

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
JOHN O. PASTORE CENTER, BLDGS. 68-69
1511 PONTIAC AVENUE
CRANSTON, RI 02920

IN THE MATTER OF:

KELSY GREEN LLC

RESPONDENT.

:
:
:
:
:
:
:

DBR No. 20MM002

CONSENT AGREEMENT

The Department of Business Regulation, Office of Cannabis Regulation (“Department”) and KELSY GREEN LLC, a Rhode Island limited liability company (“Respondent”), hereby consent and agree that:

1. On or about March 31, 2017, Respondent submitted to the Department its Application for Medical Marijuana Cultivator License (“Application”) including Form 2 “Disclosure of Owners, Investors, Managers and Controlling Parties” and Respondent’s Operating Agreement. The Application executed and submitted by Respondent states in Section K: “The Applicant is under a continuing duty to promptly disclose to the Department any changes in owners, investors, officers and directors or managers/members, employees, and managers or agents with operational control. **The duty to make such additional disclosures shall continue throughout any period of any license that may be granted by the Department.**” [Emphasis in original].

2. Thereafter, in response to the Department’s requests, Respondent submitted additional written materials on or about May 31, 2017, June 2, 2017, June 20, 2017 and July 6,

2017, including an amended Form 2 “Disclosure of Owners, Investors, Managers and Controlling Parties” dated June 20, 2017, to supplement the Application (as supplemented, hereinafter the “Application”).

3. By letter dated July 7, 2017, the Department conditionally approved the Respondent’s Application, subject to Respondent’s satisfaction of all terms and conditions required for final licensing approval (the “Preliminary Approval”). The Preliminary Approval states that Respondent has “a continuing obligation to update, amend and/or correct any information requested and/or submitted in the application process. Such information must be provided to the Department within ten (10) business days from the date of such change in information and/or any material change known to Kelsy Green LLC. This includes timely notification and divestiture if, by operation of law, a prohibited interest as defined in Section 1.5(E)(5) of the Regulations is acquired.”

4. Following the Preliminary Approval, Respondent provided the Department with periodic updates regarding the status of construction of the licensed premises and the Department granted several extensions of the construction deadline following the Respondent’s submission of written request and submission of required documentation.

5. On or about August 29, 2019, the Respondent submitted a Form 2 “Disclosure of Owners and Other Key Persons” that included names of entities and individuals that were not on the June 20, 2017 Form 2.

6. On October 24, 2019, Respondent filed a fictitious name statement with the Rhode Island Secretary of State indicating Respondent’s use of the d/b/a “Growth Industries of Rhode Island.”

7. On November 5, 2019 and November 22, 2019, the Department requested that Respondent provide certain information including an updated Form 2, an organization chart and copies of corporate documents for Respondent including any amendments, any interest holder that is an entity, and any of Respondent's affiliates. On November 12, 2019 and December 12, 2019, the Respondent submitted the materials requested by the Department.

8. The Form 2 submitted by Respondent on August 29, 2019, and the Form 2 and other materials submitted by Respondent on November 12, 2019 and December 12, 2019, reflect interest holders and corporate organizational changes as to Respondent that were not provided promptly in accordance with the Application and/or within ten (10) business days of the change as required under the Preliminary Approval.

9. Pursuant to the *Rules and Regulations Related to the Medical Marijuana Program Administered by the Rhode Island Department of Business Regulation 230-RICR-800-05-1* (the "Regulations"), Section 1.5(D), an applicant is required to provide to the Department all information described in the application including Section K, and only applications that adequately address all application requirements shall be eligible for review.

10. It is the Department's position that the Respondent's failure to timely provide updated interest holder and corporate organization information violated the terms of the Application, Preliminary Approval and Regulations.

