

# ***The Cannabis Manifesto for Social Equity***

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*Research for the Alliance  
for Cannabis Equity*

**February 1, 2022**



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## **Acknowledgements**

This document and website are the work of many. This effort would not have been possible without the support of the Alliance for Cannabis Equity (ACE). Particularly, Joe Carbone of the WorkPlace and Carl Highsmith of ConnCorp were the visionary leaders who recognized that the legalization of cannabis in Connecticut presented a unique opportunity to right the wrongs of the past, but that it was not a foregone conclusion that Black and Brown Connecticut residents and victims of the War on Drugs would now be able to participate fully and legally in the business of cannabis. Mr. Carbone and Mr. Highsmith created ACE and ACE contracted with BJM to create a document that would be useful to Black and Brown workers and entrepreneurs who wanted to enter this industry that could generate well over \$1 billion in sales in Connecticut in a few years and employ thousands of state residents..

BJM worked with a team of writers and researchers that included Janice Jan, Nina Dhingra, Ben Tannebaum, Andres Brant, and Matias Maramibo. Their efforts particularly on answering the Q&A section and helping with the case studies was invaluable. A particular thank you to Professor Kate Cooney of the Yale School of Management for introducing me to these students and her class at Yale SOM.

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We also need to recognize and thank the staff at The WorkPlace Tom Long, Gino Venditti, and Adrienne Parkmond for their assistance and advice, particularly on the challenges facing Black and Brown workers who are interested in the jobs that will be created by the legalization of cannabis. There are still many challenges facing these workers, and this document hopes to assist those workers and others who advise them on this complex market.

The staff at ConnCorp including Paul McCraven and Erik Clemons provided great insight into the work we are proposing, particularly as it will impact Black and Brown entrepreneurs who hope to acquire social equity licenses to operate cannabis businesses.

I also want to thank Kebra Smith-Bolden of Cannahealth for sharing her story about the business and the struggles she continues to overcome in becoming a successful cannabis entrepreneur of color in Connecticut.

And finally, I want to thank the BJM team of Dr. Gerald Jaynes and Dominique Desroches for making this document possible. While we know there are no documents free of error, Dr. Jaynes and Ms. Desroches worked tirelessly to keep any errors at a minimum. But as the leader of this project, I take full responsibility for errors that I know will be found in the document, which we hope to correct in the web version of our work. We hope that the benefits of this document for Black and Brown workers and entrepreneurs far outweigh those deficiencies.

**Fred McKinney, Ph.D. BJM Solutions, LLC February 1, 2022**

## **Table of Contents**

- I. Forward
  - a. Statement from Joe Carbon, Executive Director the WorkPlace
  - b. Statement from Carlton Highsmith, Chairman, ConnCorp
  - c. Mission of the Alliance for Cannabis Equity
  - d. Purpose of the Cannabis Manifesto
- II. Introduction
  - a. Describing the problem
  - b. Causes of the problem
  - c. Potential solutions
- III. Understanding the Cannabis Industry and Legislation in Connecticut
  - a. Connecticut legalizes adult-use cannabis
  - b. Applying for a social equity license
  - c. Workforce development plans
  - d. Starting a legal business
- IV. Frequently Asked Business Questions Every Cannabis Entrepreneur Needs to Know
  - a. Accounting
  - b. Management
  - c. Finance and capital
  - d. Marketing
  - e. Business operations
  - f. Strategy
- V. Frequently Asked Questions Every Worker Needs to Know
  - a. Expungement of Past Cannabis Crimes
  - b. Worker Licensing
  - c. Available opportunity and restrictions
- VI. Case Studies
  - a. Al Harrington
  - b. Case from Colorado
  - c. Case from New Haven CT CannaHealth – an ancillary cannabis business
- VII. Legal Analysis of Expungement of Cannabis Criminal Records
- VIII. Summary of CT Cannabis Law
- IX. External Resources for Social Equity Entrepreneurs and Workers

## **I. Forward**

### **A. Joe Carbone's Statement**

The Alliance for Cannabis Equity (ACE) provides a trusted resource for those interested in assuring that the social equity provisions related to adult-use cannabis are fully realized. ACE will focus on social equity and the economic opportunities for Black and Brown entrepreneurs and minority workers across the state of Connecticut in the emerging cannabis industry. This collaboration will support underserved communities with resources to develop enterprises and provide workers with training to access careers with good paying, quality employment.

The cannabis industry is producing the fastest growing jobs in this country, with strong wages that have the capacity to lift disenfranchised individuals into America's middle class, creating careers rather than just jobs. The legalization of cannabis introduces a brand-new growth industry to Connecticut that will produce hundreds of new jobs from new businesses and millions of dollars of wealth created.

Workforce training for all levels of careers within the industry are necessary. The cannabis industry will require jobs in many areas: growing, selling, and marketing cannabis products, transportation and other skills that require diverse types of workforce training. Well run organizations will require new workforce training to save and make money and build a culture of excellence through employee learning: on-boarding, training, and upskilling.

Professionally training and developing a cannabis workforce, which includes individuals from neighborhoods that were disproportionately harmed by cannabis prohibition, will result in higher quality talent and retention, better service to customers, added safety and consistency to cannabis products, and increased confidence, sustainability, and value to the industry.

We strive to ensure that those impacted by the war on drugs can reap the benefits of these opportunities. The hardest thing that I have found in my 25 years at The WorkPlace is helping people to raise their expectations for themselves. Cannabis continues to evolve and, as it does, ACE will lead efforts to establish a new level of professionalism, reliability, and help build the cannabis industry by providing quality training and education.

ACE will support social equity initiatives across the state helping people realize what is possible. Opportunity waits for those willing to challenge themselves in the new cannabis industry. Our job is to help them seize this moment.

Joseph Carbone  
President & CEO  
The WorkPlace

## **B. Carl Highsmith's Statement**

The “WHY” of the collaboration between The WorkPlace and ConnCORP and the publishing of this “Manifesto” is deeply rooted in the WHY of ConnCORP’s mission to advance economic opportunities for New Haven’s under-served populations.

For far too long the creativity, the ingenuity and the resourcefulness of this community has not been fully realized. There are mountains of untapped potential, embedded within the hopes and dreams of those who live in Connecticut’s urban centers who thirst for a better life for themselves and their families.

The legalization of cannabis introduces a brand new growth industry into Connecticut.

- Hundreds, if not thousands, of new jobs will be created.
- Dozens of new businesses will be formed.
- And millions, if not billions, of dollars of wealth created.

Provisions of the law aim to insure that Black and Brown communities that have been adversely impacted by disparate marijuana law enforcement policies over the decades not be left behind; but also benefit from this new industry. But there is a knowledge gap that needs to be bridged. Linkages that convey reliable and trusted information about the real opportunities being created by the cannabis industry to those the law was intended to benefit must be made. This “Manifesto” is designed to be one of those linkages.

We believe the time is now for this authoritative, independent, trusted and well researched resource guide ...

- to inform
- to educate
- to advise
- and to provide guidance to those interested in assuring that the equity provisions of the law are fully realized.

This Alliance for Cannabis Equity was formed and this “Manifesto” is being published to be that authoritative, independent, trusted and well researched resource guide.

We will make our ACE Manifesto widely available throughout the community.

We will host community listening and information sharing sessions at the ConnCORP Lab in Hamden, once the Manifesto is published, so that we know clearly that our community is informed.

We will make the “Manifesto” available to interested policy-makers as you continue to write the final implementation rules for the industry.

We will host information sessions and convenings for people interested in entering the cannabis workforce to connect them with the training and workforce development initiatives that Joe Carbone at The WorkPlace, and others, will be launching.

We are delighted to partner in this initiative with my good friend, Joe Carbone, at The WorkPlace, one of the most innovative workforce development agencies in the nation.

Carlton L Highsmith

ConnCORP, Board Chairman

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### **C. Mission of Alliance for Cannabis Equity (ACE)**

The mission of the Alliance for Cannabis Equity is to ensure that BIPOC (Black, Indigenous, and People of Color) entrepreneurs and workers have the opportunity and support to become successful and responsible business owners and workers in the new legal recreational cannabis industry.

### **D. Purpose of the Cannabis Manifesto**

The purpose of the Cannabis Manifesto (CM) is to provide BIPOC entrepreneurs and workers a trusted document and website that can be used to answer questions about the new legal recreational cannabis industry in Connecticut. The State of Connecticut has taken aggressive steps to include social equity as a core component of its legalization of cannabis because of a prior history of disparate impact and discrimination in the enforcement of cannabis laws that resulted in ruined lives and damaged communities.

One primary audience of the CM are BIPOC entrepreneurs who may not have the financial resources, the human resources, the social connections, or the business and legal experiences to be successful in what will be a very competitive industry. The second audience is BIPOC workers who are interested in career opportunities in this new and dynamic industry.

As we approach the publication of this document, the Social Equity Council (SEC) is still developing rules for both social equity (SE) entrepreneurs and workers. For this reason, we are developing a CM website that is not meant to replace the SEC's website but is a supplement to the written CM for BIPOC entrepreneurs and workers.

It is also important to say what the CM is not intended to accomplish. The CM is not advocating the recreational use of cannabis. The CM is not intended to train BIPOC entrepreneurs how to grow, manufacture, or transport cannabis. The CM is not intended to be a substitute for the legal assistance BIPOC cannabis entrepreneurs and workers may need to be successful in the industry.

## **II. Introduction**

The legal cannabis industry is growing rapidly. Currently valued at \$9.1 billion, experts project a 26.7% annual growth rate throughout the next decade.<sup>i</sup> However, the gains from this boom have not been distributed equitably—women and minorities are underrepresented participants in the industry. This is largely the result of institutional barriers to financial capital as well as legacies of disadvantage produced by the War on Drugs. This War ravaged lower income communities of color via disproportionate policing and disparate application of drug laws. However, both public and private actors are working to encourage equitable industry participation; government entities are introducing legislation to ensure minority participation, while prominent private investors are launching initiatives to improve outcomes for interested minority entrepreneurs. Thus, while the cannabis industry continues to face significant inequity, advocates are currently working to improve these outcomes.

### **A. Describing the Problem**

Minorities currently comprise a disproportionately small share of the legal cannabis market. For example, 81% of cannabis business owners and founders were White in 2017, leaving minority ownership at just 19%. The challenges of minority participation in the cannabis industry seem to extend beyond the traditional challenges faced by minority entrepreneurs. Nationwide, 29% of all American businesses are minority-owned, indicating that the cannabis industry lags behind.<sup>ii</sup> This issue is particularly acute for the African American and Latinx communities, who make up just 4.3% and 5.7% of cannabis business founders respectively, figures significantly smaller than their 14% and 19% respective shares.<sup>iii,iv</sup> Women face similar obstacles when breaking into the cannabis industry. The share of female C-suite officers at cannabis companies is only 25%.<sup>v</sup> Among the five largest cannabis companies in the nation, only 3 board members were women in 2018.<sup>vi</sup> The industry is dominated by men.

National market trends are consistent at the state level. In Colorado, one of the earliest states to support legalization of cannabis, “only 6% of both marijuana business owners and employees



were Black.”<sup>vii</sup> In Massachusetts, “next to no Blacks or Latinos apply for licenses.”<sup>viii</sup> In Washington State, just 3% of cannabis companies are owned by Blacks.<sup>ix,x</sup> It is clear that across all levels, women and minorities face significant barriers to entering the industry.

## **B. Causes of the problem**

The cannabis industry has significant up-front barriers to entry, namely high capital expenditures. Experts estimate that launching a dispensary or cultivation requires between \$750,000 to \$1 million.<sup>xi</sup> Unfortunately, minority owners face difficulties raising capital. Because cannabis remains illegal at the Federal level, “big banks won’t provide loans, and people of color have more trouble getting venture capital.”<sup>xii</sup> Some analysts find the lack of capital to be prohibitive for BIPOC entrepreneurs, claiming that “minority ownership in the space is going to be very low until there is more access to capital, more access to low interest loans, and better banking practices.”<sup>xiii</sup> The inequities in the cannabis industry will persist without changes to this financial infrastructure.

The legacy of the War on Drugs also prevents minorities from entering the cannabis industry. As is true in many industries, formerly incarcerated individuals struggle more acutely than their never incarcerated competitors to raise capital. It is also more difficult for formerly incarcerated applicants to receive legal cannabis licenses.<sup>xiv</sup> As Black and Latinx Americans are more likely to be arrested for marijuana than White Americans (among other crimes), prospective minority entrepreneurs are disproportionately excluded from industry participation. Even after a formerly incarcerated business owner receives a license, capital continues to prevent market entry. One cannabis entrepreneur describes this dynamic as “the farce of social equity.” Even if you get a license, “now you have the license, but you don’t have the money.”<sup>xv</sup>

The disproportionate impacts of the War on Drugs are not surprising to many, but its existence is further compounded by the racial underpinnings of marijuana’s original prohibition almost 40 years before the official War on Drugs (and resulting mass incarceration schemes) begun. What follows is a brief account of this history.

The plant *Cannabis sativa*, commonly known today as Cannabis or Marijuana<sup>1</sup>, has been cultivated around the globe for at least 5,000 years. The plant has various identities around the

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<sup>1</sup> The term Marijuana is an anglicization of the plant’s Spanish name – “Marihuana”

world, as “dagga” in Africa, “ma” in China, and “hemp” in Northern Europe. However, despite its pervasiveness in world cultures, it has a storied history grounded in immense racial prejudice and xenophobia.

The earliest perceptions of the plant in American history indicate that hemp was not considered a shameful or damaging substance. Instead, early American settlers actively encouraged hemp production to produce paper and textiles, even going so far as to mandate production by every farmer in Virginia (1619). Upon later discovery of the plant’s medicinal properties in the 1800s, by Sir William Brooke O’Shaughnessy, “cannabis”<sup>2</sup> extracts pervaded pharmacies, offering remedies for such ailments as stomach aches and migraines.

Largely positive sentiments toward the plant turned toward the end of the 19th century, starting with the passage of the Pure Food and Drug Act of 1906 which prohibited misbranded or adulterated food and drug products. Medicine producers were now required to list cannabis on their labels, so customers could avoid the drug if so desired. While the plant remained legal, the Act laid the groundwork for cannabis prohibition, establishing a precedent for banishment of products by the Federal government.

While this legislative history might suggest that the eventual criminalization of marijuana/cannabis to be grounded in scientific evidence, other factors were at play. Within a few years of the Act’s passage, Mexican immigration to the Southwestern United States exploded as the Mexican people sought to evade the political upheaval and violence produced by the Mexican revolution (1910).<sup>xvi</sup> While U.S. corporate investment in agriculture created many new wages labor opportunities for these Mexican immigrants, they were not favorably received by much of the broader populace. In the words of a Stanford University Professor in a 1912 article published in a leading journal, “socially and politically the presence of large numbers of Mexicans in this country gives rise to serious problems.”<sup>xvii</sup> Such social predispositions against the Mexican American population would eventually play a role in popularizing ideas that cannabis causes madness and violence, ideas which notably had begun in Mexico.<sup>xviii</sup>

While appearances of cannabis in newspapers largely focused on the plant’s medicinal purposes or use as an industrial textile before the 1900s, by the 1920s, newspaper articles tied the

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<sup>2</sup> Americans called the pharmaceutical ingredient cannabis

“marihuana” plant (note the adaptation of the Spanish naming of the plant from English’s “cannabis”) to both Mexico, and by extension, Mexicans, and violent behavior. For example, a 1905 Los Angeles Times article “Delirium or death: terrible effects produced by certain plants and weeds **grown in Mexico**,” pointed to the delirious effects of the plant and its ultimate result of death: “People who smoke marihuana finally lose their mind and never recover it, but their brains dry up and they die, most of times suddenly.” Future newspaper articles would point to usage of the drug by Mexicans even more explicitly --- a 1925 headline posted in the New York Times read: “Mexican, Crazyed by Marihuana, Runs Amuck With Butcher Knife.”<sup>xix</sup> Americans feared the impact of this plant on their youngest as rumors spread that “Mexicans were distributing this ‘killer weed’ to unsuspecting American schoolchildren.”<sup>xx</sup> Clearly, the “Marihuana menace,” as the problem was dubbed, was largely grounded in fears personified by evidence of social deviance as presented in the inferior races.<sup>xxi</sup>

Among these burgeoning fears, several cities and states began prohibiting use – California, Maine, Wyoming, and Indiana all banned the plant in 1913, and by 1931, 29 states had outlawed the drug. Prohibition ultimately reached the federal level in 1937. During congressional hearings against the plant, the U.S. Narcotics Commissioner Harry Anslinger’s included a letter he got from the city editor of the Alamosa *Daily Courier* in Colorado in his testimony:

*“I wish I could show you what a small marihuana cigaret [sic] can do to one of our degenerate Spanish-speaking [Mexican] residents. That’s why our problem is so great; the greatest percentage of our population is composed of Spanish-speaking persons, most of who [sic] are low mentally, because of social and racial conditions.”<sup>xxii</sup>*

The testimony of Anslinger and others, ultimately led to the passage of the Marihuana Tax Act of 1937, effectively criminalizing marijuana at the national level by inflicting a cost prohibitive excise tax on the few authorized uses of the plant (medicinal and industrial uses). Clearly, many of the loudest arguments against the plant capitalized on racial fears against the Mexican population. This racially charged history is an important precursor to the disparate impact of the War on Drugs popularized by President Nixon in the 1970s and by subsequent presidents.

## **C. Potential Solutions**

Government regulation is one way to increase BIPOC participation in the cannabis industry. Many states have introduced legislation to improve the minority share of the legal cannabis market. For example, Illinois “has been praised as the ‘Gold Standard’ for [equitable] cannabis legislation.”<sup>xxiii</sup> Bipartisan legislation in Illinois helps minority license applicants by lowering their fees, removing property requirements, and expanding their access to loans.<sup>xxiv</sup> Other states have passed similar measures. For example, New Jersey now “mandates that 25 percent of all legal licenses be set aside for people of color,”<sup>xxv</sup> and Pennsylvania requires license applicants to outline a racial equity plan.<sup>xxvi</sup>

Diversity-focused private investors can also help to promote equity in the industry. For example, in early 2021 Jay-Z launched a fund specifically dedicated to investing in minority-run cannabis companies.<sup>xxvii</sup> His fund aims to improve access to capital for minority entrepreneurs. In addition to the financial benefits, Jay-Z also hopes to offer job fairs and training workshops” for minority entrants to the cannabis space. This fund represents just one high-profile example of how the private sector can proactively promote equity within the cannabis industry.

Clear trends of racial and gender disparity exist within the emerging legal cannabis industry. These inequities in the market are not mere “growing pains” that will inevitably sort themselves out as the industry matures but instead are legacies of structural barriers and historical sins that must be confronted. Fortunately, both the public and private sector appear attuned to these challenges and are developing potential solutions to help improve access to the cannabis market. If successful, other industries may look to legal cannabis as an example of how to combat inequities in the economy.

## **III. Understanding the Cannabis Industry and Legislation in Connecticut**

### **A. Connecticut legalizes adult-use cannabis**

Connecticut Bill 1201, the “Responsible and Equitable Regulation of Adult-Use Cannabis Act” or “RERACA” made Connecticut the 18<sup>th</sup> state to legalize adult recreational use of cannabis. As of

July 1, 2021, individuals can possess up to 1.5 ounces of cannabis and up to 5 ounces of cannabis in a locked container in a home or the trunk or locked glove box in a person's vehicle.

