

BUILDING NEW FOUNDATIONS IN THE CANNABIS INDUSTRY:

Pathways to Equity Ownership in the Cannabis Industry



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ARCVIEW
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Pathways to Equity Ownership in the Cannabis Industry

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INTRODUCTION

Women make up 51% of the U.S. population. As a majority of the population, it would only make sense that women should also represent 51% of any industry's equity owners, 51% of any company boards, and 51% of any C-Suite. Yet, in 2020, we are still far from parity in equity ownership and leadership across industries. Biz Women found that in a [2019 survey](#) of 1,000 leading U.S. companies, that only 25% of C-Suite positions were held by women, with a mere 8% of female CEOs. That same year, a Deloitte study called "[Women in the Boardroom](#)" found that women make up only 17% of board seats in U.S. companies.

These statistics don't even make financial sense. According to an article by [Boston Consulting Group](#), female-led businesses produce more than twice the revenue for every dollar invested (female startups generate \$0.78, compared to male startups that generate \$0.31 for every dollar of funding). They also perform better over time, generating 10% more cumulative revenue over a 5-year period.

The cannabis industry has an opportunity to learn from and avoid the pitfalls of traditional industries. This paper is part of *Building New Foundations in the Cannabis Industry: Creating Gender Parity through Ownership, Leadership, Boards, Pay Equality, Branding, and Capital*, a series of papers looking at gender parity in the cannabis industry. It demonstrates pathways towards closing the substantial gender gap in equity ownership in the cannabis industry. It draws on examples from women who have trailblazed their own paths and companies that have created more inclusive pathways to equity ownership. Part of creating inclusive pathways includes word choice. In this paper, we will be using the term womxn. It is an alternative spelling of the words woman and women and explicitly includes transgender and nonbinary people. You will also see the term BIPOC, an acronym that stands for Black, Indigenous, and People of Color.

Steven Hawkins¹, President of the Marijuana Policy Project, has said, "Equity ownership is the jet fuel for prosperity."² We hope that readers, especially womxn, female-identifying people in the LGBTQIA+ community, and BIPOC womxn, will find this paper helpful as they acquire the tools and knowledge necessary to build more wealth in the cannabis industry.

Achieving parity in equity ownership is possible. It will, however, take a conscious and concerted effort. As the late Supreme Court Justice, Ruth Bader Ginsburg, pointed out in one of her powerful dissents ([Shelby County v. Holder 2013](#)), "The arc of the moral universe is long, but it bends toward justice," quoting Martin Luther King, Jr. "But it only bends that way," she went on, "if there is a steadfast commitment to see the task through to completion."

1 Steven Hawkins is Executive Director of the Marijuana Policy Project, former Executive Director of the NAACP and former Executive Director of Amnesty International.

2 FTI Consulting. (2020, July 14). The Game Plan: A Conversation Around Social Justice and the Future of Cannabis in America. <https://www.fticonsulting.com/insights/webinars/game-plan-conversation-around-social-justice-future-cannabis-america>

DEFINING EQUITY

So, if we are going to close the gender gap, let's start with defining equity as it pertains to business and as we are talking about in this paper.

ACCORDING TO MERRIAM-WEBSTER, EQUITY IS DEFINED AS:

2A: THE MONETARY VALUE OF A PROPERTY OR OF AN INTEREST

IN A PROPERTY IN EXCESS OF CLAIMS OR LIENS AGAINST IT

B: THE COMMON STOCK OF A CORPORATION

C: A RISK, INTEREST OR OWNERSHIP RIGHT IN PROPERTY

D: A RIGHT, CLAIM, OR INTEREST EXISTING OR VALID IN EQUITY

For the purposes of this paper, we are speaking specifically about "equity" in terms of ownership as defined above, by owners, investors, and employees. It should be differentiated from the terms "gender equity" and "social equity." That being said, it is crucial to recognize the importance of equity ownership in informing both gender and social equity, or in too many cases, inequity.

OWNERSHIP AND GENDER (IN)EQUITY

In 2018, the software company Carta released "[Analyzing the Gender Equity Gap](#)," a comprehensive report about the effect of gender on ownership. They analyzed the gender gap in equity ownership of 180,000 employees, over 6,000 companies of various industries, and over 15,000 founders, with a combined total of nearly \$45 billion in equity value. They found that womxn make up 13% of founders yet own only 6% of the equity. The same study found that female founders hold \$1.8 billion in value, while male founders own \$29.8 billion.

