

**GOVERNOR'S STATEMENT UPON SIGNING
SENATE BILL NO. 2875
(Third Reprint)**

Today I am pleased to sign Senate Bill No. 2875 (Third Reprint), which revises certain restrictions relating to ownership of, or investment in, Alternative Treatment Centers ("ATCs"). The bill aims to incentivize the deployment of private capital to fund medical cannabis dispensaries certified as minority-owned, woman-owned, or disabled veteran-owned businesses. Under the bill, such investment must be paired with technical assistance to further help entrepreneurs succeed.

In general, under current law, no single entity may concurrently hold more than one medical cannabis cultivator permit, one medical cannabis manufacturer permit, and one medical cannabis dispensary permit. Senate Bill No. 2875 (Third Reprint) carves out a narrow exception to this prohibition to permit an investor, investor group, or fund to own up to a 35 percent interest in up to seven entities that have been issued a medical cannabis dispensary permit, provided that each dispensary has been certified as a minority-owned, woman-owned, or a disabled-veteran-owned business enterprise by the Division of Revenue and Enterprise Services in the Department of the Treasury and that the terms of the investor agreement require the investor to provide significant financial or technical assistance or the significant use of intellectual property to the dispensary. Although the bill specifies that an investor, investment group, or fund may maintain an ownership interest even after the full value of the investment is paid off, the bill makes clear that the controlling interest in the entity holding the dispensary permit shall not revert to the investor, investor group, or fund that provided support to the business, even in the event of a default.

I applaud the bill's sponsors for seeking to address what can be a major impediment to some prospective cannabis business owners: accessing the capital necessary to start and sustain their businesses. This bill will not only enable investors to support multiple businesses, but will also allow new entrepreneurs who have been historically underrepresented as business owners in the nation's regulated cannabis industries to receive capital, training, and assistance in running a successful business.

Importantly, the bill contains several safeguards to protect cannabis businesses from unscrupulous practices. As noted, the bill prohibits investors from obtaining majority ownership or control over a dispensary, even if a business defaults on a loan payment, and maintains the cap in current law limiting a single entity to only one dispensary, one cultivator, and one manufacturer permit in most cases. In addition, the Cannabis Regulatory Commission ("CRC") is charged with reviewing and approving the agreements between the investment funds and cannabis businesses and specifically is tasked with determining whether the terms of the agreement are commercially reasonable and consistent with the fair market value of agreements of a comparable nature. The bill

makes clear that the CRC has the authority to withhold approval of an application unless and until these criteria are satisfied.

Pursuant to the CRC's authority under the bill and in order to ensure that the bill is implemented in a manner that furthers the bill's goal of promoting a diverse and equitable cannabis industry, I urge the CRC to adopt regulations in accordance with the Administrative Procedure Act that protect against predatory lending practices and one-sided agreement terms that put power solely in the hands of the lender.

Date: October 18, 2021

/s/ Philip D. Murphy

Governor

Attest:

/s/ Parimal Garg

Chief Counsel to the Governor