

CHARCCO Ltd

Representative Zack Stephenson, Chair, House Commerce Finance and Policy Committee

Senator Matt Klein, Chair, Senate Commerce and Consumer Protection Committee

Re: House File 4757 and Senate File 4782

Dear Chairs and members of the committees:

My name is Bryant Jones, and I am a plant scientist (University of Minnesota) with a focus in plant production systems, breeding and genetics; specializing in the cannabis species. In 2019, I applied my skills to the cannabis licensing space, securing my first license in the Massachusetts adult use cannabis market. Since, I started the Cannabis Horticulture, Agriculture Researching and Consulting Company (CHARCCO) as a hub to assist the ever growing cannabis industry and have worked with a number of companies to secure cultivation licenses throughout the country. I also represent cannabis cultivators on the Cannabis Advisory Council, and currently with the Office of Higher Education and regents at Minneapolis Technical college designing Minnesota's first accredited cannabis based college curriculum, offering hands-on training and graduating certified cannabis industry workers and entrepreneurs.

As a subject matter expert who consulted throughout the multi-year development of Chapter 342, it was disheartening to see the agency bill (House File 4757 / Senate File 4782) proposes a licensing lottery in lieu of the merit-based licensing developed through years of stakeholder and subject matter expert engagement.

For the past ten months, I have spoken with dozens of entrepreneurs who hope to find their way into Minnesota's cannabis industry. These Minnesotans have worked hard, preparing their business plan to succeed in a merit based scoring system, and changing it to a lottery now will devastate those small businesses who are actively doing the work to obtain a merit-based license without the chance of a lottery.

It's as if the businesses who have worked hard to get ready bought a really expensive ticket to the Beyonce concert, and now the concert is "free".

In my experience as both an operator and a consultant, changing the basic rules of the game at this stage will create more hurdles and headaches for local businesses trying to get a foot in the door. What is more important is that the Office of Cannabis Management work expeditiously to draft and promulgate the rules for operations and set forward the procedure for application evaluation, so Minnesota can get its market stood up. The longer this takes, the more likely the program is to fail.

Please feel free to contact me with any questions.

Sincerely,

Bryant Andrew Jones
Owner, CHARCCO

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March 22, 2024

Chair Stephenson and Members of the Commerce Finance and Policy Committee:

With the legalization of cannabis, Minnesota has a significant opportunity to reduce unnecessary consequences of the criminal justice system, increase public safety, create thousands of jobs, and boost overall economic growth and prospects. As we have seen in other states, to accomplish these goals, **it is critical that legalization entails a licensing structure that promotes competition, limits unnecessary exclusion and disadvantages to prospective licensees, and significantly reduces the black market.** We strongly urge legislators to carefully consider the following changes as HF 4757 moves forward implementing recommendations and fixes to last year's legislation.

Americans for Prosperity (AFP) agrees with several of the recommendations detailed in the Office of Cannabis OCM's 2024 Annual Report to the Legislature to make the licensing process more efficient and inclusive, including:

1. Doing away with the requirement to secure a premise and comply with local codes prior to being even considered for a license.
2. Creating a more efficient local endorsement process that maintains necessary municipal checks on objective criteria for licensure while limiting more subjective challenge from localities that can severely delay license approval.
3. Creating a single supply chain for medical and recreational cannabis.

However, we have the following concerns over proposed changes to the program:

Arbitrary License Caps

While Chapter 63 will require at least 381 retail registrations, it would be a mistake for OCM to limit licenses to this number and to not routinely review market demand in order to properly serve consumers, ensure robust competition, and limit the threat of a cannabis oligopoly.

As your January 16 report on consumer demand rightly stated: "Until the adult use market is launched and sales for both types of outlets can be thoroughly assessed, estimates of adequate product supply and outlets for the adult use program will likely be inaccurate."

It is concerning to see in your January 16 report titled "An Examination of Cannabis Consumers and Cannabis Demand in Minnesota" that you equate the term "competitive" to limiting the availability of licenses (See Section 4).

