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BEFORE THE CANNABIS COMPLIANCE BOARD
STATE OF NEVADA

STATE OF NEVADA, CANNABIS
COMPLIANCE BOARD,

Case No. 2021-41

Petitioner,

vs.

RED EARTH, 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 and Ashley A. Balducci, Esq., Senior Deputy Attorney General, hereby enters into this Stipulation and Order for Settlement of Disciplinary Action ("Stipulation and Order") with Respondent, Red Earth, LLC (hereinafter "Red Earth" or "Respondent") by and through its counsel, Adam Fulton, Esq., of Jennings & Fulton. Pursuant to this Stipulation and Order, Respondent and CCB (collectively, the "Parties") hereby stipulate and agree that CCB Case No. 2021-41 (the "Administrative Action") shall be fully and finally settled and resolved upon terms and conditions set out herein.

PERTINENT FACTS

1. Respondent is a registered domestic limited liability company licensed in Nevada to operate medical and adult-use cannabis cultivation establishments with certificate No. C012 and license No. RC012.
2. On or about April 2021 CCB staff discovered, through a review of SEC disclosures, that MJ Holdings, Inc., had purchased ownership of Red Earth on or about December 15, 2017 (the "December 2017 Transfer"). The December 2017 Transfer of ownership interest had not been approved by the regulatory entity at the time, the Nevada Department of Taxation, Marijuana Enforcement Division (the "Department"). No transfer

1 of interest request for the December 2017 Transfer had been submitted at any time
2 thereafter.

3 3. On or about May 7, 2021, CCB staff wrote to Red Earth and requested further
4 information on the December 2017 Transfer. On or about June 10, 2021, Red Earth
5 responded, through counsel, and acknowledged Red Earth entered into a purchase
6 agreement with MJ Holdings, Inc., on or about December 15, 2017, and acknowledged that
7 a transfer of interest request for this transaction had not been submitted to the Department
8 or CCB. Red Earth's counsel further stated that the aforementioned purchase agreement
9 would be canceled, thereby unwinding the December 2017 Transfer and returning Red
10 Earth to its original ownership structure.

11 4. Thereafter, CCB staff, working with the Attorney General's Office, entered
12 into settlement negotiations with Red Earth, through its counsel, to attempt to resolve the
13 violation at issue. The Parties were able to come to a mutually acceptable resolution of this
14 matter which is acceptable to CCB staff without the necessity of filing a Complaint for
15 Disciplinary Action.

16 5. As set forth herein, Respondent stipulates to pay a \$10,000 civil penalty for
17 one violation of NAC 463D.905(3)(b)(4) for failing to notify the Department of a change of
18 ownership and stipulates to unwind the unauthorized December 2017 Transfer, in lieu of
19 the CCB filing and serving a Complaint for Disciplinary Action ("Complaint") and
20 proceeding to a disciplinary hearing.

21 ACKNOWLEDGEMENTS AND APPLICABLE LAW

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

24 6. Red Earth has entered into this Stipulation and Order on its own behalf and
25 with full authority to resolve the claims against it and is aware of its rights to contest the
26 violations pending against it. These rights include the filing and service of a disciplinary
27 complaint specifying the charges against Respondent, representation by an attorney at
28 Respondent's own expense, the right to a hearing on any violations or allegations formally

1 filed, the right to confront and cross-examine witnesses called to testify against
2 Respondent, the right to present evidence on Respondent's own behalf, the right present
3 witnesses to testify on Respondent's behalf, the right to obtain any other type of formal
4 judicial review of this matter, and any other rights which may be accorded to Respondent
5 pursuant to provisions of NRS Chapters 678A through 678D, NAC Chapters 453A and
6 453D, the Nevada Cannabis Compliance Regulations ("NCCR"), and any other provisions
7 of Nevada law. Red Earth is waiving all these rights by entering into this Stipulation and
8 Order. If the CCB rejects this Stipulation and Order, or any portion thereof, Red Earth
9 reserves the right to withdraw any or all waivers.

