



June 9, 2021

Commonwealth Alternative Care, Inc.
MTC 785; MTC Brockton; MTC Cambridge

Case No. ENF-2020-0000001057

FINAL ORDER AND STIPULATED AGREEMENT

This Final Order and Stipulated Agreement (hereinafter, “Order”) between the Commonwealth of Massachusetts Cannabis Control Commission (“Commission”) and Commonwealth Alternative Care, Inc. (“CAC” or “Respondent”) and its parent company, TILT Holdings Inc. (“TILT”), offered for the purposes of settlement and to avoid the uncertainty and cost of future administrative action.

The Commission finds that resolution of this matter serves the purposes of 935 CMR 501.450 and 935 CMR 501.550 because Respondent has accepted responsibility for the violations set forth in this Order, has cooperated in the Commission’s investigation, and has taken initial corrective action to resolve the matter.

Accordingly, the Commission and Respondent submit to and agree as follows:

1. The Commission has jurisdiction over licensed marijuana establishments and licensed medical marijuana treatment centers and the subject matter herein pursuant to the provisions of the Commonwealth’s marijuana laws, M.G.L. Chapters 94G and 94I, and the Commission’s regulations, 935 CMR 500.000, *et seq.*, and 935 CMR 501.000, *et seq.*
2. Respondent has been subject to an investigation conducted by the Commission’s investigators. The Commission alleges violations of the Commission’s regulations, 935 CMR 501.000, *et seq.*;
3. Pursuant to 935 CMR 501.360, the Commission may issue an order to show cause as to why a fine or other financial penalty against Respondent should not be imposed upon determining that Respondent’s acts or omissions have violated the Commonwealth’s marijuana laws. 935 CMR 501.500 affords Respondent an opportunity to be heard and to show cause as to why a fine or other financial penalty should not be imposed;



4. Pursuant to 935 CMR 501.370, the Commission may also issue an order to show cause as to why the license or registration should not be suspended or revoked if, after an investigation, the Commission determines that such grounds exist. In accordance with 935 CMR 501.500, Respondent shall be afforded an opportunity to be heard and to show cause as to why the license or registration should not be suspended or revoked;
5. Respondent received a Provisional Certificate of Registration from the Department of Public Health (“DPH”) on July 29, 2016 for MTC Cambridge, and on August 29, 2016, for MTC Brockton.
6. Respondent received a Provisional Certificate of Registration from DPH for an entity now identified as MTC785 on April 21, 2017, and a Final Certificate of Registration on May 7, 2018. The MTC has commenced operations in Taunton.
7. Between 2017 and 2018, Respondent’s then-parent company, Sea Hunter Therapeutics, LLC through its subsidiaries (collectively “Sea Hunter”) entered into management and services agreements and/or loan agreements (in each instance, “Sea Hunter Agreements”) with Ermont, Inc. (“Ermont”), which holds a final MTC license and Verdant Medical, Inc. (“Verdant Medical” and, collectively with Ermont, the “Affiliates”), which holds a provisional MTC License.
8. Sea Hunter also entered into Sea Hunter Agreements with applicants Elev8 Cannabis, Inc. and Herbology Group, Inc.
9. Respondent has also submitted applications for adult-use retail (MRN282337) and (MRN282339) licensure.
10. The Sea Hunter Agreements with the Affiliates were drafted when DPH regulated the medical use of marijuana in the Commonwealth. At that time, the governing regulations provided that “No entity . . . may directly or indirectly control more than three RMDs.” 105 CMR 125.100(a)(2) (repealed). The term “directly or indirectly control” was not expressly defined under the DPH’s regulations.
11. In the Sea Hunter Agreement(s) between Ermont and Sea Hunter, Sea Hunter owned 100% of Ermont’s debt and had:
 - a. The authority to Control Ermont’s cash flow through the provisions in the Loan and Security Agreement;
 - b. The ability to influence the selection of Ermont’s CEO and sole director;
 - c. Ownership of the master service contract through its subsidiary, Cultivo, as a condition of the debt purchase; and
 - d. The ability to limit decisions through consent rights typically reserved for the Board of Directors.
 - e. Furthermore, for a limited period of time from late 2018 and early 2019, communications between Sea Hunter and Ermont reveal that Sea Hunter



consultants were involved with the day-to-day operations of Ermont pursuant to the management and services agreement.

