



NEW YORK STATE TRUE-PARTY INTEREST (TPI)

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The True Party of Interest (TPI) framework in New York State is designed to protect the integrity of the [two-tier cannabis market](#) architecture and establish procedures for monitoring and enforcing the vertical and horizontal ownership restrictions. Ensuring compliance with TPI requirements is necessary for safeguarding the independence and autonomy of New York’s adult-use cannabis licensees. All cannabis licensees have True Parties of Interest (TPI). All TPI have either a direct or indirect interest in a license, but can be further categorized as:

- **Direct or indirect financial or controlling interest (DIFCI):**
 - DIFCI means that due to the sizable share that the TPI has in the business, the Office of Cannabis Management (Office) assumes that the TPI has control over the business.
 - DIFCI can also mean that the TPI has exceedingly small or no ownership, but the position they hold in the organization still grants them control over the licensee.
- **Passive investor (PI):**
 - A passive investor is defined by their ownership stake AND lack of control over the licensee. The ownership thresholds are:
 - 5% or less ownership stake in a publicly traded licensee; or
 - 10% or less ownership stake in a privately held Registered Organization with Dispensary (ROD) or microbusiness licensee; or
 - 20% or less ownership stake in any other privately held licensee.
 - If a person has control over a business entity that is a passive investor, that person is also a passive investor.

[Whether a person with a right to receive revenue or profit and Goods and Services providers](#) is a TPI is based on the 10%/50%/\$250,000 (10/50/250) rule. This rule states that a person has a financial and controlling interest, becoming a TPI in a license if, over the course of a calendar year, they receive the right to or actual payment from a licensee exceeding the greatest of: 10% of the payor licensee’s gross revenue; 50% of the payor licensee’s net profit; or \$250,000.

In practice, TPI disclosures identify persons and entities with any of the following roles in any entity in the ownership structure of the applicant or licensee:

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| • Direct owners (partners, LLC members, etc.) | • Control over licensee |
| • Executive leadership (president, vice president, board members, etc.) | • Responsibility for debts of licensee |
| • Stockholders | • Spouses of direct owners (at all levels of ownership) |
| • All owners at all levels of corporate ownership | • Spouses of executive leadership (at all levels of ownership) |
| • Right to receive revenue or profit over the threshold in the 10/50/250 rule | • Spouses of stockholders (at all levels of ownership). |

Note: If the applicant is invested in the supply-side in another state, like a cultivator or processor, they cannot be a TPI of an adult-use retail dispensary license in New York. On the other hand, if applicants are an owner of a retail-side license in other states, they are allowed to invest in, or own a business that has a retail or supply side license in New York. **No person may submit applications for more licenses or license types than they would be permitted to hold.**

TPI RESTRICTIONS

The New York State Cannabis Law and OCM regulations set out restrictions for individuals and entities who are TPI to an adult-use cannabis license.

A TPI cannot apply for or hold multiple licenses that would violate the below restrictions. For example, a TPI in a licensed cultivator can be a TPI in a retail applicant, but the TPI must choose to either divest from the cultivator or remove themselves from the retail application before a final retail license can be issued.

- In no circumstances can a TPI in an adult-use licensee have any interest in a non-adult-use licensee, such as a registered organization that has not entered the adult-use market or a cannabis laboratory.
- In no circumstances can a TPI in a supply tier licensee have any interest in a retail tier licensee.

- The microbusiness and ROD licenses are vertically integrated, but functionally treated the same as supply tier licenses and are subject to the same restrictions as a supply tier licensee. Other than the ROD or microbusiness's own retail operations, they cannot have any interest in a retail tier licensee.
- A TPI can only have DIFCI in one license that includes cultivation. This includes the following license types: Cultivator, Cooperative, Microbusiness, ROD and ROND.
- A TPI in a supply tier license can be a TPI (DIFCI or PI) in unlimited other non-cultivation supply tier licenses (nursery, processor, distributor), with the exception of microbusinesses and distributors, who cannot have any TPI in common.
- The licensed entity itself has the following additional restrictions:
 - A nursery can only have one nursery license.
 - A processor can only have one processor license.
 - A microbusiness can only have one microbusiness license.
 - A microbusiness cannot be a TPI (DIFCI or PI) in any other licenses of any type.
- A TPI in a retail dispensary license can:
 - have DIFCI in up to three retail licenses; and
 - be a PI in unlimited retail, delivery, and on-site consumption licenses.
 - A TPI in a retail dispensary license cannot have DIFCI in any on-site consumption (OSC) licenses.
 - The rules for a TPI in an OSC license are the same as the rules for a TPI in a retail license, except vice versa.

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KEEP IN MIND BEFORE APPLYING

Eligibility Requirements:

- All licensees must be at least 21 years of age and not be otherwise prohibited from holding a license under Cannabis Law or regulations, based on prior non-cannabis convictions as stated in Section 137 of New York State cannabis adult-use regulations or True Parties of Interest (TPI) prohibitions.

Disclosure Thresholds:

Certain TPI must complete disclosures, as outlined in the [licensing application guidance](#). The threshold for determining whether a personal or entity history TPI disclosure must be submitted is based on the TPI's ownership stake or controlling interest in the applicant.³ All TPI must be disclosed except for the following:

- Passive investors with 5% or less ownership stake in a publicly traded applicant or licensee, unless they contribute to the applicant's SEE certification, and their spouses
- Passive investors with 10% or less ownership stake in a privately held applicant or licensee unless they contribute to the applicant's SEE certification, and their spouses

Review New York Cannabis Regulations:

Read the approved [adult-use regulations](#) and [relevant guidance](#). Additional FAQs are available for TPI in [retail](#) and [supply](#) tier licensees.

Background Checks:

Any TPI with DIFCI, except spouses, will also be required to obtain a [fingerprint-based background check](#) and to undergo a New York State Department of Tax and Finance tax clearance check.

Calculating Ownership:

The Office will consider a person's share in a license to be the greatest of that person's percentage share of:

- Current voting shares;
- Future voting shares;
- Current equity shares; or
- Future equity shares.

Ownership will be evaluated based on proportional stake in the applicant or licensee. Proportional ownership interest means the share that the party has in the applicant or licensee considering all intermediary levels of ownership between the party and the applicant. For example, a party that is a 100% owner of the Intermediary Business, which is a 51% owner of the Licensed Business (the entity receiving the cannabis license), would be considered to have 51% proportional ownership in the Licensed Business.

Note: For the purposes of determining the total shares outstanding for future ownership, the Office will use a modified definition of fully diluted share count, calculating a TPI's future ownership interest based on the entity's fully diluted share count (inclusive of all restricted stock units, options, warrants, or any other units of ownership that can be converted into a share of voting stock or equity), LESS contingent or future shares owned by persons whose financial or controlling interest in an entity is active.

MORE RESOURCES

All applicants are strongly encouraged to review the [Adult-Use Cannabis Regulations](#) and all [application resources](#) to learn more about how to obtain and operate an adult-use cannabis license in New York State. Please note that this is only the first application window for general adult-use cannabis licensing. Future application windows for licenses such as nursery, delivery, cooperative or collective, and on-site consumption are anticipated. Please email info@ocm.ny.gov if you have any further questions.

