



Department of
Cannabis Control
CALIFORNIA

Office of the General Counsel
2920 Kilgore Road
Rancho Cordova, CA 95670

April 22, 2025

VIA EMAIL AND CERTIFIED MAIL

Bud Brothers, Inc.
William Zapata, Owner
411 Main Street, Suite 2
Colusa, CA 95932
Budbrothersdisp@gmail.com
Peyton.schmidt@yahoo.com

William Zapata
Agent for Service of Process
Bud Brothers, Inc.
528 Washington Avenue
Yuba City, CA 95991
Williezapatarealty@gmail.com

Re: Bud Brothers, Inc. - Case No. DCC24-0002038-INV
Notice of Default Decision and Order Against Bud Brothers, Inc.

Dear Mr. Zapata, and Bud Brothers, Inc.:

Pursuant to the Department of Cannabis Control's authority under Government Code section 11520, the Department finds Respondent Bud Brothers, Inc., in default and therefore will proceed as described in the attached Default Decision and Order.

Be advised that Government Code section 11520, subdivision (c), provides that Respondent may serve a written motion requesting that the Decision be vacated upon stating the grounds relied on **within seven (7) days** after service of the Decision. The Department in its discretion may vacate the Decision and grant a hearing on a showing of good cause, as defined in the statute.

Barring such a timely filed motion, the attached Default Decision and Order involving Bud Brothers, Inc., will become effective on May 22, 2025.

Sincerely,

Douglas Smurr
Assistant General Counsel
info@cannabis.ca.gov
www.cannabis.ca.gov

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8 **BEFORE THE**
9 **DEPARTMENT OF CANNABIS CONTROL**
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:

12 **BUD BROTHERS, INC.**
13 **WILLIAM ZAPATA, OWNER**
14 **411 Main Street, Suite 2**
15 **Colusa, CA 95932**

16 **Cannabis - Retailer Non-Storefront**
17 **No. C9-0000410-LIC**

18 Respondent.

Case No. DCC24-0002038-INV

DEFAULT DECISION AND ORDER

[Gov. Code, §11520]

19 **FINDINGS OF FACT**

20 1. On or about March 14, 2025, Complainant Evelyn Schaeffer, in her official capacity
21 as the Deputy Director of the Compliance Division of the Department of Cannabis Control, filed
22 Accusation No. DCC24-0002038-INV against Bud Brothers, Inc. (Respondent), before the
23 Department of Cannabis Control. (Accusation attached as Exhibit A.)

24 2. On or about April 28, 2021, the Department of Cannabis Control (Department) issued
25 Cannabis - Retailer Non-Storefront License No. C9-0000410-LIC to Respondent. The Cannabis -
26 Retailer Non-Storefront License was in full force and effect at all times relevant to the charges
27 brought in Accusation No. DCC24-0002038-INV and will expire on April 28, 2025.
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1 3. On or about March 17, 2025, Respondent was served by Certified and First Class
2 Mail copies of the Accusation No. DCC24-0002038-INV, Statement to Respondent, Notice of
3 Defense, Request for Discovery, and Discovery Statutes (Government Code sections 11507.5,
4 11507.6, and 11507.7) at Respondent's address of record which, pursuant to California Code of
5 Regulations, title 4, section 15002, is required to be reported and maintained with the
6 Department. Respondent's address of record was and is: 411 Main Street, Suite 2, Colusa, CA
7 95932.

8 4. On or about March 17, 2025, Respondent's Designated Responsible Party, William
9 Zapata, was served by Certified and First Class Mail copies of the Accusation
10 No. DCC24-0002038-INV, Statement to Respondent, Notice of Defense, Request for Discovery
11 and Discovery Statutes (Government Code sections 11507.5, 11507.6, and 11507.7), at his
12 address of record, which required to be reported and maintained with the Department, and which
13 is: 528 Washington Avenue, Yuba City, CA 95991.

14 5. Service of the Accusation was effective as a matter of law under the provisions of
15 Government Code section 11505(c) and/or Business and Professions Code section 124.

16 6. Government Code section 11506(c) states, in pertinent part:

17 (c) The respondent shall be entitled to a hearing on the merits if the respondent
18 files a notice of defense . . . and the notice shall be deemed a specific denial of all
19 parts of the accusation . . . not expressly admitted. Failure to file a notice of defense
20 . . . shall constitute a waiver of respondent's right to a hearing, but the agency in its
21 discretion may nevertheless grant a hearing.

22 7. The Department takes official notice of its records and the fact that Respondent failed
23 to file a Notice of Defense within 15 days after service upon them of the Accusation, and
24 therefore waived its right to a hearing on the merits of Accusation No. DCC24-0002038-INV.

25 8. California Government Code section 11520(a) states, in pertinent part:

26 (a) If the respondent either fails to file a notice of defense . . . or to appear at
27 the hearing, the agency may take action based upon the respondent's express
28 admissions or upon other evidence and affidavits may be used as evidence without
any notice to respondent. . . .

 9. Pursuant to its authority under Government Code section 11520, the Department finds
Respondent is in default. The Department will take action without further hearing and, based on

the relevant evidence contained in the Default Decision Investigatory Evidence Packet in this matter, finds that the charges and allegations in Accusation No. DCC24-0002038-INV, are separately and severally, found to be true and correct by clear and convincing evidence.

10. The Department finds that the actual costs for enforcement are \$9,158.25 as of April 7, 2025.

DETERMINATION OF ISSUES

1. Based on the foregoing findings of fact, Respondent Bud Brothers, Inc. has subjected its Cannabis - Retailer Non-Storefront License No. C9-0000410-LIC to discipline.

2. The agency has jurisdiction to adjudicate this case by default.

3. The Department of Cannabis Control is authorized to revoke Respondent's Cannabis - Retailer Non-Storefront License based upon the following violations alleged in the Accusation which are supported by the evidence contained in the Default Decision Investigatory Evidence Packet in this case:

a. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, section 15415, subdivision (f), [Failure to carry copy of current copy of license during deliveries];

b. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, section 15415, subdivision (f), [Failure to provide delivery employees with identification badge];

c. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, section 15417, subdivision (b), [Failure to carry cannabis goods in trunk or secure area];

d. Business and Professions Code section 26030, subdivisions (a) and (c) X, and California Code of Regulations, title 4, section 15417, subdivision (d), [Failure to equip delivery vehicles with global positioning system];

e. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, sections 15049.3, subdivision (a) and (b)(5), and 15418, subdivision (d), [Failure to create and maintain delivery inventory ledger];

f. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, section 15420, subdivision (a)(9), [Failure to obtain signature on delivery receipt];

g. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, section 15420, subdivision (b), [Failure to provide customers with delivery request receipt];

h. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, section 15423, subdivision (d), [Failure to keep and provide Department with inventory records];

i. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, sections 15048.1, subdivision (a)(8), and 15051, [Failure to reconcile inventory at least once every 30 days];

j. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, section 15047.2, subdivision (b), [Failure to accurately report data in the California Cannabis Track and Trace system];

k. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, section 15049, subdivision (b)(1), [Failure to timely accept incoming transfers];

1. Business and Professions Code section 26030, subdivisions (a) and (c), and California Code of Regulations, title 4, section 15048, subdivision (c), [Unauthorized sharing of California Cannabis Track and Trace system login information];

m. Business and Professions Code section 26030, subdivision (d), and Vehicle Code section 16020, [Failure to establish financial responsibility of delivery vehicles]; and

n. Business and Professions Code section 26030, subdivision (d), [Failure to pay taxes as required by Revenue and Taxation Code].

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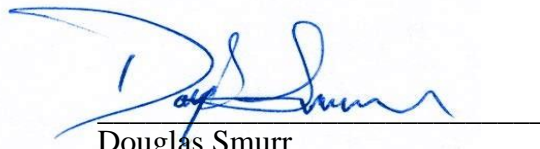
ORDER

IT IS SO ORDERED that Cannabis - Retailer Non-Storefront License No. C9-0000410-LIC, issued to Respondent Bud Brothers, Inc, is revoked.

Pursuant to Government Code section 11520, subdivision (c), Respondent may serve a written motion requesting that the Decision be vacated and stating the grounds relied on within seven (7) days after service of the Decision on Respondent. The agency in its discretion may vacate the Decision and grant a hearing on a showing of good cause, as defined in the statute.

This Decision shall become effective on May 22, 2025.

IT IS SO ORDERED, April 22, 2025.



Douglas Smurr
Assistant General Counsel
FOR THE DEPARTMENT OF CANNABIS CONTROL

Exhibit A

Accusation

1 ROB BONTA
Attorney General of California
2 GREGORY M. CRIBBS
Supervising Deputy Attorney General
3 MATTHEW S. BEASLEY
Deputy Attorney General
4 State Bar No. 288070
300 So. Spring Street, Suite 1702
5 Los Angeles, CA 90013
Telephone: (213) 269-6705
6 Facsimile: (916) 731-2126
E-mail: Matthew.Beasley@doj.ca.gov
7 *Attorneys for Complainant*

8
9 **BEFORE THE**
10 **DEPARTMENT OF CANNABIS CONTROL**
11 **STATE OF CALIFORNIA**

12 In the Matter of the Accusation Against:

Case No. DCC24-0002038-INV

13 **BUD BROTHERS INC, dba**
14 **BUD BROTHERS; William Zapata, Owner.**
15 **411 Main Street, Suite 2**
16 **Colusa, CA 95932**

ACCUSATION

17 **Retailer - Non-Storefront License**
18 **No. C9-0000410-LIC**

Respondent.

19 **PARTIES**

20 1. Evelyn Schaeffer (Complainant) brings this Accusation solely in her official capacity
21 as the Deputy Director of the Compliance Division of the Department of Cannabis Control
22 (Department).

23 2. On or about April 28, 2021, the Department issued Retailer - Non-Storefront License
24 No. C9-0000410-LIC to Bud Brothers, Inc., dba Bud Brothers (Respondent) with William Zapata
25 as Owner. The Retailer - Non-Storefront License was in full force and effect at all times relevant
26 to the charges brought herein and will expire on April 28, 2025, unless renewed.

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JURISDICTION

3. This Accusation is brought before the Director (Director) for the Department, under the authority of the following laws. All section references are to the Business and Professions Code (Code) unless otherwise indicated.

4. Section 26010 of the Code states:

There is in the Business, Consumer Services, and Housing Agency, the Department of Cannabis Control under the supervision and control of a director. The director shall administer and enforce the provisions of this division related to the department.

5. Section 26010.5, subdivision (d), of the Code states:

The department has the power, duty, purpose, responsibility, and jurisdiction to regulate commercial cannabis activity as provided in this division.

6. Section 26012, subdivision (a), of the Code states:

It being a matter of statewide concern, except as otherwise authorized in this division, the department shall have the sole authority to create, issue, deny, renew, discipline, condition, suspend, or revoke licenses for commercial cannabis activity.

7. Section 26013, subdivision (a), of the Code states:

The department shall make and prescribe reasonable rules and regulations as may be necessary to implement, administer, and enforce its duties under this division in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code....

8. Section 26015, subdivision (a), of the Code states:

(a) The department may make or cause to be made such investigation as it deems necessary to carry out its duties under this division.

9. Section 26031 of the Code states, in part:

(a) The department may suspend, revoke, place on probation with terms and conditions, or otherwise discipline licenses issued by the department and fine a licensee, after proper notice and hearing to the licensee, except as provided in Section 26031.01, if the licensee is found to have committed any of the acts or omissions constituting grounds for disciplinary action. The disciplinary proceedings under this chapter shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the director shall have all the powers granted therein.

...

1 (c) The department may take disciplinary action against a licensee for any
2 violation of this division when the violation was committed by the licensee's officers,
3 directors, owners, agents, or employees while acting on behalf of the licensee or
4 engaged in commercial cannabis activity

5 ...

6 (d) The suspension or expiration of a license issued by the department, or its
7 suspension, forfeiture, or cancellation by order of the department or by order of a
8 court of law, or its surrender without the written consent of the department, shall not,
9 during any period in which it may be renewed, restored, reissued, or reinstated,
10 deprive the department of its authority to institute or continue a disciplinary
11 proceeding against the licensee upon any ground provided by law or to enter an order
12 suspending or revoking the license or otherwise taking disciplinary action against the
13 licensee on any such ground.

14 10. Section 26034 of the Code states:

15 All accusations against licensees shall be filed by the department within five
16 years after the performance of the act or omission alleged as the ground for
17 disciplinary action; provided, however, that the foregoing provision shall not
18 constitute a defense to an accusation alleging fraud or misrepresentation as a ground
19 for disciplinary action. The cause for disciplinary action in that case shall not be
20 deemed to have accrued until discovery, by the department, of the facts constituting
21 the fraud or misrepresentation, and, in that case, the accusation shall be filed within
22 five years after that discovery.

23 **STATUTORY PROVISIONS**

24 11. Section 26030 of the Code states, in part:

25 Grounds for disciplinary action include, but are not limited to, all of the
26 following:

27 (a) Failure to comply with the provisions of this division or any rule or
28 regulation adopted pursuant to this division.

...

(c) Any other grounds contained in regulations adopted by the department
pursuant to this division.

(d) Failure to comply with any state law including, but not limited to, the
payment of taxes as required under the Revenue and Taxation Code, except as
provided for in this division or other California law....

12. Section 26051.5 of the Code states, in part:

(a) An applicant for a state license issued pursuant to this division to conduct
commercial cannabis activity, as defined in Section 26001, shall do all of the
following:

...

1 (6) Provide the applicant's valid seller's permit number issued pursuant to
2 Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation
Code or indicate that the applicant is currently applying for a seller's permit....

3 13. Section 26090, subdivision (b), of the Code states:

4 (b) All employees of a retailer, microbusiness, or nonprofit delivering cannabis
5 or cannabis products shall carry a copy of the licensee's current license and a
6 government-issued identification with a photo of the employee, such as a driver's
license. The employee shall present that license and identification upon request to
7 state and local law enforcement, employees of the department and other state and
local agencies enforcing this division.

8 14. California Revenue and Tax Code section 6071, states:

9 A person who engages in business as a seller in this state without a permit or
10 permits or after a permit has been suspended or revoked, and each officer of any
corporation which so engages in business, is guilty of a misdemeanor punishable as
11 provided in Section 7153.

12 15. California Vehicle Code section 16020, subdivision (a), states:

13 (a) All drivers and all owners of a motor vehicle shall at all times be able to
14 establish financial responsibility pursuant to Section 16021, and shall at all times
carry in the vehicle evidence of the form of financial responsibility in effect for the
15 vehicle.

16 **REGULATORY PROVISIONS**

17 16. Title 4 of the California Code of Regulations, section 15000.5 states:

18 In construing and enforcing the provisions of the Act and the regulations in this
19 division, the act, omission, or failure of an agent, officer, representative, or other
person acting for or employed by a licensee, within the scope of their employment or
20 office, shall in every case be deemed the act, omission, or failure of the licensee.

21 17. Title 4 of the California Code of Regulations, section 15002, states in part:

22 ...

