

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

3 STATE OF NEVADA, DEPARTMENT) Case No. 2020-4
4 OF TAXATION, MARIJUANA)
5 ENFORCEMENT DIVISION,)
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Petitioner,

v.

Respondent.

8 **STIPULATION AND ORDER FOR SETTLEMENT OF DISCIPLINARY ACTION**

9 The Marijuana Enforcement Division of the Department of Taxation (the “Department”), State
10 of Nevada, by and through its counsel, Aaron D. Ford, Attorney General for the State of Nevada,
11 Michelle D. Briggs, Esq., Senior Deputy Attorney General and Ashley A. Balducci, Esq., Senior
12 Deputy Attorney General, hereby enters into this Stipulation and Order for Settlement of Disciplinary
13 Action (“Stipulation and Order”) with Respondent CWNevada, LLC (“CWNevada”), by and through
14 its court-appointed receiver Dotan Y. Melech (“Receiver”), represented by Richard Holley, Esq. and
15 John Savage, Esq. of the law firm of Holley Driggs. Pursuant to chapter 233B and chapters 453A and
16 453D of the Nevada Revised Statutes (“NRS”) and Nevada Administrative Code (“NAC”), the
17 Department, CWNevada and the Receiver (collectively, the “Parties”) hereby stipulate and agree that
18 this matter shall be fully and finally settled and resolved upon terms and conditions set out herein.

19 **PERTINENT FACTS**

20 1. The Department issued the following medical marijuana certificates to CWNevada at
21 the following addresses (collectively hereinafter “CW Medical Marijuana Certificates”):

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ID	Certificate Number	Address
C0009	13761794095675050382 (“ <u>Ali Baba Medical Cultivation Certificate</u> ”)	4145 W. Ali Baba Lane, Las Vegas, NV 89118 (“ <u>Ali Baba Facility</u> ”)
P009	65621689196409860614 (“ <u>Ali Baba Medical Production Certificate</u> ”)	Ali Baba Facility
C010	09187693713312678064 (“ <u>Highland Medical Cultivation Certificate</u> ”)	3132 and 3152 S. Highland Drive, Las Vegas, NV 89109 (“ <u>Highland Facility</u> ”)

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C011	89262643408539637228 ("Oakridge Medical Cultivation Certificate")	9680 S. Oakridge Avenue, Pahrump, NV 89048 ("Oakridge Facility")
P010	39084961615736303651 ("Oxbow Medical Production Certificate")	301 Oxbow Avenue, Unit #14, Pahrump, NV 89048 (hereinafter, "Oxbow Facility")
D010	43581723673753505053 ("Blue Diamond Medical Dispensary Certificate")	6540 Blue Diamond Road, Las Vegas, NV 89139 ("Blue Diamond Facility")

2. The Department also issued the following recreational marijuana establishment licenses to CWNevada at the following addresses (together with CW Medical Marijuana Certificates, collectively hereinafter ("CW Licenses/Certificates")):

ID	License Number	Address
RC0009	98257210716506396734 ("Ali Baba Recreational Cultivation License")	Ali Baba Facility
RP009	33109597595341895101 ("Ali Baba Recreational Production License")	Ali Baba Facility
T021	97595215455267957025 ("Ali Baba Recreational Distribution License")	Ali Baba Facility
RC010	80858076313151684223 ("Highland Recreational Cultivation License")	Highland Facility
RC011	73911129313774416305 ("Oakridge Recreational Cultivation License")	Oakridge Facility
T022	73727679080930887930 ("Oakridge Distribution License")	Oakridge Facility
RP010	58113349031251538626 ("Oxbow Recreational Production License")	Oxbow Facility
RD010	23003643426806888206 ("Blue Diamond Recreational Dispensary License")	Blue Diamond Facility

3. Brian Padgett, Timothy Smits Van Oyen, Jennifer Lazovich, Kenneth Kesick, Hershel "Hank" Gordon, and Richard Gordon are the current owners of record of CWNevada on file with the Department ("CWNevada's Owners").

4. On February 28, 2018, the Department began its investigation of CWNevada due to the late filing of tax returns and/or late payment and/or non-payment of taxes.

1 5. On June 13, 2019, the Receiver was appointed over CWNevada in the Eighth Judicial
2 District Court case number A-18-773230-B, *Cima Group LLC v. CWNevada* (the “Cima Case”)
3 pursuant to the Order Appointing Temporary Receiver and Temporary Restraining Order entered in
4 the Cima Case (“Temporary Receiver Order”) to preserve and if possible maximize the value of
5 CWNevada’s assets (the “Receivership Estate”) for the benefit of and distribution to CWNevada’s
6 creditors.

7 6. The Receiver was also appointed as receiver over CWNevada in Eighth Judicial
8 District Court case number A-17-755479-B (the “Receivership Action”) by stipulation in open court
9 on June 14, 2019 and the subsequent orders of the Court presiding over the Receivership Action
10 (“Receivership Court”) entered on June 26, 2019 (“Interim Receivership Order”) and July 10, 2019
11 (“Current Receivership Order”), which, *inter alia*, granted certain authority to the Receiver, including
12 the authority to represent CWNevada in the Disciplinary Action.

13 7. On June 13, 2019, the Receiver voluntarily agreed to allow the Department to place a
14 hold on marijuana and marijuana products in CWNevada’s METRC account, which is the State of
15 Nevada’s seed-to-sale tracking system, so that the Department could properly investigate
16 CWNevada’s pre-receivership conduct and preserve evidence.

17 8. The Receiver has continued to cooperate with the Department and expended significant
18 time, effort, and resources in an attempt to bring CWNevada back into regulatory compliance through
19 various corrective actions.

20 9. On October 17, 2019, the Department sent correspondence to the Receiver and
21 CWNevada’s Owners alleging multiple violations of chapters 453A and 453D of the NAC and NRS
22 committed by CWNevada and Brian Padgett and requesting a response to the alleged violations. The
23 Department received responses from Hershel “Hank” Gordon, Richard Gordan, Jennifer Lazovich,
24 Timothy Smits Van Oyen, and the Receiver, but none of them had knowledge of or control over the
25 management of CWNevada for the relevant time period. Brian Padgett, the majority owner and
26 manager of CWNevada, requested an extension to respond that the Department granted, but he never
27 provided a response to the alleged violations in the correspondence.
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1 10. On or about February 27, 2020, the Department served the Receiver, Brian Padgett,
2 Timothy Smits Van Oyen, Jennifer Lazovich, Hershel “Hank” Gordon, and Richard Gordon with an
3 Order of Destruction (“Order of Destruction”), which ordered the destruction of the untagged
4 marijuana and marijuana products identified in Exhibit 1 of the Order of Destruction and gave notice
5 that any party receiving the Order of Destruction “may request a hearing to contest this Order of
6 Destruction within 30 days pursuant to NAC 453.908(3).”

7 11. On or about March 11, 2020, the Department asserted tax liens against CWNevada in
8 the total amount of \$1,509,841.69, which included interest calculated through March 31, 2020.

9 12. On or about April 3, 2020, the Department filed its Complaint for Disciplinary Action
10 and Notice of Hearing (“Original Disciplinary Complaint”) against CWNevada and Brian Padgett,
11 individually, commencing disciplinary action for alleged violations of law (“Disciplinary Action”).

12 13. On April 28, 2020, the Department filed its First Amended Complaint for Disciplinary
13 Action and Notice of Hearing (“First Amended Complaint”), attached hereto as Exhibit “1”, amending
14 the Original Disciplinary Complaint to include recommended discipline. The Department
15 recommended revocation of ten of CWNevada’s Licenses/Certificates and civil penalties totaling
16 approximately \$2,346,250.

17 14. On or about May 4, 2020, the Receiver filed the Receiver’s Claim Evaluation Report
18 in the Receivership Action, wherein the Receiver explained he had evaluated claims filed against
19 CWNevada in the total amount of \$206,539,475.48 and, at that time, determined that claims against
20 CWNevada should be allowed in the amount of \$31,506,686.72, which included the allowed claim
21 submitted by the Nevada Labor Commissioner on behalf of CWNevada’s former employees in the
22 amount of \$1,087,264.38, but did not include any claims filed by any of CWNevada’s Owners.

23 15. On or about May 5, 2020, the Receivership Court’s Order Granting Receiver’s Motion
24 for Clarification Regarding Authority and Standing to Participate in Disciplinary Proceedings on
25 Behalf of CWNevada on Order Shortening Time was entered in the Receivership Action, which
26 clarified that the Current Receivership Order “grants the Receiver the necessary authority and standing
27 to participate on behalf of CWNevada” in the Disciplinary Action.
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1 to testify against CWNevada, the right to present evidence on CWNevada's own behalf, the right to
2 testify on CWNevada's behalf, and any other rights which may be accorded to CWNevada pursuant
3 to provisions of Chapters 233B, 453A, and 453D of the NRS and the NAC. CWNevada is waiving all
4 these rights by entering into this Stipulation and Order, subject to approval of the Stipulation and Order
5 by the Receivership Court and the Board.

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

12 24. This Stipulation and Order shall only become effective after approval by the
13 Receivership Court and the Board.

14 25. The Receiver enters into this Stipulation and Order after being fully advised of
15 CWNevada's rights and as to the consequences of this Stipulation and Order. This Stipulation and
16 Order embodies the entire agreement reached between the Department and CWNevada. It may not be
17 altered, amended, or modified without the express consent of the Parties.

18 26. In an effort to avoid the cost and uncertainty of a hearing, the Parties have agreed to
19 settle this matter. In settling this matter, the Receiver makes no admission of wrongdoing; however,
20 on behalf of CWNevada, the Department and the Receiver acknowledge that the facts contained in the
21 paragraphs in the above "Pertinent Facts" portion of this Stipulation and Order are true and correct.
22 The Receiver further acknowledges that certain facts contained in the First Amended Complaint may
23 constitute violations of chapters 453A and 453D of the NRS and NAC if this matter went to a hearing.
24 The Receiver is aware that upon his appointment, CWNevada was in possession of untagged marijuana
25 products at multiple facilities and failed to pay taxes owed to the Department. If the Board approves
26 this Stipulation and Order, it shall be deemed and considered disciplinary action by the Board against
27 CWNevada.
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- 1 d. Highland Recreational Cultivation License (RC010);
- 2 e. Ali Baba Distribution License (T021);
- 3 f. Ali Baba Medical Production Certificate (P009);
- 4 g. Ali Baba Recreational Production License (RP009); and
- 5 h. Oakridge Recreational Cultivation License (RC011).

