BEFORE THE CANNABIS COMPLIANCE BOARD STATE OF NEVADA

STATE OF NEVADA, CANNABIS COMPLIANCE BOARD,

Case No. 2021-56

Petitioner,

vs.

URBAN HILLS, 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, and 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 Urban Hills, LLC (hereinafter "UHL" or "Respondent"). Pursuant to this Stipulation and Order, UHL and CCB (collectively, the "Parties") hereby stipulate and agree that CCB Case No. 2021-56 (the "Administrative Action") shall be fully and finally settled and resolved upon terms and conditions set out herein.

PERTINENT FACTS

- 1. Respondent is domestic limited liability company registered in the State of Nevada and licensed to operate a medical cannabis cultivation facility with license No.C127 and an adult-use cannabis cultivation facility with license No. RC127. The Nevada Secretary of State lists Dustin Pebbles and Crystal Pebbles as Managers of this limited liability company.
- 2. On October 26, 2021, CCB held a public meeting at which it considered a transfer of interest application ("TOI") submitted by Respondent. Specifically, CCB considered TOI No. 17004, and first and second amendments to TOI No. 17004. In sum,

TOI No. 17004 and its amendments sought transfers in the ownership interests of multiple owners of UHL which would ultimately result in ownership of the limited liability company with Dustin Pebbles holding 51% and Crystal Pebbles holding 49%.

- 3. On presentation of the TOI to the CCB on October 26, 2021, CCB staff identified several areas of concern, including the fact that at least one and possibly more unapproved transfers of interest had taken place and that there were failures to timely file required tax returns. Both Dustin and Crystal Pebbles were present at the meeting to discuss these issues with Board members. Mr. & Mrs. Pebbles requested the Board provide UHL additional time to work with CCB staff, provide CCB staff with additional information and have additional discussions with CCB staff to see whether the areas of concern could be clarified and/or addressed with CCB staff before the Board held a vote on the pending TOI. The Board agreed to this request and the licensee was requested to return for consideration of their TOI request at the December 14, 2021 CCB meeting.
- 4. Thereafter, CCB staff obtained further information and documents and held additional discussions with Respondent. CCB staff determined that there was at least one unapproved transfer of interest, that Respondent had brought itself up to date on tax report submissions and that Respondent had also put in place measures to prevent late returns in the future sufficient to satisfy CCB staff.
- 5. Subsequently, CCB staff, working with the Attorney General's Office, entered into good faith settlement negotiations with UHL, though its two managers (Dustin and Crystal Pebbles), to attempt to resolve the violations at issue. The Parties were able to come to a mutually acceptable resolution of this matter which is acceptable to CCB staff and the Attorney General, without the necessity of filing a Complaint for Disciplinary Action. UHL has agreed to waive the filing and service of a CCB Complaint and the Parties understand and agree that this Stipulation and Order must be approved by majority vote of the members of the CCB to become effective.

6. As set forth herein, Respondent, though its managers¹, stipulates to pay a \$20,000 civil penalty for one violation of NCCR 4.040(1)(a)(6) for failing to notify CCB of a change of ownership interest and one violation of NCCR 4.060(1)(a)(1) for failing to submit monthly tax reports and to accept a warning from CCB pursuant to NCCR 4.060(2)(a)(1), in lieu of the CCB filing and serving a Complaint for Disciplinary Action ("Complaint") and proceeding to a disciplinary hearing.