The law will be managed by the Department of Consumer Protection (DCP). Within the DCP, the Social Equity Council (SEC) is responsible for establishing the rules for the lottery of licenses, approving licenses to participate in the industry, defining social equity entrepreneurs, social equity joint ventures, and reviewing all documents submitted by licensees to assure compliance with RERACA. The council has released dates for receipt of applications for various retail cannabis licenses, displayed below:

#### 2022 Social Equity Calendar

February 3	Social Equity Cultivator
February 3	Retail applications (6 social equity, 6 general)
February 10	Micro-cultivator (2 social equity, 2 general)
February 17	Delivery (5 social equity, 5 general)
February 24	Hybrid medical/recreational retailer (2 social equity, 2 general)
March 3	Food and beverage manufacturing (5 social equity, 5 general)
March 10	Product manufacturing (3 social equity, 3 general)
March 17	Packaging licenses (3 social equity, 3 general)
March 24	Transportation (2 social equity, 2 general)

## **B. Applying for a social equity license**

This section and the ones that follow answer many of the questions, anticipated by entrepreneurs who will aim to take part in the burgeoning industry.

### **1. Am I eligible to be a Social Equity Entrepreneur?**

To be eligible for a social equity license, you need to live in a “Disproportionately Impacted Area” (DAI), have lived in a DAI five of the last 10 years, or have lived in a DAI for at least 9 of the first 18 years of your life. Additionally, your household income must be less than 300 percent of the median household income in the state, less than \$235,332 in Connecticut during 2021.

### **2. Where are DAIs Located?**

A map showing DAI locations is available at the State of Connecticut’s website:

<https://data.ct.gov/stories/s/Disproportionately-Impacted-Areas-Identified-for-P/8nin-pkqb/>

### **3. Where do I get an application to become a Social Equity licensee?**

License applications will be available on February 3, 2022. We recommend that on or after February 3, entrepreneurs interested in participating in the Social Equity License Lottery visit <https://portal.ct.gov/DCP/News-Releases-from-the-Department-of-Consumer-Protection/2021-News-Releases/DCP-Commissioner-Accepts-Social-Equity-Council-Request>

### **4. What is the Social Equity Lottery?**

The Social Equity Lottery is a lottery conducted by the Social Equity Council that will determine which Social Equity Applicants will be provided a “provisional” license to operate a cannabis business.

### **5. What types of businesses will be required to have a Social Equity License?**

The following businesses will be subject to Social Equity lottery:

- a. Retail Stores (retailers who only sell recreational cannabis)
- b. Hybrid Retailers (Retailers who sell medical and recreational cannabis)
- c. Cultivators and Micro-Cultivators (growers with less than 5,000 square feet of grow space)
- d. Delivery Services (businesses that deliver cannabis to homes)
- e. Food and Beverage Manufacturers (businesses who infuse cannabis into edible products)
- f. Product Manufacturers
- g. Product Packagers (businesses who take raw cannabis and package it into products)
- h. Transporters (businesses that transport cannabis from manufacturers, cultivators, and packagers to retailers and hybrid retailers)

## **6. How many Social Equity licenses will be granted?**

In the first round of the lottery, there will be 6 SE retailer licenses, 2 SE micro-cultivator licenses, 5 SE delivery service licenses, 2 SE hybrid retailers, 5 SE food and beverage licenses, 3 SE product packager licenses, 3 SE product manufacturer licenses, and 2 SE transporter licenses.

## **7. How many non-SE licenses will be granted in the first round?**

The same number of non-SE licenses will be granted as the number of SE licenses in each category except for cultivators.

## **8. What is a SE Joint Venture or a SE Partner?**

An “equity joint venture” is defined as a licensed business (other than a cultivator) where the SE applicant owns at least 50 percent of the venture.

## **9. What is the advantage of being an “Equity Joint Venture”?**

Equity Joint Ventures are NOT subject to the lottery. And, Equity Joint Ventures have lower licensing fees than non-SE cannabis licensed businesses.

## **10. How much do cannabis licenses cost?**

The cost of cannabis business licenses depend on the type of business and whether the business is a social equity or non-social equity business. For example, a license fee for a non-social equity retailer is \$500 to participate in the lottery and \$5,000 to receive a provisional license and \$25,000 to receive the final license. For social equity retailers, those fees are \$250, \$2,500 and \$12,500. For a delivery service, the SE lottery application is \$125.00, the provisional license for the delivery service is \$500.00 and the final license for the delivery service is \$2,500. For non-SE delivery services the fees are double the fees of SE delivery applicants. For a chart on all license fees visit:

[https://portal.ct.gov/cannabis/Knowledge-Base/Articles/Adult-use-cannabis-license-fees?language=en\\_US](https://portal.ct.gov/cannabis/Knowledge-Base/Articles/Adult-use-cannabis-license-fees?language=en_US)

## **11. What do the fees cover?**

The Lottery fee is to participate in the lottery.

The provisional license fee is paid if you win the lottery. A provisional licensee needs to provide additional information prior to opening their business. This includes but is not limited to providing a Workforce Development Plan, documentation supporting the truthfulness of the applicants’ application, proof that applicants are eligible to be considered SE businesses or SE joint ventures.

The License is required to start selling to the public or to other cannabis licensed businesses.

## **12. Can I participate in multiple license lotteries?**

Yes, you can participate in all SE license lotteries.

## **13. If I do not win a license in the lottery, do I get my money back?**

No, you will not receive the lottery fee back if you do not win the lottery. You are not required to pay for the provisional or permanent license unless you have won the lottery.

**14. Where can I go to get trained on how to operate a cannabis business?**

The SEC is in the process of establishing training programs for SE businesses. More information will be shared as additional information becomes available.

**15. Do I have to pay state, federal and local taxes on my cannabis sales?**

Yes, you will have to pay federal, state and local income taxes on your business' income. You will also be required to pay Social Security and Medicare taxes for your employees.

**16. Can I open a commercial bank account for my cannabis business?**

You can open a commercial bank account with banks or credit unions that are not federally chartered. There are currently 5 institutions that can serve cannabis businesses in the state. The 3 banks and 2 credit unions are not public in their efforts, fearing reputational risk among account holders.

**17. Do existing licensed dispensaries have incentives to partner with SE individuals to open new businesses?**

Yes, existing medical dispensaries can form joint ventures where SE individuals/investors own 35 percent of the new business. These businesses would not have to participate in the lottery and would have fees the same as SE applicants.

**C. Workforce development plans**

**1. What is a Workforce Development Plan?**

A Workforce Development Plan is a plan that every licensed cannabis business must submit to the SEC for approval prior to opening their business for sales.

**2. Who must submit a Workforce Development Plan?**

Every cannabis business must submit a Workforce Development Plan to the SEC.

**3. How many SE employees must I hire in my SE business?**

There is no specific number of SE employees that any business must hire, but the intention of the law and the goal of the SEC is to hire the maximum number of residents of DAIs as possible.

**4. If I am interested in a job in the industry must I register with the State?**

All employees of a cannabis business must be registered with the state. All "key" employees and backers of a cannabis business must obtain a license from the Department of Consumer Protection.

**5. Are all employers prohibited from conducting drug tests for cannabis?**



No, there are some jobs that can require drug tests for cannabis and can disqualify an employee based on the results of those tests. These occupations include:

- a. Firefighter
- b. EMT
- c. Police or Correctional Officer
- d. Drivers for whom drug testing is required by state or federal law
- e. Positions requiring OSHA certification in construction safety
- f. Positions requiring Department of Defense or Department of Energy national security clearance
- g. Those governed by an employment contract or collective bargaining agreement that conflict with the RERACA
- h. Positions governed by conflicting federal law
- i. Positions funded by federal grant
- j. Supervisors of children, medical patients, or vulnerable patients
- k. Those with the potential to adversely impact the health and safety of others
- l. Positions at a nonprofit, the primary purpose of which is to discourage drug use.

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## **D. Starting a legal business**

### **1. How long does it take to apply, receive a response, and be fully authorized to operate my cannabis business?**

- The CT Social Equity Council (SEC) must issue its final approval on the application requirements, and the CT Department of Consumer Protection (DCP) will make applications available 30 days after the SEC's final requirements approval.<sup>xxviii</sup>
  - Once the decision on paperwork requirements is made, you can view them [here](#).
- Once applications are open, there will be a 90-day window to apply to the first Social Equity lottery.
- Social equity applications will be prioritized. The first batch of social equity licenses must be approved, before reviewing non-social equity licenses.
- CT expects that retail sales will begin in the end of 2022, indicating a motivation to provide licenses within 12 months.<sup>xxix</sup>
- You can sign up for news alerts from the Department of Consumer Protection [here](#).

### **2. What is the lottery process like?**

- Social Equity applicants must first verify that they are eligible to apply and meet the following conditions:<sup>xxx</sup>
  - Had less than 3x the state median household income for the past three years and was a resident of a disproportionately impacted area for at least 5 of the past 10 years or at least 9 years before turning 18.
- Applicants must submit an application with CT's Department of Consumer Protection (DCP).
  - The application paperwork requirements are still being determined by the Social Equity Council; however, it will likely include paperwork to provide proof of the income and residency requirements.
- Once the DCP verifies social equity conditions, the application will be placed in a social equity lottery that will be run and supervised by an independent third-party

- Once the lottery is finished, the DCP will again verify the social equity conditions and will issue licenses
- Social equity applicants that were not selected in the social equity lottery are able to participate in the general lottery

### 3. How much will it cost me to get my license?

- Applications for licensure are to be submitted on: <https://www.elicense.ct.gov/>
- The license fees and lottery fees for different license types in the Adult Use Cannabis Program area are as follows:<sup>xxxii</sup>

	Non-Social Equity Fees			Social Equity Fees		
	Lottery	Provisional	License	Lottery	Provisional	License
<b>Cultivator</b>	\$ 1,000	\$ 25,000	\$ 75,000	\$ 500	\$ 12,500	\$ 37,500
<b>Micro-cultivator</b>	\$ 250	\$ 500	\$ 1,000	\$ 125	\$ 250	\$ 500
<b>Retailer</b>	\$ 500	\$ 5,000	\$ 25,000	\$ 250	\$ 2,500	\$ 12,500
<b>Product Manufacturer</b>	\$ 750	\$ 5,000	\$ 25,000	\$ 375	\$ 2,500	\$ 12,500
<b>Food and Beverage</b>	\$ 250	\$ 1,000	\$ 5,000	\$ 125	\$ 500	\$ 2,500
<b>Delivery/Transport</b>	\$ 250	\$ 1,000	\$ 5,000	\$ 125	\$ 500	\$ 2,500
<b>Product Packager</b>	\$ 500	\$ 5,000	\$ 25,000	\$ 250	\$ 2,500	\$ 12,500
<b>Hybrid</b>	\$ 500	\$ 5,000	\$ 25,000	\$ 250	\$ 2,500	\$ 12,500

### 4. Who can help me with the application process?

The Social Equity Council is developing an outreach program and will soon release its program and contact.<sup>xxxiii</sup> Please check [here](#) for more information.

**5. What public resources, accelerators, mentors are available to help me build my business?**

- Social equity applicants can receive technical assistance for applying, receiving start-up funding, assistance from an accelerator program, and/or workforce training. Funding for these programs will be provided by the Social Equity and Innovation fund, which has \$50 million in seed funding under the legislation.<sup>xxxiii</sup>
- There are also several private accelerators in the nation that could supplement any public assistance.

**6. What is a Joint-Venture and what is a Social Equity Joint-Venture?**

- A Joint-Venture (JV) is a business or commercial partnership with two or more parties, which can include individuals, businesses, or any other legal entity. Essentially, it is a partnership where the different parties involved retain their distinct identities.
- A Social Equity Joint-Venture (SEJV) when related to cannabis is designed to encourage existing medical cannabis companies to partner with social equity applicants, and in return, the fee to convert from a solely medical cannabis company to a hybrid retailer (i.e., selling both medical and adult-use cannabis) is reduced by 50%.<sup>7</sup>
  - SEJVs are **not** subject to lottery requirements but must be approved by the SEC. Further requirements can be viewed [here](#).

**7. Is the social equity licensee required to own a percentage of the company under a JV?**

- At least 65% of the business that the social equity license is attributed to must be owned and controlled by an individual that qualifies for the social equity license.
- Under the SEJV scheme, the social equity license holder must own and control at least 50% of the business.
  - SEJVs are **not** subject to lottery requirements but must be approved by the SEC. Additional requirements can be viewed [here](#).<sup>xxxiv</sup>
- You can apply to the social equity license as a company that is owned by a JV partnership; however, individuals that qualify for the social equity license must have at least 65% of the ownership and control of the company.<sup>xxxv</sup>
- There are no limits on the number of partners as long as the social equity requirements are met.

**8. Should I get a JV partner? What are the benefits? What are the drawbacks?**

- Having a JV partner has clear advantages:
  - JV partners can provide capital or access to capital (loans, grants, other investors).
  - JV partners can serve as guarantors with commercial banks.
  - JV partners can provide resources, such as distribution channels, expertise in the retail industry, and access to a broader market, among others.

- JV Partners can also provide mentorship, access to other mentors, and access to a broader business network.
- Under a SEJV you can bypass the lottery all together if the SEC approves the SEJV.
- Despite the benefits and advantages to having a JV partner, there are drawbacks:
  - You will have to trade a percentage of ownership and control in exchange for capital, mentorship, and other benefits.
  - You will have to do further due diligence (investigation) on who your partner will be, which can take considerable time.
  - You will have to draft partnership agreements and contracts, which requires resources and time.

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- The JV option allows more privileged groups to enter the market.
- Some partners may be incompatible with your business values and goals.
- Some partners may not put in as much effort or commitment into the business, so the work may not be justly distributed across partners.

## **9. Who would make a good JV partner?**

- There are several qualities beyond having enough capital to invest that make a good JV partner:
  - Interest and commitment in making the business succeed, beyond monetary interests.
  - Passion for the industry, and a belief that social equity goals contribute to the good of society
  - A sense of justice for running the business, paying their fair share for the business, and receiving the distributions or dividends that are fair.
  - The same ambitions and aspirations for the business, for example, being a fast-growing business or a small local business that intimately serves the community, and anything in between.
  - Skills that will help the business grow or reach the company's goals

## **10. Does the social equity license limit the possible kinds of Joint-Ventures that can be formed?**

As long as the social equity and social equity ownership criteria are met, there isn't any limit on the partnership.<sup>xxxvi</sup>

## **11. What resources are available to help me negotiate JV terms to protect my license? Should I get a Lawyer to help me with these topics?**

- The SEC will operate regional workforce development boards to help train potential cannabis social equity license holders.
- Once you are ready to negotiate terms, determine ownership, and draft contracts to protect your license, a lawyer will be your best resource. A lawyer will be an objective advisor that will help you think through what you want out of the partnership, including but not limited to:
  - Monetary exchange or value of ownership stake that your partner(s) will purchase.
  - Capital contribution requirements.
  - Additional resource contributions, including help to manage the company, human capital, business plan assistance, among others
  - Drafting events and conditions in which the JV partner would need to provide indemnification or compensation, if any of the agreements or contracts are breached
- Based on the discussion and monetary contribution, the lawyer will provide recommendation on the ownership percentage
- The JV partnership agreement and contracts drafted by the lawyer will serve to protect the license

## **12. How much is my license worth?**

There are several ways to determine the value of your license. Your license is worth more than its cost. There are different methodologies to determine the worth of your license, but it would depend on the expected income it will yield over a set period. For example, if your social equity licensed business is expected to generate xyz dollars across ten years, then the value of your license would be directly impacted by the expected earnings. There are a lot of assumptions and viewpoints that can impact the perceived value. See IV:C, 12 and 19.

## **13. What sources of funding are available?**

- The state of CT will offer an initial \$50 million on its accelerator program.
  - Starting in July 2023, about 60 – 75% of cannabis excise tax will be directed to the Social Equity and Innovation Fund.<sup>xxxvii</sup>
- Other sources of private funding include JV partnerships, accelerators, impact funds, loans.

## **14. How do I apply to obtain funding from the Social Equity and Innovation Fund?**

Funding distribution is still being determined by the Social Equity Council. Please check [here](#) for updates.

## **15. What is an accelerator and how can it help me?**

- An accelerator offers education, resources (monetary and non-monetary), and mentorship to help a small business succeed.
- Accelerators can teach principles of accounting, business, financial, human capital, and regulatory management. Colorado’s accelerator program has proven to be a viable concept. More information is available [here](#).<sup>xxxviii</sup>
- Accelerators also provide companies and people access to capital and may even invest directly into the business in exchange for a minority stake.<sup>12</sup> This may sound similar to getting a JV partner, however, in an accelerator you will be sharing the resources with many other cannabis entrepreneurs and not just forming a partnership with an investor
- Accelerators teach entrepreneurs how to “market” themselves to pitch to investors and access a broader network.

## **16. Are there accelerators that I can be part of that would help me with my business?**

- The SEC is still working on establishing the Social Equity and Innovation Fund, for more updates click [here](#).
- There are several national accelerators that mentor entrepreneurs, which provide resources and mentorship. However, there is yet to be a CT accelerator that is currently operating.

## **IV. Frequently Asked Business Questions Every Cannabis Entrepreneur Needs to Know**

### **A. Accounting**

#### **1. What is an asset? (examples)**

Assets are items composed of 3 key features: <sup>xxxix</sup>

1. Expected future economic benefit
2. Individual or entity ownership and control
3. Result of a past transaction

Some examples include cash, inventory, equipment, and furniture.

#### **2. What is a liability?**

Liabilities are (1) Expected future economic obligations that (2) are the result of a past transaction. Some examples include loans, accounts payable (what is owed to suppliers), and wages (to be paid to employees). These are all liabilities because they are owed; you are obligated to pay them at some point in the future. In the case of loans, you have to pay back the loan, so you owe money in the future.

#### **3. What are current assets?**

A current asset is a category within assets. These assets expect to have their economic benefits realized within one year. Some examples include cash, accounts receivable (what is owed to you by customers), and investments. Cash is a current asset because it can be used immediately. Something like an investment can be converted to cash quickly, so it is also a current asset.

#### **4. What are long-term assets?**

Long-term assets involve longer time periods. The benefits from these assets are expected to be realized beyond the one-year mark. Some examples are plants, property, equipment, and long-term investments. Equipment is a long-term asset because it will likely be used for over a year.

#### **5. What are current liabilities?**

Current liabilities are expected to be paid back within one year. An example would be the current portion of long-term debt, which is the portion of long-term debt that needs to be paid back during the current year. Another example would be accounts payable, which is the money owed to suppliers; accounts payable are usually due between 30 and 90 days.

#### **6. What are long-term liabilities?**

Long-term liabilities involve longer time periods than the current year. One expects to still owe the liability after one year. The easiest example is long-term debt. The money still owed on a loan after one year is a long-term liability.

#### **7. What is capital?**

The term “capital” describes anything that has value or benefit to the owner.<sup>xl</sup> Examples include machinery or equipment, money to pay for day-to-day operations and fund future growth, or loans.

#### **8. What is a balance sheet, and what does it tell you about the business?**



The balance sheet shows the business's assets, liabilities, and equity at a given point in time. This means it shows the economic resources available (assets), the resources already committed (liabilities), and the difference between the two (equity). Overall, reading a balance sheet provides an idea of how healthy the business is. For instance, if the business has a lot of liabilities with few assets, it might not be the healthiest business.

### **9. What is revenue?**

Revenue is the dollar value of all products or services sold during a stated period. For example, if your store brought in \$500 one week from selling edibles, the revenue for edibles that week would be \$500.

