



Pre-Application Webinar – Wholesale, Distribution & Delivery



September 14, 2023



Agenda

- New Jersey's Cannabis Market
- Defining the new business license classes
- Applying for a New Jersey cannabis business license
- The application schedule



The State of NJ's Cannabis Market



New Jersey's Cannabis Market

Applications & Awards

- **Total 2,239 applications submitted**
- 1,528 applications have been approved
- 167 applications under review in the Office of Licensing
- 324 applications are pending resubmission following cure
- 140 applications under review in the Office of Compliance and Investigations
- **More than 1,800 cure letters have been sent out**



New Jersey's Cannabis Market

Operating Businesses

- More than 70 medicinal and recreational cannabis businesses in operation
- More than 45 dispensaries open in 18 counties.





New Jersey's Cannabis Market

Social Equity & Diversely-Owned Businesses

231 Annual Licenses Awarded*

| | | |
|----------------------------|-----|-----|
| Social Equity Businesses | 49 | 21% |
| Diversely Owned Businesses | 157 | 68% |

14 licenses were designated as both Social Equity Businesses and Diversely-Owned Businesses.

**Includes Conditional-to-Annual Conversions*



New Jersey's Cannabis Market

Social Equity & Diversely-Owned Businesses

- Awards to Social Equity Businesses and Diversely-Owned Businesses are outpacing submission rates
 - The priority process is working.
- Social Equity Businesses = 21% of all annual awards
- Majority owners with past marijuana convictions = 16% of all awardees
- Black (17.7%) and Asian (21%) majority ownership is higher than census ownership of all businesses in New Jersey, and higher than population percentages
- Latino/Hispanic ownership is consistent with census for all businesses



The New License Classes



The opening license classes

Wholesale, Distribution & Delivery

Wholesale License

- **Class 3**
- **Can purchase and store cannabis and cannabis products from cultivators, manufacturers, and other wholesalers**
- **Can deliver flower and products to cultivators, manufacturers, and other wholesalers**

CANNOT:

- cultivate or package cannabis
- manufacture cannabis products
- Cannot distribute cannabis or cannabis products to retailers or consumers

The opening license classes

Wholesale, Distribution & Delivery

Distribution License

- Class 4
- Can transport cannabis and cannabis products between other licensed cannabis businesses
- Temporarily store cannabis and cannabis products

CANNOT:

- cultivate or package cannabis
- manufacture cannabis products
- purchase and resell cannabis or cannabis products
- Cannot sell cannabis or cannabis products directly to consumers



The opening license classes

Wholesale, Distribution & Delivery

Delivery License

- Class 6
- Can purchase cannabis , cannabis products, and cannabis paraphernalia from a cannabis retailer with an order from a consumer
- Can transport and deliver cannabis, cannabis products, and cannabis paraphernalia to consumers

CANNOT:

- cultivate, manufacture, or package cannabis or cannabis products
- store cannabis or cannabis products
- cannot sell cannabis or cannabis products to other cannabis businesses





The Application Process



The application process

Key Dates

| Date | Action |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| December 15, 2021 – 9 a.m. ET | CRC began accepting Class 1 Cultivator, Class 2 Manufacturer, and Testing Laboratory Applications |
| March 15, 2022 – 9 a.m. ET | CRC began accepting Class 5 Retailer Applications |
| September 27, 2023 – 9 a.m. ET | CRC will begin accepting Class 3 Wholesaler, Class 4 Distributor and Class 6 Delivery Service Applications from Social Equity Businesses only. |
| December 27, 2023– 9 a.m. ET | CRC will begin accepting Class 3 Wholesaler, Class 4 Distributor and Class 6 Delivery Service Applications from Diversely Owned Businesses, while still accepting applications for Social Equity Businesses. |
| March 27, 2024 – 9 a.m. ET | CRC will begin accepting Class 3 Wholesaler, Class 4 Distributor and Class 6 Delivery Service Applications from all other applicants and will review the applications pursuant to the Application Priority listed in Section V above. |

