

**IN THE MATTER OF
CHESACANNA, INC.**

Respondent

License No. D-18-000031

*** BEFORE THE
* MARYLAND CANNABIS
* ADMINISTRATION
* Case No. 23-00224**

*** * * * ***

CONSENT ORDER

The Maryland Cannabis Administration (the “Administration” or “MCA”) and **Respondent Chesacanna, Inc.** (the “Respondent”), license number **D-18-00031**, pursuant to the Cannabis Reform Act found at Md. Code Ann. Alcoholic Beverages and Cannabis, §36-503, formerly codified at Md. Code Ann., Health-Gen. (“Health Gen.”) § 13-3301 et seq. (2019 Repl. Vol. and 2021 Supp.)¹ and Annotated Code of Maryland Code of Maryland Regulations (COMAR) 14.17 and 10.26, hereby enters into this Consent Order in order to resolve violations of the Act.

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

10.62.25.08 Transfer of Ownership Interest in a License

(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;

¹ Although the Cannabis Reform Act, codified at Md. Code Ann. Alcoholic Beverages and Cannabis, §36-501, effective May 3, 2023, established the Maryland Cannabis Administration, this document references the Natalie M. LaPrade Medical Cannabis Commission Act as it was the governing statute at the time of the allegations set forth herein.

- (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, 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) Each licensee shall submit a table of organization, and control with the Commission:

- (1) On or before July 1 of each year;
- (2) Within 10 business days of any change in ownership interest or control; and
- (3) Upon request by the Commission.

B. The table of organization, ownership, and control shall identify the management structure, ownership, and control of the license, including ...

- (3) The percentage of ownership, if any.

FINDINGS OF FACT

The parties agree upon the following findings of fact:

1. Chesacanna, Inc. (Chesacanna) is a licensed Maryland medical cannabis dispensary, license number D-18-00031. Chesacanna is a wholly owned subsidiary of Chondro, Inc. (Chondro).
2. Until early 2023, Chondro was owned 75% by Marc Spataro and 25% by John Heller.
3. In order to secure additional funding, Respondent entered into loan agreements with John Heller, John Heilein and Elizabeth Pritchard. The terms of each of the agreements authorized an equity transfer in Chondro when the loan was satisfied.
4. In early 2023, each of the loans was paid in full and equity in Chondro was transferred to the lenders from Mr. Spataro such that the equity distribution is now as follows:
 - a. Marc Spataro: 67.33%

- b. John Heller: 25.38%
 - c. John Heinlein: 4.79%
 - d. Elizabeth Pritchard: 2.5%
5. Respondent did not seek or receive approval from MMCC for the transfers as required. These transfers were not submitted for review and approval by the Maryland Medical Cannabis Commission (MMCC), the predecessor agency to the MCA.
 6. Each of the above-referenced transfers of ownership in the parent company, Chondro, also constitutes a transfer of ownership in any of its wholly owned subsidiaries, and specifically constitutes a transfer of ownership in Chesacanna.
 7. At all times relevant to this matter, Chesacanna was wholly owned by Chondro.
 8. Chesacanna submitted capitalization tables as part of the annual disclosures required by COMAR 10.62.25.11 for 2020, 2021 and 2022.
 9. The capitalization tables submitted by Chesacanna as part of the required annual disclosures for 2020, 2021 and 2022 failed to identify Chondro as an owner of the licensee.
 10. On June 1, 2023, Chesacanna submitted a request for approval of transfer of ownership in its entirety. The proposed transferee in that application is Chesacanna Acquisitions, Inc.
 11. In connection with the transfer application, a capitalization table for Chesacanna was submitted. Upon review of this document, MCA staff identified a number of inconsistencies between the table submitted in support of the transfer and the capitalization tables previously submitted as part of Chesacanna's annual disclosure requirements.
 12. The transfers set forth in Paragraph 4 above required MMCC approval.
 13. 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.

CONCLUSIONS OF LAW

Respondent Chesacanna, Inc., has violated COMAR 10.62.25.08 on three separate occasions by transferring an ownership interest in license number D-18-00031 without Commission approval. Further Chesacanna, Inc. violated COMAR 10.62.25.11 on three separate occasions by failing to accurately report its ownership interests in its annual reports.

ORDER

Based on the foregoing agreed upon Findings of Fact and Conclusions of Law, it is hereby

ORDERED that within 10 days of this Order, Respondent shall pay a fine to the Commission's Compassionate Use Fund in the amount of \$4,500 which includes a fine of \$1,000 for each of the three transactions that constituted an unauthorized transfer in the license held by Respondent and \$1,500 for Respondent's failure to accurately report its ownership interests on its Annual Reports for 2021 and 2022; and it is further

ORDERED that Respondent shall be responsible for the costs associated with complying with this Order; and it is further

ORDERED within 10 days of this Order, Respondents shall submit Requests for Retroactive Approval of the unauthorized transfers set forth herein, including transfer fees in the amount of \$1,500, to include the following:

- a. \$500 for the Heller transfer;
- b. \$500 for the Heinlein transfer; and
- c. \$500 for the Pritchard transfer; and it is further

CONSENT

I, MARC SPATARO, am the President / owner of Chesacanna, Inc. and have legal authority to enter into this agreement on behalf of Chesacanna, Inc. (“Respondent”). Respondent acknowledges that they have 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 they 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 their own behalf, and to all other substantive and procedural protections as provided by law. Respondent acknowledges the legal authority and the jurisdiction of the Administration to initiate these proceedings and to issue and enforce this Consent Order. Respondent also affirms that it is waiving its rights to appeal any adverse ruling of the Administration 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.

6/27/23
Date

Marc Spataro
Representative for Respondent

ORDERED that this Consent Order is a **PUBLIC DOCUMENT** pursuant to Md. Code Ann., Gen. Prov. §§ 4 401 et seq. (2021).

06/29/2023

Date



NOTARY

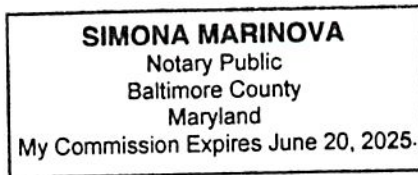
STATE OF Maryland

CITY/COUNTY OF: Baltimore

I HEREBY CERTIFY that on this 27 day of June 2023,
before me, a Notary Public of the State and County aforesaid, personally appeared
Marc Spataro, on behalf of
Chesacanna Inc, 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: June 20, 2025

