

IN THE MATTER OF

GR Companies, Inc.,  
KDW Maryland Holding Corporation,

Respondents

\* \* \* \* \*

\* BEFORE the  
\*  
\* MARYLAND MEDICAL  
\*  
\* CANNABIS COMMISSION  
\*  
\* Case nos. 20-00322-01; 20-00322-02  
\*  
\* \* \* \* \*

**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”) issues the following consent order.

After the Commission’s Bureau of Enforcement and Compliance developed information indicating several alleged violations of the Act and applicable provisions of the Code of Maryland Regulations (“COMAR”), GR Companies, Inc. (“Grassroots”) and KDW Maryland Holding Corporation. (“KDW”) (collectively, “Respondents”) were invited to appear before a panel of Commission members for a Case Resolution Conference. Following the Case Resolution Conference, the Commission and Respondents agreed to resolve the matter as set forth herein.

The pertinent provisions of the Act and COMAR currently state as follows:<sup>1</sup>

**Health-Gen. § 13-3311.1 Sale or transfer of license**

(a)(1) The holder of a medical cannabis grower, processor, or dispensary license may sell or transfer ownership of the license if the licensee was physically and actively engaged in the cultivation, processing, or dispensing of medical cannabis for at least 3 years immediately preceding the sale or transfer of the ownership of the license.

<sup>1</sup> During the periods of time covered by this Consent Order, the Act and relevant COMAR provisions changed. Only the current provisions of the Act and COMAR are cited here.

(2) Nothing in paragraph (1) of this subsection may be construed to limit the ability of the Commission to enforce this subtitle.

**Health-Gen. § 13-3306(a)(2)(v) License required for medical marijuana growers to operate in State**

(v) A person may not have an ownership interest in or control of, including the power to manage and operate, more than one grower.

**Health-Gen. § 13-3307(d) Dispensary license requirements**

(d) The Commission shall allow a person to have an ownership interest in or control of, including the power to manage and operate, up to four dispensaries under this section.

**Health-Gen. § 13-3309(d) Licensure of medical cannabis processors**

(d) A person may not have an ownership interest in or control of, including the power to manage and operate, more than one processor.

**Health-Gen. § 13-3311.1 Sale or transfer of license**

(a)(1) The holder of a medical cannabis grower, processor, or dispensary license may sell or transfer ownership of the license if the licensee was physically and actively engaged in the cultivation, processing, or dispensing of medical cannabis for at least 3 years immediately preceding the sale or transfer of the ownership of the license.

(2) Nothing in paragraph (1) of this subsection may be construed to limit the ability of the Commission to enforce this subtitle.

**COMAR 10.62.08.08 Transfer of Ownership Interest in a [Grower] 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; and
- (4) If the ownership interest is 5 percent or more, the transferee has provided the criminal history record information and an audited financial statement to the Commission of the transferee.

...

C. A transfer or assignment of ownership interest shall be approved if:

- (1) The 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) The proposed transfer does not violate Health-General Article, §§13-3301—13-3316, Annotated Code of Maryland; ...

...  
**COMAR 10.62.19.07 Transfer of Ownership Interest in a [Processor] License.**

A. No ownership interest shall be assignable or transferable unless:

- (1) The Commission has received notice in a matter determined by the Commission 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; and
- (4) If the ownership interest is 5 percent or more, the transferee has provided the criminal history record information and an audited financial statement to the Commission of the transferee.

...  
C. A transfer or assignment of ownership interest shall be approved if:

- (1) The 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) The proposed transfer does not violate Health-General Article, §§13-3301—13-3316, Annotated Code of Maryland;
- (3) The transferee has paid the required fee specified in COMAR 10.62.35; and
- (4) The ownership interest is 5 percent or more and the:
  - (a) Criminal history record information does not violate COMAR 10.62.20.03; and
  - (b) Payment of taxes due in any jurisdiction is not in arrears.

...  
**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; and

(4) The ownership interest is 5 percent or more, and the transferee has provided the criminal history record information and an audited financial statement to the Commission of the transferee.

...

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; and
- (4) Ownership interest is 5 percent or more and the:
  - (a) Criminal history record information does not violate COMAR 10.62.26.03; and
  - (b) Payment of taxes due in any jurisdiction is not in arrears.

...