Equally as concerning, the report states, "Similarly, there is no evidence to suggest that open licensing policies are more effective in reducing the illicit market in the long-term than limited licensing policies." In fact, arbitrary license limitation will of course stymie competition, lead to less innovation, and higher costs to the consumer; all drivers of the illicit market. Imagine if the



Minnesota Department of Health (MDH) began limiting restaurant licenses in order to drive competition? We'd have worse quality food at a higher cost, leading to more people eating in (the restaurant equivalent of the black market). Therefore, continued evaluation of demand and how it's being met should be the primary factor when considering number of licenses.

Complication and Cost of Application Process

As we have seen in other states, some of the greatest financial benefactors of recreational cannabis are firms who specialize in navigating the bureaucracy of the application process. Higher costs and more red tape means less candidates who can afford to obtain a license, increasing the risk of corruption and oligopolistic power. Additionally, these costs will ultimately be felt by the consumer, making legal market products less competitive with the black market.

Requiring a Labor Organization to Attest to Labor Peace Agreement

A current provision requires a cannabis retail license applicant to provide an attestation (approved by a labor union) to enter into a labor peace agreement. As Geoff Lawrence, Research Director at Reason Foundation stated in a letter to Chairman Becker-Finn and members of the Minnesota House Committee on Judiciary Finance and Civil Law, "We anticipate these provisions will cause delays in the market's development, render it less dynamic, give undue influence to unrelated third parties, and would violate federal labor laws." We implore you to read this letter and consider these concerns. Additionally, there is concern from OCM of certain provisions related to local control as something that will cause unnecessary delay, influence, and costs. We hope OCM sees this provision in the same light.

Use of Criminal History for License Applications

While there have been complications, it is encouraging to see the legislature implement procedures to expunge records and resentencing individuals convicted of certain cannabis related offenses.

While it is imperative for OCM to consider the success and viability of new cannabis licensees, arbitrarily denying licenses based on a person's past criminal behavior will impede on the legislature and OCM's shared goal of successful reentry for those most impacted by prohibition and the criminal justice system at large.

Similarly, to other licensing reforms across the country, OCM should:

- Lay out clear guidance on what offenses are disqualifying or could be likely disqualifying.
- Consider evidence beyond just someone's criminal record and ensure if there is a denial based on criminal history, the applicant is informed why and is able to provide additional information for reconsideration.
- Ensuring any denial based on criminal history has a direct nexus to the actual occupation itself and would cause a public safety and/or health issue.
- Allowing for a pre-check of this process prior to significant resources being utilized by the applicant only to be denied later on. Additionally, although non-cannabis drug-



related offenses may have a direct nexus to working in the cannabis business, these applicants should also be looked at beyond their conviction.

Finally, we issue a word of caution on social equity. We applaud the legislature and OCM for making efforts to reverse the negative impacts of cannabis prohibition. However, social equity programs in other states, including California, New York, Illinois, New Jersey, and Virginia have shown they are ripe for corruption, with third parties being able to take advantage of these programs, rather than those the endeavors are intended to benefit. This is compounded when incentives such as earlier market launches are promised for equity licenses, high application fees, and complicated red tape. Assisting those who have been directly impacted is a noble goal, but OCM and the legislature need to be mindful of problems in other states, and adjust current equity plans accordingly.

Thank you for this opportunity to share our views.

Sincerely,

RaeAnna K. Lee

RaeAnna K. Lee
Legislative & Coalitions Director, Minnesota
Americans for Prosperity
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I am Jeff Brinkman, a Cannabis Activist, Hemp Farmer, and Business Owner. I am here asking for what you all promised with cannabis legalization.

Last year, Legislative Authors sold the people on what was supposed to be a Minnesota-centric small business, craft, and equity-focused bill, a “model for the nation”. Currently, the bills including this one are notably not anything close to that promise. You can’t imagine the backlash we received last year for asking hard questions about the legislation and its corporate leanings.

We learned that the first Office of Cannabis Management director was required to make her first introductory phone calls to lobbying strategists and select business owners. I know this because I reached out to Ms. Dupree, and she stated that her 1st call on a list of 220 people was, in fact, a lobbying strategist. After that call, that strategist implemented a campaign to have Ms. Dupree removed, and Ms. Dupree resigned within 24 hours. My question isn’t about Ms. Dupree’s qualifications. The real question is why our governor-appointed director is being required to make her first contacts not with a board or staff, but with lobbying strategists, lobbyists, and specific business owners? I’ll be requesting that list of the 220 contacts shortly, and Ms. Dupree will soon be covering this subject in an upcoming documentary produced by Kowala Media.

