

1 **BEFORE THE CANNABIS COMPLIANCE BOARD**
2 **STATE OF NEVADA**

3 STATE OF NEVADA, CANNABIS
4 COMPLIANCE BOARD,

5 Petitioner,

6 vs.

7 SILVER STATE CULTIVATION, LLC,

8 Respondent.




Case No. 2020-21

9
10 **COMPLAINT FOR DISCIPLINARY ACTION**

11 The Cannabis Compliance Board of the State of Nevada (the "CCB"), by and through
12 counsel, Aaron D. Ford, Attorney General of the State of Nevada, L. Kristopher Rath, Esq.,
13 Senior Deputy Attorney General, and Ashley A. Balducci, Esq., Senior Deputy Attorney
14 General, having a reasonable basis to believe that RESPONDENT SILVER STATE
15 CULTIVATION, LLC. ("SSC" or "Respondent") has violated provisions of Chapters 678A
16 through 678D of the Nevada Revised Statutes ("NRS"), and Chapters 453A and 453D of the
17 Nevada Administrative Code ("NAC"), hereby issues its Complaint, stating the CCB's
18 charges and allegations as follows:

19 **JURISDICTION**

20 1. During all relevant times mentioned in this Complaint, SSC held, and
21 currently holds, the following licenses and certificates:

22 ID	License/Certificate	Last Issued / Renewed	Address
23 P001	Medical Production 29559649868428271112	7/1/2020	
25 RP001	Adult-use Production 06179984770837282920	7/1/2020	
27 C001	Medical Cultivation 87780384583047744472	7/1/2020	

3 2. During all relevant times mentioned in this Complaint, SSC is and was
4 registered as a domestic limited liability company in the State of Nevada. The Nevada
5 Secretary of State lists the Manager of SSC as 320204 Nevada Holdings Corp. Mr. Aron
6 Swan is listed as the Point of Contact for SSC with the CCB.

7 3. Laws 2019, c. 595, § 240, eff. July 1, 2020, states, in pertinent part, as follows:

8 1. The administrative regulations adopted by the Department
9 of Taxation pursuant to chapters 453A and 453D of NRS
10 governing the licensing and regulation of marijuana
11 establishments and medical marijuana establishments remain
12 in force and are hereby transferred to become the administrative
13 regulations of the Cannabis Compliance Board on July 1, 2020.
14 On and after July 1, 2020, these regulations must be interpreted
15 in a manner so that all references to the Department of Taxation
16 and its constituent parts are read and interpreted as being
17 references to the Cannabis Compliance Board and its constituent
18 parts, regardless of whether those references have been
19 conformed pursuant to section 244 of this act at the time of
20 interpretation...

21 3. Any action taken by the Department of Taxation or its
22 constituent parts pursuant to chapter 453A and 453D of NRS
23 governing the licensing and regulation of marijuana
24 establishments and medical marijuana establishments before
25 July 1, 2020, remains in effect as if taken by the Cannabis
26 Compliance Board or its constituent parts on and after July 1,
27 2020.

28 4. Effective July 1, 2020 and pursuant to NRS 678A.350, the CCB superseded
the Marijuana Enforcement Division of the Department of Taxation (the "Department") in
enforcing Nevada's laws and regulations for the cannabis industry.

5. As set forth below, the events at issue in this CCB Complaint occurred and/or
were discovered after July 1, 2020, but prior to the adoption of the Nevada Cannabis
Compliance Board's Regulations ("NCCR") on July 21, 2020, and the filing of the NCCR
with the Nevada Secretary of State on August 5, 2020. As a result, SSC is subject to NRS

1 Title 56 and NAC Chapters 453A and 453D for the violations asserted herein. Therefore,
2 SSC is subject to the jurisdiction of the CCB and subject to discipline pursuant to NRS
3 678A through 678D and the relevant provisions of NAC 453A and 453D. Violations are
4 referenced herein to the statutes and regulations in effect at the time each said violation
5 occurred or was discovered to exist.

6 6. Pursuant to NRS 678A.500 and 678A.510(1), the CCB's Executive Director
7 has transmitted the details of the suspected violations of SSC to the Attorney General and
8 the Attorney General has conducted an investigation of the suspected violations to
9 determine whether they warrant proceedings for disciplinary action. The Attorney General
10 has recommended to the Executive Director that further proceedings are warranted, as set
11 forth in this CCB Complaint. The Executive Director has transmitted this recommendation
12 and information to the CCB. Pursuant to NRS 678A.510(2)(b), the CCB has voted to
13 proceed with appropriate disciplinary action under NRS 678A.520 through 678A.600, and
14 has authorized service of this CCB Complaint upon Respondent pursuant to NRS
15 678A.510(1).

