BEFORE THE CANNABIS COMPLIANCE BOARD STATE OF NEVADA

STATE OF NEVADA, CANNABIS COMPLIANCE BOARD,

Case No. 2022-104

Petitioner,

VS.

TRYKE COMPANIES SO NV, LLC (C031, RC031),

Respondent.

STIPULATION AND ORDER FOR SETTLEMENT OF DISCIPLINARY ACTION

The Cannabis Compliance Board (the "CCB"), by and through its counsel, Aaron D. Ford, Attorney General for the State of Nevada, and L. Kristopher Rath, Esq., Senior Deputy Attorney General, hereby enters into this Stipulation and Order for Settlement of Disciplinary Action ("Stipulation and Order") with Respondent Tryke Companies SO NV, LLC, license No.'s C031 and RC031 (hereinafter "TRYKE C031" or "Respondent"), by and through its counsel of record, Joel Schwarz, Esq., of the law firm of Hone Law. Pursuant to this Stipulation and Order, TRYKE C031 and CCB (collectively, the "Parties") hereby stipulate and agree that CCB Case No. 2022-104 (the "Administrative Action") shall be fully and finally settled and resolved upon the terms and conditions set out herein.

PERTINENT FACTS

1. On or about August 2, 2022, the CCB initiated this disciplinary action via the service and filing of a Complaint for Disciplinary Action (the "Complaint"). The Complaint alleges, inter alia, that, contrary to Nevada law, the TRYKE C031 medical cannabis cultivation facility (C031) and adult-use cannabis cultivation facility (RC031): purchased cannabis not found in the seed-to-sale tracking system; stored cannabis from an unlicensed source; purchased cannabis from an unapproved source; and made an intentional, or in the alternative unintentional, false statement or representation to the Board or Board Agents.

- 2. TRYKE C031 has not filed an Answer and/or a Request for a Hearing as of the date of this Stipulation and Order. Rather, TRYKE C031 requested and was granted an extension to file its Answer and Request for a Hearing of 15 days in order to initiate and proceed with settlement negotiations. The current due date for TRYKE C031's Answer and Request for a Hearing is September 6, 2022. However, should the Board approve this Stipulation and Order at its August 23, 2022, meeting, there would be no need for TYRKE C031 to file an Answer or Request for a Hearing.
- 3. The Parties have engaged in good faith settlement negotiations to reach an agreement that is mutually acceptable to Respondent, CCB staff, and counsel for the CCB, for resolution of the Administrative Action, with the understanding that this Stipulation and Order must be approved by majority vote of the members of the CCB to become effective.

ACKNOWLEDGEMENTS AND APPLICABLE LAW

This Stipulation and Order is made and based upon the following acknowledgements by the Parties:

4. TRYKE C031 has entered into this Stipulation and Order on its own behalf and with full authority to resolve the claims against it and is aware of TRYKE C031's rights to contest the violations pending against it. These rights include representation by an attorney at TRYKE C031's own expense, the right to a hearing on any violations or allegations formally filed, the right to confront and cross-examine witnesses called to testify against TRYKE C031, the right to present evidence on TRYKE C031's own behalf, the right to have witnesses testify on TRYKE C031's behalf, the right to obtain any other type of formal judicial review of this matter, and any other rights which may be accorded to TRYKE C031 pursuant to provisions of NRS Chapters 678A through 678D, the Nevada Cannabis Compliance Regulations (NCCR), and any other provisions of Nevada law. TRYKE C031 is waiving all these rights by entering into this Stipulation and Order. If the CCB rejects this Stipulation and Order, or any portion thereof, all such waivers shall be deemed withdrawn by TRYKE C031.