We learned that medical and other large corporate players are planning massive canopies and are already anticipating a race to the bottom on their cost per gram. They have already stated this in news articles where they talk of canopies exceeding 250,000 square feet. How does that affect equity stakeholders, small businesses, and farms? How do these companies spend millions (some with state money) as we speak on the construction of huge facilities without knowing whether they will be able to obtain a license? It appears they can either predict the future or have cemented themselves in with lobbyists and legislators.

It is obvious the real equity stakeholders, small businesses, and farms are given the least consideration, while big business and corporate interests expect to thrive given their tight relationships with legislators and lobbyists and plow forward with buildouts.

That is the sad fact in Minnesota, I am hoping that will change. Please remember your constituents are people, not corporations. And you can be assured, we will be watching closely.

March 20, 2024, Re: HF 4757

Prevent Cannabis Harms

Dear House Commerce Committee:

There are fixes which are notably missing from this bill which would improve consumer and public safety for all ages of Minnesotans.

Negative impacts and risks are occurring *presently* for all age groups, especially youth, as a result of cannabis use in the State. The **Minnesota Baseline Marijuana Assessment** by the North Central HIDTA (High Intensity Drug Trafficking Areas) has compiled ample evidence of these impacts including increased calls to the MN Poison Control System, cannabis-related hospital visits, cannabis treatment admissions etc. ***see reference below.**

Detailed warning labels provided by the OCM, as opposed to industry promoters, with accurate information on the adverse health effects of all cannabis “products” is needed now. Limits on advertising and packaging so drugs do not appeal to children are needed.

A 2020 American Heart Association Scientific Statement said, in part, that: “The public needs high-quality information about cannabis, which can help counterbalance the proliferation of rumor and false claims about the health effects of cannabis products.”

I hope you will consider adding amendments to correct these omissions.

Linda Stanton, Woodbury, MN

*The MN Legislature commissioned the Minnesota Baseline Marijuana Assessment by the **North Central HIDTA (High Intensity Drug Trafficking Areas)**. This report indicates among other data:

- Calls to MN Poison Control System increased by 146% since 2018 (p 17) among all ages.
- “From 2018-2022, Minnesotans aged 15-24 and 25-34 accounted for the greatest number of cannabis-related hospital visits each year” (p 21).
- “Of all the cannabis treatment admissions, the largest percentage of those seeking treatment is the 12-17-year-old age group” (p 23)
- “According to the MN Dept of Education MN Student Survey, students in correctional facilities self-reported more frequent marijuana use than the general MN student populace.” (p 29)

John Harned of Perduco Ventures LLC
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3/20/24

House Commerce Finance and Policy,

Dear Chair Stephenson and Committee Members,

As a long-standing Minnesota resident and enthusiastic prospective legal cannabis operator, I am writing to you and the committee to express our sincere concerns regarding the pitfalls of implementing an application lottery system that was recently proposed by the Minnesota Office of Cannabis Management. It is our goal at Perduco Ventures to help create an equitable and thriving recreational marijuana market in Minnesota that supports social equity considerations while also implementing rules that acknowledges the realities and need to simultaneously have strong commercial operators.

Members of my team and I have significant experience in the industry going all the way back to the beginning of Colorado's 2014 launch of their recreational marijuana market. This decade of working with both plant touching businesses and ancillary providers has given us a keen understanding into the unique economic dynamics that legal marijuana markets require to be successful from all three crucial perspectives. First, the state's need for a well-functioning industry that generates high, consistent tax revenues. Second, the end consumer's need for a wide range of safe products to consume, and third, the operator's need for a stable, cohesive regulatory environment without an oversupply of competition. We fully recognize that balancing these three elements is an extremely tricky task, but also feel that the original legislation that was passed to enshrine adult Minnesotan's legal right to purchase cannabis was constructed very thoughtfully, especially in regard to implementing a merit-based scoring system for operator applications.