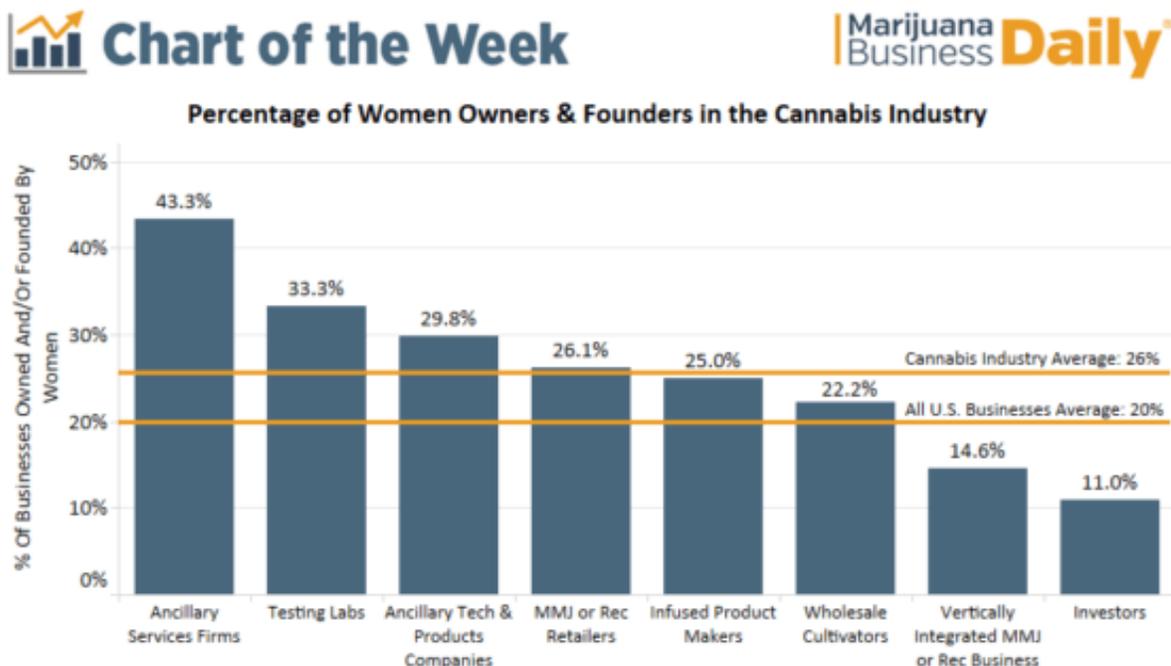
Put another way, **womxn who found companies own an average of just 48 cents for every dollar of equity that male founders own.**

These numbers are unacceptable by any measure. Laws and social norms have historically kept womxn from economic independence, leading to today's deplorable gender imbalance. For example, until the 1970s, womxn in the U.S. were not allowed to have their own credit cards without their husbands' signatures. Until the [Women's Business Ownership Act of 1988](#), womxn who wanted a business loan in many U.S. states were required to provide a signature from a male relative. We can't change the past, but we can certainly stop accepting the status quo that works against womxn, female-identifying people in the LGBTQIA+ community, and especially, BIPOC womxn.

A 2017 survey reflected in [Marijuana Business Daily](#) broke the cannabis industry into eight segments of companies (Chart 1 below); finding that the percentage of female owners was higher in ancillary services (43%) in comparison to the vertically-

integrated businesses (14%). This study found that overall, 26% of the cannabis industry's owners or founders were female. The good news? 26% was higher than the national (all U.S.

businesses) average of 20%. The bad news? That's still nowhere near the 51% that would reflect gender parity.



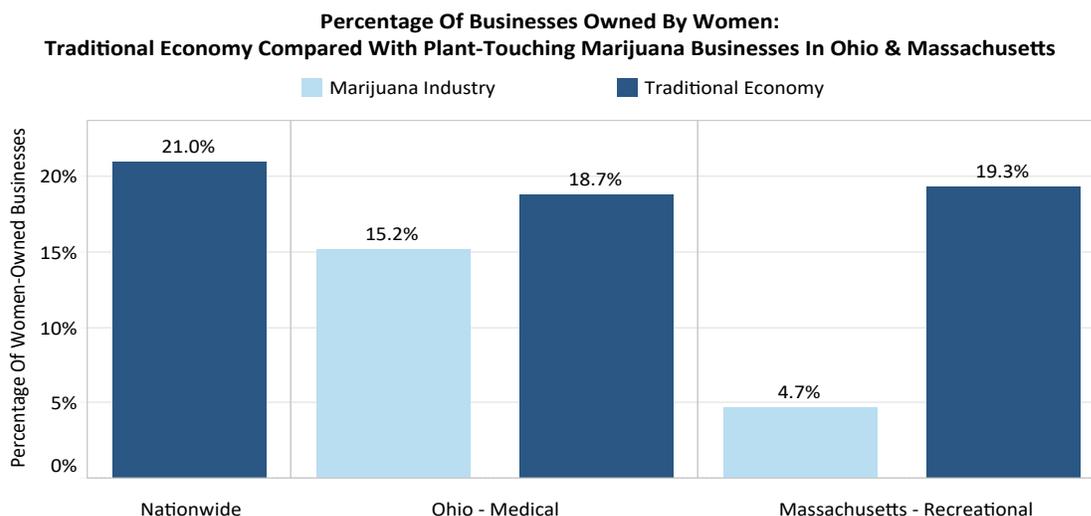
Source: Marijuana Business Daily August 2017 reader survey; U.S. Census Bureau 2015 Annual Survey of Entrepreneurs
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Chart 1: The above chart shows the "Percentage of Women Owners & Founders in the Cannabis Industry." The chart can be found on Marijuana Business Daily's Website or at this link here: <https://mjbizdaily.com/chart-quarter-marijuana-businesses-owned-founded-women/> where it originally appeared, and is reprinted here with permission.

