BEFORE THE CANNABIS COMPLIANCE BOARD STATE OF NEVADA

STATE OF NEVADA, CANNABIS COMPLIANCE BOARD,

Case No. 2022-86

Petitioner.

vs.

THC NEVADA, 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 THC Nevada, LLC (hereinafter "THCN" or "Respondent"), by and through its counsel of record, Amy Sugden, Esq. Pursuant to this Stipulation and Order, THCN and CCB (collectively, the "Parties") hereby stipulate and agree that CCB Case No. 2022-86 (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 identification No. C030 and an adult-use cannabis cultivation facility with license identification No. RC030. The Nevada Secretary of State currently lists Allen Puliz as the Manager of this limited liability company.
- 2. On March 22, 2022, the CCB held a public meeting at which it considered transfer of interest applications ("TOIs") submitted by Respondent. Specifically, CCB considered TOI No. 21038, Amended TOI No. 21038, and TOI No. 2100037. In sum: (1)

TOI No. 21038 sought a transfer of the ownership interest from founding member Danny Thomas to GARR Properties, LLC; (2) Amended TOI No. 21038 sought a transfer of Seamus Brennan's ownership interest to Heather Brennan and a transfer of part of Allen Puliz's ownership interest to Nicholas Puliz and Victoria Rahn; and (3) TOI No. 2100037 sought a transfer of 100% of THC Nevada's partial ownership in another licensee, THC Production, LLC.

- 3. On presentation of the TOI's set forth in Paragraph 2, above, to the CCB at its March 22, 2022, meeting, CCB staff identified several areas of concern, including the fact that there were failures to timely file and submit payment for multiple sales and use tax, wholesale cannabis tax, and modified business tax returns over several years.
- 4. At the CCB's meeting on March 22, 2022, the CCB unanimously approved the TOI's set forth in Paragraph 2, above, and also referred the issue of the late tax returns and payments back to the CCB staff and the Attorney General's office to further investigate possible disciplinary action, as well as the potential for a settlement agreement to resolve the regulatory violations.
- 5. Subsequently, CCB staff, working with the Attorney General's Office, entered into good faith settlement negotiations with THCN, though its counsel, Amy Sugden, Esq., 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. THCN has agreed to waive the filing and service of a CCB Complaint for Disciplinary Action ("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 stipulates to pay a \$5,000 civil penalty for four violations of NCCR 4.060(1)(a)(1) for failing to timely submit monthly tax reports and payments 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 and proceeding to a disciplinary hearing.

7 8

ACKNOWLEDGEMENTS AND APPLICABLE LAW

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

- 7. THCN 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 THCN'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 THCN'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 THCN, the right to present evidence on THCN's own behalf, the right to have witnesses testify on THCN'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 THCN pursuant to provisions of NRS Chapters 678A through 678D, the Nevada Cannabis Compliance Regulations (NCCR), and any other applicable provisions of Nevada law. THCN is waiving all these rights by entering into this Stipulation and Order. If the CCB rejects this Stipulation and Order, or any portion thereof, THCN reserves the right to withdraw any or all such waivers.
- 8. Should this Stipulation and Order be rejected by the CCB or not timely performed by THCN, 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.
- 9. THCN acknowledges that this Stipulation and Order shall only become effective after the CCB has approved it.
- 10. THCN enters this Stipulation and Order after being fully advised of THCN'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 THCN. It may not be altered, amended, or modified without the express written consent of the Parties and all alterations,

- 11. In an effort to avoid the cost and uncertainty of a disciplinary hearing, THCN has agreed to settle this matter. For purposes of settling this matter, THCN 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, THCN 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 multiple violations of Title 56 of NRS (NRS Chapters 678A through 678D), NRS Chapter 453A, NRS Chapter 453D, NAC Chapter 453A, NAC Chapter 453D, and the NCCR, with civil penalties up to and including \$190,000 in total, with license suspension, for C030 and RC030 for each tax return or report filed, and/or paid, late, if this matter went to an administrative hearing.
- 12. 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.
- 13. To resolve the Administrative Action, and only for those purposes and no other, THCN specifically admits to the following violations with respect to CCB Case No. 2022-86 for licenses C030 and RC030:
 - a. Four violations of NCCR 4.060(1)(a)(1) for failing to submit multiple monthly tax reports, which constitutes four Category V violations.
- 14. With respect to C030 and RC030, THCN further agrees to pay a civil penalty in the amount of \$5,000¹ in consideration for its admitted violations in Paragraph 13(a) and accept a formal CCB warning in consideration for its admitted first Category V violation in Paragraph 13(a), and in consideration for the CCB's agreement to resolve the

¹ To be apportioned \$2,500 to C030 and \$2,500 to RC030.

Administrative Action on the terms set forth herein.

- 15. If the CCB approves this Stipulation and Order, it shall be deemed and considered disciplinary action by the CCB against THCN.
- 16. Both parties acknowledge that the CCB has jurisdiction to consider and order this Stipulation and Order because THCN holds privileged licenses regulated by the CCB as of July 1, 2020. THCN 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 May 24, 2022.