Legal marijuana markets, especially at their beginnings, are only as good as the operators that inhabit them, so having a mixture of business owners with deep previous experience as well as net new owners is important to create adequate product supply. To that end, one of the most important aspects that must be considered when determining how would-be license holders are vetted is the strength of their funding prospects. Given the federal illegality of cannabis, investment dollars are generally only accessible to the most qualified candidates. Without access to open capital markets, and with reliance on private funding in the cannabis industry, success heavily depends on being either wealthy or a well-capitalized and experienced operator with investors willing to bear the inherent risks.

This is an especially important consideration for social equity applicants as the current proposal to mandate a controlling interest will severely hinder their ability to raise the large

sum of funds, often in the millions for even modest sized businesses, necessary to operationalize those licenses. While in a vacuum the proposed updates to the statute by the OCM concerning these matters may sound like a good idea, in practice both the lottery system and unrealistic ownership requirements are deeply unfair to social equity candidates as this combination will sharply reduce their opportunities to benefit from this once in a lifetime opportunity in Minnesota.

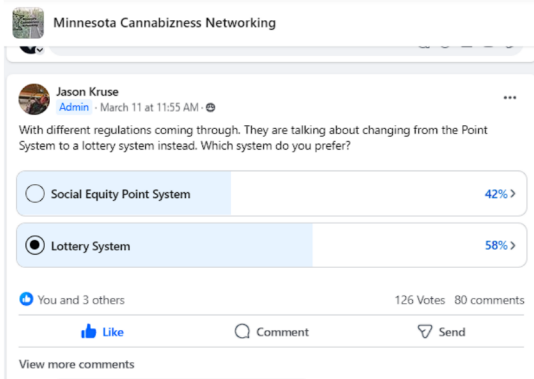
In our view, to ensure the success of the social equity program in the federally illegal cannabis industry and to mitigate potential litigation, the original merit-based system is realistically the fairest for all prospective operators, SEA and commercial alike. The original legislation intended a lottery to occur only in the event of tied, merit-based applications, which we strongly agree is the most intelligent approach to any kind of license related lottery. Critically, social equity applicants should be required to maintain no more than one-third ownership, although many will often have far less than that in the end if they can secure enough capital regardless. The merit-based scoring system would enable experienced operators and capital partners to guide their businesses efficiently, thus generating tax revenue more swiftly for the state.

Based on our experience, the inclusion of any social equity components in the licensing processes tends to invite litigation no matter what license approval strategy is pursued. Therefore, simplifying the process and ensuring alignment between commercial operators and social equity applicants through a unified, merit-driven application system would help streamline the process and provide a fair chance for all applicants to succeed in quickly creating a flourishing recreational cannabis market in Minnesota from the start.

Thank you for considering these insights as you develop the licensing process for the cannabis industry in Minnesota.