ACKNOWLEDGEMENTS AND APPLICABLE LAW

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

- 7. Dustin Pebbles and Crystal Pebbles represent and warrant that they are the current managing members of Respondent and are each individually duly authorized to execute this Stipulation and Order on behalf of Respondent and to bind Respondent to all terms and conditions herein. Dustin Pebbles and Crystal Pebbles represent and warrant that they have been fully advised that Respondent has the right to retain counsel throughout the negotiation process, to review this agreement, and to represent Respondent at any administrative meetings and/or hearings concerning this matter and that Respondent has voluntarily and of its own free will declined such representation.
- 8. UHL 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 UHL's rights to contest the violations pending against it. These rights include the filing and service of a disciplinary complaint specifying the charges against Respondent, representation by an attorney at UHL'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 UHL, the right to present evidence on UHL's own behalf, the right to have witnesses testify on UHL's behalf, the right to obtain any other type of formal judicial review of this matter, and any

¹ Mr. and Mrs. Pebbles were fully advised of Respondent's right to obtain counsel during this process and Respondent's right to have counsel review this Agreement. Mr. and Mrs. Pebbles, on behalf of Respondent, freely and voluntarily declined to retain counsel for Respondent during the course of these negotiations and/or to review this Agreement.

other rights which may be accorded to UHL pursuant to provisions of NRS Chapters 678A through 678D, the Nevada Cannabis Compliance Regulations (NCCR), and any other applicable provisions of Nevada law. UHL is waiving all these rights by entering into this Stipulation and Order. If the CCB rejects this Stipulation and Order, or any portion thereof, UHL reserves the right to withdraw any or all such waivers.

- 9. Should this Stipulation and Order be rejected by the CCB or not timely performed by UHL, 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.
- 10. UHL acknowledges that this Stipulation and Order shall only become effective after the CCB has approved it.
- 11. UHL enters this Stipulation and Order after being fully advised of UHL'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 UHL. 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.
- 12. In an effort to avoid the cost and uncertainty of a disciplinary hearing, UHL has agreed to settle this matter. For purposes of settling this matter, UHL 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, UHL further acknowledges that, if the CCB filed and served a Complaint and the matter proceeded to an administrative hearing, the "Pertinent facts" could be found to constitute violations of Title 56 of NRS (NRS Chapters 678A through 678D), and the NCCR, with penalties up to and including revocation or suspension and/or civil penalties of up to at least \$80,000 for C127 and RC127.
 - 13. In settling this matter the Executive Director for CCB and counsel for CCB

have considered the factors set forth in NCCR 4.030(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 NCCR and Title 56 of NRS 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.

- 14. To resolve the Administrative Action, and only for those purposes and no other, UHL specifically admits to the following violations with respect to CCB Case No. 2021-56 for licenses C127 and RC127:
 - a. One violation of NCCR 4.040(1)(a)(6) for failing to notify CCB of a change of ownership interest, which constitutes one Category II violation; and
 - b. One violation of NCCR 4.060(1)(a)(1) for failing to submit monthly tax reports, which constitutes one Category V violation.
- 15. With respect to C127 and RC127, UHL further agrees to pay a civil penalty in the amount of \$20,000² in consideration for its admitted violation in Paragraph 14(a) and accept a formal CCB warning in consideration for its admitted violation in Paragraph 14(b), and in consideration for the CCB's agreement to resolve the Administrative Action on the terms set forth herein.
- 16. If the CCB approves this Stipulation and Order, it shall be deemed and considered disciplinary action by the CCB against UHL. Additionally, if the CCB approves this Stipulation and Order, TOI No. 17004 and its aforementioned amendments shall be deemed approved as of the date of CCB's acceptance of payment of the civil penalties.
- 17. Both parties acknowledge that the CCB has jurisdiction to consider and order this Stipulation and Order because UHL holds privileged licenses/certificates regulated by the CCB as of July 1, 2020. UHL 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

² To be apportioned \$10,000 to C127 and \$10,000 to RC127.

shall be due on the first following business day.

