

## **New Jersey Economic Development Authority (NJEDA)**

### **Cannabis Equity Grant Program – Seed Equity Grant Product (Product 1) Notice of Funding Availability**

#### **REVISED ON DECEMBER 19TH, 2023, EFFECTIVE IMMEDIATELY**

***Revision extends the window to provide missing information related to an application to 10 business days.***

The New Jersey Economic Development Authority (“NJEDA” or “Authority”) will begin accepting applications for the Cannabis Equity Grant Program – Seed Equity Grant Product at **10:00 a.m. EST** on November 30, 2023. The application can be accessed at <https://www.njeda.com/cannabis>. Applications will be accepted on a first come, first evaluated basis during a 180-day period starting on November 30, 2023, or until grant funding is exhausted. \$4,000,000 has been allocated for the Cannabis Equity Grant Program – Seed Equity Grant Product (“Product 1” in the Cannabis Equity Grant memorandum to the NJEDA Board dated December 21, 2022). Grant awards of up to \$150,000 will be made to support cannabis entrepreneurship in New Jersey.

#### **Purpose**

In an effort to create new and lasting entrepreneurship opportunities in New Jersey’s legalized cannabis industry, the NJEDA has created the Cannabis Equity Grant Program – Seed Equity Grant Product (“Seed Equity Grant”). This product has an award pool of \$8,000,000 and will provide grant awards of up to \$150,000 for start-up expenses and operational costs to cannabis businesses that meet the eligibility criteria.

#### **Overview**

On July 19, 2019, the New Jersey Cannabis Regulatory Commission (“NJ CRC”) was formed to establish and grow a responsible, regulated medicinal cannabis industry. On February 22, 2021, Governor Phil Murphy signed the “New Jersey Cannabis Regulatory, Enforcement, Assistance, and Marketplace Modernization Act” (“CREAMM Act”), into law as P.L. 2021, c. 16 (N.J.S.A. 24:6I-31, et seq). The CREAMM Act legalizes personal use cannabis for adults, subject to regulation by the NJ CRC and removes marijuana as a Schedule I drug under State law. In June 2022, the Governor signed P.L. 2022, c. 48, amending the CREAMM Act to allow the Authority to award financial incentives for the purpose of providing financial and technical assistance to a prospective or licensed cannabis business that qualifies as a small business under the statute. Five percent of the available funds will be reserved for grantees whose businesses are located or will be located in an Impact Zone, as defined in the CREAMM Act.

The Seed Equity Grant product aims to target Social Equity Businesses that have obtained a conditional license from the NJ CRC and need financial and/or technical assistance in converting

their conditional license to an annual license. Upon approval, successful applicants will be required to enroll in a NJEDA technical assistance program.

### **Grant Amounts and Disbursements**

Funds will be distributed from an award pool of \$8,000,000 to approved applicants that meet the grant eligibility requirements until funds are exhausted. Approved applicants will be required to demonstrate they have a conditional license and have received a Social Equity Business designation from NJ CRC. A Social Equity Business is defined in N.J.A.C. 17:30-6.6. Five percent of grants will be reserved for Social Equity Businesses that are in an Impact Zone, in accordance with P.L. 2022, c. 48. Successful applicants will be eligible for a grant award of up to \$150,000.

The grant will be disbursed incrementally based on the successful applicant meeting the below milestones. In total, four disbursements will be available to successful applicants and expenditure of each prior disbursement must be shown as follows. Compliant documentation for each phase of disbursement is required. All eligible expenses must have been incurred after March 9, 2020.