Women and Minorities in the Cannabis Industry, a report by Marijuana Business Daily, showed that in Ohio's MMJ market and Massachusetts' recreational industry, the proportion of plant-touching marijuana companies owned by womxn is lower than the proportion of womxn-owned businesses in the traditional

economy (see Chart 2 below). Complete data sets are difficult to come across in the cannabis industry due to differences from state to state in how data is collected and who has access to it. However, we found no evidence that female equity ownership in cannabis is anywhere near 51% in any state.

CHART 2: Percentage Of Businesses Owned By Women: Traditional Economy Compared With Plant-Touching Marijuana Businesses In Ohio & Massachusetts



Note: All ownership statistics refer to businesses at least 51% owned and controlled by women. Ohio data includes provisional and final licenses granted to processors and cultivators, current as of 7/19/19. Massachusetts data includes both provisional and final licenses issued across all plant-touching license types, current as of 7/18/19.

Source: 2016 Annual Survey of Entrepreneurs, Ohio Medical Marijuana Control Program, Massachusetts Cannabis Control Commission
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Chart 2: The above chart from "Women and Minorities in the Cannabis Industry" compares the Ohio Medical Marijuana Economy and the Massachusetts Recreational Marijuana Economy with traditional economies. The full report can be found here: <https://mjbizdaily.com/women-minorities-cannabis-industry/>, where the chart originally appeared, and is reprinted here with permission.

And what percentage of female cannabis founders and owners are womxn of color? That number was even harder to come by. The authors of this paper found (very limited) statistics on "equity ownership by race" or "equity ownership by gender," and we were unable to find statistics regarding "female-owned businesses broken down by race." For example, one Marijuana Business Daily article, "[Percentage of Cannabis Business Owners and Founders by Race](#)," found that 81% of cannabis industry owners and founders are white, 4% are black, and 15% are 'other.' Extrapolating those percentages to the 26% of female owners mentioned above might mean that if 26 of every 100 cannabis businesses have a female owner/founder, 21 of those womxn would be white, one would be black, and four would be 'other.'³ Hopefully, future studies will bring more data to light.

Long story short, there is a long road ahead in achieving parity, and one step along the journey is diversifying the opportunities available.

PATHWAYS TO EQUITY OWNERSHIP

Equity is the ownership an owner, investor, or employee has in a company. Having equity in a company means that you have a stake in the business you're helping to build and grow, whether through capital, expertise, time, work product, or a combination of these.

The cannabis industry, as a whole, and company leadership, in particular, can look at different pathways to include disenfranchised groups in equity ownership. Although achieving gender parity is the focus topic of this paper, these alternate pathways to equity ownership in the cannabis industry can be applied across multiple groups. Below are a few models that company leadership might consider. These models will be helpful for new businesses and established businesses that are looking for ways to expand equity ownership opportunities and contribute to building generational wealth. They may offer larger cannabis companies, such as multi-state operators (MSOs), a model for creating social equity programs with impact investors

Sponsored Equity Ownership

In sponsored equity ownership, a larger company sponsors a smaller company owned by a disenfranchised group that does not have the same access to capital. The larger, well-funded cannabis companies with access to capital take minority equity ownership in the smaller company. They provide capital for the smaller company to grow and offer a small share of equity in the larger company, which creates a mutually beneficial (win-win) ownership model.

Sponsored equity ownership may also take the form of an individual (such as an accredited investor) making shares available to people who wouldn't otherwise have access to or be able to afford equity ownership opportunities. For example, if you are investing \$50,000 into an up-and-coming cannabis business, you or the founders might want to identify community members that could and should benefit from the wealth that is being generated by the cannabis business in that community. You might assign \$5,000 to ten different community members. If those shares triple in value, each individual now has \$15,000 worth of shares. This is a common model outside of cannabis, both in business and in families that pass wealth from one generation to the next. In this way, businesses create generational wealth for their 'extended families' (the local community) by providing pieces of ownership in the business. The [People's Dispensary](#) is currently doing this on a small scale for their expansion into Fresno.

Employee Equity Ownership

Khadijah Adams started one of her first companies (pre-cannabis) from her garage while taking care of four young sons. She grew her business nationwide in six months. As it branched out, Khadijah needed offices in different cities and quickly realized that keeping her employees was key for the continuity of her business. By offering employees equity ownership, they were vested, brought their best, and stayed. She laughs as she remembers that business, "I had all gay men running my offices. They had rearranged my offices and made them so beautiful! Ten

³ These authors were not able to locate actual statistics on female BIPOC founders/owners. Often, studies around "diversity" had one category of race and another of gender, but the intersectional breakdown of gender by race or race by gender could not be found. Anyone interested to support a ground-breaking study that involved over 900 completed quantitative surveys in three countries, covering 100+ data points should check out the Womxn in Cannabis Study at <https://womxnincannabis.study/> The results of the study were still pending at the time this paper was written.

of them owned 30% of the business in total. Five years in, I was making over \$1million per year and sharing the wealth with my employees."