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:

- 17. <u>Violations</u>: As to licenses C030 and RC030, THCN is found to have committed four (4) Category V violations, as set forth in Paragraph 13(a), above.
- 18. <u>Imposition of Civil Penalties</u>. THCN shall pay a total civil penalty in the amount of five thousand dollars (\$5,000) within the time set forth in Paragraph 20 below, to be apportioned as set forth in Paragraph 14, above.
- 19. <u>Formal Warning</u>. In accordance with NCCR 4.060(2)(a)(1), the CCB hereby issues a formal warning to THCN, as to its first Category V violation in the immediately preceding 3 years: THCN shall timely submit all required monthly tax and sales reports, as well as payments. Failure to do so in the future will invoke additional progressive discipline and shall be considered an aggravating factor in considering the amount of civil penalties and any other disciplinary action in any future disciplinary actions.
- 20. Payment of Civil Penalties. If the CCB approves this Stipulation and Order at its May 24, 2022, meeting, THCN must pay the civil penalty set forth in this agreement no later than 5:00 p.m., Pacific Time, on Thursday, June 23, 2022. If the CCB approves this Stipulation and Order, or an Amended Stipulation and Order, at a CCB meeting which

24

25

26

27

28

occurs after May 24, 2022, then THCN must pay the civil penalty set forth in this agreement within 30 days of the date the CCB approves this Stipulation and Order². THCN acknowledges that it is critical to comply with the strict requirements of the deadline for payment. THCN 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 payment³.
- 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, THCN 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 C030 and RC030 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 C030 and RC030 shall be deemed voluntarily surrendered. THCN 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. THCN may petition the CCB for an extension of the date to pay the civil

² Should the due date fall on a Saturday, Sunday, or a holiday recognized by the State of Nevada, payment shall be due on the first following business day, to be received no later than 5:00 p.m., Pacific Time, on that date.

³ 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.

18

19

20

21

22

23

24

25

26

27

28

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, THCN 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.

- d. If an extension is granted under Paragraph 20(c), there shall be no grace period on the new payment date. If THCN does not pay by the new payment date, the provisions and penalties of Paragraph 20(b) apply.
- 21. 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) THCN has secured a demand checking account, so should not have any further issues with delays in making appointments for cash payments; (2) THCN has implemented calendar reminders for the general manager and accounts payable department to alert them to pay taxes prior to the due dates; (3) THCN has started and will continue to pay taxes in the middle of the month to ensure that, if there are any issues, or abnormal delays, it will still have time to correct such problems prior to the tax report and payment due dates; (4) THCN has counseled the employee responsible for accounts payable on the importance of timely tax filings; and (5) THCN designated its general manager as the person responsible for compliance with the foregoing corrections. THCN initially implemented this plan of correction on February 18, 2022, and continues to monitor its effectiveness. 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 the NCCR.
- 22. <u>Contingency if Approval Denied</u>. If approval of this Stipulation and Order is denied by CCB, THCN and counsel for the CCB agree to resume settlement negotiations in

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

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 THCN 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. 2022-86 or any other matter involving the CCB.

- Contingency if Approval Conditioned. If the CCB approves this Stipulation 23. 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 THCN 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 THCN 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. 2022-86 or any other matter.
- 24. <u>Closure of Disciplinary Action</u>. Once this Stipulation and Order is fully performed by THCN, the Administrative Action will be closed.

21

22

23

24

25

26

27

28

Communications with CCB Members. THCN understands that this 25. Stipulation and Order will be presented to the CCB in open session at a duly noticed and scheduled CCB meeting. THCN 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. THCN acknowledges that such communications may be made or conducted ex parte, without notice or opportunity for THCN 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. THCN agrees that it has no objections to such ex parte communications. CCB agrees that THCN 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 THCN and/or the Attorney General's staff attorneys. THCN agrees that, should the CCB decline to approve this Stipulation and Order, THCN 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.

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. 2022-86.

27. 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.

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.

- 28. <u>Attorneys' Fees and Costs</u>. The Parties each agree to bear their own attorneys' fees and costs.
- 29. <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.

- 30. Voluntary and Informed Agreement. The Respondent represents that its owners, officers, managers, and/or its directors, who are responsible for and able to legally bind THCN 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 and have been advised by counsel accordingly.
- 31. 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.
- 32. <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.
- 33. <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.

- 34. <u>Governing Law</u>. 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.
- 35. Jurisdiction and Forum Selection. 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.
- 36. <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.
- 37. <u>Time is of the Essence</u>. Time is of the essence in the performance of all terms of this Stipulation and Order.
- 38. 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.
- 39. <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

1	and Order may be executed by signatures provided by electronic facsimile or email, which
2	signatures shall be binding and effective as original wet ink signatures hereupon. All fully
3	executed copies of this Stipulation and Order are duplicate originals, equally admissible in
4	evidence.
5	IN WITNESS WHEREOF, this Stipulation and Order has been executed by the
6	Parties and attested by their duly authorized representatives as of the date(s) so indicated.
7	The Effective Date of this Stipulation and Order shall be the date it is ordered by the CCB.
8	Λ
9	The Date: 4-27-2022
10	Amy Sugden, Esq. (Nev. Bar No. 9983) Counsel for Respondent THCN
11	
12	Date: 4-27-2022
13	(printed name Nicholas Pyliz), On behalf of Respondent THCN
14	
15	210) Park Date: 4/28/2022
16	L. Kristopher Rath (Nev. Bar No. 5749) Senior Deputy Attorney General
17	Counsel for Cannabis Compliance Board
18	ORDER
19	WHEREAS, on 24th day of May, 2022, the Nevada Cannabis Compliance Board
20	approved and adopted all the terms and conditions set forth in the Stipulation and Order
21	for Settlement of disciplinary Action with THCN.
22	IT IS SO ORDERED.
23	SIGNED AND EFFECTIVE this day of Act, 2022.
24	
25	STATE OF NEVADA, CANNABIS COMPLIANCE BOARD
26	
27	By: Make le So
28	/ HON. MICHAEL L. DOUGLAS, CHAIR