



State of New Jersey
CANNABIS REGULATORY COMMISSION

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January 7, 2022

VIA ELECTRONIC MAIL to: jbartlett@murphyorlando.com

John W. Bartlett
30 Montgomery Street, 11th Floor
Jersey City, New Jersey 07302

*Re: FINAL AGENCY DECISION
Denial of Permit to Operate an Alternative Treatment Center (“ATC”) Pursuant
to the 2018 Request for Application (“RFA”) Process*

Dear Mr. Bartlett:

The New Jersey Cannabis Regulatory Commission (“Commission”) has received and reviewed the supplemental materials, received on May 17, 2021, regarding your application to operate an Alternative Treatment Center (“ATC”) pursuant to N.J.S.A. 24:6I-1 *et seq.* For the reasons stated below, the Commission has denied your application for a Permit to operate an ATC.

By way of background, on July 16, 2018, the Department of Health (“Department”) posted a Request for Applications (“RFA”) to award up to six vertically integrated ATCs, with up to two awardees in each of the three New Jersey regions – North, Central, and South. Applications were due to the Department no later than August 31, 2018, at 5:00 PM. In response to the RFA, the Department received 146 timely applications submitted by 103 applicants, with several applicants submitting applications to operate ATCs in multiple regions. As explained in detail below, of the 146 applications, six successful applicants were selected. Specifically, two applications were selected for each of the three regions.

Following the issuance of the RFA, the Department held a mandatory pre-submission conference for applicants on August 9, 2018, with the purpose of explaining the scoring process. The Department also used this time to receive inquiries that would later be compiled, along with answers, in an official “Q & A” document that was made public less than one week later.

Pursuant to N.J.A.C. 8:64-6.2 (now N.J.A.C. 17:30A-6.2 and 6.4), the Department convened a selection committee in conjunction with the RFA. The selection committee was composed of a total of six individuals to review and score all applications. The review committee was comprised of four representatives from the Department, one individual from the Department of Agriculture, and one individual from the Department of Treasury. The review committee was configured to provide expertise across a wide range of relevant areas, including plant sciences, diversity and inclusion, as well as all

regulatory aspects of the medicinal marijuana program. On September 5, 2018, before any scoring commenced, all review committee members attended a training, which included a discussion about the Program, guidance on scoring applications, and training on diversity and bias. The Department also provided the review committee members with additional printed scoring instructions for the sixty criteria they would be evaluating. For each criterion, the instructions directed members to award points on a scale from zero to a maximum number of points allowable, which varied.

Prior to beginning work on the selection committee, members completed a confidentiality agreement and a business disclosure form so the Department could verify that none of the selection committee members had any outside business interests that would conflict with their work on the committee. Once the completeness review concluded, selection committee members were provided a list of the applicants they would be scoring, including the names of principals, owners, and directors. Every selection committee member signed a certification stating they had no conflicts of interest with respect to the applicants.

Initially, the review committee was given sixty days from the application due date to complete their evaluations. Realizing during the initial review that this would be an insurmountable task, the review committee requested additional time to complete their evaluations, and the Department granted an additional six weeks. On December 12, 2018, the review committee recommended six applications per region for “further consideration”. Five days later, the Department issued final agency decisions to all applicants, notifying them of either acceptance or rejection of their applications. At this time, the Department informed all applicants that it would not award more than one permit to any single applicant, citing its belief that choosing six different entities would benefit patients by providing a greater variety of product and ensuring that if one entity suffered a setback (for instance, crop failure) only one ATC would be affected.