- 1) An initial disbursement of up to \$37,500 will be made upon the successful applicant completing the fourth week of the NJEDA provided technical assistance program that is required for grantees and approval of eligible expenses. Successful applicants must either:
  - a) provide receipts that they have spent \$37,500 in eligible expenses or
  - b) provide a business spending plan detailing how the \$37,500 will be spent on eligible expenses
- 2) The second disbursement of up to \$37,500 will be made upon the successful applicant completing the full NJEDA provided technical assistance program that is required for grantees. Additionally, in order to be eligible for this second disbursement, Grantees must also provide evidence that they have spent the previous disbursement on eligible expenses.
- 3) The third disbursement of up to \$37,500 will be made upon the successful applicant obtaining site control and municipal approval to operate and open a physical location for their cannabis business in a New Jersey municipality. Additionally, in order to be eligible for this third disbursement, Grantees must also provide evidence that they have spent the previous disbursement on eligible expenses.
- 4) The final disbursement of up to \$37,500 will be made upon the successful applicant obtaining a NJ CRC issued annual license. In addition, prior to final disbursement, Grantees must provide evidence that they have spent the previous disbursement on eligible expenses and must provide receipts for the final disbursement that they have spent \$37,500 in eligible expenses.

### **Eligibility**

Program eligibility is limited to businesses that can demonstrate the following:

- 1) The business holds a NJ CRC conditional license, in any class, for recreational use. Alternative Treatment Centers certified to operate in adult personal-use market are not eligible for this grant.
- 2) The business is designated as a Social Equity Business conditional license holder in accordance with NJ CRC rules (N.J.A.C. 17:30-6.6).
- 3) The business has 50 or fewer full-time employees at the time of application, as evidenced by a WR30, or other documentation acceptable to the NJEDA.
- 4) The business is in good standing with the NJ CRC, the Division of Taxation (as evidenced by a valid tax clearance certificate), the Department of Environmental Protection, and the Department of Labor and Workforce Development, at the time of application.
- 5) The business has documents of incorporation (or other formation documents acceptable to NJEDA) showing operations were commenced after the issuance of Executive Order No. 103 (March 9, 2020).
- 6) The owner or owners of 51 percent or more of the business:
  - Have established one non-home-based retail, agricultural, personal services, or manufacturing businesses in any US state or territory; or
  - Has two or more years of experience as an owner, manager, executive or supervisor of a retail, agricultural, personal services, or manufacturing business.
- 7) The owner or owners of 51 percent or more of the business have completed **one** of the following courses or can demonstrate three years of management experience as set forth below:
  - A professional cannabis education course (including but not limited to a course or courses in cannabis business, cannabis law, cannabis operations, cannabis plant science/plant cultivation or economics of cannabis) offered by an accredited higher education institution, a state or local government, or a private provider with at least two years of operations and a minimum of 200 program graduates as verifiable by the institution; or
    - A small business entrepreneurship training course; or
    - Six college credits in business, management, finance, economics, accounting, agricultural sciences, logistics/supply chain management or marketing; or
    - Has three or more years of experience as an owner, manager, executive, or supervisor of a retail, agricultural, personal services, or manufacturing business that requires

advanced knowledge, skills and/or training to deliver such a service to an individual, business, or manufacturer.

### **Eligible Uses**

The program is designed to support start-up expenses and operational costs for cannabis businesses during early-stage operation. Eligible uses may include, but are not limited, to:

- Rental expenses evidenced by a fully executed lease. Up to thirty-six lease payments may be covered after the date that the conditional license is awarded by the NJ CRC.
- Payroll and independent contractor payments as evidenced by a payroll report, WR30, or equivalent payroll documentation and payment documentation for 1099 contractors.
- Regulatory compliance expenses such as those related to all professional and advisory services required to (1) document, analyze, complete, and file a NJ CRC application; and (2) comply with all regulations, rules, controls, statutes, and any other requirements related to the legal operation of a New Jersey licensed cannabis business.
- Legal expenses associated with opening and operating the business.
- External employee training related to preparing staff to accomplish their job duties.
- Professional services including but not limited to accounting, human resources, business planning, security, marketing, website creation, lab services, and any other outside services that may be needed to operate a New Jersey licensed cannabis business or obtain any license or authorization to operate as a New Jersey licensed cannabis business from the NJ CRC.
- Utilities and overhead fees (e.g., expenses that are not directly related to a product or good but are necessary for business operations).
- Commercial mortgage payments.
- Business supply- items needed to operate the eligible business (e.g., office supplies and other supplies needed to maintain normal business operations).
- Business equipment under \$2,000, inclusive of installation - Equipment or tangible property that includes machinery, furniture, fixtures, vehicles, computers, electronic devices, and office machines under \$2,000.

