

ADMINISTRATIVE HEARINGS DIVISION

February 19, 2026

STIPULATED SETTLEMENT AGREEMENT FOR MARIJUANA VIOLATION CASE

1. Hawthco One Corporation
Derek Herman, Pres/Sec/Dir/Stkhldr
dba **PORTLAND CANNA
CONNECTION**
1515 SE 46th Ave
Portland, OR 97215

(Retailer)

OAR 845-025-1440(1)(a)(b)(c)(d) - On or about May 30, 2025, Licensee or Licensee's employees, agents, or representatives intentionally failed to have camera coverage for all points of ingress and egress to and from the licensed premises, all limited access areas, all consumer sales areas and all points of ingress and egress to or from one or more limited access areas when Licensee or Licensee's employee, agent, or representative disconnected some or all the cameras at the premises.

(1st Level Category I)

OAR 845-025-1450(7) - On or about May 31, 2025, Licensee or Licensee's employees, agents, or representatives engaged in privileges of Licensee's recreational marijuana retailer license in an area that did not have camera coverage as described in OAR 845-025-1440 and OAR 845-025-1450 when Licensee or Licensee's employees, agents, or representatives engaged in the sale of more than 78 marijuana items to consumers (a recreational marijuana retailer licensee privilege under OAR 845-025-2800(2)(a)) at the licensed premises during a time when there were no functioning cameras at the premises.

(1st Level Category III)

OAR 845-025-7700(1)(d)(B) - On or before about June 1, 2025, Licensee transferred or transported marijuana from the licensed premises without a Metrc cannabis tracking system (CTS) manifest and other than as provided in OAR 845-025-2880 to an unlicensed location, when Licensee Derek Herman took thousands of marijuana items from the licensed premises and delivered them the Unlicensed Location, a location for which there was no OLCC licensed marijuana business.

Note: Licensee was charged with this violation by Notice dated October 14, 2025. The proposed penalty was license cancellation. Licensee requested a hearing and now wishes to enter into this settlement agreement.

AGGRAVATION

Commission staff proposed aggravation because violations Number Two and Number Three were committed intentionally; Violations Number One, Number Two, and Number Five were repeated; Violations Number Two and Number Five involved more than one consumer; and Violation Number Three was personally committed by Licensee Derek Herman; and because of the amount time and circumstances under which Licensee operated at an unlicensed location.

MITIGATION

Commission staff proposed to mitigation because Licensee Derek Herman cooperated in the investigation demonstrating acceptance of responsibility.

(2nd Level Category I)

OAR 845-025-8520(3) - On or between about June 1, 2025, and August 14, 2025, Licensee failed to at all times retain control of, or the right of access to, all or any parts of the licensed premises during a time when Licensee had marijuana items in Licensee's CTS inventory when Licensee moved out of the licensed premises and then on August 14, 2025, Licensee Herman confirmed to OLCC inspectors that he no longer had access to the licensed premises, and none of the listed exceptions in OAR 845-025-8520(3)(c)(B)(i) through (iii) apply.

(2nd Level Category I)

OAR 845-025-1180(5) - From about June 1, 2025, to about August 14, 2025, Licensee engaged in activities that require a license at the Unlicensed Location prior to the Commission approving the change of location request, when Licensee began operating at the Unlicensed Location, including engaging in sales of marijuana items to consumers and received marijuana items from wholesalers (recreational marijuana retailer licensee privileges under OAR 845-025-2800(2)(a) and (d)(E)) before the Commission approved Licensee's change of location request.

(1st Level Category II)

SYNOPSIS: This retailer Licensee began a Change of Location amendment with the Commission, but before the Change of Location amendment was completed by Licensee or reviewed by Commission staff, the Licensee dismantled surveillance equipment at the licensed location and continued to transact sales at the licensed location without surveillance cameras. Licensee then moved their inventory of marijuana items to the unlicensed location and operated at the unlicensed location for over one month. As part of the proposed settlement, Licensee may submit a Change of Ownership application if all marijuana items at the unlicensed premises are surrendered to OLCC for destruction or destroyed with OLCC inspectors present. Licensee agrees to maintain security and surveillance at the unlicensed location while the marijuana items are present.