3 Should the due date fall on a Saturday, Sunday, or a holiday recognized by the State of Nevada, payment

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:

- 18. <u>Violations</u>: As to licenses C127 and RC127, UHL is found to have committed one Category II violation and one Category V violation, as set forth in Paragraphs 14(a) and 14(b), above.
- 19. <u>Imposition of Civil Penalties</u>. UHL shall pay a total civil penalty in the amount of twenty thousand dollars (\$20,000) within the time set forth in Paragraph 21 below, to be apportioned as set forth in Paragraph 15, above.
- 20. <u>Formal Warning</u>. In accordance with NCCR 4.060(2)(a)(1), the CCB hereby issues a formal warning to UHL, as to its first Category V violation in the immediately preceding 3 years: UHL shall timely submit monthly tax and sales reports, as well as payments. Failure to do so in the future will invoke progressive discipline and shall be considered an aggravating factor in considering the amount of civil penalties in any future disciplinary actions.
- 21. Payment of Civil Penalties. If the CCB approves this Stipulation and Order at its December 14, 2021, meeting, UHL must pay the civil penalty set forth in this agreement no later than 5:00 p.m., Pacific Time, on Tuesday, February 1, 2022. If the CCB approves this Stipulation and Order, or an Amended Stipulation and Order, at a CCB meeting which occurs after December 14, 2021, then UHL must pay the civil penalty set forth in this agreement within 45 days of the date the CCB approves this Stipulation and Order³. UHL acknowledges that it is critical to comply with the strict requirements of the deadline for payment. UHL agrees that, should it fail to timely make timely payment of the civil penalty, the following penalties and procedures will be in effect:

- a. CCB will allow a five-business day grace period for late payment4.
- b. If payment is not physically received by CCB at its Carson City office by 5:00 p.m., Pacific Time, on the last day of the grace period, UHL shall be deemed to be in breach of this Stipulation and Order, deemed to be in default, and shall pay all amounts due under this Stipulation and Order, as well as an additional late payment penalty of twenty-five thousand dollars (\$25,000), and shall have its licenses C127 and RC127 immediately suspended, with such suspension remaining in place until all amounts due under this Stipulation and Order are paid in full (inclusive of the \$25,000 late payment penalty). The CCB will enter an order of default to this effect after default and all amounts due under this subsection shall be immediately due and payable to CCB. If all amounts due under this section are not paid within 90 days after the date of the order of default, licenses C127 and RC127 shall be deemed voluntarily surrendered. UHL agrees it cannot and will not file any petition for judicial review and/or any action in any forum for relief from this order of default and that CCB may file any judicial action necessary to recover the amounts owed under this subsection, along with its attorneys' fees and costs for recovery of amounts owed.
- c. UHL may petition the CCB for an extension of the date to pay the civil penalty. However, for the CCB to consider any such petition, the CCB must receive said petition no later than 5 <u>business</u> days prior to the payment deadline (which does not include any grace period). The CCB is not required to grant such a petition. In such a petition, UHL must demonstrate to the satisfaction of the CCB that there are extraordinary and unusual circumstances necessitating the extension requested. The CCB may delegate the decision as to whether to grant such a petition to the CCB Chair.

⁴ If a check or other form of payment is returned for insufficient funds, or otherwise rejected, the failed payment will <u>not</u> be considered a payment and no additional time beyond the five business day grace period will be granted for payment.

d. If an extension is granted under Paragraph 21(c), there shall be no grace period on the new payment date. If UHL does not pay by the new payment date, the provisions and penalties of Paragraph 21(b) apply.

- 22. Plan of Correction. Respondent represents and warrants that it has submitted a plan of correction, which CCB staff has approved, that will remedy and prevent the recurrence of the violations set forth in this Stipulation and Order. In summary, the plan of correction includes the following: (1) Urban Hills has engaged a new compliance specialist employee who will ensure that Urban Hills adheres to all Title 56 regulations and the NCCR, specifically as it relates to items required to be submitted to CCB staff for certain transactions, including transfers of ownership interest; and (2) Urban Hills has retained the services of a new bookkeeping and accounting staff and has updated their procedures to ensure that all required tax returns, along with full payment, are remitted to the Department of Taxation on or before their respective due dates. 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.
- 23. Contingency if Approval Denied. If approval of this Stipulation and Order is denied by CCB, UHL 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 a subsequent regularly scheduled meeting. If such an agreement cannot be reached, the Parties agree to proceed with the Administrative Action, which shall include the filing and service of a disciplinary complaint and 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 (to be filed) and UHL preserves all its defenses and arguments it may assert. An unapproved Stipulation and Order shall not be admissible as evidence or referenced in argument at any disciplinary hearing in CCB Case No. 2021-56 or any other matter involving the CCB.

