



MEMORANDUM

TO: Members of the Authority

FROM: Timothy Sullivan
Chief Executive Officer

DATE: September 10, 2025

SUBJECT: Creation of NJ LEAF the New Jersey Lending for Equity, Access, and Financing Pilot Program

Request:

This memo requests Board approval for the establishment of the NJ LEAF Program, a three-year pilot program developed to address the capital access barriers of New Jersey's cannabis cultivators, manufacturers, and testing laboratories. This program aims to support the evolving financing needs related to real estate acquisition, equipment investment, and operational costs amidst a nascent and dynamic market.

Approval is requested for:

- 1) The creation of the NJ LEAF Program – a three-year pilot program that will offer up to \$1.5 million in fixed asset and \$500,000 in working capital financing to eligible New Jersey recreational cannabis cultivators, manufacturers, and testing laboratories licensed by the New Jersey Cannabis Regulatory Commission (NJCRC) Office of Licensing.
- 2) The utilization of \$15 million from the Economic Recovery Fund (ERF) to fund the NJ LEAF Pilot Program.
- 3) Delegation of authority to the Chief Executive Officer to approve individual applications under the NJ LEAF Pilot Program in accordance with the terms set forth in this memo and attached product specifications.

Background

In February 2021, Governor Phil Murphy signed the New Jersey Cannabis Regulatory, Enforcement, Assistance, and Market Modernization Act (“CREAMM Act”), legalizing adult-use cannabis in the State. Since the launch of recreational sales in April 2022, New Jersey’s cannabis market experienced significant growth, generating over \$2 billion in total revenue, with 288 licensed businesses open and operating. In 2024 alone, combined medical and recreational sales reached \$1 billion — a nearly 25% increase over 2023 — underscoring the strength of New Jersey’s regulated market. Beyond direct sales, the industry stimulated the broader economy, driving an estimated \$2.50 in economic impact for every dollar spent, supporting jobs, ancillary businesses, and new intrastate supply chains.

In June 2022, New Jersey adopted legislation enabling the New Jersey Economic Development Authority (NJEDA) to establish financial and technical assistance programs for cannabis businesses. On December 21, 2022, the NJEDA Board approved the Cannabis Equity Grant Program, and launched two grant programs, the Joint Ventures and Seed Equity Grant Programs, and provided essential funding to help offset startup costs, high real estate expenses, and limited access to traditional financing. Through these programs, NJEDA has awarded nearly \$20 million in grant funding to early-stage cannabis businesses, with half allocated to NJCRC-designated social equity applicants. In May 2025, the NJEDA Board further expanded support by approving the Cannabis Business Development (CBD) Grant Program to alleviate the financial burden of ongoing State and local compliance and offset operating expenses for early-stage companies. With a proven track record of developing and delivering cannabis grant programs, the NJEDA has laid the groundwork for equitable market participation while strengthening the State’s cannabis economy.

Despite previous successes, increasing access to adaptive financing options remains essential to fostering a diverse and sustainable cannabis industry given restrictions at the federal level. Cultivating, manufacturing, and testing cannabis requires advanced agricultural techniques, specialized workforce training, precise environmental controls, and strict compliance with regulatory standards—all of which significantly increase the cost and complexity of operations. Additionally, qualitative and anecdotal data from industry stakeholders confirms that without sufficient financial support, many cannabis entrepreneurs will continue to face significant barriers to accessing the capital necessary for operational efficiency and business growth.

To further assess these challenges, NJEDA staff conducted a public opinion survey of cannabis cultivators, manufacturers, and testing laboratories that are currently operational or nearing launch. The findings reinforced that access to capital remains a primary obstacle, with many businesses unable to secure funding for operational or expansion-related expenses due to stringent lending criteria and the limited availability of cannabis-friendly financial institutions. Survey participants also highlighted high equipment costs, supply chain delays, and difficulty securing property ownership or favorable lease terms as ongoing challenges. These insights underscore the need for a tailored loan program that directly responds to these conditions and is accessible to cannabis operators navigating these structural barriers.