23 (c) An application must be completed by an owner as defined by section
15003. An application for an annual cannabis license includes the following:

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25
26 (20) The applicant shall provide a valid seller's permit number issued by the
27 California Department of Tax and Fee Administration, if applicable....
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18. Title 4 of the California Code of Regulations, section 15047.2, states, in part:

...

(b) All commercial cannabis activity shall be accurately recorded in the track and trace system.

(c) A licensee is responsible for the accuracy and completeness of all data and information entered into the track and trace system. The licensee is responsible for all actions taken by the designated account manager or other account users while performing track and trace activities....

19. Title 4 of the California Code of Regulations, section 15048, subdivision (c), states:

(c) The account manager and each user shall utilize a unique login, consisting of a username and password. The account manager and each user shall only access the track and trace system under their assigned login. No account manager or user shall share their login, username, or password, with any other individual for any reason.

20. Title 4 of the California Code of Regulations, section 15048.1, states in part:

(a) A licensee and their designated account manager(s) shall:

...

(8) Reconcile the inventory of cannabis and cannabis products on the licensed premises with the track and trace system database at least once every thirty (30) calendar days.

21. Title 4 of the California Code of Regulations, section 15049, states in part:

...

(b) Each of the following activities shall be recorded in the track and trace system within 24 hours of occurrence:

(1) Receipt of cannabis or cannabis products....

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1 22. Title 4 of the California Code of Regulations, section 15049.3, states in part:

2 (a) A licensed retailer conducting delivery of cannabis goods shall create a
3 delivery inventory ledger in the track and trace system and record the information
4 required under subsections (b)(1) through (7) prior to the delivery employee leaving
the licensed retail premises for each delivery trip. A delivery trip begins when the
delivery employee leaves the licensed retail premises to conduct delivery of cannabis
goods.

5 (b) The delivery inventory ledger shall include the following information:

6 ...

7 (5) The item name and category of each cannabis good to be carried on the
8 delivery trip, the UID(s) assigned to those cannabis goods, and the number of units
associated with each UID on the delivery inventory ledger....

9 23. Title 4 of the California Code of Regulations, section 15051, subdivision (a)(1), states:

10 (a) The license shall review the information recorded in the track and trace
11 system at least once every 30 calendar days to ensure its accuracy, including, at a
minimum:

12 (1) Reconciling on-hand inventory of cannabis and cannabis product with
13 the records in the track and trace system...

14 24. Title 4 of the California Code of Regulations, section 15415, subdivision (f), states:

15 (f) A delivery employee of a licensed retailer shall, during deliveries, carry a
16 copy of the retailer's current license, a copy of the QR Code certificate issued by the
Department, which complies with section 15039, subsection (d), the employee's
17 government-issued identification, and an identification badge provided by the
employer pursuant to section 15043. A delivery employee shall provide a copy of the
18 retail license, a copy of the QR Code certificate, and their employee identification
badge to a delivery customer upon request.

19 25. Title 4 of the California Code of Regulations, section 15417, states in part:

20 ...

21 (b) While carrying cannabis goods for delivery, a licensed retailer's delivery
22 employee shall ensure the cannabis goods are not visible to the public. Cannabis
goods shall be stored in a secure, fully enclosed trunk that cannot be accessed from
23 inside the vehicle, or in a secured area or compartment within the interior of the
vehicle. A "secured area" is defined as an area where solid or locking metal
24 partitions, cages, or high-strength shatterproof acrylic can be used to create a secure
compartment in the fully enclosed vehicle. The secured area may be comprised on
25 three sides by any part of the body of the vehicle, provided the parts of the vehicle
used for the purposes of this section are shatterproof and are not made of glass.

26 ...

27 (d) A vehicle used for the delivery of cannabis goods shall be outfitted with a
28 dedicated Global Positioning System (GPS) device for identifying the geographic

location of the delivery vehicle and recording a history of all locations traveled to by the delivery employee while engaged in delivery. A dedicated GPS device must be owned by the licensee and used for delivery only. The device shall be either permanently or temporarily affixed to the delivery vehicle and shall remain active and inside of the delivery vehicle at all times during delivery. At all times, the licensed retailer shall be able to identify the geographic location of all delivery vehicles that are making deliveries for the licensed retailer and document the history of all locations traveled to by a delivery employee while engaged in delivery. A licensed retailer shall provide this information to the Department upon request. The history of all locations traveled to by a delivery employee while engaging in delivery shall be maintained by the licensee for a minimum of 90 days....

26. Title 4 of the California Code of Regulations, section 15418, subdivision (d), states:

(d) Before leaving the licensed premises, the licensed retailer's delivery employee must have a delivery inventory ledger of all cannabis goods provided to the licensed retailer's delivery employee. The contents of the delivery inventory ledger must comply with the requirements of section 15049.3. During the delivery trip, as defined in section 15049.3, the delivery employee shall maintain the delivery inventory ledger in hard copy or electronically, the latter of which may be an electronic copy maintained in the track and trace system. The delivery inventory ledger must be updated after each completed delivery to reflect the remaining inventory carried by the delivery employee. The delivery inventory ledger must otherwise be updated in accordance with the requirements of section 15049.3, and then entered into the track and trace system no later than the end of the calendar day on which the delivery trip occurred.

27. Title 4 of the California Code of Regulations, section 15420, states:

A licensed retailer shall prepare a hard copy or electronic delivery request receipt for each delivery of cannabis goods.

(a) The delivery request receipt shall contain the following:

...

(9) Upon delivery, the date and time the delivery was made, and the handwritten or electronic signature of the customer who received the delivery.

(b) At the time of the delivery, the delivery employee of the retailer shall provide the customer who placed the order with a hard or electronic copy of the delivery request receipt. The delivery employee shall retain a hard or electronic copy of the signed delivery request receipt for the licensed retailer's records....

28. Title 4 of the California Code of Regulations, section 15423, states:

A licensed retailer shall maintain an accurate record of its inventory. A licensed retailer shall provide the Department with the record of inventory immediately upon request. A licensed retailer shall keep a record of the following information for all cannabis goods the licensed retailer has in its inventory:

(a) A description of each item such that the cannabis goods can easily be identified;

- 1 (b) An accurate measurement of the quantity of the item;
- 2 (c) The date and time the cannabis goods were received by the licensed retailer;
- 3 (d) The sell-by or expiration date provided on the package of cannabis goods, if
any;
- 4 (e) The name and license number of the licensed distributor or licensed
5 microbusiness that transported the cannabis goods to the licensed retailer; and
- 6 (f) The price the licensed retailer paid for the cannabis goods, including taxes,
delivery costs, and any other costs.

7

8 29. Title 4 of the California Code of Regulations, section 17801 states:

9 (a) The Department may issue a Notice to Comply to a licensee for violation(s) of
the Act or this division discovered during an investigation or audit or observed during
an inspection.

10 (b) The Notice to Comply shall be in writing and describe the nature and facts of
11 each violation, including a reference to the statute or regulation violated, and may
12 indicate the manner in which the licensee must correct the violation(s) to achieve
compliance.

13 (c) The Department may serve the Notice to Comply personally, by email, or by
14 mail to the licensee or an employee, agent, or person delegated by the licensee to
accept notice.

15 (d) The licensee shall sign and return the Notice to Comply and describe how
16 compliance was achieved within 30 calendar days after the date of personal service or
the date of emailing or mailing of the notice or a different date specified by the
Department. The Department may also require the licensee to provide a plan for
17 review and approval by the Department on a case-by-case basis.

18 (e) Failure to correct the violation(s) in the Notice to Comply may result in
19 disciplinary action.

20 **COST RECOVERY**

21 30. Section 26031.1 of the Code states that:

22 (a) Except as otherwise provided by law, in an order issued in resolution of a
disciplinary proceeding before the department, the administrative law judge, upon
23 request, may direct a licensee found to have committed a violation to pay a sum not to
exceed the reasonable costs of the investigation and enforcement of the case.

24 (b) A certified copy of the actual costs, or a good faith estimate of costs where
actual costs are not available, signed by the department or its designated
25 representative shall be prima facie evidence of reasonable costs of investigation and
prosecution of the case. The costs shall include the amount of investigative and
26 enforcement costs up to the date of the hearing, including, but not limited to, charges
imposed by the Attorney General.

27 (c) The administrative law judge shall make a proposed finding of the amount
28 of reasonable costs of investigation and prosecution of the case when requested

pursuant to subdivision (a). The finding of the administrative law judge with regard to costs shall not be reviewable by the department to increase the cost award. The department may reduce or eliminate the cost award, or remand to the administrative law judge if the proposed decision fails to make a finding on costs requested pursuant to subdivision (a).

(d) If an order for recovery of costs is made and timely payment is not made as directed in the department's decision, the department may enforce the order for repayment in any appropriate court. This right of enforcement shall be in addition to any other rights the department may have as to any licensee to pay costs.

(e) In any action for recovery of costs, proof of the department's decision shall be conclusive proof of the validity of the order of payment and the terms for payment.

(f)(1) Except as provided in paragraph (2), the department shall not renew or reinstate the license of any licensee who has failed to pay all of the costs ordered under this section.

(2) Notwithstanding paragraph (1), the department may, in its discretion, conditionally renew or reinstate for a maximum of one year the license of any licensee who demonstrates financial hardship and who enters into a formal agreement with the department to reimburse the department within that one-year period for the unpaid costs.

(g) All costs recovered under this section shall be considered a reimbursement for costs incurred and shall be deposited into the Cannabis Control Fund to be available upon appropriation by the Legislature.

(h) Nothing in this section shall preclude the department from including the recovery of the costs of investigation and enforcement of a case in any stipulated settlement.

FACTUAL ALLEGATIONS

31. On May 5, 2023, Department staff conducted an announced compliance inspection of Respondent's licensed premises and observed certain violations of laws and regulations applicable to cannabis retailers, including the failure to record accepted cannabis packages within 24 hours of delivery and reconciliation of its onsite inventory of cannabis and cannabis products with the California Cannabis Track and Trace (CCTT) system. On May 9, 2023, Department staff emailed a Notice to Comply to Respondent's Owner William Zapata (Owner Zapata) at his email address on file. The Notice to Comply required Respondent to remedy the violations observed during the May 5, 2023, inspection. Owner Zapata emailed Department staff on June 13, 2023, with a signed copy of the Notice to Comply and indicated that he was still working to correct the inventory discrepancies.

1 32. On June 27, 2023, Department staff checked Respondent's CCTT system activity and
2 noted unreceived transfers and additional transfer manifests to Respondent that were not marked
3 as received within the requisite 24-hour timeframe. These violations occurred after the May 9,
4 2023 Notice to Comply.

5 33. On August 22, 2024, Department staff received and reviewed an anomaly report.¹
6 The anomaly report reflected a large number of package adjustments in Respondent's CCTT
7 account.

8 34. Department staff conducted an announced compliance inspection on August 23, 2024,
9 at Respondent's licensed premises. Owner Zapata was not present but agreed to be available by
10 phone if needed. Respondent's inventory manager guided Department staff through the licensed
11 premises.

12 35. When asked which employees had access to the CCTT system, Respondent's
13 inventory manager stated that she did not have her own unique login, and that she instead uses
14 Owner Zapata's login information to access the CCTT system. Department staff confirmed that
15 the only listed employee in Respondent's CCTT account was Owner Zapata. Department staff
16 also inquired about Respondent's delivery process and was advised that they use the "ice cream
17 truck method," wherein each day, delivery drivers leave the premises with a prefilled box of
18 cannabis products. As orders come in, the delivery driver fulfills those orders from the prefilled
19 box instead of returning to the licensed premises in between orders. This method would require a
20 licensee to use a delivery inventory ledger and update the ledger each time a sale is made, which
21 Respondent was not doing. When asked at what point Respondent reconciles the sold inventory
22 from each delivery driver's box, the inventory manager stated that it is done once a week.
23 Department staff informed Respondent's inventory manager that the delivery inventory ledger
24 must be maintained and updated after each sale.

25 36. Department staff also reviewed the information provided on Respondent's delivery
26 receipt(s) and noted that the customer signatures were absent. When questioned about the
27

28 ¹ An anomaly report is a detailed overview and analysis of all the data entered in a specific
CCTT account. The report displays irregularities in licensee-entered data in the CCTT system.

1 missing signatures, Respondent's inventory manager stated that their delivery driver would sign
2 the receipt on the customer's behalf, and that the customer is not provided with a receipt unless
3 requested to by the customer. Respondent's inventory manager stated that they had not kept any
4 actual records of inventory reconciliation, and she believed it had been over a month since the last
5 inventory reconciliation. When asked for documentation on the last inventory reconciliation, she
6 was unable to provide it.

7 37. Department staff requested that Respondent's inventory manager contact Owner
8 Zapata to obtain insurance and registration information for the delivery vehicles to be used that
9 day. Owner Zapata relayed via text messages that he did not have the vehicle information readily
10 available, but that the drivers would be arriving within a few hours. Of note, Owner Zapata stated
11 that one of the vehicles, a Kia Soul, scheduled for use that day was currently uninsured because
12 the insurance policy had been cancelled for unauthorized commercial cannabis activity. When
13 asked how long the Kia Soul had been uninsured, Owner Zapata replied he was unsure.
14 Department staff also received insurance and registration information for a Ford Bronco
15 scheduled for use that day. Per the received insurance cards, there was no active insurance policy
16 covering the Ford Bronco. When asked if the delivery vehicles were equipped with Global
17 Positioning System (GPS) devices, Respondent's inventory manager said that instead of GPS
18 devices installed in their delivery vehicles, employees are provided work cell phones that contain
19 tracking software. The inventory manager stated that she did not believe that the tracking
20 software stored location information for at least 90 days, as required.

21 38. Department staff also contacted one of Respondent's delivery employees (Driver A),
22 who used his personal vehicle, a Ford Focus. During this conversation, Driver A stated that he
23 did not have an employee identification badge that he wears while making deliveries of cannabis
24 products, nor did he carry a current copy of Respondent's state-issued commercial cannabis
25 license. Driver A also advised Department staff that the prefilled boxes containing cannabis
26 products were typically kept in the front or back seat of his vehicle instead of a secured trunk.

27 39. Following the inspection, Department staff confirmed that neither the Ford Bronco
28 nor Ford Focus were reported as delivery vehicles in Respondent's CCTT account.

40. In or around sometime in August 2024, the California Department of Tax and Fee Administration (CDTFA) revoked Respondent's Sales and Use tax seller's permit after determining that Respondent had failed to pay both: (a) owed sales and use tax; and (b) owed cannabis retail excise tax.

41. In or around November 2024, CDTFA informed the Department that Respondent's seller's permit had been revoked. CDTFA further informed the Department that Respondent had an unpaid balance of \$227,746.22 in sales and use tax, and an unpaid balance of \$549,271.92 in cannabis retail excise tax.

