

Date	Issuer	Insider	Transaction	Amount	New Total
Recent filings ▾					
Filed 2019-09-06 15:12 Tx date 2019-09-05	SCRON Cronos Group Inc.	Gorenstein, Michael Ryan 4 - Director of Issuer	Common Shares 22 - Acquisition or disposition pursuant to a take-over bid, merger or acquisition	\$6,095,358.66 +413,396 vol \$14.74 each	863,861
Filed 2019-09-06 15:12 Tx date 2019-09-05	SCRON Cronos Group Inc.	Gorenstein, Michael Ryan 4 - Director of Issuer	Common Shares 22 - Acquisition or disposition pursuant to a take-over bid, merger or acquisition	\$24,385,282.99 +1,653,845 vol \$14.74 each	1,653,845

Why is Michael Gorenstein (CEO of Cronos Group \$CRON) getting almost USD \$23.5 million worth of shares of his own company through “Take-over bid, merger or acquisitions”? Did they announce/close any acquisition recently?

Yep, Cronos bought Redwood Retail, LLC for USD \$300 million (CAD \$400 million)

Under the terms of the agreement, Cronos Group will acquire Redwood for approximately USD \$300 million, net of Redwood’s estimated cash and debt and subject to a customary working capital adjustment as described in the agreement. USD \$225 million of the total consideration (subject to the foregoing adjustments) will be paid in cash with the balance paid in newly issued Cronos Group common shares. Cronos Group will fund the cash portion of the transaction with cash on hand.

Okay, Cronos bought Redwood but why did CEO of Cronos get \$CRON shares? Let’s check sedi and see if we can find more information:

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance
Insider name: <u>Gorenstein, Michael Ryan</u>							
Insider's Relationship to Issuer: 4 - Director of Issuer							
Ceased to be Insider: Not applicable							
Security designation: Common Shares							
3055620	2017-09-07	2017-09-07	Direct Ownership :	10 - Acquisition or disposition in the public market	+5,000	2.2400	1,289,450
3420997	2015-11-06	2019-09-06	Indirect Ownership : Gotham Green Fund 1 (Q), L.P.	00 - Opening Balance-Initial SEDI Report			
O 3420999	2019-09-05	2019-09-06	Indirect Ownership : Gotham Green Fund 1 (Q), L.P.	22 - Acquisition or disposition pursuant to a take-over bid, merger or acquisition	+1,653,845	14.7400USD	
A 3420999	2019-09-05	2019-09-06	Indirect Ownership : Gotham Green Fund 1 (Q), L.P.	22 - Acquisition or disposition pursuant to a take-over bid, merger or acquisition	+1,653,845	14.7446USD	1,653,845
3050580	2015-11-06	2017-08-24	Indirect Ownership : Gotham Green Fund 1, LP	00 - Opening Balance-Initial SEDI Report			
3050581	2017-08-21	2017-08-24	Indirect Ownership : Gotham Green Fund 1, LP	11 - Acquisition or disposition carried out privately	+250,465		250,465
3167053	2018-04-04	2018-04-04	Indirect Ownership : Gotham Green Fund 1, LP	10 - Acquisition or disposition in the public market	+200,000	5.2721USD	450,465
O 3420995	2019-09-05	2019-09-06	Indirect Ownership : Gotham Green Fund 1, LP	22 - Acquisition or disposition pursuant to a take-over bid, merger or acquisition	+413,396	14.7400USD	
A 3420995	2019-09-05	2019-09-06	Indirect Ownership : Gotham Green Fund 1, LP	22 - Acquisition or disposition pursuant to a take-over bid, merger or acquisition	+413,396	14.7446USD	863,861

The shares given to Mike for Redwood Retail acquisition are actually indirectly held by Gotham Green Fund. Why? Is Gotham Green Fund, who’s heavily invested in Cronos Group, also owner of Redwood Retail, LLC which Cronos just bought? Yep.

DELIVERY

(Physical Location in West Hollywood)

APPLICANT

Redwood Retail, LLC

BUSINESS NAME

Lord Jones

OWNERS

Robert Rosenheck, Gotham Green Fund, Cynthia Capobianco, Mona Mohammadi, Alan Rader and Rebecca West

LOCATION (ADDRESS)

The Standard (8300 Sunset Blvd.)