Employee Stock Ownership Plans (ESOPs), Worker-Owned Cooperatives, and Employee Ownership Trusts are three types of ['employee equity ownership'](#), which create succession plans for companies wanting to sustain their legacy and receive fair value for the business they have worked hard to build. A business that is just getting started might also offer equity in lieu of high market-value salaries to their first employees or leadership teams. Within these models, the group that builds your success also has ownership in that success.

Businesses specifically interested in setting up a cooperative model might want to check out the Arizmeni Association of Cooperatives.⁴ It is a network, incubator, and technical assistance provider that is owned, governed, and funded by the member workplaces it creates and serves. Employees complete a certain number of hours and then they are able to vest or participate in profit sharing.

Non-Accredited Equity Ownership

The Jumpstart Our Business Startups Act, or JOBS Act, is a law that encourages funding of small businesses. [Title III of that act](#), also known as the CROWDFUND Act, has drawn the most public attention because it creates a way for companies to use crowdfunding to issue securities (equity crowdfunding), something that was not previously permitted. The Securities and Exchange Commission recently announced [changes to crowdfunding regulations](#) that are set to address gaps in equity issuers' access to capital and investors' access to more investment opportunities. Keep in mind that until we see full legalization, cannabis crowdfunding like [Fundanna](#) and [Republic](#) may remain an option only for hemp, CBD and ancillary cannabis companies.

As mentioned above, there is a long road ahead in achieving parity, and one step along the journey is diversifying the opportunities available. There are limitless ways to incentivize companies and investors to create opportunities for generational wealth. Some funds, such as the recently launched [Curio Wellness fund](#), are being set up specifically to connect diverse investors with aspiring women, minority and disabled veteran entrepreneurs. The above-mentioned models are just a handful of ways that the cannabis industry as a whole, and company leadership in particular, can offer different pathways to include disenfranchised groups in equity opportunities.

CREATING YOUR OWN LANE

Shanita Penny, Khadijah Adams, and Sue Taylor are three entrepreneurial leaders in cannabis who have built their own businesses. They support others in building successful businesses and we asked them what advice they have for womxn who are navigating the path to equity ownership in cannabis.

Shanita Penny

Shanita's pre-cannabis career was in supply chain with various Fortune 500 companies, including McCormick, Miller Brewing, and Frito-Lay. She successfully transitioned from employee to entrepreneur when she started her own consultancy for Fortune 500 and 100 companies. Around 2015, she decided to lend her skillset to the burgeoning cannabis industry. Her mentality is, "If everyone waited until it was a perfect moment, then we wouldn't make any progress."

Shanita's first foray into cannabis was as founder and principal of her own consulting business, [Budding Solutions](#). In 2017, she also partnered with some well-heeled, well-funded professionals to start building the PA-based cannabis manufacturer, DOCHOUSE⁵. She has now partnered with an Oakland-based social equity delivery business, capitalizing on the needs presented by the COVID-19 pandemic and is building yet another 'budding' venture. Hailing from Maryland, a racially-diverse state with three of the wealthiest black communities in the country, she says,

4 Marraffino, J. (2009). The Replication of Arizmeni Bakery: A Model of the Democratic Worker Cooperative Movement. Grassroots Economic Organizing. (GEO) Newsletter, Volume 2, Issue 3. <http://www.geo.coop/node/365>

“I CAME FROM A CAREER IN THE MORE TRADITIONAL INDUSTRIES THAT TODAY ARE HAVING TO GO BACK AND COURSE-CORRECT AROUND DIVERSITY. AS MARYLAND BEGAN TO LEGALIZE [CANNABIS] AND FORM A NEW MEDICAL MARIJUANA INDUSTRY, I ASSUMED I’D SEE MARYLAND’S DIVERSITY REFLECTED IN THAT NEW INDUSTRY.”

~ **Shanita Penny,**
Founder/CEO, Budding Solutions

That, unfortunately, was not the case and Shanita knew that she needed to find like-minded professionals who wanted to see this nascent industry mature equitably. She heard about the [Minority Cannabis Business Association \(MCBA\)](#). Realizing that the MCBA needed leaders with strong professional backgrounds, she stepped up to lead the MCBA as president for two years. In that role, Shanita infused her supply chain and entrepreneurial experience with advocacy for diversifying the (predominantly white and predominantly male) legal cannabis industry.

At first, Shanita had the impression that cannabis seemed a bit ahead of the curve on gender. She was very impressed with the number of womxn in the space and the number of womxn that were innovating. Lately though, she gets the feeling that it's "evening out" to reflect the imbalance that she experienced in her pre-cannabis supply chain technology career.

Shanita advises, "Be sure you understand the markets, assess the risk involved and be realistic about what the opportunities are. As it stands today, it can take millions of dollars to get into the limited licensing market. Markets like California or Oklahoma lend themselves to smaller operators and social equity operators

because they have many different types of licenses; not everyone is scrambling to try to be one of five or 25 operators, as is the case in Virginia and Pennsylvania (respectively)."

