

## **Cannabis Equity Trade Certification Standards**

Each business seeking certification must satisfy five categories:

- 1. Impacted Ownership**
  - 2. Control**
  - 3. Justice Work**
  - 4. Charitable Contributions**
  - 5. Special Commitment by Business Type**
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### **1. Impacted Ownership**

- a. The Cannabis Equity Trade Certification applicant must demonstrate the business has 51% BIPOC ownership and/or can demonstrate the business could qualify as a cannabis social equity business. The ownership by an Equity Trade Certified Business must be real, substantial, and continuing beyond the pro-forma ownership of the business as reflected in its ownership documents.
- b. The applicant must share in all risk and profits commensurate with their ownership.
- c. All securities that constitute majority ownership of a business shall be held directly by the Applicant.
- d. The Equity Trade Certified Business structure and ownership must adhere to the following: (all entitled must have their principal place of business in the United States or one of its territories).
  - i. Sole Proprietor
    - a. In a sole proprietorship, the Applicant must own one hundred percent (100%) of the company assets.
  - ii. Corporation
    - a. In a corporate form of organization, Applicant must own at least fifty-one percent (51%) of each class of voting stock outstanding and fifty-one percent (51%) of the aggregate of all stock outstanding.

- b. Any voting agreements among the shareholders must not dilute the beneficial ownership, the rights, or the influence of the Applicant Owner of the stock or classes of stock of the corporation.

iii. Partnership

- a. General Partnership. In a general partnership, Applicant owners must own at least fifty-one percent (51%) of the partnership interests.

iv. Limited Partnership

- a. In a limited partnership, the Applicant general partners must own at least fifty-one percent (51%) of the general partnership interest and exert at least fifty-one percent (51%) of the control among general partners.
- b. The Applicant general partners must receive at least fifty-one percent (51%) of the profits and benefits, including tax credits, deductions and postponements distributed or allocable to the general partner.
- c. In addition, the Applicant limited partners must own at least fifty-one percent (51%) of the limited partnership interest and receive at least fifty-one percent (51%) of the profits and benefits, including tax credits, deductions and postponements distributed or allocable to the limited partners.

v. Limited Liability Companies

- a. In a limited Liability company. Applicant principal must own at least fifty-one percent (51%) of membership interest, and at least fifty-one percent (51%) of the management and control among the members.
- b. The principals must also participate in all risks and profits of the organization at a rate commensurate with their membership interests.

vi. Non-Profits

- a. Bylaws must demonstrate commitment to social justice or environmental justices causes.

vii. Cooperatives

- a. A Cooperative must be able to demonstrate that the majority of members could qualify for cannabis social equity business status.

**2. Control**

- a. The Equity Trade Certified Business applicant must show evidence that they have control of the business.

- i. "Control" means the primary power to direct the management of a business enterprise as evidenced through the governance documents and actual day-to-day operation.

- b. The following factors will be examined in determining if applicant controls an ETC business.

- i. Governance

- a. The organizational and governing documents of an applicant (e.g., Limited Liability Company Operating Agreements, Partnership Agreements, or Articles of Incorporation and By-laws) must not contain any provision which restricts the ability of the Applicant business owner from exercising Managerial Control and Operational Authority of the business.
    - b. The Applicant business owner must hold the highest defined officer position in the company (i.e. President, Chief Executive Officer, Managing Member or Managing Partner, in each case by whatever title).

- ii. Operation and Management

- a. The applicant must possess the power to direct or cause the direction of the management and policies of the business and to make the day-to-day as well as major decisions on matters of management, policy and operations. The business must not be subject to any formal or informal restrictions that limit the customary discretion of the Applicant owner.

- b. In the event that the actual management of the business is contracted or carried out by individuals other than the Applicant owner, those persons who have the ultimate power and expertise to hire and fire the management can, for this purpose, be considered as controlling the business.
- c. The Applicant must hold the highest defined officer position in the company (i.e. Chief Executive Officer, President, Managing Member or Managing Partner, in each case by whatever title.
- d. The Applicant must show evidence that the Applicant has operational authority and managerial control of the Equity Business. In evaluating this evidence, the following factors will be considered:

iii. Operational Authority.

“Operational Authority” means the extent to which Applicant actually operates the day-to-day business. Assessments of operational control will rest upon the peculiarities of the Applicant’s industry. In order to ascertain the level of operational control of the Equity Trade Certified Business owner, the following will be considered:

- a. Responsibility for Decision Making: The Applicant business owner shall be able to demonstrate her role in making basic decisions pertaining to the daily operation of the business.
- b. Technical Competence: The Applicant business owner shall have technical competence in the relevant industry and/or a working knowledge of the technical requirements of the business sufficient enough to critically evaluate the work of subordinates.
- c. Managerial Control. “Managerial Control” is the demonstrated ability to make independent and unilateral business decisions necessary to guide the future and destiny of the Applicant business. Managerial control may be demonstrated in a number of ways. For an Applicant owner to demonstrate managerial control, the Certifier will consider the following (not intended to be all inclusive) areas of routine business activity:
  - d. The Applicant owner must produce documents that clearly indicate their control of basic business functions. e.g., authority

to sign payroll checks and letters of credit, signature responsibility for insurance and/or bonds, authority to negotiate contracts and financial services.

- e. Agreements for support services that do not impair the Equity owner's control of the company are permitted as long as the owner's power to manage the company is not restricted or impaired as determined by the Certifier in its sole administrative discretion.

### **3. Justice Work**

- a. Demonstrate evidence of a company-wide commitment to justice and equality through diverse hiring practices, community engagement through volunteerism, or other intentional activities that uplift the community.

### **4. Charitable Contributions**

- a. Demonstrate evidence of meaningful donations to organizations that serve social equity.

### **5. Special Commitments by Business Type**

- a. Retailer and Distributors
  - i. Must demonstrate a commitment to providing shelf space or distribution inventory to Equity Trade Certified Businesses.
- b. Manufacturers
  - i. Must commit to sourcing raw cannabis inputs from Equity Trade Certified Businesses.
- c. Cultivators
  - i. Must recruit at least one other cultivator into the Equity Trade Network or demonstrate meaningful collaboration with another Cannabis Equity Certified Business.
- d. Equity Brand

- i. “Equity Brand” is a contractual partnership between an Equity Trade Certified Business and a licensed cannabis business for the purposes of producing a commercial cannabis product. The Equity Brand partnership must demonstrate meaningful sourcing of raw cannabis inputs from Equity Trade Certified Businesses.

e. Equity Allies.

- i. “Equity Ally(ies)” are non-equity or equity businesses that do not meet the eligibility requirements to achieve that status of an Equity Trade Certified Business but demonstrate allyship by providing resources in the form of commitments to Equity Trade Certified Businesses. The Equity Ally must demonstrate the following based upon their license type:
  - a. Retailers and Distributors must provide at least 30% of shelf space or distribution inventory to Equity Certified businesses.
  - b. Cultivators and Manufacturers must provide at least 10% of their product availability for co-branding/white-labelling agreement with an Equity Trade Certified Business
  - c. Testing Laboratories must provide discounts to Equity Trade Certified Businesses.
  - d. Ancillary businesses must commit technical assistance, mentoring, or services to Equity Trade Certified Business at a free or discounted rate. Your submission for allyship will include a proposal for what that looks like in proportion to the size and resources of your business type.
- ii. Equity Allies must embrace allyship as a part of their ethos and not solely a momentary and monetary opportunity. Justice is not a marketing ploy it is a commitment to a way of life.