MEMORANDUM

TO: CANNABIS REGULATORY COMMISSION BOARD

FROM: CHRISTOPHER J. RIGGS, ACTING EXECUTIVE DIRECTOR

SUBJECT: GARDEN STATE EXOTIX LLC PROPOSAL FOR ENFORCEMENT (INV 20-2026)

DATE: SEPTEMBER 9, 2026

BACKGROUND: On June 15, 2026, a Notice of Violation was issued to Garden State Exotix LLC ("Garden State Exotix") for opening sealed packages of finished cannabis flower for use in new cannabis products. The Office of Compliance and Investigations for the New Jersey Cannabis Regulatory Commission ("NJ-CRC") became aware of this violation through the regular monitoring activities of compliance officers on February 20, 2026. At that time, an investigation was conducted, and a recommendation was provided via e-mail to the Director of the Office of Compliance and Investigations. Upon a determination by the Director of the Office of Compliance and Investigations that violations had occurred, the matter was presented to Counsel's Office for consideration. In coordination with Counsel's Office and the Office of the Executive Director, the Notice of Violation was issued on June 15, 2026. On July 21, 2026, Garden State Exotix responded to the Notice of Violation.

AUTHORITY:

N.J. Admin. Code § 17:30-16.2

(g) Once a package is sealed, a cannabis business shall not open the package, except for quality control purposes. Once the seal is broken on a cannabis item ready for sale to the consumer, the cannabis item is deemed unusable.

N.J. Admin. Code § 17:30-20.4

(a) During an onsite assessment, a review of financial records, or other Commission review of the license holder and its operations, if the Commission identifies a violation of the Act or this chapter, the Commission shall provide notice of the violation, including an official written report of the findings and the nature of the violation, to the cannabis business or testing laboratory within seven business days following the onsite assessment or other identification of the violation.

1. Such notice may be provided by service of written notice or the receipt of a written notice from an investigating officer that a violation has occurred, which may be presented to the

license holder's owner, principal, or manager at the licensed premises or administrative office, or through other reasonable form of notice, such as certified mail or personal service pursuant to N.J. Ct. R. 4:4–4.

(b) Unless otherwise specified by the Commission, within 20 business days of receipt of the notice of violation pursuant to (a) above, the cannabis business or testing laboratory shall:

1. Correct the violation(s); and

2. Notify the Commission, in writing, with a postmark date that is within 20 business days of the date of receipt of the notice of violation, of any corrective actions taken to correct the violations, and the date of implementation of such corrective actions.

(c) The violation identified pursuant to (a) above shall not be deemed corrected until the Commission verifies, in writing, within seven calendar days of receiving notice of corrective action pursuant to (b) above that the corrective action is satisfactory.

(d) If the violation identified pursuant to (a) above has not been corrected in accordance with (b) above, the Commission may, in its discretion, issue a notice of proposed suspension or revocation to the license holder and seek to revoke the cannabis business license in accordance with N.J.A.C. 17:30–20.8.

N.J. Admin. Code § 17:30-20.6

(a) This section sets forth civil monetary penalties for violations of the Act or this chapter and enforcement procedures for imposing and collecting civil monetary penalties by the Commission.

(b) A monetary penalty imposed by the Commission on a license holder pursuant to this subchapter may not exceed $500,000 per violation. Penalties may be imposed on a license holder as follows:

1. Not more than $500,000 per major license violation; and

2. Not more than $50,000 per any other license violation.

(c) A violation by each entity or person per day shall constitute a separate incident for purposes of calculating the number of violations.

(d) The Commission may impose greater penalties for successive violations up to the maximum amounts set forth at (b) above.

(e) The penalty for a subsequent violation shall only be imposed if the license holder has been notified of the prior violation or violations.

1. Such notice may be provided by service of written notice or the receipt of a written notice from an investigating officer that a violation has occurred, which may be presented to the license holder's owner, principal, or manager at the licensed premises or administrative office, or other reasonable form of notice such as certified mail or personal service pursuant to N.J. Ct. R. 4:4–4.

2. If violations are discovered during an undercover or unannounced inspection or onsite assessment, then no notice of any prior violation is necessary to impose the penalty for a subsequent violation.

