

**STATE OF RHODE ISLAND  
DEPARTMENT OF BUSINESS REGULATION  
OFFICE OF CANNABIS REGULATION  
560 JEFFERSON BOULEVARD, SUITE 204  
WARWICK, RHODE ISLAND 02886**

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**IN THE MATTER OF:**

**STJ, LLC d/b/a Fire Ganja f/k/a Save the J,  
Respondent.**

**DBR No.: 23OCR005**

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**CONSENT AGREEMENT**

Reference is made to the Edward I. Hawkins and Thomas C. Slater Medical Marijuana Act, Rhode Island General Laws §21-28.6 *et seq.* (the “Medical Marijuana Act”) and the Rhode Island Cannabis Act, Rhode Island General Laws § 21-28.11 *et seq.* (the “Cannabis Act”) (together, the “Acts”), and Rules and Regulations Related to the Medical Marijuana Program Administered by the Office of Cannabis Regulation at the Department of Business Regulation, 230-RICR-80-05-1 *et seq.* (the “Regulations”). The Department of Business Regulation, Office of Cannabis Regulation (“Department”) and STJ, LLC d/b/a Fire Ganja, a Rhode Island limited liability company (“Respondent”), hereby consent and agree that:

1. On or about December 19, 2017, Respondent’s Medical Marijuana Cultivator Application, Application Number MMP CV 0010 (“Application”) was approved by the Department for a cultivation facility located in Warwick, Rhode Island.
2. To date, Respondent has timely renewed its Medical Marijuana Cultivator License and Respondent applied for and was approved as a Hybrid Cannabis Cultivator on August 23, 2022.
3. Beginning in September 2022, the Department issued guidance regarding the requirement that licensees need to be credentialed in and utilize Metrc, the Department’s new cannabis seed-to-sale track and trace system (the “System”), in order to cultivate, maintain, and transfer cannabis and cannabis products and to make sales compliantly.
4. All licensees were notified by the Department and by Metrc, through a series of e-mailed bulletins, that they were required to be credentialed in and utilize the Metrc System for inventory no later than December 1, 2022, in order to continue compliant cultivation, maintenance, transfer, and sales of cannabis and cannabis products.

5. All licensees were required to transfer all plant and product inventory information from their previously approved inventory tracking system into the Metrc System no later than December 1, 2022.

6. Thereafter, the Department afforded an additional grace period for licensees to complete their Metrc System registration and implementation with a final December 15, 2022, deadline to enter all cannabis plant and product inventory into the Metrc System.

7. In their use of the System, licensees are required to utilize and maintain Metrc-issued RFID plant and product tags on *all* cannabis plants and products from and after December 15, 2022, in order to ensure tracking and accurate and compliant records of plant and product inventory.

8. On June 12, 2023, Respondent's employee, Mark Laraway, contacted OCR via e-mail as follows:

*"Hello, I just tried to create new plants in Metrc and realized the function was taken away. I did not have my mother plants logged in the system as I constantly kill them and start new ones. I now need permission to log about 100 mother plants into Metrc so I can then create plant batches for the clones I take. Let me know how to proceed. Thank you!"*

10. In response to the e-mail described in Paragraph 8, on June 19, 2023, OCR Chief of Inspections, Inspectors, and Investigative Auditor visited Respondent's facility to conduct a preliminary inspection of Respondent's facilities.

11. During the June 19<sup>th</sup> inspection, OCR Inspectors identified hundreds of cannabis plants, plant material, and products without Metrc tags. These untagged plants included the "mother" plants.

12. Mother plants are non-flowering cannabis plants which provide cultivators a plant specimen from which to collect material that is used to propagate additional plants without starting from seed.

13. On June 20, 2023, OCR Chief of Inspections and OCR Inspectors visited Respondent's licensed premises to schedule a complete inventory inspection for June 21, 2023. Respondent was instructed to quarantine all cannabis plants, plant materials, and products.

14. On June 21, 2023, OCR Inspectors and Investigative Auditor conducted an inventory inspection of the entire licensed premises, including cultivation rooms, storage and drying facilities, and the vault.

15. During the June 21<sup>st</sup> inspection 1,473 untagged flowering and non-flowering cannabis plants were located at the licensed premises.