FIRST CAUSE FOR DISCIPLINE

(Failure to Carry a Copy of the Current License During Deliveries)

42. Respondent is subject to disciplinary action under Code sections 26030, subdivisions (a) and (c), and 26090, subdivision (b), in that it failed to comply with Title 4 of the California Code of Regulations, section 15415, subdivision (f), requiring that a delivery employee of a licensed retailer carry a copy of the retailer's current license during deliveries, as more particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

SECOND CAUSE FOR DISCIPLINE

(Failure to Provide Delivery Employees with an Identification Badge)

43. Respondent is further subject to disciplinary action under Code section 26030, subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of Regulations, section 15415, subdivision (f), requiring that a delivery employee of a licensed retailer carry an identification badge provided by the employer during deliveries, as more particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

THIRD CAUSE FOR DISCIPLINE

(Failure to Carry Cannabis Goods in a Secured Trunk or Area)

44. Respondent is further subject to disciplinary action under Code section 26030, subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of

1 Regulations, section 15417, subdivision (b), requiring that cannabis goods be stored in a secure,
2 fully enclosed trunk that cannot be accessed from inside the vehicle, or in a secured area or
3 compartment within the interior of the vehicle, as more particularly alleged in paragraphs 31
4 through 41, above, which are hereby incorporated by reference and realleged as if fully set forth
5 herein.

6 **FOURTH CAUSE FOR DISCIPLINE**

7 (Failure to Equip Delivery Vehicles with a Global Positioning System)

8 45. Respondent is further subject to disciplinary action under Code section 26030,
9 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
10 Regulations, section 15417, subdivision (d), requiring that a vehicle used for the delivery of
11 cannabis goods be outfitted with a dedicated Global Positioning System device for identifying the
12 geographic location of the delivery vehicle and recording a 90-day history of all locations
13 traveled to by the delivery employee while engaged in delivery, as more particularly alleged in
14 paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if
15 fully set forth herein.

16 **FIFTH CAUSE FOR DISCIPLINE**

17 (Failure to Create and Maintain a Delivery Inventory Ledger)

18 46. Respondent is further subject to disciplinary action under Code section 26030,
19 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
20 Regulations, sections 15049.3, subdivisions (a) and (b)(5), and 15418, subdivision (d), requiring
21 that that a licensed retailer conducting delivery of cannabis goods create a delivery inventory
22 ledger in the CCTT system and update the information after each delivery, as more particularly
23 alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and
24 realleged as if fully set forth herein.

25 **SIXTH CAUSE FOR DISCIPLINE**

26 (Failure to Obtain Customer Signature on the Delivery Request Receipt)

27 47. Respondent is further subject to disciplinary action under Code section 26030,
28 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of

1 Regulations, section 15420, subdivision (a)(9), requiring upon delivery, the handwritten or
2 electronic signature of the customer who received the delivery, as more particularly alleged in
3 paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if
4 fully set forth herein.

5 **SEVENTH CAUSE FOR DISCIPLINE**

6 (Failure to Provide Customers with a Delivery Request Receipt)

7 48. Respondent is further subject to disciplinary action under Code section 26030,
8 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
9 Regulations, section 15420, subdivision (b), requiring that the delivery employee of the retailer
10 provide the customer with a hard or electronic copy of the delivery request receipt, as more
11 particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by
12 reference and realleged as if fully set forth herein.

13 **EIGHTH CAUSE FOR DISCIPLINE**

14 (Failure to Keep and Provide the Department with Inventory Records)

15 49. Respondent is further subject to disciplinary action under Code section 26030,
16 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
17 Regulations, section 15423, requiring that a licensed retailer maintain an accurate record of its
18 inventory and provide the Department with the record of inventory immediately upon request, as
19 more particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by
20 reference and realleged as if fully set forth herein.

21 **NINTH CAUSE FOR DISCIPLINE**

22 (Failure to Reconcile Inventory At Least Once Every 30 Days)

23 50. Respondent is further subject to disciplinary action under Code section 26030,
24 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
25 Regulations, sections 15048.1, subdivision (a)(8), and 15051, subdivision (a), requiring that a
26 licensee reconcile its on-hand inventory of cannabis and cannabis product with the records in the
27 CCTT system at least once every 30 days, as more particularly alleged in paragraphs 31 through
28 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

1 **TENTH CAUSE FOR DISCIPLINE**

2 (Failure to Accurately Report Data in the CCTT System)

3 51. Respondent is further subject to disciplinary action under Code section 26030,
4 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
5 Regulations, section 15047.2, subdivision (b), requiring that all commercial cannabis activity be
6 accurately recorded in the CCTT system, as more particularly alleged in paragraphs 31 through
7 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

8 **ELEVENTH CAUSE FOR DISCIPLINE**

9 (Failure to Accept Incoming Transfers of Cannabis Products Within 24 Hours of Receipt)

10 52. Respondent is further subject to disciplinary action under Code section 26030,
11 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
12 Regulations, section 15049, subdivision (b)(1), requiring that the receipt of cannabis or cannabis
13 products be recorded in the CCTT system within 24-hours of occurrence, as more particularly
14 alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and
15 realleged as if fully set forth herein.

16 **TWELFTH CAUSE FOR DISCIPLINE**

17 (Unauthorized Sharing of CCTT Account Login Information)

18 53. Respondent is further subject to disciplinary action under Code section 26030,
19 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
20 Regulations, section 15048, subdivision (c), requiring that a CCTT account manager and each
21 user utilize a unique login and prohibiting the shared use of an individual's unique login
22 information, as more particularly alleged in paragraphs 31 through 41, above, which are hereby
23 incorporated by reference and realleged as if fully set forth herein.

24 **THIRTEENTH CAUSE FOR DISCIPLINE**

25 (Failure to Establish Financial Responsibility – Delivery Vehicles)

26 54. Respondent is further subject to disciplinary action under Code section 26030,
27 subdivision (d), in that it failed to comply with Vehicle Code section 16020, subdivision (a),
28 requiring that all drivers and all owners of a motor vehicle be able to establish financial

responsibility at all times, as more particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

FOURTEENTH CAUSE FOR DISCIPLINE

(Failure to Pay Taxes as Required Under the Revenue and Taxation Code)

55. Respondent is further subject to disciplinary action under Code section 26030, subdivision (d), in that Respondent failed to comply with state laws related to the payment of taxes by failing to pay owed sales and use taxes, and cannabis retail excise taxes, as more particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that the following the hearing, the Director of the Department issue a decision:

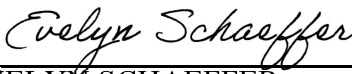
1. Revoking or suspending outright, or suspending with terms and conditions, or fining, or any combination thereof, the Retailer - Non-Storefront Number C9-0000410-LIC, issued to Bud Brothers, Inc. with William Zapata as Owner;

2. Ordering Respondent Bud Brothers, Inc., and William Zapata as Owner, to pay the Department the reasonable costs of the investigation and enforcement of this case, pursuant to Business and Professions Code section 26031.1;

3. Ordering the destruction of cannabis and cannabis goods in the possession of Respondent Bud Brothers, Inc., with William Zapata as Owner, at Respondent's expense if revocation of Retailer - Non-Storefront Number C9-0000410-LIC is ordered, pursuant to California Code of Regulations, title 4, section 15024.1, subdivision (a); and

4. Taking such other and further action as deemed necessary and proper.

DATED: March 14, 2025



EVELYN SCHAEFFER
Deputy Director of the Compliance
Division
Department of Cannabis Control
State of California
Complainant

**BEFORE THE
DEPARTMENT OF CANNABIS CONTROL
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

**BUD BROTHERS, INC.
WILLIAM ZAPATA, OWNER
411 Main Street, Suite 2
Colusa, CA 95932**

**Cannabis - Retailer Non-Storefront License
No. C9-0000410-LIC**

Respondent.

Case No. DCC24-0002038-INV

**DEFAULT DECISION INVESTIGATORY
EVIDENCE PACKET**

[Gov. Code §11520]

The Default Decision Investigatory Evidence Packet in support of the Default Decision and Order in the above-entitled matter consists of the following.

Exhibit 1: Pleadings offered for jurisdictional purposes: Accusation No. DCC24-0002038-INV, statement to respondent, notice of defense (two blank copies), request for discovery, discovery statutes (government code sections 11507.5, 11507.6 and 11507.7), proof of service;

Exhibit 2: Copy of License for Bud Brothers, Inc., Cannabis - Retailer - Non-Storefront License No. C9-0000410-LIC;

Exhibit 3: Certification of Costs by Department for Enforcement in Case No. DCC24-0002038-INV dated April 14, 2025; and

Exhibit 4: Investigative Report (without attachments), Case No. DCC24-0002038-INV.

Dated: April 14, 2025

Respectfully submitted,

ROB BONTA
Attorney General of California
GREGORY M. CRIBBS
Supervising Deputy Attorney General

/s/ Matthew S. Beasley

MATTHEW S. BEASLEY
Deputy Attorney General
Attorneys for Complainant

Exhibit 1

Accusation No. DCC24-0002038-INV; Statement to Respondent;
Notice of Defense; Request for Discovery; Discovery Statutes,
Proof of Service

1 ROB BONTA
Attorney General of California
2 GREGORY M. CRIBBS
Supervising Deputy Attorney General
3 MATTHEW S. BEASLEY
Deputy Attorney General
4 State Bar No. 288070
300 So. Spring Street, Suite 1702
5 Los Angeles, CA 90013
Telephone: (213) 269-6705
6 Facsimile: (916) 731-2126
E-mail: Matthew.Beasley@doj.ca.gov
7 *Attorneys for Complainant*

8 **BEFORE THE**
DEPARTMENT OF CANNABIS CONTROL
9 **STATE OF CALIFORNIA**

10
11 In the Matter of the Accusation Against:

12 **BUD BROTHERS INC, dba**
13 **BUD BROTHERS; William Zapata, Owner.**
14 **411 Main Street, Suite 2**
15 **Colusa, CA 95932**

16 **Retailer - Non-Storefront License**
17 **No. C9-0000410-LIC**

18 Respondent.

Case No. DCC24-0002038-INV

STATEMENT TO RESPONDENT

[Gov. Code §§ 11504, 11505(b)]

19 TO RESPONDENT:

20 Enclosed is a copy of the Accusation that has been filed with the Department of Cannabis
21 Control (Department), and which is hereby served on you.

22 Unless a written request for a hearing signed by you or on your behalf is delivered or
23 mailed to the Department, represented by Deputy Attorney General Matthew S. Beasley, within
24 fifteen (15) days after a copy of the Accusation was personally served on you or mailed to you,
25 you will be deemed to have waived your right to a hearing in this matter and the Department may
26 proceed upon the Accusation without a hearing and may take action thereon as provided by law.

27 ///

28 ///

1 The request for hearing may be made by delivering or mailing one of the enclosed forms
2 entitled "Notice of Defense," or by delivering or mailing a Notice of Defense as provided in
3 section 11506 of the Government Code, to

4
5 **Matthew S. Beasley**
6 **Deputy Attorney General**
7 **300 South Spring Street, Suite 1702**
8 **Los Angeles, CA 90013**
9 **Email: Matthew.Beasley@doj.ca.gov**

10 You may, but need not, be represented by counsel at any or all stages of these proceedings.

11 The enclosed Notice of Defense, if signed and filed with the Department, shall be deemed a
12 specific denial of all parts of the Accusation, but you will not be permitted to raise any objection
13 to the form of the Accusation unless you file a further Notice of Defense as provided in section
14 11506 of the Government Code within fifteen (15) days after service of the Accusation on you.

15 If you file any Notice of Defense within the time permitted, a hearing will be held on the
16 charges made in the Accusation.

17 The hearing may be postponed for good cause. If you have good cause, you are obliged to
18 notify the Office of Administrative Hearings, 320 West Fourth Street, Suite 630, Los Angeles,
19 CA 90013, within ten (10) working days after you discover the good cause. Failure to notify the
20 Office of Administrative Hearings within ten (10) days will deprive you of a postponement.

21 Copies of sections 11507.5, 11507.6, and 11507.7 of the Government Code are enclosed.

22 If you desire the names and addresses of witnesses or an opportunity to inspect and copy
23 the items mentioned in section 11507.6 of the Government Code in the possession, custody or
24 control of the Department you may send a Request for Discovery to the above designated Deputy
25 Attorney General.

26 **NOTICE REGARDING STIPULATED SETTLEMENTS**

27 It may be possible to avoid the time, expense and uncertainties involved in an
28 administrative hearing by disposing of this matter through a stipulated settlement. A stipulated
settlement is a binding written agreement between you and the government regarding the matters

1 charged and the discipline to be imposed. Such a stipulation would have to be approved by the
2 Department of Cannabis Control but, once approved, it would be incorporated into a final order.

3 Any stipulation must be consistent with the Department's established disciplinary
4 guidelines; however, all matters in mitigation or aggravation will be considered A copy of the
5 Department's Disciplinary Guidelines will be provided to you on your written request to the state
6 agency bringing this action.

7 If you are interested in pursuing this alternative to a formal administrative hearing, or if you
8 have any questions, you or your attorney should contact Deputy Attorney General Matthew S.
9 Beasley at the earliest opportunity.

10
11 Dated: March 17, 2025

ROB BONTA
Attorney General of California
GREGORY M. CRIBBS
Supervising Deputy Attorney General

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13
14
15 MATTHEW S. BEASLEY
16 Deputy Attorney General
17 *Attorneys for Complainant*

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1 ROB BONTA
Attorney General of California
2 GREGORY M. CRIBBS
Supervising Deputy Attorney General
3 MATTHEW S. BEASLEY
Deputy Attorney General
4 State Bar No. 288070
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5 Los Angeles, CA 90013
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6 Facsimile: (916) 731-2126
E-mail: Matthew.Beasley@doj.ca.gov
7 *Attorneys for Complainant*

8
9 **BEFORE THE**
10 **DEPARTMENT OF CANNABIS CONTROL**
11 **STATE OF CALIFORNIA**

12 In the Matter of the Accusation Against:

Case No. DCC24-0002038-INV

13 **BUD BROTHERS INC, dba**
14 **BUD BROTHERS; William Zapata, Owner.**
15 **411 Main Street, Suite 2**
16 **Colusa, CA 95932**

ACCUSATION

17 **Retailer - Non-Storefront License**
18 **No. C9-0000410-LIC**

Respondent.

19 **PARTIES**

20 1. Evelyn Schaeffer (Complainant) brings this Accusation solely in her official capacity
21 as the Deputy Director of the Compliance Division of the Department of Cannabis Control
22 (Department).

23 2. On or about April 28, 2021, the Department issued Retailer - Non-Storefront License
24 No. C9-0000410-LIC to Bud Brothers, Inc., dba Bud Brothers (Respondent) with William Zapata
25 as Owner. The Retailer - Non-Storefront License was in full force and effect at all times relevant
26 to the charges brought herein and will expire on April 28, 2025, unless renewed.

27 \\\

28 \\\

JURISDICTION

3. This Accusation is brought before the Director (Director) for the Department, under the authority of the following laws. All section references are to the Business and Professions Code (Code) unless otherwise indicated.

