



MEMORANDUM

TO: Cannabis Regulatory Commission Board
FROM: Jeff Brown, Executive Director
SUBJECT: Consideration of Conditional Conversion License Applications
DATE: December 2, 2022

EXECUTIVE SUMMARY

On August 19, 2021, the Cannabis Regulatory Commission (herein referenced as “Commission” or “CRC”) adopted rules pursuant to P.L. 2021, C.16 which established the licensure process for cannabis businesses and testing laboratories. N.J.A.C. 17:30-6 through 7 outlines the application process and requirements for both conditional license applicants and annual license applicants. The rules also include the eligibility requirements and limitations for Social Equity Businesses, Diversely-Owned Businesses, and Impact Zone Businesses.

This memo outlines the process and recommendations concerning 6 applications for conditional license-holders applying to convert to an annual license. These conditional conversion applications, which include 4 Class 1 Cultivator applications, 1 Class 2 Manufacturer application, and 1 Retailer application have been reviewed, scored, investigated, and are recommended for an annual license award by the CRC Staff.

Pursuant to rules on cannabis business licensure, the CRC issued a Notice of Application Acceptance (“Notice”) on November 9, 2021, which outlined the specific criteria for each application type and the dates on which the CRC would begin accepting applications. The Notice of Application Acceptance also outlined the specific priority by which applications would be reviewed by the CRC.

On December 15, 2021, the CRC began accepting applications for Class 1 Cultivation, Class 2 Manufacturing, and Testing Laboratory licenses.

On March 15, 2021, the CRC began accepting applications for Class 5 Retailer licenses.

For data on the types of license-applications received to-date and review progress, please refer to the Executive Director’s Report.

Pursuant to the Notice of Application Acceptance, Conditional Conversion Applications receive priority review ahead of Annual License Applications. Conditional conversion applicants need to show they have municipal approval, site control, and have submitted all the required standard operating procedures and other application materials required by the Notice of Application Acceptance and CRC Regulations. In order to be approved, they also must be



cleared by the CRC Office of Compliance and Investigations and deemed qualified to hold a license.

All 6 applications before the Commission today have passed scoring to receive a license award, have submitted all required documents, and have been deemed qualified to hold a license pursuant to N.J.A.C. 17:30-7.11. **These conditional conversion applications are therefore recommended for approval for conversion to annual licensure.**

AUTHORITY

N.J.S.A. 24:6I-35(a)(1) provides that the Commission shall adopt rules and regulations, which include the procedures for the application for a license or conditional license to operate as a cannabis establishment. N.J.S.A. 24:6I-35(a)(4) requires the incorporation of the licensing social equity goals established by the Office of Minority, Disabled Veterans, and Women Cannabis Business Development. N.J.S.A. 24:6I-36 provides the Application process for a conditional license to operate a cannabis establishment. N.J.S.A. 24:6I-36(e) requires the Commission to prioritize applications on the basis of impact zones to advance social equity goals.

The governing regulations at N.J.A.C. 17:30-6.1(c)(2) state that the Commission shall provide notice of the initial acceptance of license applications in the New Jersey Register, on the Commission website, to the Commission email list, and at a Commission public meeting.

The governing regulations at N.J.A.C. 17:30-6.1(d) provide that the Commission shall review, score, and approve conditional and annual cannabis business license applications and issue licenses to applicants that receive a full score or greater, and shall have the full authority to establish the priority by which conditional and annual cannabis business license applications and applicants are reviewed, scored, approved, and issued, such that: 1. Social equity businesses, diversely owned businesses, and impact zone businesses always have priority over other license applicants; 2. Conditional license applicants always have priority over annual license applicants; 3. Microbusinesses license applicants always have priority over standard cannabis business license applicants; 4. License applicants given bonus points pursuant to N.J.S.A. 24:6I-36.d(2) have priority over license applicants with no bonus points; and 5. The priority of the review, scoring, and approval of license applications and issuance of licenses is consistent with meeting the market demands of the state, the Act and this chapter.

Conditional license-holders must submit a conditional conversion application pursuant to N.J.A.C. 17:30-7.8 and be deemed qualified to hold an annual license pursuant to N.J.A.C. 17:30-7.11 in order to be approved by the Commission. This includes being cleared under a criminal history background check conducted pursuant to N.J.A.C. 17:30-7.12. License-applicants, including owners, principals and other persons of interest may be investigated for probity pursuant to N.J.A.C. 17:30-7.13.



BACKGROUND AND OVERVIEW OF LICENSURE PROCESS

For background information and an overview of the CRC's Licensure Process, please refer to Attachment A.

