

NJ LEAF Pilot Program
Program Specifications

Program Purpose	<p>The NJ LEAF Pilot Program is a 3-year pilot loan program that provides 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 New Jersey Cannabis Regulatory Commission (NJCRC) Office of Licensing. This initiative addresses the critical financing gap faced by New Jersey cannabis entrepreneurs due to federal banking regulations. The NJ LEAF aims to support the New Jersey cannabis market by providing businesses with access to capital, enabling them to support business operations conducted within the State of New Jersey including the expansion of operations, the purchase of equipment, acquisition of owner-occupied commercial real estate, and the creation of jobs within the State. Through this pilot loan program, cannabis entrepreneurs are empowered to scale their businesses and compete in a rapidly growing industry, aligning with the State's broader economic goals to strengthen local supply chains within the New Jersey cannabis sector.</p>
Funding Source	<p>\$15 million from the Economic Recovery Fund (ERF).</p> <p>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. 5% (\$750,000.00) of the NJ LEAF 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.</p>
Eligible Applicants and Restrictions	<p>Eligible applicants must meet the following requirements to be eligible for the NJ LEAF program:</p> <ul style="list-style-type: none"> • Possess a valid and current recreational annual license digital card as per the final recommendation issued by NJCRC Office of Licensing in one of the following categories: Class 1 Cannabis Cultivator, Class 2 Cannabis Manufacturer, or recreational cannabis Testing Laboratory. (Medical Only ATC's and Medical Only Testing Labs are not eligible) • Must be based in New Jersey and employ fewer than 250 full-time employees. (Includes total individuals employed at all locations on a full-time time basis in and outside of New Jersey.) • Be operating, generating revenue, and incurring expenses for at least one full calendar year prior to the date of application.

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	<ul style="list-style-type: none"> • Must provide a complete federal business tax return demonstrating a full 12 months of business operations, as shown by the most recent federal business tax return required to be filed. • Have annual gross revenues of \$5 million or less, as reported on the applicant's most recent federal business tax return required to be filed. • Commit to the retention and/or creation of one full-time W2 job based in New Jersey for every \$65,000 of NJEDA loan exposure within two years of the loan closing date. • Be able to secure the financing with fixed assets (e.g. real property and/or machinery/equipment). • Meet a historical global debt service coverage ratio of 1.0x. • All individuals and/or entities having 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 (owner of the applicant's business) must have a credit score of 650 or above in at least one of the following data sources provided in the credit report: Experian FICO II, and TransUnion FICO Classic 04 as provided by CoreLogic Credco. • Provide valid and current New Jersey Tax Clearance Certificate to demonstrate the applicant is in substantial good standing with the New Jersey Division of Taxation prior to approval. • Be in substantial good standing with NJEDA, NJCRC, the New Jersey Department of Labor and Workforce Development, and the New Jersey Department of Environmental Protection prior to approval, with all decisions of substantial good standing at the discretion of those entities.
Eligible Uses	<p>Funds must be used solely to support the applicant's business operations conducted within the State of New Jersey. Eligible uses include:</p> <p>Real Estate</p> <ul style="list-style-type: none"> • Purchase or refinance of owner-occupied commercial real estate (applicant's business must occupy and operate at least 51% of the square footage of the New Jersey commercial property for the duration of the loan). <p>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.</p> <p>Equipment</p>

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- Purchase or refinance of equipment that must remain at the applicant's New Jersey commercial business location tied to the NJCRC license. Excludes rolling stock and soft costs. (Examples of soft costs may include, but are not limited to, installation, delivery, and warranties).

Working Capital

- Permanent working capital for operating expenses. Permanent working capital is a non-revolving fully amortizing loan in which the proceeds are used to purchase inventory and support recurring operating expenses paid in the ordinary course of business.
- If refinancing working capital, the original use of financing must be verified as the applicant's business-related debt incurred to support the operations of the licensed cannabis business establishment and/or to pay the applicant's NJCRC license renewal fees.

Examples of eligible working capital use 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, NJ WR30, 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 the 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 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

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	<ul style="list-style-type: none"> • 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. <p>The Authority, in its sole discretion, determines what type of inventories and operating expenses are eligible for working capital support. All uses and supporting documentation are subject to the review and approval by NJEDA in its sole discretion.</p> <p>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.</p>
Loan Amounts	<p>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.</p> <p>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.</p> <p>Fixed Assets: (Owner-Occupied Commercial Real Estate, Equipment/Machinery)</p> <ul style="list-style-type: none"> - Minimum Loan Amount \$100,000.00 - Maximum Loan Amount \$1,500,000.00 <p>Working Capital Loan:</p> <ul style="list-style-type: none"> - Minimum Loan Amount \$100,000.00 - Maximum Loan Amount \$500,000.00

