



CAURD Social Equity Investment Fund Program **Frequently Asked Questions**

This document is intended to provide answers to frequently asked questions relating to dispensary locations sponsored by the New York Social Equity Cannabis Investment Fund and an operating subsidiary (individually and together, the “Fund”) and the Dormitory Authority of the State of New York (“DASNY”), by and through its subsidiary, the Social Equity Servicing Corporation (“SESC”). The information provided herein is subject to change. In the event of any discrepancy between the information provided herein and any agreement executed by a CAURD licensee, the terms of such agreement shall control.

1. What is the origin of the Fund?

In March 2022, as part of Governor Hochul’s FY 2023 Executive Budget, the Governor proposed a \$200 million fund to support equity entrepreneurs at the forefront of the adult-use cannabis market. Just a month later, Governor Hochul signed legislation authorizing the establishment of a fund for the sole purpose of funding the costs associated with establishing conditional adult-use retail dispensaries. In that legislation, DASNY, in conjunction with OCM, was selected to choose the entity that would form and operate the Fund.

In May 2022, DASNY released a request for proposals (“RFP”) to identify the most qualified entity to establish and operate the Fund – specifically “a social impact investment fund exclusively dedicated to financing the establishment, development, leasing, and initial build out of storefront conditional adult-use retail cannabis dispensaries[.]” In June 2022, as a result of this competitive RFP process, DASNY, in conjunction with OCM selected Social Equity Impact Ventures as the most qualified firm to do so.

2. Why is DASNY involved?

DASNY is a New York State authority charged with (among other things) acquiring, constructing, improving, furnishing, and financing dormitories and similar facilities across the State. As the Nation’s leading public construction authority and with more than 75 years of service to the State, DASNY has developed broad knowledge and a breadth of expertise in site appraisal and acquisition; planning and design; code compliance; procurement; construction; and quality assurance. SESC, as agent for the Fund, manages the day-to-day real estate and construction-related operations of the program, and the program benefits from DASNY’s expertise.



Of particular note, DASNY has been a national leader in sustainable construction and has been a pioneer in utilizing and encouraging the participation of minority-women-, and service-disabled, veteran-owned businesses through every step of the construction process. DASNY also has extensive experience procuring and partnering with a wide variety of professional service providers, including financial services, architectural, engineering, law, accounting, IT services, design-build, and building management firms. Additionally, DASNY routinely issues bonds to finance its construction activity as well as issues and evaluates RFPs similar to the RFP discussed above.

DASNY AT A GLANCE (2022)

1,040 Construction Projects	\$434 million New Procurement Activity
\$9 billion Construction Portfolio	\$99.1 million Leases through Tax Exempt Leasing Program
\$9 billion Bonds Delivered	

350 to 400
commercial leases managed for NYS Office of Mental Health (OMH) and NYS Office for People with Developmental Disabilities (OPWDD) both as Tenant throughout the State and as Landlord for property leased on OMH or OPWDD owned centers

3. What is the Fund’s purpose?

Pursuant to Section 30 of New York’s Public Authorities Law, the purpose of the Fund is to finance “the capital costs, including closely related ancillary and administrative costs, associated with establishing conditional adult-use cannabis retail dispensaries for operation by social equity licensees[.]”

4. How will the Fund translate this purpose into action?

Since the June 2022 appointment of its operator, the Fund has spent the past 6 months working closely with its attorneys, advisors, and governmental partners to legally establish the Fund, obtain regulatory approvals, develop its strategy, and commence operations.

During this time, the Fund has also been working tirelessly and in close partnership with DASNY and SESC, as agent for the Fund, towards the seven objectives necessary to accomplish its purpose:

- (A) Identify what it regards as highly desirable and appropriate locations for retail dispensaries;
- (B) Negotiate and sign leases for those locations;
- (C) Design, renovate, and furnish (excluding merchandise) world-class ready-to-operate facilities, using ten of the top design/build teams to provide these services;
- (D) Sublease those facilities to social equity licensees;
- (E) Coordinate a suite of wraparound capacity-building services that will enhance the social equity licensees’ ability to successfully conduct business;
- (F) Leverage private capital so that the Fund can support all of the anticipated 150 social equity licensees;

- (G) Have licensees repay these costs over 10 years (i) at an interest rate equal to or less than the market rate of a similar loan, (ii) with terms that take into account the effects of decades of inequitable cannabis-related enforcement, and (iii) through financing that, with very few exceptions, is only conditional on receipt of a license.