16. During the June 21<sup>st</sup> inspection 1,507 ounces of untagged/improperly tagged cannabis flower were located at the licensed premises.

17. During the June 21<sup>st</sup> inspection 2,038 ounces of untagged/improperly tagged cannabis concentrate (hash) were located at the licensed premises.

18. During the June 21st inspection 276 ounces of untagged/improperly tagged cannabis concentrate (oil) were located at the licensed premises.

19. On June 21, 2023, OCR notified Respondent via e-mail of the following:

The Office of Cannabis Regulation is placing an administrative hold via Metrc on all inventory and plants at your licensed facility. All physical plants and inventory onsite must also be quarantined immediately.

STJ, LLC may continue to access the facility in order to tend to the quarantined plants. If plants are due to be harvested, STJ, LLC must contact OCR Chief of Inspections, Pete Squatrito no less than 72 hours prior to the anticipated harvest date so that an inspector may be present. If any product or plant needs to be destroyed, STJ, LLC must contact OCR Chief of Inspections, Pete Squatrito no less than 72 hours prior to the anticipated destruction date so that an Inspector may be present. If STJ, LLC has further questions pertaining to the product or plants currently quarantined, please reach out to OCR.

Please ensure that all surveillance recordings for a 60-day period are maintained and available for OCR review pursuant to §1.6.5(H)(l)(e) of the rules and regulations. OCR inspectors will be onsite frequently to ensure compliance with the above requirements.

20. On June 29, 2023, OCR Inspectors and Investigative Auditor reviewed all cannabis plants and products at the licensed premises. All untagged inventory was “red-tagged” as noncompliant. Yellow tags were applied to inventory which required further review by the Department.

21. On July 6, 2023, following OCR inspections and a full inventory audit, Respondent, under OCR supervision, destroyed all “red-tagged” cannabis plants, plant materials, and products deemed noncompliant with the track and trace requirements under § 1.6.1 of the Regulations.

22. On August 10, 2023, the Department became aware of litigation pending in the U.S. District Court for the District of Rhode Island, captioned SAN MIGUEL, LLC v. STJ, LLC, NICHOLAS A. SALVADORE, and MARK A. LARAWAY, C.A. No. 20-cv-00285-WES-LDA.

23. The Complaint in the above-referenced lawsuit, which states it “is an action for breach of a promissory note, breach of two personal guaranties, and specific performance of an agreement to transfer ownership of STJ, LLC under the terms of a Forbearance Agreement”, alleges as follows:

11. On November 21, 2018, San Miguel<sup>1</sup>, STJ, Salvadore, and Laraway executed a Forbearance Agreement. *Inter alia*, Salvadore and Laraway each

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<sup>1</sup> Attached as an exhibit to Respondent’s Amended Answer and Counterclaim to San Miguel’s Complaint is an Executive Consulting Agreement between Respondent and San Miguel, which Respondent avers was executed the same date as the promissory note evidencing the loan that is the subject of the Forbearance Agreement. The Executive Consulting Agreement states that Edward Medeiros is the principal of San Miguel. San Miguel’s Complaint against Respondent states that San Miguel is a Massachusetts limited liability company whose sole member is a citizen of Massachusetts. The December 15, 2016 Certificate of Organization of San Miguel filed with the Secretary of the

promised to transfer to San Miguel or its designee his 50% ownership share in STJ, in exchange for San Miguel's agreement to forbear from enforcing its rights under the Secured Promissory Note<sup>2</sup> until April 1, 2019, which it did."

24. The records before the U.S. District Court include a copy of the above-referenced, fully executed Forbearance Agreement as Exhibit F, which provides, in relevant part:

This Agreement is made and entered into on this 21 day of November, 2018 by and among San Miguel, LLC and STJ, LLC

...

NOW THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The principals of STJ, LLC, being Nicholas A. Salvadore (hereinafter "Nicholas") and Mark A. Laraway (hereinafter "Mark") do each hereby assign and transfer to San Miguel, LLC or its designee 50% of the outstanding membership interests in STJ, LLC;

...