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<p>Rates & Terms</p>	<p>Interest Rate</p> <ul style="list-style-type: none"> • The Interest Rate is based on the equivalent term US Treasury rate or floor of 1%, whichever is higher with basis point additions for credit risk and term. • Interest rates will be fixed at the time of closing. <p>Real Estate</p> <ul style="list-style-type: none"> • The interest rate may be fixed for up to 30 years based on the equivalent term US Treasury rate plus 25 basis points for each 5-year term of the loan provided beyond the first 10 years. • Up to 100% maximum loan-to-value for real estate. <p>Equipment</p> <ul style="list-style-type: none"> • The interest rate may be fixed for up to 10 years. • Up to 90% maximum loan-to-value for equipment hard costs (excludes soft costs, including but not limited to, delivery, installation, and warranties). • Any equipment that requires major installation and/or construction in which labor or a contract cost exceeds \$1,999.99 will require compliance with Prevailing Wage, Public Works Contractor Registration Act, and Affirmative Action requirements. <p>Working Capital</p> <ul style="list-style-type: none"> • NJEDA interest rate may be fixed for up to 7 years. • Permanent working capital loan must be secured by real estate. • Up to 100% maximum loan-to-value.
<p>Additional Terms</p>	<ul style="list-style-type: none"> • Term and amortization will be dependent upon loan purpose and useful life of collateral. • 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 <p>Approvals will be subject to NJEDA's credit underwriting policy.</p>

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Lien/Collateral/Security	<ul style="list-style-type: none"> • Collateral (real estate, equipment/machinery) and liens are required, as determined by the NJEDA underwriting analysis. • EDA may take a subordinate lien to a senior lender on the same collateral. Should the NJEDA be the sole lender, the EDA lien will be in first position. • Risk Rating: Subject to the NJEDA's risk rating methodology.
Fees (All fees are non-refundable)	<ul style="list-style-type: none"> • Application Fee: \$500.00. • Commitment Fee: 0.875% of loan amount, payable at acceptance of term sheet. • Closing Fee: 0.875% of loan amount. • No Prepayment Penalty.
Prevailing Wage Affirmative Action	<ul style="list-style-type: none"> • Projects utilizing NJEDA financial assistance, for construction or labor related costs that include installation of equipment and award of a contract for any construction related work, as defined by New Jersey Department of Labor and Workforce Development, exceeding \$1,999.99 are subject to prevailing wage and Public Works Contractor Registration Act requirements. • For projects receiving NJEDA 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 Authority's affirmative action requirements outlined in N.J.A.C. 19:30-3.5.
Application	<p>Applications will be accepted online at njeda.gov and reviewed on a rolling basis, first-come first-served, 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 pools is exhausted (whichever is sooner).</p> <p>As part of the application, the Authority will request information from the applicant (including the real estate holding company and/or operating entities 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.</p>

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- Required documentation shall include but is not limited to: Copy of the NJCRC annual license digital card as per the final recommendation issued by NJCRC Office of Licensing.
- Brief Project description and overview.
- All business locations/addresses that are open and operating in and outside of New Jersey to include total number of employees at each location.
- Identify any other States the applicant has filed or received licenses to operate a recreational cannabis facility.
- Certification that the loan will be used solely for approved usage supporting business operations in New Jersey and not for any ineligible use such as controlled inventory, fee violations, and other ineligible use as outlined in the program specification and board memo.
- Most recent 3 tax years of signed business federal tax returns (if applicable) for any corporate guarantors, operating company and/or real estate holding company identified on the application.
- If applicable, corporate guarantors must be listed with a clear description of their financial responsibility and obligations in relation to the transaction.
- List of all applicant-business owners and ownership percentages, including those of any real estate holding company, operating entity, and/or corporate guarantors and the individual ownership of those entities related to the application.
- 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.
- Business Schedule of Debt (NJEDA form to be provided to applicants).
- Interim statements and balance sheet dated within 90 days of application.
- Most recent three years signed personal federal tax returns for all personal guarantors owning 10% or more of the business.
- Personal Financial Statement for guarantors owning 10% or more of the applicant-business.
- New Jersey Business Formation documents, corporate resolutions, partnership agreements (if applicable) for the applicant and any corporate guarantors, operating companies, and real estate holding companies identified on the application.
- Number of NJ full-time W2 employees to be created and/or retained within two years of the loan closing date.
- Contract of Sale to support Purchase of Real Estate, appraisal, and/or any other document related to a commercial property purchase.

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	<ul style="list-style-type: none"> • Quote for equipment purchase, if applicable. • Itemized list of the use of funds for a working capital request, if applicable. • Any additional information deemed necessary to evaluate the application, which may include but is not limited to: appraisal(s) on real property and/or machinery, aging of accounts receivable, aging of accounts payable, Pro Forma, projections, and leases. • At the time of application, applicant will be required to complete a legal debarment questionnaire and not be subject to disqualification based on that questionnaire. <p>All applicable items will be required prior to application review and decision by the NJEDA Underwriting Department.</p>
Approval/ Declines	<p>Approvals will be subject to NJEDA's credit underwriting policy.</p> <p>Delegation of authority to the CEO to approve individual applications for the NJ LEAF Program in accordance with the terms set forth in the Board Memo and Program Specifications.</p> <p>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.</p>
Compliance and Modifications	<ul style="list-style-type: none"> • Loan modifications are at the sole discretion of the Authority. • For the term of the loan the applicant must remain in good standing with NJCRC. • Applicants are required to adhere to all provisions specified in the loan agreement to prevent default.