4. Section 26010 of the Code states:

There is in the Business, Consumer Services, and Housing Agency, the Department of Cannabis Control under the supervision and control of a director. The director shall administer and enforce the provisions of this division related to the department.

5. Section 26010.5, subdivision (d), of the Code states:

The department has the power, duty, purpose, responsibility, and jurisdiction to regulate commercial cannabis activity as provided in this division.

6. Section 26012, subdivision (a), of the Code states:

It being a matter of statewide concern, except as otherwise authorized in this division, the department shall have the sole authority to create, issue, deny, renew, discipline, condition, suspend, or revoke licenses for commercial cannabis activity.

7. Section 26013, subdivision (a), of the Code states:

The department shall make and prescribe reasonable rules and regulations as may be necessary to implement, administer, and enforce its duties under this division in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code....

8. Section 26015, subdivision (a), of the Code states:

(a) The department may make or cause to be made such investigation as it deems necessary to carry out its duties under this division.

9. Section 26031 of the Code states, in part:

(a) The department may suspend, revoke, place on probation with terms and conditions, or otherwise discipline licenses issued by the department and fine a licensee, after proper notice and hearing to the licensee, except as provided in Section 26031.01, if the licensee is found to have committed any of the acts or omissions constituting grounds for disciplinary action. The disciplinary proceedings under this chapter shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the director shall have all the powers granted therein.

...

1 (c) The department may take disciplinary action against a licensee for any
2 violation of this division when the violation was committed by the licensee's officers,
3 directors, owners, agents, or employees while acting on behalf of the licensee or
4 engaged in commercial cannabis activity

5 ...

6 (d) The suspension or expiration of a license issued by the department, or its
7 suspension, forfeiture, or cancellation by order of the department or by order of a
8 court of law, or its surrender without the written consent of the department, shall not,
9 during any period in which it may be renewed, restored, reissued, or reinstated,
10 deprive the department of its authority to institute or continue a disciplinary
11 proceeding against the licensee upon any ground provided by law or to enter an order
12 suspending or revoking the license or otherwise taking disciplinary action against the
13 licensee on any such ground.

14 10. Section 26034 of the Code states:

15 All accusations against licensees shall be filed by the department within five
16 years after the performance of the act or omission alleged as the ground for
17 disciplinary action; provided, however, that the foregoing provision shall not
18 constitute a defense to an accusation alleging fraud or misrepresentation as a ground
19 for disciplinary action. The cause for disciplinary action in that case shall not be
20 deemed to have accrued until discovery, by the department, of the facts constituting
21 the fraud or misrepresentation, and, in that case, the accusation shall be filed within
22 five years after that discovery.

23 **STATUTORY PROVISIONS**

24 11. Section 26030 of the Code states, in part:

25 Grounds for disciplinary action include, but are not limited to, all of the
26 following:

27 (a) Failure to comply with the provisions of this division or any rule or
28 regulation adopted pursuant to this division.

...

(c) Any other grounds contained in regulations adopted by the department
pursuant to this division.

(d) Failure to comply with any state law including, but not limited to, the
payment of taxes as required under the Revenue and Taxation Code, except as
provided for in this division or other California law....

12. Section 26051.5 of the Code states, in part:

(a) An applicant for a state license issued pursuant to this division to conduct
commercial cannabis activity, as defined in Section 26001, shall do all of the
following:

...

1 (6) Provide the applicant's valid seller's permit number issued pursuant to
2 Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation
Code or indicate that the applicant is currently applying for a seller's permit....

3 13. Section 26090, subdivision (b), of the Code states:

4 (b) All employees of a retailer, microbusiness, or nonprofit delivering cannabis
5 or cannabis products shall carry a copy of the licensee's current license and a
6 government-issued identification with a photo of the employee, such as a driver's
7 license. The employee shall present that license and identification upon request to
state and local law enforcement, employees of the department and other state and
local agencies enforcing this division.

8 14. California Revenue and Tax Code section 6071, states:

9 A person who engages in business as a seller in this state without a permit or
10 permits or after a permit has been suspended or revoked, and each officer of any
11 corporation which so engages in business, is guilty of a misdemeanor punishable as
provided in Section 7153.

12 15. California Vehicle Code section 16020, subdivision (a), states:

13 (a) All drivers and all owners of a motor vehicle shall at all times be able to
14 establish financial responsibility pursuant to Section 16021, and shall at all times
15 carry in the vehicle evidence of the form of financial responsibility in effect for the
vehicle.

16 **REGULATORY PROVISIONS**

17 16. Title 4 of the California Code of Regulations, section 15000.5 states:

18 In construing and enforcing the provisions of the Act and the regulations in this
19 division, the act, omission, or failure of an agent, officer, representative, or other
20 person acting for or employed by a licensee, within the scope of their employment or
office, shall in every case be deemed the act, omission, or failure of the licensee.

21 17. Title 4 of the California Code of Regulations, section 15002, states in part:

22 ...

23 (c) An application must be completed by an owner as defined by section
24 15003. An application for an annual cannabis license includes the following:

25

26 (20) The applicant shall provide a valid seller's permit number issued by the
27 California Department of Tax and Fee Administration, if applicable....
28

1 18. Title 4 of the California Code of Regulations, section 15047.2, states, in part:

2 ...

3 (b) All commercial cannabis activity shall be accurately recorded in the track
4 and trace system.

5 (c) A licensee is responsible for the accuracy and completeness of all data and
6 information entered into the track and trace system. The licensee is responsible for all
actions taken by the designated account manager or other account users while
performing track and trace activities....

7 19. Title 4 of the California Code of Regulations, section 15048, subdivision (c), states:

8 (c) The account manager and each user shall utilize a unique login, consisting
9 of a username and password. The account manager and each user shall only access
10 the track and trace system under their assigned login. No account manager or user
shall share their login, username, or password, with any other individual for any
reason.

11 20. Title 4 of the California Code of Regulations, section 15048.1, states in part:

12 (a) A licensee and their designated account manager(s) shall:

13 ...

14 (8) Reconcile the inventory of cannabis and cannabis products on the
15 licensed premises with the track and trace system database at least once every thirty
(30) calendar days.

16 21. Title 4 of the California Code of Regulations, section 15049, states in part:

17 ...

18 (b) Each of the following activities shall be recorded in the track and trace
19 system within 24 hours of occurrence:

20 (1) Receipt of cannabis or cannabis products....

21 \\\

22 \\\

23 \\\

24 \\\

25 \\\

26 \\\

27 \\\

28 \\\

1 22. Title 4 of the California Code of Regulations, section 15049.3, states in part:

2 (a) A licensed retailer conducting delivery of cannabis goods shall create a
3 delivery inventory ledger in the track and trace system and record the information
4 required under subsections (b)(1) through (7) prior to the delivery employee leaving
the licensed retail premises for each delivery trip. A delivery trip begins when the
delivery employee leaves the licensed retail premises to conduct delivery of cannabis
goods.

5 (b) The delivery inventory ledger shall include the following information:

6 ...

7 (5) The item name and category of each cannabis good to be carried on the
8 delivery trip, the UID(s) assigned to those cannabis goods, and the number of units
associated with each UID on the delivery inventory ledger....

9 23. Title 4 of the California Code of Regulations, section 15051, subdivision (a)(1), states:

10 (a) The license shall review the information recorded in the track and trace
11 system at least once every 30 calendar days to ensure its accuracy, including, at a
minimum:

12 (1) Reconciling on-hand inventory of cannabis and cannabis product with
13 the records in the track and trace system...

14 24. Title 4 of the California Code of Regulations, section 15415, subdivision (f), states:

15 (f) A delivery employee of a licensed retailer shall, during deliveries, carry a
16 copy of the retailer's current license, a copy of the QR Code certificate issued by the
Department, which complies with section 15039, subsection (d), the employee's
17 government-issued identification, and an identification badge provided by the
employer pursuant to section 15043. A delivery employee shall provide a copy of the
18 retail license, a copy of the QR Code certificate, and their employee identification
badge to a delivery customer upon request.

19 25. Title 4 of the California Code of Regulations, section 15417, states in part:

20 ...

21 (b) While carrying cannabis goods for delivery, a licensed retailer's delivery
22 employee shall ensure the cannabis goods are not visible to the public. Cannabis
goods shall be stored in a secure, fully enclosed trunk that cannot be accessed from
23 inside the vehicle, or in a secured area or compartment within the interior of the
vehicle. A "secured area" is defined as an area where solid or locking metal
24 partitions, cages, or high-strength shatterproof acrylic can be used to create a secure
compartment in the fully enclosed vehicle. The secured area may be comprised on
25 three sides by any part of the body of the vehicle, provided the parts of the vehicle
used for the purposes of this section are shatterproof and are not made of glass.

26 ...

27 (d) A vehicle used for the delivery of cannabis goods shall be outfitted with a
28 dedicated Global Positioning System (GPS) device for identifying the geographic

location of the delivery vehicle and recording a history of all locations traveled to by the delivery employee while engaged in delivery. A dedicated GPS device must be owned by the licensee and used for delivery only. The device shall be either permanently or temporarily affixed to the delivery vehicle and shall remain active and inside of the delivery vehicle at all times during delivery. At all times, the licensed retailer shall be able to identify the geographic location of all delivery vehicles that are making deliveries for the licensed retailer and document the history of all locations traveled to by a delivery employee while engaged in delivery. A licensed retailer shall provide this information to the Department upon request. The history of all locations traveled to by a delivery employee while engaging in delivery shall be maintained by the licensee for a minimum of 90 days....

26. Title 4 of the California Code of Regulations, section 15418, subdivision (d), states:

(d) Before leaving the licensed premises, the licensed retailer's delivery employee must have a delivery inventory ledger of all cannabis goods provided to the licensed retailer's delivery employee. The contents of the delivery inventory ledger must comply with the requirements of section 15049.3. During the delivery trip, as defined in section 15049.3, the delivery employee shall maintain the delivery inventory ledger in hard copy or electronically, the latter of which may be an electronic copy maintained in the track and trace system. The delivery inventory ledger must be updated after each completed delivery to reflect the remaining inventory carried by the delivery employee. The delivery inventory ledger must otherwise be updated in accordance with the requirements of section 15049.3, and then entered into the track and trace system no later than the end of the calendar day on which the delivery trip occurred.

27. Title 4 of the California Code of Regulations, section 15420, states:

A licensed retailer shall prepare a hard copy or electronic delivery request receipt for each delivery of cannabis goods.

(a) The delivery request receipt shall contain the following:

...

(9) Upon delivery, the date and time the delivery was made, and the handwritten or electronic signature of the customer who received the delivery.

(b) At the time of the delivery, the delivery employee of the retailer shall provide the customer who placed the order with a hard or electronic copy of the delivery request receipt. The delivery employee shall retain a hard or electronic copy of the signed delivery request receipt for the licensed retailer's records....

28. Title 4 of the California Code of Regulations, section 15423, states:

A licensed retailer shall maintain an accurate record of its inventory. A licensed retailer shall provide the Department with the record of inventory immediately upon request. A licensed retailer shall keep a record of the following information for all cannabis goods the licensed retailer has in its inventory:

(a) A description of each item such that the cannabis goods can easily be identified;

- 1 (b) An accurate measurement of the quantity of the item;
- 2 (c) The date and time the cannabis goods were received by the licensed retailer;
- 3 (d) The sell-by or expiration date provided on the package of cannabis goods, if
any;
- 4 (e) The name and license number of the licensed distributor or licensed
5 microbusiness that transported the cannabis goods to the licensed retailer; and
- 6 (f) The price the licensed retailer paid for the cannabis goods, including taxes,
delivery costs, and any other costs.

7

8 29. Title 4 of the California Code of Regulations, section 17801 states:

9 (a) The Department may issue a Notice to Comply to a licensee for violation(s) of
the Act or this division discovered during an investigation or audit or observed during
an inspection.

10 (b) The Notice to Comply shall be in writing and describe the nature and facts of
11 each violation, including a reference to the statute or regulation violated, and may
12 indicate the manner in which the licensee must correct the violation(s) to achieve
compliance.

13 (c) The Department may serve the Notice to Comply personally, by email, or by
14 mail to the licensee or an employee, agent, or person delegated by the licensee to
accept notice.

15 (d) The licensee shall sign and return the Notice to Comply and describe how
16 compliance was achieved within 30 calendar days after the date of personal service or
the date of emailing or mailing of the notice or a different date specified by the
Department. The Department may also require the licensee to provide a plan for
17 review and approval by the Department on a case-by-case basis.

18 (e) Failure to correct the violation(s) in the Notice to Comply may result in
19 disciplinary action.

20 **COST RECOVERY**

21 30. Section 26031.1 of the Code states that:

22 (a) Except as otherwise provided by law, in an order issued in resolution of a
disciplinary proceeding before the department, the administrative law judge, upon
23 request, may direct a licensee found to have committed a violation to pay a sum not to
exceed the reasonable costs of the investigation and enforcement of the case.

24 (b) A certified copy of the actual costs, or a good faith estimate of costs where
actual costs are not available, signed by the department or its designated
25 representative shall be prima facie evidence of reasonable costs of investigation and
prosecution of the case. The costs shall include the amount of investigative and
26 enforcement costs up to the date of the hearing, including, but not limited to, charges
imposed by the Attorney General.

27 (c) The administrative law judge shall make a proposed finding of the amount
28 of reasonable costs of investigation and prosecution of the case when requested

pursuant to subdivision (a). The finding of the administrative law judge with regard to costs shall not be reviewable by the department to increase the cost award. The department may reduce or eliminate the cost award, or remand to the administrative law judge if the proposed decision fails to make a finding on costs requested pursuant to subdivision (a).

(d) If an order for recovery of costs is made and timely payment is not made as directed in the department's decision, the department may enforce the order for repayment in any appropriate court. This right of enforcement shall be in addition to any other rights the department may have as to any licensee to pay costs.

(e) In any action for recovery of costs, proof of the department's decision shall be conclusive proof of the validity of the order of payment and the terms for payment.

(f)(1) Except as provided in paragraph (2), the department shall not renew or reinstate the license of any licensee who has failed to pay all of the costs ordered under this section.

(2) Notwithstanding paragraph (1), the department may, in its discretion, conditionally renew or reinstate for a maximum of one year the license of any licensee who demonstrates financial hardship and who enters into a formal agreement with the department to reimburse the department within that one-year period for the unpaid costs.

(g) All costs recovered under this section shall be considered a reimbursement for costs incurred and shall be deposited into the Cannabis Control Fund to be available upon appropriation by the Legislature.

(h) Nothing in this section shall preclude the department from including the recovery of the costs of investigation and enforcement of a case in any stipulated settlement.

FACTUAL ALLEGATIONS

31. On May 5, 2023, Department staff conducted an announced compliance inspection of Respondent's licensed premises and observed certain violations of laws and regulations applicable to cannabis retailers, including the failure to record accepted cannabis packages within 24 hours of delivery and reconciliation of its onsite inventory of cannabis and cannabis products with the California Cannabis Track and Trace (CCTT) system. On May 9, 2023, Department staff emailed a Notice to Comply to Respondent's Owner William Zapata (Owner Zapata) at his email address on file. The Notice to Comply required Respondent to remedy the violations observed during the May 5, 2023, inspection. Owner Zapata emailed Department staff on June 13, 2023, with a signed copy of the Notice to Comply and indicated that he was still working to correct the inventory discrepancies.

