the Division of Revenue and Enterprise Services, Department of Treasury, pursuant to N.J.S.A. 52:27H-21.20 and N.J.S.A. 52:32-31.8.

§ 17:30-6.5 IMPACT ZONE BUSINESSES

(a) An “Impact Zone Business” means a license applicant or license-holder:

1. That operates a cannabis business that is located, or intended to be located, within an impact zone;
2. Where more than 50% of the ownership interest is held by a current resident or residents of an impact zone who have resided there for three or more consecutive years at the time of application; or
3. That presents a plan, along with an attestation, to ensure that:
 - i. At least 25% of its employees reside in any of the State’s impact zones, and
 - ii. Among the employees who reside in impact zones, at least 25% reside in the impact zone nearest to the cannabis business’s location or intended location.

(b) For a license issued based on an application with an impact zone employment plan pursuant to (a)3, above, failure of an Impact Zone Business to meet the requisite percentages of employees from an impact zone within 90 days of the commencement of operations of a cannabis business may result in the suspension or revocation of a license issued.

(c) An impact zone business shall submit, in its cannabis business license application or renewal, documentation verifying its impact zone business status, including evidence and attestations from any qualifying owner, passive investor, or employee proving the qualification of the person under the criteria of (a), above.

§ 17:30-6.6 SOCIAL EQUITY BUSINESSES

(a) “Social Equity Business” means a license applicant or license-holder that meets one of the following criteria:

1. More than 50% of the ownership interest of the license applicant or license-holder is held by one or more persons that demonstrate one of the following criteria:
 - i. At the time the initial application is submitted, have lived in an Economically Disadvantaged Area for 5 of the 10 preceding years; and
 - ii. Are, at the time the initial application is submitted and based on the preceding year’s income, a member of a household that has a household income that is 80 percent or less of the average median household income in the State, as determined annually by the U.S. Census Bureau.
 2. More than 50% of the ownership interest of the license applicant or license-holder is held by one or more persons who are eligible to be pronounced rehabilitated in accordance with N.J.A.C. 17:30-7.12(e), if necessary, and have been adjudicated delinquent for or convicted of, whether expunged or not, in this State, another state, or federally:
 - i. at least two marijuana- or hashish-related disorderly persons offenses, or
 - ii. at least one marijuana- or hashish-related indictable offense.
- (b) A social equity business shall submit, in its cannabis business license application or renewal, documentation verifying its social equity business status, including an attestation from any qualifying owner or passive investor attesting to the qualification of the person under the criteria of paragraph (a).

California

California Cannabis Equity Act of 2018 – existing statutory language

“State equity applicant” and “state equity licensee” mean an applicant for a state cannabis license, or a state cannabis licensee, who owns at least 51 percent of the business seeking licensure and meets at least one of the following criteria, as determined by the Bureau:

- i) Is demonstrably linked to populations and neighborhoods that were negatively and disproportionately impacted by cannabis-related criminalization.
- ii) Was previously arrested or convicted of a cannabis-related charge.
- iii) Resides in a ZIP Code or census tract area with higher than average unemployment, crime, or child death rates.
- iv) Attended a low performing K-12 school in or near a federal poverty area for at least four grade levels.
- v) Is economically disadvantaged with an income below 200 percent of the federal poverty level, and has a net worth below \$250,000.
- vi) Any other related criteria adopted by the Bureau by regulation.

Illinois – existing language for both the Medical Cannabis licensing process and Recreational Adult-Use Cannabis Licensing process

TITLE 68: PROFESSIONS AND OCCUPATIONS

CHAPTER VII: DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION SUBCHAPTER b: PROFESSIONS AND OCCUPATIONS

PART 1290 RULES FOR ADMINISTRATION OF THE COMPASSIONATE USE OF MEDICAL CANNABIS PILOT PROGRAM

SECTION 1290.70 SELECTION CRITERIA

Verification of Minority-Owned, Female-Owned, Veteran-Owned or Disabled Person-Owned Business: The minority, female, veteran or disabled applicants must own at least 51% of the entity applying for registration. The percentage totals may include any combination of minority, female, veteran or disabled applicants. The minority, female, veteran or disabled applicant must also share in control of management and day-to-day operations of the dispensary. Documentation must be submitted at the time of application that demonstrates the respective status of the applicant, including, but not limited to, certification under the Business Enterprise for Minorities, Females, and Persons with Disabilities Act [30 ILCS 575] for minority, female or disabled person applicants, or a DD214 for veteran applicants. For purposes of this subsection, minority, female, and disabled shall be defined as found in Section 2 of the Business Enterprise for Minorities, Females, and Persons with Disabilities Act [30 ILCS 575/2].