### **10. What is cost?**

There are two types of costs that businesses should note: fixed and variable. A fixed cost is the same regardless of how much a company produces or sells. A variable cost changes based on the amount produced.<sup>xli</sup> An example of a fixed cost would be rent. You have to pay the same rent each month regardless of how much product you make or sell. A variable cost could be labor. For hourly workers, you might have a few workers that only come in during busier times of the year. Thus, labor costs would fluctuate based on your need.

### **11. What is net income?**

Net income is revenue minus expenses. You can find this information on a business's income statement.

### **12. What does a profit and loss (income statement) tell you about the business?**

The profit and loss statement describes the revenues and costs the business has generated over a period of time, usually a quarter or a year. By looking at this statement, one can explore opportunities to increase revenue, decrease expenses or both, in order to generate more profit.

### **13. What is cash flow and why is it important?**

A cash flow statement shows the flows of cash into and out of an organization over a period of time. There are three types of activities in a cash flow statement: operating, financing, and investing. Operating activities are any activities related to generating net income for the business. An example of an operating activity would be cash received from customers. Financing activities are any activities related to the borrowing or paying back of money. An example of a financing activity would be payment on debt. Investing activities are activities related to getting or disposing of productive assets. An example of an investing activity would be purchase of equipment because the business is investing in the equipment to create products or services for the future. A cash flow statement is important because it shows where the cash is going in the business. This type of information can be used to inform decisions about strategy, business model, etc.

### **14. What are audited financial statements?**

Financial statements are audited when a Certified Public Accountant (CPA) evaluates and examines a business's financial statements to make sure the financial records are accurate.<sup>xlii</sup> Lenders sometimes require audits in order to evaluate the health of a business before lending to them.

### **15. What financial data should you look at daily, monthly, quarterly, annually?**

It is best practice to review financial data regularly. It is up to the business to determine how often it is reviewed. The U.S. Small Business Association recommends reviewing data weekly.<sup>xliii</sup> This data should include profit and loss, balance sheet, cash flow statement, accounts receivable and accounts payable, and inventory. The purpose of regular review is to understand if a business is collecting all monies, managing inventory well, and using the money in the bank wisely.

### **16. What is the break-even operation and how do you calculate it?**

The break-even point for a business is when it sells that amount of goods or services that results in revenues equal to all costs. Note all costs include owners' management salaries and an interest return on the investment. See [this example spreadsheet](#) of one way to calculate break-even.

### **17. What is a good profit margin in your industry?**

The profit margin depends on the type of business. The average dispensary profit margin appears to be between 15% and 21%.<sup>xliv</sup> There does not seem to be much information about other cannabis business types. Although one article states that the profit margin for infused products such as edibles or concentrates is about 32%.<sup>xlv</sup>

### **18. How much should I pay myself as the owner of the business?**

As the owner of the business, it is up to you how much you pay yourself. It would be worthwhile to do the breakeven analysis above to see how the different costs will affect your profit margins.

### **19. What is a general ledger?**

A general ledger is the record of every financial transaction made by the company. It holds all the information needed to create the income statement, balance sheet and other reports.<sup>xlvi</sup>

### **20. Do I need accounting software?**

There is no requirement for small businesses to get accounting software, but it is highly recommended to keep track of transactions and generate reports if you want a healthy business. Without accounting software, you would need to do everything manually, which would take a lot of extra time.

### **21. What accounting software should I consider for my business?**

When considering the different types of accounting software, think about the following things that best fit your business needs:<sup>xlvii</sup>

- Cost (prices can range from free to \$60/month)
- Usability (how many users need to access, cloud-based vs. desktop, mobile app)
- Features (What reports do you need? Do you need to track payroll?)

Do your research and see if any companies offer free trials. Some examples of software include QuickBooks, Zoho Books, and Sage Business.

### **22. What is the difference between cash accounting and accrual accounting?**

Cash accounting records revenues when cash is received and records expenses when cash is paid. Accrual accounting records revenue and expenses when they are earned or incurred, not when the cash is received or paid. For instance, say a customer buys a large order of wholesale cannabis on 12/1, but it does not get shipped and delivered until 1/1, which is when you get paid. In cash

accounting, you would not record the purchase until 1/1 when the customer receives the goods and pays. In accrual accounting, you would record the revenue on 12/1 when the order is first placed. The benefit of accrual accounting is that it gives a more complete picture of liabilities and assets, not dependent on cash. It can show the full picture if there is a lot of money owed (expense) or if there has been a large order placed (revenue). Generally accepted accounting principles (GAAP) mandates accrual accounting.

### **23. If my business receives payments in cash, what controls do I need to reduce theft?**

Separate the responsibilities of your employees to reduce theft. Some examples include.<sup>xlvi</sup>

- One person handles cash at the business, while another records transactions in accounting records
- Reconcile the cash every month. Compare the recorded transactions to the amount of cash in the store. This is done by someone who did not record the transactions.
- Keep cash locked at all times.

### **24. As a cash business, how do I pay my taxes?**

As a cash business, you must record every transaction. You will use those records to report your business's income. You file taxes the same way as a non-cash business but note that you must file Form 8300 if you receive more than \$10,000 in cash in a single transaction or in related transactions.<sup>xlix</sup> At the very least, you will need to file an annual income tax return.<sup>1</sup> This would be a good question to ask your CPA.

### **25. Can my point-of-sale machines help with my accounting?**

Yes, a point-of-sale machine can help with your accounting because it tracks sales data. However, it does not replace accounting software. Most point-of-sale machines will track price, inventory, gross revenue, and sales, but will not create the financial reports you will need such as a balance sheet, income statement, etc..<sup>li</sup>

### **26. Who should write the checks/pay the bills for my company and how do I control theft and waste?**

The important principle to remember is to separate responsibilities so one person does not have all the responsibility in check writing or bill paying. A few ideas include:

- A person writes checks while another person records the transaction in the accounting records.
- The person who writes the checks does not sign the checks. Instead, another person signs the check, or, even better, two different people sign off on the check.
- A person (not the person who writes the check) reviews bank activity regularly to monitor for any suspicious activity.

### **27. What are some important financial ratios I should be familiar with?**

- Profitability = net income / sales [this ratio shows how much profit your business earns on each dollar of sales]
- Asset turnover = sales / average assets [this ratio shows how much sales your business generates based on its available resources]
- Inventory turnover = cost of goods sold / average inventory

- Inventory days outstanding =  $365 / \text{inventory turnover}$  [this is an efficiency measure that shows you how long you hold something in your inventory]
- Current ratio =  $\text{current assets} / \text{current liabilities}$  [this is a liquidity ratio, which tells you if you have enough assets to meet your short-term obligations or debts right now; a current ratio under 1 means you do not have enough assets to pay your liabilities]
- Quick ratio =  $(\text{cash} + \text{short term investments} + \text{accounts receivable}) / \text{current liabilities}$  [this is another liquidity ratio, which shows you if you have enough liquid assets (assets that can easily be turned into cash) to pay down your liabilities; 1 is considered to be a normal quick ratio<sup>lii</sup>]
- Liabilities-to-assets:  $\text{total liabilities} / \text{total assets}$  [this ratio shows you if you can meet your long-term debt obligations; you can pay back your liabilities if the number is 1.

## **28. Do I need a CPA?**

A CPA is a Certified Public Accountant. It is not required for a small business to have a CPA, but there are many benefits to hiring a CPA. Some benefits include the CPA.<sup>liii</sup>

- Filing taxes and ensuring financial compliance
- Consulting with you on ways to improve the finances of your business such as budgets and financial risk management
- Monitoring your books and preventing fraud
- Bookkeeping and preparing financial statements

## **29. What questions should I ask my CPA every year when they prepare my taxes and annual statements?**

Some examples include:

- Where are the weak spots in my business? What should I be concerned about?
- Where am I doing well?
- Could I be managing my financials better?
- What changes would you recommend based on my various business statements?
- When is the best time to make a big purchase?

Always be sure to ask your CPA if there are things you do not understand.

## **30. What should my bookkeeper be responsible for?**

Bookkeepers produce financial records for businesses. Duties typically include:<sup>liv</sup>

- Entering financial transactions into appropriate software (e.g., Quickbooks)
- Putting costs and income into software and assigning the appropriate account
- Receiving and recording cash and checks
- Producing reports (e.g., balance sheets, income statements, etc.)
- Checking for accuracy
- Reconciling and reporting any differences

## **B. Management**

### **1. What is the role of the cannabis CEO?**

The role of the CEO is to create a vision and mission for the company. Then the CEO must attract talent that can turn the mission and vision into reality. The CEO also sets the company's culture and can work with other company leaders to determine what type of people and routines best fit the company.

### **2. What should my organizational chart look like?**

This depends on the needs of your business. In the early stages of your business, your organizational chart might look “flat”, which means there aren't too many levels of supervisory authority between the lowest level employee and the highest-level employee. In this situation, the majority of the employees might report to one manager. As you grow in size, you might need to add more layers for management or divide more responsibilities by function.

### **3. What key roles are required for success?**

Again, this is dependent on your business. Nevertheless, you need individuals to do accounting, collect data on marketing and sales, and drive the overall vision and mission of the organization.

### **4. How do I craft my business product to meet the needs of my customers?**

It is helpful to create personas that profile your customers. Personas are detailed profiles of who your customers might be. Are they looking for a product to satisfy their utilitarian needs (e.g., I need to manage muscle aches) or hedonic needs (e.g., I want to have fun with friends)? How old are they? What are their interests? What are their occupations? What is their income level? This can help you create products and marketing that will meet their needs and pique their interest.

### **5. What should I look for in employees when hiring them (by role)?**

It is important for you to determine what responsibilities are required for each role. Then you can determine what qualities are important for the role. For instance, if you are looking for a budtender, you would want to hire someone with people skills who is able to show up for their shift on time. Their education level is not important for this type of job.

### **6. What employee data must I retain?**

According to the U.S. Equal Employment Opportunity Commission, there are a few things you need to do in terms of employee data.<sup>lv</sup> Employers must keep payroll records for three years. Employers must also keep employee records for two years in order to explain the basis for paying different wages for employees of opposite sexes in the same establishment. These records include wage rates, job evaluations, merit systems, etc.

### **7. What type of security could my business need?**

Security is an incredibly important aspect of the cannabis industry, which is seeing an increase in burglaries.<sup>lvi</sup> There are many security requirements for cannabis-related businesses.<sup>lvii</sup> They may include:

- A perimeter alarm
- A motion detector
- Video surveillance that records (24/7) areas that contain cannabis and all points of exit and entry
- A duress alarm (or a silent security alarm system signal)
- A panic alarm
- A holdup alarm
- An automatic voice dialer that sends a prerecorded message to law enforcement or public safety
- A failure notification system that provides an alert of a failure in the security system
- The ability to remain operational during a power outage
- A back-up alarm

There are also specific safety procedures in terms of cannabis storage and vehicle safety. Read the Connecticut regulations [here](#).

#### **8. How do I ensure compliance among staff?**

One way to ensure compliance is to conduct internal audits to evaluate whether rules and procedures are being followed. This can help you understand what routines are working and what can be adjusted.

#### **9. How do I manage my relationship with other areas of the value chain?**

It is important to have strong relationships with other areas of the value chain. The value chain is the full range of activities that create a product or service.<sup>lviii</sup>

#### **10. How do I create a positive organizational culture/promote positive morale?**

It is up to the leaders to create a positive organizational culture. As a leader, you need to determine what the values of the company are and create routines and hire people that fit those values. Be consistent and transparent.

#### **11. What feedback mechanisms need to be available to employees?**

There needs to be a culture where it feels psychologically safe to give and receive feedback. This means that the person giving feedback knows they will face no retaliation for bringing up their concerns. Giving and receiving feedback should also be consistent and acknowledged. One way to create this safety is to have anonymous feedback once a month. Then management can review the feedback and share themes and items of action. Employees should also have the opportunity to offer feedback to each other and their managers. Another mechanism for feedback is called 360 feedback. This is where everyone offers a piece of feedback to everyone on the team. This is usually done once a year.

#### **12. What does a career opportunity look like for employees?**

Think about what type of employees your business needs because that will affect the type of career opportunities you provide. If you're looking for hourly wage employees, note that you will have to spend more time and capital in training. For small businesses that may not grow much themselves, offering career opportunities could simply be mentoring employees so at some time they can start their own business. Although you may lose great

employees, you will likely be attracting strong replacements. If you are looking for employees that will stay with your business for years, it is important for employees to feel like they can grow in their role. This will incentivize employees to stay with the company longer. This could look like offering opportunities for promotion and raises in exchange for taking on more or different responsibilities.

## **C. Finance and capital**

### **1. What is capital?**

Capital is used to describe anything that has value or benefit to the owner.<sup>lix</sup> Examples include machinery or equipment, money to pay for day-to-day operations and fund future growth, or loans.

### **2. What are the different types of capital?**

There are four major types of capital: working capital, debt, equity, and trading capital.<sup>lx</sup> Working capital is the business's liquidity (or cash) that can fulfill its daily obligations. Debt capital is capital that is gotten through borrowing. This could include borrowing from banks, friends and family, credit card companies, etc. Equity capital is when an investor buys some equity (or stock) in a company and subsequently has some ownership claim. Trading capital is used by brokerages that do trades. Trading capital will not likely affect your business.

### **3. What types of capital are best for operations, plant, and equipment, etc.?**

A capital expenditure (CapEx) is the money companies use to buy or upgrade plant, equipment, computers, etc.<sup>lxi</sup> These types of assets have a life longer than a year, so this is considered a long-term asset. For these types of purchases, businesses often take out debt to cover the cost. Depreciation is associated with these longer-term assets. Depreciation is an accounting method that spreads the cost of an expensive asset over time.<sup>lxii</sup> For example, say you buy a piece of machinery for \$5,000. You estimate that the machine will last 5 years. On your accounting books, you can expense the \$5,000 over five years instead of just one year. This will allow you to have a higher net income since you are expensing \$1,000 a year over five years instead of \$5,000 in year one.

### **4. What is a line of credit and how does it work?**

A line of credit is an agreement from a lender that allows a business to borrow money during a specified period of time on the promise that it will be paid back, usually in monthly payments. You will have a credit limit (the highest amount you can owe at any time during the period) based on your business credit history.<sup>lxiii</sup> Your Business credit history also helps lenders determine your eligibility for loans, your interest rate, insurance premiums, credit limits from vendors and suppliers, and ability to raise money from various other investors such as venture capitalists.<sup>lxiv</sup>

To establish formal business credit (loans not from friends or family), you need to:

- Form an LLC (limited liability company)
- Get an Employer Identification Number (EIN) from the IRS if you have employees

- To apply for an EIN, go to the [IRS website](#) and submit an online application
- Open a business bank account *using your business's name*
- Apply for a business credit card.

**5. If I cannot get a bank loan, what alternatives are available?**

Here is a list of organizations that offer financing for small businesses in Connecticut that are not bank loans. As of now, Cannabis businesses are not eligible for Federal financing, like SBA loans. You can also raise equity in your business by offering investors shares of ownership of your company in exchange for cash. This route may require you to pay out dividends to investors depending on the performance of the company if you want to make investing in the company an enticing offer. You would be able to create investment rules to best fit the type of investor you are looking for.

**6. What collateral will I need to put up for a loan?**

This depends on what the lender wants. Collateral is an asset that a lender accepts as security for the loan. If you cannot pay back your loan, the lender has the right to take the collateral and sell it for cash. Some examples include real estate, your business inventory, and personal savings.<sup>lxv</sup>

In addition, note that most loans have interest rates, which means you have to pay back what you borrowed in addition to whatever the interest rate is. So, a 5% interest rate, means you will have to pay 5% of the total in addition to the money you borrowed. A \$1000 loan for one-year at a 5% per annum simple rate requires paying back \$1050.

**7. Do I need an attorney to get a loan?**

You do not need an attorney to get a loan for your business in Connecticut, but, especially for large complex loans, it could be prudent to have an attorney with relevant experience review the paperwork to make sure you understand the terms of the loan.

**8. What is cash flow?**

Cash flow is the cash going in and out of your business. A simplified example would be: you sell \$1000 worth of products in a day and then you pay your three employees \$15 per hour each for 10 hours each. With no other expenses incurred, your net cash flow would be  $\$1000 - (\$15 * 3 * 10) = \$550$ .

**9. Why is cash flow important to my success?**

Cash flow is important to your success because it shows where the cash is going in the business. It shows whether you can cover your obligations and can help you determine the profitability of your business. This type of information can be used to inform decisions about strategy, model, etc. Do you need to take out more capital to cover your debts or to promote more growth? Failure to keep a positive cash flow is one of the most common reasons for business failure.

**10. What is working capital?**



Working capital is the liquidity (or cash) available to fulfill daily obligations. It can be calculated by:<sup>lxvi</sup>

- Current assets – current liabilities OR
- Accounts receivable + inventory – accounts payable

This shows you if you can pay your debts, accounts payable, or other obligations that are due within a year.

#### **11. How much working capital will I need?**

It is better to have positive working capital so you have enough current assets to cover your current liabilities.<sup>lxvii</sup> This means that your current assets can cover your debts and obligations. A positive working capital would help you weather unexpected storms.

#### **12. What is a “capital stack”?**

A capital stack is the mix of different types of capital to fund a business. This could include loans from the bank, grants from the government, investment from private investors, or your own money.

#### **13. How do trade terms impact working capital and profitability?**

Trade terms involve how long you take to pay suppliers and how long customers take to pay you. The shorter the trade terms (especially the latter), the more liquidity (cash) you have to pay back your suppliers. Having more cash on hand means you have more working capital.

#### **14. How do you negotiate terms with suppliers?**

There are a few things to consider when negotiating terms with suppliers. What is the timing of your cash flow? Do you have lower cash flow at the end of the month after paying bills and wages? When do you need the supplies? Using this information, work with the supplier to find the right timing for payments and deliveries.

#### **15. Can non-voting shareholders control my company?**

No, non-voting shareholders cannot control your company because the people with voting rights have the control to make decisions.

#### **16. How should I value shares in my company?**

A company's value depends on its likely future cash flows and market valuation methods for specific industries. How much cash can you generate in the future? How much are other investors paying for similar companies with similar business models?

#### **17. What does the P/E ratio mean and why does it matter to me and my business?**

This term is only meaningful for companies whose equity shares are traded on a stock market. The P/E ratio is the price-to-earnings ratio.<sup>lxviii</sup> This ratio allows investors and analysts to see the relative value of a company's shares.

- $P/E \text{ ratio} = \text{current stock price} / \text{earnings per share (EPS)}$

EPS is calculated either by the stock's performance over the past 12 months or through an estimate of its future performance. A high P/E ratio could mean the stock is overvalued or investors expect the company to do well in the future. You would need to

compare your company's P/E ratio with another company's or a stock index to see how you are performing.

**18. What does EBITA mean and why does it matter to me and my business?**

EBITA stands for earnings before interest, taxes, and amortization. It is a measure of profitability for investors.<sup>lxix</sup> This might matter to you if you find other comparable companies' EBITA and compare your EBITA against theirs. This would give you an idea of how your business is doing compared to competitors. Some analysts use EBITA to estimate a company's value. One simple method is to use a multiple (a number) and multiply it times EBITA to determine value. The multiples differ by industry and type of businesses within the industry.

**19. What financial data should I monitor daily, weekly, monthly, quarterly, semiannually, and annually?**

It is best practice to review financial data regularly. It is up to you how often. The U.S. Small Business Association recommends reviewing data weekly.<sup>lxx</sup> This data should include profit and loss, balance sheet, cash flow statement, accounts receivable and accounts payable, and inventory. The purpose of doing regular reviews is to understand if you are collecting all the money, managing inventory well, and using the money in the bank wisely.