The application process

Avoid a cure letter

- **Watch this webinar. Over and over if you need to.**
- **Visit nj.gov/cannabis**
 - Notice of Applications
 - Guides to completing your application
 - Other helpful information
- **Make a list of all the required documents and check, and double check that you have submitted them and that they are clear and legible.**
- **Sign and submit a Social Equity Attestation if applicable**



The application process

Avoid a cure letter

Double check list:

- Entity Disclosure Form
- Persons of Interest documents
- Your latest state and federal tax returns
- Valid government ID
- Business Registration documents
- Up-to-date Diversely-Owned business certification
- Correct priority designation status
- Financial & Management Service agreements
- Standard Operating Procedures that are compliant with regulations
- Municipal and zoning approval for your site
- Do the names match everywhere?





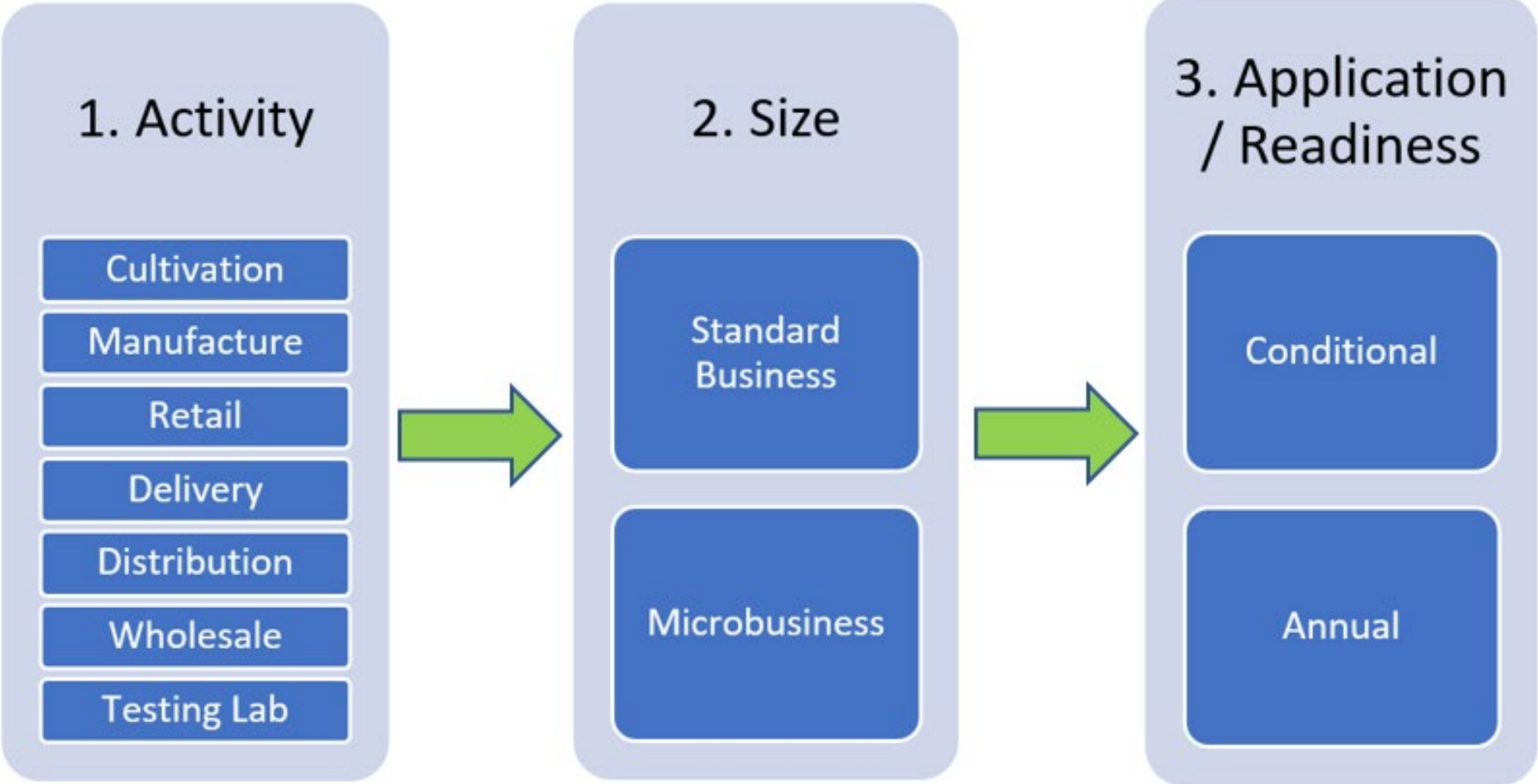
The application process

Be in the know

- **The CREAMM Act**
- **Personal-Use Cannabis Rules**
- **www.nj.gov/cannabis**
 - **Notice of Application Acceptance**
 - **How to avoid a cure letter**
 - **Application platform instructions**
 - **How to submit a Social Equity Application**
 - **Other useful information**



Understand the business types and processes



CONDITIONAL

Prioritized in application process

Can add new owners & financial sources

Don't need site control or municipal approval

2
Roads to
Licensure

ANNUAL

Not prioritized in application process

There can be no change to owners, or financial sources

Requires site control & municipal approval



The application process

Get ready to apply

Decide on a legal business structure:

- Partnership
- Limited Liability Company (LLC)
- Corporation
- S Corporation

Get Federal and State Tax ID Numbers:

- Federal ID or Employer Identification Number (EIN)
 - Required for federal taxes, hire employees, open bank account, apply for licenses & permits
- New Jersey State Tax ID
 - Required to pay NJ taxes

The application process

Get ready to apply

Choose & register your business and business name:

- Reserve your domain name for a website
- Note: *A cannabis business can only operate under the name on the license – the legal entity name as it appears on the New Jersey business registration*
- Note: *A cannabis business cannot use, display, advertise, or operate under any alternate name.*



The application process

Get ready to apply

Open a business bank account:

- Note: ***There are banks in NJ that accept cannabis business clients***
- A business bank account helps you stay legally compliant and protected.