6 “Best efforts” as used herein shall mean the Receiver diligently pursuing the sale of CWNevada’s
7 Unrevoked Licenses/Certificates. It is understood that factors outside the Receiver’s control may cause
8 the liquidation of CWNevada’s Unrevoked Licenses/Certificates to be delayed beyond the Sale
9 Deadline, such as obtaining the necessary approvals from the Receivership Court, the Board’s
10 approval of a new owner, and environmental conditions, including, but not limited to, Covid-19.² So
11 long as the Receiver uses his best efforts to sell CWNevada’s Unrevoked Licenses/Certificates, any
12 failure to sell CWNevada’s Unrevoked Licenses/Certificates by the Sale Deadline shall not be
13 considered an event of default under this Stipulation and Order and no additional penalties will be
14 imposed. The Board may inquire as to the Receiver’s efforts to comply with this Section and the
15 Receiver agrees to provide any documentation necessary to support the Receiver’s contention that he
16 is using his best efforts to sell the Unrevoked Licenses/Certificates.

17 If the sale of CWNevada’s Unrevoked Licenses/Certificates cannot occur by the Sale Deadline
18 despite the Receiver’s best efforts to do so, the Receiver may petition the Board for an order granting
19 an extension to sell CWNevada’s Unrevoked Licenses/Certificates upon a showing of good cause
20 (“Petition for Extension”). The Department shall be allowed two weeks to oppose the Receiver’s

21 ² **When liquidating CWNevada’s Unrevoked Licenses/Certificates, the Receiver must abide by all orders of the**
22 **Receivership Court**, including, but not limited to, the Current Receivership Order and the Order Granting, in Part,
23 Receiver’s Motion to Approve Engagement of Brokerage Expert on Order Shortening Time (“Order Approving Brokerage
24 Expert”), which was entered in the Receivership Action on May 14, 2020. Pursuant to the Order Approving Brokerage
Expert, the Receiver engaged Alliance Global Partners (“A.G.P.”) to market and sell the CW Licenses/Certificates.
A.G.P.’s marketing and sale process requires approximately two months to complete.

25 In the event this Stipulation and Order is approved by the Board at its initial meeting on July 21, 2020 as scheduled, the
26 Receiver intends to file a motion with the Receivership Court to sell the Unrevoked Licenses/Certificates on order
shortening time by August 4, 2020 (“Motion to Liquidate”). A.G.P. will begin its marketing and sale process upon the
27 Receivership Court granting the Motion to Liquidate. If the Receivership Court grants the Motion to Liquidate and enters
its order granting the Motion to Liquidate by August 21, 2020, it is estimated that A.G.P.’s marketing and sell process will
28 be completed by October 21, 2020. The Receiver will then be required to file a motion with the Receivership Court to
approve any sale(s) that resulted from A.G.P.’s marketing and sale process before any such sale can be completed.

1 Petition for Extension. After allowing the Department to oppose the Receiver’s Petition for Extension,
2 the parties expect the Board to issue an order on the Receiver’s Petition for Extension. As long as the
3 Receiver is using his best efforts to meet the Sale Deadline, as it may be extended by the Board, he is
4 not limited to the number of times he may request an extension to the Sale Deadline.

5 If the Department believes the Receiver has failed to use his best efforts to sell the Unrevoked
6 Licenses/Certificates by the Sale Deadline, or if any Petition for Extension is denied, then upon written
7 notice to the Board and the Receiver, the Department may request the Board issue an order that
8 resumes the Disciplinary Action against CWNevada by lifting the Disciplinary Stay and proceeding
9 with the Disciplinary Action as set forth in the First Amended Complaint and any amendments allowed
10 thereafter if leave is granted by the Board.

11 However, if the Receiver does successfully sell the Unrevoked Licenses/Certificates to one or
12 more third-parties (“Original Purchaser(s)”) within the time allowed subject to approval by the
13 Receivership Court, but the Board does not approve transfer of the Unrevoked Licenses/Certificates
14 to the Original Purchaser(s), no penalties shall be imposed against the Receiver or CWNevada.
15 Additionally, the Original Purchaser(s) shall be given a reasonable opportunity to cure any reason(s)
16 for the Board not approving the transfer(s) to the Original Purchaser(s) (“Transfer Defect(s)”). If the
17 Original Purchaser(s) are unable to cure any Transfer Defect(s) after being given a reasonable
18 opportunity to do so, the Receiver shall use his best efforts to sell any such Unrevoked
19 Licenses/Certificates to one or more different third-parties within six (6) months of the Board
20 providing written notice to the Receiver and the Original Purchaser(s) that the Original Purchaser(s)
21 could not cure the Transfer Defect(s).

22 31. Payment of Taxes, Late Payment Penalties, and Interest. CWNevada shall pay all
23 unpaid taxes, applicable penalties, and interest based on the returns submitted/filed by CWNevada.
24 This does not preclude the Department from conducting an audit and pursuing any other tax liabilities
25 if the Department chooses to do so.

26 32. Distribution from Sale of CWNevada’s Unrevoked Licenses/Certificates. The
27 Department/Board’s civil penalties and unpaid taxes, penalties (other than civil penalties), and interest
28 will be paid first from the sale of CWNevada’s Unrevoked Licenses/Certificates. CWNevada’s

1 Owners will not receive any of the proceeds from the sale of CWNevada's Unrevoked
2 Licenses/Certificates.

3 33. Unrevoked Licenses/Certificates. The Department acknowledges that CWNevada
4 shall continue to be the licensee of the Unrevoked Licenses/Certificates with all rights, powers and
5 privileges associated with the Unrevoked Licenses/Certificates until they are transferred to a third-
6 party. The Department further acknowledges that the Receiver and CWNevada may continue to
7 operate the Unrevoked Licenses/Certificates pursuant to Nevada law pending the necessary approvals
8 of this Stipulation and Order and sale of the Unrevoked Licenses/Certificates.

9 34. 2020 Renewal Applications. The Receiver may withdraw the 2020 Renewal
10 Applications for the Revoked Licenses/Certificates without penalty and may resubmit these 2020
11 Renewal Applications without penalty should this Stipulation and Order not be approved for any
12 reason.

13 35. Best Efforts to Seek Approval. The Receiver shall use his best efforts to have this
14 Stipulation and Order approved by the Receivership Court. If approval from the Receivership Court
15 is not granted and final within 3 months from the date the Receiver requests such approval, this
16 Stipulation and Order may be rescinded by any Party. The Department agrees to use its best efforts to
17 have this Stipulation and Order put on the Board's consent agenda for its first meeting, which is
18 scheduled for July 21, 2020, so long as the Receiver has approval to enter into this Stipulation and
19 Order from the Receivership Court. The Department shall also use its best efforts to have this
20 Stipulation and Order approved by the Board once it is put on the Board's agenda.

21 36. Contingency if Approval Denied. If approval of this Stipulation and Order is denied by
22 the Receivership Court or the Board, the Department agrees to resume settlement negotiations with
23 the Receiver in good faith prior to lifting the stay in the Disciplinary Action and allowing a reasonable
24 time to negotiate new settlement terms, which shall not exceed 14 days unless agreed to by the Parties.
25 If the Parties are unable to negotiate new settlement terms after a reasonable time is allowed for good
26 faith negotiations, the Department agrees to work with the Receiver in good faith on a stipulation to
27 lift the stay in the Disciplinary Action. The Department expressly acknowledges and unconditionally
28 agrees that, if it is necessary to lift the stay in the Disciplinary Action, CWNevada is not to be

1 prejudiced in any way for any delays caused by the Parties seeking approval of this Stipulation and
2 Order and/or attempting to continue settlement negotiations if this Stipulation and Order is not
3 approved³, including without limitation conducting discovery by the Receiver to the extent that the
4 statutes and regulations permit.

5 37. Disciplinary Action against Brian Padgett. This Stipulation and Order does not release
6 or waive any discipline against Brian Padgett, individually. CWNevada will not oppose and the
7 Department/Board will proceed with pursuing civil penalties/fines against Brian Padgett and
8 revocation of Brian Padgett’s marijuana establishment agent card.

9 38. Closure of Disciplinary Action. Once this Stipulation and Order is fully performed by
10 CWNevada and the Receiver, the Disciplinary Action against CWNevada will be closed in its entirety
11 with no further discipline to be imposed against CWNevada. During the course of performance, no
12 discipline shall be imposed against CWNevada beyond the express terms of this Stipulation and Order.

13 39. Discretion to Cease Operations. If, prior to Closure of the Disciplinary Action, the
14 Receiver determines in his reasonable business judgment that it is in the best interest of CWNevada
15 and/or the Receivership Estate to cease operations at any facilities where any CW Licenses/Certificates
16 are currently located, including without limitation the removal of security guards and/or operators
17 from any facilities, the Department will not require any such CW Licenses/Certificates to be
18 surrendered pursuant to NAC 453D.300 and will allow any such Unrevoked Licenses/Certificates to
19 be sold as set forth herein. Before ceasing operations at any facilities where any CW
20 Licenses/Certificates are currently located, the Receiver agrees to destroy or transfer any marijuana
21 and/or marijuana products located in those facilities.

22 40. Mutual Releases. Upon approval of this Stipulation and Order by the Receivership
23 Court and the Board, and except as otherwise specifically provided in this Stipulation and Order
24 (including without limitation Section 37, *supra*, which expressly states, “This Stipulation and Order
25 does not release or waive any discipline against Brian Padgett, individually”), the following full and
26 complete mutual releases shall become immediately, mutually, and bilaterally effective to the broadest
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28 ³ With the exception, and acknowledgement by CWNevada and the Receiver, that interest continues to accrue on any
unpaid taxes. NRS 360.417.