**20. How should I determine how much to pay investors?**

One potential way to determine how much to pay investors is to look up comparable companies. Only Canadian cannabis companies are public right now, so you could look up those companies and see how much they're paying their investors.

**21. Where do I go if I am running out of money and will not be able to pay my bills or my employees?**

Here are some ways to increase your cash flow if you are low:

- Renegotiate with your suppliers. Perhaps you can negotiate a longer-term deal, so you have some more cash flow to pay your employees.
- Talk to your landlord about delaying rent for a few months.
- Borrow more (with caution). You may have to offer a higher interest rate or collateral. Only borrow more if you're confident business will pick up in the next few months.

**22. How much money do I need to get started?**

See [this example spreadsheet](#) of one way to calculate your startup costs. The U.S. Small Business Administration also has a [fillable PDF](#) to get an idea of what costs you would need to get started.

**23. How do I determine whether leasing or buying equipment is best?**

Some questions to consider:

- Will you generate enough cash to cover an equipment purchase in addition to covering your other obligations? Or can you secure a loan that will cover the cost of an equipment purchase?

- How long is the life of the equipment? How long will you need to use it?
- What will it cost to maintain the equipment?

If the benefits outweigh the costs, it might be worthwhile to purchase the equipment.

#### **24. How should I price my products?**

See [this example spreadsheet](#) to see how much product you need to move in order to break even. You can change the prices of products to see how this affects your breakeven amount. It is also best practice to note what your competitors are charging. It is simple economics that customers will go for the lowest price if the products are the same and travel cost isn't too high.

#### **25. How should I negotiate a lease agreement with a commercial landlord?**

Find rates of similar spaces to make sure you're paying market rate or below. Other things to consider include:

- Lengthening the duration of the lease for a discount rate or a few months free rent
- Lock in a specific rate for a duration of time, so you don't end up having yearly rent increases
- If you have to pay a percentage of your revenue, negotiate a rate that is based on other retail stores

### **D. Marketing**

#### **1. Who is my customer?**

It is important to divide your customers into groups (or segments) with similar characteristics based on their needs, behaviors, and demographics. Then you can select and target the group that you think your product best serves. Always start by outlining the customers' needs, then behaviors, then demographics. If you start with just demographics, the group might have too many differences within the group, which will make for a difficult marketing strategy. If you are a dispensary, here are some questions to consider based on this segmentation framework:

- What do your customers need? Are they looking for cannabis products for health reasons like muscle aches or chronic pain? Are they looking for cannabis products for social reasons?
- When do they usually use cannabis?
- What age group are they? What generation are they? What is their income level?

#### **2. What are the best ways to communicate with my customers?**

This depends on your customer. You would need to do a little research to see what your customer group prefers: email, phone calls, text messages, etc. This is probably dependent on tech savviness of your customer group as well as their generation as younger generations are increasingly preferring more digital communications.

#### **3. How do I increase the number of my customers?**

There are many ways to increase your number of customers. Consumers report they trust the opinions of their friends and family the most. Thus, either your product needs to be memorable enough for your customers to talk about it with others or you can incentivize your customers to

talk about your products. One example would be to reward customers for posting about your business on social media. In addition, online reviews are more and more popular. You could incentivize customers to post about their experience and write a review on Reddit or Yelp. This can help generate buzz about your business to other potential customers.

#### **4. What are the best ways to influence my customers to purchase from me?**

This depends on the stage of your business. If you are just starting, you might need to generate awareness so consumers in the area know your business is open. This could look like advertising your grand opening in areas that have a lot of foot traffic (while following the advertising restrictions). Or if you have been open a while, you could consider getting your existing customers to introduce your business to a few friends. Note that it is easier to retain customers than to gain new ones. Thus, do the most you can to keep customers coming back. That might look like a loyalty program or some free products after X number of visits. Most importantly, you need to target your customers' needs. If your products satisfy your customers' needs, they will be more likely to purchase.

#### **5. Can I stratify my customers into distinct groups?**

Yes, and you should stratify your customers in order to create an effective marketing strategy. See question 1 for more details.

#### **6. What other things interest my customers?**

It is helpful to create personas of your customers. Personas are detailed profiles of who your customers might be. How old are they? What are their interests? What are their occupations? What is their income level? This can help you create products and marketing that will meet their needs and pique their interest.

#### **7. Should I buy Google/Facebook or other social media ads?**

Before purchasing social media advertisements, consider the cost and benefit and whether you can effectively target your customer. Consider where your target customer spends their time. Which platforms do they prefer? It is also important to note that these social media platforms may also have limitations on the verbiage permitted in ads. For example, both Facebook and Google prohibit the advertisement of recreational drugs. Note also the restrictions in question 8.

#### **8. What restrictions in the law prohibit certain types of advertising?**

Connecticut has restrictions in terms of advertising.<sup>lxxi</sup> You cannot:

- Advertise where less than 90% of the audience is reasonably expected to be over 21 years old
- Advertise using location-based devices such as cell phones (though there are exceptions for mobile apps)
- Sponsor charitable, sports, musical, artistic, cultural, social, or other similar events or advertise at an event unless there is evidence that at least 90% of the audience is 21 or older
- Advertise cannabis or cannabis-related products visible to the public within 500 feet of an elementary or secondary school, recreation center or facility, childcare center, playground, public park, or library

- Advertise on or in public or private vehicles or at bus stops, taxi stands, transportation waiting areas, train stations, airports, or other similar transportation venues
- Operate websites that advertise cannabis or cannabis-related products without verifying that users are 21 or older

### **9. How do I select an advertising agency?**

Think about your budget. This should depend on the industry you're in, the size of your business, and its growth stage. A general rule is small businesses with revenues less than \$5 million should spend 7-8% of their revenues on marketing.<sup>lxxii</sup> Using that benchmark, how much can you afford in advertising? What are some things you can do on your own? Make sure you do your research. There are a few things to look into when you do your research. Has the agency worked in this industry before? There are specific rules when it comes to advertising cannabis and cannabis-related products. What do their clients say about them?

### **10. How much should I spend on advertising and marketing?**

A general rule is small businesses with revenues less than \$5 million should spend 7-8% of their revenues on marketing.<sup>lxxiii</sup> Also consider if your business depends on having many customers (such as a dispensary or delivery service) or a few steady contracts (such as a cultivator or transporter). This can help you determine how much you should spend on advertising and what type of advertising.

### **11. Do I need a marketing director?**

It depends on how you want to allocate your marketing budget and the needs of your company. Do you know where to start when it comes to marketing? Do you have enough to pay a marketing director's wages? Are there things you and your employees can do without a marketing director? Or is there a way to hire someone for freelance work? Regardless of whether you hire a marketing director, it is important to have a strategy and to collect data on your marketing campaigns so you can evolve your strategy.

### **12. How do I tie my point-of-sale information to my marketing efforts?**

You should keep track of which products sell and when. Is there a boost in sales after a specific marketing campaign?

### **13. How do I protect my market?**

It is easier to retain customers than to gain new ones. One way to retain customers is cross-sell. Cross-sell means to sell different products to the same customer. For example, a customer at a dispensary might only buy flower. To cross-sell would be to encourage the customer to buy a different type of product. Maybe there's a promotion that a purchase of flower comes with a free sample topical. This might entice the customer to come back and purchase both those items.

### **14. Is my market limited to a particular geography/neighborhood/demographic?**

Your market is not necessarily limited to a particular geography but know that different states have different regulations on cannabis. So, a person driving from Pennsylvania (a state where cannabis is not fully legal) could stop in Connecticut to purchase cannabis, but you cannot sell in Pennsylvania. You can only sell in Connecticut.

You do not have to limit your market to a specific demographic. In fact, you should focus more on the needs and behaviors of your target customer and then consider demographics last.

**15. What are the most effective types of marketing images/colors/phrases?**

There is not one combination that is best for marketing. But it's best to keep things simple and distinctive so customers can easily recognize the brand.

**16. Do I need a tagline?**

You do not need a tagline but think about your customers. Would a tagline help the customer remember your business and brand? Would a tagline help them associate your business with cannabis? If so, it could be worth creating a tagline.

**17. Do I need a logo?**

You do not need to have a logo, but it is in your best interest to have a logo so customers can easily associate your brand with an image.

**18. Who and what other companies are my natural allies (cannabis delivery services) that help with my marketing?**

Other companies that are your natural allies can help with your marketing in many ways. For transporter and delivery companies, perhaps they can have a logo on their vans, which leads to more exposure for your company while they are out doing their deliveries. You can also partner with delivery companies to offer special promotions, so more product gets sold as customers engage with the delivery business.

**19. Where is the best location for my business?**

It is important to see where other cannabis businesses are located. Here is a list of cannabis dispensaries. Depending on your type of business, it could be a good idea to set up near an existing dispensary if you are an auxiliary business (such as transport, delivery, or testing), so you can easily access those products. It would be a bad idea to set up near an existing dispensary if you are selling similar products because you will end up fighting over the same customers. This will erode both businesses' profit margins.

**20. How do I train my staff to be customer focused?**

It is important to develop a vision for how you want the culture of your company to be. If you want your staff to be customer focused, find ways to reinforce and incentivize that type of behavior. You could have an employee of the week who is recognized for excellent customer service. That employee could also receive a free product from the store. This helps cultivate and reinforce a culture that focuses on the customer.

**21. Can I sell my products over the internet?**

If you own a dispensary, you can list your products on the internet and have customers pick them up at the dispensary, but you would need to work with a delivery company to deliver the products to the customer.

**22. Am I limited to just taking orders over the internet?**

You are not limited to taking orders over the internet. You can have customers come into the store and make purchases if you are a dispensary. You would need to follow the COVID protocols of the state to ensure sanitization and social distancing.

### **23. What values do I offer customers that my competitors don't?**

You need to figure out what your competitive advantage is (what you can offer that your competitors cannot), and how that appeals to your target customer. This could look like excellent customer service, great location, extensive line of products, etc.

### **24. Do I need a blog?**

You do not need a blog. But if you want to generate more traffic to your website, you need to update the website, and a blog is one way to continuously update your website.

### **25. How do I transform leads into customers more effectively and efficiently?**

You need to find ways that entice the customer to come back. If leads are already aware of your company, then you do not need to focus on building awareness. The next step might be focusing on opinion. What do customers think about your products? Perhaps this is a scenario where you offer a sample product to entice the customer to come back. Another option is to offer a promotion for new customers.

### **26. What is the best type of customer information software for my firm?**

Here are some steps to choosing the best customer relationship management software:<sup>lxxiv</sup>

1. Identify your needs (what information do you need to track?)
2. Check the features and tools (what do you need the software to do?)
3. Do a trial run (did the software meet my needs?)

### **27. How do I generate more traffic to my website?**

You need to update your website. Examples could include blogs, announcements, and other original content. You can also have a strong social media presence that links to the website. Finally, you can send out a newsletter to your customer that links to your website.

### **28. When should I consider having sales on my products?**

Consider having a sale when you need to move a lot of inventory. Perhaps you want to increase cash flow for that month. You can consider having a sale.

### **29. How do you market products that produce the greatest profits?**

If you have a dispensary, you can set up displays that show the products with the greatest profits. Or you could train staff to really understand the benefits of the product should it fit the customer's needs. Finally, you could launch a marketing campaign focused on those products. Be sure to focus on the customers' needs and behaviors when designing the campaign to ensure that the product will leave the customer satisfied.

### **30. How do you determine which products to stop marketing and offering the public?**

It is important to keep track of how products are selling and how people are reacting to your marketing campaigns. If there are certain products that customers do not seem to be buying, it could be time to stop offering that product. You should also think about the profit margins of each

product. If a product has a larger profit margin but is less popular, it could be worth continuing to carry that product because it brings in more money when a customer does purchase it. Experiment with [this example spreadsheet](#) to understand how proper product mix can best suit your business's break-even status.

## **E. Business operations**

### **1. Why are business operations important?**

The thing that distinguishes profitable businesses from unprofitable businesses is often how efficient their operations are. Companies with efficient supply chains, processes, and logistics can often supply their goods and services at a lower cost than their competitors.

### **2. What are business operations?**

Business operations include how a business makes the goods and services it sells, how the business transports goods and services to its business and how it transports finished products and services to its customers.

### **3. What is a business process? What is value?**

A business process is any activity that creates value for the business. The role of the operations manager is to eliminate activities in the business that do not create value. Value is defined financially and is something your customer is willing to pay for.

### **4. What are some examples of business processes?**

All businesses must acquire customers. Therefore, there is a customer acquisition process. This might include how you market your business to potential customers, how you track your customers' response to your marketing efforts etc. Another business process is how you order the goods that become your inventory. Inventory management is important because often a business must pay for the inventory before it sells that inventory to its customers. Often there are financial incentives to pay for inventory in a timely manner. Early payment or "terms" have advantages in lowering the cost of inventory, however, paying early to take advantage of terms requires the buyer to have cash or access to cash. Other processes include packaging and shipping, accounting and banking, recruiting and training, payroll, manufacturing, public relations, and others. Essentially everything a business does is a process, and the owner should think through how each of those processes operate and strive to make them more efficient. The key questions the owner must ask are "How do we do this function? And, is this the best way to do it?"

### **5. Who is responsible for the operations of the business?**

If you have a general manager, that person should be responsible, but ultimately, the owner is responsible for creating the most efficient operation for the business.



## **F. Strategy**

### **1. What is a business strategy? What are the key dimensions to think about in building one)? Why does it matter?**

A business strategy is your plan to make a profit with your business.<sup>lxxv</sup> It should include the products or services you plan to sell, your target market, pricing, and expenses. A formal written strategy (business plan) is important because it can help attract investment, hire talent, and create a culture for a new business.

### **2. How do I need to be thinking about my own goals for my business/the broader market?**

You can do a market analysis of the existing cannabis industry in Connecticut. This can help you understand where businesses are already located and what they are already doing. You need to consider what sets your business apart from your competitors. What can you offer those other businesses don't already offer? One simple but important answer to this question is location.

### **3. Why is it important to define the value proposition of my business?**

It is important to define the value proposition of your business because it can help you market your product and guide your strategy.

#### *a. How do I define/understand my target consumer?*

It is important to divide your customers into groups (or segments) with similar characteristics based on their needs, behaviors, and demographics. Then you can select and target the group that you think your product best serves. Always start by outlining the customers' needs, then behaviors, then demographics. If you start with just demographics, the group might have too many differences within the group, which will make for a difficult marketing strategy. If you are a dispensary, here are some questions to consider based on this segmentation framework:

- What do your customers need? Are they looking for cannabis products for health reasons like muscle aches or chronic pain? Are they looking for cannabis products for social reasons?
- When do they usually use cannabis?
- What age group are they? What generation are they? What is their income level?

#### *b. How can I reach Product/service-market fit?*

You need to collect data on how your customers are reacting to your marketing campaigns and what your customers are buying. This can help you understand if you're serving your customers well.

#### *c. How should I think about a product's positioning strategy (i.e., the value space your company occupies in customer's minds)?*

One way to define your value proposition is to create a positioning statement by stating:

- Your target segment(s)

- Point of different (reason for customers to buy your product)
  - Frame of reference (who your competitors are)
  - Competitive advantage (why you are better than everyone else)
- d. *How do I ensure my employees/partners understand our value proposition and can execute it?*

As the owner of your business, you set the culture, mission, and vision. It is important to develop routines and hire the right people that can execute on the value proposition.

#### **4. How do I think about capturing market value?**

To capture market value means to capture the most customers you can. Think about using marketing to capture market value by marketing your competitive advantage to acquire new customers. You can also engage in marketing strategy to retain existing customers.

#### **5. How do I identify the most efficient (or least costly) strategy for market entry?**

Market entry means how you are going to break into the cannabis industry. This is dependent on your funding and capital needs. If you do not have a lot of capital on your own, one option is to engage in a joint venture by partnering with someone (usually with a lot of capital) to start the business. As a social equity applicant, you still retain at least 50% ownership in your company, but you need to find the right partners.

#### **6. How do I determine what business capabilities are needed for success?**

Think about how your business will be profitable. If you go through a SWOT analysis (featured in question 13), you can determine what business capabilities are needed given the current landscape.

#### **7. What is market competition?**

Market competition is when there are businesses offering similar products. Think about what metrics you can use to determine market attractiveness and anticipated competition (e.g., level of competition, potential for new entrants, supplier power, buyer power, substitute products)?

#### **8. What is a competitive advantage?**

Competitive advantage is the thing that sets your business apart from other businesses. For example, Walmart's competitive advantage is that it always has low prices. On the other hand, Target's competitive advantage is that it has desirable, trendy products offset with slightly higher prices.

#### **9. How can I make sure to sustain my competitive advantage once I start my business?**

It is important to see what your competitors are doing and to determine if your competitive advantage is truly a competitive advantage. If you capture a large portion of the market share early, it is easier to sustain your competitive advantage.

#### **10. Should I differentiate my product/company from my competitors? How do I think about doing that?**

Yes, you should differentiate your product/company from your competitors. Otherwise, without any sort of difference, you would have to charge the same or lower prices to attract customers. To differentiate yourself, think about who your customer is and make sure your products meet their needs. Perhaps your customer is always busy, so convenience is key. How would you make your customer's experience smooth and hassle free?

**11. How do I maintain a competitive presence across a horizontal line of business? Should I think about vertically integrating?**

You can stay competitive in a horizontal line of business by capturing more of the market share. One way to do that is to merge with another business that sells similar products.

Vertical integration is when you operate all aspects of the supply chain. This sometimes leads to cost savings and more efficiency. In the case of cannabis, that would mean you have some combination of the following businesses: grow business, transport business, dispensary, delivery business, testing business, and manufacturer business. You should only vertically integrate if you can save on costs by operating in different parts of the industry.

A horizontal line of business would be any one of the business activities in the supply chain.

**12. Why is it important to understand trends in the market? How can I learn more about them?**

It is important to understand trends in the market because it can help you make decisions about the future of your business. What new products should you offer? What technology can you acquire? You can learn about market trends by conducting research on the internet and subscribing to cannabis magazines.

**13. Are there any market tailwinds (e.g., network effects, economies of scale, or other accumulating advantages) that will help my business prosper?**

A market tailwind is a certain condition that may lead to higher profits, revenue, or growth.<sup>lxxvi</sup> If you are a cultivator, economies of scale may help your business prosper. An economy of scale is when your average costs decrease when you increase levels of production. So, if you grow more flower, you may save in costs because the additional cost of adding a few more canopies decreases for a range of canopies added. Network effects are when more people using a service or product makes the service of the product better. This could apply to delivery as more customers using your delivery service could improve the business because it would lead to more drivers and perhaps more efficient routes.

**14. What is a SWOT analysis? How does it help me think about my current business and its future?**

SWOT stands for strengths, weaknesses, opportunities, and threats.<sup>lxxvii</sup> Opportunities refer to external opportunities that could give a business a competitive advantage. An example would be finding a great location with relatively low rental cost. Threats refer to things that could hurt the business. An example could be a competitor setting up close to you and a shortage of cannabis flower (if you are a dispensary). This is an exercise for you and your team to do to determine the best strategy for the present and future. It is important to use internal and external data when listing out your business's strengths, weaknesses, opportunities, and threats.