**COMAR 10.62.34.03 Violation of Requirements.**

A. A licensee, registrant, agent, or employee may not violate a requirement of this subtitle or Health-General Article, §§13-3301—13-3316, Annotated Code of Maryland.

B. A licensee, registrant, agent, or employee who violates §A of this regulation is subject to a fine of up to \$5,000 per violation. The licensee, registrant, agent, or employee may:

- (1) Elect to pay the imposed fine; or
- (2) Request a hearing not later than 30 days after receipt of notice of the fine.

C. In accordance with the hearing provisions of Regulation .05 of this chapter, the Commission may deny, suspend, or revoke the license or registration of a licensee, registrant, agent, or employee who violates §A of this regulation.

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In lieu of proceeding with the issuance of charges and an evidentiary hearing in this matter, the Commission and Respondents agree to the following Findings of Fact, Conclusions of Law, and Order as set forth herein.

**FINDINGS OF FACT**

The Commission finds as follows:

1. The following events took place as part of a corporate merger in which Curaleaf Holdings, Inc., (“Curaleaf”) sought to acquire Grassroots and in which Grassroots became a subsidiary of Curaleaf (the “Merger”).
2. At all relevant times prior to June 30, 2020, Grassroots was the sole owner of Maryland Compassionate Care and Wellness, LLC, (“MCCW”) a Maryland limited liability company. MCCW held three licenses issued by the Commission, a grower license (G-17-00002), a processor license (P-17-00004), and a dispensary license (D-17-00011).
3. According to the Marijuana Enforcement Tracking Reporting and Compliance (“METRC”) software application, which includes a seed-to-sale tracking system used by both the Commission and its licensees, MCCW logged each of its Commission-issued licenses in METRC as “active” as follows:
  - a. G-17-00002, active beginning on August 15, 2017;
  - b. P-17-00004, active beginning on August 17, 2017;
  - c. D-17-00011, active beginning on December 14, 2017.
4. In a written instrument dated June 30, 2020, Grassroots transferred 100% of its ownership interest in MCCW, including licenses G-17-00002, P-17-00004, and D-17-00011, to KDW, a separate and legally distinct corporate entity. Grassroots stated that it did so in order to assist Curaleaf, upon closing of the Merger, in complying with limitations on license ownership as outlined in the Act and in COMAR.
5. Although the stated intent of the transfer was to assist Curaleaf in complying with limitations on ownership or control of medical cannabis licenses as codified in Health-General

§§13-3306(a)(2)(v), 13-3307(d), and 13-3309(d), after the transfer, certain members continued to hold beneficial ownership interests in both Curaleaf and KDW.

6. This transfer took place before MCCW had been actively engaged in the cultivation, processing, or dispensing of medical cannabis through these licenses for three years.

7. The current applicable provisions of COMAR, recited above, came into effect on May 18, 2020. The written instrument was drafted to reflect an effective date of April 1, 2020 but was signed and dated on June 30, 2020.

8. The beneficial owners of KDW were very similar to the beneficial owners of MCCW, except that certain owners who held stakes less than 5% equity interest in MCCW did not become shareholders or part-owners of KDW.

9. Grassroots states that it organized KDW for the express purpose of complying with the statutory limits on ownership or control of no more than one medical cannabis grower license, no more than one medical cannabis processor license, and no more than four medical cannabis dispensary licenses and allowing the Merger to proceed to closing. Grassroots further states that KDW would not have been prohibited by law or regulation from receiving MCCW's Commission-issued licenses under the Act or COMAR.

10. MCCW did not timely provide the Commission with a copy of the written instrument that effectuated the transfer of all interest in MCCW to KDW prior to the transfer.

11. KDW, the transferee, did not pay the required fee specified in COMAR 10.62.35 with regard to transfer of ownership of any of the three (3) Commission-issued licenses previously held by MCCW.

#### **MITIGATING FACTORS**

12. The Commission finds that Respondents transferred MCCW to KDW as part of a good faith effort to comply with applicable provisions of the Act and COMAR in effect at the time that Respondents and their principals began negotiations related to the Merger.

13. The beneficial ownership of the licensee, MCCW, remained similar as before KDW, a pass-through entity, became the parent (i.e., there were no new beneficial owners, and only owners less than 5% equity interest were removed).