Sincerely,

John Harned and the Perduco Ventures team



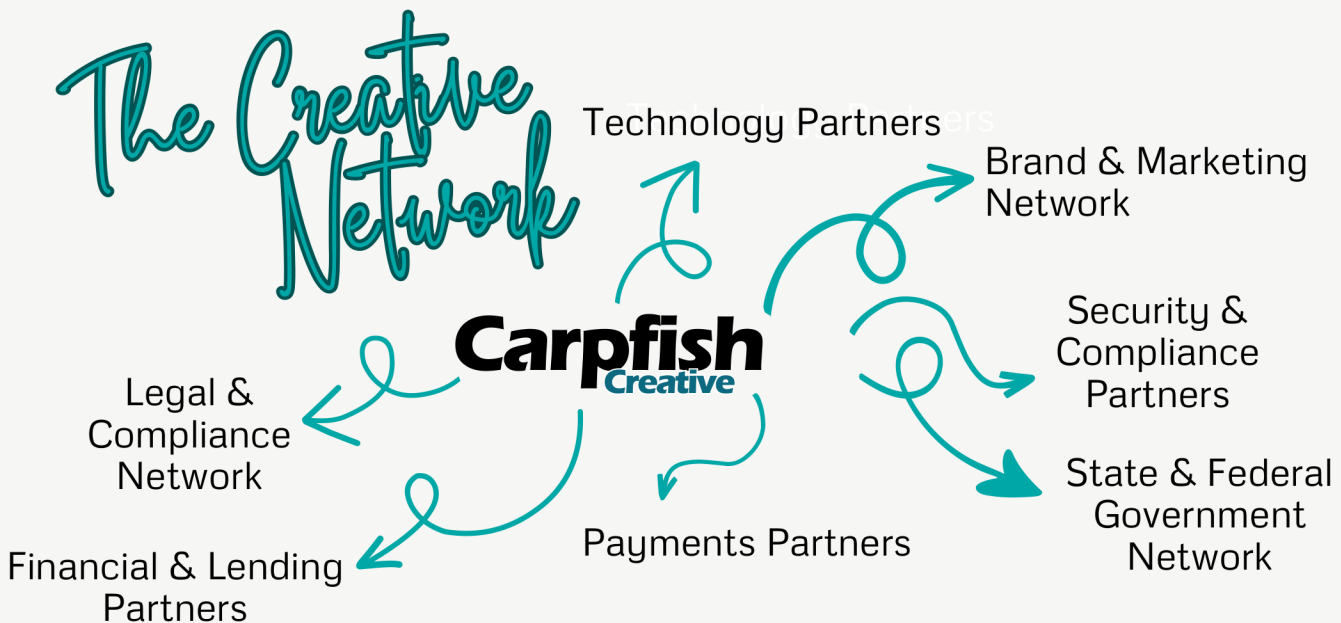
Facebook pool results I had the Administrator of the Minnesota Cannabiz Networking group put up on March 10. I know OCM is aware of this as well and I believe recorded the notes.

We want everyone (in-state) to do well. As we work on the everyday tools they will need after the license, who gets the license doesn't effect us. This topic has been address with many of our national partners based on current and previous rollouts. Obviously neither is perfect. However people wanted me to share the following idea:

1. Phase one: I see no issues on letting social equity folks get a head start on the planning process. As long as phase 2 comes at a reasonable timeframe to keep folks who don't have the 65/35 split to also have a fair shot.
2. Phase two: Everyone enters a fair, equal scoring system. I know OCM doesn't want to pick winners, however that goes against the people that have already been doing the work which should be done to open a business.
 - Social equity would have had their head start on preparing. (Advantage)
 - What if the state used some of the \$6M in unassigned grants for social equity to use for application costs (maybe limit it at one application if they are combining). (Advantage).
 - Everyone enters a point system for rewarding of the application. Point system could also use current terminology to provide additional points for social equity applicates. Carpfish doesn't want to redefine social equity as it is now, unless adding back emerging farmers which was removed the last meetings we believe.

Hopefully with the correct Federal declassification, small business would hopefully (not decided) to be able to take advantage of WOTC tax credits. That would further boost social equity for the workers needed and help with operating costs come 2025.

CARPFISH CREATIVE LLC: ABOUT US



Carpfish Creative aims to revolutionize the small business experience in America by offering affordable solutions to decrease costs, increase revenues, enhance brand recognition, and optimize your small business operations.

Our philosophy is simple: "Work Together, Grow Together," and we specialize in assisting high-risk businesses like cannabis and gaming. We partner with industry leading companies that provide our advisors with upfront and/or passive residual income at no cost to the merchant/client. Generally our costs WILL be cheaper than dealing with companies direct sales team. We also deal with high risk business, meaning we love working with cannabis, gaming, hemp, etc. We have national coverage with a focus on our home state of Minnesota.

Areas we help: Payroll, Point of Sale, Payments, Onsite ATMs, Business Lending, Business Tax Credits/Grants, Hiring and Onboarding, Marketing, etc. One stop shop with a long list of state and national partners. If we don't do it, we almost always know where to send them.

Learn more at: www.carpfishcreative.com





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March 20, 2024

Hon. Rep. Zack Stephenson (DFL)
And Members of the Committee on Commerce
Finance and Policy
449 State Office Building
St. Paul, MN 55155

Re: H.F. 4757 Cannabis Amendment

Mr. Chairman Stephenson and Members of the Committee,

My name is Eric Spencer and I am the Chief Executive Officer (“CEO”) and Policy Analyst for Mello Tymes MN LLC (“Mello Tymes”), a Minority and Returning Citizen (I was incarcerated for 13 years in federal prison as a first-time nonviolent felony offender for cannabis and other nonviolent offenses) owned Social Equity Brand that intends to apply and ultimately participate in Minnesota’s adult use recreational cannabis program. Too often the voices of those directly impacted are rarely seen or heard. Please accept this written testimony in good faith and of legal certainty.