10 7. Should this Stipulation and Order be rejected by the CCB or not timely
11 performed by Respondent, it is agreed that presentation to and consideration by the CCB
12 of such proposed stipulation or other documents or matters pertaining to the consideration
13 of this Stipulation and Order shall not unfairly or illegally prejudice the CCB or any of its
14 members from further participation, consideration, adjudication, or resolution of these
15 proceedings and that no CCB member shall be disqualified or challenged for bias.

16 8. Respondent acknowledges that this Stipulation and Order shall only become
17 effective after the CCB has approved it.

18 9. Red Earth enters into this Stipulation and Order after being fully advised of
19 its rights and as to the consequences of this Stipulation and Order. This Stipulation and
20 Order embodies the entire agreement reached between the CCB and Red Earth. It may not
21 be altered, amended, or modified without the express written consent of the Parties and all
22 alterations, amendments and/or modifications must be in writing.

23 10. In an effort to avoid the cost and uncertainty of a disciplinary hearing, the
24 Parties have agreed to settle this matter. In settling this matter, Respondent acknowledges
25 that the facts contained in the paragraphs in the above "Pertinent Facts" portion of this
26 Stipulation and Order are true and correct. Respondent further acknowledges that, if the
27 CCB filed and served a Complaint, the "Pertinent Facts" could be found to constitute one
28 or more violations of Title 56 of NRS (NRS Chapters 678A through 678D), NRS Chapters

1 453A and 453D, NAC Chapters 453A and 453D, and/or the NCCR, with civil penalties of
2 \$10,000, or more, per violation, and/or a revocation or suspension of each of the
3 Respondent's licenses and certificates, if this matter went to an administrative hearing.

4 11. To resolve the Administrative Action, and only for those purposes and no
5 other, Respondent specifically admits to the following violation with respect to CCB Case
6 No. 2021-41: one violation of NAC 453D.905(3)(b)(4) for failing to notify the Department of
7 a change of ownership. This violation is applicable to each license and certificate: C012
8 and RC012.

9 12. Respondent agrees to pay a civil penalty of ten thousand dollars (\$10,000)¹ in
10 consideration of the CCB's agreement to fully resolve the Administrative Action on the
11 terms set forth herein. Respondent further agrees to take corrective action by unwinding
12 the unauthorized December 2017 Transfer, as set forth herein.

13 13. If the CCB approves this Stipulation and Order, it shall be deemed and
14 considered disciplinary action by the Board against Red Earth.

15 14. Both parties acknowledge that the CCB has jurisdiction to consider and order
16 this Stipulation and Order because Respondent holds privileged certificates/licenses
17 regulated by the CCB as of July 1, 2020. Respondent expressly, knowingly, and
18 intentionally waives the 21-day and/or 5-day notice requirements contained in the Nevada
19 Open Meeting Law and acknowledges that this Stipulation and Order may be presented to
20 the CCB for its consideration and potential ratification at the Board's meeting on July 27,
21 2021.

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¹ This \$10,000 civil penalty shall be apportioned \$5,000.00 each as to C012 and RC012.

1 Transfer. Red Earth's unwinding of the December 2017 Transfer is a material term of this
2 Stipulation and Order. Therefore, Red Earth shall cancel the aforementioned purchase
3 agreement of December 15, 2017, thereby unwinding the December 2017 Transfer and
4 returning Red Earth to its original ownership structure. Red Earth shall submit to CCB
5 staff the termination agreement and any associated documents needed to accomplish this
6 unwinding no later than Tuesday, August 31, 2021, and CCB staff must approve said
7 documents before said unwinding shall become effective. Once CCB staff have approved
8 said documents, the termination agreement has been completed, and the civil penalty has
9 been paid, the Administrative Action shall be deemed closed and CCB will not require any
10 transfer of interest requests to be submitted for the unwinding of the December 2017
11 Transfer.

