



## MEMORANDUM

**TO:** Cannabis Regulatory Commission Board

**FROM:** Jeff Brown, Executive Director

**SUBJECT:** Transfer of Ownership: Cresco Labs, Inc. acquiring Columbia Care New Jersey

**DATE:** January 13, 2023

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**SUMMARY:** The Board is asked to approve the transfer of ownership of Columbia Care to Cresco Labs. The Office of Compliance & Investigations has completed its review of all submissions and interviews for the transfer of ownership, Columbia Care to Cresco Labs, finding no derogatory or disqualifying information. It is for this reason that Staff recommends the approval transfer of ownership request.

**BACKGROUND:** On August 11, 2022, the New Jersey Cannabis Regulatory Commission (“NJ-CRC”) was informed by Columbia Care New Jersey (“CCNJ”) through Senior Counsel Kellie Rivera that it has proposed a transfer of ownership, with CCNJ being acquired by Cresco Labs, Inc. (“Cresco”). On September 6, 2022, the NJ-CRC investigations team was assigned to investigate the transfer of ownership of CCNJ to Cresco. The application was assigned following the determination that the parties involved had submitted all necessary documentation as required.

CCNJ is an Alternative Treatment Center (“ATC”) operator in the State’s Southern Region and one of the six applicants given an award on December 17, 2018, to operate in the medicinal market. CCNJ operates five locations in southern New Jersey, encompassing two cultivation sites, one manufacturing site, and two retail sites. On April 14, 2022, the NJ-CRC Board of Commissioners voted to authorize CCNJ to expand its operations into the adult use market at one cultivation site, one manufacturing site, and two retail sites. On July 28, 2022, the NJ-CRC Board of Commissioners also voted to authorize CCNJ to expand its operations into the adult use market at its one remaining cultivation site.

Cresco is a multi-state cannabis operator currently in eight (8) states across the United States, with approval pending in an additional two states. Cresco’s business operations in those states include cultivation, manufacturing, processing, distribution, transportation, and retail in both medical and adult use markets. Cresco owns 100% of the issued and outstanding shares of Cresco U.S. Corp., which owns 100% of the issued and outstanding equity interests of ColCare Holdings, LLC, which, upon closing of the proposed transaction, will own 100% of the issued and outstanding equity interests of Columbia Care, LLC, the parent company of CCNJ. A breakdown of the corporate structure and related entities for Cresco has been provided as Exhibit A. Cresco has been in



operation since 1990 when it was formed under the name Randsburg Gold Corporation. It has been Cresco Labs Inc. since 2018.

On September 7, 2022, review of all submitted documentation began to determine if the applicant is qualified to hold an Alternative Treatment Center (ATC) cannabis business license in New Jersey. Specifically, the following information was reviewed to confirm compliance with the enabling statute and governing regulations: Personal History Disclosure forms, Tax Returns, and Resumes for the following individuals: 1) Charles Bachtell, who serves as Chief Executive Officer and one of two controlling officers of Cresco, and 2) Dennis Olis, who serves as Chief Financial Officer and the other of two controlling officers of Cresco. Additionally, Cresco provided its Entity Disclosure forms and Corporate Tax Returns, as well as information regarding all Management Services Agreements, Financial Source Agreements, and/or Vendor Contractor Agreements executed between CCNJ and outside sources, which Cresco has agreed to maintain if the ownership transfer is approved.

On October 11, 2022, a telephone interview was held with Charles Bachtell (CEO), to discuss their application and qualifications. During the call, the following information was gathered: First, Mr. Bachtell is a business partner with Mr. Olis (CFO), and they are the sole individuals in charge of Cresco's United States operations in 10 states. Cresco has already acquired all of ColCare Holding's United States cannabis operations, which, if the transfer of ownership is approved, will include CCNJ. Second, Mr. Bachtell confirmed that Cresco currently does not have any outside investors and the two of them will be overseeing all financial and management operations of CCNJ (though not day-to-day, on the ground operations – all employees are expected to be retained). He stated that none of the current MSA or FSAs in effect will be changed and all operations/employees will maintain the same. Third, Mr. Bachtell indicated that he has not invested any personal funds into this transfer of ownership, with it all being funded through Cresco. Fourth, Mr. Bachtell confirmed that he has been vetted and/or investigated by cannabis regulators in multiple states and currently oversees 21 cannabis cultivation facilities and 53 cannabis dispensaries. Finally, Mr. Bachtell represented that he has never been arrested or charged with a criminal offense; never filed for bankruptcy protection; not involved in any civil litigation the past three (3) years; nor is he subject to any ongoing tax liens and/or tax audits. The investigation confirmed these statements as true.