16 FACTUAL ALLEGATIONS

17 7. CCB incorporates all prior Paragraphs as though fully set forth herein.

18 8. On July 7, 2020, CCB staff conducted an audit/investigation of the SSC
19 medical and adult-use production and cultivation facilities at [REDACTED]

20 [REDACTED]. The Board agents for this investigation were Ashley Leano and Stephen Rudy.

21 9. During the course of the aforementioned investigation, CCB staff found that
22 SSC's production and cultivation facilities were not able to produce a camera malfunction
23 log for their security camera system and were not able to produce documentation on their
24 semi-annual audit of facility security measures upon request by the CCB agents.

25 10. In addition, both SSC's production and cultivation facilities were not meeting
26 requirements for disposal of cannabis waste. In both production and cultivation, the waste
27 logs did not include a column to identify the individual witnessing the destruction or a
28 column to identify the method of destruction. The cultivation facility was not grinding and

1 homogenizing green waste with the non-cannabis materials they mixed in, as required by
2 the regulations. SCC's cultivation facility's destruction process involved simply adding
3 non-cannabis materials to bags of unreduced green waste.

4 11. CCB agents also found the seed to sale tracking system, METRC, showed 135
5 propagation plants (clones) at the cultivation facility. These clones were not found at the
6 cultivation facility and staff reported they were destroyed. This destruction was not
7 properly or timely recorded in METRC.

8 VIOLATIONS OF LAW

9 12. CCB incorporates all prior Paragraphs as though fully set forth herein.

10 A. SSC's Cultivation Facilities

11 13. As to certificate C001 and license RC001, Respondent SSC violated NAC
12 453A.420(1)(c)(6), NAC 453D.434(3) through (5), NAC 453D.352(1)(a), and NAC
13 453D.905(3)(d)(4) and (6). Specifically, SSC was unable to produce a Camera Malfunction
14 Log for its security camera system when CCB agents requested this. This is a Category III
15 violation, which carries a fine of \$2,500.

16 14. As to certificate C001 and license RC001, Respondent SSC violated NAC
17 453D.434(6)(a) and NAC 453D.905(3)(d)(4). Specifically, SSC was unable to provide
18 required documentation of the semi-annual audit of the facility security measures on
19 request by CCB agents. This is a second Category III violation, which carries a fine of
20 \$5,000 or a suspension of not more than 10 days.

21 15. As to certificate C001 and license RC001, Respondent SSC violated NAC
22 453A.414(4)(d)(9)(III), (IV), and (V), NAC 453D.426(5)(d)(9)(III), (IV) and (V), and NAC
23 453D.905(3)(d)(4) and (15) by failing to meet the requirements for disposal of cannabis
24 waste and failing to properly document the disposal of cannabis waste. Specifically, the
25 SSC waste logs did not include any information on the individual who witnessed
26 destruction and did not include any information on the method of destruction. This
27 constitutes a third Category III violation, requiring a fine of \$10,000 or a suspension of not
28 more than 20 days.

1 16. As to Certificate C001 and license RC001, Respondent SSC violated NAC
2 453D.745(1)(b), NAC 453D.745(3), and NAC 453D.905(3)(d)(15). Specifically, SCC's
3 destruction process was not compliant with the regulations because it involved simply
4 adding non-cannabis materials to bags of unreduced green waste. The facilities were not
5 grinding and homogenizing green waste with the non-cannabis materials they mixed in, as
6 required by the regulations. This constitutes a fourth Category III violation, which
7 requires a suspension of not more than 30 days.

8 17. As to Certificate C001 and license RC001, Respondent SSC violated NAC
9 453A.414(4)(d)(9), NAC 453D.426(5)(d)(9) and NAC 453D.905(3)(d)(4) for failing to follow
10 seed to sale tracking requirements. Specifically, SSC's cultivation facility did not properly
11 and/or timely record the destruction of 135 clone plants. This constitutes a fifth Category
12 III violation, requiring revocation of the cultivation license and certificate.