1 extent possible:

2 a. CWNebraska/Receiver Release of the Department/Board. CWNebraska and the Receiver
3 hereby release, now and forever, the Department/Board and all of its current and former agents,
4 attorneys, accountants, advisors, consultants, insurers, reinsurers, predecessors, successors, related
5 entities, successors, direct or indirect owners, assigns, from any and all manner of claims, actions,
6 causes of action, charges, suits, rights, debts, dues, sums of money, accounts, reckonings, bonds, bills,
7 specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages,
8 judgments, executions, obligations, liabilities, and demands of any kind or nature, whether arising at
9 law or in equity, whether liquidated or unliquidated, whether accrued or to accrue hereafter, whether
10 absolute or contingent, whether foreseen or unforeseen, and whether or not heretofore asserted
11 (collectively, the “Claims and Losses”), including without limitation any claim, obligation, or damages
12 that is directly or indirectly related to any facts, conduct, or violations that have been alleged or could
13 have been alleged, as of the Effective Date of this Stipulation and Order, in the Department’s First
14 Amended Complaint, CWNebraska’s Answer to Disciplinary Complaint, the Disciplinary Action, the
15 Receivership Action, and/or any litigation arising out of the Disciplinary Action or Receivership
16 Action, from the beginning of time through and beyond the end of time (collectively, the
17 “CWNebraska/Receiver Release”). The CWNebraska/Receiver Release may be pleaded by the
18 Board/Department as a full and complete defense to and may be used as the basis for an injunction
19 prohibiting any action, suit, or other proceeding at law or in equity which may be instituted,
20 prosecuted, threatened, initiated, or attempted in breach of the CWNebraska/Receiver Release set forth
21 herein by CWNebraska and/or the Receiver.

22 b. Department/Board’s Release of CWNebraska/Receiver. The Department/Board hereby
23 release, now and forever, CWNebraska and the Receiver, and anyone acting on their behalf since the
24 appointment of the Receiver over CWNebraska on June 13, 2019, including all such post-receivership
25 agents, attorneys, accountants, advisors, consultants, insurers, reinsurers, predecessors, successors,
26 related entities, successors, , from any and all manner of claims, actions, causes of action, charges,
27 suits, rights, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants,
28 contracts, controversies, agreements, promises, variances, trespasses, damages, judgments,

1 executions, obligations, liabilities, and demands of any kind or nature, whether arising at law or in
2 equity, whether liquidated or unliquidated, whether accrued or to accrue hereafter, whether absolute
3 or contingent, whether foreseen or unforeseen, and whether or not heretofore asserted (collectively,
4 the “Claims and Losses”), including without limitation any claim, obligation, or damages that is
5 directly or indirectly related to any facts, conduct, or violations that have been alleged or could have
6 been alleged, as of the Effective Date of this Stipulation and Order, in the Department’s First Amended
7 Complaint, CWNevada’s Answer to Disciplinary Complaint, the Disciplinary Action, the
8 Receivership Action, and/or any litigation arising out of the Disciplinary Action or Receivership
9 Action, from the beginning of time through and beyond the end of time (collectively, the
10 “Department/Board Release”). The Department/Board Release may be pleaded by the CWNevada
11 and/or the Receiver as a full and complete defense to and may be used as the basis for an injunction
12 prohibiting any action, suit, or other proceeding at law or in equity which may be instituted,
13 prosecuted, threatened, initiated, or attempted in breach of the Department/Board Release set forth
14 herein by the Department/Board.

15 41. Releases Valid Even if Additional or Different Facts. The Parties each and all, in
16 signing this Stipulation and Order, expressly acknowledge that they each may, or in the collective
17 may, discover facts which are additional to or different from those which the Parties now know or
18 believe to be true. It is the Parties’ intent that the Releases set forth in Section 40, *supra*, shall remain
19 fully enforceable notwithstanding the discovery of any additional or different facts by any of the
20 Parties – excluding any discoveries of additional or different facts delayed by the Receiver’s fraud,
21 intentional concealment or other deceitful acts. No fraud, intentional concealment or other deceitful
22 acts of Brian Padgett shall be considered for purposes of this Section.

23 42. Attorney’s Fees and Costs. The Parties each agree to bear their own attorney’s fees
24 and costs.

25 43. Not Precedent. The Board’s approval of this Stipulation and Order shall not constitute
26 approval of, or a precedent regarding, any principle or issue for any other purpose or for any other
27 party except those involved herein. This Stipulation and Order shall not be admissible in any other
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1 proceeding or for any other period with respect to any other matter, except proceedings brought to
2 enforce this Stipulation and Order under its terms and any future progressive discipline.

3 44. Further Assurances. The Parties shall cooperate in executing such additional
4 documents and performing such further acts as may be reasonably necessary to give effect to the
5 purposes and provisions of this Stipulation and Order.

6 45. Voluntary and Informed Agreement. The Parties, and each of them, to this Stipulation
7 and Order represent that each has read completely and understands fully the terms of this Stipulation
8 and Order, that such terms are fully understood and voluntarily accepted by each of the Parties in
9 advance of and as memorialized by the signing of this Stipulation and Order, and that the Party's
10 signature to this Stipulation and Order indicates same. The Parties, and each of them, further represent
11 that they have voluntarily entered into this Stipulation and Order to make a full, final, and complete
12 compromise upon the terms and conditions set forth herein. The Parties, and each of them, hereto
13 further represent to each other that any releases, waivers, discharges, covenants, and agreements
14 provided for in this Stipulation and Order have been knowingly and voluntarily granted and without
15 any duress or undue influence of any nature from any person. The Parties, and each of them, hereby
16 expressly acknowledge that they are each represented by counsel of their own choice in this matter
17 and have been advised by counsel accordingly.

18 46. Warranties of Authority. The Parties to this Stipulation and Order, and each of them,
19 expressly warrant and represent to all other Parties that each has the full right, title, and authority to
20 enter into and to carry out its obligations hereunder, with the sole exception of the required approvals
21 of this Stipulation and Order by the Receivership Court and the Board. The Parties also expressly
22 acknowledge the foregoing authority, including without limitation, the Receiver's authority to act on
23 behalf of CWNevada.

24 47. Binding Effect. This Stipulation and Order shall be binding upon and inure to the
25 benefit of the Parties hereto and the Parties' respective successors, predecessors, parents, affiliates,
26 shareholders, employees, heirs, executors, assigns, and administrators.

27 48. Construction. The headings of all Sections of this Stipulation and Order are inserted
28 solely for the convenience of reference and are not a part of the Stipulation and Order and are not

1 intended to govern, limit, or aid in the construction or interpretation of any term or provision of this
2 Stipulation and Order. In the event of a conflict between such caption and the paragraph at the head
3 of which it appears, the paragraph and not such caption shall govern in the construction of this
4 Stipulation and Order.

5 49. Governing Law. This Stipulation and Order shall be governed by and construed in
6 accordance with the laws of the State of Nevada, without reference to conflict of law principles.

7 50. Jurisdiction. The Parties consent to the jurisdiction of the Board to resolve any disputes
8 related to the terms or enforcement of this Stipulation and Order. The successful or prevailing Party
9 or Parties in such action shall be entitled to recover reasonable attorney fees, costs, and expenses
10 actually incurred in initiating or responding to such proceeding, in addition to any other relief to which
11 it may be entitled. The Receiver may petition the Receivership Court for judicial review of the Board's
12 order(s) pursuant to NRS 678A.610.

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

18 52. Time is of the Essence. Time is of the essence in the performance of all terms of this
19 Stipulation and Order.

20 53. Severability. If any portion of this Stipulation and Order, or its application thereof to
21 any person or circumstance, shall be deemed to any extent to be invalid, illegal, or unenforceable as a
22 matter of law, all remaining clauses of this Stipulation and Order and its application thereof shall be
23 not affected and shall remain enforceable to the fullest extent permitted by law.

24 54. Counterparts and Copies. This Stipulation and Order may be executed in counterparts,
25 each of which when so executed and upon delivery to counsel of record for the remaining Parties shall
26 be deemed an original ("Counterparts"). This Stipulation and Order shall be deemed executed when
27 Counterparts of this Stipulation and Order have been executed by all the Parties; such Counterparts
28 taken together shall be deemed to be the Agreement. This Stipulation and Order may be executed by

1 signatures provided by electronic facsimile or email, which signatures shall be binding and effective
2 as original wet ink signatures hereupon. All fully executed copies of this Stipulation and Order are
3 duplicate originals, equally admissible in evidence.

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1 IN WITNESS WHEREOF, this Stipulation and Order has been executed by the Parties and
2 attested by their duly authorized representatives as of the date(s) so indicated. The Effective Date of
3 this Stipulation and Order shall be the date it is ordered by the Board.
4

5 
6 _____ Date: 7/2/2020
7 DOTAN MELECH, in his capacity as Court-
8 appointed receiver over CW Nevada, LLC,
9 Respondent


10 HOLLEY DRIGGS

11 
12 _____ Date: 7/2/2020
13 RICHARD HOLLEY, ESQ.
14 JOHN SAVAGE, ESQ.
15 Counsel for Respondent

16 STATE OF NEVADA, DEPARTMENT
17 OF TAXATION, MARIJUANA ENFORCEMENT
18 DIVISION, PETITIONER

19 
20 _____ Date: 7/2/20
21 TYLER KLIMAS, Executive Director of the
22 Cannabis Compliance Board

23 AARON D. FORD
24 Attorney General

25 
26 _____ Date: 7/2/20
27 MICHELLE BRIGGS, ESQ.
28 ASHLEY BALDUCCI, ESQ.
Counsel for Petitioner

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ORDER

On _____ day of _____, 2020, the Cannabis Compliance Board approved and adopted the terms and conditions set forth in the foregoing Stipulation and Order for Settlement of Disciplinary Action with CWNevada, LLC.

IT IS SO ORDERED.

SIGNED AND EFFECTIVE this ___ day of _____, 2020.

**CANNABIS COMPLIANCE BOARD,
STATE OF NEVADA**

By: _____
HON. MICHAEL DOUGLAS, CHAIR

EXHIBIT “1”

EXHIBIT “1”

1 **BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE**
2 **DEPARTMENT OF TAXATION**
3 **STATE OF NEVADA**

4 STATE OF NEVADA, DEPARTMENT
5 OF TAXATION, MARIJUANA
6 ENFORCEMENT DIVISION,

Case No. 2020-4

7 Petitioner,

8 vs.

