

ADMINISTRATIVE POLICY & PROCESS DIVISION

January 30, 2020

STIPULATED SETTLEMENT AGREEMENT FOR A MARIJUANA VIOLATION CASE

1. Cura CS, LLC
Cura Partners, Inc., Member
Cameron Forni, Pres/Dir/Stockholder
Nitin Khanna, Dir/Stockholder
David Thompson, Sec
Nicholas Slinde, Director
Kali Mata, LLC, Stockholder
Nitin Khanna, Member
Karan Khanna, Member
Serpico, LLC, Stockholder
Nicholas Slinde, Member
Phil Nelson, Member
dba **CURA CS**
(Wholesaler)

From about August 15, 2018 to about November 22, 2019, Licensee or Licensee's employees, representatives or agents transferred to other licensees marijuana items for ultimate sale to a consumer that were not packaged and/or labeled in accordance with OAR 845-025-7000 to 845-025-7190, when approximately 186,152 units of cannabinoid products (as defined by OAR 845-025-7000(9)(b)), comprised of approximately 9,592 separate packages, omitted an added substance (as defined in OAR 845-025-7000(2)) on the label/package ingredient list of its Select Elite, Select PAX, and/or Select Dabbables product lines, including but not limited to cartridges, disposable pens and pods. The packages/labels of these marijuana items failed to include botanically derived terpenes and/or medium-chain triglyceride (MCT) oil as an ingredient(s). Each transfer and/or sale of an individual marijuana item which failed to list an added substance on the ingredient list is a violation of ORS 475B.605(1)(a)(E); ORS 475B.615(1)(a)(B); and OAR 845-025-7170(1)(2).

On or about October 14, 2019 and November 14, 2019, Licensee or Licensee's employees, representatives or agents misrepresented to consumers, licensees and the public the content of thousands of its marijuana items by making assurances through marketing, advertisement and direct communications to licensees that its Select Elites line of products were 100% cannabis derived when in fact some of these products contained botanically derived terpenes and/or MCT oil as an added substance. These misrepresentations were made in addition to and separate from the

Note: Licensee was charged with these violations by Amended Notice dated January 24, 2020. The total proposed sanction was a \$100,000.00 civil penalty and a 34-day suspension. Licensee wishes to enter into this settlement agreement.

AGGRAVATION

Four days of aggravation were added because the dishonest conduct violation was repeated and it involved more than one consumer and employee.

(continue **CURA CS**)

packaging/labeling violations charged above. This is a violation of OAR 845-025-8540(2)(a)(A).

(Category II)

SYNOPSIS: Investigation into these violations arose in the wake of the October 2019 ban on flavored cannabinoid vapor products, which was halted by a stay on the agency's emergency rules in November 2019. Inspection of Licensee's "Mix log," which contained a list of its products and the terpenes used to make them, revealed that the labels of thousands of its products failed to include botanically derived terpenes and/or medium-chain triglyceride (MCT) oil as an ingredient. Instead these labels incorrectly listed cannabis-derived terpenes as an ingredient, which would be classified as unflavored products not subject to the ban. Because the labels failed to include correct ingredients, retailers and consumers would not know that these products were subject to the temporary ban. Licensee attributes this to a lack of product oversight which OLCC ultimately determined was unintentional. The dishonest conduct violation pertains to Licensee's representations to the public and other licensee's that the products at issue were made with only cannabis-derived terpenes. Licensee has since recalled the mislabeled products and revised its standard operation procedures.

TERMS OF AGREEMENT

1. Licensee accepts responsibility for the packaging and labeling violations and the Category II violation for dishonest conduct as set out in the Notice. This was Licensee's first Category II violation. Any subsequent Category II violation within the next two years will be charged at the second level.
2. Commission staff proposed the standard sanction capped at \$100,000.00 for the packaging and labeling violations. For the dishonest conduct violation, Commission staff recommended the standard sanction of a 30-day license suspension. Four days of aggravation were added because the dishonest conduct violation was repeated and it involved more than one consumer and employee. The total proposed sanction was a \$100,000.00 civil penalty and a 34-day suspension.
3. The Commission will assess the sanction for the dishonest conduct violation as a \$10,000.00 civil penalty.
4. Licensee will pay an \$110,000.00 civil penalty on or before 5:00 PM on January 31, 2020.
5. Each licensee agrees to accept a letter of reprimand for the Category II violation specified above. This letter of reprimand will become a permanent part of each licensee's Commission file and may be considered in any future application for any license by the licensee.
6. This agreement is conditioned upon final approval of the Oregon Liquor Control Commission and will be reviewed by the Commissioners at their special January 2020 Commission Meeting. If the agreement is not accepted and approved in its entirety by the Commission it is deemed null and void and Licensee's hearing rights, if any, will be restored. If the agreement is accepted and approved in its entirety by the Commission, Licensee waives any and all rights to a contested case hearing under the Administrative Procedures Act (ORS Chapter 183) and to judicial review, or to otherwise challenge this agreement and the final order.