## 15. What questions should I be asking as I do my SWOT analysis?

- a. *How do I identify my organization's strengths? (e.g., assets, unique capabilities, market relationships)*
  - i. What are we doing well?
  - ii. What is our strongest asset?
  - iii. What data (both internal and external) do you have to support your claims?
- b. *What might be some of my organization's weaknesses? (e.g., lacking capabilities, high debts, staffing or cash flow problems)*
  - i. What are our lowest-performing product lines?
  - ii. Some weaknesses could include difficulties training staff, lack of inventory, cash flow problems, lack of a talent pool to hire from.
- c. *What are my opportunities? (e.g., market trends, market gaps, talent)*
  - i. What trends are evident in the marketplace?
  - ii. What customer group are we not targeting?
- d. *What are threats to my business? (e.g., emerging competitors, reliance on suppliers/distributors, etc.)*
  - i. How many competitors exist?
  - ii. Are there new regulations that could harm our business?
  - iii. Do my suppliers have a strong business model?
  - iv. Am I over relying on one supplier?

## 16. What are switching costs?

Switching costs are the costs the customer pays when it switches brands. There are high switching costs and low switching costs. For example, something like switching your phone carrier would be considered a high switching cost because you might have to pay out the rest of your contract, you might have to call a customer service agent or go into the store to end the contract, and you have to sign up for a new carrier and that might require going into the store. The time, money, and effort that would go into switching phone carriers means that it has high switching costs.

## 17. Are there any switching costs that hinder consumers from trying/buying my product/service?

Consumers might find the location of your business hard to access. That would be a switching cost to consider. Otherwise, if you offer a similar product or service, the switching costs might not be so high that a consumer would not try your product or service.

## 18. What considerations do I need to make in building my pricing strategy?

You need to consider what your competitors are charging. If you want to charge more than your competitors, you need to ensure that your customers are willing to pay extra for whatever competitive advantage you offer.

- a. What are the most important costs inherent in the business model? Which key resources are most expensive?*

Consider what resources are necessary to keep your business functioning. If you are a dispensary, the most important costs would likely be your product, which is likely your most expensive resource as well.

- b. Does it make sense to differentiate my prices across consumers? How might I go about doing that?*

Consider the landscape of the industry and your profit margins. If you differentiate your prices across customers, how would the group of customers getting charged more react? Would they just move to your competitor?

DRAFT

## **V. Frequently Asked Questions Every Worker Needs to Know**

### **A. Expungement of Past Cannabis Crimes**

#### **1. Can I work in the industry if I have been arrested and/or convicted for possession of cannabis?**

Yes, you can work in the industry. The Connecticut cannabis bill also allows individuals to file petitions to erase records for the following cannabis-related convictions:<sup>lxxviii</sup>

- Possession of four ounces or less of cannabis (before 1/1/2000 or 10/1/2015 to 6/30/2021)
- Use or possession with intent to use drug paraphernalia in connection with cannabis use (before 7/1/2021)

There will be automatic erasure of convictions from 1/1/2000 to 9/30/2015 for possessing less than four ounces of cannabis.

#### **2. Can I work in the industry if I have been arrested and or convicted for possession of (non-cannabis) narcotics?**

Yes, you can work in the industry. See question 13 for the offenses that disqualify you from applying for a license.

#### **3. Can I work in the industry if I have been arrested or convicted of sale or intent to sell cannabis or other narcotics?**

Yes, you can work in the industry. If your arrest or conviction was for four ounces or less of cannabis or for growing six or fewer plants at home (before 7/1/2021), you can also petition for your record to be erased.<sup>lxxix</sup> This record erasure does not apply if your arrest or conviction was for other narcotics.

### **B. Worker licensing**

#### **1. Do I need to be licensed to work in the cannabis industry?**

You need to be licensed if you are a key employee or backer of a cannabis establishment.<sup>lxxx</sup> A key employee is someone who is either A) the top-ranking individual at the establishment (the person who is responsible for staff and business operations) OR B) the financial manager OR C) the compliance manager. A backer is someone with financial interest in a cannabis establishment that is over 5% of the overall ownership of the establishment and/or participates directly in the management of the establishment. All employees of a cannabis establishment must be registered with the state. Registration can be completed [here](#).

#### **2. How do I obtain a work license?**

You likely will not require a license to work, but for those who do, applications are not currently available, but there are 14 different licenses and registrations. There are two lotteries to pick applicants:

- Social equity lottery
- General lottery

The social equity lottery is run first by an outside operator, followed by the general lottery. For each license type, at least half of the licenses will go to social equity applicants. You qualify as a social equity applicant if you:<sup>lxxxix</sup>

- Had an average household income of less than 300% of the state median household income over the three tax years immediately preceding the application
- Were a resident of a disproportionately impacted area for at least five of the ten years immediately preceding the date of application or were a resident of a disproportionately impacted area for at least nine years prior to turning 18

Process for social equity lottery

1. Fill out application as a Social Equity Applicant and pay lottery fee
2. An outside lottery operator will run the lottery
3. Once the social equity lottery has been run, DCP will share the lottery winners with the Social Equity Council to decide if the applicants qualify as social equity applicants
  1. If the applicant does qualify, a background check will be run
  2. If the applicant does not qualify, the applicant can pay the difference for the full lottery fee and enter into the general lottery. If the applicant does not pay the full lottery fee, the application process will end for that applicant, and another applicant will be picked for the social equity lottery.

Process for general lottery

1. Fill out an application and pay a lottery fee.
2. An outside operator will pick applicants until the Department has filled all the available licenses for each type.

## **C. Available opportunities and restrictions**

### **1. What is the going wage for cannabis entry level jobs?**

In the U.S., the salary for entry level jobs ranges from \$20,500 to \$64,500 a year with an average of \$38,884, and the average hourly rate in the U.S. is \$18.69.<sup>lxxxii</sup> In Connecticut, the average salary is \$37,088, and the average hourly rate is \$17.83.<sup>lxxxiii</sup>

### **2. How many hours a week should I expect to work?**

The number of hours you work will depend on the needs of the business. If you are in a full-time role, you can expect to work around 35-40 hours a week. If you are in a part-time

role, the number of hours will vary. You will have to inquire about the number of hours for a part-time role.

**3. Are there educational requirements for working in the industry?**

While there is no formal educational requirement for work in the industry, it may be easier to be hired for certain occupations with a particular educational background. For example, Horticulture specialists (i.e., those who have a degree in horticulture) are becoming increasingly popular as cannabis cultivators. Those in managerial positions may benefit from advanced management degrees (e.g., MBAs)

**4. Is there a “career path” for cannabis workers?**

The Social Equity Council will develop a series of career pathways for cannabis workers depending on functional interest.<sup>lxxxiv</sup> Connecticut’s Social Equity Council was created to ensure that legalized recreational cannabis will be grown in an equitable way and to ensure that funds are brought back to communities that were affected the most by the “war on drugs.” See [their website](#) for the latest updates.

**5. What types of jobs are going to be part of the cannabis industry?**

There are many types of jobs in the cannabis industry. [Here](#) is a list of the different cannabis-related licenses in Connecticut. You can also expect each type of cannabis establishment will have entry level positions that will not require licenses such as a budtender (someone who helps customers find the product they’re looking for), driver, lab technician, grower, baker, etc.

**6. Where can I go to get trained for cannabis jobs?**

The Social Equity Council will develop a workforce training program.<sup>lxxxv</sup> Connecticut’s Social Equity Council was created to ensure that legalized recreational cannabis will be grown in an equitable way and to ensure that funds are brought back to communities that were affected the most by the “war on drugs.” See [their website](#) for the latest updates.

**7. Is there an age requirement to work in the cannabis industry?**

You need to be 21 years or older to hold a cannabis establishment license or be a backer or key employee of a cannabis establishment.<sup>lxxxvi</sup> A key employee is someone who is either A) the top-ranking individual at the establishment (the person who is responsible for staff and business operations) OR B) the financial manager OR C) the compliance manager. A backer is someone with financial interest in a cannabis establishment that is over 5% of the overall ownership of the establishment and/or participates directly in the management of the establishment.



You need to be 18 years or older to be an employee of a cannabis establishment or be employed by a cannabis establishment (this is different from being an employee because it might mean that you're a contractor, so not technically an employee).

**8. Will I be drug tested if I apply for a job in the cannabis industry?**

This is dependent on the employer. However, an employer cannot refuse to hire you if your drug test comes back positive for THC only.<sup>lxxxvii</sup> There are a few exceptions, which include whether the cannabis establishment would be in violation of a federal contract if its employees are positive for THC.

**9. Are there other offenses that will disqualify me from working in the cannabis industry?**

See [here](#) for a full list of offenses that will disqualify you from getting a license in the cannabis industry. If you are just applying for a job, it is up to the employer as to whether they will hire you based on your offenses. They can require a background check before hiring.<sup>lxxxviii</sup>

**10. Will I be able to open a bank account as a cannabis worker?**

You can open a personal bank account as a cannabis worker. For businesses, Connecticut's banking commissioner still needs to finalize its recommended legislation on how cannabis establishments can access depository banking and commercial mortgages.<sup>lxxxix</sup>

**11. Will I be able to contribute to Social Security as a cannabis worker?**

Yes, a cannabis business is required to pay payroll tax, which will contribute to social security.<sup>xc</sup>

**12. Will my employer offer health insurance if I work in the cannabis industry?**

This depends on the employer, but there are employers that do offer health insurance. You will have to ask the employer.

**13. What other benefits are typically received as an employee in this industry?**

This also depends on the employer. Examples of possible benefits could include paid time off, dental and eye insurance, and paid family leave, although these are not guaranteed.

**14. If I leave the industry will my employment in the legal cannabis industry hurt my future job search?**

No. The cannabis industry in Connecticut is legal, so it is a legitimate form of employment. However, be aware that a prospective employer may ask about your job

history, and they can call your former employer to confirm you worked there, so you should be honest when stating your work history.

**15. If I move to a different state, will my cannabis employment record be available for employers to see?**

A prospective employer in a different state may ask about your job history, and they can call your former employer to confirm you worked there. If you don't want to state your employment at a cannabis establishment, you don't have to, but a prospective employer may inquire as to why you do not have any job history for that period of time.

**16. What due diligence should I do to ensure I am employed at a legal entity?**

Here are some things to consider to ensure that you're employed at a legal entity:<sup>xci</sup>

- Are there multiple forms of contact for the company (e.g. email and telephone)? A legitimate company will make it easy to contact them.
- Are there a lot of mistakes on the website? A lot of mistakes could suggest that the company is not legitimate.
- What does a Google search show? Does this company show up?
- Do they have a physical address? What results turn up when you search the address?

**17. Can my employer ask me about or prohibit personal cannabis use?**

Your employer can implement a policy that prohibits cannabis possession, use, or other consumption, except for possession of medical cannabis by a qualifying patient.<sup>xcii</sup> However, your employer cannot hold cannabis use against you before you begin employment.

**18. Should I be concerned about Federal regulations as a cannabis worker?**

It would be in your best interest to follow any updates on federal regulations because it can affect the overall cannabis industry, but you should not be concerned. The Connecticut bill overrides federal law. The CT bill prohibits any agency or political subdivision of the state from using a cannabis-related federal law violation to punish an individual except for a few exceptions related to commercial driver's licenses and hazardous materials.<sup>xciii</sup>

## **VI. Case studies**

What follows are two written case studies and an interview with a Connecticut-based cannabis entrepreneur. These resources provide a summary of known players and important programs within the cannabis industry. These are intended to be stand-alone educational materials, offering insight into real-life examples of successes achieved by those in the cannabis industry, key challenges faced as part of that success, and specific resources that may help cannabis entrepreneurs succeed in today's industry.

### **A. Case 1 – Viola Brand and its Community Impact**

In 2011, Al Harrington, former NBA star, founded Viola Inc., one of the nation's leading producers and licensed wholesalers of premium quality cannabis products. The brand is named and inspired by Al's grandmother, Viola, who suffered from glaucoma and diabetes before she passed. The possibility to offer other types of therapies in which sick people could find relief motivated Al to create this company. Viola's mission is to increase minority participation and ownership in the cannabis industry. In Al's words: *"All of our work is invested in creating a brand that uses its platform and resources to create opportunities of empowerment, education, and inspiration for the people who have been most affected by the war on drugs. which primarily are black and brown folks."*<sup>xciv</sup>

### **A brief history of cannabis in the US**

The American cannabis industry began with hemp in Colonial Virginia, where the King forced landowners in the 1600s to grow and send hemp to England as a form of financial aid. Hemp was used to make different items such as rope and sails throughout colonial America. Hemp production continued until 1906, when Congress passed the Pure Food and Drug Act. The Act included cannabis among the various substances patent medicine companies were required to list on their labels so worried customers could avoid it, impacting medicinal cannabis production.

The Marihuana Tax Act of 1937 made hemp, cannabis, and marijuana illegal. Yet, for just three years (1942-1945), the US Department of Agriculture urged farmers to grow hemp for war purposes. For decades, these products remained illegal, but in 1969, after the Supreme Court

determined the Marihuana Tax Act was unconstitutional, the Nixon administration created the Controlled Substances Act and categorized cannabis as a Schedule I drug (i.e., drugs with no accepted medical use and a high potential for abuse). Many policymakers now view this Act as a public policy that had a severe disparate impact on millions of black and brown individuals who have gone to jail from the 1970s onwards.

Since the legalization of recreational cannabis in Washington State in 2012, cannabis use has become legal in 18 States (**Exhibit 1**).<sup>xcv</sup> Connecticut was the latest state to approve recreational cannabis through the state legislature in 2021.

### **Cannabis in the US by the numbers**

A Gallup poll (2019) shows that 12% of Americans are active users of marijuana (**Exhibit 2**). The rate almost doubled from 2013 to 2016, probably a result of the legalization of cannabis by various states.

Total revenue for the cannabis industry reached \$18.3 billion in 2020<sup>x cvi</sup>, skyrocketing from \$10.7 billion in 2019 (71% growth YoY). An increase in access, products offered, and the COVID-19 pandemic have contributed to this growth. As delivery and online ordering are preferred channels for buying cannabis, cannabis eCommerce gained market share during 2020.

**Exhibit 3** shows the monthly sales by-product (edibles, pre-rolls, accessories, topicals, flowers, cartridges, and concentrates).<sup>x cvii</sup> Flower and cartridges remain the top selections by customers, accounting, on average, for more than 58% of total monthly sales.

Another study by Gallup showed that 14% of Americans use Cannabidiol (CBD) products (**Exhibit 4**) to relieve some medical costs issues.<sup>x cviii</sup> The most common reasons to use cannabis for medical reasons are pain (40%), anxiety (20%), sleep/insomnia (11%), arthritis (8%), and migraine/headache (5%).

The entire US cannabis industry is projected to grow to \$100 billion by 2030,<sup>x cix</sup> generating more jobs and access to cannabis. This promising growth is bolstered by observations that real numbers often exceed projections by far. For example, the Marijuana Business Daily shows that

in Illinois, which legalized recreational sales in January 2020, total sales numbers – for both recreational and medical – topped \$1 billion by December 2020 (**Exhibit 5**). In addition, despite

DRAFT

a decrease in cannabis capital raised during 2020 (likely due to COVID-19, North American cannabis companies rebounded, raising over \$1.6 billion in January 2021 alone.

### **Background – Al Harrington**

Albert “Al” Harrington was born in February 1980 to a humble Black American family in Orange, New Jersey. After losing his father at age 8, he was raised by his grandmother, Viola Harrington. In 1998’s NBA draft, Al was selected as the 25<sup>th</sup> pick of the first round by the Indiana Pacers, joining the NBA straight from high school. Over his 16 seasons in the NBA, he played for 8 NBA teams and was voted second for the NBA Sixth Man of the Year award for the 2003-2004 season.

Al became personally aware of the medicinal benefits of cannabis after suffering complications from knee surgery at the end of his career. His grandmother’s diagnoses of glaucoma and diabetes also pushed him to think about increasing cannabis access.

### **Viola Brands**

After Viola’s death in 2011, Al Harrington and Daniel Pettigrew founded Viola Brands, a for-profit private Company in Denver, Colorado. The Company's products are cultivated and processed in three different facilities across the country, as shown in Table 1, **Exhibit 6** shows the Ridge and Detroit facilities.

Facility	State	Size (sq ft)	Products
Viola Gardens	Colorado	12,000	indoor flower
Viola Ridge	Oregon	80,000	outdoor sun-grown flower
Viola Detroit	Michigan	46,000	multiple premium flower

Table 1. Current production centers of  
Viola Brands

DRAFT

Currently, the Company employs more than 35 people<sup>c</sup>, with its headquarters in Los Angeles, California. Among their top executives have been Adam Wolf (Chief Operating Officer), Ericka Pittman (Chief Marketing Officer), Stephanie Akarel (Vice President of Strategic Planning), and Matt Hathaway (Chief Financial Officer). The Company is committed to diversity and inclusion efforts, successfully expanding recruiting networks, creating diverse selection committees, designing programs for women and minorities, and embracing a diverse culture.<sup>ci</sup>

The Company's operations have expanded considerably over time. Products include different types of flowers (Indica, Sativa, hybrid), CBD oil, extract of different flavors, and pre-roll cannabis and is available for purchase in California, Colorado, Michigan, Oklahoma, Oregon, and Washington. In March 2021, Viola confirmed its partnership with Avicanna, a Canadian-based, cannabinoid-focused biopharmaceutical company. This partnership will allow Viola to explore the Canadian market, where the branch will open in Toronto. Al Harrington and the Viola team are thrilled about this opportunity: *"We're excited to announce our partnership with Avicanna to expand into the Canadian market. Becoming the first Black-owned multinational brand is a significant milestone for Viola, and we look forward to expanding our product offering and Viola's mission into a new market."*<sup>cii</sup> Company revenues have increased from an estimated \$7.8 million in 2019 to an expected \$15 million in 2021. The company closed its latest funding round in October 2019, raising \$16 million with Gotham Green Partners.<sup>ciii</sup>



## Other programs

The organization is passionate about ensuring equitable access to cannabis within historically marginalized communities. The solution was Viola Brands. In an interview with Forbes in 2020, Al stated: *“I see first- hand how these communities suffer at the hands of nonviolent drug offenses, and it needs to change. That’s where my true passion lies - in creating generational wealth for these minorities and their communities.”<sup>civ</sup>* Today, Al Harrington is a member of the Minority Cannabis Business Association (MCBA), the Cannabis Trade Federation, and Tidal Royalty’s Advisory Board.

As part of its impactful mission, Al Harrington has invested in various platforms, companies, and institutes to promote social equity in both access to and consumption of cannabis, especially for those minorities most affected by the War on Drugs.

The company’s initiatives include:

- 1) Viola Cares: as stated on their website, *“through education, expungement, community engagement, and comprehensible social good programs, the Viola Cares initiative aims to create more jobs, policy reform, expanded awareness, and industry diversity increasing representation. Viola Cares focuses on changing the industry dynamics of cannabis through strategic partnerships that allow for the increased participation of those most impacted by the War on Drugs and ensuring our communities reap the benefits of cannabis legalization. Viola Cares is committed to benefiting communities in need in ways including but not limited to food drives, community renovation projects, expungement clinics, and countless donations.”<sup>cv</sup>*
- 2) The Viola Accelerator was launched in 2020 to provide operational support to black entrepreneurs in the cannabis market. In addition, sales, marketing, and fundraising resources are being provided. The ultimate goal of the accelerator is to create 100 new black millionaires from this ultra-competitive industry.
- 3) The Harrington Institute was launched in September 2021. In collaboration with the Cleveland School of Cannabis, the Harrington Institute *leitmotiv* educates the

community on cannabis issues. The Viola Build Scholarship offers \$3,000 toward tuition for those interested in completing the 6-course program. The curriculum includes three educational tracks: horticulture, manufacturing, and dispensary operation. More than 650 people have graduated from the program, with a job placement rate of 65%.<sup>cvi</sup>

DRAFT

## **Future challenges**

Viola is committed to minority ownership. The Company has applied for an additional 11 licenses in other states like Maryland, Missouri, and New Jersey.<sup>cvi</sup> It is crucial that the organization keep expanding its current operational strategy to other states such as Illinois and Connecticut. Doing so presents an essential step toward fulfilling its mission of creating opportunities for empowerment and education in black and brown communities.

