BEFORE THE CANNABIS COMPLIANCE BOARD STATE OF NEVADA

STATE OF NEVADA, CANNABIS COMPLIANCE BOARD,

Case No. 2020-08

Petitioner,

vs.

FIDELIS HOLDINGS, LLC,

Respondent.

STIPULATION AND ORDER FOR SETTLEMENT OF DISCIPLINARY ACTION

The Cannabis Compliance Board (the "CCB"), by and through its counsel, Aaron D. Ford, Attorney General for the State of Nevada, L. Kristopher Rath, Esq., Senior Deputy Attorney General, hereby enters into this Stipulation and Order for Settlement of Disciplinary Action ("Stipulation and Order") with Respondent Fidelis Holdings, LLC (hereinafter "Fidelis"), by and through its counsel of record, Michael Cristalli, Esq., Dominic Gentile, Esq. and Mark Dzarnowski, Esq. of the law firm of Clark Hill, PLLC. Pursuant to this Stipulation and Order, Fidelis and CCB (collectively, the "Parties") hereby stipulate and agree that CCB Case No. 2020-08 (the "Administrative Action") shall be fully and finally settled and resolved upon terms and conditions set out herein.

PERTINENT FACTS

1. On August 25, 2020, CCB initiated this disciplinary action via the service and filing of a Complaint for Disciplinary Action (the "Complaint"). The Complaint alleges that, contrary to Nevada law, the Fidelis cultivation facility (C132 and RC132) intentionally, or in the alternative, unintentionally, provided false information to agents of the Department of Taxation, Marijuana Enforcement Division (the "Department"), operated without required permits, failed to follow seed to sale tracking requirements, used an unapproved

pesticide, and allowed cannabis agents to work at its facility without valid agent cards in their immediate possession.

- 2. Fidelis filed its Answer to the Complaint, and demand for a hearing, on October 1, 2020. Respondent Fidelis's Answer generally denied the allegations in the Complaint. The Parties then commenced the disciplinary process under NRS 678A.
- 3. During the time the parties were engaged in the disciplinary process, the Parties engaged in good faith negotiations to reach an agreement that is mutually acceptable to Respondent and counsel for the CCB for resolution of this matter, with the understanding that this Stipulation and Order must be approved by majority vote of the members of the CCB. Accordingly, the parties entered into an agreement to stay the disciplinary process to allow the CCB to consider this Stipulation and Order for approval.

ACKNOWLEDGEMENTS AND APPLICABLE LAW

This Stipulation and Order is made and based upon the following acknowledgements by the Parties:

- 4. Fidelis has entered into this Stipulation and Order on its own behalf and with full authority to resolve the claims against it and is aware of Fidelis's rights to contest the violations pending against it. These rights include representation by an attorney at Fidelis's own expense, the right to a hearing on any violations or allegations formally filed, the right to confront and cross-examine witnesses called to testify against Fidelis, the right to present evidence on Fidelis's own behalf, the right to have witnesses testify on Fidelis's behalf, the right to obtain any other type of formal judicial review of this matter, and any other rights which may be accorded to Fidelis pursuant to provisions of NRS Chapters 678A through 678D, NRS Chapters 453A and 453D, NAC Chapters 453A and 453D, the Nevada Cannabis Compliance Regulations (NCCR), and any other provisions of Nevada law. Fidelis is waiving all these rights by entering into this Stipulation and Order. If the CCB rejects this Stipulation and Order, or any portion thereof, Fidelis reserves the right to withdraw any or all such waivers.
 - 5. Should this Stipulation and Order be rejected by the CCB or not timely

performed by Fidelis, it is agreed that presentation to and consideration by the CCB of such proposed stipulation or other documents or matters pertaining to the consideration of this Stipulation and Order shall not unfairly or illegally prejudice the CCB or any of its members from further participation, consideration, adjudication, and/or resolution of these proceedings and that no CCB member shall be disqualified or challenged for bias.