1 32. On June 27, 2023, Department staff checked Respondent's CCTT system activity and
2 noted unreceived transfers and additional transfer manifests to Respondent that were not marked
3 as received within the requisite 24-hour timeframe. These violations occurred after the May 9,
4 2023 Notice to Comply.

5 33. On August 22, 2024, Department staff received and reviewed an anomaly report.¹
6 The anomaly report reflected a large number of package adjustments in Respondent's CCTT
7 account.

8 34. Department staff conducted an announced compliance inspection on August 23, 2024,
9 at Respondent's licensed premises. Owner Zapata was not present but agreed to be available by
10 phone if needed. Respondent's inventory manager guided Department staff through the licensed
11 premises.

12 35. When asked which employees had access to the CCTT system, Respondent's
13 inventory manager stated that she did not have her own unique login, and that she instead uses
14 Owner Zapata's login information to access the CCTT system. Department staff confirmed that
15 the only listed employee in Respondent's CCTT account was Owner Zapata. Department staff
16 also inquired about Respondent's delivery process and was advised that they use the "ice cream
17 truck method," wherein each day, delivery drivers leave the premises with a prefilled box of
18 cannabis products. As orders come in, the delivery driver fulfills those orders from the prefilled
19 box instead of returning to the licensed premises in between orders. This method would require a
20 licensee to use a delivery inventory ledger and update the ledger each time a sale is made, which
21 Respondent was not doing. When asked at what point Respondent reconciles the sold inventory
22 from each delivery driver's box, the inventory manager stated that it is done once a week.
23 Department staff informed Respondent's inventory manager that the delivery inventory ledger
24 must be maintained and updated after each sale.

25 36. Department staff also reviewed the information provided on Respondent's delivery
26 receipt(s) and noted that the customer signatures were absent. When questioned about the
27

28 ¹ An anomaly report is a detailed overview and analysis of all the data entered in a specific
CCTT account. The report displays irregularities in licensee-entered data in the CCTT system.

1 missing signatures, Respondent's inventory manager stated that their delivery driver would sign
2 the receipt on the customer's behalf, and that the customer is not provided with a receipt unless
3 requested to by the customer. Respondent's inventory manager stated that they had not kept any
4 actual records of inventory reconciliation, and she believed it had been over a month since the last
5 inventory reconciliation. When asked for documentation on the last inventory reconciliation, she
6 was unable to provide it.

7 37. Department staff requested that Respondent's inventory manager contact Owner
8 Zapata to obtain insurance and registration information for the delivery vehicles to be used that
9 day. Owner Zapata relayed via text messages that he did not have the vehicle information readily
10 available, but that the drivers would be arriving within a few hours. Of note, Owner Zapata stated
11 that one of the vehicles, a Kia Soul, scheduled for use that day was currently uninsured because
12 the insurance policy had been cancelled for unauthorized commercial cannabis activity. When
13 asked how long the Kia Soul had been uninsured, Owner Zapata replied he was unsure.
14 Department staff also received insurance and registration information for a Ford Bronco
15 scheduled for use that day. Per the received insurance cards, there was no active insurance policy
16 covering the Ford Bronco. When asked if the delivery vehicles were equipped with Global
17 Positioning System (GPS) devices, Respondent's inventory manager said that instead of GPS
18 devices installed in their delivery vehicles, employees are provided work cell phones that contain
19 tracking software. The inventory manager stated that she did not believe that the tracking
20 software stored location information for at least 90 days, as required.

21 38. Department staff also contacted one of Respondent's delivery employees (Driver A),
22 who used his personal vehicle, a Ford Focus. During this conversation, Driver A stated that he
23 did not have an employee identification badge that he wears while making deliveries of cannabis
24 products, nor did he carry a current copy of Respondent's state-issued commercial cannabis
25 license. Driver A also advised Department staff that the prefilled boxes containing cannabis
26 products were typically kept in the front or back seat of his vehicle instead of a secured trunk.

27 39. Following the inspection, Department staff confirmed that neither the Ford Bronco
28 nor Ford Focus were reported as delivery vehicles in Respondent's CCTT account.

40. In or around sometime in August 2024, the California Department of Tax and Fee Administration (CDTFA) revoked Respondent's Sales and Use tax seller's permit after determining that Respondent had failed to pay both: (a) owed sales and use tax; and (b) owed cannabis retail excise tax.

41. In or around November 2024, CDTFA informed the Department that Respondent's seller's permit had been revoked. CDTFA further informed the Department that Respondent had an unpaid balance of \$227,746.22 in sales and use tax, and an unpaid balance of \$549,271.92 in cannabis retail excise tax.

FIRST CAUSE FOR DISCIPLINE

(Failure to Carry a Copy of the Current License During Deliveries)

42. Respondent is subject to disciplinary action under Code sections 26030, subdivisions (a) and (c), and 26090, subdivision (b), in that it failed to comply with Title 4 of the California Code of Regulations, section 15415, subdivision (f), requiring that a delivery employee of a licensed retailer carry a copy of the retailer's current license during deliveries, as more particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

SECOND CAUSE FOR DISCIPLINE

(Failure to Provide Delivery Employees with an Identification Badge)

43. Respondent is further subject to disciplinary action under Code section 26030, subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of Regulations, section 15415, subdivision (f), requiring that a delivery employee of a licensed retailer carry an identification badge provided by the employer during deliveries, as more particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

THIRD CAUSE FOR DISCIPLINE

(Failure to Carry Cannabis Goods in a Secured Trunk or Area)

44. Respondent is further subject to disciplinary action under Code section 26030, subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of

1 Regulations, section 15417, subdivision (b), requiring that cannabis goods be stored in a secure,
2 fully enclosed trunk that cannot be accessed from inside the vehicle, or in a secured area or
3 compartment within the interior of the vehicle, as more particularly alleged in paragraphs 31
4 through 41, above, which are hereby incorporated by reference and realleged as if fully set forth
5 herein.

6 **FOURTH CAUSE FOR DISCIPLINE**

7 (Failure to Equip Delivery Vehicles with a Global Positioning System)

8 45. Respondent is further subject to disciplinary action under Code section 26030,
9 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
10 Regulations, section 15417, subdivision (d), requiring that a vehicle used for the delivery of
11 cannabis goods be outfitted with a dedicated Global Positioning System device for identifying the
12 geographic location of the delivery vehicle and recording a 90-day history of all locations
13 traveled to by the delivery employee while engaged in delivery, as more particularly alleged in
14 paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if
15 fully set forth herein.

16 **FIFTH CAUSE FOR DISCIPLINE**

17 (Failure to Create and Maintain a Delivery Inventory Ledger)

18 46. Respondent is further subject to disciplinary action under Code section 26030,
19 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
20 Regulations, sections 15049.3, subdivisions (a) and (b)(5), and 15418, subdivision (d), requiring
21 that that a licensed retailer conducting delivery of cannabis goods create a delivery inventory
22 ledger in the CCTT system and update the information after each delivery, as more particularly
23 alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and
24 realleged as if fully set forth herein.

25 **SIXTH CAUSE FOR DISCIPLINE**

26 (Failure to Obtain Customer Signature on the Delivery Request Receipt)

27 47. Respondent is further subject to disciplinary action under Code section 26030,
28 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of

1 Regulations, section 15420, subdivision (a)(9), requiring upon delivery, the handwritten or
2 electronic signature of the customer who received the delivery, as more particularly alleged in
3 paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if
4 fully set forth herein.

5 **SEVENTH CAUSE FOR DISCIPLINE**

6 (Failure to Provide Customers with a Delivery Request Receipt)

7 48. Respondent is further subject to disciplinary action under Code section 26030,
8 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
9 Regulations, section 15420, subdivision (b), requiring that the delivery employee of the retailer
10 provide the customer with a hard or electronic copy of the delivery request receipt, as more
11 particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by
12 reference and realleged as if fully set forth herein.

13 **EIGHTH CAUSE FOR DISCIPLINE**

14 (Failure to Keep and Provide the Department with Inventory Records)

15 49. Respondent is further subject to disciplinary action under Code section 26030,
16 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
17 Regulations, section 15423, requiring that a licensed retailer maintain an accurate record of its
18 inventory and provide the Department with the record of inventory immediately upon request, as
19 more particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by
20 reference and realleged as if fully set forth herein.

21 **NINTH CAUSE FOR DISCIPLINE**

22 (Failure to Reconcile Inventory At Least Once Every 30 Days)

23 50. Respondent is further subject to disciplinary action under Code section 26030,
24 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
25 Regulations, sections 15048.1, subdivision (a)(8), and 15051, subdivision (a), requiring that a
26 licensee reconcile its on-hand inventory of cannabis and cannabis product with the records in the
27 CCTT system at least once every 30 days, as more particularly alleged in paragraphs 31 through
28 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

1 **TENTH CAUSE FOR DISCIPLINE**

2 (Failure to Accurately Report Data in the CCTT System)

3 51. Respondent is further subject to disciplinary action under Code section 26030,
4 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
5 Regulations, section 15047.2, subdivision (b), requiring that all commercial cannabis activity be
6 accurately recorded in the CCTT system, as more particularly alleged in paragraphs 31 through
7 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

8 **ELEVENTH CAUSE FOR DISCIPLINE**

9 (Failure to Accept Incoming Transfers of Cannabis Products Within 24 Hours of Receipt)

10 52. Respondent is further subject to disciplinary action under Code section 26030,
11 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
12 Regulations, section 15049, subdivision (b)(1), requiring that the receipt of cannabis or cannabis
13 products be recorded in the CCTT system within 24-hours of occurrence, as more particularly
14 alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and
15 realleged as if fully set forth herein.

16 **TWELFTH CAUSE FOR DISCIPLINE**

17 (Unauthorized Sharing of CCTT Account Login Information)

18 53. Respondent is further subject to disciplinary action under Code section 26030,
19 subdivisions (a) and (c), in that it failed to comply with Title 4 of the California Code of
20 Regulations, section 15048, subdivision (c), requiring that a CCTT account manager and each
21 user utilize a unique login and prohibiting the shared use of an individual's unique login
22 information, as more particularly alleged in paragraphs 31 through 41, above, which are hereby
23 incorporated by reference and realleged as if fully set forth herein.

24 **THIRTEENTH CAUSE FOR DISCIPLINE**

25 (Failure to Establish Financial Responsibility – Delivery Vehicles)

26 54. Respondent is further subject to disciplinary action under Code section 26030,
27 subdivision (d), in that it failed to comply with Vehicle Code section 16020, subdivision (a),
28 requiring that all drivers and all owners of a motor vehicle be able to establish financial

responsibility at all times, as more particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

FOURTEENTH CAUSE FOR DISCIPLINE

(Failure to Pay Taxes as Required Under the Revenue and Taxation Code)

55. Respondent is further subject to disciplinary action under Code section 26030, subdivision (d), in that Respondent failed to comply with state laws related to the payment of taxes by failing to pay owed sales and use taxes, and cannabis retail excise taxes, as more particularly alleged in paragraphs 31 through 41, above, which are hereby incorporated by reference and realleged as if fully set forth herein.

PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that the following the hearing, the Director of the Department issue a decision:

1. Revoking or suspending outright, or suspending with terms and conditions, or fining, or any combination thereof, the Retailer - Non-Storefront Number C9-0000410-LIC, issued to Bud Brothers, Inc. with William Zapata as Owner;

2. Ordering Respondent Bud Brothers, Inc., and William Zapata as Owner, to pay the Department the reasonable costs of the investigation and enforcement of this case, pursuant to Business and Professions Code section 26031.1;

3. Ordering the destruction of cannabis and cannabis goods in the possession of Respondent Bud Brothers, Inc., with William Zapata as Owner, at Respondent's expense if revocation of Retailer - Non-Storefront Number C9-0000410-LIC is ordered, pursuant to California Code of Regulations, title 4, section 15024.1, subdivision (a); and

4. Taking such other and further action as deemed necessary and proper.

DATED: March 14, 2025

EVELYN SCHAEFFER
Deputy Director of the Compliance
Division
Department of Cannabis Control
State of California
Complainant

**BEFORE THE
DEPARTMENT OF CANNABIS CONTROL
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

**BUD BROTHERS INC, dba
BUD BROTHERS; William Zapata, Owner.
411 Main Street, Suite 2
Colusa, CA 95932**

**Retailer - Non-Storefront License
No. C9-0000410-LIC**

Respondent.

Case No. DCC24-0002038-INV

NOTICE OF DEFENSE

(Gov. Code §§ 11505 and 11506)

I hereby acknowledge receipt of a copy of the Accusation in the above-entitled proceeding, as well as the Statement to Respondent, Government Code sections 11507.5, 11507.6 and 11507.7, Complainant's Request for Discovery, and two copies of a Notice of Defense.

I further acknowledge that by filing this Notice of Defense, the Respondent is entitled to a hearing on the merits of the Accusation, and that under Government Code section 11506, the Respondent has a right to file a further Notice of Defense within the time specified in that section.

This Notice of Defense is filed on my own behalf as the Respondent or in my capacity as an authorized representative of an entity named as the Respondent in the Accusation.

Date:

Print Your Name:

Your Signature:

Respondent's Mailing Address:

Phone:

E-mail

Check one box:

☐ I am represented by counsel, whose name, address and telephone number appear below:

Counsel's Name

Counsel's Mailing Address

Phone:

E-mail:

- ☐ I am not now represented by counsel. If and when counsel is retained, immediate notification of the attorney's name, address and telephone number will be filed with the Office of Administrative Hearings and a copy sent to the Deputy Attorney General who represents Complainant so that Respondent's counsel will be on record to receive legal notices, pleadings and other papers.

Check box if applicable:

- ☐ I wish to avoid a hearing if possible and be considered for a stipulated settlement or stipulated surrender of license.

The agency taking the action described in the Accusation may have formulated disciplinary guidelines. You may obtain a copy of the guidelines by requesting them in writing from the agency. A link to the agency's website can be found on-line at <https://cannabis.ca.gov> at https://www.dca.ca.gov/about_us/entities.shtml.

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**BEFORE THE
DEPARTMENT OF CANNABIS CONTROL
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In the Matter of the Accusation Against:

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This Notice of Defense is filed on my own behalf as the Respondent or in my capacity as an authorized representative of an entity named as the Respondent in the Accusation.

Date:

Print Your Name:

Your Signature:

Respondent's Mailing Address:

Phone:

E-mail

Check one box:

☐ I am represented by counsel, whose name, address and telephone number appear below:
Counsel's Name

Counsel's Mailing Address

Phone:

E-mail:

- ☐ I am not now represented by counsel. If and when counsel is retained, immediate notification of the attorney's name, address and telephone number will be filed with the Office of Administrative Hearings and a copy sent to the Deputy Attorney General who represents Complainant so that Respondent's counsel will be on record to receive legal notices, pleadings and other papers.