When we asked Shanita for advice specifically for other womxn, she added, "This industry is not for the faint of heart. If you are a woman of a certain age, you most likely have had to navigate sexism and gender imbalances in your pre-cannabis career. Imbalances notwithstanding, you bring value to the table. No one should be working for free. Know your worth, and then add tax."

5 As of the writing of this paper, DOCHOUSE had just placed their first products on shelves and had been subsequently acquired. <https://www.newcannabisventures.com/ayr-strategies-completes-acquisition-of-dochouse-in-pennsylvania/>

Khadijah Adams

Khadijah is Vice President of the Board of C.E. Hutton, a minority-focused cannabis business development firm. She has made it her business (literally) to champion Black-owned cannabis businesses. She is also an Advisory Board Member of Calyxeum, the first African-American and female-owned cannabis cultivation business in the Midwest. Additionally, she sits on the Advisory Board of The Color of Cannabis[®] and is the Chair of the Diversity, Equity, and Inclusion Committee (DEIC) of the National Cannabis Industry Association (NCIA). In April 2020, Khadijah launched

Girl Get That Money, a business empowerment coaching and consultancy movement that educates, empowers, and inspires womxn in business.

As a serial entrepreneur who currently owns her own business and is a partner in eight other businesses, she has learned many lessons along the road to success. With her very first foray into entrepreneurship (pre-cannabis), she offered a business partner 50% ownership right off the bat.

“THEY HAD THE MONEY AND I HAD THE IDEA AND A BEAUTIFUL PITCH DECK. I HAD AUTOMATICALLY ASSUMED THAT IF I DIDN'T HAVE THE MONEY, I WOULDN'T BE ABLE TO EXECUTE THE PLAN. I HADN'T TALKED TO A LAWYER OR AN ACCOUNTANT BEFORE GIVING UP THAT EQUITY. IT WAS THE BIGGEST MISTAKE OF MY LIFE.”

~ **Khadijah Adams,**
Vice President of the Board of C.E. Hutton

She later learned that attorney fees are negotiable and that there are many lawyers out there. You can pick and choose who you decide to do business with. Free consultations allow you the opportunity to ask questions before diving in.

Nowadays, Khadijah gets her ducks in a row first. She starts with setting up an advisory board, which includes an attorney, a CPA, and someone who is familiar with or who has successfully run the type of business she is trying to set up. This helps her make sound financial decisions and helps assure that her idea is one the market needs.

6 TCC works towards creating a pathway to help more minorities get into the legal cannabis industry. <https://womenincannabis.study/>

Sue Taylor

Sue Taylor is the Executive Director of [Farmacy Berkeley](#). Originally from Louisiana, "Mama Sue" is a former Catholic school principal.

Now, fifteen years out of retirement, she is bringing cannabis to [seniors in Berkeley](#), California.

SHE SHARED TWO PIECES OF ADVICE:

“FIRST, FIND YOUR NICHE AND GET CREATIVE ON TRANSFERRING YOUR SKILLSET INTO THIS GROWING INDUSTRY. I WAS A PRINCIPAL AND AN EDUCATOR. NOW I EDUCATE ADMINISTRATORS, DIRECTORS OF HEALTHCARE FACILITIES, SENIORS, AND ADULT CHILDREN OF AGING PARENTS. AND SECOND, WHEN YOU ARE NEGOTIATING, BE SURE YOUR BUSINESS SENSE IS RULING YOUR DECISIONS. IN THIS INDUSTRY, IT IS EASY TO BECOME FRIENDLY WITH YOUR PARTNERS, INVESTORS, ETC. AS YOU CONTINUE THROUGH YOUR JOURNEY, ALWAYS HAVE LEGAL COUNSEL. MANY TIMES, ESPECIALLY IN AFRICAN-AMERICAN COMMUNITIES, WE GET BURNED BECAUSE WE DIDN'T HAVE LEGAL REPRESENTATION.”

~ **Sue Taylor,**

Executive Director of Farmacy Berkeley

GENDER-SPECIFIC ROADBLOCKS

The information above laid out diverse pathways to equity ownership opportunities. Now let's have a look at a few gender-specific roadblocks.

Womxn Consistently Being Awarded Less Stock Than Men

The software company Carta prepared a "[Table Stakes](#)"⁷ report about womxn and equity shares at Silicon Valley startups. Many tech startups award employees with shares, a move not dissimilar to emerging cannabis companies, which is ideal for comparison purposes. Carta's subset gathered data on equity ownership from more than 25,000 founders and 320,000 employees in over 10,000 companies in various industries in the U.S. Womxn made up one-third of the audience, but represented only 11% of the equity ownership. The report highlighted that the female start-up founders and female employees held just 26 cents of equity for every dollar held by men.

Founders are often able to establish their ownership percentages. For example, two partners may split a company 50/50 or a sole proprietor may own 100%. The picture starts to get complicated as a company grows and ownership stakes begin to get divvied up. Founders that are focused on simply getting a company off the ground or expanding a growing business might be willing to give up ownership stakes in order to bring on a critical employee.

