

<p>IN THE MATTER OF</p> <p>SOUTHERN MARYLAND RELIEF, LLC</p> <p style="padding-left: 40px;">Respondent</p> <p>License No. D-17-0004</p>	<p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p>	<p>BEFORE THE</p> <p>MARYLAND MEDICAL</p> <p>CANNABIS COMMISSION</p> <p>Case No. 21-00432</p>
<p>* * * * *</p>		

PRE-CHARGE CONSENT ORDER

Pursuant to the Natalie LaPrade Medical Cannabis Commission Act (the “Act”), codified at Md. Code Ann., Health-Gen. §§ 13-3301 - 13-3316 (2015 Repl. Vol. and 2018 Supp.), the Maryland Medical Cannabis Commission (the “Commission” or “MMCC”) and Southern Maryland Relief, LLC (“Respondent”), license number D-17-00004, following a Case Resolution Conference held on January 26, 2022, enter into this Pre-Charge Consent Order in order lieu of proceeding to formal charges and an evidentiary hearing.

The pertinent provisions of the Code of Maryland Regulations (“COMAR”) which are as follows:

10.62.25.08 Transfer of Ownership Interest in a License¹

- (A) No ownership interest [in a medical cannabis dispensary license] 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

¹ Prior to May 18, 2020, this regulation required Commission approval of a proposed transfer or assignment of an ownership interest of 5% or more in a licensee that was not publicly traded.

(4) [If] 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.

10.62.25.11 Disclosure of Ownership and Control

(A)(2) Each licensee shall submit a table of organization, ownership, and control with the Commission within 10 business days of any change in ownership interest or control.

FINDINGS OF FACT

The parties agree to the following:

1. At all times relevant hereto, Respondent was licensed to operate a medical cannabis dispensary by the “Commission” under license number D-17-0004.
2. Respondent’s dispensary is located at 28105 Three Notch Road, Mechanicsville, MD 20659.
3. The license was initially awarded on October 23, 2017.
4. Respondent’s Stage 2 application indicates that MDH, LLC (“MDH”) held 100% ownership of the issued membership units at the time the license was awarded.
5. On September 16, 2021, the Commission received a request to transfer a 100% ownership interest in Respondent to Story of Maryland, LLC (the “Transfer Request”).² The Transfer Request was submitted by Charles Mattingly, Chief Executive Officer for Respondent.
6. Respondent is taxed as a partnership for income tax purposes.

² Prior to September 16, 2021, the Commission had not received a properly filed request to transfer a beneficial ownership interest (direct or indirect) in Respondent nor had it received formal notification of a change to Respondent’s ownership structure, however, Respondent’s 2021 Annual Disclosure (defined below) reflected the ownership of interests of Southern Maryland Relief, LLC, not MDH. Charlie Mattingly notified Commission staff of a transfer via electronic mail but these communications were not followed up with a formal notification.

7. In reviewing materials submitted in support of the Transfer Request, Commission staff identified several discrepancies between the pre-transfer cap table that Respondent submitted with the Transfer Request and the cap table that Respondent had submitted with its annual organization, ownership and control disclosure on June 15, 2021 (the “2021 Annual Disclosure”)
8. In an email dated September 17, 2021, Commission staff asked Mr. Mattingly to explain these discrepancies. On October 5, 2021, Mr. Mattingly responded that “these discrepancies are the result of a mere administrative oversight” and stated that Respondent had intended to submit a proposed restructuring for the Commission to consider in advance of the Transfer Request.
9. In an October 13, 2021 email, Respondent’s counsel relayed Respondent’s desire to obtain Commission approval to move forward with a “permitted restructuring” of Respondent (e.g., a restructuring that would not result in any change in beneficial ownership of Respondent) prior to the Commission considering the Transfer Request.
10. Respondent’s counsel also indicated that the cap table Respondent submitted with the 2021 Annual Disclosure “was an old capitalization table that did not accurately reflect the ownership of [Respondent] as of the date filed.” A cap table purporting to accurately depict the current ownership structure of Respondent (the “Correct Cap Table”) was submitted with the October 13th email.
11. In addition, a “Restructuring Notice” describing the proposed restructuring of Respondent and explaining variances between the Correct Cap Table and the cap table that Respondent submitted with the 2021 Annual Disclosure was also submitted with the October 13th email. The Restructuring Notice attributes some of these variances to “scrivener’s errors” and

others to *previously unapproved and unreported assignments and redemptions of ownership interests in MDH/Respondent.*