Program Purpose

While NJEDA's cannabis grant programs have played a foundational role in launching New Jersey's cannabis retail market, the NJ LEAF Pilot Program is designed to strengthen the broader cannabis supply chain—specifically targeting recreational cannabis cultivators, manufacturers, and testing laboratories to support long-term industry stability. Modeling public, non-federal funding initiatives in states such as California, Illinois, New Mexico, and Colorado, and leveraging decades of institutional experience in administering loan programs such as the Small Business Fund and Direct Loan Program, NJEDA will deploy its established lending infrastructure to offer targeted support and help minimize capital access gaps for these core license holders. The program is also designed to support communities historically impacted by the “War on Drugs,” promote inclusive economic development, and solidify New Jersey’s leadership in the national cannabis market—building on the success of comparable efforts in other states. The NJ LEAF Pilot program expands upon NJEDA’s already established cannabis-focused financial tools, further empowering small businesses and advancing the State’s commitment to equitable economic development.

This 3-year pilot loan program will provide low-cost financing of up to \$1.5 million to eligible recreational cannabis cultivators, manufacturers, and testing laboratories in New Jersey that have received their annual license digital card from the NJCRC. It provides eligible cannabis businesses with access to capital to support business operations within the State of New Jersey, including the expansion of operations, the purchase of equipment, the acquisition of owner-occupied commercial real estate, and the creation of jobs. Through this pilot loan program, cannabis entrepreneurs will be empowered to scale operations and compete in a rapidly growing industry, aligning with the State’s broader economic goals to strengthen New Jersey’s cannabis supply chains.

Ultimately, the NJ LEAF product aligns seamlessly with the NJEDA's strategic focus on investing in industries that foster both economic growth and significant social impact. Prioritizing this specific sector of businesses within this industry will help diversify New Jersey's cannabis market, promoting vertical integration that supports entrepreneurs, skilled professionals and local economies. By enabling micro, small and medium-sized cannabis businesses to access capital, expand operations, and thrive sustainably, this loan product contributes to a healthier, artisan and craft-oriented cannabis culture, while also generating high-paying, specialized jobs in the State.

Funding Source - Economic Recovery Fund (ERF)

The NJ LEAF Pilot Program will utilize \$15 million from the ERF. As NJEDA's primary funding source for pilot programs, the ERF, as referenced in N.J.S.A. 34:1B-7.13(1), supports projects that have significant potential to uplift localities through economic, community, and workforce development. By focusing on these areas, the ERF enables NJEDA to strategically invest in initiatives that foster economic activity and provide long-term benefits for New Jersey's businesses and workforce. The NJ LEAF Program will use the ERF funding to serve eligible small businesses with fewer than 250 employees, helping them expand, create jobs, and drive economic growth within the state.

Pursuant to the New Jersey Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act (CREAMMA) at N.J.S.A. 24:6I-49(c)(2), NJEDA must reserve a portion of funds for businesses operating in Impact Zones to stimulate economic development in historically underserved areas. To remain aligned with the NJEDA's existing cannabis programs, 5% (\$750,000.00) of the NJ LEAF Pilot Program will be set aside for businesses located in Impact Zones. These zones are designated by the NJCRC based on factors, which include but are not limited to past marijuana arrests, law enforcement activity, unemployment, and population.

Program Details

The NJ LEAF Program provides flexible lending options for both fixed assets and working capital, helping licensed recreational cannabis cultivators, manufacturers, and testing laboratories grow and stabilize their operations in New Jersey. For fixed assets, including owner occupied real estate, equipment, and machinery, loan amounts range from a minimum of \$100,000 to a maximum of \$1,500,000. Eligible cannabis businesses seeking working capital support may access loans starting at \$100,000, with a maximum of \$500,000. These funding options offer valuable resources for businesses to invest in property, upgrade equipment, and cover day-to-day operational expenses.

Total Loan Exposure:

The total NJEDA loan exposure provided under this Program shall not exceed \$1.5 million per NJEDA relationship, calculated on a first-come first-served basis and as applications are complete. Of this amount, the total working capital loan exposure may not exceed \$500,000.

The Authority's definition of "NJEDA relationship" includes the applicant and any business entities in which a common individual or entity holds a 20% or greater ownership interest.