9 CWNEVADA, LLC, and BRIAN
10 PADGETT,

11 Respondents.

12 **FIRST AMENDED COMPLAINT FOR DISCIPLINARY**
13 **ACTION AND NOTICE OF HEARING**

14 The Marijuana Enforcement Division of the Department of Taxation, State of
15 Nevada (the "Department"), by and through its counsel, Aaron D. Ford, Attorney General
16 of the State of Nevada, Michelle D. Briggs, Esq., Senior Deputy Attorney General and
17 Ashley A. Balducci, Esq., Senior Deputy Attorney General, hereby notifies RESPONDENT
18 CWNEVADA, LLC ("Respondent CWNevada") and RESPONDENT BRIAN PADGETT
19 ("Respondent Padgett") (collectively "RESPONDENTS") of an administrative hearing
20 before the Chief Administrative Law Judge Dena Smith which is to be held pursuant to
21 Chapters 233B and Chapters 453A and 453D of the Nevada Revised Statutes ("NRS") and
22 Chapters 453A and 453D of the Nevada Administrative Code ("NAC"). The purpose of the
23 hearing is to consider the allegations stated below and to determine the disciplinary action
24 imposed on the RESPONDENTS pursuant to the provisions of NRS and NAC including,
25 but not limited to, NRS 453A.340, NAC 453A.348, NAC 453A.332, NRS 453D.200, NAC
26 453D.365(3)(c),(4), NAC 453D.405, NAC 453D.900, and NAC 453D.905.

27 . . .

28 . . .

JURISDICTION AND NOTICE

1
2 1. During all relevant times mentioned in this complaint, Respondent
3 CWNevada held, and currently holds, the following certificates and licenses:

ID	License/Certificate	Issued*	Address
C009	13761794095675050382 Medical Cultivation	07/01/18	4145 W ALI BABA LN, LAS VEGAS, NV 89118
C010	09187693713312678064 Medical Cultivation	07/01/18	3152 S HIGHLAND DR, LAS VEGAS, NV 89109
C011	89262643408539637228 Medical Cultivation	07/01/18	9680 OAKRIDGE AVE, PAHRUMP, NV 89048
RC009	98257210716506396734 Cultivation	07/01/18	4145 W ALI BABA LN, LAS VEGAS, NV 89118
RC010	80858076313151684223 Cultivation	01/01/19	3132/3152 S HIGHLAND DR, LAS VEGAS, NV 89109
RC011	73911129313774416305 Cultivation	07/01/18	9680 OAKRIDGE AVE, PAHRUMP, NV 89048
D010	43581723673753505053 Medical Dispensary	07/01/18	6540 BLUE DIAMOND RD, LAS VEGAS, NV 89139**
RD010	23003643426806888206 Retail Store	07/01/18	6540 BLUE DIAMOND RD, LAS VEGAS, NV 89139**
P009	65621689196409860614 Medical Production	07/01/18	4145 W ALI BABA LN, LAS VEGAS, NV 89118
P010	39084961615736303651 Medical Production	07/01/18	301 OXBOW AVE STE 14, PAHRUMP, NV 89048
RP009	33109597595341895101 Product Manufacturing	07/01/18	4145 W ALI BABA LN, LAS VEGAS, NV 89118
RP010	58113349031251538626 Product Manufacturing	07/01/18	301 OXBOW AVE STE 14, PAHRUMP, NV 89048
T021	97595215455267957025 Distributor	07/01/18	4145 W ALI BABA LN, LAS VEGAS, NV 89118
T022	73727679080930887930 Distributor	07/01/18	9680 OAKRIDGE AVE, PAHRUMP, NV 89048

26
27 * The Medical certificates were first issued by the Department in 2017.

28 ** Canopi was the DBA for Respondent CWNevada’s retail store and dispensary at Blue Diamond.

1 and is, therefore, subject to the jurisdiction of the Department and the provisions of NRS
2 Chapters 453A and 453D and NAC Chapters 453A and 453D.

3 2. During all relevant times mentioned in this complaint, Respondent Padgett
4 held a marijuana establishment agent cardholder of 1800008853, 1800008854,
5 1800008855, 1800008857, 1800008856, 1708030826, 1800008858, and 1800008859
6 connected with the following certificates C009, RC009, C010, RC010, C011, RC011, D010,
7 RD010, P009, RP009, P010, RP010, T021, and T022¹ and is therefore, subject to the
8 jurisdiction of the Department and the provisions of NRS Chapters 453A and 453D and
9 NAC Chapters 453A and 453D.

10 3. During all relevant times mentioned in this complaint, Respondent
11 CWNevada is registered as a limited-liability company in the State of Nevada. BCP
12 Holding 7, LLC is the manager of Respondent CWNevada. BCP Legal, LLC is the manager
13 of BCP Holding 7, LLC. The Law Offices of Brian C. Padgett, LLC is the manager of BCP
14 Legal, LLC. Respondent Padgett is the manager of Law Offices of Brian C. Padgett, LLC.

15 4. During all relevant times mentioned in this complaint, Respondent Padgett
16 managed the business and operations for Respondent CWNevada.

17 5. During all relevant times mentioned in this complaint, Respondent Padgett,
18 Timothy Smits Van Oyen, Jennifer Lazovich, Kenneth Kesick, Hershel “Hank” Gordon, and
19 Richard Gordon are and were the owners of Respondent CWNevada.

20 **FACTUAL ALLEGATIONS**

21 6. The Department incorporates all prior paragraphs as though fully set forth
22 herein.

23 7. On March 8, 2019 the Department conducted an inspection of the facilities of
24 a marijuana establishment located at 1324 South 3rd Street, North Las Vegas, Nevada
25 89104 (“the Clark NMSD dispensary”). Respondent CWNevada had a management
26

27 ¹ “If a marijuana establishment agent also holds a valid medical marijuana establishment agent registration
28 card, the marijuana establishment agent is authorized to work in any marijuana establishment or dual
licensee for which the category of the marijuana establishment agent registration card and medical
marijuana establishment agent registration card authorize the person to volunteer or work.” NAC
453D.348(4).

1 agreement with the Clark NMSD dispensary.

2 8. During the March 8, 2019 inspection of the Clark NMSD dispensary, the
3 Department's inspectors and/or investigators and/or auditors discovered that Respondent
4 CWNevada's employees Alex Rodriguez, William Giron, Brian Porras, and Alicia Castile
5 had worked at and separated marijuana products at the Clark NMSD dispensary on
6 February 21, 2019 and February 22, 2019.

7 9. During the March 8, 2019 inspection of the Clark NMSD dispensary, the
8 Department's inspectors and/or investigators and/or auditors located and photographed
9 marijuana products (Purple Punch, Blue Zkittlez, White Nightmare, and Lemon Skunk)
10 that Respondent CWNevada's employees separated on February 21, 2019 and February 22,
11 2019 in an unapproved location, a breakroom.

12 10. During the March 8, 2019 inspection of the Clark NMSD dispensary, the
13 Department's inspectors and/or investigators and/or auditors quarantined the marijuana
14 products to be inspected further at another date and verbally instructed Respondent
15 CWNevada's employees not to move or tamper with the quarantined marijuana products.

16 11. On March 12, 2019, Respondent CWNevada's personnel notified the
17 Department's inspectors and/or investigators and/or auditors that Respondent CWNevada
18 "transferred [the quarantined marijuana products] back to our cultivation facility, where
19 it has been quarantined until we get direction from the State."

20 12. On March 13, 2019, the Department's inspectors and/or investigators and/or
21 auditors again instructed Respondent CWNevada's personnel not to move the quarantined
22 marijuana products.

23 13. On March 14, 2019, Respondent CWNevada personnel told the Department's
24 inspectors and/or investigators and/or auditors that the quarantined marijuana products
25 had been moved to the cultivation facility located at 4145 Ali Baba Lane, Las Vegas,
26 Nevada 89118.

27 14. On March 14, 2019, the Department's inspectors and/or investigators and/or
28 auditors instructed Respondent CWNevada's personnel not to move the quarantined

1 marijuana products from the cultivation facility located at 4145 Ali Baba Lane, Las Vegas,
2 Nevada 89118 and demanded, among other things, that Respondent CWNevada provide
3 the Department with all video showing the movement of the quarantined marijuana
4 products with “no exceptions.”

5 15. The video surveillance provided to the Department by Respondent CWNevada
6 did not show any quarantined marijuana products being moved to the cultivation facility
7 located at 9680 Oakridge Ave, Pahrump, Nevada 89048 although METRC data stated
8 otherwise.

9 16. Instead, the video surveillance provided to the Department by Respondent
10 CWNevada showed movements for one of the two quarantined boxes from the Clark NMSD
11 dispensary on March 11, 2019 at approximately 2:17 p.m., the arrival of some quarantined
12 marijuana product to the dispensary located at 6540 Blue Diamond Road, Las Vegas,
13 Nevada 89139 on March 11, 2019 at approximately 3:46 p.m., and the arrival of some
14 quarantined marijuana product at the cultivation facility located at 4145 Ali Baba Lane,
15 Las Vegas, Nevada 89118 on March 11, 2019 at approximately 3:19 p.m.

16 17. The video surveillance provided to the Department by Respondent CWNevada
17 did not show movements for the other quarantined marijuana products.

18 18. According to METRC data entries made by Respondent CWNevada personnel,
19 the quarantined marijuana products were transferred four to five separate times to
20 different Respondent CWNevada’s facilities, but not where the Department found the
21 quarantined marijuana products.

22 19. METRC data showed the quarantined marijuana products moved to and were
23 repackaged at the cultivation facility located at 9680 Oakridge Ave, Pahrump, Nevada
24 89048, but the video surveillance provided to the Department did not show this transfer or
25 the repackaging of the quarantined marijuana products.

26 20. Respondent CWNevada interfered with the Department’s investigation when
27 Respondent CWNevada moved the quarantined marijuana products several times, failed
28 to provide the required video surveillance to the Department, falsified information in

1 METRC, and repackaged the quarantined marijuana products.

2 21. On April 12, 2019, the Department put an administrative hold on all Clark
3 products which would have prevented marijuana products from the Clark NMSD
4 dispensary from being legally transferred.