On October 11, 2022, a telephone interview was held with Dennis Olis to discuss their application and qualifications. During the call, the following information was gathered. First, Mr. Olis confirmed that he is the partner of Charles Bachtell and is currently the Chief Finance Officer of Cresco. Second, Mr. Olis related he currently does not have any outside investors and the two of them will be overseeing all financial and management operations of Columbia Care (though not day-to-day, on the ground operations – all employees are expected to be retained). He stated that



none of the current MSA or FSAs in effect will be changed and all operations/employees will remain the same. Third, Mr. Olis stated that he is not committing any personal capital to the transfer of ownership, and it is solely funded through Cresco. Finally, Mr. Olis represented in his PHD that he has never filed for personal bankruptcy protection; had not been involved in any civil litigation or had a criminal history in the past three (3) years; nor is he subject to any ongoing tax liens and/or tax audits. The investigation confirmed these statements as true.

On October 13, 2022, NJ-CRC investigations staff completed review of the submissions and interviews for the transfer of ownership, CCNJ to Cresco, finding no derogatory or disqualifying information.

**AUTHORITY:** As an alternative treatment center permit holder, Columbia Care New Jersey LLC must abide by the enabling statute governing medicinal marijuana as well as the governing regulations. Pursuant to N.J.S.A. 24:6I-7(k)(2), the sale or transfer of any interest of five percent or more in a medical cannabis cultivator, medical cannabis manufacturer, medical cannabis dispensary, or clinical registrant permit shall be subject to approval by the New Jersey Cannabis Regulatory Commission (the “Commission”) and conditioned on the entity that is purchasing or receiving transfer of the interest in the medical cannabis cultivator, medical cannabis manufacturer, medical cannabis dispensary, or clinical registrant permit completing a criminal history record background check pursuant to the requirements of the statute.

Pursuant to N.J.A.C. 17:30A-7.5, an Alternative Treatment Center (“ATC”) permit is not assignable or transferable without Commission approval, and it shall be immediately null and void if the alternative treatment center ceases to operate, if the alternative treatment center’s ownership changes or if the alternative treatment center relocates.

Additionally, as an Expanded ATC license holder, Columbia Care New Jersey, LLC must also abide by the New Jersey Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act (“CREAMM Act”) as well as the Commission’s personal use regulations under N.J.A.C. 17:30, et. seq.

The governing personal use regulations regarding transfers of ownership interest fall under N.J.A.C. 17:30-9.3.

Pursuant to N.J.A.C. 17:30A-7.10, the fee to apply for the transfer of ownership for an ATC is \$20,000.

Pursuant to N.J.A.C. 17:30-7.17(j)(3), the fee to apply for the transfer of more than 50 percent of ownership interest in a license holder is \$20,000.



**RECOMMENDATION:** Staff recommends approval of the transfer of ownership, in which Cresco Labs, Inc. acquires Columbia Care New Jersey LLC. Having reviewed the Investigations Report, it is the opinion of the Director of the Office of Compliance and Investigations that Cresco Labs is qualified to operate ATC's and Expanded ATC's currently being operated by Columbia Care.



## APPENDIX

### **N.J.A.C. 17:30A-7.5 Permit issuance; nontransferability of permit**

(a) Upon approval of the application for an ATC permit and payment of the required fee, the permitting authority may conduct an onsite assessment of the alternative treatment center to determine if the facility adheres to the Act and this chapter.

(b) An ATC permit is not assignable or transferable without Commission approval, and it shall be immediately null and void if the alternative treatment center ceases to operate, if the alternative treatment center's ownership changes or if the alternative treatment center relocates.

(c) This chapter does not prohibit a political subdivision of this State from limiting the number of alternative treatment centers that may operate in the political subdivision or from enacting reasonable local ordinances applicable to alternative treatment centers.

### **N.J.A.C. 17:30A-7.10 Fees**

(a) The following fees apply:

1. The annual fee for the review of a permit renewal application for an alternative treatment center is \$ 20,000;
2. The fee to apply for a change of location of the alternative treatment center is \$10,000;
3. The fee to apply for a change of capacity or any physical modification or addition to the facility is \$ 2,000; and
4. The fee to apply for the transfer of ownership of a permit is \$ 20,000.

### **17:30-9.3 Transfers of ownership interest**

(a) From the submission of a conditional license conversion application or an annual license application to at least two years after the cannabis business commences operations, a license holder holding an annual license shall not make any change to more than 50 percent of its ownership interest, except that a transfer of the ownership interest license applicant or license holder from a deceased owner to the deceased:

1. Owner's heir shall not be prohibited;
2. Owner's surviving spouse, domestic partner, or civil union partner, if the license was issued jointly to both the parties, shall not be prohibited.

(b) From the submission of the conditional license conversion application or an annual license application to least two years after the cannabis business commences operations, a license holder may add new loans from new or existing financial sources or gifts.

(c) Until at least two years after the cannabis business commences operations, a diversely owned business license holder shall maintain all conditions required to qualify as eligible for its diversely owned business certification.

(d) Until at least two years after the cannabis business commences operations, a social equity business license holder shall maintain the conditions required to qualify for its social equity business status

(e) A license holder operating as a microbusiness shall not transfer ownership interest such that the license holder no longer qualifies as a microbusiness.

(f) If the cannabis business ceases operations during the two-year period after the cannabis business commences operations, the license holder may not transfer the license to another entity; the license will be considered to be abandoned and will be returned to the Commission.