Eligible Applicants

To be eligible for the NJ LEAF-Pilot Program, the applicant must be a for-profit entity holding a valid and current recreational annual license digital card as per the final recommendation issued by NJCRC in one of the following categories:

- Class 1 Cannabis Cultivator
- Class 2 Cannabis Manufacturer, or
- Cannabis Testing Laboratory

Note: Medicinal-Only ATCs and Medicinal-Only Testing Labs are not eligible.

The applicant's business must be based in New Jersey, employ fewer than 250 full-time employees (includes all individuals employed on a full-time basis across all business locations, whether in or outside the State), and be operating, generating revenue, and incurring expenses for at least one full calendar year prior to the date of application. Applicants must submit a complete federal business tax

return demonstrating 12 months of operations, with gross revenues not exceeding \$5 million as reported on the most recent return required to be filed.

Applicants must also commit to retaining and/or creating at least one full-time job in New Jersey for every \$65,000 of NJEDA loan exposure within two years of the loan closing date.

Financing must be secured by fixed assets, such as real property and/or machinery and equipment. The business must meet a historical global debt service coverage ratio of at least 1.0x. All individuals or entities with 10% or greater ownership in the applicant's business must provide unlimited guarantees for the duration of the loan term. At least one personal guarantor must have a minimum credit score of 650 from one of the following sources, as reported by CoreLogic Credco: Experian FICO II or TransUnion FICO Classic 04.

Applicants must provide a valid and current New Jersey Tax Clearance Certificate to show substantial good standing with the New Jersey Division of Taxation prior to approval. Additionally, applicants must be in substantial good standing with the NJEDA, NJCRC, New Jersey Department of Labor and Workforce Development, and New Jersey Department of Environmental Protection prior to loan approval. Determinations of substantial good standing will be made at the discretion of each respective agency.

Eligible Uses of Funds & Terms

Loan proceeds under the NJ LEAF Pilot Program must be used solely to support the licensed applicant's business operations conducted within the State of New Jersey. Eligible uses of funds include the following:

Real Estate:

Funds may be used to purchase or refinance owner-occupied commercial property in New Jersey that is tied to the applicant's NJCRC license. Loan amounts range from \$100,000 to \$1.5 million, with a loan-to-value (LTV) ratio of up to 100%. Interest rates are fixed at closing, with terms of up to 30 years plus 25 basis points for each 5-year term of the loan provided beyond the first 10 years. The applicant's business must occupy and operate at least 51% of the property's total square footage and must continue to meet owner-occupancy requirements for the duration of the loan term.

Real Estate Transactions Involving Holding Companies:

In cases where a real estate holding company is involved in the real estate transaction, the licensed cannabis-operating entity will remain the primary applicant, and the real estate holding company may be required to serve as a co-applicant.

Equipment:

Financing may be used to purchase or refinance equipment that remains at the applicant's New Jersey commercial business location directly related to the NJCRC license. Loan amounts range from \$100,000 to \$1.5 million, with an LTV of up to 90% of the equipment's hard costs. Rolling stock and soft costs (e.g., delivery, warranties) are excluded. Interest rates are fixed, with terms of up to 10 years.

Equipment requiring major installation and/or construction, where labor or contract costs exceed \$1,999.99, will be subject to compliance with the Prevailing Wage Act, Public Works Contractor Registration Act, and Affirmative Action requirements.

Working Capital:

Permanent working capital, a non-revolving fully amortizing loan, may be used to support inventory purchases and recurring operating expenses paid in the ordinary course of business. Loan amounts range from \$100,000 to \$500,000 and must be secured by real estate, with an LTV of up to 100%. Interest rates are fixed at closing with terms of up to 7 years. Working capital may also be used to refinance existing cannabis-related debt, provided the original use supported business operations of the licensed business establishment and/or to cover NJCRC license renewal fees.

Examples of eligible working capital may include, but are not limited to:

- Future Lease payments for the property tied to the application and the NJCRC cannabis license.
- Future Employee Payroll: as evidenced by a current payroll report or NJ WR30 or New Jersey jobs that may need to be filled (job posting, date of hire, and descriptions would need to be provided) or equivalent payroll documentation (including 1099 contractors). Future Employee Payroll must be for NJ jobs only.
- Future Employee Training: cost to train New Jersey employees or hire a trainer for any function of their business operation.
- Future Professional Services: accounting, human resources, business planning, security, marketing, website creation, lab services and any other outside services that may be needed to operate a cannabis business or maintain an annual license or other NJCRC requirement to operate.
- Future Utility bills for the property tied to the application and NJCRC cannabis license.