(f) Notwithstanding anything in this section, the Commission may, in the Commission's sole discretion, consider additional factors in determining the penalty for each violation. Such factors may include, but are not limited to:

1. Any prior violations that the license holder has admitted to or was found to have engaged in;

2. Good faith measures by the license holder to self-report or prevent the violation;

3. The license holder's record of compliance with the laws and rules pertaining to personal use cannabis;

4. Corrective action(s) taken by the license holder related to the current violation or prior violations;

5. Willfulness and deliberateness of the violation;

6. Likelihood of reoccurrence of the violation; and

7. Violations involving damage or danger to the life, health, welfare, safety, or property of any person.

(g) Any penalties, costs, and/or fees pursuant to this subsection may be imposed and collected by the Commission in a summary proceeding pursuant to the Penalty Enforcement Law of 1999, P.L. 1999, c. 274 (N.J.S.A. 2A:58–10 et seq.).

(h) The Commission may additionally seek reimbursement for the costs of the State, including, but not limited to:

1. Costs of investigation, expert witness fees and costs, attorney fees and costs, and transcript costs for violations; and

2. Costs of cleaning up, mitigating, or remedying any environmental damage caused by a cannabis business or testing laboratory.

(i) The license holder may request an adjudicatory hearing pursuant to the Administrative Procedure Act, N.J.S.A. 52:14B–1 et seq., and 52:14F–1 et seq., to contest the Commission's imposition of a civil monetary penalty for any license violation within 14 days of receipt of the notice of civil monetary penalty.

(j) If the license holder requests an adjudicatory hearing pursuant to (i) above, the Commission shall arrange for a hearing to be conducted by the Commission and a final agency decision shall be issued after the hearing by the Commission.

1. If the Commission affirms the civil monetary penalty, it shall become final.

(k) The cannabis business may, pursuant to N.J.A.C. 17:30–20.10, apply for injunctive relief against the Commission's civil monetary penalty in the New Jersey Superior Court, Appellate Division.

N.J. Admin. Code § 17:30-20.7

(a) Violations shall be categorized as follows:

1. Category I, which is the exhibition of a pattern and practice of violating the requirements of the rules, posing a serious risk of harm to the health, safety, or welfare of consumers or personnel;

2. Category II, which is the failure to comply with administrative requirements, such that the licensee or permittee poses an immediate and serious risk of harm or actual harm to the health, safety, or welfare of consumers, personnel, or the general public, including, but not limited to, transfer of cannabis to a person under 21 years of age;

3. Category III, which is the submission of fraudulent, false, or misleading information, as to a material fact, to the Commission, or falsifying or concealing any record required to be maintained by the license holder;

4. Category IV, which is the failure of any owner, principal, management services contractor, employee, or volunteer of a cannabis business license holder or testing laboratory to register with the Commission and be issued a Cannabis Business Identification Card; or failure to complete training course, or failure to be in physical possession of their Cannabis Business Identification Card while acting in the course of their duties; and

5. Category V, which shall consist of other violations of the Commission's rules, or violations of valid ordinances established by municipalities that do not constitute a major violation.

(b) The Commission shall issue sanctions for violations of this chapter that account for the particular circumstances of the violation. The Commission shall consider, at a minimum, issuing the following sanctions for violations:

Category	Violation 1	Violation 2	Violation 3	Violation 4
I	Revocation			
II	$500,000	Suspension	Revocation	
III	$250,000	$500,000	Revocation	
IV	$10,000	$25,000	$50,000	Suspension
V	$5,000	$10,000	$25,000	$50,000

(c) A license holder shall pay an imposed civil monetary penalty by the time specified by the notice of enforcement action.

IN-DEPTH REVIEW: Inquiring parties can review the violations committed in the attached June 15, 2026, Notice of Violation. Garden State Exotix acted in violation of the adult-use regulations by opening sealed packages of finished cannabis flower for use in new cannabis products.

As required when a Notice of Violation is issued, Garden State Exotix provided a response to the Notice of Violation, addressing the violation.

RECOMMENDATION: It is the opinion of staff that Garden State Exotix has failed to adhere to the requirements imposed by the adult-use regulations. This failure to adhere to the requirements, however, did not pose an immediate and serious risk of harm or actual harm to the health, safety, or welfare of consumers, personnel, or the general public.

The Office of Compliance and Investigations considers this a "violation of the Commission's rules… that do not constitute a major violation" and therefore it is prudent that the violations be treated as a Category V violation.

APPENDIX

N.J. Admin. Code § 17:30-20.4

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