5. How have site locations been identified and vetted?

Almost ten months ago, CBRE was engaged to assist in identifying and vetting potential retail locations for leasing by the Fund. Since that time, and as of December 22, 2022, over 30 CBRE brokers and other professionals have taken part in an exhaustive, State-wide commercial real estate search that resulted in screening of thousands of potential properties. These locations were then rigorously evaluated by CBRE through a data-driven site suitability and market optimization process. This process included granular analyses of consumer behaviors; street-level retail market analyses; zoning, code, and regulation compliance reviews; in-person site visits; and proprietary evaluative tools. This selection and evaluation process – and specifically the consumer behavior and market analysis portions – were focused on identifying individual locations:

- (A) Similar in nature and environment to the location of successful dispensaries in other geographies
- (B) On routes or streets likely to be frequented by cannabis consumers
- (C) On frequently trafficked streets or near transportation hubs
- (D) That meet or exceed zoning, code, and regulation requirements
- (E) That will allow for the best execution of the renovation (design/build) process
- (F) That are least likely to generate neighborhood concerns
- (G) Completed comprehensive discussions with Landlords to
 - i. Educate about the use of the space and the social equity program
 - ii. Vet issues raised by the landlords' mortgage lenders due to Federal restrictions
 - iii. Vet restrictive covenants at locations
 - iv. Discuss financial viability
- (H) Coordinate with SESC and OCM staff to discuss and present the findings of their search for each local market.
- (I) Coordinate site tours and scheduled architectural tours to conduct diligence surveys and test fits to confirm the viability of the locations.

This evaluation process is ongoing. Out of 10,000 + screened properties, and as of December 22, 2022, CBRE conducted a more detailed evaluation of 2300 locations through this process. Of these locations, CBRE has shortlisted over 350 locations that meet the above priorities and requirements.

6. What happens once a location has been shortlisted by CBRE?

Once a location has been identified and vetted and confirmed to meet OCM and local zoning requirements, the SESC's attorneys and brokers begin negotiations with each location's landlord. While negotiations are ongoing, the Fund secures property insurance and engages one of the design-build teams to assess the space for build-out. After a successful evaluation

by the design-build team, and once insurance is secured and lease negotiations have been finalized, the Fund and the landlord execute the lease.

7. What happens once the Fund signs a lease?

Upon lease signing, construction commences. In the beginning stages of construction, OCM will match licensees with locations and provide information to the licensee regarding the location. Information provided will include information about location, information and/or renderings of the design, the terms of the lease, and the estimated cost of the build out. Once presented with this information packet, licensees will have 7 days to express interest in a proposed location. The information packet will make clear the exact date and time a response is due. The Fund has no influence on decisions related to matching licensees with locations. All such decisions are made by OCM.

If a licensee accepts the offer, the licensee will execute a sublease agreement with the Fund and the licensee will be required to eventually sign a repayment agreement with the Fund. The Fund and the design-build team constructing the location will then work with the licensee on final designs, on which the licensee will have considerable influence.

If a licensee declines an offer, that licensee will be placed back into the location assignment queue for their specified region(s). OCM will then offer the location to another licensee in the location assignment queue for that region.

8. What and who are these design-build teams?

In May 2022, DASNY released an RFP with the goal of identifying the most qualified entities to design and renovate the retail locations. As a result of this competitive RFP process, 10 firms were selected:

- AOW Construction, LLC / Anderson Porter Design
- ES Development & Management Corporation / Method Architects
- Forte Construction Corp / Goldman Copeland, PC / 2WR+Partners
- Grow America Builders, LLC / H2M architects + engineers
- LeChase Construction Services, LLC / Envision Architects / LaBella Associates
- Murnane Building Contractors Inc. / BKA Architects / Wolf Construction Corp.
- SEI Design Group Architects, DPC / Bette & Cring
- Salt Construction Management, Inc. / WHL Plant LLC / Anderson Porter Design
- Temeka Group / Schnackel Engineers / Quorum Architects / CS Hudson
- The Pike Company, Inc. / SWBR

Of these 10 teams, 4 have specific experience designing and building cannabis dispensaries in New York and around the country and all of the teams have experience constructing retail locations in New York.

The responsibilities of the design-build teams will include:

- (A) Comprehensive design services, including architectural and engineering services, to plan out and budget for the renovation
- (B) Providing all work, services and materials necessary for the renovation, including all furniture, fixtures, and equipment
- (C) All filing, permitting, licensing, and regulatory approvals needed for the renovation
- (D) Compliance with OCM requirements related to physical construction and security systems
- (E) Compliance with State and municipal requirements related to renovations

9. What other services is the Fund planning to provide?

The Fund intends to provide licensees locations that are as close to “ready-to-operate” as is possible. Additionally, the Fund has made it a specific priority to help prepare licensees to operate a successful retail establishment in a highly regulated industry. To that end, the Fund is in the processes of coordinating a suite of wraparound, capacity-building services. The majority of these services will be offered by Fund-engaged third parties with relevant subject matter expertise.