Social Equity Applicant Qualifications

(a-5) For any dispensing organization registered on or after July 1, 2019, the Department of Financial and Professional Regulation shall award not less than 20% of all available points to applicants that qualify as Social Equity Applicants. For purposes of this Section:

"Disproportionately Impacted Area" means a census tract or comparable geographic area that satisfies the following criteria as determined by the Department of Commerce and Economic Opportunity, that:

(1) meets at least one of the following criteria:

(A) the area has a poverty rate of at least 20% according to the latest federal decennial census; or

(B) 75% or more of the children in the area participate in the federal free lunch program according to reported statistics from the State Board of Education; or

(C) at least 20% of the households in the area receive assistance under the Supplemental Nutrition Assistance Program; or

(D) the area has an average unemployment rate, as determined by the Illinois Department of Employment Security, that is more than 120% of the national unemployment average, as determined by the United States Department of Labor, for a period of at least 2 consecutive calendar years preceding the date of the application; and

(2) has high rates of arrest, conviction, and incarceration related to sale, possession, use, cultivation, manufacture, or transport of cannabis.

"Social Equity Applicant" means an applicant that is an Illinois resident that meets one of the following criteria:

(1) an applicant with at least 51% ownership and control by one or more individuals who have resided for at least 5 of the preceding 10 years in a Disproportionately Impacted Area;

(2) an applicant with at least 51% of ownership and control by one or more individuals who have been arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement or member of an impacted family;

(3) for applicants with a minimum of 10 full-time employees, an applicant with at least 51% of current employees who:

(A) currently reside in a Disproportionately Impacted Area; or

(B) have been arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement or member of an impacted family.

ADULT USE CANNABIS SUMMARY

The following summarizes the major elements of the amendment that will be filed to Senate Bill 7 to legalize recreational adult use cannabis in Illinois.

PROMOTING EQUITY

- Establishment of a "social equity applicant" status for licensing
 - A social equity applicant is an Illinois resident that meets one of the following criteria:
 - Applicant with at least 51 percent ownership and control by one or more individuals who have resided for at least 5 of the preceding 10 years in a disproportionately impacted area.
 - Applicant with at least 51 percent ownership and control by one or more individuals who have been arrested for, convicted of, or adjudged to be a ward of the juvenile court for any offense that is eligible for expungement under this Act or member of an impacted family;
 - For applicants with a minimum of 10 full-time employees, an applicant with at least 51% of current employees who:
 - Currently reside in a disproportionately impacted area; or
 - Have been arrested for, convicted of, or adjudged to be a ward of the juvenile court for any offense that is eligible for expungement under this Act or member of an impacted family.

"Disproportionately Impacted Area" means a census tract or comparable geographic area that satisfies the following criteria as determined by the Department of Commerce and Economic Opportunity, that:

(1) meets at least one of the following criteria:

(A) the area has a poverty rate of at least 20% according to the latest federal decennial census; or

(B) 75% or more of the children in the area participate in the federal free lunch program according to reported statistics from the State Board of Education; or

(C) at least 20% of the households in the area receive assistance under the Supplemental Nutrition Assistance Program; or

- (D) the area has an average unemployment rate, as determined by the Illinois Department of Employment Security, that is more than 120% of the national unemployment average, as determined by the United States Department of Labor, for a period of at least 2 consecutive calendar years preceding the date of the application; and
- (2) has high rates of arrest, conviction, and incarceration related to sale, possession, use, cultivation, manufacture, or transport of cannabis.

New York – existing language

§ 87. Social and economic equity, minority and women-owned businesses, distressed farmers and service-disabled veterans; incubator program.

1. The board, in consultation with the chief equity officer and executive director, and after receiving public input shall create and implement a social and economic equity plan and actively promote applicants from communities disproportionately impacted by cannabis prohibition, and promote racial, ethnic, and gender diversity when issuing licenses for adult-use cannabis related activities, including mentoring potential applicants, by prioritizing consideration of applications by applicants who are from communities disproportionately impacted by the enforcement of cannabis prohibition or who qualify as a minority or women-owned business, distressed farmers, or service-disabled veterans? Such qualifications shall be determined by the board, with recommendations from the state cannabis advisory board, the chief equity officer and executive director, by regulation.

