

1 **BEFORE THE CANNABIS COMPLIANCE BOARD**  
2 **STATE OF NEVADA**

3  
4 STATE OF NEVADA, CANNABIS  
COMPLIANCE BOARD,

Case No. 2022-118

5 Petitioner,

6 vs.

7 CN LICENSECO I, INC.,

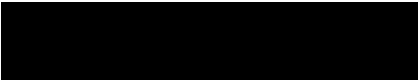

8 Respondent.  
9

10 **COMPLAINT FOR DISCIPLINARY ACTION**

11 The Cannabis Compliance Board of the State of Nevada (the "CCB"), by and through  
12 counsel, Aaron D. Ford, Attorney General of the State of Nevada, Ashley A. Balducci, Senior  
13 Deputy Attorney General, and L. Kristopher Rath, Senior Deputy Attorney General having  
14 a reasonable basis to believe that Respondent CN LICENSECO I, INC. ("CN" or  
15 "Respondent") has violated provisions of Chapters 678A through 678D of the Nevada  
16 Revised Statutes ("NRS"), and the Nevada Cannabis Compliance Regulations ("NCCR"),  
17 hereby issues its Complaint, stating the CCB's charges and allegations as follows:  
18

19 **JURISDICTION**

20 1. During all relevant times mentioned in this Complaint, CN held, and  
21 currently holds, the following licenses:

22 ID	License	Last Issued / Renewed	Address
23 C095	Medical Cannabis Cultivation Facility 66298101522105826229	06/08/2022	
25 RC095	Adult-use Cannabis Cultivation Facility 42764648009006859903	07/12/2022	

27 2. During all relevant times mentioned in this Complaint, CN is and was  
28 registered as a Domestic Corporation in the State of Nevada. The Nevada Secretary of State

1 lists Kellen O’Keefe as President, Richard Ormond as Secretary, and Salpy Boyajian as  
2 Director of CN. The point of contact with the CCB for CN is Salpy Boyajian.

3 3. As CN holds its licenses with CCB, it is subject to NRS Title 56 and the NCCR  
4 for the violations asserted herein. Therefore, CN is subject to the jurisdiction of the CCB  
5 and subject to discipline pursuant to NRS 678A through 678D and the relevant provisions  
6 of the NCCR.

7 4. Pursuant to NRS 678A.500 and 678A.510(1), the CCB’s Executive Director  
8 has transmitted the details of the suspected violations of CN to the Attorney General and  
9 the Attorney General has conducted an investigation of the suspected violations to  
10 determine whether they warrant proceedings for disciplinary action. The Attorney General  
11 has recommended to the Executive Director that further proceedings are warranted, as set  
12 forth in this CCB Complaint. The Executive Director has transmitted this recommendation  
13 and information to the CCB. Pursuant to NRS 678A.510(2)(b), the CCB has voted to  
14 proceed with appropriate disciplinary action under NRS 678A.520 through 678A.600.  
15 Pursuant to NRS 678A.520(1), the CCB’s Executive Director has authorized service of this  
16 Complaint upon Respondent.

17 **FACTUAL ALLEGATIONS**

18 5. CCB incorporates all prior Paragraphs as though fully set forth herein.

19 **Routine Inspection/Audit on June 16, 2021**

20 6. On or about June 16, 2021, Board Agents conducted a routine inspection/audit  
21 of the CN Facility. The Board Agents for this inspection/audit were Erica Scott, Kristine  
22 Vasilevsky, Brandon Vickrey, Jason Banales, Keoki Allen, Heather Withers, Shandon  
23 Snow, and Fenton Harvey (the “Board Agents”).

24 7. During the course of this audit/inspection, Board Agents discovered a total of  
25 10,899 cannabis plants measuring 8 inches or more in height without Metrc tags,  
26 specifically Board Agents discovered 551 untagged cannabis plants ranging from 15 to 36  
27 inches in height in the CN Facility’s Zone 101.1 of various strains, 118 untagged cannabis  
28 plants ranging from 3 to 6 feet in height of various strains in Zone 103.1 of CN’s Facility,

1 and 10,115 cannabis plants ranging from 9 to 16 inches in height and 115 untagged  
2 “mother” cannabis plants in Zone 102.1 of the CN Facility. The above constitute multiple  
3 violations of NCCR 6.082.

