



MEMORANDUM

TO: CANNABIS REGULATORY COMMISSION BOARD

FROM: JEFF BROWN, EXECUTIVE DIRECTOR

SUBJECT: HARMONY FOUNDATION TRANSFER OF OWNERSHIP TO ILLICIT CANNABIS NEW JERSEY, LLC

DATE: [FEBRUARY 15, 2024](#)

BACKGROUND: Harmony Foundation (“Harmony”) operates an Alternative Treatment Center in Lafayette, New Jersey. The Lafayette location houses both the cultivation and manufacturing operations of Harmony.

On January 13, 2023, due to financial issues dating back several years, the courts appointed a financial custodian to Harmony by the name of Allen Wilen. Mr. Wilen determined that due to the financial distress of the company, the most prudent move was to find a suitable buyer for the Harmony business and the medicinal permits and adult use license that it held at that time.

On October 6, 2023, the NJ-CRC was notified that Harmony had found a potential buyer in a company called Illicit Cannabis New Jersey LLC (“Illicit”). Illicit then entered into a Management Services Agreement with Harmony, which was reviewed and vetted by the NJ-CRC, to take over operations of its facilities in advance of the NJ-CRC’s consideration of the transfer of ownership. Additionally, Illicit executed a bridge loan to Harmony and SBRE Realty Management which was also reviewed and vetted by the NJ-CRC, in the amount of \$5,000,000.00.

On October 27, 2023, an Order was filed in the Superior Court of New Jersey, Chancery Division of Bergen County, authorizing (1) transfer of assets to Harmony Holdings of New Jersey, LLC, (2) transfer and sale of interests and assets free and clear of liens, claims, interests and encumbrances to Illicit Cannabis New Jersey, LLC, (3) approving bridge loan and mortgage, (4) approving forbearance and subordination agreement with Secaucus Investors LLC and Secaucus ATC Realty, LLC, and (5) granting related relief.

AUTHORITY: As an alternative treatment center permit holder, Harmony Foundation must abide by the enabling statute governing medicinal marijuana as well as the implementing regulations. Pursuant to N.J.S.A. 24:6I-7(k)(2), the sale or transfer of any interest of five percent or more in a medical cannabis cultivator, medical cannabis manufacturer, medical cannabis



dispensary, or clinical registrant permit shall be subject to approval by the New Jersey Cannabis Regulatory Commission (the “Commission”) and conditioned on the entity that is purchasing or receiving transfer of the interest in the medical cannabis cultivator, medical cannabis manufacturer, medical cannabis dispensary, or clinical registrant permit completing a criminal history record background check pursuant to the requirements of the statute.

Pursuant to N.J.A.C. 17:30A-7.5, an Alternative Treatment Center (“ATC”) permit is not assignable or transferable without Commission approval, and it shall be immediately null and void if the alternative treatment center ceases to operate, if the alternative treatment center’s ownership changes or if the alternative treatment center relocates.

Pursuant to N.J.A.C. 17:30A-7.10, the fee to apply for the transfer of ownership for an ATC is \$20,000.

COMPLETENESS REVIEW: Along with several meetings held between counsel for Harmony and Illicit, the Executive Director, Chief Counsel, and Director of the Office of Compliance and Investigations, review of the following documentation took place:

- Bridge Loan contract
- Management Services Agreement
- The October 27, 2023, Court Order
- The Certification of Allen Wilen, Custodian
- The Certification of Zachary Davis
- The Order Removing Mr. Brodchandel as President and CEO of Harmony
- Illicit Cannabis New Jersey’s Entity Disclosure Form
- Personal History Disclosure Forms for the following Illicit members:
 - o Nathaniel Ruby
 - o Adam Diltz
 - o Joseph McTaggart
 - o Michael Bowman
 - o Cameron Chase
 - o Gregory Gluckman
 - o Gareth Nelson
 - o Jorge O’Campo
 - o Louie Sebald
- Formation Documents and Operating Agreement for Illicit
- Description of Long-term Debt for Illicit
- 2022 Tax Returns for Illicit
- Illicit Corporate Structure and Related Entities information
- CLEAR Reports for the above-noted individuals



An interview was conducted with the attorneys for Illicit and Harmony. Illicit was formed in New Jersey on December 9, 2021, as a subsidiary of Illicit Gardens, a cannabis business based in New Jersey. Illicit Gardens currently has operations only in Missouri at the time of investigation and sells their products in over 100 dispensaries in that State.

The suitability investigation of Illicit covered the criminal histories of the individuals that would be involved in the company, as well as an examination of court, corporate, and financial records. Illicit had not generated any financial statements related to their business in New Jersey at the time of investigation. Illicit stated that it was their intention not to make changes to Harmony's day-to-day business operations and that all current employees would remain with the company through the transfer. The New Jersey operations under the ownership of Illicit will be overseen by two owners and seven employees, and the transfer of ownership will be overseen by Mr. Wilen.

