# BEFORE THE CANNABIS COMPLIANCE BOARD STATE OF NEVADA

STATE OF NEVADA, CANNABIS COMPLIANCE BOARD,

Petitioner,

Case No. 2022-100

vs.

GREENLEAF WELLNESS INC.,

Respondent.

## STIPULATION AND ORDER FOR SETTLEMENT OF DISCIPLINARY ACTION

The Cannabis Compliance Board of the State of Nevada (the "CCB"), by and through counsel, Aaron D. Ford, Attorney General of the State of Nevada, and Emily N. Bordelove, Esq., Senior Deputy Attorney General, hereby enters into this Stipulation and Order for Settlement of Disciplinary Action ("Stipulation and Order") with GREENLEAF WELLNESS INC. ("GLW" or "Respondent") by and through its counsel of record, Dan Reaser, Esq., of the law firm of Fennemore Craig, P.C. Under this Stipulation and Order, GLW and the CCB (collectively, the "Parties") hereby stipulate and agree that Case No. 2022-100 (the "Administrative Action") shall be fully and finally settled and resolved upon terms and conditions set out herein.

### PERTINENT FACTS

- 1. GLW is a domestic corporation registered in the State of Nevada and licensed to operate a medical dispensary facility with license No. D056 and an adult-use cannabis dispensary facility with license No. RD056. The Nevada Secretary of State currently lists Todd Sanneman as Treasurer, Mark Ziegler as Director, Tammy J. Kolvet as Secretary & Director, and Steven J. Duque as President & Director of this domestic corporation. As discussed below, with CCB's approval of a transfer of interest request, GLW's natural person ownership did not change, but it modified the percentage of ownership interests of the natural persons.
  - 2. On April 26, 2022, the CCB held a public meeting at which it considered a transfer

of interest application ("TOI") submitted by GLW. Specifically, the CCB considered TOI No. 21021. In sum, TOI No. 21021 sought a three (3) percent overall reduction of the collective ownership interests of all the members, except for Mark Ziegler, whose ownership interest increased by that three (3) percent.

- 3. On presentation of TOI No. 21021 to the CCB at its April 26, 2022 meeting, CCB staff identified areas of concern, including failures to timely file multiple Modified Business Tax ("MBT") returns from June 2020 to September 2021 and one (1) Commerce Tax ("COM") return. Although no amounts were due for the MBT returns, those returns were still required to be filed each month.
- 4. At the CCB's April 26, 2022 meeting, the CCB unanimously approved TOI No. 21021 and referred the issue of the late tax returns to the CCB's staff and the Attorney General's office to further investigate possible disciplinary action, as well as the potential for a settlement agreement to resolve regulatory violations.
- 5. Subsequently, the CCB's staff, working with the Attorney General's Office, entered into good faith settlement negotiations with GLW, though its counsel, Dan Reaser, Esq., to attempt to resolve the violations described above. The Parties came to a mutually acceptable resolution of this matter acceptable to CCB staff and the Attorney General, without the need for filing a Complaint for Disciplinary Action.
- 6. As set forth herein, GLW stipulates to pay a total civil penalty of TWENTY-FIVE THOUSAND (\$25,000) dollars for two (2) Category III violations of NCCR 4.050(1)(a)(9) for unintentionally failing to pay taxes to the Department of Taxation and two (2) Category V violations of NCCR 4.060(1)(a)(1) for failing to submit monthly tax or sales reports or payments, 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 acknowledgments by the Parties:

7. GLW has entered into this Stipulation and Order on its own behalf, with full

authority to resolve the claims against it, is aware of GLW's rights to contest the violations pending against it. These rights include the filing and service of a disciplinary complaint specifying the charges against GLW, representation by an attorney at GLW'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 GLW, the right to present evidence on GLW's own behalf, the right to testify on GLW'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 GLW under provisions of Title 56 of the Nevada Revised Statutes ("NRS") (NRS Chapters 678A through 678D), the NCCR, and any other provisions of Nevada law. GLW agrees to waive all these rights by entering into this Stipulation and Order provided the CCB approves this Stipulation and enters the Order.