4 8. Board Agents identified approximately 1,179 cannabis plants in Metrc (the  
5 state’s seed-to-sale tracking system) that CN could not physically locate anywhere in the  
6 CN Facility. CN also could not provide a destruction log for the missing 1,179 cannabis  
7 plants when Board Agents requested it. The above constitute violations of NCCR 6.080.

8 9. Board Agents reviewed a sample population of CN’s inventory in Metrc which  
9 revealed that CN adjusted cannabis lot weights upward after quality assurance testing  
10 without properly reporting in Metrc the origins and destinations of said cannabis. In some  
11 circumstances, the adjustments exceeded the cannabis lot restrictions.<sup>1</sup> For example, the  
12 sample population included the following:

<b>Metrc Tag Ending</b>	<b>Strain Name</b>	<b>Testing Completed</b>	<b>Original Amount</b>	<b>Adjustment</b>	<b>Adjustment Date</b>
75725	Cookies - Flower - Pancakes	03/19/2021	2,268 g	+1,457.2 g	04/30/2021
75724	Cookies - Flower - Pancakes	03/19/2021	2,268 g	+1,334.2 g	04/30/2021
75979	Cookies - Flower - Honey Bun	04/01/2021	2,268 g	+1,051 g	04/30/2021
66726	Cookies - Flower - Berry Pie	01/17/2021	2,268 g	+253.01 g	03/11/2021
70084	Flower - Mango Kush	01/19/2021	2,268 g	+348 g	03/11/2021

21 The above constitute violations of NCCR 6.100.

22 10. Board Agents also discovered that CN failed to submit quarterly inventory  
23 reports for periods ending Quarter 3 of 2020, Quarter 4 of 2020, and Quarter 1 of 2021.  
24 Board Agents further discovered that CN failed to submit monthly sales reports for Quarter  
25 3 of 2020, Quarter 4 of 2020, and Quarter 1 of 2021. The above constitute violations of  
26 NCCR 6.135 and 6.080.

27 <sup>1</sup> NCCR 1.125 defines “lot” to mean, in pertinent part, as follows: “1. The flowers from one or more cannabis  
28 plants of the same batch, in a quantity that weighs 5 pounds (2,268 grams) or less; 2. The leaves or other  
plant matter from one or more cannabis plants of the same batch, other than full female flowers, in a quantity  
that weighs 15 pounds (6,804 grams) or less...”

1           11. Board Agents noted inadequate cleaning and maintenance of equipment and  
2 the physical building and equipment in disrepair in violation of NCCR 10.020, 10.040 and  
3 10.055, including but not limited to the following:

- 4           (a) Flower gutter risers to catch the wastewater from plants throughout the flower  
5 rooms observed with heavy accumulation of algae-like substances, dust, and  
6 other debris inside risers;
- 7           (b) Water dripping from overhead misters, causing water to accumulate onto floors  
8 in various areas throughout the greenhouse;
- 9           (c) Pooling water and an algae-like substance observed along /floor traps near edges  
10 of the floor rooms;
- 11           (d) Pre-roll “knock boxes” being held up by brown tape and cardboard used to line  
12 box inside upstairs pre-roll packaging room;
- 13           (e) Base coving in disrepair or missing entirely in along floor in Cutting Room 1 and  
14 Cutting Room 2 (Clone Rooms);
- 15           (f) Staining along floor in Cutting Room 1 and Cutting Room 2 (Clone Rooms);
- 16           (g) Visible gaps observed around several door frames leading directly to the outside  
17 of CN’s Facility, allowing for pest or debris access;
- 18           (h) Numerous live and dead pests (spiders, flying insects, ants, and crickets)  
19 observed throughout greenhouse areas;
- 20           (i) Several small unlabeled multipurpose chemical bottles stored with unknown  
21 liquid observed throughout CN’s Facility; and
- 22           (j) Several shelves in which cannabis and cannabis product were being stored  
23 throughout facility were stored less than 6 inches off the ground.

24 **Routine Inspection/Audit on May 18, 2022, and Spot Check on July 26, 2022**

25           12. On May 18, 2022, Board Agents conducted a routine inspection/audit of the  
26 CN Facility. Board Agents also conducted a spot check on July 26, 2022. The Board Agents  
27 for this inspection/audit were Christine Shoemaker, Bradley Haynes, Michele Courtney,  
28 Kyle Paterson, Meiny Trisno, and Erica Scott (the “Board Agents”).