Based upon the selection committee’s impartial and thorough review of the applications against the criteria set forth in the RFA, the following applicants initially received the highest scores in their designated regions:

NORTHERN REGION:

| Control # | Name of Applicant | Total Scores |
|------------------|----------------------------|---------------------|
| N-0036 | NETA NJ LLC | 932.1667 |
| N-0032 | GTI New Jersey LLC | 927.3333 |
| N-0034 | Verano NJ LLC | 920.8333 |
| N-0005 | PharmaCann New Jersey | 895.3333 |
| N-0014 | Bloom Medicinals | 894.8333 |
| N-0010 | Liberty Plant Sciences LLC | 894.6667 |

CENTRAL REGION:

| Control # | Name of Applicant | Total Scores |
|------------------|------------------------------|---------------------|
| C-0047 | MPX New Jersey | 958.1667 |
| C-0025 | NETA NJ LLC | 932.1667 |
| C-0003 | Columbia Care New Jersey LLC | 929.0000 |
| C-0022 | GTI New Jersey LLC | 927.3333 |
| C-0023 | Verano NJ LLC | 920.6667 |
| C-0043 | JG New Jersey LLC | 913.3333 |

SOUTHERN REGION:

| Control # | Name of Applicant | Total Scores |
|------------------|------------------------------|---------------------|
| S-0051 | MPX New Jersey | 958.1667 |
| S-0034 | NETA NJ LLC | 932.1667 |
| S-0004 | Columbia Care New Jersey LLC | 929.0000 |
| S-0025 | GTI New Jersey LLC | 927.3333 |
| S-0049 | JG New Jersey LLC | 913.3333 |
| S-0026 | Harvest of New Jersey LLC | 911.1667 |

In making its selection determination from these high-scoring applications, the Department first concluded that choosing the same applicant in multiple regions would lead to an overly concentrated market, and with the size and strength of the applicant pool, was unnecessary in this RFA. Additionally, the Department determined that having a more diverse set of permittees across the State would be most beneficial to patients. Having more distinct permittees would lead to a greater variety of products for medical marijuana patients, and thus to greater access and choice. A more diverse set of permittees would also mitigate negative impacts if one fails. Accordingly, the Department determined that no one applicant should operate more than one ATC pursuant to this RFA. The Department then crafted a selection methodology that ensures an adequate supply of medical marijuana, which is a significant component of the purpose and intent of the Compassionate Use Medical Marijuana Act (Act), N.J.S.A. 24:6I-1. Specifically, the Department formulated a selection methodology utilizing existing medical marijuana supply and demand to determine the regional order in which the Department would make its selections.

In calculating supply and demand, the Department first used a medical marijuana demand factor for each region. The demand factor for each region was comprised of the following calculations: total population of the region divided by total statewide population (2017 American Community Survey 5-year estimates) and, utilizing the Department’s Medical Marijuana Patient Registry, the current medical marijuana patient population in the region divided by total statewide medical marijuana patient population. The two calculations were averaged to determine the demand factor. The Department calculated a medical

marijuana supply factor using data extracted from the inventory management systems of the current ATCs. The supply factor was the total current medical marijuana supply of the region in ounces divided by total statewide supply in ounces. These factors were then divided to determine the ratio of supply and demand in each region, with lower numbers meaning demand was higher than supply and higher numbers meaning supply was keeping pace with demand.

Consistent with this analysis, the Department made its first two selections from the Northern region. In the Northern region, the Department selected NETA NJ, LLC and GTI New Jersey, LLC as they were the highest scoring applicants in the region. Next, the Department considered applicants for the Southern region. In making its selection for this region, the Department found that MPX New Jersey and NETA NJ, LLC received the highest scores. However, NETA's application had already been selected for the Northern region. Because the Department determined that no one applicant should operate multiple ATCs under this RFA and NETA was already selected to move forward with the ATC permitting process in the Northern region, it was disqualified from selection in the Southern region under the Department's selection methodology. As such, the Department selected the next highest scoring applicant for the Southern Region, which was Columbia Care New Jersey, LLC. Thus, Columbia Care New Jersey, LLC and MPX New Jersey were the selected applicants for the Southern region. In selecting the applicants for the Central Region, the top two scoring applicants for this region – MPX and NETA – were already selected for other regions in the State. Applying again the Department's selection methodology that no one applicant should be selected for multiple regions, the Department disqualified both MPX and NETA from consideration for the Central region, as well as Columbia Care New Jersey, LLC and GTI New Jersey, LLC, as they had also been picked for other regions. As a result, the Department then proceeded to select the next two highest ranking applications, who were Verano NJ, LLC and JG New Jersey, LLC. Therefore, NETA NJ, LLC (North); GTI New Jersey, LLC (North); MPX New Jersey (South); Columbia Care New Jersey, LLC (South); Verano NJ, LLC (Central); and JG New Jersey, LLC (Central) were selected by the Department to proceed with the ATC permitting process for their respective regions.