- 6. Fidelis acknowledges that this Stipulation and Order shall only become effective after the CCB has approved it.
- 7. Fidelis enters this Stipulation and Order after being fully advised of Fidelis's rights and as to the consequences of this Stipulation and Order. This Stipulation and Order embodies the entire agreement reached between the CCB and Fidelis. It may not be altered, amended, or modified without the express written consent of the Parties and all alterations, amendments and/or modifications must be in writing.
- 8. In an effort to avoid the cost and uncertainty of a disciplinary hearing, Fidelis has agreed to settle this matter. For purposes of settling this matter, Fidelis acknowledges that the facts contained in the paragraphs in the above "Pertinent Facts" portion of this Stipulation and Order are true and correct. Without waiving any constitutional rights against self-incrimination, Fidelis further acknowledges that certain facts contained in the CCB Complaint in Case No. 2020-08 could be found to constitute violations of NRS Chapters 453A and 453D and NAC Chapters 453A and 453D, with penalties up to and including revocation, suspension, and/or a civil penalty and costs of \$64,186.50 for C132 and RC132, if this matter went to an administrative hearing.
- 9. In settling this matter the Executive Director for CCB and counsel for CCB have considered the factors set forth in NCCR 4.030(2) and NAC 453D.905(2), including: the gravity of the violations; the economic benefit or savings, if any, resulting from the violations; the size of the business of the violator; the history of compliance with the Nevada statutes and regulations governing marijuana/cannabis by the violator; actions taken to remedy and/or correct the violations; and the effect of the penalty on the ability of the violator to continue in business.

- 10. To resolve the Administrative Action, and only for those purposes and no other, Fidelis specifically admits to the following violations with respect to the Complaint in CCB Case No. 2020-08 for certificate C132 and license RC132:
 - a. Two violations of NAC 453D.905(3)(b)(1), for making unintentionally false statements of fact to the Department, which constitutes two Category II violations.
 - b. One violation of NAC 453D.905(3)(d)(4) for failing to comply with seed to sale tracking requirements (Failure to secure plant tags on lot bags), and one violation of NAC 453D.905(3)(d)(16) for using an unauthorized pesticide (eradication ETO Anderson machine), which constitutes two Category III violations.
 - c. Two violations of 453D.905(3)(e)(1), for failing to have two cannabis agents in immediate possession of valid cannabis agent cards, which constitutes two Category IV violations.
- 11. As to the remaining allegations in the Complaint, Fidelis neither admits nor denies those allegations and no civil penalties shall be assessed as to the remaining violations.
- 12. With respect to C132 and RC132, Fidelis further agrees to pay a civil penalty in the amount of \$70,000¹, inclusive of time and effort costs, in consideration for its admitted violations in Paragraph 10, above, and in consideration of CCB's agreement to resolve the Administrative Action on the terms set forth herein. Said sum must be paid within 30 days of CCB approval of this Stipulation and Order.
- 13. Fidelis further agrees that it shall destroy all untagged cannabis and cannabis product, as described in Paragraphs 21 and 22 of the Complaint and quarantined due to the March 12-13, 2019, inspection, via a destruction plan to be pre-approved by the CCB.
- 14. If the CCB approves this Stipulation and Order, it shall be deemed and considered disciplinary action by the CCB against Fidelis.

¹ To be apportioned \$35,000 to C132 and \$35,000 to RC132.

15. Both parties acknowledge that the CCB has jurisdiction to consider and order this Stipulation and Order because Fidelis holds privileged licenses/certificates regulated by the CCB as of July 1, 2020. Fidelis expressly, knowingly, and intentionally waives the 21-day and/or 5 day notice requirements contained in the Nevada Open Meeting Law and acknowledges that this Stipulation and Order may be presented to the CCB for its consideration and potential ratification at the CCB's meeting on January 26, 2021.