1           13.     During the course of this inspection/audit, Board Agents observed tags both  
2 missing and laying on the ground in the veg and flower bays. Thousands of young cannabis  
3 plants nearing 8 inches in height were not tagged. CN staff started tagging the young  
4 cannabis plants toward the end of the inspection, but still proceeded to stick the tags in the  
5 rockwool rather than wrapping the tags securely around the cannabis plants. This method  
6 left thousands of individual cannabis plants vulnerable to losing their tags entirely:  
7 specifically, Board Agents witnessed tags randomly scattered on the ground with no way  
8 to determine where the tags came from or to which cannabis plants they belonged. CN staff  
9 could not determine which cannabis plants matched the orphaned tags and therefor offered  
10 to destroy the untagged cannabis plants. Board Agents further witnessed 20 untagged  
11 cannabis plants scattered across the bays in the flower rooms. Board Agents noted one  
12 untagged mother cannabis plant of strain MJG in the Veg Zone 3. These deficiencies  
13 constitute violations of NCCR 6.082.

14           14.     Board Agents also discovered the following issues:

- 15           (a) No corresponding Metrc entries for clones listed as destroyed in the Clone  
16           Destruction Log or more clones destroyed in the Clone Destruction Log than  
17           those recorded in Metrc on 04/15/2022;
- 18           (b) CN's Harvest Waste Logs for 04/26/2022 and 04/27/2022 did not match CN's  
19           entries in Metrc; CN's Cannabis Disposal Forms do not provide the method used  
20           to render the cannabis unusable;
- 21           (c) CN's Veg Destruction Logs do not list the Metrc tag numbers of the cannabis  
22           plants destroyed;
- 23           (d) 19,788 entries for waste listed in Metrc as Waste # 001463801 – 0001543404  
24           were recorded with dates in the future as the date of destruction;
- 25           (e) 5 pounds of Metrc package tag # 1A40403000054C7000117647 – Flower – GH –  
26           Chem Cage listed in the Destruction Logs as destroyed on 06/29/2022 with the  
27           destruction not reported in Metrc until 07/27/2022;
- 28           (f) CN's Clone Log reported 52 clones of "Kusai" strain being created on 04/25/2022

1 under Metrc tag # 1A40402000054C7001098160, but CN reported in Metrc 76  
2 clones of “Kusai” strain being created on 04/25/2022 under Metrc tag #  
3 1A40402000054C7001098161 which is not listed in the Clone Log on 04/25/2022;

4 (g) CN’s Harvest Logs do not provide the cannabis establishment agent’s name and  
5 agent registration card number for the agent responsible for the harvest;

6 (h) CN’s Packaging Log recorded lots # 134410 as being used to make 53 units of 14  
7 grams packages (roughly 742 grams of flowers/buds) on 04/26/2022 when Metrc  
8 recorded 2,256.24 grams as being used on 04/29/2022 for package tag  
9 #1A40403000054C7000126930, which made roughly 160 units of 14-gram  
10 packages; and

11 (i) CN could not locate 955.93 grams of Flower -TT-03 with Metrc tag #  
12 1A40403000054C7000120524 or 84.6 grams of Flower – TT – 15 with Metrc tag  
13 # 1A40403000054C7000120396 in CN’s Facility during a spot check on  
14 07/26/2022. These constitute multiple violations of NCCR 6.080.

15 15. Board Agents further noted that the Visitor Log from 03/25/2022 to 05/13/2022  
16 contained several entries without the purpose of the visit, a violation of NCCR 6.070.

17 16. Board Agents observed the floors, floor drains, and pots in the mother room  
18 were covered in thick films of algae, indicating they had not been cleaned recently and were  
19 excessively soiled. Board Agents also observed fungus gnats and black widow spiders which  
20 were present in mother and veg rooms, which CN staff had failed to properly clean due to  
21 many pots on the floor. Board Agents further observed a chemical solution being used with  
22 no labeling. These constitute violations of NCCR 9.015, 9.030, 9.085, and 10.075.

