

High Stakes: What to do Now That Your New Jersey Cannabis Business Application Has Been Approved by the CRC

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If your conditional, conversion, microbusiness, or annual application has been approved by the Cannabis Regulatory Commission, congratulations! You have cleared the first major hurdle in obtaining a cannabis license in New Jersey.

For those who received conditional approvals, you must now submit your conversion application, which will focus on your proposed site, local approvals, and various operating plans and standard operating procedures. You have 120 days from the date of conditional approval to submit a conversion application with the ability to request an additional 45-day extension. See N.J.A.C. 17:30-7.6(a)(2)-(b). The CRC may, at its discretion, extend the conditional license period on its own volition and has been doing just that for many conditional applicants struggling to secure real estate and/or financing during the conditional license period. During the conditional license period, a conditional applicant may add or change owners provided new owners with decision-making authority are qualified, *i.e.* meet the income threshold of N.J.A.C. 17:30-7.4(a)(5) and the majority ownership that qualified the applicant for a conditional license and/or priority status (diversely-owned, women-owned, impact zone, social equity, microbusiness, etc.) remains intact. For the most part, the conversion application mirrors a full annual application and requires the submission of detailed standard operating procedures, site plan, safety and security plan, environmental impact plan, etc.

Annual applicants who receive approvals are now put to task to execute their business plans. Unfortunately, due to the passage of time and changes in the economic climate, many applicants will be looking for alternate properties, revising their business plans and corporate structures, and searching for investment dollars. Any changes in real estate, ownership, management, and financing will require change of location/ownership applications with additional disclosures. An annual applicant has 365 days from the date of approval to acquire real estate, build out, and request a final onsite inspection from the CRC. See N.J.A.C. 17:30-7.14(e). Once the applicant is ready to begin operations, the CRC will conduct an inspection to determine whether the cannabis business premises, operations, plans, procedures, protocols, and actions are consistent with the annual license application and compliant with regulations. See N.J.A.C. 17:30-7.14(g). Assuming no compliance or local municipal issues, the CRC will issue the applicant a formal cannabis license, which will enable the applicant to begin operations.

Once operational, licensed operators must remain mindful of ownership limitations requiring the

majority of the license applicant's ownership interest, including the ownership interest that qualified it as a conditional applicant, diversely owned business, social equity business, impact zone business, or microbusiness, to remain the same for at least two years of operation. See N.J.A.C. 17:30-6.8(k). Microbusinesses must maintain their microbusiness status for at least one year of operation before being permitted to convert the microbusiness license into an annual license. See N.J.A.C. 17:30-7.15(a).

In running the cannabis business, operators must further be cognizant of and comply with regulatory nuances concerning profit distributions (profits must be proportionally distributed in accordance with an owner's percent ownership), dual ownership (except for passive investors a person can only be an owner of one licensed entity), and remuneration paid to management services contractors, financial sources, and vendor-contractors. See N.J.A.C. 17:30-6.8, N.J.A.C. 17:30-6.9, and N.J.A.C. 17:30-6.10.

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