5 22. On or about May 8, 2019, the Department's inspectors and/or investigators
6 and/or auditors inspected, discovered, and photographed the following product:

- 7 a. 81 units of White Nightmare,
- 8 b. 20 units of Big King 3.5g,
- 9 c. 42 units of Mandarin Cookies,
- 10 d. 31 units of Double Trouble,
- 11 e. 16 units of Pina Colada,
- 12 f. 66 units of Banana Punch,
- 13 g. 54 units of Blue Zkittlez,
- 14 h. 44 units of Double Trouble,
- 15 i. 58 units of Pina Colada,
- 16 j. 75 units of Hercules,
- 17 k. 62 units of NC Lemon Banana Sherbert,
- 18 l. 77 units of Lavender Jones,
- 19 m. 54 units of Blue Suede, and
- 20 n. 13 units of Kush Master

21 at the dispensary at 6540 Blue Diamond Road, Las Vegas, Nevada 89139 when METRC
22 represented the location of the product at the Clark NMSD dispensary, a total of 612 units.

23 23. During this inspection, the Department's inspectors and/or investigators
24 and/or auditors also discovered 89 groups, a total of 1,342 units, of untagged marijuana
25 products:

- 26 a. 70 units of Verano Flower Purple Punch did not have METRC tags on the
27 products.
- 28 b. 1 unit of Blue Dream did not have a METRC tags on the product.

- 1 c. 16 units of BaM-Hardcore OG did not have METRC tags on the products.
- 2 d. 71 units of Chem Dawg 91 did not have METRC tags on the products.
- 3 e. 1 unit of Golden Stormz 1 g flower did not have METRC tags on the
- 4 products.
- 5 f. 2 units of Lemon Skunks 1 g flower did not have METRC tags on the
- 6 products.
- 7 g. 2 units of Old School Lemons 1 g flower did not have METRC tags on the
- 8 products.
- 9 h. 18 units of BaM – White Nightmare did not have METRC tags on the
- 10 products.
- 11 i. 8 units of Bleu Cheese did not have METRC tags on the products.
- 12 j. 22 units of BaM – Key Lime Pie did not have METRC tags on the
- 13 products.
- 14 k. 42 units of Vader Kush did not have METRC tags on the products.
- 15 l. 1 unit of Chocolope #2 did not have METRC tags on the products.
- 16 m. 4 units of Blue Suede did not have METRC tags on the products.
- 17 n. 11 units of Big King 7g did not have METRC tags on the products.
- 18 o. 9 units of Kush Master did not have METRC tags on the products.
- 19 p. 1 unit of Train Wreck did not have METRC tags on the products.
- 20 q. 78 units of Canes Cookies did not have METRC tags on the products.
- 21 r. 69 units of NC Lemon Banana Sherbert did not have METRC tags on the
- 22 products.
- 23 s. 3 units of NC Blue Zkittles did not have METRC tags on the products.
- 24 t. 83 units of Tha Cheese 3.5 g did not have METRC tags on the products.
- 25 u. 66 units of NC Banana Punch did not have METRC tags on the products.
- 26 v. 5 units of Pineapple Chunk did not have METRC tags on the products.
- 27 w. 6 units of Cane Cookies did not have METRC tags on the products.
- 28 x. 26 units of Chem Dawg did not have METRC tags on the products.

- 1 y. 11 units of Primus Punch did not have METRC tags on the products.
- 2 z. 1 unit of Desert Snow 1 g did not have METRC tags on the products.
- 3 aa. 6 units of Primus did not have METRC tags on the products.
- 4 bb. 25 units of Tangie did not have METRC tags on the products.
- 5 cc. 21 units of Durban Poison did not have METRC tags on the products.
- 6 dd. 7 units of Spartan Snow 7 g did not have METRC tags on the products.
- 7 ee. 10 units of Shaman did not have METRC tags on the products.
- 8 ff. 57 units of The Cheese 3.5 g did not have METRC tags on the products.
- 9 gg. 9 units of Pineapple Express did not have METRC tags on the products.
- 10 hh. 1 unit of BaM – Key Lime Pie did not have METRC tags on the products.
- 11 ii. 34 units of Pineapple Express did not have METRC tags on the products.
- 12 jj. 63 units of Primus 1 g did not have METRC tags on the products.
- 13 kk. 44 units of Space Cake did not have METRC tags on the products.
- 14 ll. 54 units of GRAVITAS White 99 did not have METRC tags on the
- 15 products.
- 16 mm. 1 unit of Pineapple Chunk did not have METRC tags on the products.
- 17 nn. 1 unit of Blue Cheese did not have METRC tags on the products.
- 18 oo. 2 units of Kush Co / LVC RoseGar did not have METRC tags on the
- 19 products.
- 20 pp. 2 units of Kush Co / LVC Cannagar did not have METRC tags on the
- 21 products.
- 22 qq. 7 units of Rose-Rillo did not have METRC tags on the products.
- 23 rr. 49 units of Hercules did not have METRC tags on the products.
- 24 ss. 1 unit of Tangie did not have METRC tags on the products.
- 25 tt. 6 units of Tangie did not have METRC tags on the products.
- 26 uu. 68 units of Red Headed Stranger did not have METRC tags on the
- 27 products.
- 28 . . .

- 1 vv. 59 units of False Teeth Flower 3.5 g did not have METRC tags on the
2 products.
- 3 ww. 25 units of Ultimate Indica 1 g did not have METRC tags on the
4 products.
- 5 xx. 6 units of Blue Suede 3.5 g did not have METRC tags on the products.
6 yy. 3 units of Kush Master 7 g flower did not have METRC tags on the
7 products.
- 8 zz. 2 units of Blue Suede 7 g did not have METRC tags on the products.
9 aaa. 2 units of Blue Suede 7 g did not have METRC tags on the products.
10 bbb. 2 units of Blue Suede 7 g did not have METRC tags on the products.
11 ccc. 39 units of Dr. Who did not have METRC tags on the products.
12 ddd. 40 units of Canes Cookies 3.5 g did not have METRC tags on the
13 products.
- 14 eee. 1 unit of Hardcore OG did not have METRC tags on the product.
15 fff. 1 unit of Double Trouble did not have METRC tags on the product.
16 ggg. 1 unit of False Teeth did not have METRC tags on the product.
17 hhh. 1 unit of White Nightmare did not have METRC tags on the product.
18 iii. 1 unit of Pineapple Express did not have METRC tags on the product.
19 jjj. 1 unit of Dr. Who did not have METRC tags on the product.
20 kkk. 1 unit of Chem Dawg 91 did not have METRC tags on the product.
21 ll. 1 unit of Vader Kush did not have METRC tags on the product.
22 mmm. 1 unit of White 99 did not have METRC tags on the product.
23 nnn. 1 unit of Tha Cheese 3.5 g did not have METRC tags on the product.
24 ooo. 1 unit of Hercules did not have METRC tags on the product.
25 ppp. 1 unit of Cherry-Do-Si-DOS 25 did not have METRC tags on the
26 product.
- 27 qq. 1 unit of Cane Cookies did not have METRC tags on the product.
28 rrr. 1 unit of Banana Punch did not have METRC tags on the product.

- 1 sss. 1 unit of Kush Master did not have METRC tags on the product.
- 2 ttt. 1 unit of Pina Colada did not have METRC tags on the product.
- 3 uuu. 1 unit of Primus did not have METRC tags on the product.
- 4 vvv. 1 unit of Lemon Banana Sherbert did not have METRC tags on the
- 5 product.
- 6 www. 1 unit of Key Lime Pie did not have METRC tags on the product.
- 7 xxx. 1 unit of Sunday Driver did not have METRC tags on the product.
- 8 yyy. 1 unit of Blue Suede did not have METRC tags on the product.
- 9 zzz. 1 unit of Primas flower 7 g did not have METRC tags on the product.
- 10 aaaa. 1 unit of White Queen did not have METRC tags on the product.
- 11 bbbb. 2 units of Unidentified did not have METRC tags on the products.
- 12 cccc. 1 unit of Strawberry Banana did not have METRC tags on the
- 13 product.
- 14 dddd. 1 unit of Cherry Lime Haze did not have METRC tags on the product.
- 15 eeee. 1 unit of OG Kush did not have METRC tags on the product.
- 16 ffff. 1 unit of Primus 1 g did not have METRC tags on the product.
- 17 gggg. 45 units of Spartan Snow did not have METRC tags on the products.
- 18 hhhh. 65 units of Chem Dawg 91 did not have METRC tags on the products.

19 24. On or about May 8, 2019, the Department's inspectors and/or investigators
20 and/or auditors discovered a batch of 56 units of Blue Zkittles at Respondent CWNevada's
21 dispensary located at 6540 Blue Diamond Road, Las Vegas, Nevada 89139 that METRC
22 listed as quarantined at the Respondent CWNevada's cultivation facility located at 9680
23 Oakridge Ave, Pahrump, Nevada 89048.

24 25. On or about May 9, 2019, the Department's inspectors and/or investigators
25 and/or auditors conducted an inspection of Respondent CWNevada's cultivation facility
26 located at 9680 Oakridge Ave, Pahrump, Nevada 89048 and discovered the following
27 transfers of marijuana from Clark NMSD dispensary to the Oakridge cultivation facility
28 when none of the marijuana originated from the Oakridge cultivation facility:

- a. January 21, 2019, 1 package.
- b. January 18, 2019, 31 packages.
- c. March 11, 2019, 4 packages.
- d. March 13, 2019, 29 packages, not received by Oakridge until March 19, 2019 according to METRC.
- e. March 24, 2019, 38 packages, not received by Oakridge until April 26, 2019 according to METRC.

26. During the inspection on or about May 9, 2019 of Respondent CWNevada's cultivation facility located at 9680 Oakridge Ave, Pahrump, Nevada 89048, the Department's inspectors and/or investigators and/or auditors discovered that at least twenty-six (26) surveillance video cameras could not be viewed and the Department's inspectors and/or investigators and/or auditors could not identify the areas of the facility not visible due to the inactive or inoperable video cameras.

27. During the inspection on or about May 9, 2019 of Respondent CWNevada's cultivation facility located at 9680 Oakridge Ave, Pahrump, Nevada 89048, Respondent CWNevada's security personnel could not provide any surveillance video camera or footage of the "henhouse" where Respondent CWNevada harvests and destroys marijuana products and the cameras installed did not operate and/or provided an obstructed view when operated.

