

Willamette Week

Secretary of State Shemia Fagan Is Working as Private Consultant to Troubled Cannabis Couple

Fagan took on the work even as her auditors were examining the OLCC's handling of the cannabis industry.

By Sophie Peel April 27, 2023 at 2:54 pm PDT

In a remarkable turn of events, Oregon Secretary of State Shemia Fagan tells *WW* she entered into an agreement in February to provide consulting services to an affiliate of the troubled La Mota cannabis dispensary chain.

As *WW* has previously reported, the owners of La Mota were also major donors to Fagan's election campaign and have been under the scrutiny of at least two state agencies, the Oregon Department of Revenue and the Oregon Liquor and Cannabis Commission.

La Mota appears to be in financial trouble. In recent years, the Department of Revenue and the federal Internal Revenue Service have filed more than \$7 million in liens against La Mota owners Rosa Cazares and Aaron Mitchell, and the companies they control, for failing to pay taxes in full.

Cazares, Mitchell and the companies they control have also been sued in Oregon circuit courts 30 times in recent years. Many of the filings allege nonpayment of bills. *WW* detailed such findings in a March 29 cover story and a series of subsequent stories about the couple and their political ambitions.

Despite La Mota's troubles, *WW* learned on Thursday that Fagan, a Democrat who worked as an employment lawyer before winning the secretary of state's race in 2020, has taken on one of the company's affiliates as a client. Fagan's office confirmed that agreement Thursday afternoon in response to *WW*'s questions.

On April 28, the Audits Division, which reports to Fagan, will release an audit of the OLCC's regulation of the cannabis industry. Some companies have bristled at the agency's regulation.

Fagan's office says she recused herself from any involvement in that audit.

"Secretary Fagan recused herself from the OLCC audit on Feb. 15 because she was planning to begin a limited consulting contract with Veriede Holding LLC (an affiliate of La Mota)," spokesman Ben Morris said. "The contract with [Veriede] began on Feb. 20, 2023, and is for projects outside of Oregon."

Morris did not provide a copy of the contract or the amount she's being paid. No consulting business registered to Fagan appears in records at her own agency's Corporation Division. Fagan did not immediately respond to emailed questions asking about the contract.

Fagan makes \$77,000 annually as secretary of state.

Oregon ethics laws permit public officials to take outside employment so long as they don't use their public position, public resources or insider knowledge obtained from their position to aid their outside work. Morris says Fagan spoke three times with the Oregon Government Ethics Commission about her proposed consulting work, and adds that the commission "did not advise Secretary Fagan of an actual or potential conflict."

It is common for public officials seeking an interpretation of ethics laws to seek a written opinion from the commission. In this case, that did not happen, according to agency director Ron Bersin.

"My understanding is that she did contact our office and spoke with an employee of the agency. These contacts were by telephone and we do not log each telephone call received," Bersin wrote in an email. "The employee believes this was a couple of months ago and does not remember exactly how many times she spoke with SOS Fagan."

Morris says that "the Secretary's contract states that both the consultant and the company will 'at all times abide by guidelines for public officials.' The Secretary would immediately terminate a contract if those limitations were not observed."

Fagan is not an active member of the Oregon State Bar, which means she cannot practice law, according to a bar spokeswoman. Morris says Fagan "is not currently performing legal services because she is still in the process of being reinstated to the Oregon State Bar....She reapplied [in February], and is going through the paperwork to be reinstated."

Still, for a statewide elected official to moonlight is exceedingly rare. In 2012, then-Gov. John Kitzhaber sought permission from the Oregon Government Ethics Commission to give paid speeches in his off hours. Kitzhaber, a nationally recognized expert on health care policy, eventually gave only one such speech before resigning in February 2015.

As secretary of state, Fagan oversees audits, corporations and elections. In each of these roles, it is important for Oregonians to believe she is acting in the public interest and not representing private interests. Although Fagan says her consulting work will take place outside of Oregon, Mitchell and Cazares hold more than 50 licenses with the OLCC. As La Mota moves into other states, Fagan's name has the potential to be helpful to them and their business interests.

Two other aspects of Fagan's decision to seek outside work are unusual.

First—and what is likely to attract further scrutiny—is that the owners of the company she's agreed to work for were major donors to her 2020 campaign. Veriede Holding LLC is

registered with the Oregon Secretary of State's Office. Its business activity in filings is listed as "retail" and its manager and member listed in filings are Cazares and Mitchell, respectively.

As they accrued legal and financial troubles, the couple donated generously to top Democrats, including Fagan, Gov. Tina Kotek and Congresswoman Val Hoyle (formerly commissioner of the Bureau of Labor & Industries). Overall, the couple, La Mota and a political action committee controlled by Cazares have contributed more than \$200,000 to Democratic politicians since 2019. Cumulatively, Mitchell has given \$45,000 to Fagan since 2020.

The second issue relevant to Fagan's agreement is that La Mota has business in front of at least two state agencies.

Cannabis is regulated by the Oregon Liquor and Cannabis Commission, which is supposed to vet license applications, penalize licensees for wrongdoing, and clamp down on bad actors. Companies controlled by Cazares and Mitchell hold licenses with the agency, including licenses for farms, wholesale operations and dispensaries.

The Oregon Department of Revenue collects income taxes for the state and, in recent years, the department filed more than \$1.5 million in liens against Cazares, Mitchell and the companies they control for unpaid taxes, including more than \$592,000 in marijuana sales taxes.

Moreover, the state's Audits Division, which is overseen by Fagan, will release an audit April 28 of the OLCC and its licensing and compliance practices related to cannabis.

The import of today's revelation is that the politician who oversees the agency conducting the audit is working for La Mota's owners.

In an email Fagan sent to subordinates Feb. 15, she explained she would "soon be consulting for a company involved in the cannabis industry in multiple states." She added that "I do not believe a real conflict exists because any action required would be taken by the Legislature or OLCC and any benefit could flow to all cannabis companies in Oregon, not this specific company."

<https://www.wweek.com/news/state/2023/04/27/secretary-of-state-shemia-fagan-is-working-as-private-consultant-to-troubled-cannabis-couple/>