4. Following the fulfillment of all obligations due San Miguel, LLC from STJ, LLC pursuant to the Executive Consulting Agreement<sup>3</sup>, San Miguel, LLC or its designee shall retain its ownership interest in STJ, LLC subject to the following conditions:

(a) Nicholas, Mark, and San Miguel, LLC shall cause to be transferred to Mal Salvadore of the Town of Narragansett, Rhode Island, as Trustee of the Revocable Trust of Mal A. Salvadore dated August 25, 1993, and Donna A. Salvadore of the City of Delray Beach, Florida or their designee five and 00/100 (5.0%) percent of the total outstanding ownership interests in STJ, LLC; and

(b) Nicholas, Mark, and San Miguel, LLC or its designee shall reallocate the remaining ninety-five (95%) percent of the outstanding ownership interests of STJ, LLC as follows: one-third

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Commonwealth of Massachusetts is signed by Edward G. Medeiros and he is also listed as authorized signatory. Upon information and belief, Edward Medeiros is the sole member of San Miguel.

<sup>2</sup> Among the records before the U.S. District Court is a Secured Promissory Note (Exhibit A of the Complaint) in the amount of \$750,000, which provides: "FOR VALUE RECEIVED, STJ, LLC, a Rhode Island limited liability company . . . (the "Maker"), promises to pay to the order of San Miguel, LLC, a Massachusetts limited liability company . . . (the "Holder"), the principal sum of Seven Hundred Fifty Thousand Dollars (\$750,000.00) . . ."

<sup>3</sup> The Executive Consulting Agreement states that as compensation for the services provided by San Miguel to Respondent, San Miguel shall receive a fee equal to thirty percent (30%) of STJ's profits for sixty full months after paying the Promissory Note in full.

(1/3) to be owned by Nicholas, one-third (1/3) to be owned by Mark and one-third (1/3) to be owned by San Miguel, LLC or its designee.

25. The Defendants' Amended Answer to Plaintiff's Complaint and Counterclaim avers the following:

11. Defendants admit that they entered into a Forbearance Agreement, to the extent the remaining allegations conform to the Forbearance Agreement, they are admitted. To the extent the remaining allegations are inconsistent with the Forbearance Agreement, they are denied.

26. On February 11, 2022, the parties to the lawsuit detailed in Paragraphs 22-25, submitted a joint status report to the U.S. District Court, which included a letter addressed to the Honorable William E. Smith that states:

We write to call the Court's attention to one unusual aspect of the settlement. In overview, STJ has signed a \$2.0M promissory note in favor of San Miguel, which provides for monthly payments of \$25,000 at 6% interest and a balloon payment of the outstanding balance after 4 ½ years. There are also a variety of associated security agreements, guaranties, releases, and the like. However, as additional security, the parties have executed a stipulation for the entry of \$2.250M, to be released from escrow and filed with the court only in the event of a payment default.

27. To date, Respondent has not filed any variance requests related to any changes of ownership with the Department.<sup>4</sup>

#### **Applicable Law**

28. Pursuant to Section 21-28.6-2 of the Medical Marijuana Act, "[i]t is in the state's interests of public safety, public welfare, and the integrity of the medical marijuana program to ensure that the possession and cultivation of marijuana for the sole purpose of medical use for alleviating symptoms caused by debilitating medical conditions is adequately regulated," and "[t]he goal of the medical marijuana program is to create a system that is transparent, safe, and responsive to the needs of patients. Consequently, the medical marijuana program requires regulation and a

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<sup>4</sup> In its Form 2 disclosures, Respondent has represented to the Department that San Miguel, LLC is a lender to Respondent. On June 23, 2021, when Respondent submitted an amended Form 2 adding San Miguel, LLC, Respondent stated "Nothing has changed as far as ownership, just wanted to update part II." On June 25, 2021, with regard to San Miguel, LLC's principal Ed Medeiros, Respondent further stated "he has zero ownership interest and he does not work here nor does he make decisions." As such, Respondent has represented that San Miguel, LLC and its principal Ed Medeiros have no ownership interest in Respondent.

comprehensive regulatory structure that allows for oversight over all suppliers of medical marijuana while ensuring both safety and patient access.”