Ownership shares, while not tangible, still have a great deal of value; unfortunately, womxn frequently lose out when the shares are handed out. According to the Table Stakes study referenced above, female founders, on average, held only 5% of company stock, whereas male founders owned 64%.

The findings of the Table Stakes report reflects the many public examples of how womxn are awarded less stock than men. One such example in a cannabis company involved a woman who moved from being a board member into the position of CEO. Her compensation included a \$215,000 base salary, an option to purchase 200,000 shares and 300,000 restricted stock units (RSUs). She had a potential \$300,000 salary. The male CEO that preceded her had received the option to purchase 650,000 shares and 500,000 RSUs, along with a base salary of \$460,000. Four months later, this female CEO left her board position and the company. The male CEO that followed her had compensation that included an option to purchase 400,000 shares and received 600,000 RSUs. His salary is \$100,000, with the ability to rise to \$400,000. His stock awards were double what she received. The table below demonstrates how both male CEOs clearly received more than the female CEO in both potential salary and options. Same role, same company, all within one year - yet completely different standards.

	MALE CEO #1	FEMALE CEO	MALE CEO #2
Base Salary	\$460,000	\$215,000	\$100,000
Potential Salary	+\$250,000 bonus	\$300,000	\$400,000
Options	650,000	200,000	400,000
Restricted Stock Units	500,000	300,000	600,000

⁷ Though this is the same report referenced above, the statistics are slightly different, as this section refers to a subset of Carta's overall cap table data.

Female-Washing The Licensing Process

Cannabis Company Compensation Comparison:

On the licensing side, some businesses may be ostensibly "female-owned," but upon closer examination there may be a handful of men running the operations and making all the decisions. Depending on the business, very few, if any, womxn

may actually sit at the decision-making table. There have been cases where womxn's names were added to licenses with their husbands,' just to fluff the gender diversity numbers. This was particularly obvious in the bidding process in Pennsylvania, where there was no oversight or accountability and applicants were simply "checking off" the gender and race diversity boxes.

“IF YOU LOOK AT ANY OTHER GOVERNMENT CONTRACTING PROCESS, IF YOU SAID THAT 70% OF YOUR WORKFORCE IS FEMALE AND IF YOUR CONTRACT WAS AWARDED BECAUSE OF THAT, THEN YOU HAVE TO WORK HARD TO MAINTAIN IT TO STAY COMPETITIVE FOR THAT CONTRACT,”

~ Shanita Penny,
Founder/CEO, Budding Solutions

There should be oversight and repercussions for businesses where the operational reality doesn't reflect the promises and obligations that were committed to on the application. Oversight has to come from the legislative and regulatory space (through audits, for example). New York is one state attempting to address these issues. They have proposed reviewing the term sheets of an agreement: if a business claims to be 51%-female owned, she/they better be 51% in more than just name.

Diversity should also not simply mean that an organization has added more white womxn to the table. As has been seen outside of cannabis, resources designed to help minority business owners are not always evenly distributed. When all "non-white males" are placed into one group of "minority business owners," you may end up with only white, cisgendered womxn receiving

those funds. There is a need to recognize and account for the nuances and intersectionality within gender and racial diversity to ensure that BIPOC womxn and female-identifying members of the LGBTQIA+ community are not falling through the cracks.

As each state rolls out medical or recreational policies, intentional efforts must be made to level the playing field. [Virginia](#), for example, is currently discussing policies for a recreational cannabis use market. They tasked the Joint Legislative Audit and Review Commission (JLARC) to include research on economic and social equity, drawing from the experiences of other states that have enacted legalization, as well as existing research on the topics. In contrast, [New Jersey's 200+ page bill](#) made no mention of social equity as a priority as it launched its [adult-use program](#). The NCIA DEIC (National Cannabis Industry Association's Diversity,

Equity, and Inclusion Committee) is available to lend expertise and resources to support legislators in crafting social equity licensing and regulatory systems. They have already offered guidance and analysis for this process in [Illinois](#).

A Word On Discrimination

Most womxn, especially womxn of color and female-identifying members of the LGBTQIA+ community, have experienced implicit and explicit discrimination during their careers. These experiences may come in the form of sexism, racism, homophobia, etc. and they impact opportunities for economic advancement. Often, womxn are sexualized or relegated to stereotypical gender roles. More anecdotes from womxn in the cannabis industry can be found in the [Gender Parity in the C-Suite paper](#) and other papers in this series *Building New Foundations in the Cannabis Industry: Creating Gender Parity through Ownership, Leadership, Boards, Pay Equality, Branding, and Capital*.

At Shanita's first cannabis industry event, she remembers speaking to a founder who was looking for brand ambassadors. She had just spent a few minutes talking about her solid career in supply chain in the Consumer Packaged Goods (CPG) industry when this founder whipped out a picture of some girls in crop tops (think: Hooters) and suggested she consider joining him as a brand ambassador to promote his products - to get her "foot in the door" in the industry. While Shanita was used to being one of the only womxn in the room, this incident certainly left her wondering, "What about our conversation about my MBA led you to think that I want to dress up in some booty shorts to be your brand ambassador?"

