

1 California corporation engaged in the cultivation of cannabis in Yolo County.

2 4. Defendant NS CONSULTING, LLC is a California limited liability company.
3 Defendant N.S. CONSULTING, LLC is the property owner on record for the property located in
4 Yolo County at 1010 County Road 116B in Woodland with the Assessor's Parcel Number 056-220-
5 019 ("Property").

6 5. Defendant LOUCHIO SAELEE is a resident of California. At all relevant times,
7 LOUCHIO SAELEE was, and remains, an officer of VIRGROW ORGANICS, INC. At all relevant
8 times, LOUCHIO SAELEE has had the authority to control, and has controlled, the conduct of
9 VIRGROW ORGANICS, INC.

10 6. Defendant SEAN RUIZ is a resident of California. At all relevant times, SEAN RUIZ
11 was an officer of VIRGROW ORGANICS, INC. At all relevant times, SEAN RUIZ had the
12 authority to control the conduct of VIRGROW ORGANICS, INC.

13 7. DOES 1 through 50, inclusive, are persons whose names and identities are unknown
14 to the People at this time, and the People therefore sue these defendants by their fictitious names.
15 The People will seek leave to amend this Complaint to allege the true names of DOES 1 through 50
16 once they have been determined. DOES 1 through 50 participated in some or all of the acts alleged
17 herein.

18 8. The named and unnamed defendants in this action are collectively referred to as
19 "Defendants."

20 9. Allegations in this Complaint of Defendants' acts or omissions include the acts and
21 omissions of Defendants' officers, agents, employees, and representatives that were committed while
22 acting within the course and scope of their employment or agency on behalf of Defendants.

23 10. All Defendants at all times acted as agents of one another. With regard to the conduct
24 and omissions alleged in this Complaint, each of the Defendants ratified the actions of the other
25 Defendants.

26 **JURISDICTION AND VENUE**

27 11. This Court has jurisdiction over Defendants because all causes of action asserted in
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1 this Complaint arise out of Defendants' conduct in Yolo County, California.

2 12. Venue is proper in this Court under Code of Civil Procedure § 393 because the causes
3 of action alleged in this Complaint arose out of Defendants' conduct in Yolo County, California.

4 **LEGAL BACKGROUND**

5 13. Counties, under their traditional land use and police powers, are authorized to regulate
6 cannabis cultivation within their jurisdictions. (See Cal. Const., art. XI, § 7.)

7 14. California statutory law explicitly recognizes the authority of counties to regulate
8 cannabis cultivation. For example, Proposition 64—a recently passed initiative relating to
9 cannabis—expressly recognizes the ability of local authorities to regulate cannabis activities. (See
10 Bus. & Prof. Code, § 26200 [Division 10 of the Business and Professions Code, the Medicinal and
11 Adult-Use Cannabis Regulation and Safety Act, “shall not be interpreted to supersede or limit the
12 authority of a local jurisdiction to adopt and enforce local ordinances to regulate businesses licensed
13 under this division, including, but not limited to, local zoning and land use requirements, business
14 license requirements. . . .”].)

15 15. Consistent with the California Constitution and state law, Yolo County (the “County”)
16 adopted, on March 22, 2016, an ordinance governing cannabis cultivation within its jurisdiction.

17 16. The County amended its cannabis ordinance in October 25, 2016, and under the
18 October 25, 2016 amendment, and still today, cannabis cultivation in the County is prohibited unless
19 it falls within one of two exceptions.

20 17. The first exception is for “qualified patients.” To come within the exception, a person
21 must, among other things, grow cannabis exclusively for his or her personal medical use, and have
22 cannabis plants that occupy no more than 100 square feet. (Yolo County Code, §5-20.04(A)(1).)

23 18. The second exception is for permitted growers who are growing between 1,000 square
24 feet and 43,560 square feet of medicinal cannabis. To come within the permitted exception, a person
25 must, among other things, have (1) submitted, by October 11, 2016, a Notice of Intent to comply
26 with a Central Valley Regional Water Quality Control Board (“Regional Water Board”) order
27 governing cannabis cultivation (“Order R5-2015-0113”), and (2) obtained a County permit to
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1 cultivate cannabis. (Yolo County Code, § 5-20.04(A)(2).) As with any business, cannabis cultivators
2 are also required to obtain a county business license. This requirement is in addition to the cannabis
3 cultivation permit under Yolo County Code § 5-20.04(A)(2).

4 19. The County's permitting scheme for medicinal cannabis cultivators requires, among
5 other things, that cultivators pay permitting fees, allow for sample collection for laboratory analysis
6 of their cannabis plants, allow for site inspections, and participate in a track-and-trace program
7 intended to ensure that cannabis grown in the County is compliant with the county code. (Yolo
8 County Code, § 5-20.04(A)(2)(a).) The track-and-trace program monitors permitted cultivators'
9 cannabis plants throughout the production chain—from initial cultivation to market-ready product—
10 and ensures that cannabis grown in Yolo County complies with local and state laws and promotes
11 public health and safety.

12 20. The County's cannabis ordinance holds liable owners, tenants, and cultivators who
13 cause or allow a property to be used or occupied for cannabis cultivation in violation of the
14 ordinance. (Yolo County Code § 5-20.07).

15 21. The Yolo County Cannabis Task Force ("Task Force"), a task force consisting of
16 county representatives from the Yolo County Department of Agriculture, the Yolo County District
17 Attorney's Office, the Yolo County Sheriff's Office, the Yolo County Community Services
18 Department, and the Esparto Fire Department, implements the County's cannabis ordinance and
19 oversees cannabis permitting in the County.