2. The board's social and economic equity plan shall also promote diversity in commerce, ownership and employment, and opportunities for social and economic equity in the adult-use cannabis industry. A goal shall be established to award fifty percent of adult-use cannabis licenses to social and economic equity applicants and ensure inclusion of:

- (a) individuals from communities disproportionately impacted by the enforcement of cannabis prohibition.
- (b) minority-owned businesses.
- (c) women-owned businesses.
- (d) minority and women-owned businesses, as defined in paragraph (d) of subdivision five of this section.
- (e) distressed farmers, as defined in subdivision five of this section; and
- (f) service-disabled veterans.

3. The social and economic equity plan shall require the consideration of additional criteria in its licensing determinations. Under the social and economic equity plan, extra priority shall be given to applications that demonstrate that an applicant:

- (a) is a member of a community disproportionately impacted by the enforcement of cannabis prohibition.
- (b) has an income lower than eighty percent of the median income of the county in which the applicant resides; and (c) was convicted of a marijuana-related offense prior to the effective date of this chapter, or had a parent, guardian, child, spouse, or dependent, or was a dependent of an individual who, prior to the effective date of this chapter, was convicted of a marijuana-related offense.

4. The board in consultation with the cannabis advisory board and the chief equity officer, shall also create an incubator program to encourage social and economic equity applicants to apply and, if granted an adult-use cannabis license, permit or registration, the program shall provide direct support in the form of counseling services, education, small business coaching and financial planning, and compliance assistance.

5. For the purposes of this section, the following definitions shall apply:

- (a) "Minority-owned business" shall mean a business enterprise, including a sole proprietorship, partnership, limited liability company or corporation that is:
 - (i) at least fifty-one percent owned by one or more minority group members.
 - (ii) an enterprise in which such minority ownership is real, substantial and continuing.
 - (iii) an enterprise in which such minority ownership has and exercises the authority to control independently the day-to-day business decisions of the enterprise.
 - (iv) an enterprise authorized to do business in this state and independently owned and operated; and
 - (v) an enterprise that is a small business.
- (b) "Minority group member" shall mean a United States citizen or permanent resident alien who is and can demonstrate membership in one of the following groups:
 - (i) black persons having origins in any of the black African racial groups.

(ii) Hispanic persons of Mexican, Puerto Rican, Dominican, Cuban, Central or South American of either Indian or Hispanic origin, regardless of race.

(iii) Native American or Alaskan native persons having origins in any of the original peoples of North America; or

(iv) Asian and Pacific Islander persons having origins in any of the far east countries, south east Asia, the Indian subcontinent or the Pacific islands.

(c) "Women-owned business" shall mean a business enterprise, including a sole proprietorship, partnership, limited liability company or corporation that is:

(i) at least fifty-one percent owned by one or more United States citizens or permanent resident aliens who are women.

(ii) an enterprise in which the ownership interest of such women is real, substantial and continuing.

(iii) an enterprise in which such women ownership has and exercises the authority to control independently the day-to-day business decisions of the enterprise.

(iv) an enterprise authorized to do business in this state and independently owned and operated; and

(v) an enterprise that is a small business.

(d) A firm owned by a minority group member who is also a woman may be defined as a minority-owned business, a women-owned business, or both.

(e) "Distressed farmer" shall mean: (i) a New York state resident or business enterprise, including a sole proprietorship, partnership, limited liability company or corporation, that meets the small farm classification developed by the Economic Research Service of the United

States Department of Agriculture, has filed a schedule F with farm receipts for the last three years, qualifies for an agriculture assessment and meets other qualifications defined in regulation by the board to demonstrate that they operate a farm operation as defined in section three hundred one of the agriculture and markets law and has been disproportionately impacted, including but not limited to incurring operating losses, by low commodity prices and faces the loss of farmland through development or suburban sprawl and meets any other qualifications as defined in regulation by board; or (ii) a New York state resident or business enterprise, including a sole proprietorship, partnership, limited liability company or corporation, that is a small farm operator and a member of a group that has been historically underrepresented in farm ownership and meets any other qualifications as defined in regulation by board.

