

Thinking Outside the Bud

Episode 415 - Annu Khot

<https://www.thinkingoutsidethebud.com/podcast/bridging-equity-a-journey-through-cannabis-entrepreneurship-with-annu-khot>

Bridging Equity: A Journey through Cannabis Entrepreneurship

Tune in as Annu Khot shares her journey, challenges faced in the cannabis business, and insights into the evolving market dynamics. Emphasizing social equity, Annu shares her experiences employing individuals from impacted communities and explores efforts to rehabilitate those with cannabis-related convictions. The episode concludes with a forward-looking perspective on the industry's future, addressing product trends, regulatory changes, and the need for more research and education. Don't miss this insightful exploration of the multifaceted cannabis landscape.

Annu Khot is an award-winning Founder, CEO, and Innovator who is transforming the cannabis industry to foster greater inclusivity and benefits for all. Driven by a commitment to acknowledge, value, and empower every individual, Khot is on a mission to bridge societal divides, create economic opportunities for underrepresented communities, and enhance well-being.

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EPISODE TRANSCRIPT

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Bruce Eckfeldt

Welcome, everyone, this is thinking outside the bud. I'm Bruce Eckfeldt. I'm your host, our guest today is a Annu Khot. She is a founder of a cannabis company and a license holder in Illinois. She's also a lawyer, she was a tech entrepreneur and her background, excited for this conversation not only to kind of hear her story as a founder and really kind of having been in other industries and getting into cannabis, kind of what she's learned and the differences that she's seen there, but also as a social equity holder, license holder, really kind

of understanding like, where are we in this whole kind of effort to bring in equity back into cannabis, given the history, given the situation that we've been in over the years, and really trying to open up this industry and make this work, not only for everyone in general, but for some of the people that were really harmed by a lot of the policy around cannabis and drugs in general, and kind of hearing where you are, and where we need to go, and maybe what some of the things need to change around this. So with all that a new welcome to the program.

Annu Khot

Thank you. And thank you for having me, do podcast girls, and who would know that one day I would be a guest at Thinking Outside the Bud.

Bruce Eckfeldt

Before we kind of get into the cannabis stuff. I always love to just kind of get a backstory kind of understand how people got to where they are today. Tell us a little background. You've had a couple of different experiences professionally. What was the journey? What got you here? Give us the story. Yeah,

Annu Khot

sure. So I always talked my story with the fact that I'm an immigrant to the United States, I came to America around 2008. And marriage was the reason why I came here. And new country, new marriage and new career. So I had to start everything from the beginning to a point where I had to unlearn and relearn a lot of skills like driving, understanding American English, let me tell you, it's very different from that I was used to back in some of these be British English, they're so understanding basic terms. So it was a new life for me altogether. And when you are in that kind of a situation in life, you are in a survival mode most of the time. And whatever was needed to be done. During that point of time, I did that I didn't have a choice. The only thing I had was to show up every day, and I embraced it. 100%. And that's how I view. So my husband had already started a tech company back then I decided to join him. And that was a great learning experience. I was like doing an online MBA,

Bruce Eckfeldt

then and there. Yeah, exactly real time. Like nobody prepares

Annu Khot

you for marketing. Nobody prepares you for negotiation. Nobody prepares you for systems. And thinking, you know how you learn mean and mean operation. Nobody prepares you to audit your books. So everything was new. And I had no other choice. Let me just put it in no way. Learn it and embrace it and your next step that light. So that was my backstory, how I got into entrepreneurship and how I learned the ropes in the business. So from a one venture tech to another venture real estate and cannabis is my third venture. So here I am with three different ventures.

Bruce Eckfeldt

I guess tell us how you got into cannabis. Like why cannabis, just pure business opportunity? Was there more to it for you? What happened there?

Annu Khot

Both I would say both, it was just maybe the right time and right spot being in there. So before of 2014, when Illinois became medical, few of my family members went through life threatening diseases. And I come from a society where alternately were encouraged to use alternative medicines since we were kids. Even if you had like a simple cold or a cough or a fever at home, we were encouraged to use home remedies, then you know, getting pharmaceutical medication. So that practice was so ingrained in our system that you know, when we were faced with a lot of life challenges in America, I felt that I do not have that trip was what I used to have back in India. And cannabis, let me tell you is culturally celebrated in our society in India, you have a day dedicated where we drink something called Pong, which is an amazing cocktail. Let me tell you, if you ever get a chance, please do that. And we celebrate that day. And cannabis is known to have a lot of medicinal and positive benefits and effect on patients. So that journey led me to the legacy market in Illinois, and I made friends. And I bought good products from them. And that was how I was able to help my family members. And when I saw an opportunity in 2014 that the state was becoming medical. We did six rounds of applications. We didn't win any other point of time. I was very impressed. I thought that you know, I had all the skills and the knowledge but clearly the timing was not favorite at that point of time. And again in 2019, where the state decided to become a eu. We did another round of applications and here we are with our flagship store in Parkland.