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7 *Attorneys for Complainant*

8 **BEFORE THE**
9 **DEPARTMENT OF CANNABIS CONTROL**
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:
12 **BUD BROTHERS INC, dba**
13 **BUD BROTHERS; William Zapata, Owner.**
14 **411 Main Street, Suite 2**
15 **Colusa, CA 95932**
16 **Retailer - Non-Storefront License**
No. C9-0000410-LIC
Respondent.

Case No. DCC24-0002038-INV
REQUEST FOR DISCOVERY

17
18
19 **TO RESPONDENT:**

20 Under section 11507.6 of the Government Code of the State of California, parties to an
21 administrative hearing, including the Complainant, are entitled to certain information concerning
22 the opposing party's case. A copy of the provisions of section 11507.6 of the Government Code
23 concerning such rights is included among the papers served.

24 **PURSUANT TO SECTION 11507.6 OF THE GOVERNMENT CODE, YOU ARE**
25 **HEREBY REQUESTED TO:**

26 1. Provide the names and addresses of witnesses to the extent known to the Respondent,
27 including, but not limited to, those intended to be called to testify at the hearing, and
28

2. Provide an opportunity for the Complainant to inspect and make a copy of any of the following in the possession or custody or under control of the Respondent:

a. A statement of a person, other than the Respondent, named in the initial administrative pleading, or in any additional pleading, when it is claimed that the act or omission of the Respondent as to this person is the basis for the administrative proceeding;

b. A statement pertaining to the subject matter of the proceeding made by any party to another party or persons;

c. Statements of witnesses then proposed to be called by the Respondent and of other persons having personal knowledge of the acts, omissions or events which are the basis for the proceeding, not included in (a) or (b) above;

d. All writings, including but not limited to reports of mental, physical and blood examinations and things which the Respondent now proposes to offer in evidence;

e. Any other writing or thing which is relevant and which would be admissible in evidence, including but not limited to, any patient or hospital records pertaining to the persons named in the pleading;

f. Investigative reports made by or on behalf of the Respondent pertaining to the subject matter of the proceeding, to the extent that these reports (1) contain the names and addresses of witnesses or of persons having personal knowledge of the acts, omissions or events which are the basis for the proceeding, or (2) reflect matters perceived by the investigator in the course of his or her investigation, or (3) contain or include by attachment any statement or writing described in (a) to (e), inclusive, or summary thereof.

IN ADDITION, if cost recovery is requested in the pleading prayer, provide all writings which will support any objection which may be made by the Respondent, to Respondent's payment of investigation and enforcement costs to the Board.

///

1 For the purpose of this Request for Discovery, "statements" include written statements by
2 the person, signed, or otherwise authenticated by him or her, stenographic, mechanical, electrical
3 or other recordings, or transcripts thereof, of oral statements by the person, and written reports or
4 summaries of these oral statements.

5 YOU ARE HEREBY FURTHER NOTIFIED that nothing in this Request for Discovery
6 should be deemed to authorize the inspection or copying of any writing or thing which is
7 privileged from disclosure by law or otherwise made confidential or protected as attorney's work
8 product.

9 Your response to this Request for Discovery should be directed to the undersigned attorney
10 for the Complainant at the address on the first page of this Request for Discovery within 30 days
11 after service of the Accusation.

12 Failure without substantial justification to comply with this Request for Discovery may
13 subject the Respondent to sanctions pursuant to sections 11507.7 and 11455.10 to 11455.30 of the
14 Government Code.

15
16 Dated: March 17, 2025

ROB BONTA
Attorney General of California
GREGORY M. CRIBBS
Supervising Deputy Attorney General

17
18
19
20 MATTHEW S. BEASLEY
21 Deputy Attorney General
22 *Attorneys for Complainant*
23
24

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COPY OF GOVERNMENT CODE SECTIONS 11507.5, 11507.6 AND 11507.7
PROVIDED PURSUANT TO GOVERNMENT CODE SECTIONS 11504 AND 11505

SECTION 11507.5: Exclusivity of discovery provisions

The provisions of Section 11507.6 provide the exclusive right to and method of discovery as to any proceeding governed by this chapter.

SECTION 11507.6: Request for discovery

After initiation of a proceeding in which a respondent or other party is entitled to a hearing on the merits, a party, upon written request made to another party, prior to the hearing and within 30 days after service by the agency of the initial pleading or within 15 days after the service of an additional pleading, is entitled to (1) obtain the names and addresses of witnesses to the extent known to the other party, including, but not limited to, those intended to be called to testify at the hearing, and (2) inspect and make a copy of any of the following in the possession or custody or under the control of the other party:

(a) A statement of a person, other than the respondent, named in the initial administrative pleading, or in any additional pleading, when it is claimed that the act or omission of the respondent as to this person is the basis for the administrative proceeding;

(b) A statement pertaining to the subject matter of the proceeding made by any party to another party or person;

(c) Statements of witnesses then proposed to be called by the party and of other persons having personal knowledge of the acts, omissions or events which are the basis for the proceeding, not included in (a) or (b) above;

(d) All writings, including, but not limited to, reports of mental, physical and blood examinations and things which the party then proposes to offer in evidence;

(e) Any other writing or thing which is relevant and which would be admissible in evidence;

(f) Investigative reports made by or on behalf of the agency or other party pertaining to the subject matter of the proceeding, to the extent that these reports (1) contain the names and addresses of witnesses or of persons having personal knowledge of the acts, omissions or events which are the basis for the proceeding, or (2) reflect matters perceived by the investigator in the course of his or her investigation, or (3) contain or include by attachment any statement or writing described in (a) to (e), inclusive, or summary thereof.

For the purpose of this section, "statements" include written statements by the person signed or otherwise authenticated by him or her, stenographic, mechanical, electrical or other recordings, or transcripts thereof, of oral statements by the person, and written reports or summaries of these oral statements.

Nothing in this section shall authorize the inspection or copying of any writing or thing which is privileged from disclosure by law or otherwise made confidential or protected as the attorney's work product.

SECTION 11507.7: Petition to compel discovery; Order; Sanctions

(a) Any party claiming the party's request for discovery pursuant to Section 11507.6 has not been complied with may serve and file with the administrative law judge a motion to compel discovery, naming as respondent the party refusing or failing to comply with Section 11507.6. The motion shall state facts showing the respondent party failed or refused to comply with Section 11507.6, a description of the matters sought to be discovered, the reason or reasons why the matter is discoverable under that section, that a reasonable and good faith attempt to contact the respondent for an informal resolution of the issue has been made, and the ground or grounds of respondent's refusal so far as known to the moving party.

(b) The motion shall be served upon respondent party and filed within 15 days after the respondent party first evidenced failure or refusal to comply with Section 11507.6 or within 30 days after request was made and the party has failed to reply to the request, or within another time provided by stipulation, whichever period is longer.

(c) The hearing on the motion to compel discovery shall be held within 15 days after the motion is made, or a later time that the administrative law judge may on the judge's own motion for good cause determine. The respondent party shall have the right to serve and file a written answer or other response to the motion before or at the time of the hearing.

(d) Where the matter sought to be discovered is under the custody or control of the respondent party and the respondent party asserts that the matter is not a discoverable matter under the provisions of Section 11507.6, or is privileged against disclosure under those provisions, the administrative law judge may order lodged with it matters provided in subdivision (b) of Section 915 of the Evidence Code and examine the matters in accordance with its provisions.

(e) The administrative law judge shall decide the case on the matters examined in camera, the papers filed by the parties, and such oral argument and additional evidence as the administrative law judge may allow.

(f) Unless otherwise stipulated by the parties, the administrative law judge shall no later than 15 days after the hearing make its order denying or granting the motion. The order shall be in writing setting forth the matters the moving party is entitled to discover under Section 11507.6. A copy of the order shall forthwith be served by mail by the administrative law judge upon the parties. Where the order grants the motion in whole or in part, the order shall not become effective until 10 days after the date the order is served. Where the order denies relief to the moving party, the order shall be effective on the date it is served.

DECLARATION OF SERVICE BY CERTIFIED MAIL AND FIRST CLASS MAIL

(Separate Mailings)

Case Name: **In the Matter of the Accusation against Bud Brothers, Inc. dba Bud Brothers; William Zapata, Owner.**

Case No.: **DCC24-0002038-INV**

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar at which member's direction this service is made. I am 18 years of age or older and not a party to this matter. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service with postage thereon fully prepaid that same day in the ordinary course of business.

On March 17, 2025, I served the attached **STATEMENT TO RESPONDENT; ACCUSATION; NOTICE OF DEFENSE (2 COPIES); REQUEST FOR DISCOVERY; GOVERNMENT CODE SECTIONS 11507.5, 11507.6 AND 11507.7** by placing a true copy thereof enclosed in a sealed envelope as certified mail with return receipt requested, and another true copy of the **STATEMENT TO RESPONDENT; ACCUSATION; NOTICE OF DEFENSE (2 COPIES); REQUEST FOR DISCOVERY; GOVERNMENT CODE SECTIONS 11507.5, 11507.6 AND 11507.7** was enclosed in a second sealed envelope as first class mail in the internal mail collection system at the Office of the Attorney General at 300 South Spring Street, Suite 1702, Los Angeles, CA 90013-1230, addressed as follows:

William Zapata
Bud Brothers, Inc.
411 Main Street, Suite 2
Colusa, CA 95932
Respondent

Certified Article Number

9414 7266 9904 2236 9365 30

SENDER'S RECORD

William Zapata
Bud Brothers, Inc.
528 Washington Avenue
Yuba City, CA 95991
Respondent

Certified Article Number

9414 7266 9904 2236 9365 47

SENDER'S RECORD

I declare under penalty of perjury under the laws of the State of California and the United States of America the foregoing is true and correct and that this declaration was executed on March 17, 2025, at Los Angeles, California.

Michelle Sandoval

Declarant

Michelle Sandoval

Signature

Exhibit 2

Copy of License



Department of
Cannabis Control
CALIFORNIA

Department of Cannabis Control
licensing@cannabis.ca.gov, www.cannabis.ca.gov

Cannabis Retailer Nonstorefront License Adult-Use and Medicinal

Business Name:
Bud Brothers, Inc.

Bud Brothers

License Number: C9-0000410-LIC
License Type: Retailer Nonstorefront
(Delivery)

The license authorizes Bud Brothers, Inc. to engage in commercial cannabis Retail Nonstorefront (Delivery) at the premises address listed above until the expiration date of this license. This license issued is pursuant to Division 10 of the California Business and Professional Code and is not transferable to any other person or premises location. This license shall always be displayed in a prominent place at the licensed premises. This license shall be subject to suspension or revocation if the licensee is determined to be in violation of Division 10 of the Business and Professions Code or regulations adopted thereunder.

Premises Address:

COLUSA, CA 95932-2453

APN:
001-045-011-000
COLUSA

Valid: 4/28/2021
Expires: 4/28/2025

Scan to verify this
license.



Non-Transferable



Post in Public View

Scan to verify this license.



Valid:

4/28/2021

Expires:

4/28/2025

License No:

C9-0000410-LIC

Legal Business Name:

Bud Brothers, Inc.
Bud Brothers

Premises Address:

COLUSA, CA 95932-2453

APN:

001-045-011-000
COLUSA

1. Use your smartphone camera to scan the QR code for licensing information.
2. If your camera doesn't have scanning functionality, you can look up a location at **CAPotcheck.com** using license number C9-0000410-LIC.



Department of
Cannabis Control
CALIFORNIA

Exhibit 3

Certification of Costs

1 ROB BONTA
Attorney General of California
2 GREGORY M. CRIBBS
Supervising Deputy Attorney General
3 MATTHEW S. BEASLEY
Deputy Attorney General
4 State Bar No. 288070
300 So. Spring Street, Suite 1702
5 Los Angeles, CA 90013
Telephone: (213) 269-6705
6 Facsimile: (916) 731-2126
E-mail: Matthew.Beasley@doj.ca.gov
7 *Attorneys for Complainant*

8 **BEFORE THE**
9 **DEPARTMENT OF CANNABIS CONTROL**
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:

Case No. DCC24-0002038-INV

12 **BUD BROTHERS, INC.;**
13 **WILLIAM ZAPATA.**

**CERTIFICATION OF
PROSECUTION COSTS:
DECLARATION OF MATTHEW S.
BEASLEY**

14 Respondent.

15 Business and Professions Code section
16 26031.1]

1 I, MATTHEW S. BEASLEY, hereby declare and certify as follows:

2 1. I am a Deputy Attorney General employed by the California Department of Justice
3 (DOJ), Office of the Attorney General (Office). I am assigned to the Cannabis Control Section in
4 the Civil Division of the Office. I have been designated as the representative to certify the costs
5 of prosecution by DOJ and incurred by the Department of Cannabis Control in this case. I make
6 this certification in my official capacity and as an officer of the court and as a public employee
7 pursuant to Evidence Code section 664.

8 2. I represent the Complainant, Evelyn Schaeffer, Deputy Director of the Compliance
9 Division of the Department of Cannabis Control, in this action. I was assigned to handle this case
10 on or about January 6, 2025.

11 3. Our Office's computerized case management system reflects that the following
12 persons have also performed tasks related to this matter: Gregory M. Cribbs, Supervising Deputy
13 Attorney General; Harinder K. Kapur, Senior Assistant Attorney General; Helen Koh, Paralegal.

14 4. I am familiar with the time recording and billing practices of DOJ and the procedure
15 for charging the client agency for the reasonable and necessary work performed on a particular
16 case. It is the duty of the time keeping employees to keep track of the time spent and to report
17 that time in DOJ's computerized case management system at or near the time of the tasks
18 performed.

19 5. On April 7, 2025, I requested a billing summary for this case from the Accounting
20 Department of the DOJ. In response, on April 4, 2025, I received a document entitled "Matter
21 Time Activity by Professional Type." I hereby certify that the Matter Time Activity by
22 Professional Type, attached hereto as Exhibit A, and herein incorporated by reference, is a true
23 and correct copy of the billing summary for this matter that I received from the Accounting
24 Department. The summary includes the billing costs incurred by me, as well as other
25 professionals of the DOJ who worked on the matter; and sets forth the tasks undertaken, the
26 amount of time billed for the activity, and the billing rate by professional type. The billing
27 summary is comprehensive of the charges by the Office to the Department of Cannabis Control
28 through April 4, 2025. It does not include billing for tasks performed after April 4, 2025.

6. Based upon the time reported through April 4, 2025, as set forth in Exhibit A, DOJ has billed the Department of Cannabis Control \$9,158.25 for the time spent working on the above entitled case.

7. To the best of my knowledge the items of cost set forth in this certification are correct and were necessarily incurred in this case.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on April 14, 2025.