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- 24. 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 UHL 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 a subsequent regularly scheduled meeting. If such an agreement cannot be reached, the Parties agree to proceed with the Administrative Action, which shall include the filing and service of a disciplinary complaint and 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 (to be filed) and UHL preserves all its defenses and arguments it may assert. An unapproved Stipulation and Order shall not be admissible as evidence or referenced in argument at any disciplinary hearing in CCB Case No. 2021-56 or any other matter.
- 25. <u>Closure of Disciplinary Action</u>. Once this Stipulation and Order is fully performed by UHL, the Administrative Action will be closed.
- 26. Approval of TOI. Should the CCB approve this Stipulation and Order, TOI No. 17004 filed by UHL, with its aforementioned amendments, shall be deemed approved upon the CCB's receipt of payment of the civil penalty set forth in Paragraphs 6, 15, 19, and 21, above.
- 27. Communications with CCB Members. UHL understands that this Stipulation and Order will be presented to the CCB in open session at a duly noticed and scheduled CCB meeting. UHL 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. UHL

acknowledges that such communications may be made or conducted exparte, without notice or opportunity for UHL 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. UHL agrees that it has no objections to such exparte communications. CCB agrees that UHL 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 UHL and/or the Attorney General's staff attorneys. UHL agrees that, should the CCB decline to approve this Stipulation and Order, UHL 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 exparte communications with anyone from the Nevada Attorney General's Office.

- Release. In execution of this agreement, Respondent agrees that 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 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. 2021-56.
- 29. <u>No Precedence</u>. 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.

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, or persuasive authority, 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.

- 30. Attorneys' Fees and Costs. The Parties each agree to bear their own attorneys' fees and costs.
- 31. <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.
- 32. <u>Voluntary and Informed Agreement</u>. The Respondent represents that its owners, officers, managers, and/or its directors, who are responsible for and able to legally bind UHL 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 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 or have had an opportunity to obtain representation by counsel of their choice. Dustin and Crystal Pebbles, on behalf of Respondent, acknowledge that Respondent has the right and has had the opportunity to have this Stipulation and Order reviewed by the counsel of Respondent's choice and to obtain advice from the counsel of Respondent's choice regarding this Stipulation and Order and the negotiations leading to resolution of the case.

- 33. 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.
- 34. <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.
- 35. <u>Construction</u>. 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.
- 36. 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

- 37. <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 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.
- 38. <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.
- 39. <u>Time is of the Essence</u>. Time is of the essence in the performance of all terms of this Stipulation and Order.
- 40. <u>Severability</u>. 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.
- 41. <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, or the point of contact for the licensee, 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. 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 CEO UHL Date: 12-7-21 Dustin Pebbles, Manager and Chief Executive Officer On behalf of Respondent UHL Date: 12/8/2021 L. Kristopher Rath (Nev. Bar No. 5749) Senior Deputy Attorney General Counsel for Cannabis Compliance Board Tyler Klimas, Executive Director for the Cannabis Compliance Board

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2	ORDER
3	WHEREAS, on 14th day of December, 2021, the Nevada Cannabis Compliance Board
4	approved and adopted all the terms and conditions set forth in the Stipulation and Order
5	for Settlement of disciplinary Action with UHL.
6	IT IS SO ORDERED.
7	SIGNED AND EFFECTIVE this 14th day of, 2021.
8 9	STATE OF NEVADA, CANNABIS COMPLIANCE BOARD
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11	By: Muhail Dong los
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