14. The Respondents and their agents have remained cooperative with the Commission and its investigators at all times.

#### CONCLUSIONS OF LAW

15. Grassroots, as owner of the interest, did not give the Commission sufficient notice of the intent to transfer or assign an ownership interest in a grower license, in violation of COMAR 10.62.08.08.

16. Grassroots, as owner of the interest, did not give the Commission sufficient notice of the intent to transfer or assign an ownership interest in a processor license, in violation of COMAR 10.62.19.07.

17. Grassroots, as owner of the interest, did not give the Commission sufficient notice of the intent to transfer or assign an ownership interest in a dispensary license, in violation of COMAR 10.62.25.08.

18. The Commission considers a licensee to first be "actively engaged in the cultivation, processing, or dispensing of medical cannabis" on the date that it grants the licensee access to METRC.

19. Grassroots transferred grower license G-17-00002, processor license P-17-00004, and dispensary license D-17-00011 fewer than three (3) years before Grassroots was physically and actively engaged in the cultivation, processing, or dispensing of medical cannabis in violation of Health-Gen. § 13-3311.1 and COMAR 10.62.34.03.

20. KDW, the transferee, did not pay the required fee specified in COMAR 10.62.35 with regard to any of the three (3) Commission-issued licenses held by MCCW at the time of transfer.

21. KDW, as transferee, received a transfer of ownership interest in a grower license greater than 5% without payment of the required fee, in violation of COMAR 10.62.08.08.

22. KDW, as transferee, received a transfer of ownership interest in a processor license greater than 5% without payment of the required fee, in violation of COMAR 10.62.19.07.

23. KDW, as transferee, received a transfer of ownership interest in a dispensary license greater than 5% without payment of the required fee, in violation of COMAR 10.62.25.08.

24. KDW did not ensure that its members held ownership interests in no more than one medical cannabis grower license, no more than one medical cannabis processor license, and no more than four medical cannabis dispensary licenses in violation of Health-General §§13-3306(a)(2)(v), 13-3307(d), and 13-3309(d).<sup>2</sup>

## ORDER

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<sup>2</sup> Prior to Respondents' appearing before Commissions for the underlying Case Resolution Conference, requests to transfer ownership interests were submitted for Commission consideration. These requests relate to the ownership interests underlying this finding and violation. The Commission is therefore on notice of the Respondent's present efforts to bring their members into compliance with Health-General §§13-3306(a)(2)(v), 13-3307(d), and 13-3309(d).



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

**ORDERED** that the Respondents shall pay to the Commission all required transfer fees for each transfer of ownership noted above in a total amount of \$21,000; and it is further

**ORDERED** that the Respondents shall pay to the Commission's Compassionate Use Fund penalties in the consolidated amount of \$300,000.00; and it is further;

**ORDERED** that each Respondent will be individually responsible for payment of this fee as follows:

- Grassroots shall be apportioned half of the total amount of the fine and fees and shall pay the Commission a total of \$10,500 in fees and shall pay the Compassionate Use Fund a total of \$150,000.00 within SIX (6) MONTHS of the date of this Consent Order;
- KDW shall be apportioned half of the total amount of the fine and fees and shall pay the Commission a total of \$10,500 in fees and shall pay the Compassionate Use Fund a total of \$150,000.00 within SIX (6) MONTHS of the date of this Consent Order;<sup>3</sup> and
- Respondents may pay these amounts in equally portioned monthly payments to the Commission;

**ORDERED** that the Respondents shall respond promptly and provide any supplemental criminal history record information or financial statement requested by the Commission's Bureau of Enforcement and Compliance;

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<sup>3</sup> It is understood that KDW is a pass-through entity, organized mainly to facilitate the Merger, and that Grassroots or another entity will ultimately pay this fee on behalf of KDW. The parties shall be jointly liable for paying the fines herein.