- 5. Should this Stipulation and Order be rejected by the CCB or not timely performed by TRYKE C031, it is agreed that presentation to and consideration by the CCB of such proposed stipulation or other documents or matters pertaining to the consideration of this Stipulation and Order shall not unfairly or illegally prejudice the CCB or any of its members from further participation, consideration, adjudication, and/or resolution of these proceedings and that no CCB member shall be disqualified or challenged for bias.
- 6. TRYKE C031 acknowledges that this Stipulation and Order shall only become effective after the CCB has approved it.
- 7. TRYKE C031 enters this Stipulation and Order after being fully advised of TRYKE C031's rights and as to the consequences of this Stipulation and Order. This Stipulation and Order embodies the entire agreement reached between the CCB and TRYKE C031. It may not be altered, amended, or modified without the express written consent of the Parties, and all alterations, amendments and/or modifications must be in writing. The Parties stipulate and agree that this Stipulation and Order, if approved by the Board, resolves only the allegations set forth in the Administrative Action via the Complaint in Case No. 2022-104.
- 8. In an effort to avoid the cost and uncertainty of a disciplinary hearing, TRYKE C031 has agreed to settle this matter. For purposes of settling this matter, TRYKE C031 acknowledges that the facts contained in the paragraphs in the above "Pertinent Facts" portion of this Stipulation and Order are true and correct. Without waiving any constitutional rights against self-incrimination, TRYKE C031 further acknowledges that certain facts contained in the CCB Complaint in Case No. 2022-104 could be found to constitute violations of Title 56 of NRS (NRS Chapters 678A through 678D), and the NCCR, with penalties up to and including revocation, suspension, and/or civil penalties of up to \$190,000 for C031 and RC031, if this matter went to an administrative hearing.
- 9. In settling this matter, the Executive Director for CCB and counsel for CCB have considered the factors set forth in NCCR 4.030(2), including: the gravity of the violations; the economic benefit or savings, if any, resulting from the violations; the size of

the business of the violator; the history of compliance with the NCCR and Title 56 of NRS by the violator; actions taken to remedy and/or correct the violations; and the effect of the penalty on the ability of the violator to continue in business.

- 10. To resolve the Administrative Action, and only for those purposes and no other, TRYKE C031 specifically admits to the following violations with respect to the Complaint in CCB Case No. 2022-104 for licenses C031 and RC031:
 - a. One violation of NCCR 4.040(1)(a)(1), for making an unintentionally false statement or representation of fact to the Board or Board Agents, which constitutes one Category II violation.
 - b. One violation of NCCR 4.040(1)(a)(10), for purchasing cannabis from an unapproved source, which constitutes a second Category II violation.
- 11. With respect to C031 and RC031, TRYKE C031 further agrees to pay a civil penalty in the amount of \$72,000¹ in consideration for its admitted violations in Paragraph 10, above, and in consideration for the CCB's agreement to resolve the Administrative Action on the terms set forth herein, within the time set forth in Paragraph 16, below.
- 12. If the CCB approves this Stipulation and Order, it shall be deemed and considered disciplinary action by the CCB against TRYKE C031.
- 13. Both parties acknowledge that the CCB has jurisdiction to consider and order this Stipulation and Order because TRYKE C031 holds privileged licenses regulated by the CCB as of July 1, 2020. TRYKE C031 expressly, knowingly, and intentionally waives the 21-day and/or 5- day notice requirements contained in the Nevada Open Meeting Law and acknowledges that this Stipulation and Order may be presented to the CCB for its consideration and potential ratification at the CCB's meeting on August 23, 2022.

STIPULATED ADJUDICATION

Based upon the above acknowledgments of the Parties and their mutual agreement, the Parties stipulate and agree that the following terms of discipline shall be imposed by the CCB in this matter:

¹ To be apportioned \$36,000 to C031 and \$36,000 to RC031.