STIPULATED ADJUDICATION

Based upon the above acknowledgments of the Parties and their mutual agreement, the Parties stipulate and agree that the following terms of discipline shall be imposed by the CCB in this matter:

- 16. <u>Violations</u>: As to certificate C132 and license RC132, Fidelis is found to have two Category II violations, two Category III violations, and two Category IV violations, as set forth in Paragraphs 10(a), 10(b), and 10(c), above. The Parties stipulate and agree that nothing in this Stipulation and Order shall limit or preclude CCB from pursuing any separate disciplinary actions against the cannabis agent Sean Characky in CCB Complaint in Case No. 2020-09, and/or any other Fidelis cannabis agents found to be in noncompliance with NRS Title 56 and/or NCCR. Said disciplinary actions would be separate and apart from any disciplinary actions against Fidelis arising out of the subject investigation of March 12-13, 2019. CCB will not pursue a separate disciplinary action against the cannabis establishment agent cards of the owners of Fidelis, Daniel Brasov and Chad Christensen, arising out of the investigation which is the subject of CCB Case No. 2020-08.²
- 17. <u>Imposition and Payment of Civil Penalties</u>. Fidelis shall pay a total civil penalty, inclusive of time and effort costs, in the amount of seventy thousand dollars (\$70,000) within 30 days of the date the CCB approves this Stipulation and Order, to be apportioned as set forth in Paragraph 12, above.

² This provision does not apply, if any of the owners of Fidelis testify and/or present evidence at the disciplinary proceeding of Sean Characky (CCB Case No. 2020-09) to the effect that said owners instructed Mr. Characky to be untruthful or make any misrepresentations to the Department. Should such an event occur, the owners of Fidelis would be subject to a separate disciplinary action by CCB.

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- 18. Agreed Destruction and Destruction Plan. Pursuant to Paragraph 13, above, Fidelis shall submit to CCB staff a plan of destruction for the untagged cannabis and cannabis product that was quarantined as a result of the March 12-13, 2019, inspection. Said plan of destruction shall be submitted to the CCB Executive Director no later than 30 days after the CCB approves this Stipulation and Order. The plan of destruction must include procedures for the proper destruction of the untagged cannabis and cannabis product, including the planned date of destruction, the videotaping of the destruction, the witnessing by CCB staff of the destruction, and complete documentation of the destruction. No destruction shall commence prior to CCB approval of the plan of destruction.
- 19. Potential Future Action Against Fidelis. The Parties agree that, pursuant to the specific facts of this case and the resolution reached in this Stipulation and Order, the progressive disciplinary provisions of NAC 453D.905(4)(b), (d), and (e), of two years shall apply. Any additional Category I, Category III, and/or Category IV violations within said two-year period would invoke the progressive disciplinary provisions of NAC 453D.905(4)(b), (d), and (e). The CCB contends that said two-year period shall commence as of the date the CCB approves this Stipulation and Order. Respondent contends that this two-year period shall commence as of the date of the alleged violations on March 12, 2019. The parties agree that this issue shall be deferred for resolution until there is disciplinary action within the two-year disputed time frame. If there is no disciplinary action against Respondent within two years after the CCB approves this Stipulation and Order, the Parties agree this issue shall be moot. If there is such disciplinary action within that two years, Respondent reserves its rights to raise its contention that the two-year progressive disciplinary time period ended on March 12, 2021, as an affirmative defense in such later disciplinary action and the issue will be adjudicated in that later administrative action, pursuant to NRS Title 56 and the NCCR, which will be subject to judicial review when final. Regardless, after any such two-year period expires, the CCB may still consider the compliance history of Respondent under NCCR 4.030(2). In addition to the factors listed for consideration in NCCR 4.030(2), in any future disciplinary action involving Respondent,

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the CCB may take into consideration Respondent's cooperation in the resolution of this Administrative Action.