Bruce Eckfeldt

Yeah, but then tell me a little bit about what that journey has been like from a business point of view. So once you got the license, you know, what were the next steps? Like how have you kind of expanded to get to where you are today.

Annu Khot

So nobody prepares you for cannabis industry. business experience are, you know, entrepreneurial spirit of whatever you bring to the table, nothing prepares you for what you're going to learn and what you're going to absorb in this industry. And the same was for me as well, I was very naive, I would say when I stepped into this industry, and Like others, I also did my projections, which were all wrong roofs, nothing. was not very basic things like I didn't take into account that, you know, my wall door would cost me \$13,000. Did I account for that? No, I didn't account for that. So there were so many hidden expenses, things like you know, I wanted to buy my own real estate. And I didn't know that there was a commercial real estate and there's something called cannabis real estate, which everything is three times when it comes to cannabis. And Monday, we were fortunate to be the first five companies who were cleared for cannabis real estate lending by Credit Union Bank and but didn't get lending, which was a positive side. But let me tell you, that took me a year to secure that lending. And for that lending, I had to put in front 18 months of mortgage as in escrow and 150% of my construction costs. So nobody prepares you for all these surprises. Okay. Yeah. And this is purely just capital that I'm talking about. Okay, which is one of the biggest hindrance that this industry has seen. Other challenges are, you know, people and culture and trying to streamline between corporate and retail leadership, trying to figure out, you know, an educated consumer about the benefits of cannabis. Marketing is a big challenge. People are still trying to accountants are still trying to figure out, you know, now that Illinois is little bit more towards, you know, having exceptions for 280 E. Do you know, what are those items that are being? It's still not clear. So everybody's trying to figure out, you know, and it's a hit and miss thing that, you know, that we are seeing in this industry, because there are no blueprint, there is no pathway for doing things in the right way. It's still a very niche, a new industry. And I think we are the ones that are going to build history going forward. Yeah.

Bruce Eckfeldt

What I guess, how have you, Illinois is limited licensed state from I understand if I remember, rightly, I guess, how do you look at your situation and kind of dynamics in your state and how this market is played out there? Versus other states? I mean, do you feel like you're in a better situation more challenging situation? Like, where do you see kind of the differences in structure and dynamics in some of these industries in some of these states?

Annu Khot

No, absolutely. I'm glad that you brought up the topic, because limited license does make sense when it comes to anything. And that's how I have always operated when it comes to you know, doing business in other state, I would look into the population I will look into if the licenses are kept or not. And then into the market because tomorrow if it's not a cap market, I don't want to go and open a dispensary where other dispensaries next to me that's going to, you know, kill me as a business. I mean, to 80 as it is, it's not anything good for retailers, you know, on top of that, having no cap market and that state is gonna kill all the business. It's not favorable, you know. And that's something basic that I believe everybody who wants to get into cannabis retail should know, you know, before they get into any state, even if that business makes sense or not, considering that Illinois has done a good job in capping licenses in their legislation. But the fact is, it's a very controlled market. Where you have you sell a ton of flour for \$300. In California, we do it for 3000. Here. Yeah, so you'll see the difference. And you'll see, we only have common 24 contributors, you know, including the small crab growers in terms of product. So you have to depend on them, you have to depend on that business. But the fact that, you know, we're still a very viable market compared to others in the non still very lucrative, only because it's, you know, it's kept and controlled and regulated.

Bruce Eckfeldt

Yeah. And it gets to be a little bit about how that dynamic is with your with the cultivators and the processors. I mean, you know, given the limited options, is there some level of competition is this kind of hardwired and you kind of have to take what you can get, I mean, I'm curious about the market dynamics downstream for you. So cannabis

Annu Khot

sells itself is the products are well loved and well received. We do have social equity crop growers and we display their products. But if you ask me and if I can give you headset data today, my top three categories are flowers, prerolls, and V You know, those are the three that sells and people know their brand. People know what they want. They do the research. And if there is someone who's new and who are beginners in this industry, we educate them, we introduce them to other way of dosing. And that can be edibles that can be concentrated that can be beverages, medicate your people. But I'm being open for three months now. And I see that, you know, there are certain categories, and there are certain brands, and there are certain products that are just flying off the rack. No, you don't have to market them a lot. So if I have to someone think cannabis sells for itself.