29. Section 21-28.6-9(e) of the Medical Marijuana Act provides as follows:

(1) Notwithstanding any other provision of this chapter, if the director of the Department of Business Regulation, or his or her designee, has cause to believe that a violation of any provision of this chapter or the regulations promulgated thereunder has occurred by a licensee or registrant under the department’s jurisdiction, or that any person or entity is conducting any activities requiring licensure or registration by the Department of Business Regulation under this chapter or the regulations promulgated thereunder without such licensure or registration, or is otherwise violating any provisions of this chapter, the director, or his or her designee, may, in accordance with the requirements of the Administrative Procedures Act, Chapter 35, of Title 42:

- (i) With the exception of patient and authorized purchaser registrations, revoke or suspend any license or registration issued under Chapter 26, of Title 2 or this chapter;
- (ii) Levy an administrative penalty in an amount established pursuant to regulations promulgated by the Department of Business Regulation;
- (iii) Order the violator to cease and desist such actions;
- (iv) Require a licensee or registrant or person or entity conducting any activities requiring licensure or registration under this chapter to take those actions as are necessary to comply with this chapter and the regulations promulgated thereunder; or
- (v) Any combination of the above penalties.

30. Pursuant to Section 21-28.6-16(k), “[t]he cultivator applicant, unless he or she is an employee with no equity, ownership, financial interest, or managing control, shall apply to the bureau of criminal identification of the department of attorney general, department of public safety division of state police, or local police department for a national criminal records check that shall include fingerprints submitted to the Federal Bureau of Investigation.”

31.. Pursuant to Section 21-28.6-16(1) of the Medical Marijuana Act, “[i]f a licensed medical marijuana cultivator or cultivator cardholder violates any provision of this chapter or regulations promulgated thereunder, as determined by the department of business regulation, his or her card and the issued license may be suspended or revoked.”

32. Pursuant to § 21-28.11-7(b) of the Cannabis Act:

On August 1, 2022 and thereafter, any medical marijuana cultivator licensed or approved pursuant to the provisions of § 21-28.6-16, upon payment of an additional license fee, shall be permitted to cultivate, manufacture and process cannabis as a hybrid cannabis cultivator for both adult use and medical use. The amount of the additional license fee shall be determined by the office of cannabis regulation

during the transitional period established by § 21-28.11-10 and shall be subject to review by the commission pursuant to the final rules and regulations. The fee shall be deposited in the social equity fund established in § 21-28.11-31. Sale of the cultivated cannabis shall be made directly to a licensee pursuant to the provisions of this chapter and chapter 28.6 of this title, subject to the following conditions:

- (1) The cultivator must be in good standing and maintain the cultivator license pursuant to the provisions of chapter 28.6 of this title; and
- (2) The cultivator must make good faith efforts to ensure the adult use cannabis production portion of the cultivation operation has no significant adverse effect on the medical marijuana program and patient needs.

33. Pursuant to § 21-28.11-10.1(e) of the Cannabis Act, “[n]otwithstanding the foregoing provisions of this section, all prospective and approved applicants for hybrid cannabis retailer and cultivator licenses under this chapter shall maintain compliance with the existing provisions of chapter 28.6 of this title of the general laws and the regulations promulgated thereunder until final issuance of the commission’s rules and regulations ....”

34. Pursuant to Section 1.13(H)(4) of the Rules and Regulations Related to the Medical Marijuana Program Administered by the Office of Cannabis Regulation at the Department of Business Regulation, 230-RICR-80-05-1 *et seq.* (the “Regulations”), “[a] licensed cultivator shall submit to DBR a written request for a variance for any proposed change described below at least sixty (60) calendar days prior to the proposed effective date of the change:

- a. A proposed change in ownership of the licensed cultivator . . . .”

35. Pursuant to Section 1.6.1(A) of the Regulations “[u]pon direction by the DBR and in accordance with R.I. Gen. Laws §§21-28.6-12(g)(3) and 21-28.6-16(d), each compassion center and licensed cultivator shall be required to utilize the state approved Medical Marijuana Program Tracking System to document and monitor compliance with the Act and all regulations promulgated thereunder. Applicable licensees may be required to pay costs associated with use of the Medical Marijuana Program Tracking System which may be assessed on an annual, monthly, per use, or per volume basis and payable to the state or to its approved vendor.”