12 18. Potential Future Action against Respondent. The Parties agree that,
13 pursuant to the specific facts of this case, the progressive disciplinary provisions of NAC
14 453D.905(4)(b) of two years shall apply to the disciplinary actions herein. Said two-year
15 period shall commence on the date the CCB approves this Stipulation and Order. Any
16 additional Category II violations within said two-year period would invoke the progressive
17 disciplinary provisions of NAC 453D.905(4)(b). After said two-year period expires, the CCB
18 may still consider the compliance history of Respondent under NCCR 4.030(2). In addition
19 to the factors listed for consideration in NCCR 4.030(2), in any future disciplinary action
20 involving the licenses and certificates of Respondent at issue in this case, CCB will also
21 take into account and consider the fact that Respondent has cooperated in and negotiated
22 in good faith in the resolution of CCB Case No. 2021-41.

23 19. Contingency if Approval Denied. If approval of this Stipulation and Order is
24 denied by CCB, Respondent and counsel for the CCB agree to resume settlement
25 negotiations in good faith and attempt to reach an agreement to amend this Stipulation
26 and Order and resubmit an amended Stipulation and Order to the CCB to review for
27 approval at its next regularly scheduled meeting. If such an agreement cannot be reached,
28 the Parties agree to proceed with a disciplinary action, which shall include the filing and

1 service of a disciplinary complaint and a disciplinary hearing before the CCB or its assigned
2 hearing officer. Should the Administrative Action proceed for the reasons set forth in this
3 Paragraph, CCB preserves all its claims and arguments in the Administrative Action as
4 set forth in its Complaint (to be filed) and Respondent preserves all its defenses and
5 arguments it may assert. An unapproved Stipulation and Order shall not be admissible as
6 evidence or referenced in argument at any disciplinary hearing in CCB Case No. 2021-41
7 or any other matter involving the CCB.

8 20. Contingency if Approval Conditioned. If the CCB approves this Stipulation
9 and Order, but said approval is contingent on certain conditions, the parties will undertake
10 further good faith negotiations to include said conditions in an amended Stipulation and
11 Order for execution by the CCB Chair. If Respondent does not agree to the certain
12 conditions imposed by the CCB, the parties will undertake additional negotiations and
13 attempt to reach an agreement to amend this Stipulation and Order and resubmit an
14 amended Stipulation and Order to the CCB to review for approval at its next regularly
15 scheduled meeting. If such an agreement cannot be reached, the Parties agree to proceed
16 with a disciplinary action, which shall include the filing and service of a Complaint and a
17 disciplinary hearing before the CCB or its assigned hearing officer. Should the
18 Administrative Action proceed for the reasons set forth in this Paragraph, CCB preserves
19 all its claims and arguments in the Administrative Action as set forth in its Complaint (to
20 be filed) and Respondent preserves all its defenses and arguments it may assert. An
21 unapproved Stipulation and Order shall not be admissible as evidence or referenced in
22 argument at any disciplinary hearing in CCB Case No. 2021-41 or any other matter
23 involving the CCB.

24 21. Closure of Disciplinary Action. Once this Stipulation and Order is fully
25 performed by Respondent, the Administrative Action will be closed.

26 22. Communications with CCB Members. Respondent understands that this
27 Stipulation and Order will be presented to the CCB in open session at a duly noticed and
28 scheduled CCB meeting. Respondent understands that the CCB has the right to decide in

1 its own discretion whether or not to approve this Stipulation and Order. The CCB's counsel,
2 which is the Nevada Attorney General and its staff attorneys, will recommend approval of
3 this Stipulation and Order. In the course of seeking CCB acceptance of this Stipulation and
4 Order, counsel for CCB may communicate directly with individual CCB members.
5 Respondent acknowledges that such communications may be made or conducted *ex parte*,
6 without notice or an opportunity for Respondent to be heard on its part until the public
7 CCB meeting where this Stipulation and Order is discussed, and that such contacts and
8 communications may include, but may not be limited to, matters concerning this
9 Stipulation and Order, the Administrative Action and any and all information of every
10 nature whatsoever related to these matters. Respondent agrees that it has no objections to
11 such *ex parte* communications. CCB agrees that Respondent and its counsel shall appear
12 at the CCB meeting where this Stipulation and Order is discussed and, if requested,
13 respond to any questions that may be addressed to Respondent and/or the Attorney
14 General's staff attorneys. Respondent agrees that, should the CCB decline to approve this
15 Stipulation and Order, Respondent will not contest or otherwise object to any CCB member,
16 and/or CCB appointed hearing officer, hearing and adjudicating the Administrative Action
17 based on the aforementioned *ex parte* communications with anyone from the Nevada
18 Attorney General's Office.