- 20. Plan of Correction. Respondent represents and warrants that it has put in place a plan of correction to remedy and to prevent the recurrence of the violations set forth in this Stipulation and Order. Respondent further represents and warrants that it is now, as of the date it has executed this Stipulation and Order, operating in full compliance with NRS Title 56 and NCCR. In summary, the plan of correction is as follows: (1) Fidelis has added provisions to its Employment Manual requiring its staff to be truthful and transparent with CCB staff and other regulatory agencies and to refer such regulatory agents to the appropriate department manager for inquiry when appropriate; (2) Fidelis has added provisions to its Employment Manual emphasizing that employees must have their valid agent cards in their possession at all times while at its facilities; (3) Fidelis has revised its Standard Operating Procedure (SOP) on tagging plants to more clearly state how tagging is to be maintained on all plants from plant creation through harvesting, storage and packaging; and (4) Fidelis has revised its SOP on remediation devices to ensure proper approval by CCB and other Nevada government agencies as necessary prior to use of the equipment.
- 21. Contingency if Approval Denied. If approval of this Stipulation and Order is denied by CCB, Fidelis and counsel for the CCB agree to resume settlement negotiations in good faith and attempt to reach an agreement to amend this Stipulation and Order and resubmit an amended Stipulation and Order to the CCB to review for approval at its next regularly scheduled meeting. If such an agreement cannot be reached, the Parties agree to proceed with the Administrative Action, which shall include a disciplinary hearing before the CCB or its assigned hearing officer. Should the Administrative Action proceed for the reasons set forth in this Paragraph, CCB preserves all its claims and arguments in the Administrative Action as set forth in its Complaint and Fidelis preserves all its defenses and arguments set forth in its Answer. An unapproved Stipulation and Order shall not be admissible as evidence or referenced in argument at any disciplinary hearing in CCB Case

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No. 2020-08 or any other matter involving the CCB.

- 22. Contingency if Approval Conditioned. If the CCB approves this Stipulation and Order, but said approval is contingent on certain conditions, the parties will undertake further good faith negotiations to include said conditions in an amended stipulation and order for execution by the CCB Chair. If Fidelis does not agree to the certain conditions imposed by the CCB, the parties will undertake additional negotiations and attempt to reach an agreement to amend this Stipulation and Order and resubmit an amended Stipulation and Order to the CCB to review for approval at its next regularly scheduled meeting. If such an agreement cannot be reached, the Parties agree to proceed with the Administrative Action, which shall include a disciplinary hearing before the CCB or its assigned hearing officer. Should the Administrative Action proceed for the reasons set forth in this Paragraph, CCB preserves all its claims and arguments in the Administrative Action as set forth in its Complaint and Fidelis preserves all its defenses and arguments asserted in its Answer. An unapproved Stipulation and Order shall not be admissible as evidence or referenced in argument at any disciplinary hearing in CCB Case No. 2020-08 or any other matter involving the CCB.
- 23. <u>Closure of Disciplinary Action</u>. Once this Stipulation and Order is fully performed by Fidelis, the Administrative Action will be closed.
- 24. <u>Communications with CCB Members</u>. Fidelis understands that this Stipulation and Order will be presented to the CCB in open session at a duly noticed and scheduled CCB meeting. Fidelis understands that the CCB has the right to decide in its own discretion whether or not to approve this Stipulation and Order. The CCB's counsel, which is the Nevada Attorney General and its staff attorneys, will recommend approval of this Stipulation and Order. In the course of seeking CCB acceptance of this Stipulation and Order, counsel for CCB may communicate directly with individual CCB members. Fidelis acknowledges that such communications may be made or conducted *ex parte*, without notice or opportunity for Fidelis to be heard on its part until the public CCB meeting where this Stipulation and Order is discussed, and that such contacts and communications may

include, but may not be limited to, matters concerning this Stipulation and Order, the Administrative Action and any and all information of every nature whatsoever related to these matters. Fidelis agrees that it has no objections to such ex parte communications. CCB agrees that Fidelis and/or its counsel may appear at the CCB meeting where this Stipulation and Order is discussed and, if requested, respond to any questions that may be addressed to Fidelis and/or the Attorney General's staff attorneys. Fidelis agrees that, should the CCB decline to approve this Stipulation and Order, Fidelis will not contest or otherwise object to any CCB member, and/or CCB appointed hearing officer, hearing and adjudicating the Administrative Action based on the aforementioned ex parte communications with anyone from the Nevada Attorney General's Office.