It is imperative to acknowledge and recognize that HF 100 is an equitably crafted cannabis law that we fully support and believe could withstand lawsuits. Nevertheless, we want to provide some analysis on H.F. 4757.

Initially capping retail licenses at 50 whether temporary or permanent and then implementing a lottery system goes against the spirit of HF 100.¹ Subsequent lotteries will not cure the inequity that will result. H.F. 4757 provides a limited license structure that creates winners and losers. The point system is fine. It allows interested social equity applicants an opportunity to participate in a new industry. In the spirit of equity, if two or more social equity applicants achieve the same points in their application, both should receive temporary or conditional licenses without having to implement a lottery.

New Jersey implemented a point system and their social equity program was able to award conditional licenses. They have not encountered any lawsuits. New Jersey did not put caps on its Social Equity Retail Licenses. New Jersey gave everyone a chance to participate in their Program through a point system and conditional licensing. Those that are ultimately unable to open and operate in an extended timeframe in New Jersey must surrender their conditional licenses.

New York's main lawsuit was premised on the fact that the Plaintiff did not have a New York Cannabis

¹ We are fully aware that lotteries are part of H.F. 100. As we express later in this written testimony, if a lottery is implemented to satisfy H.F. 4757 and “first mover status” for equity applicants, a minimum of 200 licenses should be the starting point and not 50.

Conviction which was required to be eligible for social equity. HF 100 does not have that issue. More importantly, New York State already has the most diverse adult use cannabis industry in the nation. As of March 17, 2024, more than a quarter (26%) of NY's adult-use dispensaries were majority Black owned, nearly half (44%) are majority minority owned. In total, around 70% of New York's open recreational adult use dispensaries are Minority and Women-Owned Businesses. Regardless of the lawsuits, New York has created an equitable marketplace for adult use recreational cannabis.

Maryland recently had a lottery to award social equity licenses. It has been considered a success because it did not use a point system. We expect the Industry as a whole to use that as an example. However, Maryland allowed Multistate Cannabis Organizations ("MSOs") to sell first before the lottery. The lottery had caps and a judge in a case involving hemp called the lottery arbitrary. Most importantly, Maryland did not recognize those with prior cannabis convictions in its social equity definition.²

Social Equity is an experiment and no state will get it right. Removing the point system and instituting caps is counterproductive and will produce unintended consequences. The results will be a limited license culture of winners and losers a contradiction of Minnesota's equity mandate. H.F.100 and its companion in the Senate were carefully researched and crafted pieces of legislation to prevent such inequity in its upcoming adult use cannabis program.

We applaud H.F. 4757 for providing an avenue for social equity applicants to get the first opportunity to open and operate a recreational cannabis dispensary. If the lottery system is in fact adopted, caps on retail dispensaries should be increased to a minimum of 200. The current law requires one dispensary for every 12,500 Minnesotans. That totals to a minimum of 381 cannabis dispensaries across the state. A minimum of 200 will ensure equity is front and center in Minnesota's adult use market. ***Men, women, parents, dependents and veterans with prior marijuana convictions should receive three entries per application. These additional entries would honor those directly impacted by the War on Drugs. Living in a disproportionately impacted area with a high poverty rate (gentrification) is fundamentally different than someone who has suffered directly through the indignities and inhumane treatment of living in a cage for years or lost their honorable status in our Armed Services.***³

Thank You,

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² Maryland also mandated that Social Equity Applicants had to attend at least two years of college at an Historically Black College or University in Maryland. This requirement did not take into consideration the thousands of men and women convicted of felony marijuana possession and distribution being able to obtain a Pell Grant to attend college in the first instance. Maryland is now facing a lawsuit in this aspect.

³ In no way are we trying to reward individuals for committing crimes involving cannabis. We are simply recognizing the intent of Minnesota's Social Equity experiment in achieving its mandate in its adult use cannabis program by highlighting those truly harmed.