- 15. <u>Imposition of Civil Penalties</u>. TRYKE C031 shall pay a total civil penalty in the amount of seventy-two thousand dollars (\$72,000) within the time set forth in Paragraph 16 below, to be apportioned as set forth in Paragraph 11, above.
- 16. Payment of Civil Penalties. TRYKE C031 must pay the total civil penalty set forth in this agreement within 30 days of the date the CCB approves this Stipulation and Order². TRYKE C031 acknowledges that it is critical to comply with the strict requirements of the deadline for payment. TRYKE C031 agrees that, should it fail to make timely payment of the civil penalty, the foregoing penalties and procedures will be in effect:
 - a. CCB will allow a five-business day grace period for late payment3.
 - b. If payment is not physically received by the CCB at its Carson City office by 5:00 p.m., Pacific Time, on the last day of the grace period, TRYKE C031 shall be deemed in default and deemed to have admitted all allegations in the CCB's Complaint in Case No. 2022-104 and shall pay all penalties and receive all discipline set forth under the "Relief Requested" section of the Complaint, inclusive of the revocation of licenses C031 and RC031 (effective on the date of the order of default) and civil penalties of \$190,000, plus a \$380,000 late payment penalty, for a total of \$570,000. The CCB will enter an order of default to this effect after default and all amounts due under this subsection shall be immediately due and payable to the CCB. TRYKE C031 agrees it cannot and will not file any petition for judicial review and/or any action in any forum for relief from this order of default and that the CCB may file any judicial action necessary to recover the amounts owed under this subsection, along with its attorneys' fees and costs for recovery of amounts owed. In the

² Should the CCB approve this Stipulation and Order at its August 23, 2022, meeting, payment would be due on and must be physically received by Thursday, September 22, 2022.

³ If a check or other form of payment is returned for insufficient funds, or otherwise rejected, the failed payment will <u>not</u> be considered a payment and no additional time beyond the five-business day grace period will be granted for payment.

event of default under this Paragraph, TRYKE C031 would not be eligible to apply for reinstatement of its revoked licenses for nine (9) years after the date of revocation of its licenses and any such application would not be granted without prior payment of the full amount of \$570,000.

- c. TRYKE C031 may petition the CCB for an extension of 30-days to pay the civil penalty. However, for the CCB to consider any such petition, the CCB must receive said petition no later than 5 business days prior to the payment deadline (which does not include any grace period). The CCB is not required to grant such a petition. In such a petition, TRYKE C031 must demonstrate to the satisfaction of the CCB that there are extraordinary and unusual circumstances necessitating the extension requested. The CCB may delegate the decision as to whether to grant such a petition to the CCB Chair.
- d. If an extension is granted under Paragraph 16(c), there shall be no grace period on the new payment date. If TRYKE C031 does not pay and/or the CCB does not physically receive payment, by the new payment date, the provisions and penalties of Paragraph 16(b) apply.
- and put in place a plan of correction, which CCB staff has approved, that will remedy and prevent the recurrence of the violations set forth in this Stipulation and Order. In summary, the plan of correction includes the following: (1) Tryke C031 has acknowledged that the cannabis seeds at issue in the Complaint were not purchased in accordance with the NCCR and has counseled and trained its Cultivation Manager, Purchasing Agent, and Inventory/Compliance Manager on the appropriate regulations and statutes for the sourcing of cannabis seeds; (2) Tryke C031 has also counseled and warned its Inventory Control & Compliance Manager, Terrence Whittier, to be careful to verify all factual information before making any statements to the Board or Board Agents that could be inaccurate or false and thereby subject both his employer and himself to discipline; and (3) Tryke C031 has updated its standard operating procedures to ensure that cannabis seeds

are acquired in accordance with Nevada law in the future. Respondent further represents and warrants that it is now, as of the date it has executed this Stipulation and Order, operating in full compliance with NRS Title 56 and NCCR.