Examples of ineligible uses for working capital loans may include, but are not limited to:

- Controlled inventory
- Construction and renovation
- Purchase of land
- Demolition of an existing structure
- Purchase/lease of rolling stock
- Payments or distributions to associates of the borrower other than for ordinary compensation for services rendered.
- Payment of fines, administrative penalties, state, and/or federal taxes, real estate taxes, municipal utilities, and costs associated with added or special assessments.
- Personal, non-business obligations, or costs incurred by related entities.
- Owner payments/salaries
- Travel and entertainment
- Expenses for facilities outside of New Jersey or unrelated to the applicant
- Distributions/return on capital
- Legal expenses associated with litigation involving the State of New Jersey, local New Jersey government, or relating to any regulatory or criminal matter.

All uses and supporting documentation are subject to the review and approval by NJEDA in its sole discretion. The Authority in its sole discretion determines what type of inventories and operating expenses are eligible for working capital support. The Authority reserves the right, in its sole discretion, to require documentation and verification that all loan proceeds have been used solely for their intended and approved purposes as outlined in the loan agreement.

Loan Rates & Additional Terms

The interest rate for loans under the NJ LEAF Pilot Program is fixed at closing and based on the equivalent term US Treasury rate or a floor of 1%, whichever is higher. Additional basis points are applied for credit risk and loan term at the time of closing. The loan term and amortization will be determined based on the loan's purpose and the useful life of the collateral provided.

Lien/Collateral/Security Requirements:

Collateral, including real estate and equipment/machinery, as well as liens, are required based on the NJEDA's underwriting analysis. The NJEDA may take a subordinate lien to a senior lender on the same collateral; however, if the NJEDA is the sole lender, the NJEDA lien will be in the first position. Additionally, the loan's risk rating will be determined according to the NJEDA's established risk rating methodology.

Financial Projections:

CPA prepared detailed financial projections for at least 3 years (including income statements, balance sheets, and cash flow statements) may be considered for loan amounts up to \$500,000 together with secured fixed assets (real estate, machinery/equipment) and a majority owner minimum credit score of 680. Projections must indicate a minimum DSCR of 1.0. Projections must be submitted in the original Excel format, with all formulas intact. A written narrative must accompany the financial projections, clearly explaining the key assumptions used (revenue growth, expense trends, and financing terms) as well as the rationale behind the estimates. Projections will be evaluated for reasonableness, consistency with industry benchmarks, and alignment with the applicant's operational capacity and proposed use of loan proceeds

Prevailing Wage & Affirmative Action Requirements:

Projects utilizing NJEDA financial assistance for construction related costs to include installation and award of a contract for any construction related work as defined by NJ Department of Labor are subject to prevailing wage and Public Works Contractor Registration Act requirements.

For projects receiving financial assistance, any contractor or subcontractor hired for construction work and having a total company workforce of four (4) or more employees must provide documentation demonstrating their good faith efforts to employ minority and women workers in each construction trade. This effort should be consistent with the applicable county employment goals established in accordance with N.J.A.C. 17:27-7.2 and align with the affirmative action requirements outlined in N.J.A.C. 19:30-3.5.

All NJ LEAF Pilot Program approvals will be subject to NJEDA's credit underwriting policy.

Fees

For the NJ LEAF Pilot Program, fees include a \$500 non-refundable application fee, a commitment fee of 0.875% of the loan amount, payable upon acceptance of the term sheet, and a closing fee of 0.875% of the loan amount, due at closing. There is no prepayment penalty, and all fees associated with the NJ LEAF Pilot Program are non-refundable.

An application submitted without a fee is considered incomplete and will not be reviewed until the fee is received.

Application Process

Applications for the NJ LEAF Pilot Program will be available online at njeda.gov and will be reviewed on a rolling basis, following a first-come, first-served approach as applications are completed. The program will be available for three years from the date applications are made available to the public, or until the total funding pool is exhausted (whichever is sooner).