12. In reviewing the Restructuring Notice and other materials submitted by Respondent's counsel on October 13, 2021, Commission staff became aware of a previously unreported and unapproved restructuring of Respondent that had occurred in 2019 (the "2019 Restructuring").
13. Upon inquiry by Commission staff, Respondent's counsel explained in a December 3, 2021 email that "...[e]ach owner of MDH entered into a membership interest exchange agreement in 2019, whereby their interests in MDH were exchanged for a pro rata interest of [Respondent]...." She further explained that "as a result of the exchange, MDH became the wholly-owned subsidiary of [Respondent], but the beneficial ownership of [Respondent] remained unchanged...." Finally, Respondent's counsel stated that, "In connection with its sale to Story of Maryland, Respondent would like to revert to the original structure for corporate and tax reasons through a reverse exchange that will not change beneficial ownership." Copies of membership exchange agreements that were executed by members of MDH/Respondent to effectuate the 2019 Restructuring were attached to the December 3rd email.
14. Based upon materials submitted by Respondent, Commission staff identified four instances where it appears ownership interests in Respondent were transferred/assigned from one individual or legal entity to another without prior notice to or approval from the Commission, as required under COMAR 10.62.25.08 and COMAR 10.62.25.11. These four instances are as follows:

- a. An email from Respondent's counsel on December 7, 2021 states that, per the Second Amendment to the Operating Agreement of MDH, SJB Ventures, LLC acquired its ownership interest in MDH/Respondent from HECO, LLC (*Ex. 13-14*). According to its counsel, Respondent is unable to locate "the underlying transfer documentation, but it appears this [transfer] occurred in 2018 or 2019." The email further explains that SJB Ventures, LLC subsequently assigned the ownership interest to Advancing Horizons, LLC. The subject ownership interest was greater than 5%;
- b. On March 18, 2020, a 7.49064% Class B membership interest in MDH/Respondent (equal to a 6.51466% ownership interest in MDH/Respondent) was assigned/transferred from SJB Ventures, LLC to Advancing Horizons, LLC;
- c. On January 1, 2020, a 43.75% Class A membership interest in MDH/Respondent (equal to a 5.7003275% beneficial ownership interest in MDH/Respondent) was assigned/transferred from Kingfish Investments, LLC³ to James D. Danielson; and
- d. On April 22, 2021, a 5.98802% Class B membership interest in MDH/Respondent (equal to a 4.83092% beneficial ownership interest in MDH/Respondent) was assigned/transferred from Joseph M. Drury to the John R. Drury Family Security Trust.

15. Further, three stock redemptions and assignments (the "Redemptions") were described in and submitted with the Restructuring Notice. Each Redemption resulted in MDH/Respondent repurchasing its equity interests from a member, which interests are

³ It is unclear how or when Kingfish Investments obtained an ownership interest in Respondent's license.

then cancelled, thereby resulting in a proportionate increase in the percentage interests of the remaining owners of the Respondent. Respondent did not request that the Commission approve any of the three Redemptions or notify the Commission of resultant changes in beneficial ownership of Respondent, as required under COMAR 10.62.25.11.

These Redemptions are as follows:

- a. On October 28, 2020, MDH partially redeemed Taniert Investments, LLC's ownership interest. Specifically, MDH redeemed an 11.235954% Class B membership interest in MDH/Respondent (equal to a 9.771984% beneficial ownership interest in MDH/Respondent) from Taniert Investments, LLC;
- b. On January 1, 2021, MDH fully redeemed Taniert Investments, LLC's remaining ownership interest. Specifically, MDH redeemed a 7.49065% Class B membership interest in MDH/Respondent (equal to a 6.514656% beneficial ownership interest in MDH/Respondent) from Taniert Investments, LLC; and
- c. On January 2, 2021, MDH fully redeemed Dobsis, LLC's ownership interest. Specifically, MDH redeemed a 18.72659% Class B membership interest in MDH/Respondent (equal to a 16.28664% ownership interest in MDH/Respondent) from Dobsis, LLC.