MATTHEW S. BEASLEY
Deputy Attorney General
Declarant

SD2024804277
Declaration of Costs.docx

Exhibit A



Matter Time Activity By Professional Type

As of Apr 7, 2025

Matter ID: SD2024804277					Date Opened: 12/24/2024				
Description: Bud Brothers, Inc. (ACC)									
Professional Type: Attorney									
Fiscal Year: 2024									
Professional: Gregory M. Cribbs									
Trans #	Date	Section	Client	Task	Hours Worked	Rate	Amount	Adj ?	Statement Date
605454007	2/21/25	CV-CCS:290	02668	Supervisory Review	0.25	\$228.00	\$57.00		2/28/25
605488750	3/13/25	CV-CCS:290	02668	Supervisory Review	1.00	\$228.00	\$228.00		3/31/25
605489150	3/13/25	CV-CCS:290	02668	Supervisory Review	0.25	\$228.00	\$57.00		3/31/25
Gregory M. Cribbs Totals:					1.50		\$342.00		
Professional: Harinder K. Kapur									
802992856	12/24/24	CV-CCS:290	02668	Case Evaluation/Assessment	0.75	\$228.00	\$171.00		12/31/24
803047671	2/19/25	CV-CCS:290	02668	Supervisory Review	0.50	\$228.00	\$114.00		2/28/25
Harinder K. Kapur Totals:					1.25		\$285.00		
Professional: Matthew S. Beasley									
605390208	1/13/25	CV-CCS:290	02668	Case Evaluation/Assessment	2.00	\$228.00	\$456.00		1/31/25
605392385	1/14/25	CV-CCS:290	02668	Research	2.50	\$228.00	\$570.00		1/31/25
605396746	1/16/25	CV-CCS:290	02668	Case Evaluation/Assessment	0.25	\$228.00	\$57.00		1/31/25
605401218	1/17/25	CV-CCS:290	02668	Research	1.50	\$228.00	\$342.00		1/31/25
605403879	1/21/25	CV-CCS:290	02668	Research	0.50	\$228.00	\$114.00		1/31/25
605407313	1/23/25	CV-CCS:290	02668	Pleading Preparation	0.50	\$228.00	\$114.00		1/31/25
605413801	1/24/25	CV-CCS:290	02668	Pleading Preparation	0.50	\$228.00	\$114.00		1/31/25
605416187	1/28/25	CV-CCS:290	02668	Client Communication	0.25	\$228.00	\$57.00		1/31/25
605416190	1/28/25	CV-CCS:290	02668	Pleading Preparation	0.75	\$228.00	\$171.00		1/31/25
605426678	2/3/25	CV-CCS:290	02668	Pleading Preparation	0.50	\$228.00	\$114.00		2/28/25
605433598	2/6/25	CV-CCS:290	02668	Client Communication	0.25	\$228.00	\$57.00		2/28/25
605436743	2/7/25	CV-CCS:290	02668	Research	0.50	\$228.00	\$114.00		2/28/25
605440174	2/11/25	CV-CCS:290	02668	Case Management	0.25	\$228.00	\$57.00		2/28/25
605452877	2/19/25	CV-CCS:290	02668	Client Communication	0.25	\$228.00	\$57.00		2/28/25
605454301	2/20/25	CV-CCS:290	02668	Pleading Preparation	0.50	\$228.00	\$114.00		2/28/25
605457874	2/21/25	CV-CCS:290	02668	Pleading Preparation	0.50	\$228.00	\$114.00		2/28/25



Matter Time Activity By Professional Type

As of Apr 7, 2025

Trans #	Date	Section	Client	Task	Hours Worked	Rate	Amount	Adj ?	Statement Date
605471209	2/28/25	CV-CCS:290	02668	Client Communication	0.50	\$228.00	\$114.00		2/28/25
605474797	3/4/25	CV-CCS:290	02668	Case Management	0.25	\$228.00	\$57.00		3/31/25
605478463	3/6/25	CV-CCS:290	02668	Client Communication	0.50	\$228.00	\$114.00		3/31/25
605482980	3/10/25	CV-CCS:290	02668	Client Communication	0.25	\$228.00	\$57.00		3/31/25
605484689	3/10/25	CV-CCS:290	02668	Pleading Preparation	0.75	\$228.00	\$171.00		3/31/25
605486517	3/11/25	CV-CCS:290	02668	Case Management	0.25	\$228.00	\$57.00		3/31/25
605490179	3/13/25	CV-CCS:290	02668	Pleading Preparation	0.50	\$228.00	\$114.00		3/31/25
605490196	3/14/25	CV-CCS:290	02668	Client Communication	0.25	\$228.00	\$57.00		3/31/25
605491233	3/14/25	CV-CCS:290	02668	Pleading Preparation	0.50	\$228.00	\$114.00		3/31/25
605494704	3/17/25	CV-CCS:290	02668	Case Management	0.25	\$228.00	\$57.00		3/31/25
605498671	3/18/25	CV-CCS:290	02668	Analysis/Strategy	0.50	\$228.00	\$114.00		3/31/25
605508603	3/24/25	CV-CCS:290	02668	Pleading Preparation	1.25	\$228.00	\$285.00		3/31/25
605508615	3/25/25	CV-CCS:290	02668	Communication with Other Party	0.50	\$228.00	\$114.00		3/31/25
605510688	3/25/25	CV-CCS:290	02668	Client Communication	0.25	\$228.00	\$57.00		3/31/25
605511237	3/26/25	CV-CCS:290	02668	Client Communication	0.25	\$228.00	\$57.00		3/31/25
605521521	4/1/25	CV-CCS:290	02668	Other Submission/Motion/Appearence	0.25	\$228.00	\$57.00		
Matthew S. Beasley Totals:					18.50		\$4,218.00		
2024 Totals:					21.25		\$4,845.00		
Attorney Totals:					21.25		\$4,845.00		



Matter Time Activity By Professional Type

As of Apr 7, 2025

Matter ID: SD2024804277

Date Opened: 12/24/2024

Description: Bud Brothers, Inc. (ACC)

Professional Type: Paralegal

Fiscal Year: 2024

Professional: Helen Koh

Trans #	Date	Section	Client	Task	Hours Worked	Rate	Amount	Adj ?	Statement Date
802992559	12/24/24	CV-CCS:290	02668	Case Management	1.00	\$213.00	\$213.00		12/31/24
803003272	1/8/25	CV-CCS:290	02668	Case Management	0.25	\$213.00	\$53.25		1/31/25
803012167	1/16/25	CV-CCS:290	02668	Pleading Preparation	4.50	\$213.00	\$958.50		1/31/25
803013730	1/17/25	CV-CCS:290	02668	Pleading Preparation	6.00	\$213.00	\$1,278.00		1/31/25
803016022	1/21/25	CV-CCS:290	02668	Pleading Preparation	3.75	\$213.00	\$798.75		1/31/25
803017215	1/22/25	CV-CCS:290	02668	Pleading Preparation	4.00	\$213.00	\$852.00		1/31/25
803030849	2/3/25	CV-CCS:290	02668	Case Management	0.25	\$213.00	\$53.25		2/28/25
803033608	2/5/25	CV-CCS:290	02668	Case Management	0.25	\$213.00	\$53.25		2/28/25
803091177	4/1/25	CV-CCS:290	02668	Case Management	0.25	\$213.00	\$53.25		
Helen Koh Totals:					20.25		\$4,313.25		
2024 Totals:					20.25		\$4,313.25		
Paralegal Totals:					20.25		\$4,313.25		
SD2024804277 Totals:					41.50		\$9,158.25		

Exhibit 4

Investigative Report (without attachments)



INVESTIGATION REPORT



Department of
Cannabis Control
CALIFORNIA



CASE INFORMATION

Case Number DCC24-0002038-INV	Date Received 08/23/2024
License Number C9-0000410-LIC	Legal Business Name of Licensee or Unlicensed Party Bud Brothers, Inc.
DBA Bud Brothers	Premises Address 411 Main Street, Suite 2, Colusa, CA 95932
Business Phone Number 530-999-2206	Author's Name Amy Vasquez, #4049
Date of Incident 08/23/2024	Location of Incident 411 Main Street, Suite 2, Colusa, CA 95932

DESIGNATED RESPONSIBLE PARTY (OWNER) OR UNLICENSED PERSON(S)

Name (First, Middle, Last) Zapata, William	Title CEO
Address (include street, city, state, and zip code) 528 Washington Avenue Yuba City, CA 95991	
E-mail Address Williezapatarealty@gmail.com	Phone Number 530-490-1845
Miscellaneous Information	

In February of 2023, I, Special Investigator Amy Vasquez, received a complaint regarding an alleged shell distribution operation associated with license C11-0001498-LIC Zapata Brothers Enterprise located at 210 6th Street Colusa, CA (case number BCC-23-000277)

Upon further investigation, I learned that the owner of Zapata Brothers Enterprise, William Zapata (Zapata), sold Zapata Brothers Enterprise to an individual named Matt Dunn (Dunn) in June of 2022. The Notification and Request Form 27 was not submitted to the Department of Cannabis Control (DCC) until January 27, 2023. DCC licensing denied the ownership change request on February 14, 2023, leaving Zapata as the owner of record.

During an interview with Zapata on February 17, 2023, Zapata admitted to me that he had provided his California Track and Trace System (CCTT) login information to Dunn and believed that Dunn had utilized the license to divert product into the illicit market.

Multiple licenses were inspected in connection with Zapata Brothers Enterprise. A Metrc hold was placed on Zapata Brothers Enterprise to prevent the electronic movement of cannabis products and the license expired. No additional evidence was discovered connecting Matt Dunn to Zapata Brothers Enterprise and this case was closed.

SUMMARY

On August 23, 2024, I conducted an announced compliance inspection of Bud Brothers, Inc., located at 411 Main Street, Suite 2, Colusa, CA 95932 (Licensed Premises). During my inspection, I observed multiple violations which include failure to carry a copy of the current license during deliveries, failure to



INVESTIGATION REPORT

provide delivery employees with an identification badge, failure to carry cannabis goods in a secured trunk or area, failure to equip delivery vehicles with a Global Positioning System (GPS), failure to create and carry a delivery ledger showing all of the cannabis products being carried in the delivery vehicle, failure to have the customer sign the delivery request receipt, failure to provide customers with a delivery request receipt, failure to keep and provide the Department with inventory records, failure to reconcile inventory at least once every 30 days, failure to accurately report data in the CCTT system, failure to accept incoming transfers of cannabis products within 24 hours of receipt and Licensee provided his CCTT account login information for his employees to use.

BACKGROUND

I conducted an initial site inspection of the Licensed Premises on March 30, 2022 (case number BCC-22-000116). Special Investigators Todd Cogle (SI Cogle) and Jennifer Ostrowski (SI Ostrowski) were also present. Upon arrival, I met with the Designated Responsible Party (DRP) William Zapata (Zapata) for Bud Brothers, Inc. Zapata identified himself to me as the owner. During the initial inspection I observed multiple violations including missing license number on customer receipts and the delivery vehicles did not have functioning alarm systems. I provided Zapata with a verbal warning at the time of my inspection for the violations. The same day, I also provided Zapata with an email notification which included the regulations for the violations I observed (**Attachment A**). It should be noted that on this initial compliance inspection, Zapata had been conducting routine inventory reconciliation. Zapata was also utilizing his own vehicles and they were up to date with vehicle insurance and registration. Also, at this time, Zapata was using a lockable tackle type box to carry cannabis products in while making deliveries.

On May 5, 2023, I conducted an announced compliance inspection of the Licensed Premises (case number BCC23-0000860). Upon arrival I met with the inventory manager for Bud Brothers, Inc., Tara Creekmore (Creekmore). Creekmore told me that Zapata was running late but was planning to attend the inspection. During my inspection, I requested to review two of the Licensee's recent incoming transfer manifests from April of 2023. Both manifests showed that the Licensee was not accepting packages within the 24-hour timeframe. Creekmore told me that it is typically herself or another employee that physically receives the incoming transfers. Creekmore stated that they often don't have time to physically inspect the incoming transfers of cannabis goods until much later and that is why they aren't accepting them in CCTT in the required 24-hour timeframe. I told Creekmore that they are required to accept transfers of cannabis goods in CCTT within 24 hours of the cannabis goods physically arriving at the Licensed Premises. Creekmore stated she understood (**Attachment B**).

During my inspection, I conducted a brief inventory audit of the Licensees cannabis inventory. I observed several inventory discrepancies which made me believe that a physical inventory reconciliation was not being routinely conducted to ensure its accuracy with CCTT. For example, I would pick a product in their CCTT packages inventory and then locate the same product in the inventory room. The quantity listed in CCTT would be higher than the quantity present. The physical inventory counts for most products did not match the quantity listed in CCTT. Creekmore stated that she does the physical inventory routinely, but they had fallen behind recently.

At approximately 0850 hours, Zapata arrived at the Licensed Premises towards the conclusion of my inspection. I discussed in detail with Zapata my observations and the discrepancies found while auditing their inventory. Zapata acknowledged the discrepancies and told me that his point-of-sale system, Blaze, was having issues and not relaying real time information over to CCTT causing these inventory discrepancies. I reminded Zapata that he is responsible for making sure that the inventory and all information in CCTT is current and accurate. Zapata said he understood, and he would get it



INVESTIGATION REPORT

taken care of as soon as possible.

It should be noted that during my inspection on May 5, 2023, I noticed that the license number for Bud Brothers, Inc. was still not listed on their customer receipts. I told Zapata that he was supposed to correct this after my previous inspection in March of 2022. Zapata corrected the violation in my presence by updating their computer system at the time of inspection.

On May 9, 2023, I emailed Zapata, at his email address on file, williezapatarealty@gmail.com, and attached the Notice to Comply (NTC) as we discussed during the inspection. The NTC required the Licensee to remedy the violations, and sign and return the NTC by June 9, 2023. In the email I sent to Zapata, I also identified the exact inventory discrepancies to aid him in correcting the violations. I provided Zapata with contact information for Metrc Support and the Department's Track and Trace email for assistance (**Attachment C**).

On May 16, 2023, a hard copy of the NTC was also sent to the physical address of the Licensed Premises (**Attachment D**).

On June 12, 2023, I emailed Zapata, at williezapatarealty@gmail.com, because I still had not received a response from him or the returned NTC.

On June 13, 2023, I received an email from Zapata stating that he had not seen my original email or the NTC. He attached a signed copy of the NTC. Zapata indicated that he was still working on the inventory discrepancies with Blaze (**Attachment E**).

On June 27, 2023, I checked the CCTT activity for Bud Brothers, Inc. Since my inspection and issuance of the NTC, there have been an additional four transfer manifests to the Licensee that have not been marked as received within the 24-hour timeframe. There were also three unreceived transfers (**Attachment F**).

CASE NARRATIVE

On August 20, 2024, I sent an email notification to Zapata at williezapatarealty@gmail.com, advising him of a compliance inspection on August 23, 2024.