36. Pursuant to Section 1.6.1(B) of the Regulations, “[a]ll information related to the acquisition, propagation, cultivation, transfer, manufacturing, processing, testing, storage, destruction, wholesale and/or retail sale of all marijuana and medical marijuana products possessed by licensees and/or distributed to registered cardholders is in accordance with the Act must be kept completely up-to-date in the Medical Marijuana Program Tracking System, including but not limited to:

1. Planting and propagation of plants;
2. Transition of immature to mature plants;
3. Harvest dates with yield documentation;

4. Destruction of immature plants, mature plants and medical marijuana products;
5. Transportation of immature plants, mature plants, and medical marijuana products;
6. Theft of immature plants, mature plants, and medical marijuana products;
7. Adjustment of product quantities and/or weights;
8. Conversion of product types including waste documentation;
9. Required test results as reported by a cannabis testing laboratory;
10. Retail and wholesale transaction data;
11. Product compliance data;
12. A complete inventory including, but not limited to:
  - a. Batches or lots of useable marijuana;
  - b. Batches or lots of concentrates;
  - c. Batches or lots of extracts;
  - d. Batches or lots of marijuana infused products;
  - e. Immature plants;
  - f. Mature plants;
  - g. Marijuana waste; and
13. Any other information or technical functions DBR deems appropriate.”

37. Pursuant to Section 1.6.4(c) of the Regulations, “[u]pon direction by DBR, each compassion center and licensed cultivator shall utilize the state approved Medical Marijuana Program Tracking System for all inventory tracking from seed to sale as defined in §1.6.1 of this Part.”

38. Based upon the foregoing, it is the Department’s position that Respondent violated the Acts and Regulations by failing to comply with the inventory track and trace requirements and by cultivating, maintaining, and harvesting hundreds of untagged cannabis plants, plant materials, and products at its licensed premises.

39. In an effort to effect a timely and amicable resolution of the issues raised in this Consent Agreement without an administrative hearing, the Department and the Respondent enter into this Consent Agreement solely for the purpose of avoiding the burdens and expenses of litigation. Based upon Respondent’s representations and agreements set forth herein, the Department agrees to abstain from pursuing further enforcement action(s) surrounding the noncompliance with track and trace and ownership disclosure requirements identified in Paragraphs 10-18 and 22-27 and subject to satisfaction of the following terms and conditions set forth in this Paragraph 39:



- a. Respondent acknowledges and agrees that if the Department presented its factual allegations as set forth in this Consent Agreement at a hearing on the matter without proof to the contrary, the Department would have demonstrated sufficient evidence to overcome its burden of proof to demonstrate a violation of the Acts and/or Regulations governing medical and adult use cannabis;
- b. Respondent represents to the Department that Respondent voluntarily destroyed all noncompliant and "red-tagged" cannabis plants, plant materials, and products on July 6, 2023;
- c. Respondent represents to the Department that in response to the Department's allegations, it developed and implemented a corrective action plan;
- d. Respondent represents to the Department and agrees that no later than November 3, 2023, Respondent will enter all required track and trace data for all cannabis plants, plant materials, and products at its licensed premises into Metrc and will properly affix Metrc RFID tags to all cannabis plants, plant materials, and products as required by the Department;
- e. Respondent agrees that from and after the date hereof, all cannabis plants, plant materials, and products cultivated and located at and/or sold or transferred from Respondent's licensed premises will comply with the Acts and Regulations, including § 1.6.1(B) of the Regulations which sets forth the track and trace requirements. Respondent shall satisfy the following conditions by the dates listed below, including, but not limited to, the delivery to the Department of the following items as part of a corrective action plan to ensure all cannabis plants, plant materials, and products are compliantly tracked through the Metrc System:
  - i. Concurrently with the execution of this Consent Agreement, Respondent shall provide satisfactory documentation confirming its appointment of a Compliance Officer to manage all track and trace activities and ensure that Respondent's Metrc System records and data are accurate and timely and completely maintained and updated;
  - ii. No later than November 3, 2023, Respondent shall comply with the actions required and outlined in the Corrective Action Plan Tracking Worksheet; and
  - iii. No later than November 3, 2023, Respondent shall obtain a satisfactory final inspection report by OCR of all plants and inventory.
- f. Concurrently with the execution of this Consent Agreement, Respondent shall deliver to the Department an affidavit executed by Edward Medeiros on behalf of San Miguel, LLC disclaiming any and all past, present, or future ownership interest in Respondent;<sup>5</sup>
- g. Concurrently with the execution of this Consent Agreement, Respondent shall voluntarily dismiss with prejudice the Providence Superior Court matter captioned STJ,

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<sup>5</sup> The Department hereby acknowledges that Respondent has previously complied with this condition.

