



MEMORANDUM

TO: CANNABIS REGULATORY COMMISSION BOARD
FROM: CHRISTOPHER RIGGS, ACTING EXECUTIVE DIRECTOR
SUBJECT: TRANSFERS OF OWNERSHIP – APPLICATION AMENDMENTS
DATE: OCTOBER 17, 2024

BACKGROUND: Over the course of the prior months, adult use license awardees and a medicinal operator have submitted proposed changes to their ownership structures. This memorandum will outline the changes to ownership that have been proposed. The changes, contracts, and new parties to the industry have been vetted by the Office of Compliance and Investigations and have been deemed regulatorily compliant and holding the necessary qualifications. The supplemental reports created by the investigators in the Office of Compliance and Investigations have been summarized here for the benefit of the Commissioners and Executive staff.

AUTHORITY: 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.

The governing personal use regulations regarding transfers of ownership interest fall under N.J.A.C. 17:30-9.3 and are as follows:

- (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:

1. A transfer of ownership interest in a license applicant or license holder from a deceased owner to their heir shall not be prohibited; and
2. A transfer of ownership interest in a license applicant or license holder from a deceased owner to their 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 at 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.

Pursuant to N.J.A.C. 17:30-7.17(j)(3), the fee to apply for the transfer of more than 50 percent of ownership interest in a license holder is \$20,000.



COMPLETENESS REVIEW:

Acreage CCF New Jersey LLC (App IDs 12435, 12438, 12439)

The ownership change for this application would see Acreage CCF NJ being purchased in totality (100%) by Canopy USA, a subsidiary of Canopy Growth (a Canadian Company). Canopy USA would acquire all of Acreage Holdings, Inc., the parent company of Acreage CCF NJ, thereby placing Acreage CCF NJ under its control. All New Jersey operations for Acreage CCF NJ will remain the same, with the addition of three individuals from Canopy USA being added as managers for the New Jersey operations – David Klein, Nancy Whiteman, and Robert Hambrecht. These Persons of Interest have filed PHDs and no derogatory information was found. An EDF for Canopy USA was filed and no derogatory information was found.

Altius NJ (App ID 2886)

The ownership change for this application would see owner Jeffrey Gasner (33%) relinquish his ownership stake in the company to The Enlightened Acre NJ, which is solely managed by Brian Atkins. The Enlightened Acre NJ is an investment fund that is solely managed by Mr. Atkins who is the only decision-maker for the company. Financial compensation in the amount of \$3 million has been proposed for this transaction. Majority ownership (51% held by Kelly Ferrara) will remain the same following the transaction. An EDF was filed for The Enlightened Acre NJ LLC and a PHD was filed by Brian Atkins and no derogatory information was found.

Hamilton Farms, LLC (App ID 2010)

The ownership change for this application would see owner Dolly Patel (50%) relinquish 49.9% of her ownership to Rahul Patel. Dolly is the mother of Rahul. Majority owner Divya Lodaya would retain their 50% stake, Rahul Patel would hold an interest of 49.9%, and Dolly Patel would retain 0.1% of her ownership stake. The company will remain designated as a minority-owned business enterprise. All members, including Rahul Patel, were vetted with the original application. No derogatory information was found.

NJ Green Care LLC (App ID 2975)

The ownership change for this application would see owner Diem Mt. Laurel LLC relinquish their full stake (43%) to be split between current owners Vaisnar Phoeung (5%) and Ryan Wilkens (1%). The resulting ownership amounts would be as follows: Alexander Kardos (51%), Vaisnar Phoeung (24.5%), and Ryan Wilkens (24.5%). The requested



ownership change results between current owner and financial backer Diem Mt. Laurel LLC failing to meet its obligations to assist in funding the project. No financial compensation has been exchanged as consideration for the ownership transfer. As the ownership change involves no new entities or individuals, the filing of PHDs and EDFs was not required.

Nova Farms Woodbury LLC (App IDs 5908, 5215, 2028)

The ownership change for this application follows a financial source agreement that was presented to the Board previously involving Chicago Atlantic Investment Company. A loan of \$20 million was provided to Nova Farms Woodbury's parent company, Nova Farms. The influx of money from Chicago Atlantic Investment Company would result in the following changes to ownership of Nova Farms Woodbury LLC:

Original Ownership:

Founder Units (totaling 48.26%):

Derek Ross - 15%
Déjà vu Farms LLC - 9.88%
Brett Fish - 6%
John Kenyon - 5.5%
Duncan Harris - 5%
Blair Fish - 4.88%
Zachary Allen - 1%
Robert Grillo - 1%

Investor Units (totaling 50.99%):

SPH Investment PSP - 1.0%
Beach Farm InvestoCo, LLC – 40.26%
CanWell LLC - 9.73%

(This only adds up to 99.25%. If the %'s were fully represented passed the hundredth it would equal 100%.)

New Ownership:

Derek Ross - 20.4%
Déjà vu Farms LLC - 20.01%



Brett Fish - 12.2%
Earth Shine LLC - 11.734%
John Kenyon - 11.22%
Duncan Harris - 10.2%
Blair Fish - 9.9%.
Zachary Allen - 2.04%
Robert Grillo - 2.04%

Investor Units:

Beach Farm InvestoCo, LLC – 0%
CanWell LLC - 0%
SPH Investment PSP - 0%

(This only adds up to 99.74%. If the %'s were fully represented passed the hundredth it would equal 100%.)

PHDs and EDFs were received and reviewed for the new members and no derogatory information was found.

Denver Cole Farms New Jersey (App ID 2434)

The ownership change for this application would see minimal changes to ownership already in place for the applicant and is being proposed in coordination with a Financial Source Agreement that was provided to Counsel's Office for consideration on September 30, 2024. The FSA would see \$3 million be provided to the company by Ronald Wollner. The new ownership percentages would be as follows: Ryan Goetzelman (2%), Matthew Walkowiak (2%), Kenneth Moscarello (3% from 5%), Jeffrey Larson (42% from 41%), and Randy Lanier (51%). The only new owner in this group is Ryan Gotezelman as a 2% passive investor. His PHD was reviewed, and no derogatory information was found.

RECOMMENDATION: The Office of Compliance and Investigations recommends approval for the five applications to amend the licenses/permit set forth above and authorize the ownership structure changes as presented by their representatives. All owners and officers that will hold positions after approval of the changes have been vetted as required by the statutes and regulations and have been deemed qualified to hold their positions in the adult use cannabis market.

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