- Nevada, the CCB, the Office of the Attorney General, and each of their members, staff, attorneys, investigators, experts, hearing officers, consultants and agents are immune from any liability for any decision or action taken in good faith in response to information and data acquired by the CCB. Respondent agrees to release the State of Nevada, the CCB, the Office of the Attorney General, and each of their members, staff, attorneys, investigators, experts, hearing officers, consultants and agents from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known or unknown, in law or equity, that Respondent ever had, now has, may have or claim to have against any and/or all of the persons, government agencies or entities named in this Paragraph, arising out of, or by reason of, CCB's investigation of the matters set forth in its Complaint, the matters set forth in this Stipulation and Order, or the administration of CCB Case No. 2020-08.
- 26. No Precedence. The Parties agree that this Stipulation and Order shall not constitute a precedent for any other issues or proceedings before the CCB and/or in any other forum, other than those set forth in this Stipulation and Order. Furthermore, this Stipulation and Order shall not be admissible in any other proceeding or action with respect to proof of fact or any other matter and/or any other licensee and/or cannabis establishment

registered agent, except proceedings brought to enforce this Stipulation and Order under its terms and/or for the CCB's consideration of future disciplinary action against this Respondent.³

The CCB may consider the discipline imposed herein in any future disciplinary action against Respondent, as required under NCCR 4.030(2), along with the other factors set forth in NCCR 4.030(2), and possible progressive discipline pursuant to NCCR 4.035 through 4.060. As every case concerns different facts and details, this Stipulation does not act as precedence to bind CCB to impose any particular penalty, to charge or allege any particular violation, and/or to impose any particular disciplinary action in the future for this Respondent, or any other respondent, for violations of the same statutes and/or regulations addressed in this Stipulation and Order. Likewise, CCB is not bound by any previous settlement agreements it has approved in entering into this Stipulation and Order.

- 27. <u>Attorneys' Fees and Costs</u>. The Parties each agree to bear their own attorneys' fees and costs.
- 28. <u>Further Assurances</u>. The Parties shall cooperate in executing such additional documents and performing such further acts as may be reasonably necessary to give effect to the purposes and provisions of this Stipulation and Order.
- 29. <u>Voluntary and Informed Agreement</u>. The Respondent represents that its owners, officers, and/or its directors, who are responsible for and able to legally bind Fidelis have read completely and understand fully the terms of this Stipulation and Order, that such terms are fully understood and voluntarily accepted by Respondent in advance of and as memorialized by the signing of this Stipulation and Order, and that the Respondent's signature to this Stipulation and Order indicates same. Respondent further represents that

³ Notwithstanding anything set forth in this Stipulation and Order, the Parties agree that, should the CCB approve this Stipulation and Order, CCB may submit this approved Stipulation and Order, as well as the Answer of Fidelis, into evidence at the disciplinary proceeding against cannabis establishment agent Sean Characky, CCB Case No. 2020-09, should any officer, manager, director, owner, agent, contractor, and/or employee of Fidelis offer testimony inconsistent with the terms contained in this Stipulation and Order, including, but not limited to, testimony to the effect that Sean Characky was directed by any owner, agent, or employee of Fidelis to provide any false statements to the Department and/or CCB.

it has voluntarily entered into this Stipulation and Order to make a full, final, and complete compromise upon the terms and conditions set forth herein. Respondent further represents that any releases, waivers, discharges, covenants, and agreements provided for in this Stipulation and Order have been knowingly and voluntarily granted and without any duress or undue influence of any nature from any person or entity. The Parties, and each of them, hereby expressly acknowledge that they are each represented by counsel of their own choice in this matter and have been advised by counsel accordingly.