20 GENERAL ALLEGATIONS

21 22. Defendants are in the business of cultivating medicinal cannabis on a commercial
22 scale within the meaning of Yolo County Code § 5-20 et seq. at the Property.

23 23. Under the Yolo County Code, Defendants could not cultivate cannabis on the
24 Property until they received a permit from the Yolo County Department of Agriculture and a
25 business license for cannabis cultivation from the County. To obtain the permit, Defendants were
26 required to submit a Notice of Intent to the Regional Water Board for eligibility under R5-2015-
27 0113, register with the Yolo County Department of Agriculture, pay applicable cannabis cultivation
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1 fees, and allow the Task Force to inspect the Property to ensure that it met all applicable county code
2 requirements.

3 24. Defendants nonetheless engaged in the business of cultivating cannabis even though
4 they did not receive a permit and business license to cultivate medicinal cannabis in Yolo County.

5 25. On or around October 28, 2016, Defendants submitted a Notice of Intent to the
6 Regional Water Board for eligibility under R5-2015-0113.

7 26. On or around February 16, 2017, Defendants submitted a permit application to the
8 Task Force for cannabis cultivation in Yolo County.

9 27. On or around March 15, 2017, the Task Force notified Defendants that the agency was
10 unable to approve the permit application at that time due to multiple issues discovered in the
11 examination of the permit application. Defendants were further notified to contact the Task Force to
12 resolve these matters.

13 28. On or around May 18, 2017, Task Force representatives inspected the Property and
14 observed multiple county code violations on the Property. Task Force representatives also observed
15 that Defendants had an unpermitted large-scale cannabis operation in place with a significant number
16 of small and large cannabis plants in pots on the Property.

17 29. On or around June 22, 2017, Task Force representatives again inspected the
18 unpermitted grow on the Property and observed multiple other county code violations on the
19 Property. At that time, Defendants were also not in compliance with the County track-and-trace
20 program.

21 30. On or around July 20, 2017, Task Force representatives again visited the Property for
22 a compliance check. The Task Force estimated the canopy measurement for the unpermitted
23 cannabis plants growing at the site to be 14,415 square feet.

24 31. On or around August 4, 2017, Defendant SEAN RUIZ notified the Task Force that he
25 was resigning from his position with VIRGROW ORGANICS, INC., and Defendant LOUCHIO
26 SAELEE was assuming the role of Chief Executive Officer.

27 32. On or around August 22, 2017, the Task Force informed Defendants that their permit
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1 application was denied.

2 33. The Task Force gave Defendants multiple opportunities to correct these code
3 violations, and take steps to become permitted. But Defendants consistently failed to meet these
4 deadlines.

5 34. At the present time, Defendants are still not permitted and licensed by the County to
6 lawfully cultivate medicinal cannabis under the county ordinance's permit exception.

7 **FIRST CAUSE OF ACTION**

8 **Violation of Business and Professions Code § 17200**
9 **(Unlawful and/or Unfair Competition)**

10 35. The People restate and incorporate all previous paragraphs as though fully set forth
11 herein.

12 36. Section 17200 of the Business and Professions Code prohibits unfair competition—
13 meaning any unlawful, unfair, or fraudulent business act or practice; any unfair, deceptive, untrue, or
14 misleading advertising; and any act prohibited under Business and Professions Code § 17500.

15 37. Beginning at an exact date that is unknown to Plaintiff, but within four (4) years prior
16 to the filing of this Complaint, Defendants engaged in acts of unlawful and/or unfair competition
17 prohibited by Business and Professions Code § 17200 et seq. by virtue of the acts described herein,
18 each of which constitutes an unlawful and/or unfair business practice. The use of such unlawful
19 and/or unfair business practices constitutes unfair competition within the meaning of Business and
20 Professions Code § 17200 et seq. The unlawful and/or unfair business practices committed by the
21 Defendants include, but are not limited to:

- 22 a. Engaged in the business of commercial medicinal cannabis cultivation without a
23 permit and license, in violation of Yolo County Code § 5-20 et seq.

24 38. Each and every separate act constitutes an unlawful or unfair business practice. Each
25 day that Defendants engaged in each separate unlawful act, omission, or practice is a separate and
26 distinct violation of Business and Professions Code § 17200.

27 39. Based on the above, the People request injunctive relief against Defendants under
28 Business and Professions Code § 17203, and civil penalties against Defendants under Business and

1 Professions Code § 17206, as set forth in the People's prayer for relief.

2 **PRAYER**

3 WHEREFORE, the People respectfully request the following relief:

4 1. That Defendants be permanently restrained and enjoined from engaging in or
5 performing, directly or indirectly, any and all of the following acts which Defendants are alleged to
6 have violated:

7 a. Engaging in any of the unlawful acts of unfair competition set forth in the First
8 Cause of Action of this Complaint, as well as any other violations of Business and
9 Professions Code § 17200 et seq., including but not limited to:

10 1. Violations of Yolo County Code § 5-20 et seq.

11 2. For violation of the First Cause of Action, that Defendant be assessed a civil penalty
12 of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00) for each act of unfair competition,
13 in an amount according to proof but no less than ONE MILLION DOLLARS (\$1,000,000.00),
14 pursuant to Business and Professions Code § 17206.

15 3. That the People recover their costs and agencies costs, including costs of
16 investigation.

17 4. That the People receive all other relief to which they are legally entitled.

18 5. That the Court award such other relief that it deems just, proper, and equitable.

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20 Dated:

Respectfully submitted,

21 JEFF W. REISIG
22 DISTRICT ATTORNEY

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24 By: 
25 ASHLEY HARVEY
26 Deputy District Attorney