OTHER CANNABIS LICENSES RECEIVED

Adult-Use Retail

**Description:**

Lord Jones will be the world's first hotel based cannabis boutique and delivery service. The boutique will be located inside The Standard hotel on the world famous Sunset Strip, and will sell Lord Jones's unique and luxury products that are currently sold in hundreds of stores throughout the country. The Lord Jones shopping experience will offer a state of the art online ordering system and white-glove delivery service. The online system will allow customers to easily view product information and reviews and pre-select products for delivery. Lord Jones confections are made by hand in small batches with high quality ingredients including single origin Ecuadorian dark chocolate and imported natural European fruit essences.

Okay, deals between related parties are not uncommon in Capital markets as long as it's disclosed and beneficiaries are named. Was this done by Cronos in their press release? NOP.

<https://ir.thecronosgroup.com/news-releases/news-release-details/cronos-group-establishes-new-growth-opportunity-united-states>

Only disclosure I could find was in latest MD&A at the very end of the document under "Subsequent Events" section.

Cronos Group Inc.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2019 and June 30, 2018

(in thousands of CDN \$, except where otherwise noted, and share, per share, weight, volume and plant amounts)

25. Subsequent events

- (a) On August 2, 2019, the Company announced that it has entered into a definitive agreement to acquire four of Redwood Holding Group, LLC's operating subsidiaries (collectively, "**Redwood**"). Redwood manufactures, markets and distributes hemp-derived CBD infused skincare and other consumer products online and through retail and hospitality partner channels in the United States under the brand, Lord Jones™. Redwood's products use pure hemp oil that contains natural phytocannabinoids and terpenes found in the plant. Cronos Group plans to use its resources to capitalize on the significant demand to further create and scale hemp-derived consumer products and brands.

Under the terms of the agreement, the Company will acquire Redwood for approximately \$300 million USD, net of Redwood's estimated cash and debt and subject to a customary working capital adjustment as described in the agreement. \$225 million USD of the total consideration (subject to the foregoing adjustments) will be paid in cash with the balance paid in newly issued Cronos Group common shares based on the average of the volume weighted average trading price of the common shares on NASDAQ on each of the ten consecutive trading days prior to the date of the agreement. Cronos Group will fund the cash portion of the transaction with cash on hand.

The Company expects the transaction to close in the third quarter of 2019, subject to customary closing conditions and regulatory approvals. The transaction has been unanimously approved by the Board of Directors of Redwood Holding Group, LLC and approved by the Company's Board of Directors following the unanimous recommendation of a special committee of independent directors ("**Special Committee**"). A Special Committee composed entirely of independent directors of the Company was formed to evaluate and make recommendations to the Board of Directors was established since Michael Gorenstein, Chief Executive Officer and a director of Cronos Group, and Jason Adler, a director of Cronos Group, each hold an indirect interest in Redwood Holding Group, LLC by way of their interest in certain funds affiliated with Gotham Green Partners, which are each limited liability company members of Redwood Holding Group, LLC.

A special committee was formed (who was included?) and made recommendation to Cronos Board of directors. What was independent committee recommendation? What did board of directors say?

Long story short:

Gotham Green Fund is invested in Cronos, Gotham Green Fund is invested in Redwood Retail, CEO of Cronos is invested in Gotham Green Fund, Cronos takes over Redwood Retail and all Gotham Green Fund owners got a hefty payout (including CEO of Cronos, Mike Gorenstein) and NONE of this was disclosed to public shareholders in initial press release.

Let's breakdown the payment:

USD \$300 million was total disclosed payment; \$225 million was CASH and remaining \$75 million in Cronos shares.

Out of \$75MM worth of shares issued, \$23.5MM (31%) were given to the CEO of Cronos. If we assume Mike also got 31% of the \$225MM cash payment, that comes to \$93 MILLION USD.

Total Payment to Mike:

\$93MM cash + \$23.5MM in shares = \$116.5MM

What did Mike do for Rewood Retail LLP (Lord Jones) apart from being an indirect shareholder, to deserve such a hefty payout? \$100MM+ is not a small amount and nobody gets paid this much if they were not directly involved with the company. Can Cronos board of director prove Mike works for Cronos shareholders and not for himself? So far it looks like his focus is on just selling his private ventures to Cronos Group shareholders.

I have no position (long or short) on Cronos Group at the time of posting and only created this document to discuss with Cronos shareholders about what they think of this discovery.