- 18. Contingency if Approval Denied. If approval of this Stipulation and Order is denied by the CCB, TRYKE C031 and counsel for the CCB agree to resume settlement negotiations in good faith and attempt to reach an agreement to amend this Stipulation and Order and resubmit an amended Stipulation and Order to the CCB to review for approval at a subsequent regularly scheduled CCB meeting. If such an agreement cannot be reached, the Parties agree to proceed with the Administrative Action, with TRYKE C031 to timely file its Answer and Request for Hearing, and the matter to proceed to a disciplinary hearing before the CCB's assigned hearing officer in the ordinary course. Should the Administrative Action proceed for the reasons set forth in this Paragraph, CCB preserves all its claims and arguments in the Administrative Action as set forth in its Complaint and TRYKE C031 preserves all its defenses and arguments it may set forth in its Answer, and withdraws all waivers set forth herein. An unapproved Stipulation and Order shall not be admissible as evidence or referenced in argument at any disciplinary hearing in CCB Case No. 2022-104 or any other matter involving the CCB.
- 19. Contingency if Approval Conditioned. If the CCB approves this Stipulation and Order, but said approval is contingent on certain conditions, the Parties will undertake further good faith negotiations to include said conditions in an amended stipulation and order for execution by the CCB Chair. If TRYKE C031 does not agree to the certain conditions imposed by the CCB, the Parties will undertake additional negotiations and attempt to reach an agreement to amend this Stipulation and Order and resubmit an amended stipulation and order to the CCB to review for approval at its next regularly scheduled meeting. If such an agreement cannot be reached, the Parties agree to proceed with the Administrative Action, with TRYKE C031 to timely file its Answer and Request for Hearing, and the matter to proceed to a disciplinary hearing before the CCB's assigned hearing officer in the ordinary course. Should the Administrative Action proceed for the

10

11

12

7

8

13 14

15

16

17 18

19

20 21

22 23

24

25 26

27

28

reasons set forth in this Paragraph, CCB preserves all its claims and arguments in the Administrative Action as set forth in its Complaint and TRYKE C031 preserves all its defenses and arguments it may set forth in its Answer, and withdraws all waivers set forth herein. An unapproved Stipulation and Order shall not be admissible as evidence or referenced in argument at any disciplinary hearing in CCB Case No. 2022-104 or any other matter involving the CCB.

- Closure of Disciplinary Action. Once this Stipulation and Order is fully 20. performed by TRYKE C031, the Administrative Action will be closed.
- Nothing in this Stipulation and Order shall preclude the CCB from pursuing any separate disciplinary actions against the individual cannabis establishment agent registration cards of the employees and/or agents of Respondent who participated in, authorized, and/or perpetrated the acts and omissions set forth in the Complaint, and the CCB specifically reserves its rights to do so. Should the CCB proceed with disciplinary action against any such cannabis establishment agent, Respondent agrees that it will cooperate with the CCB staff and the CCB's counsel in investigation the actions of such cannabis establishment agents and provide any related documents or information requested in such investigations that is within its custody and/or control4. Respondent also agrees to make available, upon reasonable notice, any of its employees, owners, officers, and/or directors, to the extent such individuals remain under Respondent's control, to testify at any disciplinary hearings involving the subject cannabis establishment agents. The Parties agree that, should the CCB approve this Stipulation and Order, this Stipulation and Order, and the Complaint in CCB Case No. 2022-104, may be used as evidence at any subsequent disciplinary proceedings and hearings regarding the cannabis establishment agents described in this Paragraph.
- Communications with CCB Members. TRYKE C031 understands that this 22. Stipulation and Order will be presented to the CCB in open session at a duly noticed and scheduled CCB meeting. TRYKE C031 understands that the CCB has the right to decide

Respondent further agrees that it will preserve for at least five years any documents and/or other evidence relevant to such a disciplinary action against the subject cannabis establishment agents.

22

23

24

25

26

27

28

in its own discretion whether or not to approve this Stipulation and Order. The CCB's counsel, which is the Nevada Attorney General and its staff attorneys, will recommend approval of this Stipulation and Order. In the course of seeking CCB acceptance of this Stipulation and Order, counsel for CCB may communicate directly with individual CCB members. TRYKE C031 acknowledges that such communications may be made or conducted ex parte, without notice or opportunity for TRYKE C031 to be heard on its part until the public CCB meeting where this Stipulation and Order is discussed, and that such contacts and communications may include, but may not be limited to, matters concerning this Stipulation and Order, the Administrative Action and any and all information of every nature whatsoever related to these matters. TRYKE C031 agrees that it has no objections to such ex parte communications. The CCB agrees that TRYKE C031 and/or its counsel may appear at the CCB meeting where this Stipulation and Order is discussed and, if requested, respond to any questions that may be addressed to TRYKE C031 and/or the Nevada Attorney General's staff attorneys. TRYKE CO31 agrees that, should the CCB decline to approve this Stipulation and Order, TRYKE C031 will not contest or otherwise object to any CCB member, and/or CCB appointed hearing officer, hearing and adjudicating the Administrative Action based on the aforementioned ex parte communications with anyone from the Nevada Attorney General's Office.