12. In the Sea Hunter Agreement(s) between Verdant Medical and Sea Hunter, Sea Hunter owned 100% of Verdant Medical's debt and had authority to:
 - a. Control Verdant Medical's cash flow through the provisions in the Loan and Security Agreement;
 - b. Contract rights to undertake the buildout of the Provincetown location;
 - c. Own the rights to the master service contract through its subsidiary, Cultivo, as a condition of the loan; and
 - d. Limit decisions through consent rights typically reserved for a Board of Directors.
13. In November of 2018, Sea Hunter completed a merger, the result of which was TILT Holdings Inc., the present parent company of the Respondent.
14. On or around December 23, 2018, the Commission continued an investigation initiated by DPH regarding ownership and control upon the transfer of the Medical Use of Marijuana Program.
15. Beginning on May 10, 2019 TILT's Board of Directors began the process of replacing the executives from Sea Hunter with new management.
16. On May 16, 2019 the Commission issued a Request for Information ("RFI") to documents pertaining to the contractual arrangements involving Sea Hunter.
17. In July 2019, Respondent through their counsel attended an investigatory conference and provided copies of Sea Hunter Agreements to the Commission's Enforcement staff for its review.
18. Further, in July 2019, Respondent's counsel informed the Commission that TILT was making good faith efforts to unwind pre-existing Sea Hunter Agreements and that former Sea Hunter management were no longer in leadership roles.
19. On September 23, 2019, TILT executed a termination agreement with Elev8 Cannabis, Inc.
20. On November 1, 2019, the Commission amended its regulations to clarify the definition of direct or indirect control (among other things). Specifically, the revisions included a clarified definition of "Persons or Entities Having Direct Control."
21. On May 6, 2020, Enforcement staff and TILT's counsel held an investigatory conference. Counsel represented that TILT was still seeking to unwind all Agreements.
22. On May 22, 2020, TILT executed a termination agreement with Herbology Group, Inc.
23. On June 30, 2020, Enforcement staff and TILT's counsel held an investigatory conference, where TILT stated that new management wanted to unwind all Sea Hunter



affiliate relationships while maintaining the ability to collect monetary obligations for money previously lent.

24. In August of 2020, TILT provided the Commission with unilateral releases supporting its intention to unwind all Affiliate relationships.
25. On October 30, 2020, Enforcement staff sent an RFI to Respondent and TILT seeking communications with former Commission staff. Documentation was submitted by TILT and Respondent on November 2, 2020, and November 10, 2020.
26. In November 2020, Enforcement staff concluded its investigation with a finding that the active Sea Hunter Agreements with the Affiliates constituted a direct or indirect control relationship.
27. On February 19, 2021, a conference took place between Enforcement staff and representatives from TILT where TILT disclosed that its Board of Directors had approved an agreement with a third-party purchaser to buy Ermont's debt and, with respect to Verdant Medical, TILT would release Verdant Medical from its obligations under the loan and security agreement to which it was a party.
28. On February 23, 2021, TILT submitted documents evidencing the termination of its relationships with Ermont and Verdant Medical.
29. TILT provided the Assignment Agreement between TILT, as Assignor, and Teneo Capital Management, LLC ("Teneo"), as Assignee, for Ermont's debt. TILT agreed to sell, transfer, and assign rights, title, interests, claims and obligations under the Agreements to Teneo.
30. A former Sea Hunter executive, Robert Leidy, Jr. is a member with Teneo.
31. TILT provided a Lien Release and Release from Guaranty for Verdant Medical, discharging its obligations and released Verdant Medical's debt.
32. On March 10, 2021, an RFI was sent to TILT seeking clarification of the relationship between TILT, the assignee Teneo and Mr. Leidy. Documentation was provided by TILT, and Enforcement staff concluded, that Mr. Leidy owns a de minimis amount of publicly traded TILT stock. Enforcement staff found no other relationship between TILT, Teneo or Mr. Leidy.
33. Enforcement staff concluded TILT had successfully assigned the Sea Hunter Agreement(s) between TILT and Ermont. The Assignment Agreement serves as the termination of the last connection between TILT and Ermont.
34. Enforcement staff concluded TILT had successfully terminated its relationship with Verdant Medical that would be construed as direct or indirect control under 935 CMR 501.050.
35. TILT no longer has any control, indirect or direct, over Ermont as of February 22, 2021 under 935 CMR 501.050.



