

IN THE MATTER OF

Charm City Medicus, LLC

Respondent

License No. D-17-00013

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BEFORE THE

MARYLAND MEDICAL

CANNABIS COMMISSION

Case No. 21-00347

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PRE-CHARGE CONSENT ORDER

Pursuant to its authority to regulate medical cannabis dispensaries under the Natalie M. LaPrade Medical Cannabis Commission Act (the “Act”) codified at Md. Code Ann., Health-Gen. § 13-3301 *et seq.* (2015 Repl. Vol. and 2018 Supp.), the Maryland Medical Cannabis Commission (“Commission”) requires that a dispensary owner submit to the Commission notice of intent to transfer an ownership interest in a dispensary license and obtain Commission approval before effectuating the transfer.

The pertinent regulations are set forth at Code of Maryland Regulations (COMAR) as follows:

COMAR 10.62.25.08 Transfer of Ownership Interest in a [Dispensary] License.

- A. No ownership interest shall be assignable or transferable unless:
 - (1) The Commission has received notice of the intent of the owner of the interest, or of the estate of the owner of the interest, to transfer or assign an ownership interest in a license to another party;
 - (2) The Commission approves the transfer or assignment;
 - (3) The transferee has paid the required fee specified in COMAR 10.62.35; ...
- B. If the licensee is a business entity with publicly traded stock, §A of this regulation only applies to a proposed transfer of an ownership interest of 5 percent or more.
- C. A transfer or assignment of ownership interest shall be approved if the:
 - (1) Commission receives notice of the intent of the owner of the interest, or of the estate of the owner of the interest, to transfer or assign an ownership interest in a license to another party, in a form prescribed by the Commission;

- (2) Proposed transfer does not violate Health-General Article, §§13-3301—13-3316, Annotated Code of Maryland;
- (3) Transferee has paid the required fee specified in COMAR 10.62.35; ...

On or about July 21, 2021, Charm City Medicus, LLC (“Respondent”) informed the Commission of its intention to transfer a 100% ownership interest in its dispensary license to another entity. Upon review of relevant records, Commission staff discovered that a previously undisclosed and unapproved transfer of a 3.69% ownership interest in Arcarius, LLC, the 100% owner of Respondent, had occurred in January 2021.

On October 20, 2021, the parties participated in a pre-charge case resolution conference in this matter. In lieu of proceeding with the issuance of charges and an evidentiary hearing in this matter, the parties agreed to the following Findings of Fact, Conclusions of Law, and Order as set forth herein.

FINDINGS OF FACT

The Commission finds as follows:

1. Respondent is a Maryland limited liability company that holds one dispensary license issued by the Commission, license number D-17-00013.
2. Respondent was originally licensed on December 14, 2017
3. According to documents submitted to the Commission with its application for licensure, Respondent is 100% owned by Arcarius, LLC. Respondent has developed investors by offering them direct ownership interests in the form of Class A or Class B membership units in Arcarius, LLC, which then results in investors holding indirect ownership interests in Respondent.
4. At all times relevant herein, Respondent did not have publicly traded stock.

5. On or about July 21, 2021, Respondent informed the Commission of its intent to transfer its ownership interests to Vireo of Charm City, LLC., a wholly owned subsidiary of Vireo Health, Inc., which is, in turn, wholly owned by Goodness Growth Holdings, Inc., a publicly traded Canadian company.

6. In reviewing documents relevant to Respondent's ownership interests, Commission staff discovered inconsistencies, and questions arose about the current beneficial owners of Respondent. Thereafter, Commission staff initiated an investigation.

7. The Commission's investigation revealed that Respondent's reporting to the Commission was inconsistent. Ownership documents indicate that Arcarius, LLC owns 100% of the entity. However, annual reporting documents submitted by Respondent reflected multiple individuals having beneficial ownership interests in Respondent.

8. Respondent asserts it had mistakenly reported the owners of Arcarius, LLC rather than the owner of Respondent, which is Arcarius, LLC. Based on review of the tax returns, Arcarius, LLC owns 100% of Respondent and as noted above, there are multiple owners of Arcarius, LLC.

9. Respondent also submitted inconsistent cap tables disclosing its ownership interests. Those inconsistent cap tables mistakenly reflected the owners of Arcarius, LLC rather than the 100% owner of Respondent, which is Arcarius, LLC.