28. During the inspection on or about May 9, 2019 of Respondent CWNevada's cultivation facility located at 9680 Oakridge Ave, Pahrump, Nevada 89048, Respondent CWNevada's personnel informed the Department's inspectors and/or investigators and/or auditors that Respondent CWNevada also destroys marijuana products at an outside location near the dumpster area on the south side of the property where no adequate video coverage to identify all activity due to limited and/or obstructed viewing capabilities.

29. During the inspection on or about May 9, 2019 of Respondent CWNevada's cultivation facility located at 9680 Oakridge Ave, Pahrump, Nevada 89048, the Department's inspectors and/or investigators and/or auditors discovered untagged plants

1 and Respondent CWNevada's personnel represented that 4,153 plants were untagged.

2 30. On or about May 9, 2019, the Department's inspectors and/or investigators
3 and/or auditors conducted an inspection at Respondent CWNevada's production facility
4 located at 301 Oxbow Avenue, Suite 14, Pahrump, Nevada 89048, discovered no operational
5 video surveillance cameras existed within the facility and Respondent CWNevada's
6 personnel indicated that the security system had not been operational for approximately
7 six (6) weeks, and Respondent CWNevada's personnel indicated that her password had
8 been changed and she had not been able to access the security system since April 22, 2019.

9 31. Between March 21, 2019 and June 7, 2019, Respondent CWNevada sold 1,924
10 marijuana products where the point of sale data did not match the marijuana products
11 identified in METRC.

12 32. Between March 21, 2019 and June 7, 2019, Respondent CWNevada sold 1,793
13 marijuana products not identified in the State's seed-to-sale tracking system that also did
14 not have Certificates of Analysis associated with the marijuana products.

15 33. The Department's inspectors and/or investigators and/or auditors discovered
16 that Respondent CWNevada failed to timely file and fully remit Retail Marijuana Taxes
17 ("RMT") to the Department as follows:

- 18 a. The October of 2018 RMT return was filed late with partial payment.
- 19 b. The November of 2018 RMT return was filed late with partial payment.
- 20 c. The December of 2018 RMT return was filed late with partial payment.
- 21 d. The January of 2019 RMT return was filed late with insufficient funds.
- 22 e. The February of 2019 RMT return was filed without payment.
- 23 f. The March of 2019 RMT return was filed without payment.
- 24 g. The April of 2019 RMT return was filed without payment.
- 25 h. The May of 2019 RMT return was filed without payment.
- 26 i. The June of 2019 RMT return was filed without payment.

27 34. On March 4, 2019 the Law Office of Brian C. Padgett LLC remitted a check
28 in the amount of \$1,090,254.79 to partially pay the amounts owed for various tax periods

1 for multiple tax types.

2 35. Respondent CWNevada owes \$336,692.20 to date for unpaid RMT for the
3 returns due on October 31, 2018, November 30, 2018, December 31, 2018, January 31, 2019,
4 February 28, 2019, March 31, 2019, April 30, 2019, May 31, 2019, and June 30, 2019.

5 36. The Department's inspectors and/or investigators and/or auditors discovered
6 that Respondent CWNevada failed to timely file and fully remit Sales and Use Taxes
7 ("SUT") to the Department as follows:

- 8 a. The October of 2018 SUT return was filed late with partial payment.
- 9 b. The November of 2018 SUT return was filed late with partial payment.
- 10 c. The December of 2018 SUT return was filed late with partial payment.
- 11 d. The January of 2019 SUT return was filed with insufficient funds.
- 12 e. The February of 2019 SUT return was filed without payment.
- 13 f. The March of 2019 SUT return was filed without payment.
- 14 g. The April of 2019 SUT return was filed without payment.
- 15 h. The May of 2019 SUT return was filed without payment.
- 16 i. The June of 2019 SUT return was filed without payment.

17 37. Respondent CWNevada owes \$301,662.88 to date for unpaid SUT for the
18 returns due on October 31, 2018, November 30, 2018, December 31, 2018, January 31, 2019,
19 February 28, 2019, March 31, 2019, April 30, 2019, May 31, 2019, and June 30, 2019.

20 38. Respondent CWNevada owes \$3,000 as a civil penalty and \$527.25 as time
21 and effort billing for the facility located at 4145 W Ali Baba Lane, Las Vegas, NV 89118 for
22 not filing quarterly inventory reports due on March 31, 2019 and October 31, 2019.

23 39. Respondent CWNevada failed to pay Modified Business Tax in the total
24 amount of \$31,753.48 for the returns due on September 30, 2018, December 31, 2018,
25 March 31, 2019, and June 30, 2019.

26 40. Respondent CWNevada failed to timely file and fully remit Wholesale
27 Marijuana Tax to the Department as follows:

28 . . .

- a. The WMT return due October 31, 2018 was filed late with partial payment.
- b. The WMT return due November 30, 2018 was filed late with partial payment.
- c. The WMT return due December 31, 2018 was filed late with partial payment.
- d. The WMT return due January 31, 2019 was filed late with insufficient funds.
- e. The WMT return due February 28, 2019 was filed without payment.
- f. The WMT return due March 31, 2019 was filed without payment.
- g. The WMT return due April 30, 2019 was filed with no payment.
- h. The WMT return due May 31, 2019 was filed with no payment.
- i. The WMT return due June 30, 2019 was filed with no payment.

41. Respondent CWNevada failed to pay the Wholesale Marijuana Tax in the total amount of \$836,205.88 for the returns due on October 31, 2018, November 30, 2018, December 31, 2018, January 31, 2019, February 28, 2019, March 31, 2019, April 30, 2019, May 31, 2019, and June 30, 2019.

42. On February 28, 2018, Respondent Padgett argued to Tyson Kern of the Department that Respondent CWNevada could file late returns at its discretion so long as CWNevada also paid penalty and interest when ultimately remitting taxes. Respondent Padgett also admitted to Tyson Kern that other expenses of Respondent CWNevada were paid rather than the taxes owed to the Department.

43. On March 6, 2019, Respondent Padgett indicated that he decided to pay for a local jurisdiction rather than pay taxes collected and owed to the Department.

44. Email correspondence from February 22, 2019 to June 24, 2019 between the Department's inspector and/or investigators and/or auditors and Respondent Padgett show that Respondent Padgett knew about the unpaid taxes and still did not pay said taxes.

...

1 45. In addition to unpaid taxes, Respondent CWNevada incurred expenses and
2 debts that resulted in a Final Award in favor of one of its creditors, 4Front Advisors, LLC
3 (“4Front”) in the amount of \$4,987,092.29. Subsequently, 4Front made an application to
4 appoint a receiver to the Eighth Judicial District Court in Case No. A-17-755479-C because
5 “4Front learned that CWNevada is attempting to sell the [its] assets.”

6 46. Several other creditors filed suit against Respondent CWNevada and/or
7 Respondent Padgett in Eighth Judicial District Court in Case Nos. A-18-777432-B (Green
8 Pastures Fund, LLC Series I (CWNevada, LLC), et al. v. CWNevada), A-18-777692-C
9 (Green Pastures Group, LLC v. CWNevada, LLC), A-18-777603-C (MI-CW Holdings LLC
10 v. CWNevada, LLC), A-18-777549-B (MI-CW Holdings NV Fund 2 LLC v. CWNevada,
11 LLC), A-18-777270-B (Highland Partners NV LLC v. CWNevada, LLC; Brian Padgett)
12 consolidated into one case A-18-777270-B and A-18-773230-B (The CIMA Group, LLC v.
13 CWNevada, LLC).

14 47. An employee for Respondent CWNevada made a \$7,500 cash deposit from
15 Respondent CWNevada’s proceeds to an account for “Law Office of Brian C. Padgett” on
16 June 5, 2019 at Respondent Padgett’s request.

17 48. Employees of Respondent CWNevada reported making cash deposits in
18 various bank accounts at the direction of Respondent Padgett.

19 49. On June 12, 2019, employees at the cultivation and production facility located
20 at 4145 W. Ali Baba Ln, Las Vegas, NV 89119 were told to leave early for the day and to
21 take their personal items with them.

22 50. An employee reported to Respondent Padgett’s assistant that everyone was
23 gone, and he drove to a nearby parking lot where he could see the main office entrance.

24 51. The employee observed Respondent Padgett and his assistant enter the
25 building, and a short time later a white van with three men inside parked next to them.

26 52. The employee witnessed the men loading the van with 10 to 15 tubs from the
27 building which were used to store product as well as four garbage bags and some boxes.

28 53. Respondent Padgett locked the doors once they were done and everyone left.

1 54. On June 13, 2019, a receiver was appointed to take over control of Respondent
2 CWNevada pending another hearing.

3 55. By stipulation of the parties at a hearing on June 14, 2019, the Eighth Judicial
4 District Court appointed Dotan Y. Melech (“the Receiver”) as the receiver over Respondent
5 CWNevada in Case No. A-17-755479-C.

6 56. A final order appointing the Receiver was entered on July 10, 2019.

7 57. As a result of the Receiver being appointed, the Department put a METRC
8 hold on all Respondent CWNevada’s marijuana and marijuana products on June 12, 2019.

9 58. Employees of Respondent CWNevada were informed that a receiver was
10 appointed on June 13, 2019.

11 59. On June 13, 2019, an employee of Respondent CWNevada gave access to
12 Respondent Padgett’s assistant at the cultivation and production location at 4145 W. Ali
13 Baba Lane, Las Vegas, Nevada 89119 where he observed her remove papers and laptops
14 from multiple offices and he gave her the keys for the building.

15 60. According to a declaration signed by Sheba Statham, a consultant hired by
16 the Receiver, an inventory of the marijuana product at Respondent CWNevada’s facilities
17 in METRC prior to the appointment of the Receiver compared to after the appointment of
18 the Receiver showed significant inventory discrepancies at Respondent CWNevada’s
19 dispensary located at 6540 Blue Diamond Road, Las Vegas, Nevada 89135, the cultivation
20 facility at 4145 Ali Baba Lane, Las Vegas, Nevada 89118, the production facility at 4145
21 Ali Baba Lane, Las Vegas, Nevada 89118, and the cultivation facility at 9680 Oakridge
22 Avenue, Pahrump, Nevada 89048.