- (A) A six-week training program focused on “seed to sale” cannabis education, retail business operations (compliance, accounting, customer experience, sales generation, etc.);
- (B) Shoulder-to-shoulder mentoring during and immediately after opening;
- (C) Assistance with securing commercial banking services from Valley National Bank, NA for dispensary operations;
- (D) Development of a custom-built cloud-based enterprise resource planning (“ERP”) system to help licensees manage day-to-day business activities including accounting, staffing, payroll, supply chain, inventory, customer relationship management, and vendor management;
- (E) Coordination of “fractional” bookkeeping, accounting, tax compliance, budgeting, human resources, and IT services by a large, industry-leading accounting firm;
- (F) A two-year contract with a POS provider at no cost to the licensee;
- (G) A diversified but integrated tech stack in addition to the POS, including eCommerce, order fulfillment, rewards, customer support, payment system, and other logistics;
- (H) A searchable database of vetted lawyers, accountants, marketing managers, web site developers, and IT specialists (with a particular focus on M/WBE service providers/vendors);
- (I) Cash pick up and transport services;
- (J) Relationships with armed and unarmed security services; and
- (K) Technical assistance on all Fund-coordinated systems.

10. What upfront costs are being paid for? Who is paying for it? How are they paying for it? How will the licensee pay these costs back?

The Fund is focused on identifying and paying for all major upfront capital costs associated with opening a dispensary—*i.e.*, the costs associated with most of the activities listed in (A) through (D) under Question 4 as well as the ERP described in Question 9 above. These can also be thought of as the upfront costs associated with obtaining and improving the physical location that a dispensary owner *not involved with the Fund* would have to pay for themselves (either with their own money, a business partner's money, or a loan). As discussed below, monthly lease payments are not included in upfront capital costs.

Question 4 Cheat Sheet

- (A) Identify locations
- (B) Negotiate leases & insurance
- (C) Design, build-out, & furnish locations
- (D) Sublease locations to licensees

The Fund will be billed directly for these upfront capital costs. The Fund will use the capital it has raised to pay these expenses, often well before a licensee has been selected for a location. The largest portion of these upfront costs are anticipated to be the design-build costs associated with the construction and furnishing of the dispensaries, followed by fees associated with identifying locations and negotiating leases, followed by the cost of the ERP system. As described in Question 7, an estimate of these costs will be provided to a licensee early in the design-build process. If the Fund becomes aware of any significant deviation from that estimate, it will alert and work with the licensee to ensure a fair and equitable outcome. Once all upfront costs have been incurred, the Fund will provide each licensee with a clear and transparent accounting of the upfront costs paid for by the Fund that are associated with their specific dispensary.

Each licensee will enter into a repayment agreement for the total upfront cost associated with their dispensary, along with a reasonable allocation of administrative costs. The repayment agreement will require the licensee to repay such costs (plus interest) back to the Fund over 10 years. The interest rate charged will be fixed throughout the term of the agreement. Payments will be made monthly and will begin only *after* the dispensary is operational.

11. What other costs are there?

In addition to the repayment agreement, there are two additional “buckets” of costs paid for either by or through the Fund: rent and any *ongoing* costs associated with Fund-coordinated services.

Because the Fund leases each location from the location's landlord and then subleases it to each licensee, the Fund serves as sublandlord to the dispensaries. The licensee will pay rent to the Fund and the Fund will pay rent to the dispensary's ultimate landlord. The rent charged by the Fund will be dollar-for-dollar the rent paid to the ultimate landlord. Any increases in rent over the term of the lease will be clearly stated in the sublease.

The Fund will attempt to aggregate *ongoing* services across the program (i.e., across dispensaries) to create cost savings for social equity licensees. The largest portion of these ongoing costs are anticipated to be fractional services (see 9(E) above). Other ongoing costs may include fees associated with commercial banking services, cash transport, security, and any taxes not otherwise paid for. The ongoing costs charged by the Fund will be dollar-for-dollar the costs incurred by the Fund. Estimates of these costs will be provided to licensees as they are available.

12. Do I need to secure my own location?

No.

13. What is the process for submitting a suggested location to the Fund?

If you have been provisionally selected for a CAURD license and you already know of a specific location that is available for lease that you would like to use as your dispensary, the Fund welcomes any such suggestions. These suggestions may be made to locations@sei-ventures.com. If a location is suggested to the Fund, it will go through the same evaluation process by CBRE. If it is recommended by CBRE and approved by the Fund, it will be eligible for Fund financing. Please note, however, that there is no need to suggest a location and there is no additional benefit from doing so.

Please also note that licensees that enter into exclusive broker agreements may be precluded from participation in the Fund program. Locations must meet OCM site and distance, and other OCM regulatory requirements. In addition, these locations will be reviewed by the Fund for proximity conflicts with Fund identified sites.

14. Will the Fund provide services for the Delivery-Only locations?

No. The Fund will support Fund-sponsored dispensary sites that may also provide delivery services but does not anticipate providing services or support for Delivery-Only locations.

If you need assistance or have any questions, please contact info@sei-ventures.com