10. Ultimately, Commission staff learned that in January of 2021, Respondent had transferred 4,000 Class A shares of Arcarius, LLC from Bryan Hill to The Jay Dackman Family Trust but had failed to notify the Commission of its intent to transfer or assign those ownership

interests in Arcarius, LLC. Thus, the Commission did not approve this transfer of an ownership interest in Arcarius, LLC from Bryan Hill to The Jay Dackman Family Trust.

11. A transfer of ownership interest request form seeking retroactive approval of this transfer was submitted to the Commission on September 28, 2021, and the required transfer fee was paid on October 6, 2021.

MITIGATING FACTORS

12. The Commission's most recent unscheduled inspection of Respondent's dispensary revealed no potential violations.

13. Respondent has cooperated with the Commission's investigation of the facts set forth herein.

14. Respondent's conduct with regard to the relevant facts did not create any risk to the health or safety of any medical cannabis patient or registered agent.

15. Respondent's conduct with regard to the relevant facts did not create a risk of diversion of medical cannabis.

16. The transfer was with respect to Arcarius, LLC and not with respect to the Respondent, which is the license holder.

17. Here, there was an indirect ownership interest in the license holder that was transferred and the ownership interest that was transferred was less than 5%.

CONCLUSIONS OF LAW

18. Respondent failed to provide notice to or obtain approval from the Commission before an ownership interest in Arcarius, LLC, Respondent's 100% owner, was transferred from

Bryan Hill to The Jay Dackman Family Trust in January 2021, in violation of the applicable provisions of COMAR 10.62.25.08.

ORDER

Based on the foregoing Findings of Fact and Conclusions of Law by the Commission, it is hereby

ORDERED that within **TEN (10) DAYS** of the effective date of this Order, the Respondent shall pay a penalty in the amount of \$2,500.00 for its unapproved transfer of interest in Respondent's license directly to the Commission's Compassionate Use Fund;

ORDERED that within **TEN (10) DAYS** of the effective date of this Order, the Respondent shall receive the Commission's retroactive approval of the transfer of interest which occurred in January 2021;

ORDERED that Respondent shall incur all costs associated with this Consent Order; and it is further,

ORDERED that this Consent Order is a **PUBLIC DOCUMENT** pursuant to Md. Code Ann., Gen. Prov. §§ 4-401 *et seq.* (2014).

Date

11/5/21


Brian Lopez
Commission Chair

CONSENT

I, Bryan Hill, am the President/CEO of Charm City Medicus, LLC, and have legal authority to enter into this agreement on behalf of Charm City Medicus, LLC (hereinafter "Respondent"). Respondent acknowledges that it has had the opportunity to seek advice of counsel in this matter. By this Consent, Respondent agrees and accepts to be bound by this Consent Order and its conditions and restrictions. Respondent waives any rights it may have had to contest the Findings of Fact and Conclusions of Law.

Respondent acknowledges the validity of this Consent Order as if entered into after the conclusion of a formal evidentiary hearing in which the Respondents would have had the right to counsel, to confront witnesses, to give testimony, to call witnesses on its own behalf, and to all other substantive and procedural protections as provided by law. Respondent acknowledges the legal authority and the jurisdiction of the Commission to initiate these proceedings and to issue and enforce this Consent Order. Respondent also affirms that it is waiving its right to appeal any adverse ruling of the Commission that might have followed any such hearing.

I sign this Consent Order with authority on behalf of Respondent after having had the opportunity to consult counsel, without reservation, and I fully understand and comprehend the language, meaning and terms of this Consent Order. I voluntarily sign this Consent Order and understand its meaning and effect.

11/02/2021
Date


[Signature]

Bryan Hill President/CEO
[Print name, title]
Representative for Respondent

NOTARY

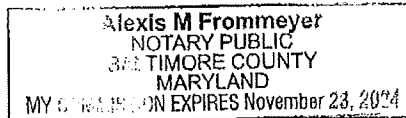
STATE OF Maryland

CITY/COUNTY OF: Baltimore

I HEREBY CERTIFY that on this 2nd day of November 2021, before me, a Notary Public of the State and County aforesaid, personally appeared Brandon Hill, on behalf of Alexis Frommeyer, and gave oath in due form of law that the foregoing Consent Order was his voluntary act and deed.

AS WITNESS, my hand and Notary Seal.

Alexis M Frommeyer
Notary Public



My commission expires: 11/23/2024