13 **B. SSC's Production Facilities**

14 18. As to certificate P001 and license RP001, Respondent SSC violated NAC
15 453A.420(1)(c)(6), NAC 453D.434(3) through (5), NAC 453D.352(1)(a), and NAC
16 453D.905(3)(d)(4) and (6). Specifically, SSC was unable to produce a Camera Malfunction
17 Log for its security camera system when CCB agents requested this. This is a Category III
18 violation, which carries a fine of \$2,500.

19 19. As to certificate P001 and license RP001, Respondent SSC violated NAC
20 453D.434(6)(a) and NAC 453D.905(3)(d)(4). Specifically, SSC was unable to provide
21 required documentation of the semi-annual audit of the facility security measures on
22 request by CCB agents. This is a second Category III violation, which carries a fine of
23 \$5,000 or a suspension of not more than 10 days.

24 20. As to certificate P001 and license RP001, Respondent SSC violated NAC
25 453A.414(4)(d)(9)(III), (IV) and (V), NAC 453D.426(5)(d)(9)(III), (IV) and (V), and NAC
26 453D.905(3)(d)(4) and (15) by failing to meet the requirements of disposal of cannabis waste
27 and failing to properly document the disposal of cannabis waste. Specifically, the SSC
28 waste logs did not include any information on the individual who witnessed destruction

1 and did not include any information on the method of destruction. This constitutes a third
2 Category III violation, requiring a fine of \$10,000 or a suspension of not more than 20 days.

3 DISCIPLINE AUTHORIZED

4 Pursuant to the provisions of NRS 678A.600, NAC 453A.332, NAC 453D.312,, NAC
5 453D.900, and NAC 453D.905, the CCB has the discretion to impose the following
6 disciplinary actions:

- 7 1. Revoke certificate C001 and license RC001;
- 8 2. Suspend the certificates and licenses of SSC;
- 9 3. Impose a civil penalty of not more than \$35,000 for each separate violation of
10 NRS Title 56 and NAC Chapters 453A and 453D on the certificates and licenses of SSC;
11 and,

- 12 4. Take such other disciplinary action as the CCB deems appropriate.

13 The CCB may order one or any combination of the discipline described above.

14 RELIEF REQUESTED

15 Based on the foregoing, counsel for the CCB respectfully requests the CCB impose
16 the penalty of revocation against the certificates and licenses of SSC: C001 and RC001.

17 In addition, counsel for CCB requests the CCB impose civil penalties against SSC in
18 the amount of \$17,500 for C001 and RC001, plus \$17,500 for P001 and RP002, for a total
19 of \$35,000 in civil penalties. Counsel for the CCB further requests the amount expended
20 for CCB's time and effort, pursuant to NAC 453A.352(4) and 453D.200(3), in the amount of
21 \$1,470.75 in costs to date. In sum, counsel for the CCB respectfully requests the CCB order
22 revocation of SSC's cultivation certificate and license and order fines, penalties and costs
23 in the total amount of \$36,470.75. CCB reserves its rights to seek additional costs incurred
24 as this matter proceeds through hearing and rehearing, if applicable.

25 NOTICE TO RESPONDENT

26 PLEASE TAKE NOTICE, that Respondent has a right to request a hearing on the
27 charges set forth herein, pursuant to NRS 678A.510 through 678A.590. Failure to
28 demand a hearing constitutes a waiver of the right to a hearing and to judicial

1 review of any decision or order of the Board, but the Board may order a hearing
2 even if the respondent so waives his or her right. NRS 678A.520(2)(e).

3 PLEASE TAKE NOTICE, you, as the respondent, must answer this Complaint
4 within 20 days after service of this Complaint, unless granted an extension. Pursuant
5 to NRS 678A.520(2), in the answer Respondent:

- 6 (a) Must state in short and plain terms the defenses to each claim asserted.
- 7 (b) Must admit or deny the facts alleged in the complaint.
- 8 (c) Must state which allegations the respondent is without knowledge or information
9 form a belief as to their truth. Such allegations shall be deemed denied.
- 10 (d) Must affirmatively set forth any matter which constitutes an avoidance or
11 affirmative defense.
- 12 (e) May demand a hearing. Failure to demand a hearing constitutes a waiver
13 of the right to a hearing and to judicial review of any decision or order of
14 the Board, but the Board may order a hearing even if the respondent so waives his
15 or her right.

16 Failure to answer or to appear at the hearing constitutes an admission by
17 the respondent of all facts alleged in the Complaint. The Board may take action
18 based on such an admission and on other evidence without further notice to the
19 respondent. NRS 678A.520(3).