REVIEW PROCESS OVERVIEW: CONDITIONAL CONVERSION LICENSE APPLICATIONS

To review conditional conversion license applications, the CRC has developed an application review process that aligns with the authorizing statutes, the CRC's regulations, and the Notice of Application Acceptance.

Conditional Conversion Applicants must be Conditional License-holders, and will need to have been issued a Conditional License pursuant to N.J.A.C. 17:30-7.2 prior to submitting a Conditional Conversion Application.

The process for Conditional Conversion Applications includes the following chronological steps:

1. **Priority Assignment** – Applications are assigned to their relevant priority level based on responses to questions on the application. This assignment occurs for all applicants after they submit their applications into the licensing system.
2. **Priority Verification** – Once assigned a priority, the applications are then reviewed to ensure the applicant has submitted the proper documentation to support their priority assignment. If they have submitted the documentation, they remain in queue to be reviewed. This includes a review of any materials submitted to qualify as a Social Equity Business, a Diversely-Owned Business, or an Impact Zone Business. If they have not submitted proof to back up their priority designation, the application is marked for rejection and curing.
3. **Completeness Review** – Applications are reviewed for completeness to ensure everything required by the Notice is included in the application. If an application is deemed incomplete, it is marked for rejection and curing.
4. **Scoring** – Applications that have been deemed complete are then scored in accordance with the rubric in the Notice for Conditional Conversion Applications. If an application does not score high enough it is rejected and the applicant may cure and resubmit the deficiencies.



5. Limitations, Financial/Management Agreement Review – Following scoring, conditional conversion applications that have passed all mandatory measures are then reviewed to ensure they are compliant with:
 - a. N.J.A.C. 17:30-6.8 (Limitations on license holders, owners, principals, pass investors, financial sources, management services contractors and vendor-contractors);
 - b. N.J.A.C. 17:30-6.9 (Management services agreements); and
 - c. N.J.A.C. 17:30-6.10 (Financial source agreements).
6. Qualification Review – License-applicants for conditional conversion applications are then reviewed for Qualification pursuant to N.J.A.C. 17:30-7.11. This includes a criminal history background check (N.J.A.C. 17:30-7.12) and probity review (N.J.A.C. 17:30-7.13).
7. Quality Control – Any application that is deemed eligible for approval following a qualification review, is then given a quality control review to ensure that the determination is accurate.
8. Recommendation to the CRC Board – Applications that pass a quality control check are then recommended for approval to the board.

If an application is deemed incomplete, fails scoring, or is missing information required to qualify for priority designation, it is rejected and returned to the applicant to amend (“cure”) and resubmit. When an applicant resubmits, the application is placed in line for review again in accordance with its priority designation and the time at which it was resubmitted (“first in time”).



RECOMMENDATION

This recommendation is for the approval of 6 conversion license applications, including 4 Class 1 Cultivator applications, 1 Class 2 Manufacturer application, and 1 Retailer application. These applications have been reviewed and passed every step of the process.

| No. | Applicant ID | Applicant Business Name | License Type | Business Category |
|-----|--------------|------------------------------|--------------|-------------------|
| 1 | 2280 | Eastern Tiger LLC | Cultivator | Standard |
| 2 | 2157 | The Fireplace New Jersey LLC | Cultivator | Standard |
| 3 | 2281 | One Faith Wellness, LLC | Cultivator | Standard |
| 4 | 2178 | Sussex Cultivation LLC | Cultivator | Standard |
| 5 | 2288 | One Faith Wellness, LLC | Manufacturer | Standard |
| 6 | 2092 | Med leaf LLC | Retailer | Standard |

These applications have been deemed compliant with their priority designation, deemed complete, and scored for potential approval. They have also been reviewed for license-holder qualification provisions, for license-holder limitations, and any proposed financial source or management services agreements have received an initial review. They have been deemed qualified to hold an annual license following this review, probity if applicable, and criminal history background check.

CRC staff have determined that these license applications are eligible for approval by the CRC and that these license applicants are eligible convert their conditional licenses to annual licenses.

Therefore, CRC staff recommend the CRC Board **APPROVE** these applications for conversion from conditional license to annual license.

If approved by the CRC Board, these license applicants will be subject to a final inspection prior to issuance of annual license, must maintain qualification for licensure pursuant to N.J.A.C. 17:30-7.11, must submit all required fees, and once the license is issued, are subject all to the ongoing requirements for license-holders pursuant to N.J.A.C. 17:30-9. Additionally, any material changes, including, but not limited to, adding new owners, management services contractors or financial sources, following CRC Board approval must be submitted to the CRC and would require CRC review and approval pursuant to the governing regulations.