11. Respondent has informed the Department that Respondent disagrees with the Department's view and that Respondent did provide the updated information to the Department in response to the Department's requests. Moreover, the Respondent has informed the Department that Respondent has completed nine (9) of the eleven (11) prerequisites for issuance of a license

set forth in the Preliminary Approval and that it is prepared to satisfy the tenth and eleventh prerequisites, pre-license inspection and payment of the license fee, forthwith.

BASED ON THE FOREGOING, the Department believes it has sufficient cause to pursue administrative action against Respondent in accordance with R.I. Gen. Laws § 21-28.6-16, Sections 1.5(D)(5)-(6) of the Regulations, the *Rules of Procedure for Administrative Hearings* 230-RICR-10-00-2, Section 2.4(B) and the Administrative Procedures Act, R.I. Gen. Laws § 42-35-1 *et seq.*

In an effort to affect a timely and amicable resolution of the issues raised in this Consent Agreement without an administrative hearing and to allow Respondent to maintain its Preliminary Approval while completely and accurately satisfying the final conditions for its licensure, the Parties agree to enter into this Agreement solely for the purpose of avoiding the burdens and expenses of litigation. This Agreement shall not in any way be construed as an admission by Respondent of any liability or any act of wrongdoing. Further, Respondent represents and agrees as follows:

- a. Concurrently with execution of this Agreement, Respondent shall provide written confirmation to the Department confirming appointment of the following officers whose roles will include the following responsibilities:

President	Steven Lee	Principal executive officer of the company and, subject to the direction and under the supervision of the Board of Managers, has general charge of the business, affairs and property of the company and control over its other officers, agents and employees.
Treasurer	Jay Warner	The Treasurer shall: (a) be responsible for all Company funds; and (b) receive and give receipts for monies due and payable to the Company from any source whatsoever, and deposit all such monies in the name of the Company in financial institutions selected by the Board of Managers.

Secretary	Jay Warner	The Secretary shall: (a) keep the minutes of proceedings of the Company's Members and Managers; (b) see that all notices are duly given in accordance with the provisions of the Company's Operating Agreement or as required by law; and (c) be custodian of the Company's records.
Compliance Officer	Jay Warner	Ensuring compliance with the disclosure, information update and reporting requirements of the Application and Preliminary Approval, and the Regulation's advance notification requirements, including but not limited to those under § 1.5(G).
Operations Manager	Raul Palacios	Ensuring compliance with the operational provisions of the Regulations.

- b. The Compliance Officer and Operations Manager shall be available at the premises during the Department's final inspection and such inspection will occur on or before March 6, 2020.
- c. From the date hereof until March 31, 2021, Respondent's Compliance Officer and Operations Manager shall, on a quarterly basis commencing March 31, 2020, certify to the Department in writing that Respondent is in compliance with the requirements and provisions of the Regulations described in subsection (a).
- d. To the extent Respondent hereafter determines to appoint a new Compliance Officer or Operations Manager, Respondent shall notify the Department in accordance with § 1.5(G) of the Regulations.

By agreeing to resolve this matter through the execution of this Consent Agreement Respondent voluntarily waives its right to the administrative hearing process, voluntarily waives its right to appeal any finding therefrom to the Superior Court, and agrees to take all necessary action as delineated in this Consent Agreement to maintain its Preliminary Approval and continue its Application for licensure.

Respondent hereby acknowledges and agrees that failure to abide by any of the requirements of this Consent Agreement shall be grounds for the Department to initiate further administrative proceedings against Respondent.

THE DEPARTMENT AND RESPONDENT HEREBY CONSENT AND AGREE TO THE FOREGOING AS TO FORM AND SUBSTANCE:

Department:

DEPARTMENT OF BUSINESS
REGULATION

By: Pamela J. Toro
Name: Pamela J. Toro
Title: ASSOCIATE DIRECTOR

DATE: 3/3/2020

Respondent:

KELSY GREEN LLC

By: [Signature]
Name: STEVEN G. LEE
Title: PRESIDENT

DATE: FEBRUARY 26, 2020