20 The Board shall determine the time and place of the hearing as soon as is reasonably
21 practical after receiving the Respondent's answer. The Board shall deliver or send by
22 registered or certified mail a notice of hearing to all parties at least 10 days before the
23 hearing. The hearing must be held within 45 days after receiving the respondent's answer
24 unless an expedited hearing is determined to be appropriate by the Board, in which event
25 the hearing must be held as soon as practicable. NRS 678A.520(4).

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1 Respondent's answer and Request for Hearing must be either: mailed via registered
2 mail, return receipt; or emailed to:

3 Tyler Klimas, Executive Director
4 Cannabis Compliance Board
5 555 E. Washington Avenue, Suite 4100
6 Las Vegas, Nevada 89101
7 tklimas@ccb.nv.gov

8 If served by email, Respondent must ensure that it receives an acknowledgement of receipt
9 email from CCB as proof of service.

10 As the respondent, you are specifically informed that you have the right to appear
11 and be heard in your defense, either personally or through your counsel of choice at your
12 own expense. At the hearing, the CCB has the burden of proving the allegations in the
13 Complaint. The CCB will call witnesses and present evidence against you. You have the
14 right to respond and to present relevant evidence and argument on all issues involved. You
15 have the right to call and examine witnesses, introduce exhibits, and cross-examine
16 opposing witnesses on any matter relevant to the issues involved.

17 You have the right to request that the CCB issue subpoenas to compel witnesses to
18 testify and/or evidence to be offered on your behalf. In making this request, you may be
19 required to demonstrate the relevance of the witness's testimony and/or evidence.

20 If the Respondent does not wish to dispute the charges and allegations set forth
21 herein, within 30 days of the service of this Complaint, Respondent may pay the civil
22 penalties and costs set forth above in the total amount of \$36,470.75 and surrender
23 certificate C001 and license RC001 on notice to:

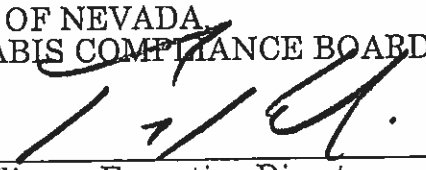
24 Tyler Klimas, Executive Director
25 Cannabis Compliance Board
26 555 E. Washington Avenue, Suite 4100
27 Las Vegas, Nevada 89101

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1 YOU ARE HEREBY ORDERED to immediately cease the activity described above
2 which is a violation of Nevada law.

3 DATED: October 20, 2020.

4 STATE OF NEVADA
5 CANNABIS COMPLIANCE BOARD

6 By: 
7 Tyler Klimas, Executive Director
8 555 E. Washington Avenue, Suite 4100
9 Las Vegas, Nevada 89101
10 (702) 486-2300

11 AARON D. FORD
12 Attorney General

13 By: 
14 L. Kristopher Rath (Bar No. 5749)
15 Senior Deputy Attorney General
16 Ashley A. Balducci (Bar No. 12687)
17 Senior Deputy Attorney General
18 555 E. Washington Ave, Suite 3900
19 Las Vegas, Nevada 89101
20 (702) 486-9287

21 Attorneys for the Cannabis Compliance Board
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23
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1 **DECLARATION AND CERTIFICATE OF SERVICE OF**
2 **COMPLAINT FOR DISCIPLINARY ACTION**
3 **(Service via Mail)**

4 I, Amber Virkler, hereby certify and affirm that:

- 5 1. I am over the age of 18 years old.
- 6 2. I am a Board Agent of the Cannabis Compliance Board ("CCB"), as defined in
- 7 NCR 1.068.
- 8 3. Pursuant to NRS 678A.520 and NCCR 4.075, I have served the Respondent
- 9 herein with the Complaint for Disciplinary Action ("Complaint") in the above
- 10 captioned matter as follows:

11 By placing a true and correct copy of the Complaint to be deposited for mailing in

12 the United States Mail in a sealed envelope via registered or certified mail, prepaid in Las

13 Vegas, Nevada, to Respondent's point of contact with the CCB under NCCR 2.050 at

14 Respondent's address on file with the Board as follow:

15 Name of point of contact served: Aron Swan

16 Address on file with CCB: [REDACTED]

17 Date of Service: October 20, 2020

18 I declare under penalty of perjury that the foregoing is true and correct.

19 Executed on October 20, 2020

20 (date)

21 

22 (signature)