LLC v. ELIZABETH KELLEHER DWYER, in her capacity as Director of the Department of Business Regulation of the State of Rhode Island and the State of Rhode Island, C.A. No. KC2023-0722.

h. Respondent agrees and acknowledges that it expressly selected resolution of this matter by Consent Agreement, rather than proceeding through the administrative hearing process beginning with the issuance of an Order to Show Cause; and

i. Pursuant to § 1.13(D)(1) of the Regulations, Respondent shall remit an administrative penalty of \$625,000.00, with the first payment of \$50,000.00 to be paid concurrently with the execution of this Consent Agreement, the second payment of \$200,000.00 to be paid no later than January 31, 2024, the third payment of \$250,000.00 to be paid no later than January 31, 2025, and the final payment of \$125,000.00 to be paid no later than January 31, 2026, by check or money order made payable to the "General Treasurer, State of Rhode Island."

32. *Final Determination.* The parties agree that this Consent Agreement and its terms represent the final determination of this matter.

33. *Waiver of Hearing and Appeal.* By agreeing to resolve this matter through the execution of this Consent Agreement, Respondent knowingly and voluntarily waives any right to an administrative hearing and waives any right to pursue an appeal to the Superior Court under the Rhode Island Administrative Procedures Act, R.I. Gen. Laws § 42-35-1, *et seq.*

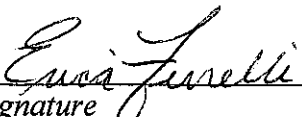
34. *Enforcement.* If Respondent fails to comply with any term or condition of this Consent Agreement within any applicable time period set forth herein, the Respondent will be in violation hereunder and the Department shall be entitled to immediately take enforcement or other action in accordance with applicable law.

35. *Compliance; Laws.* Compliance with the terms of this Consent Agreement does not relieve Respondent of any obligation to comply with other applicable laws or regulations administered by or through the Department or any other governmental agency.

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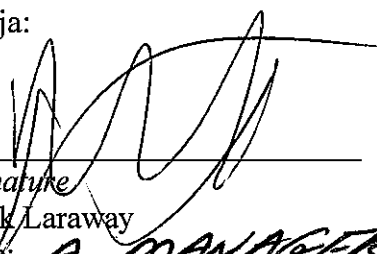
**SIGNATURE PAGE**

For the Department:

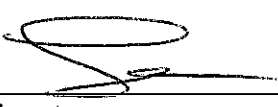
  
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*Signature*  
Erica Ferrelli  
Chief, Office of Cannabis Regulation

Date: 10-31-2023

Respondent STJ, LLC d/b/a Fire Ganja:

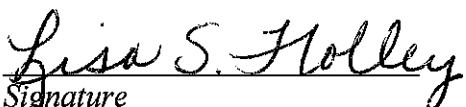
  
\_\_\_\_\_  
*Signature*  
Mark Laraway  
Title: **A MANAGER**

Date: 10/26/2023

  
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*Signature*  
Nick Salvatore  
Title: **A MANAGER**

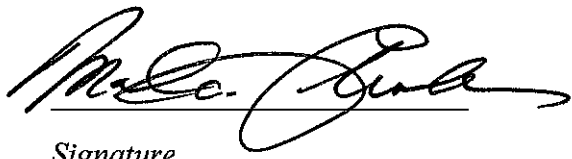
Date: 10/26/2023

Respondent's Counsel:

  
\_\_\_\_\_  
*Signature*  
Lisa Holley, Esq.

Date: 10-31-2023

Respondent's Counsel:

  
\_\_\_\_\_  
*Signature*  
Mal A. Salvatore, Esq.

Date: 10/30/2023