23 **History of Tax Non-Compliance**

24 17. CN has a history of tax non-compliance in which CN files late with no  
25 remittance or files with partial or no remittance for the following tax types and amounts:

Tax Type	Period	Tax	Penalty	Interest	Total AR
Wholesale MJ Tax	02/29/20	\$ -	\$ 64,019.52	\$ 77,163.21	\$ 141,182.73
Wholesale MJ Tax	03/31/20	\$ -	\$ 77,479.53	\$ 128,365.72	\$ 205,845.25
Wholesale MJ Tax	04/30/20	\$ -	\$ 39,824.75	\$ 79,571.27	\$ 119,396.02
Wholesale MJ Tax	05/31/20	\$ 82,401.58	\$ 19,388.20	\$ 41,333.23	\$ 143,123.01

1	Wholesale MJ Tax	06/30/20	\$ 346,132.05	\$ 34,613.21	\$ 72,687.73	\$ 453,432.99
	Wholesale MJ Tax	06/30/22	\$ 605,126.02	\$ 60,512.60	\$ 18,153.78	\$ 683,792.40
2	Wholesale MJ Tax	07/31/22	\$ 619,300.38	\$ 61,930.04	\$ 13,934.26	\$ 695,164.68
	Wholesale MJ Tax	08/31/22	\$ 607,505.51	\$ 60,750.63	\$ 9,112.59	\$ 677,368.73
3	Wholesale MJ Tax	09/30/22	\$ 496,762.67	\$ 39,741.01	\$ 3,725.72	\$ 540,229.40
	Commerce Tax	06/30/22	\$ 24,759.47	\$ 2,475.95	\$ 742.78	\$ 27,978.20
4	<b>Total</b>		<b>\$ 2,781,987.68</b>	<b>\$ 460,735.44</b>	<b>\$ 444,790.29</b>	<b>\$ 3,687,513.41</b>

**VIOLATIONS OF LAW**

18. CCB incorporates all prior Paragraphs as though fully set forth herein.

19. As to licenses C095 and RC095, Respondent CN violated NCCR 4.035(1)(a)(5) for intentionally failing to pay taxes to the Department of Taxation as set forth in Paragraph 17. This is either a single and first category I violation, which carries a civil penalty of up to \$90,000 and a suspension of not more than 30-days or five separate category I violations, which carries a civil penalty of up to \$90,000, a suspension of not more than 30-days, and revocation. NCCR 4.035(2)(a)(1)-(2). Alternatively, Respondent CN violated NCCR 4.050(1)(a)(9) for unintentionally failing to pay taxes to the Department of Taxation. This is either a single category III violation, which carries a civil penalty of up to \$10,000 or five separate category III violations, which carry a civil penalty of up to \$220,000, a suspension of not more than 90 days, and revocation. NCCR 4.050(2)(a)(1)-(5).

20. As to licenses C095 and RC095, Respondent CN violated NCCR 4.035(1)(a)(12) and 6.100 for purchasing or selling cannabis that has not passed the analysis required by a cannabis independent testing laboratory without written approval from the Board as set forth in Paragraph 9. This is either a single and second category I violation, which requires revocation or five separate category I violations, which require revocation. NCCR 4.035(2)(a)(1)-(2). Alternatively, Respondent CN violated NCCR 4.035(1)(a)(15) for transporting or storing cannabis from an unlicensed source, other than patient or consumer samples stored at a cannabis independent testing laboratory, or diversion of cannabis or cannabis products. A single violation of NCCR 4.035(1)(a)(15) for diversion of cannabis requires revocation of a license. NCCR 4.035(2)(b).

21. As to licenses C095 and RC095, Respondent CN violated NCCR 4.050(1)(a)(3), (14) and 6.070(6), 6.080(7)-(9), (10)(a)-(b), and 10.080(4) by failing to keep any required

1 records, including seed-to-sale tracking requirements and/or failing to meet requirements  
2 for the disposal of cannabis waste as set forth in Paragraphs 8, 14, and 15. This is either a  
3 single category III violation, which carries a civil penalty of up to \$10,000 or at least five  
4 separate category III violations, which carry a civil penalty of up to \$220,000, a suspension  
5 of not more than 90 days, and revocation. NCCR 4.050(2)(a)(1)-(5).