- 8. Should this Stipulation and Order be rejected by the CCB or not timely performed by GLW, the Parties agree 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, or resolution of these proceedings, and that no CCB Member shall be disqualified or challenged for bias.
- 9. GLW acknowledges that this Stipulation and Order shall only become effective after a majority of the CCB Members have approved it.
- 10. GLW enters this Stipulation and Order after being fully advised of GLW'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 GLW. It may not be altered, amended, or modified without the express written consent of the Parties. All alterations, amendments, and/or modifications to this Stipulation and Order must be in writing. The Parties stipulate and agree that this Stipulation and Order, if approved by the CCB, resolves *only* the issues discovered during the investigation of TOI No. 21021 pertaining to GLW. The CCB reserves its rights to pursue other disciplinary actions for violations discovered in any future TOI investigations and/or any other audits/investigations.

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To be apportioned \$12,500 to D056 and \$12,500 to RD056.

- 11. In an effort to avoid the cost and uncertainty of a disciplinary hearing, GLW has agreed to settle this matter. In settling this matter, GLW 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, GLW 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 and the NCCR, with discipline up to and including revocation or suspension of D056 and RD056, and \$220,000 or more in civil penaltics for D056 and RD056, if this matter went to an administrative hearing. The CCB acknowledges that GLW could assert certain defenses to any Complaint/allegations at said administrative hearing which could affect its outcome.
- 12. In settling this matter, the Executive Director for the 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 the NRS by GLW; actions taken to remedy and/or correct the violations; and the effect of the penalty on the ability of GLW to continue in business.
- 13. For the sole purpose of resolving the Administrative Action, GLW specifically admits to the following violations with respect to CCB Case No. 2022-100 for licenses D056 and RD056: two (2) Category III violations of NCCR 4.050(1)(a)(9) for unintentionally failing to pay taxes to the Department of Taxation and two (2) Category V violations of NCCR 4.060(1)(a)(1) for failing to submit monthly tax or sales reports or payments, which constitute a total of two (2) Category III and two (2) Category V violations.
- 14. With respect to D056 and RD056, GLW further agrees to pay a civil penalty in the total amount of TWENTY-FIVE THOUSAND (\$25,000)<sup>1</sup> dollars in consideration for its admitted violations in Paragraph 13 and accept a formal CCB warning in consideration for

its admitted first Category V violation in Paragraph 13, and in consideration for the CCB's agreement to resolve the 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 GLW.
- 16. Both Parties acknowledge that the CCB has jurisdiction to consider and order this discipline because GLW holds and/or held privileged licenses regulated by the CCB as of July 1, 2020. GLW expressly, knowingly, and intentionally waives the twenty-one (21) day and/or five (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 September 27, 2022, meeting or the next monthly CCB meeting in which such agreements can be presented to the CCB.

#### STIPULATED ADJUDICATION

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

- 17. <u>Violations</u>. As to licenses D056 and RD056, GLW is found to have committed two(2) Category III and two (2) Category V violations, as set form in Paragraph 13 above.
- 18. <u>Imposition of Civil Penalties</u>. GLW shall pay a total civil penalty in the amount of TWENTY-FIVE THOUSAND (\$25,000) dollars within the time set forth in Paragraph 20 below, to be apportioned as set forth in Paragraph 14 above.
- 19. Formal Warning. In accordance with NCCR 4.060(2)(a)(l), the CCB hereby issues a formal warning to GLW, as to its first Category V violation in the immediately preceding three (3) years, GLW shall timely submit 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 in any future disciplinary actions.
- 20. Payment of Civil Penalties. If the CCB approves this Stipulation and Order at its September 27, 2022, meeting, GLW must pay the civil penalty set forth in this agreement