Bruce Eckfeldt

Yeah. And do you think that's, I mean, I guess as you look at kind of the future of the market, I guess, Illinois, specifically, but new kind of the general kind of US market? Like do you feel like that? Or I guess do you

anticipate any kind of shifts or changes in terms of what kind of products people are going to want? Or who's going to be buying? I mean, where do you see this market going?

Annu Khot

So one of the recent conversation that I've heard in the industry, specifically from people, I call them the second tier of entrepreneurs, I'm not answering the ones that were already established back from 2014 to 2019. But the new license holders that have come after 2019 is the fact that a lot of them are getting interested in delta delta nine products. Yeah, okay, the hemp based products, and I don't blame them. Because end of the day, it's business, right. And if having THC product can only give you certain amount of profit, businesses still need to sustain. So I see a lot of interest, a lot of curiosity, and having hemp infused products and delta eight products in their dispensaries are having a brand in that area. So that is something that I think it's going to become a trend in Illinois.

Bruce Eckfeldt

Interesting. And do you think, I guess what's your take on the regulatory kind of future of that? Do you think? Do you see that being kind of brought into the regulatory framework? Or do you think that will continue to exist under kind of the hemp framework in the future,

Annu Khot

so I believe southern states are opening up, okay. And I'm not sure how the balance between the legal cannabis industry and their, you know, parallel industry is going to work out. From business point of view, it makes sense to sustain in the industry, because it's not hit by 280. And there are, you know, and have a manufacturing unit where you can do cross border transaction, and it gives the same effect to people. Okay, so from business point of view, I'm not going to speak from a consumer point of view, because, as a consumer, myself, I would stick to my wild and whatnot. Okay, from I'm not a big fan of debate products, I'll be honest with you. But from business point of view, if businesses have to sustain they have to diversify and do whatever it does needed to sustain in this industry.

Bruce Eckfeldt

Yeah. How about some of these other categories, like beverages, and, you know, some of these other kind of concentrates, you know, kind of new form factors and things like that? I mean, do you see these things kind of taking hold? Do you see, you know, a real future in some of these categories? Do you think there's just going to be different consumers with different desires and needs? Or is this going to cannibalize some of the other products that you have? So from

Annu Khot

the geographical area that we are situated? And from the marketing data that we have? I see beverages are a biggest hit with the Gen Z population? They don't want to drink. They don't want to consume alcohol. So it's becoming very popular with people who do not want to consume alcohol. And they see a future in there.

Bruce Eckfeldt

Yeah, no, that makes sense. Yeah. It's interesting to kind of see what the product side and I'm not sure what the licensing side in Illinois as for some of these consumption lounges, and kind of these new form factors, if that's something on your radar, as you look at kind of the development of the market, their consumption

Annu Khot

Lounge is still very new. It only makes sense for I think, bigger businesses. If you ask me if I'm going to open a compound right now. I don't see profitability yet. With that factor, up only speaking from as a business owner from social point of view, yes, we need more consumption lounge where people can hang out consume cannabis safely and not feel the stigma. And we need those are also biggest advocate of having a museum of cannabis in Chicago. Well, we don't have that yet. Oh, interesting. Yes. And we should have that way. We should tell people, the history of cannabis and you know, what it took for a lot of people to get to where we are today.

Bruce Eckfeldt

Yeah, let's talk about that and kind of get in some of this kind of the history and the social equity side and where we are in terms of, I guess, writing some of the wrongs or at least you know, adjusting policies and trying to create a more kind of fair, equitable, kind of Lingfield for folks. So your social equity license holder, tell us a little bit about that process, I guess, did you originally get into cannabis because of the opportunity for social equity, how that kind of application process has kind of went, and then how has it really played out for you in terms of giving you a real foothold into the industry.