- 30. Warranties of Authority. The Parties to this Stipulation and Order, and each of them, expressly warrant and represent to all other Parties that each has the full right, title, and authority to enter into and to carry out its obligations hereunder, with the sole exception of the required approval of this Stipulation and Order by the CCB. The Parties also expressly acknowledge the foregoing authority.
- 31. <u>Binding Effect</u>. This Stipulation and Order shall be binding upon and inure to the benefit of the Parties hereto and the Parties' respective successors, predecessors, parents, affiliates, shareholders, employees, heirs, executors, assigns, and administrators.
- 32. Construction. The headings of all Sections and Paragraphs of this Stipulation and Order are inserted solely for the convenience of reference and are not a part of the Stipulation and Order and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision of this Stipulation and Order. In the event of a conflict between such caption and the paragraph at the head of which it appears, the paragraph and not such caption shall govern in the construction of this Stipulation and Order.
- 33. Governing Law. This Stipulation and Order shall be governed by and construed in accordance with the laws of the State of Nevada, without reference to conflict of law principles.
- 34. <u>Jurisdiction and Forum Selection</u>. The Parties consent to the jurisdiction of the Eighth Judicial District Court of the State of Nevada, in and for Clark County, to resolve any disputes related to the terms or enforcement of this Stipulation and Order. The

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successful or prevailing Party or Parties in such action shall be entitled to recover reasonable attorney fees, costs, and expenses actually incurred in initiating or responding to such proceeding, in addition to any other relief to which it may be entitled.

- 35. <u>Interpretation</u>. This Stipulation and Order is the result of negotiations among the Parties who have each negotiated and reviewed its terms. In the event a Court ever construes this Agreement, the Parties expressly agree, consent, and assent that such Court shall not construe this Agreement or any provision hereof against any Party as its drafter for purposes of interpreting any ambiguity or uncertainty in this Stipulation and Order.
- 36. <u>Time is of the Essence</u>. Time is of the essence in the performance of all terms of this Stipulation and Order.
- 37. Severability. If any portion of this Stipulation and Order, or its application thereof to any person or circumstance, shall be deemed to any extent to be invalid, illegal, or unenforceable as a matter of law, all remaining clauses of this Stipulation and Order and its application thereof shall be not affected and shall remain enforceable to the fullest extent permitted by law.
- 38. <u>Counterparts and Copies</u>. This Stipulation and Order may be executed in counterparts, each of which when so executed and upon delivery to counsel of record for the Parties shall be deemed an original ("<u>Counterparts</u>"). This Stipulation and Order shall be deemed executed when Counterparts of this Stipulation and Order have been executed by all the Parties and/or their counsel; such Counterparts taken together shall be deemed to be the Agreement. This Stipulation and Order may be executed by signatures provided by electronic facsimile or email, which signatures shall be binding and effective as original wet ink signatures hereupon. All fully executed copies of this Stipulation and Order are duplicate originals, equally admissible in evidence.

1	IN WITNESS WHEREOF, this Stipulation and Order has been executed by the	
2	Parties and attested by their duly authorized a	representatives as of the date(s) so indicated
3 4 5	The Effective Date of this Stipulation and Ord	er shall be the date it is ordered by the CCB.
6		Date: 1/21/202/
7	DOMINIC P. GENTILE (Bar No. 1923) MARK S. DZARNOSKI (Bar No. 3398)	
8	MICHAEL CRISTALLI (Bar No. 6266)	
9	Counsel for Respondent Fidelis	
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11	A second	D-4 01/01/0001
12	(printed name Daniel HC Brasov),	Date: 01/21/2021
13	On behalf of Respondent Fidelis	
14	AND-1	1)
15	W Cour	Date: /2//2021
16	L. Kristopher Rath (Nev. Bar No. 5749) Ashley Balducci (Nev. Bar No. 12687)	
17	Senior Deputy Attorney General Counsel for Cannabis Compliance Board	
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19 20	1-14	
20	Tyler Klimas, Executive Director for the	Date:1/21/2021
22	Cannabis Compliance Board	
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ORDER WHEREAS, on 26th day of January, 2021, the Nevada Cannabis Compliance Board approved and adopted all the terms and conditions set forth in the Stipulation and Order for Settlement of Disciplinary Action with Fidelis. IT IS SO ORDERED. SIGNED AND EFFECTIVE this day of STATE OF NEVADA, CANNABIS COMPLIANCE BOARD / HOŃ. MICHAEL L. DOUGLAS, CHAIR