



NEW YORK STATE SENATOR

Gustavo Rivera

Senators Krueger and Rivera's Statement on Concerns Regarding the NYS Cannabis Social Equity Fund

GUSTAVO RIVERA June 12, 2024

| ISSUE: **CANNABIS, SOCIAL EQUITY, OFFICE OF CANNABIS MANAGEMENT (OCM)**

State Senators Liz Krueger and Gustavo Rivera issued the following joint statement in response to reports of internal concerns regarding the operation of New York's Cannabis Social Equity Fund.

"After reading the in-depth article "State Cannabis Officials Repeatedly Raised Alarms to Hochul's Team Over Private Equity Loan Deal, Internal Emails Show" by Rosalind Adams in The CITY, we believe New York State must cease issuing loans via the Chicago Atlantic "sweetheart deal," the Inspector General must begin a thorough investigation, and the CAURD licensees trapped in these predatory deals must be made whole.

"The details revealed through this article show why oversight of contracts, where private contractors stand to make staggering profits off of public endeavors, must be subject to transparency and public reviews. Our state is still grappling with the resignation of Chris Alexander from the Office of Cannabis Management (OCM) and the disappointments that we've experienced with the marketplace rollout. We also deserve answers about the unsettling pattern of unheeded warnings by agency officials about the clearly predatory loan agreements made by the Dormitory Authority of the State of New York (DASNY) and Chicago Atlantic. CAURD licensees dealing with the Cannabis Social Equity Investment

Fund faced an impossible choice. They could either enter the market without financial support or sign a deal that offered zero control of design, buildout, or auxiliary costs with loan amounts that ballooned beyond realistic revenue projections. We must take action to redress these loan agreements with CAURD licensees who were preyed on by this fund's unscrupulous activities.

"THE CITY's story even noted that the OCM's own legal counsel discussed her concerns about the high likelihood of defaults that the state would be on the hook for. This was an issue that we already questioned the new DASNY president about at his confirmation hearing. It is egregious that DASNY used its approval powers to outbid licensees that had secured their own location and were working with OCM to start their business. This severely dilutes the ability of cannabis business owners to trust the agencies regulating them.

"What this story describes is not a social equity fund. We must get to the bottom of this."