Grant funds may **not** be used for:

- Controlled inventory

- Construction
- Equipment and installation costing greater than \$2,000
- Purchase of land
- Demolition of an existing structure
- Rolling stock.

All uses and documentation are subject to NJEDA review and approval. All receipts and/or invoices must be dated after March 9, 2020.

### **Grant Amounts**

The Seed Equity Grant product will award grants of up to \$150,000 per successful applicant. **There is a limit of one grant award per EIN.** This grant is only open to businesses that have been designated by NJ CRC as a Social Equity Business, which is defined in N.J.A.C. 17:30-6.6. Five percent of the award pool is reserved for Social Equity Businesses with project locations in an Impact Zone.

### **Application Submission and Review Process**

Applications will be accepted on a rolling basis subject to the availability of funds. All applications will be reviewed for completeness and evaluated in the order that they are received by the Authority. At the sole discretion of the Authority, staff may ask for any necessary clarifications of the information provided in the application including, but not limited to, responses, documentation, and attachments. **Applicants will be given 10 business days to respond to the clarification requests.** If at the end of the cure period the applicant is non-responsive, the application will be deemed withdrawn.

### **Required Application Information**

Applicants will be required to provide the following documents:

- New Jersey Certificate of Incorporation or other formation documentation;
- Current New Jersey Tax Clearance Certificate;
- NJ CRC issued recreational conditional cannabis license, as specified in the eligibility criteria;
- NJ WR-30 (if applicable) as evidenced through payroll WR30 or other documentation acceptable to the NJEDA.
- Completed Legal Questionnaire in accordance with Executive Order 34 (Byrne) and the Authority's Disqualification/Debarment Regulations (N.J.A.C. 19:30-2.1, et seq.).

For the purposes of the Cannabis Equity Grant Program only, the NJEDA Board has authorized NJEDA staff to:

- not disqualify, debar, or suspend applicants convicted of marijuana and hashish related offenses that meet the criteria for a “Social Equity Business” as defined in the Cannabis Regulatory Commission’s rules, specifically N.J.A.C. 17:30-6.6 as administered by CRC, provided the applicant does not have other disqualifying convictions or judgments; and
- limit the timeframe for investigation into criminal matters to those where the date of conviction, satisfactory completion of probation or parole, or release from incarceration, whichever is later, occurred five years prior to the date of program application, in accordance with N.J.A.C. 17:30-7.12. This modification to the delegated authority approved by the Board on June 8, 2022, will be consistent with NJ CRC’s timeframe for disqualifying convictions (as stated in N.J.A.C. 17:30-7.12(d)).

### **Fees**

Seed Equity applicants will be granted a fee waiver.

### **Additional Information**

Comprehensive information about the Cannabis Equity Grant Program – Seed Equity Product is available at <https://www.njeda.gov/cannabis>. Questions concerning this Program and Notice of Funding Availability should be submitted to [cannabis@njeda.gov](mailto:cannabis@njeda.gov).

**The NJEDA is subject to statutes and regulations including but not limited to the following which may impact affiliates:** N.J.S.A. 52:32-60.1, et seq., which prevents New Jersey government entities from certain dealings with businesses on the Treasury list of those engaged in prohibited activities in Belarus or Russia; and N.J.S.A. 52:13D-12, et seq., which prohibits a member of the Legislature or a State officer or employee or their partners or a corporation in which they owns or controls more than 1% of the stock to undertake or execute any contract, agreement, sale, or purchase of \$25.00 or more, made, entered into, awarded or granted by any State agency, with certain limited exceptions.