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- a. The CCB will allow a five (5) business day grace period for late payment.<sup>3</sup>
- b. If payment is not physically received by the CCB at its Carson City office by 5:00 p.m., Pacific Time, on the last day of the grace period, GLW 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 FIFTY THOUSAND (\$50,000) dollars, and shall have its licenses, D056 and RD056, immediately suspended, with such suspension remaining in place until all amounts due under this Stipulation and Order are paid in full (inclusive of the \$50,000 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 the CCB. If all amounts due under this section are not paid within ninety (90) days after the date of the order of default, licenses D056 and RD056 shall be deemed voluntarily surrendered. GLW 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 the CCB may file any judicial action necessary to recover the amounts owed under this subsection, along with its

<sup>&</sup>lt;sup>2</sup> 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

<sup>3</sup> If a check or other form of payment is returned for insufficient funds, or otherwise rejected, the failed payment will not be considered a payment and no additional time beyond the five (5) business day grace period will be granted for payment.

- attorneys' fees and costs for recovery of amounts owed.
- c. GLW 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 five (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, GLW 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 21(c), there shall be no grace period on the new payment date. If GLW does not pay by the new payment date, the provisions and penalties of Paragraph 21(b) apply.
- 21. Plan of Correction. GLW 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 regarding taxes includes the following: GLW's parent company, Greenleaf Companies ("GLC"), retained a certified public accounting firm, The CFO Group, Inc., and its Vice President of Compliance, Todd Sanneman, CPA, as GLC's chief financial officer and treasurer. Under Mr. Sanneman's leadership, GLC implemented updated accounting and financial management processes and procedures, including improved cash flow timing oversight and internal controls. GLC also retained legal counsel, Fennemore Craig, P.C. to assist it with regulatory matters and compliance. Beginning in May of 2021 GLC's Board of Directors implemented formal quarterly meetings to review corporate legal compliance and provide business planning oversight guidance, including timely tax filing compliance.
- 22. Contingency if Approval Denied. If the CCB denies approval of this Stipulation and Order, GLW 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

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scheduled meeting. If the Parties cannot reach such an agreement, 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 outlined in this Paragraph, the CCB preserves all its claims and arguments in the Administrative Action as outlined in its Complaint (to be filed)<sup>4</sup>, and GLW preserves all 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. 2022-100 or any other matter involving the CCB.

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 GLW does not agree to the specific 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 the Parties cannot reach such an agreement, 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 outlined in this Paragraph, the CCB preserves all its claims and arguments in the Administrative Action as outlined in its Complaint (to be filed<sup>5</sup>), and GLW preserves all defenses and arguments it may assert 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. 2022-100 or any other matter involving the CCB.

24. Closure of Disciplinary Action. Once GLW fully performs this Stipulation and

<sup>&</sup>lt;sup>4</sup> Should the CCB proceed with a disciplinary Complaint, said Complaint will not be limited to the violations set forth in this settlement agreement and the CCB reserves its rights to include additional regulatory violations in any such disciplinary Complaint.

<sup>&</sup>lt;sup>5</sup> See footnote 4.

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25. Communications with CCB Members. GLW understands that this Stipulation and Order will be presented to the CCB in an open session at a duly noticed and scheduled meeting. GLW understands that the CCB has the right to decide at 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 the CCB's acceptance of this Stipulation and Order, counsel for the CCB may communicate directly with individual CCB Members. GLW acknowledges that such communications may be made or conducted ex parte, without notice or an opportunity for GLW to be heard on its part until the public 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. GLW agrees that he has no objections to such ex parte communications. The CCB agrees that GLW and/or its counsel may appear at the meeting where this Stipulation and Order is discussed and, if requested, respond to any questions that may be addressed to GLW and/or the Attorney General's staff attorneys. GLW agrees that, should the CCB decline to approve this Stipulation and Order, GLW 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 Office of the Attorney General.