Annu Khot

So back in 2019, when the state rolled out applications for adult use licenses, one of the criteria for being a social equity applicant was, you know, having employees from communities that has been impacted by war on drugs or, you know, it makes us that were identified by IDEA VR. While going through while reviewing the application, we as a team, we were intentional of the fact that, you know, we will be social equity by employment. And that's how our journey began. All our 18 applications were social equity by employment, where we were committed to the fact that, you know, we will hire people from disproportionate area. And the reason why we chose that was my husband and I, we have, I'll be humbled by calling it successful ventures. We have defined that enough now, you know, yes, I know, if it's defined, we are happy where we stand, we don't want. We don't want to destroy this. So that's not our definition of success. And when you define your enough, you know, and then can you have resources? What do you do with those resources? You know, you give it back to the community, you give it back to a country, who helped you realize you're American. So for us, we were super intentional, the fact that, you know, we will build a company, and we will let people run, it was our way of saying thank you to America. So that's how our entire application process was, and that is the entire basis of how our companies

Bruce Eckfeldt

got it. And so do you feel like the social equity kind of strategy of Vegas, particularly in Illinois, and I know, each state kind of has a different approach to this? Do you feel like it works? Or do you feel like it achieves some of the objectives that we set out to achieve? Where does it fall short? I'd love to kind of hear your take on kind of the program in general for Illinois,

Annu Khot

I guess, Bruce, even idea if you're wasn't prepared to see what they are seeing they're witnessing today. The intention of the policymakers very great. But where they missed out was Did they do a real life survey? And when I did get him to do inspection in our facility, I did tell them, I did share my point of view with them as well. So did you do a survey to do consider, you know, the medical dispensary that we're running? Did you do a survey that whether they were you know, financially viable? How are the sustaining, what are they doing as a

business? Because if you want social equity players to benefit from the program, I think it's a duty of the state to ensure that they are successful as business owners as well, then what's the point of, you know, rolling out licenses where today we see that, you know, most of the license holders are selling their licenses, and I do found is okay with that. Yeah. So I believe that, you know, in their entirety, very few people succeeded, and most of them, I think 60% of them are selling them licenses. Yeah.

Bruce Eckfeldt

Yeah. Which doesn't seem like which defies the entire intention of the policy. Yeah, exactly. It doesn't seem like a highly successful outcome to have people just selling licenses reselling licenses, I guess, what would need to change? Do you feel like where would you I mean, if you were on the Cannabis Control Board, and in Illinois and shaping policy here, like, what levers would you pull? Or how would you change the program to achieve some better outcomes in this space?

Annu Khot

I think we should have some government for sure. To help business come up to a point where they can successfully sustain in the long run. For me, my investment was 3 million in my dispensary. And I could do that, because I have two other ventures when I was able to borrow money from Yeah, and it was expensive business model, which I wasn't prepared. But I had to do. I had my skin in the game.

Bruce Eckfeldt

Yeah, exactly. So how does someone else do this? I mean, if you're a social equity applicant, and you get a license, that seems like 5% of what you need, then you need a whole bunch of capital, you need real estate, you need like a, I guess how have other social equity license holders that have to maintain their license or have control their license, what have they done, right? Or how have they managed to do it?

Annu Khot

So most of them partnered with somebody who had funding. Okay, so they either department were established business owners, they partnered with people who had money who wanted to get into cannabis industry. So people found their way we are now and that way was to figure out a source of capital. That was the only way you know, starting up your business in the state, and most of them who couldn't find funding have resorted to selling their licenses. And that made money for them, and which is okay, you're getting something out of it. But the entire idea was defeated when you wanted communities who were impacted by drag on words to, you know, have their own livelihood, be a part of the economic of cannabis and be a part of the mainstream business. So that entire purpose was defeated and as a social equity license holder, and I can clearly see why it happened.

Bruce Eckfeldt

So you are employing people who are disproportionately affected by, you know, policy and war on drugs. And I mean, I know that there's many efforts out and we've had several people on the podcast kind of talking about some of these efforts around trying to work with people that have been incarcerated because of cannabis related crimes and getting their sentences ended and getting them out getting records expunged, like where are we, in some of this process? And, you know, it feels like a little bit of a social equity problem. Okay, great. So we get them out of prison, and we expunge the records. But then what, actually, how do we help them actually get back onto their feet and engaged in you know, not only in cannabis industry, but society in general?

Like, what have you noticed? Or I guess, what's been your experience in that process, and what's working and what's not working in there.