Applicable Law

36. No Person or Entity Having Direct or Indirect Control shall be granted, or hold, more than three licenses in a particular class, except as otherwise specified in 935 CMR 500.000. See 935 CMR 500.050(1)(b)(1) and 501.050(1)(b)(1).
37. Persons or Entities Having Direct Control means any person or entity having direct control over the operations of a Marijuana Establishment, which satisfies one or more of the following criteria: (a) An Owner that possesses a financial interest in the form of equity of 10% or greater in a Marijuana Establishment; (b) A Person or Entity that possesses a voting interest of 10% or greater in a Marijuana Establishment or a right to veto significant events; (c) A Close Associate; (d) A Person or Entity that has the right to control or authority, through contract or otherwise including, but not limited to: 1. to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments; 2. to appoint more than 50% of the directors; 3. to appoint or remove Corporate-level officers or their equivalent; 4. to make major marketing, production, and financial decisions; 5. to execute significant or exclusive contracts; or 6. to earn 10% or more of the profits or collect more than 10% of the dividends. See 935 CMR 500.002 and 501.002.
38. The Commission shall receive notice of any such interests as part of the application pursuant to 935 CMR 500.101. See 935 CMR 500.050(1)(b)(5) and 501.050(1)(b)(5).
39. It is full and adequate grounds for suspending or revoking a Marijuana Establishment's License or denying a renewal application for a Marijuana Establishment License . . . that [t]he Licensee failed to comply with the control limitations listed in 935 CMR 501.050(1)(b) or would likely fail to comply with such limitations if a renewal License were granted. See 935 CMR 501.450(6).

Stipulated Findings

40. The Commission, through its Executive Director, and Respondent have come to mutual agreement and understanding, and jointly propose to the Commission a resolution of alleged violations in lieu of proceeding through an administrative hearing to determine the merits of such allegations. The terms and conditions of this Order and Stipulated Agreement are expressly subject to ratification of the Commission by majority vote of its Commissioners;
41. In lieu of proceeding with an administrative hearing and subsequent proceedings, Respondent further agrees to the stipulated findings set forth in Paragraphs 40 - 43, inclusive of all subparagraphs.
42. In light of the promulgation made by the November 1, 2019 regulations, the Commission could reasonably find that Respondent's parent company should have known that it exercised direct or indirect control of five licensed MTC entities before final termination of the affiliate Agreements: two provisionally licensed CAC entities, one final licensed



CAC entity, and one provisionally licensed affiliate entity and one final licensed affiliate entity.

43. Notwithstanding the foregoing, the Commission recognizes relevant material mitigating factors to consider when weighing Respondent's conduct, including the following:
 - a. Respondent fully cooperated with the Commission's investigation into ownership and control interests and engaged in good-faith efforts to comply with the regulations.
 - b. The Sea Hunter Agreements were drafted when DPH regulated the medical use of marijuana in the Commonwealth and the concept of "direct or indirect control" was not further defined in the regulations.
 - c. Respondent under new management immediately conveyed its intention to terminate its relationships with the Affiliates.
 - d. Respondent's parent company in fact terminated all the relationships with Ermont and Verdant Medical as of February 2021.

Stipulated Remedy

44. In lieu of proceeding with an administrative hearing and subsequent proceedings, Respondent further agrees to the stipulated remedies and terms set forth in Paragraphs 44 - 67, inclusive of all subparagraphs.
45. Respondent agrees to make a monetary payment in the amount of two-hundred and seventy-five thousand dollars (\$275,000.00) made payable by check or money order, payable to the order of the Cannabis Control Commission Marijuana Regulation Fund;
46. Payment shall be postmarked on or made on or before 60 days after the ratification of this Order and forwarded to the following address:

Cannabis Control Commission
2 Washington Square
Worcester, MA 01604
47. Respondent shall submit to the Commission any documentation required under the regulations or as further requested by the Commission as it relates to the assignment of Ermont's debt to Teneo.
48. This Order may be admissible as evidence in any future hearing before the Commission or used in connection with any future licensure or administrative actions by the Commission;
49. Any issues relating to the underlying complaint and investigation that formed the basis for this Order against Respondent (and any defenses that Respondent may have to such complaint or investigation) shall not be at issue in a proceeding against Respondent for failing to comply with the terms of this Order;
50. Respondent agrees that the Commission may consider the Order, Respondent's acceptance of responsibility, and the facts and circumstances described therein, in



connection with review of an application for licensure, renewal of licensure, or suitability review. The Commission agrees that the Order by itself shall not be a reason to find the Respondent unsuitable or to deny its adult or medical-use license or to fail to renew its adult or medical-use license;

51. Respondent acknowledges advisement of hearing rights and process of the proceedings and wishes to resolve all issues which were the subject of the investigation;
52. If approved by the Commission and upon execution of all parties, this Order shall have the same force and effect as an order entered after formal hearing pursuant to 935 CMR 935 CMR 501.500(12), except that it may not be appealed. Failure to comply with the terms of this Order, including but not limited to failure to make a timely payment, may constitute the basis for further administrative action against Respondent;
53. Respondent acknowledges that the Commission advised Respondent of its opportunity to consult with an attorney of their choosing and Respondent represents that they have had an opportunity to do so prior to signing the Agreement. Respondent acknowledges that they have been given a reasonable period of time in which to consider the terms of this Agreement before signing it. Respondent acknowledges and confirms that they have entered into this Agreement voluntarily and of their own free will, without duress or coercion, and that they are competent to enter into this Agreement. Respondent acknowledges that they have carefully read and fully understand the meaning and intent of this Agreement;
54. Respondent further understands and knowingly and voluntarily waives the following rights:
 - a. The right to hearing and Respondent's opportunity to request a hearing;
 - b. The right to cross-examine witnesses, subpoena witnesses, present evidence and testify on Respondent's own behalf;
 - c. The right to engage in pre-hearing discovery of the Commission's evidence; and
 - d. The right to appeal this order.
55. Respondent consents to the terms and conditions described herein and agrees to waive its right to judicial review of this Order pursuant to M.G.L. C. 30A, § 14;
56. Upon execution by all parties, this Order shall represent the entire and final agreement of the parties. In the event that any provision of this Order is deemed unenforceable by a court of competent jurisdiction, such provision shall be severed, and the remainder of the Order shall be given full force and effect;
57. This Order shall be binding upon Respondent and shall inure to the benefit of the parties to this Order and their respective successors and assignees and shall be construed in accordance with and governed by the laws of the Commonwealth of Massachusetts;



- 58. Upon majority vote of the Commission, this Order shall become a permanent part of Licensee’s record and shall be open to public inspection and disclosure pursuant to the Commission’s standard policies and procedures or applicable law;
- 59. The Commission may reject the terms of this Order or otherwise deny ratification and entry of the Order. In such event, the terms of the Order shall be null and void including but not limited to Respondent’s admissions and waiver of opportunity for hearing upon subsequent issuance of an Order to Show Cause issued upon the Commission’s approval;
- 60. This Order may be executed by e-mail and any signature delivered by either method shall be deemed to be as valid as an original signature;
- 61. All costs and expenses incurred by Respondent to comply with this Order shall be the sole responsibility of Respondent and shall not in any way be the obligation of the Commission; and
- 62. For purposes of addressing any future violations of the Order, the Cannabis Control Commission regulations, 935 CMR 500.000, *et seq.*, and 935 CMR 501.000, *et seq.*, shall include all later adopted regulations that are in effect at the time of the subsequent violation.

Failure to comply with the above conditions may result in administrative action against Respondent up to any including suspension and/or revocation of registration.

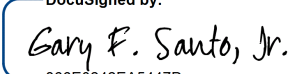
Commonwealth of Massachusetts Cannabis Control Commission

Shawn Collins, Executive Director

Date Signed

Ratified by Commission vote (___ yes, ___ no, ___ abstain) on June ___, 2021.

Respondent Commonwealth Alternative Care, Inc.

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Gary F. Santo, Jr.

6/9/2021

Date Signed