Situations like these may seem minor to some, but they are impactful and exhausting. They are examples of all-too-common instances of discrimination and micro-aggressions based on gender, race, and other factors - not only in this industry, but in society at large. Representative Alexandria Ocasio-Cortez embodied this message during a recent [speech in congress](#), a sobering reminder of the pervasiveness of violence and violent language against womxn, including in professional spaces.

Any challenge or new endeavor (a job, starting a business, breaking into a new industry, etc.) is made even more difficult when discriminatory comments and practices are layered on top. In fact, the American Medical Association recently [recognized racism as a public health threat](#). It is not your job as a woman, especially a woman of color, to educate people about how or why their actions are discriminatory (sexist, racist - or both)⁸, but it is important to remember that it is always your right to stand up for yourself when you choose to.⁹

Shanita Penny encourages womxn to present themselves authentically. She learned early on not to be shy, especially around topics such as equity negotiations. She highlights that she has to be constantly careful to not give off "angry black woman" energy. At the same time, she knows that in speaking up, she is advocating for herself and for those folks who don't have the privilege of having a voice. "Be loud and passionate," urges Shanita. "Don't be apologetic when you are speaking the truth."

Having worked with some powerful and inspiring womxn, particularly in fintech and supply chain roles at some of the world's top CPG and tech companies, Elise Serbaroli, lead author on this paper, has picked up some tips from other women on how they have navigated sexism and racism in business. Sarika Garg, who was born in India and raised in Africa, had a long career at SAP in Germany before stepping into leading strategic roles at various successful fintech startups in Silicon Valley. Her advice? "First, name it. It's important to have vocabulary for what happened. Second, try to have empathy for the offender. None of us is perfect and it can be a learning moment if we come at the situation with empathy. Third, never let that person's incompetence hold you back from achieving success. In other words, don't let them turn you into a victim of their limited world view."

⁸ If you have been called out for a sexist or racist comment or action and you are confused because you didn't intend to hurt that person, a good starting place for trying to understand what happened might be in reading "So You Want to Talk About Race" by Ijeoma Oluo.

⁹ Oluo, Ijeoma. (2018). So you Want to Talk about Race. Seal Press.

Getting There

The objective of this paper has been to empower the readers with an understanding of pathways towards equity ownership in cannabis.

Our [toolkit](#) offers readers more details on this list of specific actions towards achieving gender parity in equity ownership in the cannabis industry:

- KEEP A SOLID NETWORK OF LAWYERS AND ACCOUNTANTS!**
- NEGOTIATE LIQUIDITY EVENTS!**
- NEGOTIATE EQUITY OWNERSHIP!**
- RESEARCH STOCK AMOUNTS!**
- KEEP ASKING QUESTIONS!**
- DON'T UNDERMINE YOURSELF!**
- READ ABOUT OTHERS IN THE INDUSTRY!**
- NETWORK!**
- DO YOUR PART!**



CONCLUSION

We hope that this paper has expanded readers' ideas of how we, as an industry, can achieve gender parity in equity ownership. The studies quoted in this paper have demonstrated that womxn are consistently given less equity in companies, despite valuable contributions that should lead to larger stakes. These authors would like to see founders and investors respect percentages and commit to giving womxn the ownership shares they deserve. We call for existing companies to find pathways towards opportunities for equitable division of ownership within their companies.

Fighting for your piece of the pie can be uncomfortable. Unpleasant confrontations or accusations of aggressiveness when fighting for ownership shares often results in womxn agreeing to smaller shares. Amid the excitement of building a company or taking on a new role, it may be tempting to accept less ownership than you deserve. Ownership shares may feel like an intangible item, but the power of those shares goes beyond a line in a contract. There have been too many examples of womxn giving up their stakes in an attempt to push their companies

forward, but the results can be long lasting and negative. Seek advice for compensation packages and NEVER underestimate your value.

Right now, there is a substantial gender gap in ownership and, as the 2019 Table Stakes study points out, *"due to the amount of wealth created by private company ownership—and the **inclination to hire people like yourself**, from your own network—the impact of the gender equity gap ripples through our economy and will continue to perpetuate itself."* By this same concept, more female owners will result in more female leadership and, thus, more womxn investing in other womxn. Khadijah Adams warns, *"As womxn, we have been systematically brainwashed to believe that there is only enough space in the room for one of us. Beware of the "crabs in the bucket" mentality. Empowerment means writing a check, supporting, uplifting one another."*

The cannabis industry as a whole is filled with entrepreneurial thinkers and has an opportunity to achieve gender parity in equity ownership. Equitable distribution of shares for management teams and influencing your own compensation packages are impactful issues, well worth fighting for. The time to act is NOW.



PATHWAYS TO EQUITY OWNERSHIP IN THE CANNABIS INDUSTRY TOOLKIT

A Toolkit For Womxn In Cannabis By Womxn In Cannabis



THE
ARCVIEW
GROUP



Pathways to Equity Ownership in the Cannabis Industry

A Toolkit For Womxn In Cannabis By Womxn In Cannabis

The objective of this paper has been to empower the readers with an understanding of pathways towards equity ownership in cannabis. This toolbox is a non-exhaustive list to guide readers in taking specific actions towards achieving gender parity in equity ownership in the cannabis industry. Keep learning, growing, and dive right in!