Following release of the 2018 Final Agency Decisions, several unsuccessful applicants appealed the Department's decisions. Motions for stays pending the appeals were submitted and denied at the Department level, Superior Court, and State Supreme Court. All appeals were consolidated in the Superior Court, and a decision was rendered on November 25, 2020, vacating the final agency decisions in question and remanding the matter back to the Department for further administrative proceedings. See Matter of the Application for Medicinal Marijuana Alternative Treatment Ctr. for Pangaea Health & Wellness, LLC, 465 N.J. Super. 343 (App. Div. 2020), (“Superior Ct. Op.”). The Superior Ct. Op. required the Department to address concerns with the scoring system that, without further explanation, could be considered to have produced arbitrary results. The Court declined to direct specific actions by the Department, but rather provided the Department with broad authority to rectify the concerns raised by appellants with the scoring system and procedure.

Following the Court's decision, and pursuant to P.L.2019, c.153, “Jake Honig Compassionate Use Medical Cannabis Act”, on April 12, 2021, the New Jersey Cannabis Regulatory Commission (the “Commission”), enacted Resolution 2021-2, with the Commission assuming regulatory oversight authority from the Department for all medical cannabis activities, including the 2018 RFA.

Following the Court's remand, the Commission took certain steps to review the scoring procedure and data pertaining to the 2018 RFA. This “quality control” process is outlined in the Appendix included with this letter. (“Remand Recommendation Report” at 16).

This process was led by individuals uniquely equipped to address the concerns raised by the Appellants and the Court. The “quality control” team was comprised of four individuals with the collective expertise and qualifications as follows:

- Over a decade of experience in healthcare policy, government affairs, communications, and healthcare advocacy
- Over a decade of experience in data analytics
- Over a decade establishing investigative guidelines and standardizing procedures for investigations on behalf of the State
- Over two decades of experience conducting licensing and suitability investigations of entities and individuals for professional licensure
- Over a decade of experience conducting financial source and investment investigations on behalf of State and private entities
- Over 60 years of experience conducting and supervising licensing investigations, as well as background and suitability investigations of corporate entities and individual applicants on behalf of various State agencies
- Experience designing process quality control data metrics and dashboards
- Experience providing data reporting and outcome analysis
- Hold professional degrees including, Masters of Business Administration with a concentration in Data Analytics and Masters in Public Administration

Assessment by the quality control team assigned to review the process, procedures, and scoring of the 2018 RFA affirmed that there existed no clear and convincing evidence that the selection committee delivered any arbitrary or capricious scores, and that no scores needed to be amended as part of the review. The quality control findings are detailed in the Appendix included with this letter (“Remand Recommendation Report” starting at 17). Therefore, following the quality control review, the following final top scores are:

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| S-0049 | JG New Jersey LLC | 913.3333 |
| S-0026 | Harvest of New Jersey LLC | 911.1667 |

On April 12, 2021, pursuant to the quality control process instituted by the Commission for the 2018 RFA, Altus submitted supplemental information and raised specific concerns regarding the 2018 RFA scoring and methodology. Those concerns have been copied here:

1. Proposal of a more objective scoring approach that will ameliorate the uncontrolled aspects of the original review
2. Raises issues of timing (not enough for reviewers to review properly), number of reviewers (too much material in too little time for 6 reviewers), type of reviewer (clear from scoring that each reviewer was inadequately versed in at least some of the technical topics involved), subjectivity of standards (could not control for inconsistency and error) and false precision (imagined fine distinctions not objectively supported by the data)
3. 1-1a (25 points for past business experience) received an assigned score of 19.33
 - a. Comparison to JG and Verano who Pangaea argues does not have nearly as much experience (JG scored 24, Verano 23.83)
4. 1-1b (25 points for contributions to research) received an assigned score of 19.33
 - a. Comparison to JG (22.33) and Verano (23.83) whose submissions are completely redacted
5. 1-1c (25 points for experience in medicinal marijuana field) received an assigned score of 17.50
 - a. Comparison to JG (24.33) and Verano (23.66) who Pangaea argues did not provide sufficient responses

6. 1-1d (25 points for qualification of board members, managers, etc.) received an assigned score of 16.50
 - a. Comparison to JG (22.16) and Verano (23.16) – note that Verano’s CEO experience is as a patient, and that JG is run by lawyers in Illinois who are unlikely to relocate to NJ
7. Similar concerns were raised, and comparisons made, for Sections 1-2.1a through j, 1-2.2, 1-3, 1-4.1a through j, 1-4.2a through d, 1-4.3a through, 1-5a, 1-5b, 1-5c, 1-6a, 1-6b, 1-6c, 1-6d, 1-6e, 1-7, 2-1a, 2-1b, 2-1c, 2-1d, 2-2a, 2-2b, 2-2c, 2-2d, 2-2e, 2-3a, 2-3b, 3-1a, 3-1b, 3-1c, 3-1d, and 3-1e
8. Proposes replacing subjective inquiries with objectively measurable standards wherever available
 - a. Believes that by doing so, Pangaea’s corrected application would score 952.16, higher than both JG and Verano
9. Does not propose to rescind JG and Verano’s permits, but rather allow for additional permits to be issued (to Pangaea, for example)

The Commission addresses the concerns raised as follows:

1. Proposal noted.
2. Please review the entirety of the “Remand Recommendation Report” for rationale, quality control, and measures taken to address these concerns.
3. All applications in question were fully reviewed and vetted by the Scoring Committee as well as the Quality Control team and were scored according to the information and documentation provided.
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8. Proposal noted.
9. The number of ATC permits issued throughout the State over the last several years is the result of data-driven analysis regarding patient numbers and industry members ability to meet patient need. At this time, the Commission does not believe the issuance of an additional ATC permit, much less 7 (one for each appellant), would be prudent based on that analysis.

Based on a full and thorough review of each application against the requirements set forth in the RFA, the composite scores enumerated by the Commission, the selection methodology detailed above, and in accordance with the purposes of N.J.S.A. 24:6I-1 et al. and P.L.2009, c.307 and the regulations promulgated thereunder, the Commission hereby **DENIES** the following application:

Applicant: Pangaea Health and Wellness, LLC

Region: Central
Score: 801.6666666666663

The quality control team reviewed, considered, and categorized each of the questions and concerns raised by the appellant. While all concerns may not be specifically addressed in this Final Agency Decision, the CRC has responded to every category of grievance received. *See* Remand Recommendation Report, pp. 33-35.

You have the right to appeal the Commission's decision to the Superior Court of New Jersey, Appellate Division, by February 21, 2022, (45 days from the date of this letter) in accordance with the Rules Governing the Courts of the State of New Jersey. All appeals should be directed to:

Superior Court of New Jersey
Appellate Division
Attn: Court Clerk
P.O. Box 006
Trenton, New Jersey 08625

Because your application was not successful, the check(s) valuing \$18,000 that was submitted with your application has been destroyed. Thank you for your interest in operating an ATC.

Sincerely,



Dianna Houenou
Chairperson
New Jersey Cannabis Regulatory Commission