(g) A cannabis business license holder shall not provide, transfer, or sell, or offer to provide, transfer, or sell any ownership interest to or employ or offer to employ any Commission member or employee restricted from such transactions by the provisions of sections 33 through 35 of P.L. 2019, c. 153 (N.J.A.C. 24:6I-26 through 28).

(h) The Commission retains discretion to determine when a transfer of ownership interests has occurred.

### **17:30-7.17 Cannabis business and testing laboratory fees**

(j) The following material change fees shall be paid by license holders, as applicable:

1. The fee to apply for a change of location of a cannabis business premises is:

- i. Standard cannabis business annual license holder: \$10,000; or
- ii. Microbusiness license holder: \$1,000;

2. The fee to apply for a change or modification of the cannabis business' capacity or physical plant is \$2,000;

i. This fee shall not apply to a microbusiness converting to a standard cannabis business pursuant to N.J.A.C. 17:30-7.15; and

3. The fee to apply for the transfer of more than 50 percent of ownership interest in a license holder is \$20,000.

i. Any financial source, management services contractor, owner, or principal may be required to pay background investigation fees as part of an ownership interest transfer.

## EXHIBIT A

The following is a list of subsidiaries of Cresco Labs Inc., that would serve as parent companies to Columbia Care New Jersey:

- **Cresco U.S. Corp.:** Cresco U.S. Corp. is a holding company which owns equity interests of certain other operating subsidiaries of Cresco. It is a wholly owned subsidiary of Cresco Labs Inc. The entity is involved in fifteen cultivation licenses in eight different states: California, Arizona, Illinois, Michigan, Ohio, Pennsylvania, Massachusetts, and Florida. Additionally, the entity is involved in numerous retail licenses across seven states: Arizona, Florida, Illinois, Massachusetts, New York, Ohio, and Pennsylvania. (vetted to NJ-CRC Investigations satisfaction)
- **ColCare Holdings, LLC:** ColCare Holdings, LLC is a holding company which will own all of the issued and outstanding membership interests of Columbia Care LLC after the consummation of the proposed acquisition. It is a wholly owned subsidiary of Cresco U.S. Corp. The entity is involved in cultivation and dispensary operations across 16 states including the District of Columbia: California, Arizona, Utah, Colorado, Missouri, Illinois, Ohio, Pennsylvania, New York, Massachusetts, New Jersey, Delaware, Maryland, West Virginia, Virginia, and Florida. (previously vetted to NJ-CRC Investigations satisfaction)
- **Columbia Care LLC:** Columbia Care LLC is a holding company which owns equity interests of Columbia Care's operating subsidiaries, including Columbia Care New Jersey LLC. It will be a wholly owned subsidiary of ColCare Holdings, LLC after the consummation of the proposed acquisition. (previously vetted to NJ-CRC Investigations satisfaction)

The following is a list of all sales, mergers, and/or consolidations involving other cannabis companies and the Entity within the last three years:

- **Cresco Labs Inc.**
  - **Bluma Wellness Inc.** – On April 13, 2021, Cresco Labs Inc. acquired 100% of the issued and outstanding shares of Bluma Wellness Inc. by way of a plan of arrangement under the Business Corporations Act (British Columbia) for total consideration of \$238.1 million.
  - **Laurel Harvest Labs, LLC** – on December 9, 2021, Cresco Labs Inc. acquired 100% of the issued and outstanding equity interests of Laurel Harvest Labs, LLC by way of merger for total consideration of \$136.7 million.
  - **CannaRoyalty Corp.** (dba Origin House) – on January 8, 2020, Cresco Labs Inc. acquired 100% of the issued and outstanding shares of CannaRoyalty Corp. (dba Origin House) by way of a plan of arrangement under the Business Corporations Act (Ontario) for total consideration of \$428.2 million.
- **Cresco U.S. Corp.**

- **CMA Holdings, LLC** – on September 2, 2021, CMA Holdings, LLC, a wholly owned subsidiary of Cresco U.S. Corp., acquired 100% of the issued and outstanding equity interests of each of Cultivate Licensing LLC and BL Real Estate, LLC for total consideration of \$99.3 million.
- **CP Pennsylvania Holdings, LLC** – on November 24, 2021, CP Pennsylvania Holdings, LLC, a wholly owned subsidiary of Cresco U.S. Corp., acquired 100% of the issued and outstanding equity interests of (i) Bay, LLC (dba Cure Pennsylvania), (ii) Bay Asset Management, LLC, and (iii) Ridgeback LLC for total consideration of \$89 million.
- **Gloucester Street Capital, LLC** – on October 8, 2019, Cresco acquired 100% of the issued and outstanding membership interests of Gloucester Street Capital, LLC (“GSC”), the parent entity of Valley Agriceuticals, LLC, via a merger between GSC and a subsidiary of Cresco Labs Inc. for consideration consisting of cash, deferred consideration, equity, and contingent consideration, all totaling \$129.6 million.