Some questions that may arise from this case:

- Considering the highly competitive nature of the cannabis industry, how might Viola sustain organic growth in the years to come?
- In what other ways might Viola Cares continue to generate a lasting impact in communities? A potential option might include forging an intensive partnership with the National Basketball Association (NBA) which encourages former basketball players to increase engagement with Black and Brown communities across the country.
- What additional avenues might enable the creation of 100 new Black millionaires in the near-term?

## Appendix

### Exhibit 1: The Map of Cannabis by State

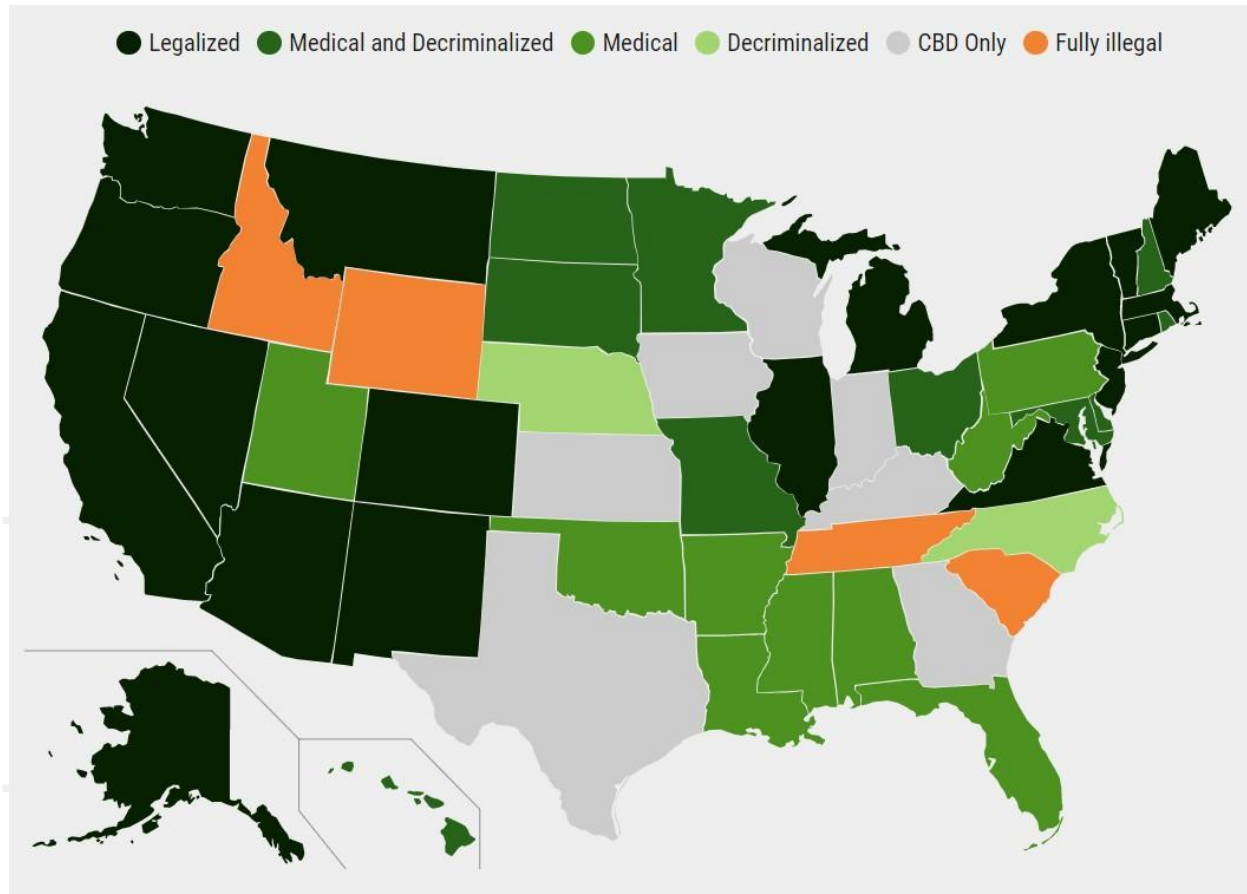


Exhibit 2: Cannabis use by Americans (2013 – 2019) / Gallup

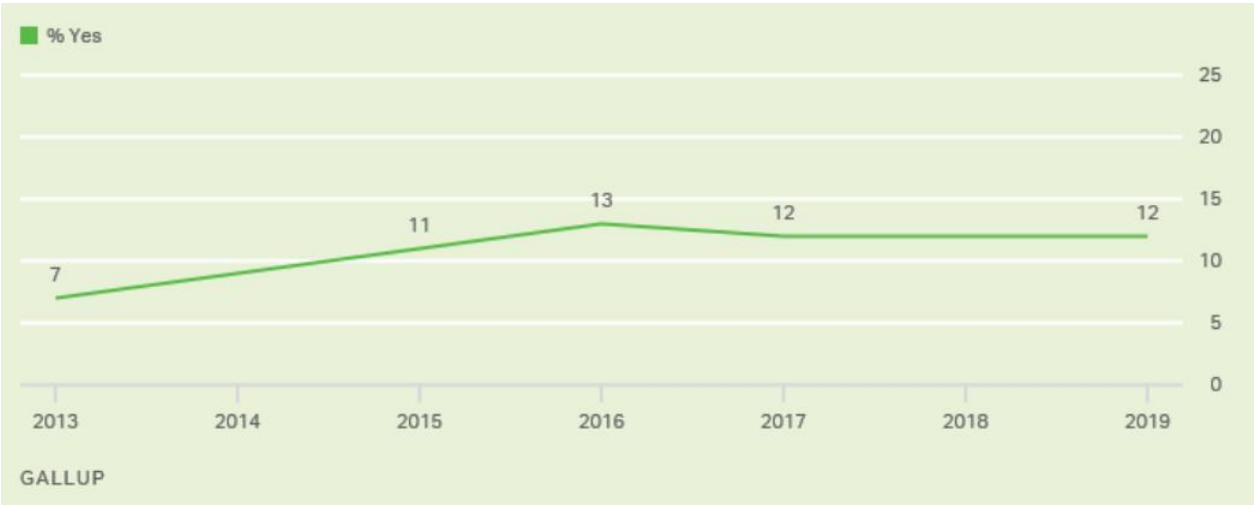
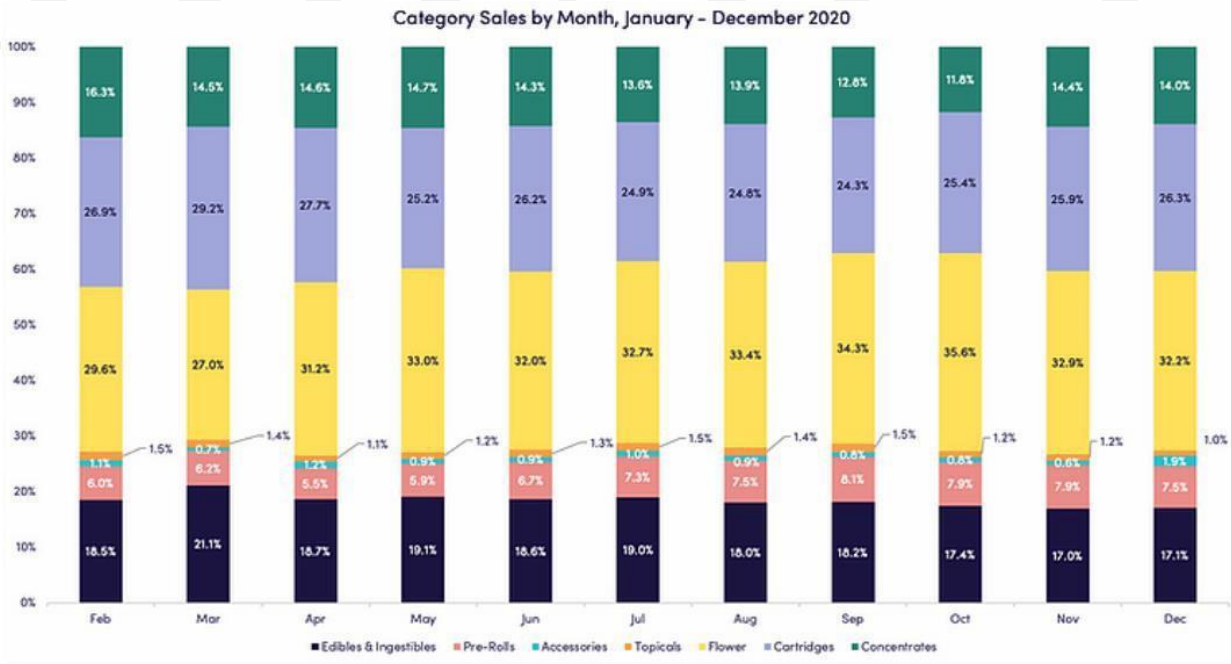
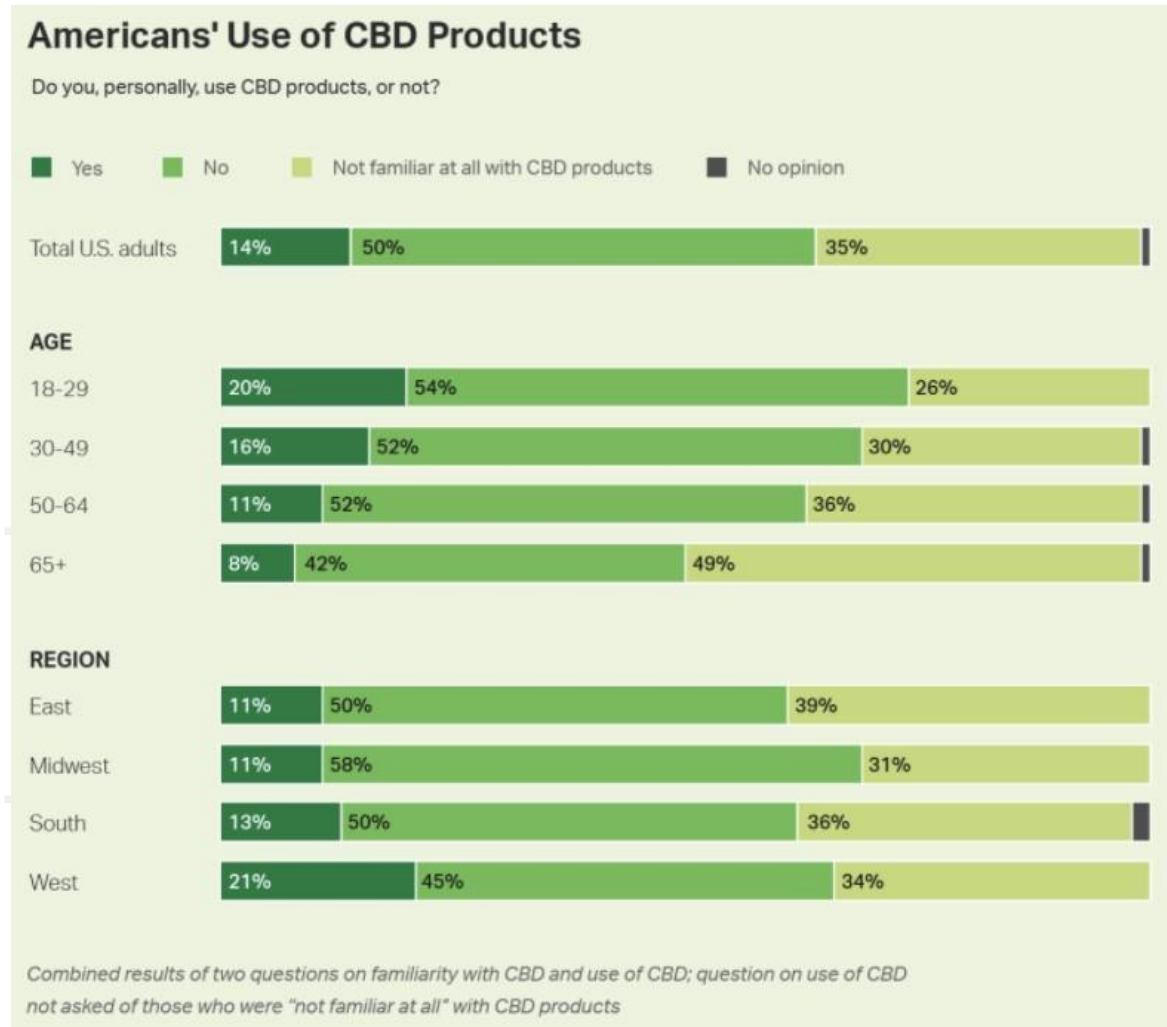


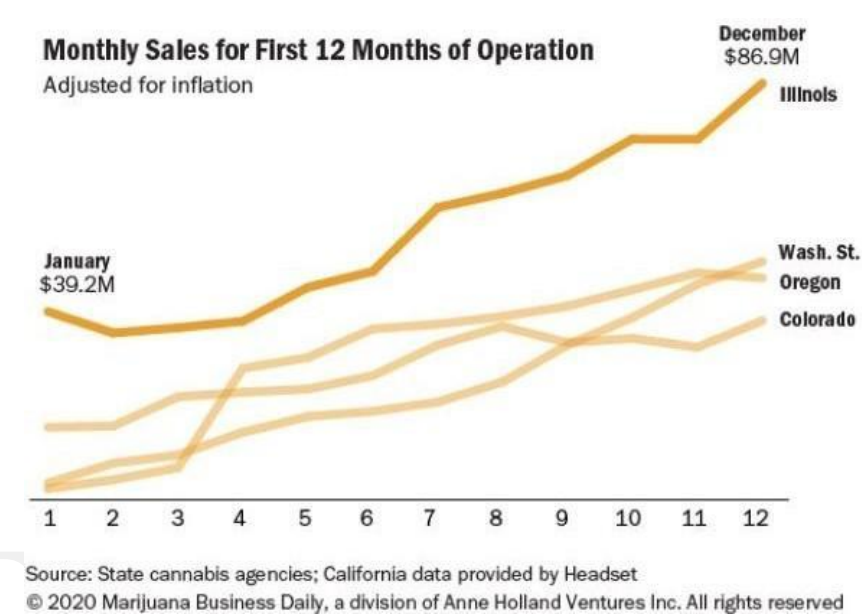
Exhibit 3: Category sales by month (February – December 2020)



**Exhibit 4: Use of CBD among Americans (2019)**



**Exhibit 5: Monthly sales in Illinois (2020)**



**Exhibit 6: Viola Ridge and Viola Detroit**







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## **B. Case 2 – Social Equity Programs in the Cannabis Industry: two examples in North America**

The War on Drugs is a global campaign led by the United States Federal government to reduce the illegal drug trade. The initiative includes drug prohibition, military aid, and military intervention as means of disincentivizing the production and consumption of various drugs. Unfortunately, this war has had a profoundly negative impact on minority groups, black and brown communities.

As state legalization of cannabis moves forward throughout the U.S. and Canada, policies to democratize access to the industry and promote social equity through economic empowerment are being instituted. This case provides general insight into two such programs, the state of Colorado Accelerator program and Canada's Leaf Forward program.

### **Social Equity Programs: An Overview**

A recent Gallup poll,<sup>cviii</sup> shows record high (68%) support for cannabis legalization (**Exhibit 1**). This support is pushing more states to legalize the recreational and medical use of cannabis. Currently the total industry is estimated to be worth more than \$18 billion and is generating more than 320,000 full-time jobs.<sup>cix</sup> However, despite the industry's promising future a significant challenge remains: BIPOC ownership in the cannabis industry.<sup>3</sup>

As this market evolves, states are beginning to focus on developing Social Equity Programs (SEP). SEP set aside a percentage of the state's cannabis licenses for members of historically marginalized groups with the intention of increasing their participation in the industry and increasing their wealth and quality of life.

### **The Current State of Social Equity in the U.S. Cannabis Industry**

Previously incarcerated individuals, those living in disadvantaged neighborhoods, women, and

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<sup>3</sup> For example, according to Leafly's Jobs Report 2021, Blacks account for 13% of the total population in the U.S. but only about 1.2% to 1.7% of business owners in the Cannabis industry.

veterans are among the groups SEPs are trying to help. The National Association of Cannabis Business states:<sup>cx</sup>

*“The goal of social equity laws is to ensure that people from communities disproportionately harmed by marijuana prohibition and discriminatory law enforcement are included in the new legal marijuana industry. Policymakers are working to address criticisms that outsiders are setting up legal cannabis businesses and profiting by doing the same things their less fortunate neighbors were arrested and given jail time for just a few years ago.”*

SEP structure may vary across states, and participation is generally predicated on the requirement of residency in specific geographic regions in the state for a certain number of years and/or proof of affiliation with a historically marginalized group. Many states offer reduced application fees, technical assistance and links with incubators/accelerator programs to promote and succeed with this policy.

### **U.S. States with SEP**

Currently, 13 of the 19 states with legalized recreational cannabis – have developed SEPs to help marginalized communities become cannabis entrepreneurs (**Exhibit 2**).

Some states, such as South Dakota, Maine, Montana, Nevada, Alaska, and Oregon, have not included SEPs as part of their state-legal cannabis programs.

One of the main issues with SEPs is that even when applicants can succeed and get their licenses, financial success is not guaranteed. Here is where incubators and accelerators could play a significant role in helping marginalized communities overcome challenges and succeed in their entrepreneurship.

### **Example 1: Colorado’s Accelerator Program**

One example of a strong social equity accelerator program comes from the state of Colorado. In 2020, Colorado passed a law making it easier for social equity applicants to receive licenses for cannabis startups. The SEP provisions prioritize applicants who live in Opportunity Zones, have income below a specific income threshold, or those who have been arrested for cannabis-related

offenses.<sup>cxii</sup> The State has also published a comprehensive “How to Apply” document for prospective SEP applicants, to provide information and access to information about the application process.<sup>cxiii</sup>

The state’s Cannabis Business Office (CBO) provides more tangible support to entrepreneurs in its accelerator. The CBO provides “business consulting, funding assistance, and technical assistance” to cannabis entrepreneurs.<sup>cxiii</sup> The CBO is intended to help social equity applicants with many of the challenges they face in opening a business. For example, it has funds available for microloans and grants for business seed money. While still early, the CBO only began operating in 2021, this program has potential to provide substantive support to social equity entrepreneurs.

## **Example 2: Canadian Accelerator Program**

Leaf Forward, a private accelerator program in Toronto, also helps promote social equity entrepreneurs in the cannabis space. Leaf Forward aims to help cannabis startups in a few ways. Like a traditional accelerator program, Leaf Forward offers support with practical business skills—legal, accounting, finance, sales, and marketing—in which many social equity entrepreneurs may lack sufficient experience.<sup>cxiv</sup> Unlike Colorado’s Cannabis Business Office, Leaf Forward does not directly offer loans or funding rounds to companies in the accelerator. However, it does connect entrepreneurs to prospective investors that are interested in financing the startups. Leaf Forward provides useful resources to Canadian cannabis startups.