(f) "Service-disabled veterans" shall mean persons qualified under article seventeen-B of the executive law.

(g) "Communities disproportionately impacted" shall mean, but not be limited to, a history of arrests, convictions, and other law enforcement practices in a certain geographic area, such as, but not limited to, precincts, zip codes, neighborhoods, and political subdivisions, reflecting a disparate enforcement of cannabis prohibition during a certain time period, when compared to the rest of the state. The board shall, with recommendations from the state cannabis advisory board, the chief equity officer and executive director, issue guidelines to determine how to assess which communities have been disproportionately impacted and how to assess if someone is a member of a community disproportionately impacted.

Muskegon Heights Michigan Municipal Ordinance

Section 88-18 - Phase Two - License Application Evaluation.

Factors for Scoring

The assigned City staff shall create a scoring rubric outlining the factors and weight of criteria considered for the scoring of such applications, and shall provide the final rubric for modification and final approval by the majority of the City Council. The scoring criteria shall include factors that select applicants best suited to operate in the City in compliance with the MRTMA and the MMFLA as applicable, such as the following factors:

- (a) Qualifications of the applicant, including but not limited to business history, experience, and regulatory compliance and/or legal history;
- (b) Percentage (%) of demonstrated proof of Ownership by Geographic regional factors (based on the Applicant's Prequalification Disclosures to MRA). Additional scoring factors are available based upon meeting or exceeding a minimum floor of 40% demonstrated ownership of applicants by:
 - i. Persons who have established residency in a minimum of 3 of the past 5 years in the City of Muskegon Heights in a socio-economically challenged defined area within the City (resides in a ZIP Code or census tract area, in which the total number of marijuana-related convictions exceeded the average marijuana-related conviction rate for the state, where 30% or more of

the population live below the federal poverty level, or has an average unemployment rate that is 50% above the State average rate);

- ii. Persons who have established residency in a minimum of 3 of the past 5 years in the City of Muskegon Heights;
- iii. Persons who have established residency in a minimum of 3 of the past 5 years in Muskegon County;
- iv. Persons who have established residency in a minimum of 3 of the past 5 years in the State of Michigan.

Factors for Scoring

The assigned City staff shall create a scoring rubric outlining the factors and weight of criteria considered for the scoring of such applications and shall provide the final rubric for modification and final approval by the majority of the City Council. The scoring criteria shall include factors such as the following factors:

- a. Qualifications of the applicant - Business history and experience & Regulatory compliance/legal history
- b. % of demonstrated proof of Ownership by Geographic regional factors (using MMFLA Entity Prequalification Disclosure 2A Ownership Interests & Disclosure 2C – True Party of Interest and MRTMA Entity Prequalification Disclosure E-2 Associated Parties) - Additional scoring factors are available based upon meeting or exceeding a minimum floor of 40% demonstrated ownership of applicants by:
 - a. Persons who have established residency in a minimum of 3 of the past 5 years in the city of Muskegon Heights, in a socio-economically challenged defined area within the city (resides in a ZIP Code or census track area, in which the total number of marijuana-related convictions exceeded the average marijuana-related conviction rate for the state, where 30% or more of the population live below the federal poverty level, has an average unemployment rate that is 50% above the State average rate)
 - b. Persons who have established residency in a minimum of 3 of the past 5 years the city of Muskegon Heights,
 - c. Persons who have established residency in a minimum of 3 of the past 5 years in Muskegon County
 - d. Persons who have established residency in a minimum of 3 of the past 5 years in the State of Michigan

Missouri – recommendations to Recreational Marijuana ballot initiative

“Social equity participant” means an individual, or an entity that is controlled by one or more individuals who hold a direct or indirect ownership interest of not less than 50% who satisfies two or more of the following criteria:

(i) has an income that is less than 250% of the poverty line updated periodically in the Federal Register by the United States Department of Health and Human Services under the authority of 42 U.S.C. 9902(2) and has a net worth not greater than \$250,000;

(ii) has resided for 5 or more of the past 10 years in a disproportionately impacted community;

(iii) Be a person who was in foster care as a child, as those terms are defined in 210.700, RSMo,[RS5] or successor provisions, or a person who has been, or a person whose parent, guardian or spouse has been arrested for, prosecuted for, or convicted of a non-violent marijuana offense, except for a conviction involving provision of marijuana to a minor, or a conviction of driving under the influence of marijuana[RS6] . The arrest, charge, or conviction must have occurred at least one year prior to effective date of this section.