On August 22, 2024, I received and reviewed an Anomaly Report from Department Field Support Unit Analyst, Rachel Genus (Genus). An Anomaly Report is a detailed overview and analysis of all the data entered in a specific CCTT account. Genus indicated that Bud Brothers Inc. had a lot of package adjustments and she believed they were doing this instead of using the delivery inventory ledger properly. Genus also indicated that the Licensee was not receiving incoming transfers in the required 24 hours (**Attachment G**).

On August 23, 2024, at approximately 0603 hours, I received an email from Zapata stating that he would not be able to attend the inspection and requested to reschedule. Zapata stated in his email that if we could not reschedule the inspection, to please let him know what I would be inspecting so that he could prepare his new employee.

I responded to Zapata's email and stated that we would not be able to reschedule, and I sent him a



INVESTIGATION REPORT

brief list of things I would need to review for the inspection. I also requested that he be available by phone (**Attachment H**).

At approximately 0900 hours, I arrived at the Licensed Premises of Bud Brothers, Inc. Genus was also present for the inspection. The Licensed Premises occupies the entire upstairs of a small office building. There are three separate doors that you can gain access to the Licensed Premises. Upon our arrival, there was no answer. A few minutes later, a woman approached us who identified herself as an employee of Bud Brothers, Inc., Tara Creekmore. I recognized Creekmore from the compliance inspection I conducted the previous year. Creekmore stated that Zapata would not be able to attend the inspection and she would walk us through the Licensed Premises and answer my questions about the daily operations. Creekmore said that she can be in touch with Zapata by phone if there were questions that she was unable to answer.

Creekmore, Genus and I sat down in the front office of the Licensed Premises. I began asking Creekmore questions about the daily operations. Creekmore told me the following:

She stated that she has been employed by Bud Brothers, Inc. for approximately three years, but is currently only working part time as the inventory manager and they are in the process of training a new employee for inventory and dispatching their drivers. She stated that they currently have seven different employees, but that she only expected three employees to be working on this day. They typically only have three drivers working at one time to serve the Yuba, Colusa, and Woodland areas.

She said that Zapata is not at the Licensed Premises very often because he has a bunch of different projects he is working on and that she personally has not seen Zapata since the beginning of the year. When asked about who has access to CCTT, Creekmore stated that she uses Zapata's login information to access CCTT and she does not have her own unique login.

Genus began asking Creekmore questions about their delivery process and Creekmore indicated that they use the "ice cream truck method." This means that each day their delivery driver comes to the Licensed Premises, grabs their prefilled box of cannabis products and heads out once they receive an initial order, or if they had an existing undelivered order from the previous evening or earlier that morning. As orders continue to come in, the delivery driver fulfills those orders from their prefilled box. They do not return to the Licensed Premises in between orders. This method requires the Licensee to utilize an inventory ledger and update the ledger each time a sale is made to reflect the correct remaining inventory in their vehicle. Genus noticed that they are not utilizing the inventory ledger properly through CCTT. Instead, they are creating individual sales receipts for each transaction as if they are returning to the licensed premises before delivering to the next customer.

I asked Creekmore at what point do they reconcile the inventory sold from each delivery drivers' box. Creekmore said they do it once a week. I informed Creekmore that the delivery drivers are required to keep and update an inventory ledger, either electronically or by using a hard copy, and it is to be updated after each sale. The process they are currently utilizing leaves all the cannabis products carried in the delivery drivers' vehicles essentially unaccounted for until the next time they conduct an inventory of the driver's box. This will most likely cause greater inventory discrepancies because inaccuracies won't be caught and fixed until days or possibly a week later. For example, if a delivery driver delivers a wrong item to a customer and the driver returns all their unsold inventory back at



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the end of each day, they will likely catch that error and can reconcile it more easily than if several days go by with multiple errors not being discovered.

Failure to properly reconcile the unsold inventory on a daily basis is the reason identified by Genus for so many package adjustments in her Anomaly Report.

I asked Creekmore if she could provide me with a delivery receipt from a recent delivery. Creekmore pulled up a delivery receipt from the day prior. I reviewed all the information on the receipt, and it looked accurate. I saw a squiggly line where the customer signature would go. I asked Creekmore if they have the customer sign after receiving their purchased cannabis products and if they provide their customers with a hard copy or electronic copy of a receipt. Creekmore stated no that the driver's sign on behalf of the customer and that they don't give a receipt to the customer unless requested to by the customer.

Creekmore stated that they are currently training a new employee to assist with inventory, but they have not been keeping any actual records of inventory reconciliation and she believed it had been over a month since the last time inventory reconciliation had been completed. I asked Creekmore if she could provide me with any documentation on the last inventory reconciliation and she said she could not.

I asked Creekmore what vehicles they were currently using for delivery. Creekmore said that a lot of their vehicles were out of service and that the delivery drivers were using their personal vehicles for cannabis deliveries, except for a Kia Soul, which was owned by Zapata and currently parked out front of the Licensed Premises (**Attachment I**).

I asked for Creekmore to contact Zapata and request the vehicle information including insurance and registration for the vehicles that would be used by the delivery drivers for the day. Within a few minutes, Zapata replied to Creekmore via text message stating that he did not have the vehicle information available, but that the drivers would be in within a few hours. Zapata also stated by text to Creekmore that the Kia was currently uninsured because the vehicle insurance had been cancelled by the insurance company after learning it was for cannabis. I asked Creekmore to find out how long the Kia had been without insurance since it was being currently used as a delivery vehicle. Zapata replied to Creekmore that he was unsure and would have to contact the insurance company to find out. I told Creekmore to text message Zapata and tell him that the Kia can not be used to deliver cannabis goods without being properly insured. I also stated that they should have access to the vehicle information for all their delivery drivers and should be able to provide that to me upon my request.

I asked Creekmore if the vehicles are equipped with a GPS device. She said they were not, but they do have work cell phones for their employees, and that the employees are being tracked. I asked Creekmore if whatever application they are utilizing to track their employees through the cell phone would store their locations for at least 90 days. Creekmore said she did not think so. Creekmore stated that they used to have some type of GPS device for their drivers, but they stopped using them because they weren't working properly.

Around 1000 hours, a man entered the front door of the Licensed Premises. The man identified himself to me as Kevin Capell (Capell), a delivery employee for Bud Brothers, Inc. Capell provided me



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with a copy of his vehicle registration and car insurance (**Attachment J**). Capell told me that the vehicle is a Ford Focus (CA License Plate 7AFR318) and it belongs to his parents. I asked Capell if the vehicle has a locking mechanism and he replied yes. I asked Capell if he has an employee identification badge that he wears while making deliveries of cannabis products. Capell said no. Capell said "I have this" and he pointed to a binder which was hanging up on a wall in the open adjacent room. This room was also being utilized as an office space. Capell and I walked over to the area he was pointing to, and he grabbed a binder which had a copy of the Bud Brothers, Inc. license on the outside of it and a black and white photo of Capell, along with his name and employee number (**Attachment K**). I noticed that the license had an expiration date of 4/28/2024. Inside the binder was a copy of the QR Code and several pages of operational procedures and contact information to be utilized by the delivery drivers.

I informed Creekmore that they would need to get employee identification badges for all the employees making deliveries and reminded her to update the binder with a current copy of their license.

Creekmore told me that the other delivery driver for the day named Edgar Santibanez (Santibanez) typically arrives much later, but that she would contact him directly to try and obtain the vehicle information that I was requesting.

Next, I inspected the cannabis inventory room. The inventory room is located on the right-hand side of a long hallway attached to the main office area. The inventory room is long and narrow and had white built in type shelving on the right side up to the ceiling. There were cannabis products stacked on the shelves. I did not see any CCTT tags on the products or anywhere inside the inventory room. I asked Creekmore where the blue tags were and she said they do have them, but she didn't know where. I told her they need to be placed close in proximity to their assigned cannabis product or attached to the containers or boxes holding the product (**Attachment L**).

On the floor on the left-hand side of the cannabis inventory room there were three red and black large plastic tote boxes with a smaller green tote box sitting on top. The boxes were labeled "Box 1", "Box 2" and "Box 3". I confirmed with Creekmore that these are the boxes which contain the cannabis products for delivery to customers (**Attachment M**).

Capell was sitting on a chair in the main office area. I asked him to tell me where they keep these boxes during deliveries. Capell told me that they keep the boxes in either the front or back seat of their delivery vehicle. I asked Capell if they place them in the trunk of the vehicle, and he said no.

I told both Capell and Creekmore that the boxes containing the cannabis products need to be secured and stored in the lockable trunk or a lockable area of the vehicle.

Prior to leaving the Licensed Premises, Creekmore sent me a text message with the registration and insurance information for their other drive, Santibanez. The information provided to me was two insurance cards issued to Santibanez and Marisol Chavez. One of the insurance cards is from AAA and has an expiration date of 1/10/2024 for a 2023 Ford Bronco. The other insurance card is from Bristol West but is not active until 8/29/2024 (**Attachment N**).

After my inspection, I reviewed the CCTT account for Bud Brothers Inc. I confirmed that neither of



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these two employees' vehicles, the Ford Focus or the Ford Bronco are being reported as delivery vehicles in CCTT. The vehicles shown as being used for deliveries in CCTT are a Honda Accord, a Mazda 6 and a Chevy PT Cruiser (**Attachment O**).

I also confirmed that Zapata is the only listed employee in the CCTT account for Bud Brothers, Inc. (**Attachment P**).

On November 11, 2024, I was contacted via email by Supervising Special Investigator II, Jose Barajas (SSI II Barajas). SSI II Barajas informed me that the Department was contacted by the California Department of Tax and Fee Administration (CDTFA) because the CDTFA had revoked the sellers permit for Bud Brothers, Inc., effective August 12, 2024 (**Attachment Q**).

On November 20, 2024, I issued a NTC via email to Bud Brothers, Inc. The NTC required Bud Brothers, Inc., to comply by submitting a valid seller's permit number to the Department by November 30, 2024. Bud Brothers, Inc., failed to produce a valid seller's permit number by the given date. On December 4, 2024, I sent a corrected version of the NTC to Bud Brother's via email after noticing a typo on the original NTC (**Attachment R**).

WITNESS LIST

Witness #1

- Name: Rachel Genus
- Title/Position: Associate Governmental Program Analyst
- Address: 2920 Kilgore Road Rancho Cordova, CA
- Phone: 279-217-3649
- E-mail: Rachel.Genus@cannabis.ca.gov

Witness #2

- Name: Todd Cogle
- Title/Position: Special Investigator
- Address: 2920 Kilgore Road Rancho Cordova, CA
- Phone: 279-217-3626
- E-mail: Todd.Cogle@cannabis.ca.gov

Witness #3

- Name: Jennifer Ostrowski
- Title/Position: Special Investigator
- Address: 2920 Kilgore Road Rancho Cordova, CA
- Phone: 279-217-3705
- E-mail: Jennifer.Ostrowski@cannabis.ca.gov

Witness #4

- Name: Tara Creekmore
- Title/Position: Office Manager, Bud Brothers Inc.
- Address: 411 Main Street, Suite 2, Colusa, CA
- Phone: 530-999-2206
- E-mail: Unknown

Witness #5

- Name: Mahul Patel



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- Title/Position: Tax Compliance Specialist, California Department of Tax and Fee Administration
- Address: Unknown
- Phone: 916-309-8282
- E-mail: Mahul.patel@cdtfa.ca.gov

PREPARER

Name	Title
Amy Vasquez, #4049	Special Investigator
Signature	Digitally signed by Amy Vasquez
Amy Vasquez	Date: 2024.12.10 13:39:37 -08'00'

REVIEWER

Name	Title
Misty Rhoads, #4011	Supervising Special Investigator
Signature	Date
Misty Rhoads	Digitally signed by Misty Rhoads Date: 2024.12.10 13:46:36 -08'00'

LIST OF ATTACHMENTS

- Attachment A – Email of violations observed during March 20, 2022, inspection.
- Attachment B – Incoming Transfers Report May of 2022 – May of 2023. (In an effort to reduce the size of this report, the individual packages included with each transfer have been eliminated from the report).
- Attachment C – Email with NTC on May 9, 2023.
- Attachment D – Compliance Actions email and POS for hardcopy of NTC.
- Attachment E – Returned NTC and email correspondence with Zapata.
- Attachment F – Screenshot of incoming transfers on June 28, 2023.
- Attachment G – August 2024 Anomaly Report Summary Page.
- Attachment H – Email notification and correspondence with Zapata regarding inspection.
- Attachment I – Photo of Kia Soul.
- Attachment J – Photos of Capell's vehicle information.
- Attachment K – Photo of Capell's employee binder.
- Attachment L – Photos of cannabis inventory room.
- Attachment M – Photos of cannabis delivery boxes.
- Attachment N – Photos of Santibanez's vehicle information.
- Attachment O – Screenshot of vehicles in CCTT.
- Attachment P – Screenshot of Zapata as only employee in CCTT.
- Attachment Q – CDTFA Notice of Revocation.
- Attachment R – Email with NTC issued to Zapata on November 20, 2024.

PROOF OF SERVICE

Case Name: In the Matter of the Accusation Against: Bud Brothers, Inc.

DCC Case No. DCC24-0002038-INV

License Number: Retailer – Non-Storefront License No. C9-0000410-LIC

I am a resident of the State of California, over the age of eighteen years, and not a party to the within action. My business address is Department of Cannabis Control, 2920 Kilgore Road, Rancho Cordova, CA 95670. On April 22, 2025, I served the within documents:

DEFAULT DECISION AND ORDER

- ☒ VIA ELECTRONIC TRANSMISSION. Pursuant to CCP § 1010.6, I caused the document(s) to be sent to the person(s) at the Email address(es) listed below. I did not receive, within a reasonable time after the transmission, any electronic message or other indication that the transmission was unsuccessful.
- ☒ VIA CERTIFIED MAIL by placing the envelope for collection and mailing following our ordinary business practices for collecting and transmitting mail through the United States Postal Service to the individual(s) or entity(ies) listed below.
- ☐ Service via certified mail to be completed upon the following business day.

William Zapata
Owner
Bud Brothers, Inc.
411 Main Street, Suite 2
Colusa, CA 95932
Peyton.schmidt@yahoo.com
Budbrothersdisp@gmail.com

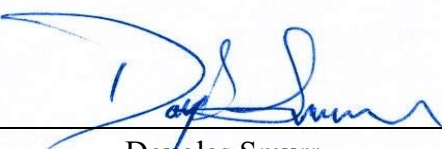
William Zapata
Agent for Service of Process
Bud Brothers, Inc.
528 Washington Avenue
Yuba City, CA 95991
Williezapatarealty@gmail.com

Harinder Kapur (email only)
Assistant Attorney General
Cannabis Control Section
Office of Attorney General
Harinder.Kapur@doj.ca.gov

I am familiar with the Department's business practices for collecting and transmitting mail through the United States Postal Service. In accordance with those practices, correspondence placed in the Department's internal mail collection system is, in the ordinary course of business, deposited in the United States Postal Service, with postage paid, on the same day

I declare under penalty of perjury under the laws of the State of California, and the United States of America, that the above is true and correct.

Executed on April 22, 2025, at Rancho Cordova, California.



Douglas Smurr