19 23. Release. In execution of this agreement, Respondent agrees that the State of
20 Nevada, the CCB, the Office of the Attorney General, and each of their members, staff,
21 attorneys, investigators, experts, hearing officers, consultants, employees, and agents are
22 immune from any liability for any decision or action taken in good faith in response to
23 information and data acquired by the CCB. Respondent agrees to release the State of
24 Nevada, the CCB, the Office of the Attorney General, and each of their members, staff,
25 attorneys, investigators, experts, hearing officers, consultants, employees, and agents from
26 any and all manner of actions, causes of action, suits, debts, judgments, executions, claims
27 and demands whatsoever, known or unknown, in law or equity, that Respondent ever had,
28 now has, may have or claim to have against any and/or all of the persons, government

1 agencies or entities named in this Paragraph, arising out of, or by reason of, CCB's
2 investigation of the matters set forth in this Stipulation and Order, or the administration
3 of CCB Case No. 2021-41.

4 24. No Precedence. The Parties agree that this Stipulation and Order shall not
5 constitute a precedent for any other issues or proceedings before the CCB and/or in any
6 other forum, other than those set forth in this Stipulation and Order. Furthermore, this
7 Stipulation and Order shall not be admissible in any other proceeding or action with respect
8 to proof of fact or any other matter and/or any other licensee and/or cannabis establishment
9 registered agent.

10 Notwithstanding the foregoing, the CCB may consider the discipline imposed herein
11 in any future disciplinary action against Respondent, as required under NCCR 4.030(2),
12 along with the other factors set forth in NCCR 4.030(2), and possible progressive discipline
13 pursuant to NAC 453D.905 and/or NCCR 4.035 through 4.060. As every case concerns
14 different facts and details, this Stipulation does not act as precedence to bind CCB to
15 impose any particular penalty, to charge or allege any particular violation, and/or to impose
16 any particular disciplinary action in the future for this Respondent, or any other
17 respondents in another CCB case, for violations of the same statutes and/or regulations
18 addressed in this Stipulation and Order. Likewise, CCB is not bound by any previous
19 settlement agreements it has approved in entering into this Stipulation and Order.

20 25. Attorneys' Fees and Costs. The Parties each agree to bear their own attorneys'
21 fees and costs.

22 26. Further Assurances. The Parties shall cooperate in executing such additional
23 documents and performing such further acts as may be reasonably necessary to give effect
24 to the purposes and provisions of this Stipulation and Order.

25 27. Voluntary and Informed Agreement. Respondent represents that its owners,
26 officers, and/or its directors, who are responsible for and able to legally bind Respondent
27 have read completely and understand fully the terms of this Stipulation and Order, that
28 such terms are fully understood and voluntarily accepted by Respondent in advance of and

1 as memorialized by the signing of this Stipulation and Order, and that Respondent's
2 signature to this Stipulation and Order indicates same. Respondent further represents that
3 it has voluntarily entered into this Stipulation and Order to make a full, final, and complete
4 compromise upon the terms and conditions set forth herein. Respondent further represents
5 that any releases, waivers, discharges, covenants, and agreements provided for in this
6 Stipulation and Order have been knowingly and voluntarily granted and without any
7 duress or undue influence of any nature from any person or entity. The Parties, and each
8 of them, hereby expressly acknowledge that they are each represented by counsel of their
9 own choice in this matter or have had an opportunity to obtain representation by counsel
10 of their choice, and have been advised by counsel accordingly.

11 28. Warranties of Authority. The Parties to this Stipulation and Order, and each
12 of them, expressly warrant and represent to all other Parties that each has the full right,
13 title, and authority to enter into and to carry out its obligations hereunder, with the sole
14 exception of the required approval of this Stipulation and Order by the CCB. The Parties
15 also expressly acknowledge the foregoing authority.

16 29. Binding Effect. This Stipulation and Order shall be binding upon and inure
17 to the benefit of the Parties hereto and the Parties' respective successors, predecessors,
18 parents, affiliates, shareholders, employees, heirs, executors, assigns, and administrators.

