



SEP-6001-CS

**Analyst:** \_\_\_\_\_

**Email:** \_\_\_\_\_

Application No. \_\_\_\_\_

Business Premises Location: \_\_\_\_\_

Entity Name: \_\_\_\_\_

Verified Social Equity Individual Applicant (SEIA) Name: \_\_\_\_\_

SEIA Equity Share Percentage: \_\_\_\_ %      Sole Proprietorship

**Instructions:** This form is intended to provide feedback from the Department of Cannabis Regulation (DCR) regarding the Equity Share requirements in Los Angeles Municipal Code (LAMC) Section 104.20. **Applicant's submitted business records have been preliminarily reviewed for compliance with LAMC Section 104.20; provisions that may violate the Equity Share requirements are summarized below and explained in the corresponding section(s).** The Social Equity Individual Applicant (SEIA) may need to provide further information or documentation to DCR to address these concerns.

Any forms or documents that are subsequently supplemented or corrected must be uploaded into the DCR Licensing Portal Record (Accela). If the SEIA contends that any of the provisions identified in this correction sheet comply with the Equity Share requirements in LAMC Section 104.20, please provide an explanation or example demonstrating compliance.

### Section Summary

Section A - Unconditional Ownership of Equity Share

Section B - Profits, Dividends and Distributions

Section C - Voting Rights and Control

Section D - Successors

Section E - Additional Equity Share Requirements and Miscellaneous

**Please note:** Please note: Equity Share documents or provisions may violate LAMC Section 104.20 even if not identified by DCR. Applicants must comply with all Equity Share requirements at all times. DCR reserves the right to reconsider Equity Share provisions or documents for compliance at any point and enforce compliance as required in LAMC Section 104.20.

**A. Unconditional Ownership of Equity Share.** Make the corrections and/or revisions to the business formation documents for the checked items below and resubmit for DCR review.

Item No.	Item Description
1.	The SEIA must own the requisite "Equity Share" in the SEA (LAMC Sec 104.20(b)(2)(i)).
2.	The SEIA's ownership of his/her Equity Share shall <u>not</u> be subject to conditions precedent, conditions subsequent, executory agreements, voting trusts, restrictions on or assignments of voting rights, or other arrangements causing or potentially causing ownership benefits in the Social Equity Applicant or Licensee to go to another in any circumstance other than after death or incapacity. Comments: _____ _____ _____ _____ _____ _____ _____ _____

**B. Profits, Dividends and Distributions.** Make the corrections and/or revisions to the business formation documents for the checked items below and resubmit for DCR review.

Item No.	Item Description
1.	The SEIA shall receive at least their Equity Share percent of the distribution of profits paid to the Owners of the SEA. (LAMC Sec 104.20(a)(2)(ii)(2)(A).)
2.	The SEIA shall receive 100% of the value of each share of stock, member interest, partnership interest, or other equivalent in the event that the stock, member interest, partnership interest is sold. (LAMC Sec 104.20(a)(2)(ii)(2)(B).)
3.	The SEIA shall receive at least his/her Equity Share percentage of the retained earnings. The SEIA shall receive 100% of the unencumbered value of each share of stock, member interest, or partnership interest owned in the event of dissolution. (LAMC Sec 104.20(a)(2)(ii)(2)(C).) Comments: _____ _____ _____ _____ _____ _____

**C. Voting Rights and Control.** Make the corrections and/or revisions to the business formation documents for the checked items below and resubmit for DCR review.

Item No.	Item Description
1.	The SEIA shall hold at least his/her Equity Share percentage of the voting rights on all business decisions, including, but not limited to, long-term decisions, daily business operations, retention and supervision of executive team, managers, and management companies, and the implementation of policies. (LAMC Sec 104.20(a)(2)(ii)(3)(A).)
2.	The SEIA shall hold the highest officer position in the SEA (e.g., CEO or president) <u>unless</u> a natural person is appointed to that position by mutual agreement of the parties. (LAMC Sec 104.20(a)(2)(ii)(3)(B).)
	Comments: _____
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**D. Successors.** Make the corrections and/or revisions to the business formation documents for the checked items below and resubmit for DCR review.

Item No.	Item Description
1.	In the case of death or incapacity, other than the SEIA's surviving spouse, the SEIA shall identify his or her own successor in interest or assignee of their Equity Share. Community property laws shall have no effect on unconditional ownership. (LAMC Sec 104.20(a)(2)(ii)(1).)
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**E. Additional Equity Share Requirements and Miscellaneous.** Make the corrections and/or revisions to the business formation documents for the checked items below and resubmit for DCR review.

Item No.	Item Description
1.	Specify or demonstrate that the SEIA's Equity Share shall not be compromised for failure to meet a performance standard. (LAMC Sec 104.20(a)(2)(iii)(2))
2.	Nothing in the operating agreement, or equivalent document, shall conflict with the following language: <i>"Any action or inaction taken by a party in violation of the Equity Share Requirements shall entitle the other party to initiate a legal action in the Superior Court of Los Angeles, including, but not limited to, an action for specific performance, declaratory relief, and/or injunctive relief, to enforce the Equity Share Requirements against the other party."</i> (LAMC Sec 104.20(a)(2)(iii)(2))
3.	The following language shall be included in the operating agreement or equivalent document: <i>"To the extent that any provision of this Agreement, or part thereof, is or may construed to be inconsistent with or in violation of the "Equity Share" requirements set forth in Los Angeles Municipal Code Section 104.20, such provision(s) shall be ineffective, unenforceable, and null and void."</i> (LAMC Sec 104.20(a)(2)(iii)(4)):
4.	No Power of Attorney shall permanently assign voting or any other rights of the SEIA to any other individual unless in the event of incapacity or death. Comments: _____ _____ _____ _____ _____ _____ _____ _____ _____ _____

DCR Review Log - Staff Initials

1<sup>st</sup> Review\_\_\_\_\_, Date:\_\_\_\_\_  
2<sup>nd</sup> Review\_\_\_\_\_, Date:\_\_\_\_\_  
3<sup>rd</sup> Review\_\_\_\_\_, Date:\_\_\_\_\_  
4<sup>th</sup> Review\_\_\_\_\_, Date:\_\_\_\_\_  
5<sup>th</sup> Review\_\_\_\_\_, Date:\_\_\_\_\_