26. Release. In execution of this agreement, GLW 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. GLW 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 GLW 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 because of, the CCB's investigation of the matters outlined in its Complaint, the matters outlined in this Stipulation and Order, or the administration of Case No. 2022-100.

- 27. No Precedence, the Parties agree that this Stipulation and Order shall not constitute precedent for any other issues or proceedings before the CCB or District Court other than those outlined in this Stipulation and Order. Furthermore, this Stipulation and Order shall not be admissible in any other proceeding or action with respect to any other matter and/or any other licensee and/or cannabis establishment registration 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 GLW.
- 28. Exceptions to Lack of Precedence. The CCB may consider the discipline imposed herein in any future disciplinary action against GLW, as required under NCCR 4.030(2), along with the other factors outlined in NCCR 4.030(2), and possible progressive discipline under NCCR 4.035 through 4.060. As every case concerns different facts and details, this Stipulation and Order does not act as precedence, or persuasive authority, to bind the 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 GLW, or any other respondent for violations of the same statutes and/or regulations addressed in this Stipulation and Order. Likewise, the CCB is not bound by any previous settlement agreements it has approved in entering into this Stipulation and Order.
- 29. Attorneys' Fees and Costs. The Parties each agree to bear their own attorneys' fees and costs.
- 30. <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.

- 31. Voluntary and Informed Agreement. GLW represents that its owners, officers, managers, and/or its directors, who are responsible for and able to legally bind it have completely read and fully understand the terms of this Stipulation and Order, that such terms are fully understood and voluntarily accepted by GLW in advance of and as memorialized by the signing of this Stipulation and Order, and that GLW's representative's signing this Stipulation and Order indicates the same. GLW 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. GLW 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.
- 32. 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.
- 33. <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.
- 34. <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.

- 35. 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.
- 36. <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.
- 37. <u>Interpretation</u>. This Stipulation and Order results from 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.
- 38. <u>Time is of the Essence</u>. Time is of the essence in the performance of all terms of this Stipulation and Order.
- 39. Severability. If any portion of this Stipulation and Order, or its application thereof to any person or circumstance, is held 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.
- 40. Counterparts and Copies. 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 and/or the Parties, shall be deemed an original ("Counterparts"). This Stipulation and Order is considered fully executed when Counterparts of this Stipulation and Order have been signed 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

1	effective as original wet ink signatures hereupon. All fully signed copies of this Stipulation
2	and Order are duplicate originals, equally admissible in evidence.
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1	IN WITNESS WHEREOF, this Stipulation and Order has been signed by the Parties
2	and attested by their duly authorized representatives as of the date(s) so indicated. The
3	Effective Date of this Stipulation and Order shall be the date it is ordered by the CCB.
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5	Date: 9/20/22
6	Stéven J. Duque President and Director on behalf of on behalf of GREENLEAF WELLNESS INC.
7	Respondent
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9	Date: 09.20.2022  Dan Reaser, Esq. (Bar No. 1170)
10	Attorneys for Respondent
11	GREENLEAF WELLNESS INC.
12	Date: 09/20/2022
13	Emily N. Bordelove, Esq., (Bar No. 13202)
13	Senior Deputy Attorney General
15	Attorneys for the Cannabis Compliance Board
16	ORDER
17	WHEREAS, on 27th day of, 2022, the Nevada Cannabis
18	Compliance Board approved and adopted all the terms and conditions set forth in the
19	Stipulation and Order for Settlement of Disciplinary Action with GREENLEAF
20	WELLNESS INC.
21	IT IS SO ORDERED.
22	SIGNED AND EFFECTIVE this 2 day of Sigheling, 2022.
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24	STATE OF NEVADA, CANNABIS COMPLIANCE BOARD
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26	By: // What I tough
27	∠HON. MICHAEL L. DOUGLAS, CHAIR
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