

Cannabis Group Of The Year: Dentons

By **Sam Reisman**

Law360 (February 4, 2022, 2:02 PM EST) -- The cannabis group at Dentons helped steer Green Leaf Medical LLC's \$240 million sale to Columbia Care Inc. and represented Connected Cannabis Co. in consecutive debt and equity raises that brought in a total of \$40 million, making the team one of Law360's 2021 Cannabis Groups of the Year.

Originally announced in December 2020 and closed last June, the Green Leaf transaction entailed securing regulatory approvals in multiple mid-Atlantic states where the companies were operating, and integrating the management team through agreements within a relatively tight time frame.

The practice group leaders say tie-ups involving large multistate cannabis operators gave the firm an opportunity to flex its resources and expertise across multiple regions and areas of law.

"Multijurisdictional due diligence becomes an issue on both the buyer and seller side," said Eric Berlin, co-lead of the firm's cannabis group. "These are companies that have real estate, intellectual property and unfortunately litigation ... I'd say the challenge is combining all those things and doing it well."

In particular, state regulations requiring change-of-ownership approvals can create a tangle of impediments to a large cannabis deal like this one, with operations in Pennsylvania, Maryland, Ohio and Virginia.

According to statements by the company, the deal included Green Leaf's 274,000-foot cultivation and processing facility in Pennsylvania, a 42,000-foot cultivation and production facility in Maryland and an 82,000-foot facility in Virginia, in addition to dispensaries and a Maryland home-delivery service.

"In a really highly complex, licensed and regulated industry, it just adds many layers of complexity," said Kathryn Ashton, the co-lead of the group. "And when you're taking companies that are operating in multiple jurisdictions with sometimes vastly different licensing regimes, it becomes pretty complicated to get everything in sync and aligned."

Berlin added: "It takes both the industry knowledge and the really technical legal skill set to be able to do these kinds of licensing agreements. And I think we're pretty good at it."



In Spring 2021, the group represented cannabis wholesaler and retailer Connected in a \$15 million debt raise and a \$25 million equity raise. According to Berlin, the latter involved the creation of a "hybrid" equity called Common Prime Stock, with a higher valuation than common stock but fewer rights than preferred.

Berlin said the deal reflects the complexities of cannabis fundraising, which usually has an element that is tailored to fit the particular desires of investors and the company.

"There's a limited market of investors, there is a limited market of folks who provide debt," he said. "I think the relative negotiating strengths of the parties are a little different deal-by-deal, and it creates the need to set each deal sort of bespoke."

"With the kind of funding that we see, often folks are trying to create different leverage, particularly given the uncertainties of the industry and [not knowing] when things will go legal fully," he added.

Dentons' cannabis group formally launched in 2019. Under the leadership of Ashton and Berlin, the group has approximately 50 lawyers throughout the U.S. who work on cannabis-related issues.

The group leaders estimate that around 15 to 20 practitioners spend the majority of their time working on cannabis matters. The group also has cannabis specialists in Canada and Europe.

In addition to M&A and financing work, the team has worked on big-ticket licensing deals for cannabis brands, including Jay-Z's Monogram brand, under holding company The Parent Co.

Ashton says this represents a new promising development for the industry: deploying a consistent and attractive brand across jurisdictions without the same hassles in setting up physical retail locations.

"I think their vision is to not have to run businesses in 50 different states, but to have one master licensing agreement and brand agreement that can get their brand out there with a lot more ease and without having to have all the physical constraints that brick-and-mortar does," she said.

--Additional reporting by Sarah Jarvis. Editing by Adam LoBelia.
