

ASSEMBLY OVERSIGHT, REFORM AND FEDERAL
RELATIONS COMMITTEE

STATEMENT TO
ASSEMBLY, No. 4151

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 29, 2022

The Assembly Oversight, Reform and Federal Relations Committee reports favorably and with committee amendments Assembly Bill No. 4151.

This bill revises the restrictions that apply to ownership of or investment in a cannabis establishment.

As amended, this bill would provide that an investor, investor group, or fund that provides significant financial or technical assistance or the use of intellectual property, or a combination thereof, to an applicant for a cannabis retail license that has been certified as a minority or women's business or is a disabled-veterans' business, may own up to a 35 percent interest in up to seven entities that have been issued a cannabis retail license, provided any such retail license holder is also certified as a minority or women's business or is a disabled-veterans' business.

The bill requires that the terms of the agreement for the provision of significant financial or technical assistance or use of intellectual property, whether provided in the form of equity, a loan, or otherwise, including interest rates, returns, and fees, are commercially reasonable based on the terms generally provided to comparable businesses. The terms of the agreement may include performance, quality, and other requirements as a condition of providing the significant financial or technical assistance or the use of intellectual property.

The bill provides that an applicant for a cannabis retail license that receives significant financial or technical assistance or the use of intellectual property will be required to pay back the full value of the financial or technical assistance or intellectual property provided, plus any applicable interest and fees, within a specified number of years depending on the value of the assistance or property. The time period would be: not less than five years after the date of the agreement if the full value of the assistance or property is less than \$100,000; not less than seven years after the date of the agreement if the full value of the assistance or property is between \$100,001 and \$250,000; not less than 10 years after the date of agreement if the full value of the assistance or property is between \$250,001 and \$500,000; and, subject to any

terms and conditions imposed by a lender, not less than 10 years after the date of the agreement if the full value of the assistance or property is greater than \$500,000.

An investor, investor group, or fund that has acquired an ownership interest in one or more retail establishments as authorized under the bill would be permitted to maintain the ownership interest after the full value of the assistance provided has been repaid.

The bill provides that in no case may the controlling interest in the entity that holds a retail license revert to the investor group or fund in the event of a default or failure by the certified minority or women's business or disabled-veterans' business, and any such controlling interest may only be transferred to a certified minority or women's business or a disabled-veterans' business.

The bill allows an entity issued a cannabis cultivator, manufacturer, or retail license, or an individual associated with the ownership or management of the entity, to participate in an investor group or a fund that meets the requirements of the bill.

This bill is modeled on P.L.2021, c.252, which addressed these issues as they relate to medical cannabis establishments.

COMMITTEE AMENDMENTS

The committee amended the bill to allow an entity issued a Class 1 cannabis cultivator license, a Class 2 cannabis manufacturer license, a Class 5 cannabis retailer license, or an alternative treatment center, or an individual associated with the ownership or management of such entity, to invest or participate in an investor group or a fund that meets the requirements, with respect to a Class 5 cannabis retailer license or an alternative treatment center permit.

The amendments also allow an entity issued a medical cannabis cultivator, medical cannabis manufacturer, or medical cannabis dispensary permit, or an individual associated with the ownership or management of such entity, to invest or participate in an investor group or a fund that meets the requirements, with respect to a Class 5 cannabis retailer license or an alternative treatment center permit.