

Introduction

Pursuant to Section 36-801, Alcoholic Beverages and Cannabis Article, Annotated Code of Maryland, the Maryland Cannabis Administration (the “Administration”) is required to collect information from each cannabis licensee or registrant and then submit a report to the Governor and General Assembly on:

- (1) The number of minority and women owners of the cannabis licensee or cannabis registrant;*
- (2) The ownership interest of any minority and women owners of the cannabis licensee or cannabis registrant; and*
- (3) The number of minority and women employees of the cannabis licensee or cannabis registrant.*

On May 3, 2023, Governor Moore signed the Cannabis Reform Act (the “CRA”) into law, which established the Administration and legalized adult-use cannabis in the State. The CRA also directly impacted the content of this report by: (1) allowing any licensed cannabis business to transfer ownership or control prior to July 1, 2023, but then restricting the transfer of ownership or control for a period of at least 5 years; and (2) authorizing the Administration to hold a cannabis business licensing application round in 2023. The “convert or sell” requirement in the CRA led to a significant number of ownership transfers prior to July 1, and a reduction in the number of minority- and women-owned firms. Conversely, preliminary data from the 30-day application round held from November 13 to December 12, 2023, indicate that new social equity licensees may significantly increase minority and women ownership in the State’s cannabis industry moving forward.

Section 1 summarizes minority and women ownership and employees among medical cannabis firms that converted to standard cannabis licenses prior to July 1. **Section 2** highlights preliminary data on ownership and control among applicants in the recent social equity licensing round.

Section 1: Medical Cannabis Ownership

The Administration presents ownership data for calendar year 2023 with the following limitation: the reporting period (May to October 2023) coincided with the State’s transition to adult-use cannabis legalization. The CRA mandated that each medical cannabis business convert their medical-only license into an expanded medical and adult-use license by paying a substantial fee (8-10% of gross revenue for the prior year) or sell their license. Any business that converted its license was then prohibited under statute from transferring ownership or control of the license for a period of 5-years. Due to the continued federal illegality of cannabis under federal law, and resulting tax and banking issues for state-licensed cannabis businesses, there is a significant level of uncertainty in the cannabis industry. This uncertainty, along with the 5-year transfer restriction, led nearly 1 in 4 cannabis businesses to sell ownership of their license in 2023. At least 27 transfers in ownership were processed by the Administration in the weeks leading up to legalization on July 1. Many of the businesses that transferred ownership were small-, women-, and minority-owned firms. **Tables 1 - 3** represent the results of this reported data from the prior medical cannabis industry in a period of transition, aligned with the statutory requirements above.

Table 1. Overview Women and Minority Owners

	Standard Dispensary	Standard Processor	Standard Grower
Women or Minority Owners	1224	295	299
Total	3213	824	916
<u>% of Total</u>	<u>38%</u>	<u>35.8%</u>	<u>32.6%</u>

Table 2. Overview of Ownership* Interest Held by Women or Minorities

Women or Minority Owners	Dispensary	Processor	Grower	<u>Total</u>
Less than 10%	823	177	154	<u>1,154</u>
10-20%	1	0	0	<u>1</u>
21-30%	7	4	3	<u>14</u>
31-40%	1	0	0	<u>1</u>
41-50%	1	1	0	<u>2</u>
Greater than 50%	5	3	0	<u>8</u>
<u>Total</u>	<u>838</u>	<u>185</u>	<u>157</u>	<u>1,188</u>

*Ownership is defined by those who possess >5% stake in the company

** All calculations are based on the 2023 Minority Reports submitted by Licensees, in the manner prescribed by the MCA.

Table 3. Overview of Women and Minority Employees

	Dispensary	Processor	Grower	Total
Women or Minority Employees	1554	631	787	2972
Total by Submissions	2565	1401	1105	5071
<u>% of Total</u>	<u>60.58%</u>	<u>45.04%</u>	<u>71.22%</u>	<u>58.61%</u>

Section 2: Social Equity License Application Round

On December 12, 2023, the Administration closed a first-in-the-nation application licensing round exclusively for Social Equity Applicants. The CRA defines a social equity applicant as an applicant that is at least 65% owned and controlled by one or more individuals who have lived for at least 5 of the past 10 years, attended at least 5 years of public school in a disproportionately impacted area, or attended a qualifying institution of higher education in the State for at least two years. Following months of outreach and engagement with communities disproportionately impacted by cannabis prohibition, the Administration received more than 1,700 applications for 179 available licenses. Of those applications, nearly 85% self-reported to be women- or minority-owned firms, as shown in **Table 4**.

Table 4. Overview of Women and Minority Applicants by License Type.

	Standard Dispensary	Standard Grower	Standard Processor	Micro Dispensary	Micro Grower	Micro Processor	Total
Minority or Women Ownership	606	180	92	228	236	99	1441
Total Submissions	716	217	115	264	286	110	1708
<u>% of Total</u>	<u>84.63%</u>	<u>82.95%</u>	<u>80.00%</u>	<u>86.36%</u>	<u>82.52%</u>	<u>90.00%</u>	<u>84.37%</u>

As exhibited in **Table 5** (page 4), more than 1,350 applicants self-reported *majority* women and/or minority ownership. In comparison to **Table 2** (page 2), the new licensing round presents the opportunity for the State’s cannabis industry to significantly increase the number of firms with meaningful ownership held by women or minority owners and investors.

Table 5. Women and Minority Applicants by Ownership Percentage.

Initial Form - Race	Initial Form - Gender	Less Than 25%	25%-49%	50%-75%	75%-99%	100% Ownership	Total
American Indian or Alaska Native	Female	0	0	0	0	2	<u>2</u>
American Indian or Alaska Native	Male	0	0	0	0	2	<u>2</u>
Asian	Female	0	19	8	0	71	<u>98</u>
Asian	Male	1	25	32	1	111	<u>170</u>
Black or African American	Female	0	11	100	15	253	<u>379</u>
Black or African American	Male	1	10	127	21	332	<u>491</u>
Hispanic or Latino	Female	0	0	2	0	17	<u>19</u>
Hispanic or Latino	Male	0	1	11	3	22	<u>37</u>
Two or More Races	Female	1	0	5	2	9	<u>17</u>
Two or More Races	Male	1	1	10	0	19	<u>31</u>
White	Female	0	4	62	0	129	<u>195</u>
Total		<u>4</u>	<u>71</u>	<u>357</u>	<u>42</u>	<u>967</u>	<u>1441</u>

Note: Date presented in Tables 4 & 5 represents self-reported data from the primary applicant in the most recent application round. It should be considered preliminary and a component of the Administration's review process is verifying an individual's application is reflective of the proposed entity.