TERMS OF AGREEMENT

1. This Settlement Agreement resolves only the violations identified in the Notice.
2. Licensee admits the facts described in the Notice. Licensee admits to and accepts responsibility for the violations described above. These were Licensee's first, second, and third Category I violation within two years; first Category II violation within two years; and first Category III violation within two years. Upon execution and final approval of this Settlement Agreement by the Commission, these violations shall become a permanent part of Licensee's Commission file and may be considered in any future application for any license or permit by the Licensee.
3. The standard sanction for the violations described in the Notice is license cancellation. The violations were mitigated and aggravated, as more fully described in the Notice. The Notice proposed license cancellation as the penalty for the compliance violations.
4. Licensee has marijuana items in its possession at the Unlicensed Location. Destruction of these marijuana items is necessary for the Commission to ensure compliance with, and enforce the provisions of, ORS 475C.005 to 475C.525 and the rules adopted thereunder, including those concerning the prevention of diversion of marijuana out of state or to illicit markets. Continued possession, storage, transfer, delivery or manufacture of marijuana items at the Unlicensed Location is unlawful and a violation of ORS 475C.057, ORS 475C.097, ORS 475C.337(1), ORS 475C.345(1), or ORS 475C.349(1). Licensee agrees to destroy the marijuana items at the Unlicensed Location in accordance with the Addendum to this Settlement Agreement and that the Commission may enter a final order requiring Licensee to do so. Licensee is responsible for all costs of destruction of marijuana items at the Unlicensed Location.
5. Licensee wishes to submit a Change of Ownership application for License No. 1004282BD55. As an alternative to the proposed penalty in the Notice, Licensee hereby surrenders License No. 1004282BD55, effective the date in Paragraph 5(a)(iii) or 5(b)(ii), as applicable. In addition, the Commission shall issue a Letter of Reprimand for the violations identified above to each Licensee.
 - a. If Licensee destroys or surrenders for destruction all marijuana items at the Unlicensed Location in accordance with the terms set forth in the Addendum by 5:00 PM on March 27, 2026, then:
 - i. Licensee may submit a Change of Ownership for License No. 1004282BD55. The Change of Ownership for License No. 1004282BD55 must be submitted by May 19, 2026.
 - ii. Licensee's surrender of the License No. 1004282BD55 is effective the date the Change of Ownership application is approved and completed, or 7:00 AM on May 19, 2026, whichever is earlier. Licensee understands and agrees that the Commission is not representing or guaranteeing that a new owner will be approved on or before 7:00 AM on May 19, 2026, or at any time. Licensee understands and agrees that any new owner must fully complete the application process, comply with all applicable statutes and regulations and satisfy all eligibility requirements, and the application has to receive final approval by the Commission, prior to a license being issued.

(Continued: Portland Canna Connection)

- b. If Licensee does not destroy or surrender for destruction all marijuana items remaining at the Unlicensed Location in accordance with the terms set forth in the Addendum by 5:00 PM on March 27, 2026, then
 - i. The effective date of Licensee's surrender of License No. 1004282BD55 is 7:00 AM on April 3, 2026.
 - ii. Licensee may not submit a Change of Ownership for License No. 1004282BD55.
 - iii. OLCC may notify law enforcement that Licensee may have marijuana items at the unlicensed location.
 - c. The determination of whether Licensee has completed the destruction of marijuana items in accordance with the terms set forth in the Addendum rests solely within the discretion of Commission staff.
6. Licensee withdraws the request for a hearing.
 7. Licensee withdraws the Change of Location request and authorizes OLCC staff to withdraw the Change of Location amendment in OLCC's online system (CAMP).
 8. Licensee's license No. 1004282BD55 was due to expire on December 31, 2025. Licensee has started the renewal process. If Licensee does not timely renew License No. 1004282BD55, then License No. 1004282BD55 will expire, and no Change of Ownership application can be processed. Licensee must timely renew License No. 1004282BD55 and pay all associated non-refundable fees, before submitting or OLCC approving a change of ownership. Licensee's renewal will be processed in accordance with applicable statutes and rules. The Commission agrees that it will not deny Licensee's renewal application based on Licensee's lack of access to the licensed premises (OAR 845-025-1115(2)(h)). Licensee understands and agrees that any approval of Licensee's renewal application is not a representation by the Commission that Licensee is in compliance with applicable statutes or rules.
 9. If Licensee's interest in the license expires or is transferred before the Commission issues the final order incorporating this Settlement Agreement, the Licensee agrees to accept a Letter of Reprimand for the violations. This reprimand becomes a permanent part of the Licensee's Commission file and may be considered in any future application for any license or permit by the Licensee.
 10. Licensee accepts this Settlement Agreement without any conditions or reservations. Licensee is aware of Licensee's right to a contested case hearing under the Administrative Procedures Act (ORS Chapter 183) and to judicial review if this matter was not resolved through this Settlement Agreement. Licensee is aware of Licensee's right to seek judicial review of a final order issued in the matter. Licensee freely and voluntarily waives all such rights to a contested case hearing, judicial review, or to otherwise challenge this Settlement Agreement and the Final Order incorporating this Settlement Agreement. In full satisfaction and settlement of this matter, Licensee agrees to Commission's issuance of a Final Order incorporating this Settlement Agreement as described in paragraph 11.
 11. This Settlement Agreement is conditioned upon final approval by the Commission. If the Settlement Agreement is not accepted and approved in its entirety by the Commission it is deemed null and void and Licensee's hearing rights, if any, will be restored.
 12. The parties agree that this Settlement Agreement constitutes the sole, entire, and complete agreement between the parties to resolve the administrative proceeding commenced by the Notice and that no promises, inducements, or agreement not herein expressed have been made and that all terms of this Settlement Agreement are contractual and not a mere recital.

(Continued: Portland Canna Connection)

13. Licensee releases and waives any and all claims of any kind, known or unknown, past or future, against the State of Oregon or its agencies, instrumentalities, employees, officers, or agents arising out of the matters set forth in the Notice or this Settlement Agreement, including but not limited to any claim under federal or state law for damages, declaratory or equitable relief, under 42 USC § 1983 et seq, and for attorney's fees or costs.
14. Licensee of record is an Oregon corporation. Derek Herman is the President, Secretary, Director and Stockholder of Licensee of record. Licensee of record represents and warrants that Derek Herman individually has the authority to enter into this Settlement Agreement and bind Licensee of record on its behalf.
15. The parties agree that this Settlement Agreement and Final Order Incorporating Settlement Agreement may be executed in one or more multiple counterparts, including facsimile, scanned, and electronically transmitted counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.
16. The Settlement Agreement must be signed and received by the Commission by 5:00 PM February 6, 2026, or this settlement offer is deemed withdrawn.