NOTE REGARDING FOR-PROFIT CONVERSION/TRANSFER OF ASSETS: In September of 2020, Harmony Foundation was approved by the Department of Health to transfer its assets and debts/obligations to a for-profit entity, Harmony Holdings, pursuant to P.L. 2019 c. 153. This transfer, as approved in 2020, requires that Harmony Holdings either pay-off or assume the debts/liabilities of Harmony Foundation as part of the transfer. CRC staff have confirmed with Harmony's counsel that Harmony will comply with the statutory requirements of the for-profit transfer and that the transfer will occur as approved in 2020.

RECOMMENDATION: The Office of Compliance and Investigations recommends approval for the application to amend the permits held by Harmony Foundation and authorize the ownership transfer to Illicit. All new owners and officers have been vetted as required by the statutes and regulations and have been deemed qualified to hold their positions in the medicinal cannabis market.

The Illicit review resulted in findings of no derogatory information and recommendation is made to the Board to approve Illicit as the new owner of the Alternative Treatment Center permits currently held by Harmony.

APPENDIX

N.J.A.C. 17:30A-7.5 Permit issuance; nontransferability of permit

- (a) Upon approval of the application for an ATC permit and payment of the required fee, the permitting authority may conduct an onsite assessment of the alternative treatment center to determine if the facility adheres to the Act and this chapter.
- (b) An ATC permit is not assignable or transferable without Commission approval, and it shall be immediately null and void if the alternative treatment center ceases to operate, if the alternative treatment center's ownership changes or if the alternative treatment center relocates.
- (c) This chapter does not prohibit a political subdivision of this State from limiting the number of alternative treatment centers that may operate in the political subdivision or from enacting reasonable local ordinances applicable to alternative treatment centers.

N.J.A.C. 17:30A-7.10 Fees

- (a) The following fees apply:
 - 1. The annual fee for the review of a permit renewal application for an alternative treatment center is \$ 20,000;
 - 2. The fee to apply for a change of location of the alternative treatment center is \$10,000;
 - 3. The fee to apply for a change of capacity or any physical modification or addition to the facility is \$ 2,000; and
 - 4. The fee to apply for the transfer of ownership of a permit is \$ 20,000.

17:30-9.3 Transfers of ownership interest

- (a) From the submission of a conditional license conversion application or an annual license application to at least two years after the cannabis business commences operations, a license holder holding an annual license shall not make any change to more than 50 percent of its

ownership interest, except that a transfer of the ownership interest license applicant or license holder from a deceased owner to the deceased:

1. Owner's heir shall not be prohibited;
2. Owner's surviving spouse, domestic partner, or civil union partner, if the license was issued jointly to both the parties, shall not be prohibited.

(b) From the submission of the conditional license conversion application or an annual license application to least two years after the cannabis business commences operations, a license holder may add new loans from new or existing financial sources or gifts.

(c) Until at least two years after the cannabis business commences operations, a diversely owned business license holder shall maintain all conditions required to qualify as eligible for its diversely owned business certification.

(d) Until at least two years after the cannabis business commences operations, a social equity business license holder shall maintain the conditions required to qualify for its social equity business status

(e) A license holder operating as a microbusiness shall not transfer ownership interest such that the license holder no longer qualifies as a microbusiness.

(f) If the cannabis business ceases operations during the two-year period after the cannabis business commences operations, the license holder may not transfer the license to another entity; the license will be considered to be abandoned and will be returned to the Commission.

(g) A cannabis business license holder shall not provide, transfer, or sell, or offer to provide, transfer, or sell any ownership interest to or employ or offer to employ any Commission member or employee restricted from such transactions by the provisions of sections 33 through 35 of P.L. 2019, c. 153 (N.J.A.C. 24:6I-26 through 28).

(h) The Commission retains discretion to determine when a transfer of ownership interests has occurred.

17:30-7.17 Cannabis business and testing laboratory fees

(j) The following material change fees shall be paid by license holders, as applicable:

1. The fee to apply for a change of location of a cannabis business premises is:
 - i. Standard cannabis business annual license holder: \$10,000; or
 - ii. Microbusiness license holder: \$1,000;

2. The fee to apply for a change or modification of the cannabis business' capacity or physical plant is \$2,000;

i. This fee shall not apply to a microbusiness converting to a standard cannabis business pursuant to N.J.A.C. 17:30-7.15; and

3. The fee to apply for the transfer of more than 50 percent of ownership interest in a license holder is \$20,000.

i. Any financial source, management services contractor, owner, or principal may be required to pay background investigation fees as part of an ownership interest transfer