16. For all three redemptions, Respondent failed to notify the Commission of the resultant changes to its beneficial ownership within ten days following each redemption.

17. The Commission requires submission of transfer requests, including those that result from a redemption, so that the Commission may have the opportunity to review the proposed transfer and determine whether it complies with Md. Code Health Gen. §§ 13-301 – 13-316, including whether an owner's criminal history information violates

COMAR 10.62.26.03 and payment of taxes are not in arrears in any jurisdiction.

COMAR 10.62.25.08.C.

18. Pursuant to COMAR 10.62.35.01.M, the total amount of fees to be submitted with each transfer request where the transferee is an entity is \$7,000, and the fee for each transfer request when the transferee is an individual is \$500.
19. Pursuant to the Commission's Guidelines for Civil Penalties, the maximum fine for each violation of COMAR 10.62.25.08 is \$10,000.
20. Pursuant to the Commission's Guidelines for Civil Penalties, the maximum fine for each violation of COMAR 10.62.25.11 is \$500.

CONCLUSIONS OF LAW

21. As set forth herein, Respondent violated COMAR 10.62.25.08 on four occasions when it transferred/assigned ownership interests from one individual or legal entity to another without prior notice to or approval from the Commission.
22. Respondent also violated 10.62.25.11 on three occasions when it failed to notify the Commission of changes to its beneficial ownership within ten days of redeeming outstanding ownership interests.

ORDER

Based on the foregoing Findings of Fact and Conclusions of Law, by an affirmative vote of a quorum of the Commission, it is hereby

ORDERED that Respondent shall pay a penalty in the amount of **\$27,000** directly to the Commission's Compassionate Use Fund within 10 days of the date of this Consent Order; and it is further

ORDERED that Respondent shall submit to the Commission a transfer request, together with the corresponding fees, for each unauthorized transfer described in ¶ 14, for a total of **\$21,500**, within 10 days of the date of this Consent Order; and it is further

ORDERED that upon receipt of Respondent's four transfer requests and the corresponding payments set forth herein, the Commission shall grant retroactive approval of Respondent's transfer requests; and it is further

ORDERED that Respondent shall be responsible for the costs associated with complying with this 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, 2018 Supp.).

03/14/2022

Date



Tiffany Randolph, Interim Commission
Chair

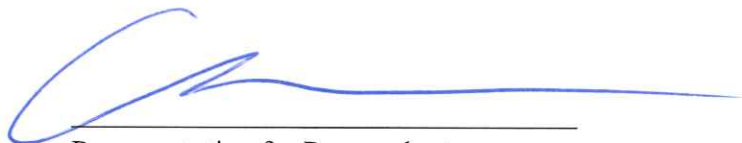
CONSENT

I, Charles Mattingly, Jr., am the Chief Executive Officer of Southern Maryland Relief, LLC, and have legal authority to enter into this agreement on behalf of Southern Maryland Relief, 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 Respondent 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.

3.7.22
Date



Representative for Respondent

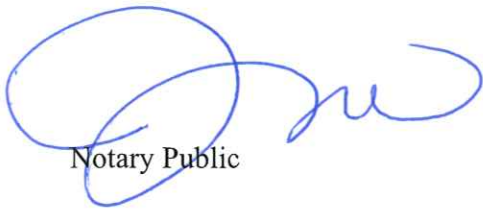
NOTARY

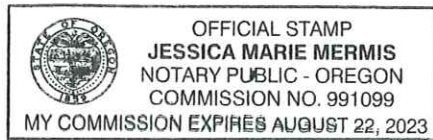
STATE OF Oregon

CITY/COUNTY OF: Clatsop

I HEREBY CERTIFY that on this 7th day of ~~January~~ March, 2022,
before me, a Notary Public of the State and County aforesaid, personally appeared Charles
Mattingly, Jr., on behalf of Southern Maryland Relief, LLC, 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: Aug 22, 2023