- Documents: ***personal ID, EIN, Social Security Card, business formation papers, ownership agreements, business registration***





The application process

Get ready to apply

If applicable, apply for certification as a minority-owned, woman-owned, and/or disabled veteran-owned business:

- Certification procedures and application forms are on the New Jersey Department of Treasury Division of Revenue and Enterprise Services website:
<https://www.njportal.com/DOR/SBERegistry/>.



The application process

Get ready to apply

General Certification Eligibility Standards

For limited liability companies, limited liability partnerships, and limited and liability partnerships, being fully registered means the business has:

- Obtained an employer identification number (EIN) from the IRS
- Completed:
 - ✓ The certificate of formation/authorization
(<https://www.njportal.com/DOR/BusinessFormation/Home/Welcome>)
 - ✓ The tax/employer registration form (Form NJ-REG)
(<https://www.njportal.com/DOR/BusinessRegistration/Home/FirstStep>)

For all other business types like general partnerships and proprietorships, being fully registered means the business has:

- Obtained an employer identification number (EIN) from the IRS
- Completed
 - ✓ The tax/employer registration form (Form NJ-REG)
(<https://www.njportal.com/DOR/BusinessRegistration/Home/FirstStep>)



The application process

Get ready to apply

General Certification Eligibility Standards

Being in good standing means that the business has:

- Completed the applicable steps
- Remains compliant with on-going registry filing requirements
 - ✓ limited liability companies, limited liability partnerships, limited and liability partnerships

You can check your registry status online via the Business Registration look-up service at

https://www1.state.nj.us/TYTR_BRC/jsp/BRCLoginJsp.jsp



The application process

Get ready to apply

Once received, be sure to maintain your certification:

- Certifications require annual verifications, prior to your anniversary date
 - MWBE certification – at the one-year mark, then every five years
 - Other certifications – every five years
- Renewal includes:
 - Verification statement to attest to any changes to ownership or revenue eligibility



The application process

Get ready to apply

If applicable, prepare document proof of your qualification as a social equity or Impact Zone applicant:

- Residency
- Past cannabis convictions
- Tax returns



The application process

Get ready to apply

Note:

New versions of the Entity Disclosure Form and the Personal History Disclosure Form will replace the current version prior to September 27.