6 22. As to licenses C095 and RC095, Respondent CN violated NCCR 4.050(1)(a)(4),  
7 (23) and 6.082(1), (4) for failing to tag plants as required and/or failing to tag cannabis or  
8 cannabis product as required as set forth in Paragraphs 7 and 13. This is either a single  
9 category III violation or five separate category III violations, which require revocation.  
10 NCCR 4.050(2)(a)(5).

11 23. As to licenses C095 and RC095, Respondent CN violated NCCR 4.060(1)(a)(7),  
12 6.135, 6.080(8)(c) for failing to properly submit quarterly inventory reports, monthly sales  
13 reports, or other reports required by the Board as set forth in Paragraph 10. These  
14 omissions constitute six separate category V violations, which carry a warning, civil  
15 penalties of up to \$77,500 and/or a suspension of not more than 40 days. NCCR  
16 4.060(2)(a)(1)-(6).

17 24. As to licenses C095 and RC095, Respondent CN violated NCCR 4.060(1)(a)(6),  
18 9.015, 9.030, 9.085, 10.020(1)(b), 10.035(2), 10.040(2)(b), 10.055, 10.060, and 10.075 for  
19 failing to comply with any other requirements not described in another category of  
20 violations as set forth in Paragraphs 11 and 16. These omissions constitute six separate  
21 category V violations, which carry civil penalties of up to \$240,000 and/or a suspension of  
22 not more than 120 days. NCCR 4.060(2)(a)(6).

23 **DISCIPLINE AUTHORIZED**

24 Pursuant to the provisions of NRS 678A.600, NCCR 4.020, 4.030, 4.035 through  
25 4.060, and 5.100, the CCB has the discretion to impose the following disciplinary actions:

- 26 1. Revoke CN's cultivation licenses;
- 27 2. Suspend CN's cultivation licenses;
- 28 3. Impose a civil penalty of not more than \$90,000 for each separate violation of



1 NRS Title 56 and the NCCR on the cultivation licenses of CN; and

2 4. Take such other disciplinary action as the CCB deems appropriate.

3 The CCB may order one or any combination of the discipline described above.

4 **RELIEF REQUESTED**

5 Based on the foregoing, counsel for the CCB respectfully requests the CCB impose  
6 the penalty of revocation, civil penalties against CN in the amount of \$627,500, and a  
7 written warning regarding CN's first category V violation, for C095 and RC095.

8 **NOTICE TO RESPONDENT**

9 **PLEASE TAKE NOTICE**, that Respondent has a right to request a hearing on the  
10 charges set forth herein, pursuant to NRS 678A.510 through 678A.590. **Failure to**  
11 **demand a hearing constitutes a waiver of the right to a hearing and to judicial**  
12 **review of any decision or order of the Board, but the Board may order a hearing**  
13 **even if the respondent so waives his or her right.** NRS 678A.520(2)(e).

14 **PLEASE TAKE NOTICE**, you, as the Respondent, **must answer this Complaint**  
15 **within 20 days after service of this Complaint**, unless granted an extension. Pursuant  
16 to NRS 678A.520(2), in the answer Respondent:

17 (a) Must state in short and plain terms the defenses to each claim asserted.

18 (b) Must admit or deny the facts alleged in the complaint.

19 (c) Must state which allegations the respondent is without knowledge or information  
20 form a belief as to their truth. Such allegations shall be deemed denied.

21 (d) Must affirmatively set forth any matter which constitutes an avoidance or  
22 affirmative defense.

23 (e) May demand a hearing. **Failure to demand a hearing constitutes a waiver**  
24 **of the right to a hearing and to judicial review of any decision or order of**  
25 **the Board**, but the Board may order a hearing even if the respondent so waives his  
26 or her right.

27 **Failure to answer or to appear at the hearing constitutes an admission by**  
28 **the respondent of all facts alleged in the Complaint. The Board may take action**

1 based on such an admission and on other evidence without further notice to the  
2 respondent. NRS 678A.520(3).