## **Future Challenges**

To promote a more inclusive industry, state legislation should somehow address the following challenges within their SEPs:

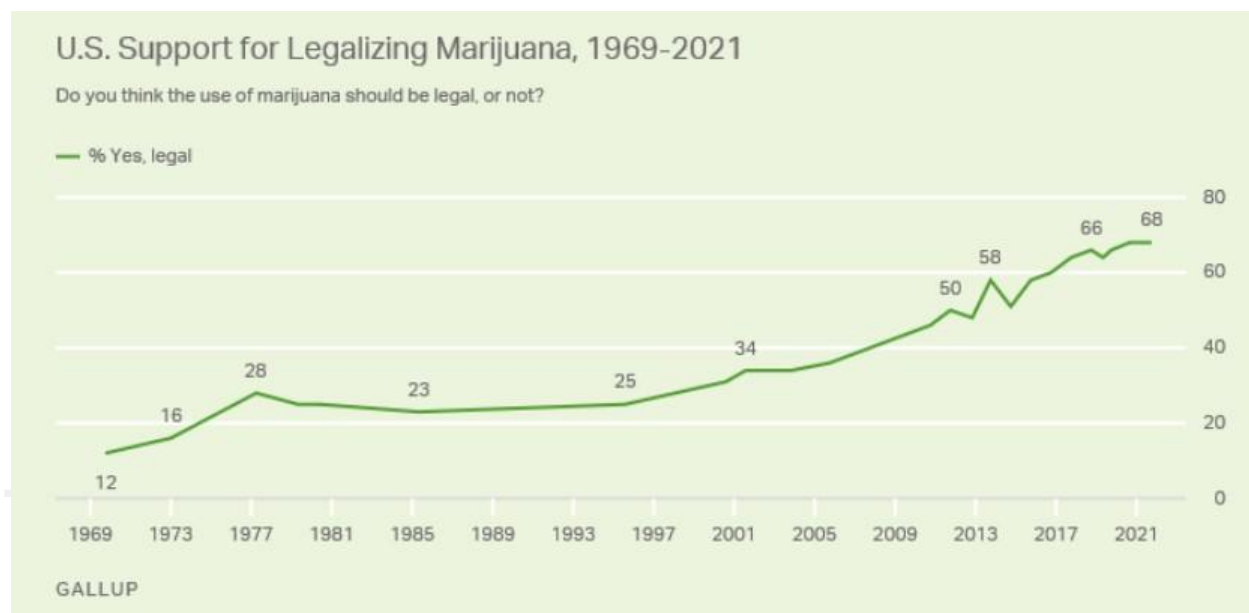
- Lack of funding needed to help social equity entrepreneurs navigate the complex application process
- Prohibitive cost of licenses
- Cumbersome application processes
- Lack of business education among social equity entrepreneurs
- Transitory nature of programs, the result of changing laws, rules, and institutions

Minority and low-income entrepreneurs face additional obstacles even beyond the typical pitfalls of a startup. Still, many within the cannabis industry are taking efforts to promote equity in the marketplace. Actions by state and municipal governments and private accelerators are a promising step forward toward the goal of achieving greater BIPOC participation in the cannabis industry.

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## **Appendix**

**Exhibit 1: U.S. support for Legalizing marijuana (1969 – 2021)**



**Exhibit 2: States which have developed Social Equity Programs for cannabis**

1. Arizona
2. California
3. Colorado
4. Connecticut
5. Illinois
6. Massachusetts
7. Michigan
8. New Jersey
9. New Mexico
10. New York
11. Vermont
12. Virginia
13. Washington

### **B. Case 3 – New Haven, CT’s CannaHealth – an ancillary cannabis business**

Click [here](#) to download an interview conducted with Kebra Smith-Bolden, CEO of CannaHealth.

Kebra Smith-Bolden is a true trailblazer, a respected healthcare professional with the vision, purpose and drive to transform the nascent cannabis industry. Trained as a registered nurse, Kebra leveraged her medical knowledge and decades of professional experience to create CannaHealth™, the first and only Connecticut cannabis business owned by an African-American. CannaHealth™ is a division of The Healing Choice LLC and HK Smith Enterprises, LLC. Its innovative community-based business model offers disadvantaged communities disproportionately impacted by the war on drugs education about medicinal cannabis, as well as safe and legal access through medical marijuana program evaluations.

She is an industry pioneer dubbed the “Marijuana Guru in CT.”<sup>cxv</sup>

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## VII. Legal Analysis of Expungement of Cannabis Criminal Records

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December 4, 2021

**To: Dr. Frederick McKinney**  
**Fr: Rufus W. McKinney, Jr., Esq.**

### MEMORANDUM

#### **RE: EXPUNGEMENT LAW FOR MARIJUANA POSSESSION IN THE STATE OF CONNECTICUT**

##### **Background:**

On June 22, 2021, Connecticut Governor Ned Lamont signed Senate Bill 16 into law legalizing and safely regulating adult use of marijuana.

The law in Connecticut legalizes possession of cannabis by adults of up to 1.5 ounces of cannabis on their person, and no more than 5 ounces in their homes or locked in their car truck or glove box., beginning July 1, 2021

The Law also contains retail sales provisions by the end of 2022. Also included in the law are provisions for gifting and home cultivation; equitable investment goals; economic opportunities in targeted communities negatively impacted by the war on drugs (*these investments are not limited to the cannabis market*); a tax structure on the retail sale of cannabis; substance misuse prevention and recovery services; underage use prevention civil and criminal violations; advertising standards; safe product packaging; Municipality zoning of retail sales and use of cannabis; EEO “exemptions” and requirements of employers; a medical marijuana program; prohibitions for use in state parks, state beaches, and state waters; and the provision for automatic erasure of prior convictions occurring between January 1, 2000 and October 1, 2015 (*included periods*).

Automatic Erasure will commence on January 1, 2023.

This following is a step-by-step advisement for the process of expunging criminal records of those persons convicted of misdemeanor possession of cannabis in the years prior to January 1, 2000 and for time period subsequent to October 1, 2015 (*excluded periods*). The Pardon

process for cannabis conviction erasures makes a distinction between persons with and persons without additional non-related cannabis convictions on their Rap Sheet.

Individuals convicted or arrested during the “excluded periods” will still have the opportunity to have their criminal records for marijuana possession expunged under the auspices of the Office of the Executive from the Connecticut Bureau of Pardons and Paroles, Pardon Division. (BOPP).

Starting on **July 21, 2021**, the Law prohibited state-legal cannabis possession of use from being grounds for revoking parole, special parole, or probation except in cases where there is an individual basis for finding that the person’s cannabis use would pose a danger.

Starting on **July 21, 2022**, the Law allows Individuals to apply for pardons for convictions for possession, drug paraphernalia, and sale and manufacture of four (4) ounces of cannabis or six or fewer plants occurring during the “excluded time periods” If the **online petition** is properly and fully completed, it must be granted. No fee may be charged. <sup>4</sup>

Starting on **January 1, 2023**, **automatic administrative erasures** will begin for cannabis convictions during the “included periods” of January 1, 2000, through September 15, 2015.

**With respect to All Other Erasures of cannabis convictions prior to January 2001 and subsequent to September 15, 2015, you must file an Application to BOPP for an Absolute Pardon of these cannabis convictions along with all other “cannabis non-related convictions” to be included in the Petition. This Application must be submitted online at:**

**(<https://portal.ct.gov/BOPP/Pardon-Division/Pardon/Pardon-Info>).**

**Click on the appropriate link (ABSOLUTE PARDON or CERTIFICATE OF EMPLOYABILITY)**

The phone number for questions regarding all pardon applications is:  
**(203) 805-6643.**

### **The Application Process for Absolute Pardon of Convictions:**

An Absolute Pardon (full pardon) results in the erasure of your entire adult Connecticut criminal record. You cannot apply to pardon one offense and not another. Therefore, your entire criminal history will be considered for an Absolute Pardon.

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<sup>4</sup> The 15-year time period for eligible automatic marijuana conviction erasure does not appear to estop an applicant from petitioning for a full pardon starting on July 1, 2022 rather than waiting until the January 1, 2023 start date for their automatic erasure. The BOPP application process addressed herein is demanding and involved and may prove challenging or problematic for some. If timing is at issue, the best advice is to submit an early cannabis full pardon application, though keeping in mind that an otherwise *automatic erasure* would not require the rigors of a BOPP criminal background investigation with fingerprinting or receipt of letters of reference and a Certificate of Employability.



What this means is that if you only have “cannabis eligible” erasure convictions on your record that fall *within* the (15) year inclusion period of the statute (2000-2015), those offenses will be automatically erased without further action on your part starting January 1, 2023.

If you also have other misdemeanor or felony convictions in addition to “cannabis eligible” convictions, you must wait until 3 years after misdemeanor convictions and 5 years after felony convictions to apply for a “full pardon.”

Further, if you *only* have “cannabis eligible” convictions on your record that fall *outside* of the (15) year inclusion period, you qualify to petition for a full pardon without regard to the (3) year misdemeanor and (5) year felony time guidelines beginning July 1, 2022.

Again, if your criminal convictions were only for qualifying cannabis crimes that occurred within the 15-year window of 2000-2015 you are not required to seek a full pardon. These marijuana crimes will automatically be erased, starting January 1, 2023.

But, for convictions of cannabis offenses prior to January 1, 2000, and after October 1, 2015, you must apply for a full pardon to get those crimes erased. A full pardon mandates submission of a request that includes the entirety of your criminal history of convictions for erasure of your complete record.

If you have been incarcerated, 90 days after release, and or 90 days after successfully having completed probation/parole supervision, you are eligible to apply for **A Certificate of Employability** online at the BOPP website.

**A Certificate of Employability** is a state-issued document recommending you for employment in spite of your past criminal record. It states that you are employable and makes it illegal for employers to deny employment based on your criminal record with a few exceptions.

Ordinarily, under Connecticut law you can only apply for an erasure of your record 5 years from your last felony conviction, and 3 years from the date of your last misdemeanor conviction.

The Legalization of Cannabis in Connecticut carves out an exception to these guidelines to the extent that you do not have to wait 3 years to apply for a full pardon to erase your misdemeanor marijuana convictions. You may apply for an eligible “cannabis related” conviction erasure of your record starting July 1, 2022.

Cannabis convictions falling within the 2000 – 2015-year period will be automatically erased without regard to convictions for other crimes. However, for cannabis convictions falling on either side of that (15) year period, and your record contains other convictions, you must apply for a full pardon that will consider your eligibility and approval for a full pardon based on an evaluation of the entirety of convictions on your record.<sup>5</sup>

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<sup>5</sup> In practice, if all of your convictions of record are *only* for “eligible cannabis crimes” that were committed outside of the (15) year period of inclusion under the new law, beginning July 1, 2022, you may petition for a pardon and once your background criminal history confirms that fact, your application for a full pardon will be approved.

## **Applying for a Pardon (General Information)**

**The following is a description of the pardon process that remains in place in the State of Connecticut. This process is partially amended by the Legalization of Marijuana in its application of the pardon process, as discussed above:**

### **(a). Absolute Pardon Eligibility**

An Absolute Pardon, also referred to as a full pardon, results in the erasure of your adult Connecticut criminal record. You cannot apply to pardon one offense and not another. Therefore, your entire criminal history will be considered for an Absolute Pardon.

At least (3) years has passed since your most recent misdemeanor conviction; and/or at least (5) years has passed since the disposition of your most recent felony conviction; you are not on parole or probation; and you do not have any pending charges or other open cases against you in any other jurisdiction, state or federal.

### **(b). Date of Application**

You may apply three (3) years after the disposition of your most recent Misdemeanor conviction and five (5) years after the date of disposition for your most recent Felony conviction. You cannot be on parole or probation.

### **(c). Submitting Applications for a Pardon**

Applications and instructions are available on the agency's website at: [www.ct.gov/bopp](http://www.ct.gov/bopp) or may be requested by calling (203) 805-6643.

### **(d). The Processing of Applications**

Following receipt, (applications must fully be completed and must be filed online), staff will review your application to determine if you will be scheduled for an Expedited Review without a hearing, or a standard pre-screen review.

If you are convicted of non-violent offenses where there is no victim interest, you may be considered for an Expedited Review.

If you qualify for an Expedited Review, you may be granted an Absolute Pardon, without being required to be present.

At an Expedited Review, the board may choose to grant an Absolute Pardon, deny your application for a pardon, or continue your Application to a full panel hearing.

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If on the other hand you *also* have additional “*non-cannabis*” related convictions of record (misdemeanors 3 years and felonies 5 years from date of application), once these time lines are satisfied, you may petition for a pardon, and upon completion of review of your record, letters of reference and responses to the background questionnaire, a full pardon will either be approved, denied, or continued for a hearing in which you may be required to appear.

At a standard pre-screen, the Board will review your application to determine whether you should proceed to a full hearing and appear before the Board.

This entire process usually takes approximately 2-3 months, but processing time varies depending on the volume of Applications received.

In all instances, you will receive a letter with the results of these reviews, shortly after they occur. You may be required to appear even if you do not reside in Connecticut.

#### **(e). Factors Taken into Consideration**

The Board decides whether or not to grant a pardon, among other things, based on the severity of the offense, the impact on the victim and the victim's input, your criminal history and how much time has passed since your most recent offense, and whether the public interest is served by pardoning your criminal record.

The State's Attorney's opinion may also be taken into consideration.

The Board will also consider what you have accomplished since your most recent offense, your work history, subsequent contact with the criminal justice system, character references and community service.

The Board may also consider any other pertinent information available in deciding whether to grant or deny a pardon.

Your chances each time you apply are based not only on your eligibility, but also on your suitability as well.

#### **(f). Certificate of Employability**

A Certificate of Employability, also known statutorily as a **Provisional Pardon** or **Certificate of Rehabilitation**, is for employment and licensing purposes only.

This Certificate is an official State document certifying that despite your criminal history, you should not be prevented from getting a job or a license.

Any resident of Connecticut who has been convicted of a crime or crimes in any state or jurisdiction may apply for the **Certificate of Employability**.

If you are currently under supervision by the Parole and Community Services Division of the Department of Corrections and have successfully completed (90) days of supervision, you are eligible to apply for the **Certificate of Employability**.

Additionally, if you were incarcerated and are (90) days past discharge and are not currently under supervision and have no new arrest(s), you are eligible to apply.

**Individuals currently under supervision must apply for the Certificate of Employability through the Court Support Services Division (CCSD) of the Judicial Branch of the State government.**

## **CONCLUSION:**

The Pardon Process outside of the Automatic Erasures has a lot of moving parts. However, if properly completed the rewards are quickly realized. Many economically challenged and technologically challenged individuals may need real-time assistance in taking advantage of this novel approach to de-stigmatizing the widespread use of cannabis in American culture.

The State of Connecticut appears to be an East-Coast frontrunner on the Erasure of Convictions that fold into the economy a pathway of re-entry into the workplace for those who have been convicted of cannabis crimes and who have been generally prevented from participating in a social and economic self-progress.

The State of Connecticut is also to be recognized for allowing due process redress of felons and misdemeanants in the Pardon Process that addresses fundamental social and human needs that completely cut the ties to degradation, humiliation and unfair economic treatment due to past convictions that no longer serve as an impediment to an individual's continued compliance with rehabilitative goals and societal expectations.

With respect to the sales tax generated into the State coffers, it is foreseeable that there will be a redistribution of those tax dollars for the benefit of social and economic goodwill in the form of re-investments in human infrastructure, education and business interests that support job training, childcare and employment. Also, it is foreseeable that there should be administrative mechanisms of disbursement in place that favor assisting residents of the Connecticut to apply for these opportunities, starting with the Applications for the Pardon Process.

**Submitted by:**

**Rufus W. McKinney, Jr., Esq.**  
**12/04/2021**

## **APPENDIX**

**SAMPLE LIST OF FORMS AND DOCUMENTS ATTACHED THAT ARE REQUIRED FOR SUBMISSION TO COMPLETE THE ONLINE PARDON APPLICATION**

- 1). INSTRUCTIONS FOR THE CRIMINAL HISTORY REPORT (RAP SHEET).  
FINGERPRINTING**
- 2). PRINTED SAMPLE OF ONLINE PRE-ENROLLMENT FORM**
- 3). PRINTED SAMPLE OF ONLINE BACKGROUND INVESTIGATION  
AUTHORIZATION**
- 4). PINTED SAMPLE OF ONLINE CRIMINAL HISTORY RECORD REQUEST FORM**
- 5). PRINTED COPIES (3) OF ABSOLUTE PARDON REFERENCE QUESTIONAIRES  
TO BE SIGNED AND NOTOARIZED BY THE INDIVIDUALS SELECTED. THIS  
FORM ONCE RECEIVED BACK BY YOU SHOULD SCANNED INTO YOUR  
PDF**

**ABSOLUTE PARDON PACKAGE SO IT CAN BE INCLUDED IN YOUR ONLINE  
SUBMISSION. ONE (1) PERSON RELATED TO YOU IS PERMITTED TO  
SUBMIT A LETTER OF REFERENCE ON YOUR BEHALF. IF YOU CHOOSE  
TO HAVE A RELATIVE SUBMIT A REFFERENCE LETTER, THE REMAINING  
(2) REFERENCES MUST COME FROM `OTHERS NOT RELATED TO YOU.  
OTHERWISE, ALL (3) REFERENCE LETTERS MAY COME FROM ANY  
SOURCE NOT RELATED TO YOU.**

**APPLICATIONS AND INSTRUCTIONS ARE AVAILABLE AT [www.ct.gov/bopp](http://www.ct.gov/bopp)  
OR may be requested by calling (203) 805-6643.**

## VIII. Summary of Connecticut Cannabis Law

### Summary of Public Act 21-1, An Act Concerning Responsible and Equitable Regulation of Adult-Use Cannabis

Public Act 21-1 is a comprehensive framework for the legalization, cultivation, sale, possession, use, and taxation of cannabis that prioritizes public health, public safety, and social justice. This summary contains the key provisions of the bill but does not aim to capture every section.

#### *Equity framework*

- The bill creates an independent Social Equity Council to manage the aspects of the bill's equity program, appointed by legislative leadership, the Governor, and the Treasurer. The Council will be, for administrative purposes only, housed within the Department of Economic and Community Development.
- Equity efforts in the bill are targeted at disproportionately impacted areas, defined as those with a high historic of convictions for drug crimes or a current high unemployment rate. Each year, the Council will certify a map delineating these areas.
- The Council will create programs for incubating cannabis businesses, training an equitable cannabis workforce.
- A new Equity Fund will hold much of the cannabis revenue. The Council will annually construct a budget for the fund, through constitutional order, to address access to capital, technical assistance, workforce training, and community reinvestment in disproportionately impacted areas. These investments will be targeted at people who want to start a business in any industry, not just the cannabis industry.
- Social equity applicants, defined as businesses owned 65% or more by those who live or grew up in a disproportionately impacted area, will have priority for cannabis business licenses.
- Ownership analysis will be performed by the Council after a business has applied for a cannabis license.
- The Council will conduct a social equity study to evaluate the approach in the bill and determine any further steps that would promote equity. The Council will make recommendations to the General Assembly and the Governor before the next legislative session based on the conclusions of this study.
- The Council will create a cannabis business accelerator program to partner social equity applicants who want to enter the business with existing establishments for mentorship purposes.
- The Council will create a cannabis workforce training program to help people in disproportionately affected communities get access to cannabis employment and to ensure a pool of available employees for cannabis businesses.

- Equity efforts are threaded throughout the other sections of the bill, in provisions regarding criminal justice and civil rights, licensing, medical marijuana, public consumption, drug testing and employment, and the use of revenues from legalization.