KEEP A SOLID NETWORK OF LAWYERS AND ACCOUNTANTS!

- Khadijah shared, "If I could go back and advise myself, step one would be getting a CPA in place beforehand and having that CPA run my numbers. A CPA could have saved me from giving up 50% of my company, and they will help you value your company before you go to investors."
- Shanita recalls that, often, her lawyers had to email individuals or entities to keep certain deals and conversations from getting out of line. Every agreement should be in writing. You have to protect yourself, including keeping an eye out for anything that seems "too good to be true."
- One place to start looking for legal counsel might be the [INCB](#) (International Cannabis Bar Association), which, among other activities, hosts a month-long Cannabis Law Institute each year. These seven womxn came recommended to us and cover various aspects of cannabis law across the US:
 - [Scheril Murray Powell](#), [Bryna Dahlin](#), [Lauren Rudick](#), [Shabnam Malek](#), [Amanda Conley](#), [Andi Goldman](#) and [Emily Burns](#)

- If you don't have expertise in one area, you don't have to reinvent the wheel. Hire a consultant who can fill in those knowledge gaps.
 - Shanita Penny, Consulting and Management Services <http://www.buddingsolutions.net/>
 - Khadijah Adams, business empowerment coaching and consultancy <https://www.khadijahadams.com/>

NEGOTIATE LIQUIDITY EVENTS!

- If you lose the company you founded or lose your position through no fault of yours, you should be able to monetize that stock. Negotiate a liquidity event in case stock units or options become a bargaining chip in the contract. Instead of sitting for years collecting dust with the potential that the company could go out of business, request a tender offer be entered in your contract. This allows a woman to sell her stock back to the company and reap some of that compensation left on the table.

NEGOTIATE EQUITY OWNERSHIP!

- Almost everything in business (and in life!) is negotiable. From an investing perspective, when you are considering entering a partnership-type situation, your first question should be, "what is the value of the company?" Once you know that, you can better evaluate what the founders are asking for and you can better calculate what an appropriate equity % should be. For example, a founder may ask for \$25K investment in exchange for 2% of the company. The investor might say, "I'll give you \$25K, but I want 6% of the company." The answer to that offer will depend on how badly the founder needs that \$25K. The investor might also offer \$25K plus time (for example, two hours a month as an advisor) in exchange for 6%. Some investors don't want to be the first investor and may only want to get involved once the founders have Letters of Intent (LOIs) in place from other investors.
- If you are someone that is trying to gain ownership in a company and don't have extra cash lying around, get creative on the skills that you bring to the table. Contrarian Thinker [Codie Sanchez](#) shares ideas on how "Sweat Equity" can also be quite lucrative.

- Be smart about who you are accepting offers from. You can easily lose control of your company, especially when large offers are on the table. Be sure to consult legal counsel and try to find investors that align with your company values and long-term goals.

RESEARCH STOCK AMOUNTS!

- When accepting a job offer, research the stock amounts that previous employees received for the same job. If it isn't available in securities filings, ask the company to provide this information while negotiating for the job.

KEEP ASKING QUESTIONS!

- Here are a few starting questions to ask while you are negotiating equity as an employee:
 - What percentage of the company's equity am I getting? (Raw numbers may not mean much since some cannabis companies issue thousands of shares at the drop of a hat.)
 - How do you decide how many options each employee gets? (Not having a system in place may be a red flag.)
 - Will you be able to sell your shares before the company goes public?

Ask about vesting schedules and acceleration triggers (i.e., what happens to your shares if the company is acquired?)

DON'T UNDERMINE YOURSELF!

- Here's a gmail plug-in that warns you when you write emails using words or phrases like "I'm no expert" that undermine your own message and your own intelligence or experience.

READ ABOUT OTHERS IN THE INDUSTRY!

Here are just a couple of example of inspiring stories of Womxn Leaders in Cannabis:

- [Helkin Berg, CEO of Strimo](#)

- [Wanda James, the first black owner of a cannabis dispensary in Colorado](#)
- [5 Women of Color Taking Back the Cannabis Industry](#)
- Check out the other papers and related toolkits in this series:
 - [C-Suite](#)
 - [Board Representation](#)
 - [Access to Capital](#)
 - [Pay Gap](#)
 - [Product Development and Branding](#)

NETWORK!

- Learning from others is invaluable. Check out the [C-Suite toolkit](#) for links to womxn-centric networks, including networks for womxn of color in the cannabis industry.

DO YOUR PART!

- There are many ways to continue to support the path to an equitable and inclusive industry for all. There is an effort to document and quantify the stories of womxn working in cannabis, CBD, and hemp. This groundbreaking study involved over 900 completed quantitative surveys in three countries, covering 100+ data points. Visit <https://womenincannabis.study/> to learn more and to support this effort!