Annu Khot

So when I was getting involved in cannabis industry, and I was getting to know about maybe a nonprofit organization that are doing their part, but somewhere on the policy level, where they were fighting with the federal and the state to change the entire, you know, worldview of cannabis, and then there were people who were actually helping prisoners get out of jail. And then I was I felt that, you know, what are we doing with these people? You know, once you get them expunged, once, you know when we will make sure that you know, the judges are not on the record? How are you rehabilitating them back in the society are we accepting back in the cannabis industry, so I partnered with a nonprofit out of Chicago, and they called amplify Chicago, where they did their first cohort with Illinois women in cannabis. And they got a team of 15 to 20 women, and they train them to be bartenders. And these women came from those communities, where they either their parents, their siblings, or their husbands had charges. So that was a really amazing effort that I saw in the state of Illinois, I'm not aware of any other programs. So there might be more around us. But I was really elated with the fact that here is an organization that's actually making an effort to upskill and level these women, so that they can be hired in the industry. And we were one of the first dispensaries to approach them to hire their candidates. I had my team of recruiters and HR, to train them to write their resumes to spend time with them to coach them on interview processes, and generally knowledge about the cannabis industry. So we are seeing a lot of effort being made to rehabilitate these people. But I would encourage more dispensaries to open up the fact that, you know, I think communities like this should have preferential rights, or employment the first right, job and cannabis industry. Yeah.

Bruce Eckfeldt

Are there any kind of metrics or anything that you would use to kind of define success in this space? Yeah, I'm curious what success looks like from your point of view in terms of actually addressing some of the social equity issues and historical issues, and trying to kind of help the cannabis industry, you know, become a thriving sustainable industry, like where, what for you would be a good set of metrics or success criteria there.

Annu Khot

I'm championing cannabis usage in every level in ownership and usership, and education. And that is my definition of success in this industry where you know, if I can educate one consumer a day, if I can help give job opportunity to a person, or where I can create more leaders around me that is my definition of success in this industry.

Bruce Eckfeldt

Yeah. Anything that you're looking at in terms of just kind of the regulatory legal structure? I mean, I know we've had talks of trying to reschedule the DEA schedule cannabis on a federal level, there's been various kinds of state efforts to create some, you know, interstate commerce, you know, authorizations to be able to move product between states and stuff, some efforts to try to correct to ad E and some of the safe banking acts like what are the things that you are kind of paying attention to that you think would really kind of helped your business or helped the industry and which are the ones you think are really important and any sense of likely or I guess, what are you banking on or not banking on at this point,

Annu Khot

so definitely rescheduling would help in the long term and rescheduling will generate a lot of investor interest in our state. When we feel that, you know, people don't want to get a deal in a market because it's highly regulated. And they don't see a lot of profit margin here. That definitely will probably become a catalyst to unsafe backing, I assume. And one thing that I really would want to see is more research and development in cannabis industry where we don't have data to speak about brands and products, you know, the fact that it's very limited resource for anyone to educate themselves on the effects of cannabis. So I really would want to see a lot more r&d in this industry. And also the fact that you know, cannabis education is limited to community colleges. We want it to be a university degree we want to promote cannabis education on a higher level where you know, our students can opt and get educated in this industry. So that is something that I

Bruce Eckfeldt

know, I know this has been a fun conversation. It's been great to hear your story and learn a little bit more about the Illinois market and where we are with cannabis there. If people want to find out more about you more about the dispensary. What's the best way to get that information? Thank

Annu Khot

you. It was fun as well. Ruth, our Instagram handle is enjoys OCL and our LinkedIn handle is a sociology dispensary. You can also visit our website [www dot sociales dispensary.com](http://www.socialdispensary.com) And I'm available on LinkedIn as a no code and my email is a K H O T and [social dispensary.com](mailto:socialdispensary.com) Happy to answer any questions.

Bruce Eckfeldt

Amazing. I'll make sure that all that information is in the show notes. And you thank you so much for taking the time today. It's been a pleasure.

Annu Khot

Thank you so much Bruce for having me. It was a pleasure as well.

About Eckfeldt & Associates

Eckfeldt & Associates is a strategic coaching and advisory firm based in New York City and servicing growth companies around the world. Founded and led by Inc. 500 CEO Bruce Eckfeldt, E&A helps founders, CEOs, and leadership teams develop highly differentiated business strategies and create high-performance leadership teams who can execute with focus and rigor. Leveraging the Scaling Up, 3HAG, and Predictive Index toolsets, the firm has worked with a wide range of dynamic industries including technology, professional services, real estate, healthcare, pharmaceutical, and cannabis/hemp.

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