23 61. On September 3, 2019, the Receiver filed a Notice of Closure of Respondent
24 CWNevada’s cultivation facility located at 9680 Oakridge Ave, Pahrump, Nevada 89048
25 due to the expense of maintaining the location and ongoing security problems. “Based on
26 information and belief, the Oakridge Facility is at the greatest risk of having its marijuana
27 establishment license revoked.”

28 . . .

1 62. On October 17, 2019, the Department sent correspondence to the owners of
2 Respondent CWNevada presenting the multiple violations committed by Respondent
3 CWNevada and Respondent Padgett and requesting a response to the violations.

4 63. The Department received responses from Hershel “Hank” Gordon, Richard
5 Gordan, Jennifer Lazovich, Timothy Smits Van Oyen, and the Receiver, but none of them
6 had knowledge of or control over the management of Respondent CWNevada for the
7 relevant time period. After several extensions granted by the Department at Respondent
8 Padgett’s request, the Department received no response from Respondent Padgett.

9 64. While the Receiver sought permission to destroy the expired and unusable
10 marijuana and marijuana product, Respondent Padgett received a court order to inspect
11 and take samples for lab testing of marijuana product owned by Respondent CWNevada in
12 February 2020.

13 65. Respondent Padgett hired G3 Labs to inspect and take samples for testing.

14 66. During the inspection and sampling on February 4, 2020 and February 5, 2020
15 at the production and cultivation facilities located at 4145 W. Ali Baba Lane, Las Vegas,
16 Nevada 89118, and on February 6, 2020 at the cultivation facility at 9680 Oakridge Ave,
17 Pahrump, Nevada 89048, the Department observed marijuana and marijuana products
18 without the required METRC tags, and; therefore, outside the seed-to-sale tracking system.

19 67. To date, Respondent Padgett has not provided any test results for the product
20 G3 Labs took for testing which included untagged marijuana and marijuana products.

21 68. On February 27, 2020, the Department ordered the destruction of the
22 untagged marijuana and marijuana products discovered at the dispensary located at 6540
23 Blue Diamond Road, Las Vegas, Nevada 89139 on or about May 8, 2019, the cultivation
24 facility located at 9680 Oakridge Ave, Pahrump, Nevada 89048 on or about May 9, 2019
25 and February 6, 2020, and all untagged marijuana and marijuana product observed by the
26 Department at the cultivation and production location at 4145 Ali Baba Lane, Las Vegas,
27 Nevada 89048.

28 . . .

1 delivering unapproved marijuana or marijuana products and/or picking up, unloading or
2 delivering marijuana or marijuana products to an unauthorized location, as set forth above
3 in paragraphs 6-22 and 24, category III violations.

4 **76. Violation No. 6.** As to licenses and certificates RD010 and D010, Respondent
5 CWNevada violated NRS 372A.290, NRS 372A.260, NAC 453D.230, and NAC
6 453D.905(3)(a)(5) and (d)(10) by intentionally or unintentionally failing to pay Retail
7 Marijuana Tax for nine months to the Department, as set forth above in paragraphs 6 and
8 33-44, category I or III violations.

9 **77. Violation No. 7.** As to licenses and certificates RD010 and D010, Respondent
10 CWNevada violated NRS 372A.290, NRS 372A.260, NAC 453D.230, and NAC
11 453D.905(3)(a)(5) and (d)(10) by intentionally or unintentionally failing to pay Sales and
12 Use Tax for nine months to the Department, as set forth above in paragraphs 6, 33-44,
13 category I or III violations.

14 **78. Violation No. 8.** As to licenses and certificates RP009, P009, RC009, C009,
15 and T021, Respondent CWNevada violated NAC 453D.485 and NAC 453D.905(3)(f)(1) by
16 failing to submit sale reports for two months to the Department, as forth above in
17 paragraphs 6 and 38, category V violations.

18 **79. Violation No. 9.** As to all licenses and certificates, NRS 363B.110 and NAC
19 453D.905(3)(a)(5) and (d)(10) by intentionally or unintentionally failing to pay Modified
20 Business Tax for four months to the Department as forth above in paragraphs 6, 39,
21 category I or III violations.

22 **80. Violation No. 10.** As to licenses and certificates RC009 and C009,
23 Respondent CWNevada violated NRS 453D.500 and NAC 453D.905(3)(a)(5) and (d)(10) by
24 intentionally or unintentionally failing to pay Wholesale Marijuana Tax for nine months to
25 the Department, as set forth above in paragraphs 6 and 40-44, category I or III violations.

26 **81. Violation No. 11.** Pursuant to NAC 453D.365(3)(c),(4), Respondent Padgett
27 engaged and/or knowingly violated NRS 363B.110, NRS 372A.290, NRS 372A.260, NRS
28 453D.500, NAC 453D.230, and NAC 453D.905(3)(a)(5) and (d)(10) by intentionally or

1 unintentionally failing to pay the taxes owed, as set forth in paragraphs 6 and 33-44,
2 category I or II violations.

3 **82. Violation No. 12.** Pursuant to NAC 453D.365(3)(c),(4), Respondent Padgett
4 violated NAC 453D.905(3)(f)(5) by making a payment with a check returned for insufficient
5 fund, as set forth in paragraphs 6, 33(d), 36(d), and 40(d), a category V violation.

6 **83. Violation No. 13.** Pursuant to NAC 453D.365(3)(c),(4), Respondent Padgett
7 knowingly violated NAC 453D.312(3)(g) and NAC 453A.332(3)(g) by failing or refusing to
8 cooperate fully with an investigation by the Department, as set forth in paragraphs 6 and
9 62-63, which is grounds to suspend or revoke marijuana establishment agent registration
10 card, category I violations.

11 **84. Violation No. 14.** As to licenses and certificates RD010, D010, T021, and
12 T022 Respondent CWNevada violated NAC 453D.426, NAC 453D.568, and NAC
13 453D.905(3)(d)(14), (19), and (20) by transporting or storing marijuana from an unlicensed
14 source or diversion of fourteen (14) strains of marijuana or marijuana products and/or
15 storing or delivering fourteen (14) strains of unapproved marijuana product and/or picking
16 up, unloading or delivering fourteen (14) strains of marijuana, consisting of 612 units at an
17 unauthorized location, as set forth in paragraphs 6 and 22, category III violations.

18 **85. Violation No. 15.** As to licenses and certificates RD010 and D010,
19 Respondent CWNevada violated NAC 453D.430 and NAC 453D.905(3)(d)(4) by failing to
20 keep required records, including seed-to-sale tracking requirements for eighty-nine (89)
21 strains of marijuana product consisting of 1,342 units, as set forth in paragraphs 6 and 23,
22 category III violations.

23 **86. Violation No. 16.** As to licenses and certificates RC011, C011, T021, T022,
24 RD010 and D010, Respondent CWNevada violated NAC 453D.430 and NAC
25 453D.905(3)(d)(4) by failing to keep required records, including seed-to-sale tracking
26 requirements, where marijuana product was found at the Blue Diamond dispensary but
27 METRC data showed it was quarantined at the Oakridge cultivation facility, as set forth
28 in paragraphs 6 and 24, category III violations.

1 **87. Violation No. 17.** As to licenses and certificates RC011, C011, T021, and
2 T022, Respondent CWNevada violated NAC 453D.426, NAC 453D.568, NAC 453D.864,
3 NAC 453D.868, NAC 453D.870, and NAC 453D.905(3)(d)(14), (19), and (20) by transporting
4 or storing marijuana or marijuana products from an unlicensed source or diversion of
5 marijuana or marijuana products and/or storing or delivering unapproved marijuana or
6 marijuana products and/or picking up, unloading or delivering marijuana or marijuana
7 products to an unauthorized location, as set forth in paragraphs 6 and 25, category III
8 violations.

9 **88. Violation No. 18.** As to licenses and certificates RD010 and D010,
10 Respondent CWNevada violated NAC 453D.568, NAC 453D.712, and NAC
11 453D.905(3)(b)(11) and (d)(4) and (11) by selling 1,924 marijuana products that were not in
12 METRC and 1,793 of those marijuana products did not have certificates of analysis
13 required by a marijuana testing facility before consumers purchased the marijuana
14 products, as set forth in paragraphs 6, 31, and 32, category II and category III violations.

15 **89. Violation No. 19.** As to licenses and certificates RD010, D010, T021, and
16 T022 Respondent CWNevada violated NAC 453D.426, NAC 453D.568, NAC 453D.860, and
17 NAC 453D.905(3)(d)(19) by transporting or storing marijuana from an unlicensed source
18 or diverting 1,924 marijuana products, as set forth in paragraphs 6 and 31, category III
19 violations.

20 **90. Violation No. 20.** As to licenses and certificates RC011, C011, RD010, D010,
21 RP009, P009 RC009, and C009, Respondent CWNevada violated NAC 453D.426(6)(a) and
22 NAC 453D.905(3)(d)(5) by failing to tag plants and/or marijuana product, as set forth above
23 in paragraphs 6, 23, 29, 66 and 68, category III violations.

24 **91. Violation No. 21.** As to licenses and certificates RC011, C011, RD010, D010,
25 RP009, P009 RC009, C009, T021, and T022, Respondents CWNevada and Padgett violated
26 NAC 453D.905(3)(d)(19) and (20) by diverting marijuana and marijuana product and
27 picking up, unloading or delivering marijuana at an unauthorized location, as set forth
28 above in paragraphs 6, 49-53, and 60, category III violations.

1 **DISCIPLINE REQUESTED**

2 Based on the above, the Department incorporates by reference herein the attached
3 spreadsheets marked as Exhibit "1" with the Department's recommended discipline that
4 the hearing officer should impose against the licenses and certificates associated with
5 Respondent CWNevada and Respondent Padgett's marijuana establishment agent card.
6 The Department reserves the right to change and/or modify this recommendation based on
7 the evidence adduced at the hearing.