Release. Respondent agrees that the State of Nevada, the CCB, the Office of the Attorney General, and each of their members, staff, attorneys, investigators, experts, hearing officers, consultants and agents are immune from any liability for any decision or action taken in good faith in response to information and data acquired by the CCB. Respondent agrees to release the State of Nevada, the CCB, the Office of the Attorney General, and each of their members, staff, attorneys, investigators, experts, hearing officers, consultants and agents from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known or unknown, in law or equity, that Respondent ever had, now has, may have or claim to have against any and/or all of the persons, government agencies or entities named in this Paragraph, arising out of,

or by reason of, CCB's investigation of the matters set forth in the Complaint, the matters set forth in this Stipulation and Order, and/or the administration of CCB Case No. 2022-104.

24. No Precedence. Except as otherwise set forth in Paragraph 21, above, the Parties agree: (1) That this Stipulation and Order shall not constitute a precedent for any other issues or proceedings before the CCB and/or in any other forum, other than those set forth in this Stipulation and Order; (2) That this Stipulation and Order shall not be admissible in any other proceeding or action with respect to proof of fact or any other matter and/or any other licensee and/or cannabis establishment, except proceedings brought to enforce this Stipulation and Order under its terms and/or for the CCB's consideration of future disciplinary action against this Respondent, and except with respect to any disciplinary proceedings against the cannabis establishment agents who participated in, authorized, and/or perpetrated the acts and omissions set forth in the Complaint.

Furthermore, the CCB may consider the discipline imposed herein in any future disciplinary action against Respondent, as required under NCCR 4.030(2), along with the other factors set forth in NCCR 4.030(2), and possible progressive discipline pursuant to NCCR 4.035 through 4.060. As every case concerns different facts and details, this Stipulation does not act as precedence, or persuasive authority, to bind CCB to impose any particular penalty, to charge or allege any particular violation, and/or to impose any particular disciplinary action in the future for this Respondent, or any other respondent (except as set forth in Paragraph 21, above), for violations of the same statutes and/or regulations addressed in this Stipulation and Order. Likewise, CCB is not bound by any previous settlement agreements it has approved in entering into this Stipulation and Order.

- 25. Attorneys' Fees and Costs. The Parties each agree to bear their own attorneys' fees and costs.
- 26. <u>Further Assurances</u>. The Parties shall cooperate in executing such additional documents and performing such further acts as may be reasonably necessary to give effect

7 8

9

10

11 12

13

14

15

16 17

18

19

20

21

22

23 24

25

26 27

28

to the purposes and provisions of this Stipulation and Order.

- Voluntary and Informed Agreement. The Respondent represents that its 27. owners, officers, and/or its directors, who are responsible for and able to legally bind TRYKE C031 have read completely and understand fully the terms of this Stipulation and Order, that such terms are fully understood and voluntarily accepted by Respondent in advance of and as memorialized by the signing of this Stipulation and Order, and that the Respondent's signature to this Stipulation and Order indicates same. Respondent further represents that it has voluntarily entered into this Stipulation and Order to make a full. final, and complete compromise upon the terms and conditions set forth herein. Respondent further represents that any releases, waivers, discharges, covenants, and agreements provided for in this Stipulation and Order have been knowingly and voluntarily granted and without any duress or undue influence of any nature from any person or entity. The Parties, and each of them, hereby expressly acknowledge that they are each represented by counsel of their own choice in this matter and have been advised by counsel accordingly.
- Warranties of Authority. The Parties to this Stipulation and Order, and each 28. of them, expressly warrant and represent to all other Parties that each has the full right, title, and authority to enter into and to carry out its obligations hereunder, with the sole exception of the required approval of this Stipulation and Order by the CCB. The Parties also expressly acknowledge the foregoing authority.
- Binding Effect. This Stipulation and Order shall be binding upon and inure 29. to the benefit of the Parties hereto and the Parties' respective successors, predecessors, parents, affiliates, shareholders, employees, heirs, executors, assigns, and administrators.
- Construction. The headings of all Sections and Paragraphs of this Stipulation 30. and Order are inserted solely for the convenience of reference and are not a part of the Stipulation and Order and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision of this Stipulation and Order. In the event of a conflict between such caption and the paragraph at the head of which it appears, the