### *Criminal justice and civil rights*

- Effective January 1, 2022, possession of up to 1.5 oz of cannabis is permitted for those age 21 and above. Possession of between 1.5 oz to 5 oz is only punishable by fines, while possession above 5 oz is a class C misdemeanor on a second offense. For people under 18, the first offense below 5 oz is a written warning, the second a referral to a juvenile review board, and the third a delinquency offense. For people in the 18-20 range, below 5 oz is a fine which can be waived on a first offense or replaced with community service on a second offense.
- Individuals with drug possession convictions under 21a-279(c) between January 1, 2000 (start of electronic records) and October 1, 2015—mostly individuals with small amounts of cannabis—will have their convictions automatically erased, while those with convictions before or after those dates, and those with convictions for cannabis paraphernalia or sale of less than 8 ounces of cannabis, will need to file a petition with the courts to have their convictions erased.
- Cannabis products can only be sold to consumers by licensed cannabis retailers, though consumers may gift cannabis products to one another.
- Individuals who work in the cannabis industry or use cannabis legally are protected from being denied occupational licenses. Cannabis cannot be barred as a condition of bail, parole, or probation, with certain exceptions. The odor of cannabis cannot be used as probable cause for a vehicle search, although it may still be used as a basis for conducting a field sobriety test. Schools must treat cannabis similarly to alcohol in their policies. Law enforcement may not spend resources to enforce federal cannabis laws if those laws are the sole reason that an individual would face adverse action.
- Effective July 1, 2023, home grow of up to three mature and three immature plants, up to twelve total plants per household, is legal. Penalties for unauthorized home grow are significantly reduced in the interim (between January 1, 2022 and July 1, 2023)—a first offense is punishable only by a written warning.
- Penalties for illegal cannabis manufacture or sale are substantially reduced, and it is no longer a serious juvenile offense.

### *Licensing and market*

- The primary regulator of the market will be the Department of Consumer Protection, which also regulates the alcohol and tobacco markets, as well as the gaming industry. The Social Equity Council will manage some of the equity-focused aspects of regulation.
- All businesses participating in the cannabis industry must obtain a license from DCP to conduct cannabis activities. The bill creates nine business license types: cultivator,

retailer, micro-cultivator, hybrid retailer, product manufacturer, product packager, food and beverage manufacturer, transporter, and delivery service. Micro-cultivator, food and beverage manufacturer, and delivery service licenses have lower fees and lower barriers to entry.

- Investors ("backers") and high-level employees must also obtain individual licenses from DCP, requiring a background check. Prior drug convictions will not disqualify anyone from receiving a cannabis license; disqualifying convictions include only fraud offenses. Lower-level employees will only need to be registered with DCP.
- DCP will collect applications periodically, and a third-party operator will prioritize them in random order for consideration for a provisional license (via a periodic lottery). Applicants whose applications are not reached in one cycle may reapply in the next cycle. Prioritization is structured to ensure that 50% of licenses will be awarded to social equity applicants. Eventually, licenses are expected to be similarly available as liquor licenses.
- Once an applicant receives a provisional license, the applicant has 14 months to find a site, get zoning approval, submit a security plan, make a labor peace agreement, and submit a social equity plan. The applicant will then receive a final license.
- Cultivators may grow cannabis in a facility of at least 15,000 square feet. Micro-cultivators may grow cannabis in a facility with 2,000-10,000 square feet, and they may increase beyond that cap over time or eventually convert to a cultivator license. Micro-cultivators are also allowed to sell cannabis directly to consumers; they are the only licensees allowed to do both.
- Retailers may sell cannabis to the adult-use market only; hybrid retailers may sell both to the medical and the adult-use market.
- Until 2025, each investor may not invest in more than two new cannabis businesses in each category of license type.
- Cannabis businesses will be required to have a labor peace agreement with a labor organization.
- Employees must be 18 to work in the industry, and investors and high-level employees must be 21.
- Existing medical cannabis businesses may convert to the adult-use market as of May 2022 with payment of a substantial fee. Dispensaries will generally be required to pay \$1 million, and producers will generally be required to pay \$3 million.
- Dispensaries and cultivators may optionally pay a fee reduced by half if they stand up two 65%/35% equity joint ventures with social equity applicants.
- Producers must also either pay a \$500,000 fee, earmarked for capital for new micro-cultivators, or allow a micro-cultivator to grow using a 5% portion of the cultivator's facility.
- New social equity cultivators may freely apply during a three-month period if they locate in a disproportionately impacted area upon payment of a \$3 million fee.
- No cannabis business may be conducted across state lines, at least until the federal prohibition is lifted.
- Cultivators may not make exclusivity or stocking priority deals with retailers.
- DCP will adopt regs establishing maximum grow space for cultivators and micro-cultivators.
- In order to protect access to medical marijuana for qualifying patients, the commissioner may deny a request for a dispensary to change locations.



- No employee at DCP or the Social Equity Council may have a direct interest in the cannabis industry.
- Cannabis businesses must maintain policies and procedures for the cultivation, processing, manufacture, security, storage, inventory and distribution of cannabis and cannabis products.
- Cannabis establishments must use seed-to-sale tracking. Data from seed-to-sale tracking will be exempt from FOI.
- Cannabis establishments must maintain four years of business records and make such records available to DCP upon request. DCP can conduct inspections and require audits.
- DCP may fine or revoke a license from an establishment that provides false information to the department or the public, has insufficient controls against diversion or theft, does not keep accurate records, sells tampered products, makes underaged sales. A licensee can request a hearing upon such a fine or revocation by DCP.
- DCP will make recommendations about home grow and on-site consumption licenses.
- The bill gives the AG authority to prevent market concentration in the cannabis industry. Parties must notify OAG if they seek to sell, transfer, lease, exchange, option, convey, give or otherwise dispose of or transfer control over a cannabis business. Parties may be fined or ordered to comply with this section.
- Cannabis establishments must purchase renewable electricity (i.e. wind, hydro, or solar) produced in RGGI states to the greatest extent possible.
- DOB will make recommendations about access to depository banking and commercial mortgages by cannabis establishments.
- CID will make recommendations about access to insurance by cannabis establishments.
- The Governor may enter into an agreement with one or more tribes allowing them access to the state regulatory infrastructure to conduct cannabis activities.

#### *Product safety and public health*

- DCP will establish regulations regarding the following requirements:
  - Dosage, potency, and serving size limits
  - Consumer health materials to be distributed by retailers
  - Label and packaging requirements: universal symbol for cannabis, disclosure about how long it takes for cannabis to have an impact, child-resistant packaging, opaque packaging
  - Prohibited product types to ensure safety, public health, and to reduce appeal to children
  - Any other limits on products to stabilize the market and prevent shortages of medical marijuana
  - Physical and cyber security requirements
  - Brand name registration
- Cannabis businesses must abide by certain advertising restrictions:
  - No use of toys, cartoons, or other features that would appeal to minors
  - No advertising in a medium, time, or place in which more than 10% of the audience is reasonably expected to be minors, nor within 500 feet of a school

- No sponsorship of an event in which more than 10% of the audience is reasonably expected to be minors
- Require that advertising have the following disclaimer: “Do not use cannabis if you are under 21 years of age. Keep cannabis out of the reach of children.”
- No brand names that are misleading or targeted at minors
- Further common-sense restrictions
- Potency will be capped at 30% THC for flower and 60% THC for all other products, except pre-filled vape cartridges.
- DCP may set different product limitations on products for adult-use cannabis than products for medical use.
- Cannabis or paraphernalia may not be visible from a public right-of-way.
- The Alcohol and Drug Policy Council, in consultation with various state agencies, to make recommendations about mitigating use/access of cannabis by minors, any public health risk from cannabis, and necessary data and surveillance so that the state can track the public health impact of cannabis.
- DPH will annually administer the Youth Risk Behavior Survey, on which it may include questions relating to cannabis.
- DPH will create an epidemiological surveillance program for any adverse events related to cannabis. The program will allow DCP, DPH, and DMHAS to share data and issue timely public health alerts.

#### *Updates to the medical marijuana statutes*

- Qualifying patients and primary caregivers may now possess 5 oz, up from 2.5 oz.
- Qualifying patients no longer need to register with a dispensary and may purchase cannabis from any dispensary facility or hybrid retailer.
- New conditions may be added to the medical program through guidance rather than formal regulations.
- Adult-use businesses may participate in cannabis research through various prescribed mechanisms.
- Testing laboratories may transact with cannabis establishments. They must be independent, and they are subject to minimum security requirements.
- Licensed pharmacists must report transactions with qualifying patients within one hour of such transaction.

#### *Municipal role and authorities*

- Municipalities may use their zoning code or zoning ordinances to regulate cannabis establishments, except for dispensaries or producers. If municipalities take no action, a cannabis establishment will be zoned as if it were a similar business.
- Municipalities may prohibit or restrict the hours and signage of establishments, although new rules will not apply to existing establishments for 5 years.

- Municipalities may reasonably restrict number and density of establishments and establishments' proximity to schools, parks, and other places where children may gather.
- Municipalities may not prevent delivery of cannabis products when the delivery is made pursuant to this act.
- Upon petition of 10% of residents, a referendum can be held in a municipality at the next regular election to ban sales.
- Municipalities may not require local benefit agreements of businesses located there.
- Municipalities may prohibit or otherwise regulate the consumption of cannabis in any public spaces within the municipality. Municipalities may allow outdoor consumption of cannabis restaurants. Individuals may be fined up to \$50 for consumption in prohibited locations. Businesses can be fined up to \$1000 for a violation of this section.
- For the first three years, municipalities may permit only one retailer and micro-cultivator per 20,000 residents; DCP may adjust that threshold afterwards.

### *Indoor Clean Air Act and Public Consumption*

- The bill updates the state's Indoor Clean Air Act to incorporate cannabis smoking and cannabis vaping. These sections also strengthen the Indoor Clean Air Act in several ways: (1) prohibit smoking and vaping at retail establishments, places of employment, and within 25 feet of buildings; (2) prohibit smoking and vaping in hotel and motel rooms; (3) prohibit smoking and vaping in psychiatric facilities and correctional facilities. Exceptions are maintained for smoking and vaping in outdoor portions of restaurants, where permitted by municipalities.
- Lodging establishments may not prohibit consumption of non-smoking or non-vaping cannabis in non-public areas, such as a hotel room.
- Landlords may not discriminate against people with past cannabis possession convictions in rental housing. Landlords may not prohibit the possession or consumption via non-smoking, non-vaping means of cannabis, except in group living situations or situations where such a prohibition would be required by federal law.
- Cannabis may not be consumed of cannabis on state lands or waters (i.e. state parks).

### *Drug Testing and Employment*

- In general, a drug test that is only positive for the long-acting metabolite of cannabis, THC-COOH, may not be interpreted as evidence of impairment.
- Cannabis may not be the basis for denial of medical care or as the sole or primary basis for any action by DCF.
- Institutions of higher education may only take adverse action pursuant to federal law or NCAA rules after a student tests positive for THC-COOH or possesses or uses cannabis.
- In general, employers may only take adverse action due to current cannabis use pursuant to a written policy provided to employees in advance; employers may not take adverse

action due to past cannabis use. Certain safety-critical or federally-regulated positions, and some entire employers, are exempted from these provisions.

### *Prevention of Consumption by Minors*

- The bill makes it a class A misdemeanor for an adult to give or sell cannabis to a minor.
- Cannabis licensees may keep copies of IDs of individuals who may look underage. DCP may require cannabis licensees use an online age verification system. Use of driver's licenses is an affirmative defense to sale to a minor.
- The bill makes it a class A misdemeanor to induce a minor to procure cannabis, except as part of any authorized business activity, official investigation, or enforcement activity.
- Licensees may accept driver's licenses as proof of age and makes it an offense to use a false ID to purchase cannabis. A first offense results in a fine of up to \$250, and a second offense is a class D misdemeanor. This does not apply to a minor who is taking part in a state "secret shopper" program.
- Parents and others may not provide cannabis to their children or allow members of households who are underage from possessing or using cannabis. A violation is a class A misdemeanor. The bill updates the corresponding allowing-children-to-possess statute for alcohol to clarify the intent standard.
- Minors may not loiter at a cannabis establishment and may not enter into a cannabis establishment unless accompanied by a parent.

### *Highway Safety*

- The bill establishes a multi-level system to train officers to recognize impaired driving. All officers will be trained to the Advanced Roadside Impaired Driving Enforcement level, and a sufficient number will be trained to the Drug Recognition Expert level to recognize impairment.
- The bill updates the impaired driving and impaired boating statutes to move towards a behavioral impairment standard, as unlike alcohol, there is no test that determines cannabis impairment.
- ARIDE and DRE officers will apply scientifically validated procedures to establish impairment as a basis for license suspension and DUI.
- The bill defines new misdemeanors for an individual to consume cannabis while driving a vehicle or to smoke cannabis while a passenger in a vehicle. Violations are a class C misdemeanor while driving and a class D misdemeanor otherwise. These violations cannot be the only reason for pulling over a vehicle (e.g. there must be evidence of impairment or some other violation).
- The state's chief traffic prosecutor, in consultation with other agencies, will develop information about drug influence evaluations and the drug recognition expert program to be provided to the Judicial Branch.

- DOT, DMV, and the Statewide Impaired Driving Task Force will report on enhanced data collection and the possibility of an electronic warrant pilot and oral fluid testing.

### *Taxes and Revenues*

- Three taxes will be imposed on the new cannabis market, which collectively will reach an approximate effective tax rate of 20% at the beginning of the market. First, the normal sales tax of 6.35%, a sales tax for the host municipality of 3%, and a tax charged at retail that depends on the THC content of the product.
- Starting in FY 2024, 60% of the THC tax will go into the Social Equity Fund, and 25% will go into a new Prevention and Recovery Fund to fund public health measures. The Social Equity Fund percentage will increase to 65% in FY 2027 and 75% in FY 2029.
- The bill repeals tax penalties and liens associated with illicit cannabis distribution. This repeal removes tax penalties that were added during the War on Drugs that have proven ineffective and expensive to enforce.
- The bill extends an existing angel investor tax credit to 40% of cash investment in a cannabis bill, capped at \$500k per investor.
- The bill authorizes \$50m in bonding for low-interest loans to equity applicants, munis, and 501(c)(3)s for renovation/development of property, capital support for equity applicants, funding for the accelerator program, and funding for the workforce training program.
- The bill creates a joint DECD/SEC revolving loan program for social equity applicants.

## **IX. External Resources for Social Equity Entrepreneurs and Workers**

Links to Resources for Cannabis Social Equity Entrepreneurs – ACE and its consultants have not received any financial support from any of the companies listed below, nor is this an endorsement of them. We encourage cannabis entrepreneurs to perform their own research.

### ***How to Start a Cannabis Business***

“How to Start a Marijuana Business: The Ultimate Guide”

<https://www.nerdwallet.com/article/small-business/how-to-start-a-marijuana-business>

“How to Successfully Launch a Legal Cannabis Business”

<https://www.nerdwallet.com/article/small-business/how-to-start-a-marijuana-business>

“So You Want to Start a Cannabis Business: Advice for the Absolute Beginner”

<https://articles.bplans.com/so-you-want-to-start-a-cannabis-business-advice-for-the-absolute-beginner/>

### ***Financial Support***

Bespoke Financial (A financial company specializing in lending to cannabis businesses)

<https://bespokefinancial.com/>

“How to Get a Cannabis Business Loan” <https://www.cure8.tech/how-to-get-a-cannabis-business-loan/>

GoKapital (A company specializing in lending to cannabis businesses)

<https://www.gokapital.com/cannabis-business-loans/>

Advancepoint (A company specializing in lending to cannabis businesses)

<https://advancepointcap.com/cannabis-business-loan/>

### ***Cannabis Product Education***

“Cannabis (Marijuana) and Cannabinoids: What You Need to Know”

<https://www.nccih.nih.gov/health/cannabis-marijuana-and-cannabinoids-what-you-need-to-know>

“A guide to cannabis product types” <https://weedmaps.com/learn/introduction/guide-cannabis-product-types>

“A Quick Take on Cannabis and its Effects” <https://www.healthline.com/health/what-is-cannabis>

“Medicinal Cannabis Products: Patient Information”

<https://www.tga.gov.au/sites/default/files/medicinal-cannabis-consumers-factsheet.pdf>

### *Cannabis Legal Assistance in Connecticut*

*Carmody, Torrance, Sandak and Hennessey* <https://www.carmodylaw.com/industries/cannabis-industry-practice-group/>

*Pullman & Comley* <https://www.pullcom.com/industries-cannabis-CBD-hemp>

*Shipman & Goodwin, LLP* <https://www.shipmangoodwin.com/services/industries/cannabis.html>

*Crawford Black Bar Association* <https://www.georgecrawfordblackbar.org/>

### *Cannabis Marketing Assistance Connecticut*

*CannaMack* <https://mackmediagroup.com/cannabis-marketing/>

*CannaAdvisors* <https://thinkcanna.com/state-opportunities/connecticut/>

*Cure8* <https://www.cure8.tech/how-to-open-a-dispensary-in-connecticut/>

### *Cannabis Business Accounting Support*

*Puff Puff Accounting* <https://www.puffpuffaccounting.com/connecticut-cannabis-accounting-service/>

*Marcum* <https://www.marcumllp.com/industries/cannabis>

*Bridgewest* <https://bridgewestconsulting.com/>

### *Cannabis News*

*Hartford Business Journal (Cannabis)* <https://www.hartfordbusiness.com/industry/cannabis>

*Cannabis Business Times* <https://www.cannabisbusinesstimes.com/>

*Cannabis Industry Journal* <https://cannabisindustryjournal.com/>

### *Links to Resources for Cannabis Workers*

*“Connecticut Legalizes Recreational Marijuana, Will Allow Employers to Continue Prohibiting Recreational Marijuana Use”* <https://www.truescreen.com/blogs/industry-news/2021/7/connecticut-legalizes-recreational-marijuana-will-allow-employers-to-continue-prohibiting-recreational-marijuana-use/>

Connecticut Employment Law Blog

<https://www.ctemploymentlawblog.com/2021/06/articles/legal-cannabis-and-marijuana-poses-new-challenges-for-employers-effective-july-2022/>

“Can my employer prohibit me from consuming cannabis products outside of work?”  
[https://portal.ct.gov/cannabis/Knowledge-Base/Articles/Consuming-cannabis-outside-of-work?language=en\\_US](https://portal.ct.gov/cannabis/Knowledge-Base/Articles/Consuming-cannabis-outside-of-work?language=en_US)

“Workplace Drug Testing in Connecticut” <https://www.nolo.com/legal-encyclopedia/workplace-drug-testing-connecticut.html>

Can I Get My Old Marijuana Possession Conviction Expunged in Connecticut?  
<https://markshermanlaw.com/blog/can-i-get-my-old-marijuana-possession-conviction-expunged-in-connecticut/>

“Expunging a Past Marijuana Conviction in Connecticut” <https://koffskyfelsen.com/expunging-past-marijuana-conviction-connecticut/>

“The Full Story: Clearing the Record – Expunging Marijuana Related Convictions”  
<https://www.wshu.org/the-full-story/2021-09-27/the-full-story-clearing-the-record-expunging-marijuana-related-convictions>

“Medical Marijuana Dispensary Facility Employee” <https://portal.ct.gov/DCP/Medical-Marijuana-Program/Medical-Marijuana-Dispensary-Facility-Employee>

“How to get your cannabis license in Connecticut” <https://vangst.com/reports/state-requirements/connecticut>

The WorkPlace <https://www.workplace.org/dress-for-success-mid-fairfield-county-joins-google-initiative-to-provide-100000-black-women-with-career-development-and-digital-skills-training-over-the-next-year/>



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