As part of the application process, NJEDA will request information from the applicant—including any real estate holding company, operating entity, and corporate guarantors, if applicable. If a real estate holding company is involved in the real estate financing transaction, the licensed cannabis-operating entity will remain the primary applicant, and the real estate holding company may be required to serve as a co-applicant.

Required documentation shall include but is not limited to:

A copy of the NJCRC annual license digital card, as issued under the final recommendation from the NJCRC Office of Licensing; a brief project description and overview; and a list of all business locations/addresses that are currently open and operating, both within and outside of New Jersey, including the total number of employees at each location. Applicants must identify any other states where they have applied for or received a license to operate a recreational cannabis facility and provide certification that the loan will be used solely for approved purposes in support of the applicant's New Jersey business operations and not for any ineligible uses to include, but are not limited to, the purchase of controlled inventory, payment of regulatory fee violations, and other ineligible uses as outlined in the program specifications and this board memo.

Applicants must submit the most recent three years of signed federal business tax returns, if applicable, for any corporate guarantors, operating companies, or real estate holding companies named in the application. If corporate guarantors are included, they must be listed along with a clear description of their financial responsibilities and obligations related to the transaction. A complete list of all applicant business owners, including ownership percentages for any related entities such as real estate holding companies or corporate guarantors and the individual ownership of those entities, must be provided. Applicants must consent to verification of information submitted in, or related to, their recreational cannabis license application with NJCRC at the time of application and throughout the loan term, if

approved. Additional required documents include a Business Schedule of Debt (using the NJEDA-provided form), interim financial statements and a balance sheet dated within 90 days of the application, and the most recent three years of signed personal federal tax returns for all personal guarantors owning 10% or more of the applicant's business. Each personal guarantor owning 10% or more of the applicant's business must also submit a personal financial statement.

Applicants must also include New Jersey business formation documents, corporate resolutions, and partnership agreements (if applicable) for the applicant entity and any corporate guarantors, operating companies, or real estate holding companies identified in the application. The number of full-time W2 employees in New Jersey to be created and/or retained within two years of the loan closing date must also be provided. If the loan is to be used for the purchase of real estate, a contract of sale, appraisal, or other supporting documentation must be submitted. For equipment loans, a vendor quote is required, and for working capital loans, an itemized list of the proposed use of funds must be provided.

The NJEDA may also request any additional documentation necessary to evaluate the application, including but not limited to: appraisals of real property and/or machinery, aging reports for accounts receivable and payable, Pro Forma financial statements, financial projections, and lease agreements. At the time of application, all applicants will be required to complete a legal debarment questionnaire and must not be subject to disqualification based on the responses.

All applicable items must be submitted in full prior to review and decision by the NJEDA Underwriting Department.

Approvals & Delegated Authority

All NJ LEAF Pilot Program approvals are subject to a credit analysis by NJEDA's underwriting department.

The Members of the Board are requested to approve delegation of authority to the Chief Executive Officer to designate staff to approve individual applications under the NJ LEAF Pilot Program in accordance with the terms set forth in this memo and the attached product specifications.

Applicants whose applications are declined will have the right to appeal with the NJEDA. Appeals must be filed within the timeframe set in the declination letter (which must be at least 10 business days). Legal Affairs will designate Hearing Officers who will review the applications, appeals, and any other relevant documents or information. The Hearing Officer will prepare a recommended decision, which may be approved as a Final Administration Decision in accordance with delegated authority.

Compliance & Modifications

Loan modifications are at the sole discretion of the Authority. Throughout the term of the loan, the applicant must remain in good standing with NJCRC. Additionally, applicants are required to adhere to all provisions outlined in the loan agreement.

Recommendation

The Members are requested to approve: (1) The establishment of the NJ LEAF Pilot Program—a three-year pilot program offering up to \$1.5 million in fixed asset and \$500,000 in working capital financing to eligible cannabis businesses in New Jersey licensed by NJCRC; (2) the utilization of \$15 million from the Economic Recovery Fund (ERF) to fund the NJ LEAF Pilot Program; and (3) delegation of authority to the Chief Executive Officer to approve individual applications under the NJ LEAF Pilot Program in accordance with the terms outlined in this memo and attached product specifications.



Tim Sullivan, CEO

Prepared by: Naimah Marshall
Aubrey Flanagan

Attachment: NJ LEAF Pilot Program Specifications