**ORDERED** that within 90 days of this Order, the Respondents shall employ the services of a Compliance Director for a minimum total of **THREE (3) YEARS** and that the Respondents shall promptly notify the Commission's Bureau of Enforcement and Compliance should any individual employed as Compliance Director state their intention to resign or be terminated from that position – no later than **SEVEN (7) DAYS** from the date of termination or the tender of resignation;

**ORDERED** that the Compliance Director's compensation, responsibilities, and scope of duties shall not be substantially lessened or reduced during the minimum total of **THREE (3) YEARS** described above;


**ORDERED** that the Respondents shall incur all costs associated with this Consent Order; and it is further

**ORDERED** that the requests related to transfers of ownership and control in to or out of Respondents, or MCCW, or related entities shall be reviewed in the ordinary course by the Commission staff, and the matters resolved by this Consent Order shall not be a barrier to approving the same;

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

Date

4/22/21

  
Brian Lopez  
Commission Chair

## CONSENT

We, have legal authority to enter into this agreement on behalf of GR Companies, Inc., and KDW Maryland Holding Corporation, (hereinafter "Respondents"). Respondents acknowledge that they have had the opportunity to seek advice of counsel in this matter. By this Consent, Respondents agree and accept to be bound by this Consent Order and its conditions and restrictions. Respondents waive any rights they may have had to contest the Findings of Fact and Conclusions of Law.

Respondents 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. Respondents acknowledge the legal authority and the jurisdiction of the Commission to initiate these proceedings and to issue and enforce this Consent Order. Respondents also affirm that they are waiving their right to appeal any adverse ruling of the Commission that might have followed any such hearing.

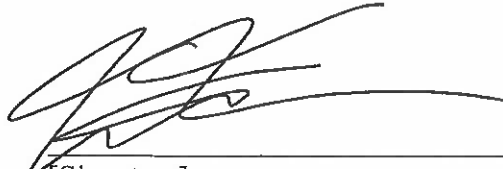
We sign this Consent Order with authority on behalf of Respondents after having had the opportunity to consult counsel, without reservation, and we fully understand and comprehend the

[CONTINUED ON NEXT PAGE]

language, meaning and terms of this Consent Order. We voluntarily sign this Consent Order and understand its meaning and effect.

4/22/2021

Date



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[Signature]

Mitchell Kahn, Authorized Signatory KDW Maryland Holding Corporation

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[Print name, title]

Representative for Respondents

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Date

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[Signature]

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[Print name, title]

Representative for Respondents

**NOTARY**

STATE OF Illinois

CITY/COUNTY OF: Cook

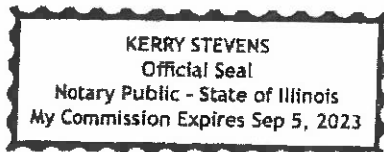
I HEREBY CERTIFY that on this 22nd day of April 2021, before me, a Notary Public of the State and County aforesaid, personally appeared Mitchell Kahn, on behalf of KDW Maryland Holding Corporation, and gave oath in due form of law that the foregoing Consent Order was his voluntary act and deed.

AS WITNESS, my hand and Notary Seal.

Kerry Stevens

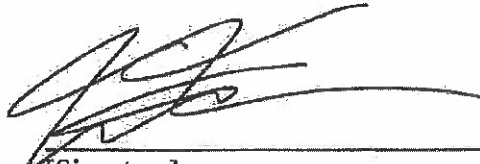
Notary Public

My commission expires: 9/5/23



language, meaning and terms of this Consent Order. We voluntarily sign this Consent Order and understand its meaning and effect.

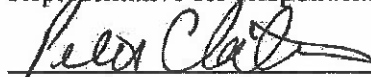
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[Signature]

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Date

4/28/2021

\_\_\_\_\_  
[Print name, title]  
Representative for Respondents

  
\_\_\_\_\_  
[Signature]

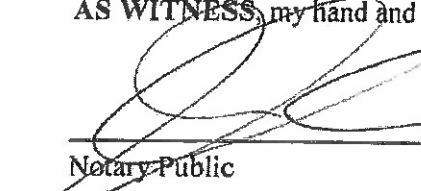
*Peter Clateman, Chief Legal Officer*  
\_\_\_\_\_  
[Print name, title]  
Representative for Respondents *GR Companies, Inc.*

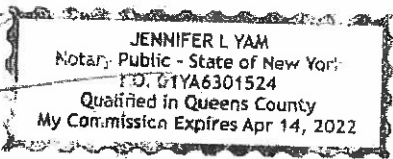
**NOTARY**

STATE OF New York  
CITY/COUNTY OF: Queens

I HEREBY CERTIFY that on this April day of 28 2021, before me, a Notary Public of the State and County aforesaid, personally appeared Clarkman, Peter on behalf of N4# 849055215 Q-3/10/27, 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.

  
\_\_\_\_\_  
Notary Public



My commission expires: 4/14/2022