3 The Board shall determine the time and place of the hearing as soon as is reasonably  
4 practical after receiving the Respondent's answer. The Board may assign a hearing officer  
5 to conduct the hearing under NCCR 2.070, 4.095, and 4.110. The Board or its assigned  
6 hearing officer shall deliver or send by registered or certified mail a notice of hearing to all  
7 parties at least 10 days before the hearing. The hearing must be held within 45 days after  
8 receiving the respondent's answer unless an expedited hearing is determined to be  
9 appropriate by the Board, in which event the hearing must be held as soon as practicable.  
10 NRS 678A.520(4). The Chair of the Board or the assigned hearing officer may grant one or  
11 more extensions to the 45-day requirement pursuant to the request of a party or an  
12 agreement by both parties.

13 Respondent's Answer and Request for Hearing must be either: mailed via registered  
14 mail, return receipt; or emailed to:

15 Tyler Klimas, Executive Director  
16 Cannabis Compliance Board  
17 700 East Warm Springs Road, Ste. 100  
Las Vegas, Nevada 89119  
tklimas@ccb.nv.gov

18 If served by email, Respondent must ensure that it receives an acknowledgement of receipt  
19 email from CCB as proof of service. Respondent is also requested to email a copy of its  
20 Answer and Request for a Hearing to Senior Deputy Attorneys General list below at  
21 abalducci@ag.nv.gov and lrath@ag.nv.gov.

22 As the Respondent, you are specifically informed that you have the right to appear  
23 and be heard in your defense, either personally or through your counsel of choice at your  
24 own expense. At the hearing, the CCB has the burden of proving the allegations in the  
25 Complaint. The CCB will call witnesses and present evidence against you. You have the  
26 right to respond and to present relevant evidence and argument on all issues involved. You  
27 have the right to call and examine witnesses, introduce exhibits, and cross-examine  
28 opposing witnesses on any matter relevant to the issues involved.

1 You have the right to request that the CCB issue subpoenas to compel witnesses to  
2 testify and/or evidence to be offered on your behalf. In making this request, you may be  
3 required to demonstrate the relevance of the witness's testimony and/or evidence.

4 If the Respondent does not wish to dispute the charges and allegations set forth  
5 herein, within 30 days of the service of this Complaint, Respondent may pay the civil  
6 penalties set forth above in the total amount of \$627,500, and surrender its licenses on  
7 notice to:

8 Tyler Klimas, Executive Director  
9 Cannabis Compliance Board  
10 700 East Warm Springs Road, Ste. 100  
11 Las Vegas, Nevada 89119

12 YOU ARE HEREBY ORDERED to immediately cease the activity described above  
13 which is a violation of Nevada law.

14 DATED: November 14, 2022.

15 STATE OF NEVADA, CANNABIS COMPLIANCE BOARD

16 By:   
17 Tyler Klimas, Executive Director  
18 Cannabis Compliance Board  
19 700 East Warm Springs Road, Ste. 100  
20 Las Vegas, Nevada 89119

21 AARON D. FORD  
22 Attorney General

23 By: *Ashley A. Balducci*  
24 Ashley A. Balducci (Bar No. 12687)  
25 Senior Deputy Attorney General  
26 L. Kristopher Rath (Bar No. 5749)  
27 Senior Deputy Attorney General  
28 555 E. Washington Ave, Suite 3900  
Las Vegas, Nevada 89101  
(702) 486-3420

Attorneys for the Cannabis Compliance Board

**DECLARATION AND CERTIFICATE OF SERVICE OF  
COMPLAINT FOR DISCIPLINARY ACTION  
(Service via Mail)**

I, Amber Virkler, hereby certify and affirm that:

1. I am over the age of 18 years old.
2. I am a Board Agent of the Cannabis Compliance Board ("CCB"), as defined in NCCR 1.068.
3. Pursuant to NRS 678A.520 and NCCR 4.075, I have served the Respondent herein with the Complaint for Disciplinary Action ("Complaint") in the above captioned matter as follows:

By placing a true and correct copy of the Complaint to be deposited for mailing in the United States Mail in a sealed envelope via registered or certified mail, prepaid in Las Vegas, Nevada, to Respondent's point of contact with the CCB under NCCR 2.050 at Respondent's address on file with the Board as follows:

Name of point of contact served: Salpy Boyajian

Address on file with CCB: [REDACTED]

Date of Service: December 20, 2022

I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 20, 2022 (date) [Signature] (signature)

cc: Salpy Boyajian, [REDACTED]  
via First Class Mail

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