19 30. Construction. The headings of all Sections and Paragraphs of this Stipulation
20 and Order are inserted solely for the convenience of reference and are not a part of the
21 Stipulation and Order and are not intended to govern, limit, or aid in the construction or
22 interpretation of any term or provision of this Stipulation and Order. In the event of a
23 conflict between such caption and the paragraph at the head of which it appears, the
24 paragraph and not such caption shall govern in the construction of this Stipulation and
25 Order.

26 31. Governing Law. This Stipulation and Order shall be governed by and
27 construed in accordance with the laws of the State of Nevada, without reference to conflict
28 of law principles.

1 32. Jurisdiction and Forum Selection. The Parties consent to the jurisdiction of
2 the Eighth Judicial District Court of the State of Nevada, in and for Clark County, to
3 resolve any disputes related to the terms or enforcement of this Stipulation and Order.

4 33. Interpretation. This Stipulation and Order is the result of negotiations among
5 the Parties who have each negotiated and reviewed its terms. In the event a Court ever
6 construes this Agreement, the Parties expressly agree, consent, and assent that such Court
7 shall not construe this Agreement or any provision hereof against any Party as its drafter
8 for purposes of interpreting any ambiguity or uncertainty in this Stipulation and Order.

9 34. Time is of the Essence. Time is of the essence in the performance of all terms
10 of this Stipulation and Order.

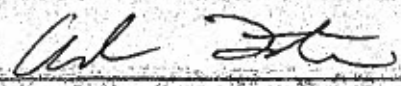
11 35. Severability. If any portion of this Stipulation and Order, or its application
12 thereof to any person or circumstance, shall be deemed to any extent to be invalid, illegal,
13 or unenforceable as a matter of law, all remaining clauses of this Stipulation and Order
14 and its application thereof shall be not affected and shall remain enforceable to the fullest
15 extent permitted by law.

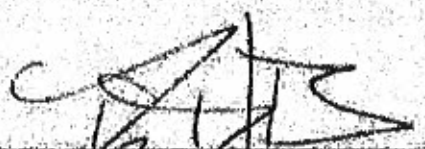
16 36. Counterparts and Copies. This Stipulation and Order may be executed in
17 counterparts, each of which when so executed and upon delivery to counsel of record for the
18 Parties and/or the Parties shall be deemed an original ("Counterparts"). This Stipulation
19 and Order shall be deemed executed when Counterparts of this Stipulation and Order have
20 been executed by all the Parties and/or their counsel; such Counterparts taken together
21 shall be deemed to be the Agreement. This Stipulation and Order may be executed by
22 signatures provided by electronic facsimile or email, which signatures shall be binding and
23 effective as original wet ink signatures hereupon. All fully executed copies of this
24 Stipulation and Order are duplicate originals, equally admissible in evidence.

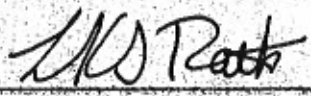
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IN WITNESS WHEREOF, this Stipulation and Order has been executed by the Parties and attested by their duly authorized representatives as of the date(s) so indicated. The Effective Date of this Stipulation and Order shall be the date it is ordered by the CCB.


Date: 7/14/21
Adam Fulton, Esq. (Nev. Bar No. 11572)
Jennings & Fulton
Counsel for Respondent Red Earth


Printed name: Paul Entwistle Date: 7/13/2021
On behalf of Respondent Red Earth


Date: 7/14/2021
L. Kristopher Rath (Nev. Bar No. 5749)
Ashley Balducci (Nev. Bar No. 12687)
Senior Deputy Attorney General
Counsel for Cannabis Compliance Board


Date: 7/27/2021
Tyler Klimas, Executive Director for the Cannabis Compliance Board

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ORDER

WHEREAS, on 27th, day of July 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 Respondent Red Earth, LLC.

IT IS SO ORDERED.

SIGNED AND EFFECTIVE this 27 day of July, 2021.

STATE OF NEVADA,
CANNABIS COMPLIANCE BOARD

By 
HON. MICHAEL L. DOUGLAS, CHAIR