8 **DISCIPLINE AUTHORIZED**

9 Pursuant to the provisions of NRS 453A.340, NAC 453A.348, NAC 453A.332, NRS
10 453D.200, NAC 453D.365(3)(c),(4), NAC 453D.405, NAC 453D.900, NAC 453D.905, and
11 NAC 453D.940(8) the hearing officer has the discretion to impose the following disciplinary
12 actions:

- 13 1. Revoke the license, certificate and/or marijuana establishment agent card;
- 14 2. Suspend the license, certificate and/or marijuana establishment agent card;
- 15 3. Impose a civil penalty of not more than \$35,000 for each separate violation of
16 Chapter 453D on the license and/or marijuana establishment agent card; and
- 17 4. Take such other disciplinary action as the hearing officer deems appropriate.

18 The hearing officer may order one or any combination of the discipline described
19 above.

20 **NOTICE OF HEARING**

21 **PLEASE TAKE NOTICE**, that a disciplinary hearing has been set to consider this
22 Administrative Complaint against the above-named RESPONDENTS in accordance with
23 Chapters 233B and 453A and 453D of the Nevada Revised Statutes and Chapters 453A
24 and 453D of the Nevada Administrative Code.

25 A HEARING HAS BEEN SET for May 12, 2020, beginning at approximately 10:00
26 a.m. The hearing will be held at the Grant Sawyer Building, 555 E. Washington Avenue,
27 Suite 4100, Las Vegas, Nevada 89101 in front of Chief Administrative Law Judge Dena
28 Smith. You may also request a hearing pursuant to NAC 453D.908(3) within 30 days after

1 issuance of this First Amended Complaint for Disciplinary Action and Notice of Hearing.

2 The request for hearing should be mailed or delivered to:

3 Damon Hernandez, Chief Compliance/Audit Investigator
4 555 E. Washington Avenue, Suite 4100
5 Las Vegas, Nevada 89101
6 (702) 486-0630
7 Drhernandez@tax.state.nv.us

8 **FAILURE TO APPEAR:** If you are not present at the time and place set for the
9 hearing, a default may be entered against you and the hearing officer may decide the case
10 as if all allegations in the complaint were true.

11 As **RESPONDENTS**, you are specifically informed that you have the right to appear
12 and be heard in your defense, either personally or through your counsel of choice. At the
13 hearing, the Department has the burden of proving the allegations in the complaint and
14 will call witnesses and present evidence against you. You have the right to respond and to
15 present relevant evidence and argument on all issues involved. You have the right to call
16 and examine witnesses, introduce exhibits, and cross-examine opposing witnesses on any
17 matter relevant to the issues involved.

18 You have the right to request that the hearing officer issue subpoenas to compel
19 witnesses to testify and/or evidence to be offered on your behalf. In making this request,
20 you may be required to demonstrate the relevance of the witness's testimony and/or
21 evidence.

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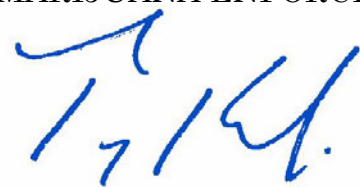
...

1 The purpose of the hearing is to determine if RESPONDENTS have violated any of
2 the provisions of NRS and NAC Chapters 453A and 453D, and to determine what
3 disciplinary action is imposed against RESPONDENTS, if any, pursuant to NRS 453A.340,
4 NAC 453A.348, NAC 453A.332, NRS 453D.200, NAC 453D.365(3)(c),(4), NAC 453D.405,
5 NAC 453D.900, NAC 453D.905, and NAC 453D.940(8).

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

8 DATED: April 28, 2020.

9 STATE OF NEVADA, DEPARTMENT OF
10 TAXATION, MARIJUANA ENFORCEMENT
11 DIVISION



12
13 By: _____
14 Tyler Klimas, Deputy Director
15 555 E. Washington Avenue, Suite 4100
Las Vegas, Nevada 89101
(702) 486-2300

16 AARON D. FORD
17 Attorney General

18 By: _____
19 Michelle D. Briggs, Esq. (7617)
20 Ashley A. Balducci, Esq. (12687)
Senior Deputy Attorney General
21 555 E. Washington Avenue, Suite 3900
Las Vegas, Nevada 89101
(702) 486-9287
22 Attorneys for the Department
23
24
25
26
27
28

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I am an employee of the Office of the Attorney General and that
3 on the 28th day of April, 2020, I served the foregoing **FIRST AMENDED COMPLAINT**
4 **FOR DISCIPLINARY ACTION AND NOTICE OF HEARING** by causing a true and
5 correct copy thereof to be served via email as follows:

6 Dena C. Smith, Chief Administrative Law Judge
7 dcsmith@tax.state.nv.us
8 cgentile@tax.state.nv.us

9 Brian Padgett, Esq.
10 brian@briancpadgett.com

11 CWNevada, LLC
12 c/o Receiver, Dotan Melech
13 dym@unitedams.com
14 c/o Richard F. Holley
15 rholley@nevadafirm.com
16 John Savage
17 jsavage@nevadafirm.com

18 Timothy Smits Van Oyen
19 timsmitsvanoyen@hotmail.com
20 c/o Charlene Renwick
21 crenwick@lee-lawfirm.com

22 Herschel "Hank" and Richard Gordon
23 c/o Robert E. Murdock
24 rem@keachmurdock.com

25 Jennifer Lazovich
26 JLazovich@kcnvlaw.com
27 c/o I. Scott Bogatz
28 sbogatz@rrblf.com

Kenneth James Kesick
ken@advantagenv.com

An Employee of the Office of the Attorney General

1 I hereby certify that I am an employee of the Office of the Attorney General and that
2 on the 29th day of April, 2020, I served the foregoing **FIRST AMENDED COMPLAINT**
3 **FOR DISCIPLINARY ACTION AND NOTICE OF HEARING** by causing a true and
4 correct copy thereof to be served via Certified U.S. Mail, Postage Prepaid addressed as
5 follows:

6 Via Certified U.S. Mail:
7 Brian Padgett
8 611 S. 6th Street
9 Las Vegas, Nevada 89101

9 Via Certified U.S. Mail:
10 CWNevada, LLC
11 c/o Receiver, Dotan Melech
12 Holley Driggs Walch
13 Attn: John Savage
14 400 S. 4th Street, Suite 300
15 Las Vegas, Nevada 89101

14 Via Certified U.S. Mail:
15 Timothy Smits Van Oyen
16 c/o David S. Lee and Charlene N. Renwick
17 Lee, Hernandez, Landrum & Carlson, APC
18 7575 Vegas Drive, Suite 150
19 Las Vegas, Nevada 89128

18 Via Certified U.S. Mail:
19 Herschel "Hank" and Richard Gordon
20 c/o Robert E. Murdock
21 Murdock & Associates
22 521 S. 3rd Street
23 Las Vegas, Nevada 89101

22 Via Certified U.S. Mail:
23 Kenneth Kesick
24 4885 Vicki Avenue
25 Las Vegas, Nevada 89139

25 Via Certified U.S. Mail:
26 Jennifer Lazovich
27 2103 Moorview Street
28 Henderson, Nevada 89012

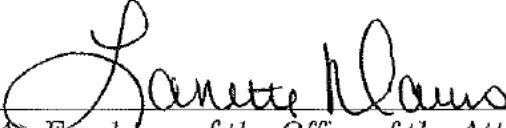

An Employee of the Office of the Attorney General

Exhibit 1

ID	License/Certificate	Address	Violation Nos.	Recommended Discipline
C009	Medical Cultivation x0382	4145 W Ah Baba Ln, Las Vegas, NV 89118	1, 2, 3, 4, 8, 9, 10, 20, and 21	Revocation; \$223,250 Civil Penalty
RC009	Cultivation x6734	4145 W Ah Baba Ln, Las Vegas, NV 89118	1, 2, 3, 4, 8, 9, 10, 20, and 21	Revocation; \$223,250 Civil Penalty
C010	Medical Cultivation x8064	3152 Highland Dr, Las Vegas, NV 89109	9	\$17,500 Civil Penalty
RC010	Cultivation x4223	3132/3152 Highland Dr, Las Vegas, NV 89109	9	\$7,500 Civil Penalty
C011	Medical Cultivation x7228	9680 Oakridge Ave, Pahrump, NV 89048	1, 2, 3, 4, 5, 9, 16, 17, 20, and 21	Revocation; \$240,000 Civil Penalty
RC011	Cultivation x6304	9680 Oakridge Ave, Pahrump, NV 89048	1, 2, 3, 4, 5, 9, 16, 17, 20, and 21	Revocation; \$240,000 Civil Penalty
D010	Medical Dispensary x5053	6540 Blue Diamond Rd, Las Vegas, NV 89139	1, 2, 3, 4, 5, 6, 7, 9, 14, 15, 16, 18, 19, 20, and 21	Revocation; \$360,000 Civil Penalty
R010	Dispensary x8206	6540 Blue Diamond Rd, Las Vegas, NV 89139	1, 2, 3, 4, 5, 6, 7, 9, 14, 15, 16, 18, 19, 20, and 21	Revocation; \$360,000 Civil Penalty
P009	Medical Production x0614	4145 W Ah Baba Ln, Las Vegas, NV 89118	5, 8, 9, 20, and 21	Revocation; \$70,750 Civil Penalty
RP009	Production x5101	4145 W Ah Baba Ln, Las Vegas, NV 89118	5, 8, 9, 20, and 21	Revocation; \$70,750 Civil Penalty
P010	Medical Production x3651	301 Oxbow Ave, Ste 14, Pahrump, NV 89048	4 and 9	\$47,500 Civil Penalty
RP010	Production x8626	301 Oxbow Ave, Ste 14, Pahrump, NV 89048	4 and 9	\$47,500 Civil Penalty
T021	Distributor x7025	4145 W Ah Baba Ln, Las Vegas, NV 89118	1, 2, 3, 5, 8, 9, 14, 16, 17, 19, and 21	Revocation; \$210,750 Civil Penalty
T022	Distributor x7930	9680 Oakridge Ave, Pahrump, NV 89048	1, 2, 3, 5, 9, 14, 16, 17, 19, and 21	Revocation; \$227,500 Civil Penalty

Brian Padgett's Marijuana Establishment Agent Card

Violation No.	Recommended Discipline
Violation 11	Revocation; \$35,000 Civil Penalty
Violation 12	Warning
Violation 13	Revocation; \$35,000 Civil Penalty
Violation 21	Revocation; \$17,500