Older versions of the forms will be accepted, but applicants may be asked for supplemental information.



Management Service Agreements & Financial Source Agreements



MSAs & FSAs

Be careful what you sign

WHAT IS A MANAGEMENT SERVICE AGREEMENT?

- A management service contractor (MSC) agrees to provide professional staffing and/or management services to a cannabis business (applicant or license holder)
- In exchange for fees, or other compensation **BUT NOT OWNERSHIP INTEREST**
- MSCs can have no more than 5 agreements with cannabis businesses
- Cannabis business owners and principals **CANNOT** be MSCs.



MSAs & FSAs

Be careful what you sign

Management Services Agreements can include:

- Management, supervision, or hiring employees
- Help with operations or consulting
- Technical assistance
- Accounting or recordkeeping
- Leasing of equipment or real or intellectual property
- Providing supplies for the business



MSAs & FSAs

Be careful what you sign

WHAT IS A FINANCIAL SOURCE AGREEMENT?

- A financial source (FS) agrees to lend capital to a cannabis business (applicant or license holder) as part of a secured or unsecured financing agreement
- A financial source can have no more than 7 agreements with cannabis businesses
- Some examples of financial sources:
 - Creditors with a secured interest in the cannabis business or its premises
 - Creditors holding an outstanding bond, loan, mortgage, trust deed, or note from the cannabis business

MSAs & FSAs

Be careful what you sign

MSAs & FSAs CANNOT:

- X Impose unreasonable fees, interest rates, or returns
- X Receive an ownership interest in the cannabis business
- X Have an unfair advantage over the cannabis business
- X Have a percentage of business profits greater than the net profits received by the cannabis business
- X Prohibit the cannabis business from selling to or buying from any company



MSAs & FSAs

Be careful what you sign

MSAs & FSAs CANNOT:

- X Require the cannabis business to enter into non-compete agreements
- X Have the power to overrule fundamental business operations decisions, such as strategic planning
- X (MSAs) Last more than 5 years without an opportunity to re-negotiate
- X (FSAs) Impose penalties for pre-payment or paying off the debt





MSAs & FSAs

Before you sign an MSA:

- Check the document for any prohibited terms or conditions.
- Send a copy of the proposed agreement and information about any payments to the CRC and wait for feedback.
- Submit all the required MSC documents required by the rules, such as
 - Personnel information
 - Consent to a background check
 - Evidence of rehabilitation, if needed
 - A completed Entity Disclosure Form
- Clearly communicate with the proposed MSC any plans or expectations to audit the MSC's records that concern the agreement.



MSAs & FSAs

Before you sign an FSA:

- Check the document for any prohibited terms or conditions.
- Send a copy of the proposed agreement to and information about ALL payments, interest rates, and debts to the CRC and wait for feedback.
- Submit all the required FS documents required by the rules, such as
 - A completed Entity Disclosure Form/Personal History Disclosure Form
 - Information related to any changes to the ownership interest or control of the FS



Have questions?

We are here to help

- Call: 609-376-7373
- Email: crc.licensing@crc.nj.gov
- Watch: Recording of this Pre-application webinar will be at <https://www.nj.gov/cannabis/resources/webinars/>
- FAQs will also be added to the website before September 27



Resources

| For information on ... | See/Go to ... |
|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| Getting a business started Business registration Certifications for diversely owned businesses | www.business.nj.gov Business Action Center Department of Treasury |
| General support for businesses | Chamber of Commerce |



Thank You

nj.gov/cannabis/businesses

Phone: 609-376-7373

crc.licensing@crc.nj.gov