paragraph and not such caption shall govern in the construction of this Stipulation and Order.

- 31. Governing Law. This Stipulation and Order shall be governed by and construed in accordance with the laws of the State of Nevada, without reference to conflict of law principles.
- 32. <u>Jurisdiction and Forum Selection</u>. The Parties consent to the jurisdiction of the Eighth Judicial District Court of the State of Nevada, in and for Clark County, to resolve any disputes related to the terms or enforcement of this Stipulation and Order. The successful or prevailing Party or Parties in such action shall be entitled to recover reasonable attorney fees, costs, and expenses actually incurred in initiating or responding to such proceeding, in addition to any other relief to which it may be entitled.
- 33. <u>Interpretation</u>. This Stipulation and Order is the result of negotiations among the Parties who have each negotiated and reviewed its terms. In the event a Court ever construes this Agreement, the Parties expressly agree, consent, and assent that such Court shall not construe this Agreement or any provision hereof against any Party as its drafter for purposes of interpreting any ambiguity or uncertainty in this Stipulation and Order.
- 34. <u>Time is of the Essence</u>. Time is of the essence in the performance of all terms of this Stipulation and Order.
- 35. Severability. If any portion of this Stipulation and Order, or its application thereof to any person or circumstance, shall be deemed to any extent to be invalid, illegal, or unenforceable as a matter of law, all remaining clauses of this Stipulation and Order and its application thereof shall be not affected and shall remain enforceable to the fullest extent permitted by law.
- 36. Counterparts and Copies. This Stipulation and Order may be executed in counterparts, each of which when so executed and upon delivery to counsel of record for the Parties shall be deemed an original ("Counterparts"). This Stipulation and Order shall be deemed executed when Counterparts of this Stipulation and Order have been executed by all the Parties and/or their counsel; such Counterparts taken together shall be deemed to

1	be the Agreement. This Stipulation and Order may be executed by signatures provided by
2	electronic facsimile or email, which signatures shall be binding and effective as original
3	wet ink signatures hereupon. All fully executed copies of this Stipulation and Order are
4	duplicate originals, equally admissible in evidence.
5	
6	IN WITNESS WHEREOF, this Stipulation and Order has been executed by the
7	Parties and attested by their duly authorized representatives as of the date(s) so indicated.
8	The Effective Date of this Stipulation and Order shall be the date it is ordered by the CCB.
9	122
10	Date: August 12, 2022
11	Joel Schwarz (Nev. Bar No. 9181) Counsel for Respondent TRYKE C031
12	
13	
14	All /4 Date: 8/12/2022
15	(printed name Ndam Lyan),
16	On behalf of Respondent TRYKE C031
17	
18	200 Recets Date: 8/15/2022_
19	L. Kristopher Rath (Nev. Bar No. 5749)
20	Senior Deputy Attorney General Counsel for Cannabis Compliance Board
21 22	///
23	111
24	
25	111
26	
27	111
28	111
_~	II and the second secon

ORDER WHEREAS, on the 23rd day of August, 2022, the Nevada Cannabis Compliance Board approved and adopted all the terms and conditions set forth in the Stipulation and Order for Settlement of Disciplinary Action with TRYKE C031. IT IS SO ORDERED. SIGNED AND EFFECTIVE this 23 day of STATE OF NEVADA, CANNABIS COMPLIANCE BOARD HON. MICHAEL L. DOUGLAS, CHAIR