(iv) Resides in a ZIP Code or census track area where either; *the total number of marijuana-related convictions exceeded the average marijuana-related conviction rate for the state, where 30% or more of the population live below the federal poverty level, has an average unemployment rate that is 50% above the State average rate.*

(v) Have a valid service-connected disability card issued by the United States Department of Veterans Affairs, or successor agency;

(vi) Meets 2 of the “Transitional Worker” barriers to employment qualifications

Economic Empowerment Applicant.

- 1. An applicant who intends to file an application for licensure as an Economic Empowerment Applicant shall file, in a form and manner specified by the Commission, a request for certification as an Economic Empowerment

Applicant. The request for certification shall be in addition to the requirements included in this amendment to Article XIV and associated rules.

2. The request for certification as an Economic Empowerment Applicant shall be evaluated by the Department pursuant to this amendment to Article XIV and associated rules, where an applicant has demonstrated three or more of the following criteria:
 - a. A majority of ownership belongs to people who have lived for five of the preceding ten years in an area of disproportionate impact, as determined by the Department;
 - b. A majority of ownership has held one or more previous positions where the primary population served were disproportionately impacted, or where primary responsibilities included economic education, resource provision or empowerment to disproportionately impacted individuals or communities;
 - c. At least 51% of current employees or subcontractors reside in areas of disproportionate impact and by the first day of business, the ratio will meet or exceed 75%;
 - d. At least 51% of employees or subcontractors have drug-related CORI and are otherwise legally employable in cannabis enterprises;
 - e. A majority of the ownership is made up of individuals from Black, African American, Native American, Hispanic or Latino descent Arab American and/or Asian American;
 - f. Other significant articulable demonstration of past experience in or business practices that promote economic empowerment in areas of disproportionate impact.

“Disproportionately impacted community” means a community determined by the marijuana regulatory agency to have been disproportionately impacted by marijuana prohibition and enforcement based upon both of the following criteria:

- (i) arrest or conviction rates for marijuana-related criminal offenses, and
- (ii) proportion of residents earning less than the poverty line updated periodically in the Federal Register by the United States Department of Health and Human Services under the authority of 42 U.S.C. 9902(2).
- (iii) Resides in a ZIP Code or census tract area where either; *the total number of marijuana-related convictions exceeded the average marijuana-related conviction rate for the state, where 30% or more of the population live below the federal poverty level, has an average unemployment rate that is 50% above the State average rate.*

Arizona - recommendations

“Disproportionately impacted community” means a census tract, municipal jurisdiction, tribal designated territory, or comparable geographic area determined by the Department to have been disproportionately impacted by marijuana prohibition and enforcement based upon a minimum of two of the following criteria:

- has high rates of arrest, conviction, and incarceration related to sale, possession, use, cultivation, manufacture, or transport of marijuana or other marijuana-related criminal offenses, and
- proportion of residents earning less than the poverty line updated periodically in the Federal Register by the United States Department of Health and Human Services under the authority of 42 U.S.C. 9902(2).
- 75% or more of the children in the area participate in the federal free lunch program according to reported statistics from the State Board of Education; or
- at least 20% of the households in the area receive assistance under the Supplemental Nutrition Assistance Program.
- the area has an average unemployment rate, as determined by the Department, that is more than 120% of the national unemployment average, as determined by the United States Department of Labor, for a period of at least 2 consecutive calendar years preceding the date of the application.
- A State Census Tract in The Top 15th Percentile In At Least Two of The Following Categories (Measured by the United States Census Bureau) The % of residents in the census tract:
 - Receiving public assistance
 - Who did not graduate from High School
 - Who are unemployed

“Social equity Individual applicant” means an individual, or an entity that is controlled by one or more individuals who hold a direct or indirect ownership interest of not less than 51% who satisfies two or more of the following criteria:

- i. has an income that is less than 250% of the poverty line updated periodically in the Federal Register by the United States Department of Health and Human Services under the authority of 42 U.S.C. 9902(2) and has a net worth not greater than \$250,000.
- ii. has resided for 5 or more of the past 10 years in a disproportionately impacted community.
- iii. A person who has been, or a person whose parent, guardian or spouse has been arrested for, prosecuted for, or convicted of a non-violent marijuana offense, except for a conviction involving provision of marijuana to a minor, or a conviction of driving under the influence of marijuana. The arrest, charge, or conviction must have occurred at least one year prior to effective date of this section.
- iv. Resides in a ZIP Code or census tract area where either; *the total number of marijuana-related convictions exceeded the average marijuana-related conviction rate for the state, where 30% or more of the population live below the federal poverty level, has an average unemployment rate that is 50% above the State average rate.*
- v. Have a valid service-connected disability card issued by the United States Department of Veterans Affairs, or successor agency;
- vi. Meets 2 of the “Transitional Worker” barriers to employment qualifications.

“Social Equity Ownership Entity Applicant” means an applicant who intends to file an application for licensure as a Social Equity Ownership Entity Applicant shall file, in a form and manner specified by the Department, a request for certification as a Social Equity Ownership Entity Applicant. The request for certification shall be in addition to the requirements included in A.R.S. § 36-2854(A)(9) and associated rules.

3. The request for certification as a Social Equity Ownership Entity Applicant shall be evaluated by the Department pursuant to A.R.S. § 36-2854(A)(9) and associated rules, where an applicant has demonstrated three or more of the following criteria:
 - a. A majority of ownership belongs to Social Equity Individual Applicant(s) who have lived for five of the preceding ten years in an area of disproportionate impact, as determined by the Department.
 - b. A majority of ownership belongs to Social Equity Individual Applicant(s) whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same or similar line of business who are not economically disadvantaged.
 - c. Ownership by one or more Social Equity Individual Applicant individuals must be direct: An applicant owned principally by another business entity or by a trust (including employee stock ownership trusts) that is in turn owned and controlled by one or more disadvantaged individuals does not meet this requirement.
 - d. Ownership of a partnership: In the case of an entity organized as a partnership, at least 51 percent of every class of partnership interest must be unconditionally owned by one or more individuals determined by the Department to meet the qualifications as a Social Equity Individual Applicant. The ownership must be reflected in the partnership agreement.
 - e. Ownership of a corporation: In the case of an entity organized as a corporation, at least 51 percent of each class of voting stock outstanding and 51 percent of the aggregate of all stock outstanding must be unconditionally owned by one or more individuals determined by the Department to meet the qualifications as a Social Equity Individual Applicant. The Social Equity Individual Applicant(s) must control the board of directors of a corporate applicant.
 - f. Proof of absolute control and day-to-day management (In the case of a Joint Venture partnership between a Social Equity Individual Applicant(s) & a Non-Social Equity Marijuana Establishment, Marijuana Facility or Non-Licensed Applicant): Complete control means the Social Equity Individual Majority owners shall be able to act independently of the non-minority owners. The Social Equity Individual Majority owner(s) must demonstrate the “capabilities of managing” the firm. If the company is a state-chartered entity (i.e., corporation, limited liability company or a limited partnership), the Social Equity Individual person(s) must demonstrate the ability to manage and control the “chartered” entity, the other shareholders and/or the other unit holders. The Social Equity Individual Majority person(s) must have numerical control of the corporation’s Board of Directors and the limited liability company’s Board of Members. These operational and control facts must be documented in the corporate bylaws, limited liability company’s operating agreement or the partnership agreement.

“Transitional worker” means a person who, at the time of starting employment at the business premises, resides in a ZIP Code or census tract area with higher-than-average unemployment, crime, or child death rates, and faces at least one of the following barriers to employment:

- 10. Is homeless.
- 11. Is a custodial single parent;
- 12. Is receiving public assistance.
- 13. Lacks a GED or high school diploma.
- 14. Has a criminal record or other involvement with the criminal justice system.
- 15. Suffers from chronic unemployment.
- 16. Is emancipated from the foster care system.
- 17. Is a veteran; or
- 18. Is over 65 years of age and is financially compromised.

“Unconditional ownership” means ownership that is not subject to conditions precedent, conditions subsequent, executory agreements, voting trusts, restrictions on or assignments of voting rights, or other arrangements causing or potentially causing ownership benefits to go to another, non-Social Equity Individual Applicant. The pledge or encumbrance of stock or other ownership interest as collateral, including seller-financed transactions, does not affect the unconditional nature of ownership if the terms follow normal commercial practices.

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Blessings,

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