



From: Manzuri Law

Date: August 31, 2021

**Re: Los Angeles Social Equity Program – Revised Eligibility & Requirements**

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In July 2020 the Los Angeles City Council approved the proposal offered by the Department of Cannabis Regulation (“**DCR**”) to amend Section 104.20 et seq. of the Los Angeles Municipal Code (the “**LAMC**”), which set forth revised eligibility requirements. Review the below to see if you might qualify and contact our office if you need help assembling your applications.

1. “**Expanded Criteria**” for verification under the Social Equity Program (“**SEP**”) of eligibility for all SEP components except for Phase 3 Round 2 Retail; and
2. “**Phase 3 Round 2 Criteria**” for verification of eligibility for Phase 3 Round 2 Retail.

**EXPANDED CRITERIA**

**A. Individual Applicants**

Must meet **two** of the following three criteria to qualify as a Social Equity Individual Applicant (“**SEIA**”):

• **(1) Low-Income**

Means **both** of the following conditions are met:

- (1) The SEIA, based on household size, is at or below 80% of the Los Angeles County median income.<sup>1</sup> **For the 2020 tax year, this number is \$63,100 for an individual**
- **Required Documentation:** State or federal tax return **OR** proof of eligibility for General Assistance, Food Stamps, Medical/CALWORKS, or Supplemental Security Income or Social Security Disability (SSI/SSDI)

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<sup>1</sup> More specifically, the SEIA must be at or below 80% of the low-income thresholds established in the annual U.S. Department of Housing and Urban Development (HUD) [income limits](#) based upon the Area Median Income (AMI) for Los Angeles County based on household size.

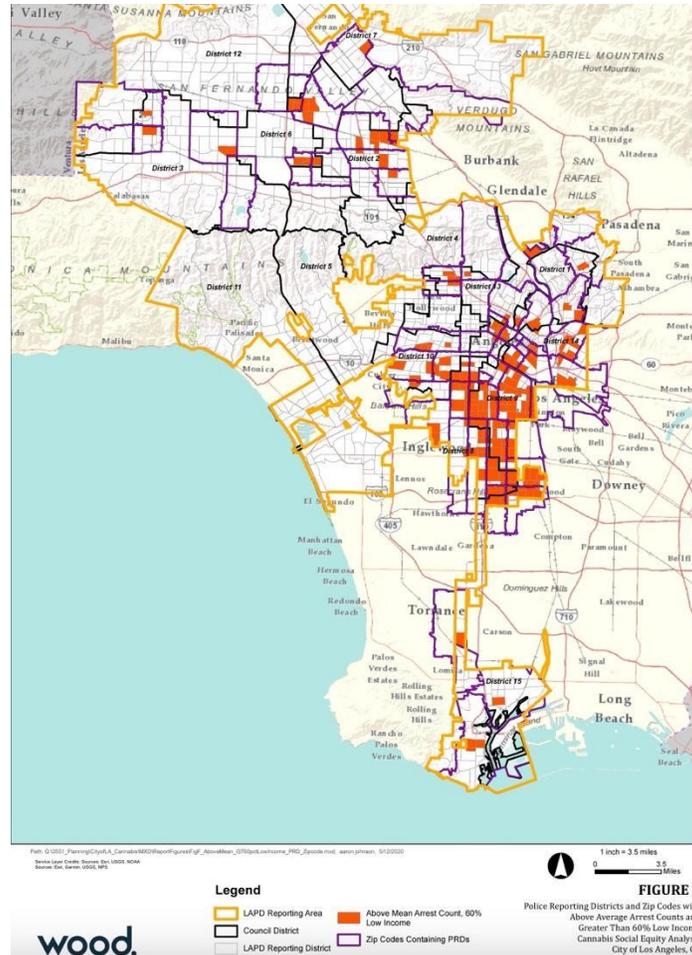
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- If you do not have any of these types of records, you can submit any other relevant records you might have and DCR will make a determination of whether they are sufficient to prove you are Low Income
  - (2) The SEIA, based on household size, has total net assets that are at or below 4 times the low-income threshold
  - Required Documentation: In making this calculation, “net assets” include essentially anything that can be made liquid without incurring a penalty
    - E.g., savings accounts, checking accounts, certificates of deposit, money market accounts, stocks, trusts, gifts, and/or real estate holdings (but not including the SEIA’s primary residence)
- **Example**: If the SEIA has a household size of **four** (Los Angeles County area median income of a family of four is **\$112,625**), then to qualify as low-income:
  - (1) The SEIA must have an income less than or equal to **\$90,100**
  - (2) The SEIA must have net assets that are less than or equal to **\$360,400**
- **(2) Prior California Cannabis Arrest or Conviction**
  - This means an arrest or conviction in California for any crime relating to the sale, possession, use, manufacture, or cultivation of cannabis that occurred prior to November 8, 2016. (An arrest, prosecution or conviction for a violation of Proposition D is not a “California Arrest or Cannabis Conviction”)
  - Required Documentation: Court disposition paperwork, arrest ticket, court transcript, criminal complaint, and/or police report
- **(3) Ten years’ cumulative residency in a Disproportionately Impacted Area**
  - “Disproportionately Impacted Area” means one of the 151 Police Reporting Districts (“**PRDs**”) identified in Figure E (page 18) of the Expanded Social Equity Analysis
  - Required Documentation:
- **Police Reporting District**: Must reside in one of the 151 PRDs (identified in red) below<sup>2</sup>:

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<sup>2</sup> DCR revised the definition of “Disproportionately Impacted Area” to be based on 151 PRDs instead of specific zip codes. At the 02/04/21 Cannabis Regulation Commission hearing, Cat Packer, Executive Director of the DCR, made clear that **more specific instructions for how to identify if you reside in one of the 151 PRDs will be available on the DCR website later this year.**



- **Residency:** Lease agreement, DWP bills with your name and address, and/or driver’s license, showing a cumulative span of 10 years

## **B. Entity Applicants**

A corporation, limited liability company, or other entity must have a SEIA that owns at least **51%** Equity Share of the entity:

- “Equity Share” means **all** of the following:

- (1) **Unconditional ownership of the Equity Share.** The Equity Share cannot be subject to conditions precedent or subsequent, executory agreements, voting trusts, restrictions on or assignments of voting rights, or other arrangements causing ownership benefits in the entity to go to another in any circumstance other than death or incapacity
  - In the case of death or incapacity, a SEIA must identify their own successor in interest or assignee of their Equity Share



(2) **Profits, dividends, and distributions.** SEIAs must receive all the following:

- At least their Equity Share percent of the distribution of profits paid to the owners of the entity
- 100% of the value of each share of stock, member interest, partnership interest, or other equivalent owned by them in the event that it is sold
- At least their Equity Share percent of the retained earnings of the entity and 100% of the unencumbered value of each share of stock, member interest, or partnership interest owned in the event of dissolution of the entity

(3) **Voting rights and control.** SEIAs must receive the following at all times:

- At least their Equity Share percent of the voting rights on all business decisions
  - Including, but not limited to, long-term decisions, daily business operations, retention and supervision of the executive team, managers, and management companies, and implementation of policies
- The highest officer position in the entity, such as the position of CEO, unless another person is appointed to that position by mutual agreement of the parties

(4) **Surviving spouse.** If a SEIA dies, the surviving spouse must inherit or otherwise acquire all of the SEIA's ownership interest in the entity

- The continued qualification by the surviving spouse ends (1) when the surviving spouse remarries; (2) when the surviving spouse relinquishes their ownership interest in the entity; or (3) 10 years after the SEIA's death

## **PHASE 3 ROUND 2 CRITERIA**

### **A. Individual Applicants**

- Must have a prior California Cannabis Arrest or Conviction; **and**
- Must meet the Low Income Requirement **or** have ten years' cumulative residency in a Disproportionately Impacted Area.

### **B. Entity Applicants**

The requirements for entity applicants are the same as under the Expanded Criteria, except that the SEIA who owns at least 51% Equity Share must be qualified under the Phase 3 Round 2 Criteria.



## VERIFICATION WINDOW

The verification window for both the Expanded Criteria and the Phase 3 Round 2 Criteria has not yet been opened, and DCR has not set a date for when the window will open. Per the LAMC, the verification window for eligibility under the Phase 3 Round 2 Criteria will only be open for 60 days. We are monitoring the situation closely and will let you know when DCR announces that they are opening the window.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'Meital Manzuri', written in a cursive style.

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