BEFORE THE CANNABIS COMPLIANCE BOARD STATE OF NEVADA

STATE OF NEVADA, CANNABIS COMPLIANCE BOARD,

Case No. 2023-34

Petitioner,

vs.

CROOKED WINE COMPANY, LLC/BLKBRD NV, LLC (T002, T003),

Respondent.

STIPULATION AND ORDER FOR SETTLEMENT OF DISCIPLINARY ACTION

The Cannabis Compliance Board (the "CCB" or the "Board"), 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 Crooked Wine Company, LLC/Blkbrd NV, LLC¹ (hereinafter "BNL" or "Respondent"), by and through its Receiver's counsel of record, John J. Savage, Esq., of the law firm Howard & Howard. Pursuant to this Stipulation and Order, BNL and the CCB (collectively, the "Parties") hereby stipulate and agree that CCB Case No. 2023-34 (the "Administrative Action") shall be fully and finally settled and resolved upon the terms and conditions set out herein.

This Stipulation and Order is not effective unless and until the CCB approves: (1) Transfers of Interest Nos. 21044 and 21044A (which request transfers of licenses T002 and T003 to Blkbrd); and (2) Kevin Singer's application for a cannabis receiver agent card for licenses T002 and T003. The CCB Chair's signature on this Stipulation and Order shall confirm that the two aforementioned contingencies have occurred.

¹ Crooked Wine Company, LLC, is the original holder of cannabis licenses T002 and T003 and the violation at issue occurred during the time this company held those licenses. Upon approval of certain transfers of interest as set forth herein, Blkbrd NV, LLC, shall be the new holder of said licenses.

PERTINENT FACTS

- 1. On or about December 1, 2018, Blackbird Logistics Corporation ("Blackbird") entered into a management services agreement ("MSA") to manage and operate cannabis distribution licenses T002 and T003, which were owned by Crooked Wine Company, LLC ("Crooked Wine"). The Nevada Department of Taxation, Marijuana Enforcement Division, the prior regulatory authority over cannabis, approved the MSA. The MSA contained an option to purchase the Crooked Wine licenses.
- 2. On or about January 5, 2021, Blackbird exercised the purchase option and, shortly thereafter, submitted a transfer of interest request ("TOI") to the CCB requesting approval for the transfer, TOI No. 21044.
- 3. On or about April 1, 2021, Devlon Moore, the owner of Crooked Wine, sold the company, along with its cannabis licenses to Kirk Offerle. This transfer of interest in T002 and T003 was completed without any notice to the CCB and did not receive CCB approval prior to the transfer. CCB did not become aware of this unauthorized transfer of interest until its investigation of TOI No. 21044. In the meantime, Blackbird continued to operate T002 and T003 under the MSA.
- 4. On or about October 23, 2023, TOI No. 21044A was submitted requesting a transfer of licenses T002 and T003 to Blkbrd NV, LLC (Blkbrd), a subsidiary of Blackbird.
- 5. Blkbrd and Blackbird are currently under the receivership of Kevin Singer, pursuant to a Nevada Court Order, based on a California Receivership over their parent company, Herbl, LLC².
- 6. The CCB is to consider both the approval of TOI Nos. 21044 and 21044A, and the cannabis receiver agent card application for Kevin Singer at its December 2023 CCB meeting. Should the CCB approve both, then the Parties herein request that the CCB thereafter consider the approval of this Stipulation and Order to settle the regulatory violation of the unauthorized transfer of ownership interest of April 1, 2021, between Devlon Moore and Kirk Offerle.

² Herbl, LLC, acquired Blackbird and Blkbrd on June 7, 2021.

7. 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 this Administrative Action without the need to file a complaint for disciplinary action. Respondent has agreed to waive the filing and service of a CCB Complaint, and the Parties understand and agree that this Stipulation and Order must be approved by a 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:

- 8. BNL 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 BNL's rights to contest the violations pending against it. These rights include the filing and service of disciplinary complaint specifying the charges against Respondent, representation by an attorney at BNL'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 BNL, the right to present evidence on BNL's own behalf, the right to have witnesses testify on BNL'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 BNL pursuant to provisions of NRS Chapters 678A through 678D, the Nevada Cannabis Compliance Regulations (NCCR), and any other provisions of Nevada law. BNL is waiving all these rights by entering into this Stipulation and Order. If the CCB rejects this Stipulation and Order, all such waivers shall be deemed withdrawn by BNL.
- 9. Should this Stipulation and Order be rejected by the CCB or not timely performed by BNL, 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.

- 10. BNL acknowledges that this Stipulation and Order shall only become effective after the CCB has approved it and that it is contingent upon the CCB first approving TOI Nos. 21044 and 21044A and Kevin Singer's application for a cannabis receiver agent card for licenses T002 and T003.
- 11. BNL enters this Stipulation and Order after being fully advised of BNL'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 BNL. 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 <u>only</u> the issues discovered during the investigation of TOI Nos. 21044 and 21044A. The CCB reserves its rights to pursue other disciplinary actions for violations discovered in any future TOI investigations and/or other investigations.
- 12. In an effort to avoid the cost and uncertainty of a disciplinary hearing, BNL has agreed to settle this matter. For purposes of settling this matter, BNL 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, BNL further acknowledges that, if the CCB filed and served a Complaint and the Administrative Action proceeded to an administrative hearing, the "Pertinent Facts" could be found to constitute multiple violations of Title 56 of NRS (NRS Chapters 678A through 678D), and the NCCR, with discipline including civil penalties of at least \$25,000, and/or additional discipline against licenses T002 and T003, if this matter went to an administrative hearing
- 13. 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. Mitigating factors in Case No. 2023-34 include the fact that Respondent, receiver candidate Kevin Singer and his counsel, and the owner of Crooked Wine cooperated with the CCB's staff in its TOI investigation and in reaching an agreement for resolution of the unapproved TOI without the need for the filing of a disciplinary complaint and hearing, thereby saving the State of Nevada time and money. As for corrective action, the Receiver over BNL acknowledges and agrees that any future TOI requests will not proceed without notice to the CCB and are subject to the CCB's approval.

- 14. To resolve the Administrative Action, and only for those purposes and no other, BNL specifically admits to the following violation with respect to CCB Case No. 2023-34 for licenses T002 and T003:
 - a. One violation of NCCR 4.040(1)(a)(6) for "effecting a change in ownership and/or ownership interest without complying with all the requirements of NCCR 5.110 and/or any additional Board guidance and orders regarding transfers of interest", which constitutes one Category II violation.
- 15. With respect to licenses T002 and T003, BNL further agrees to pay a civil penalty in the amount of \$8,500³ in consideration for its admitted violation in Paragraph 14(a), above, and in consideration for the CCB's agreement to resolve the Administrative Action on the terms set forth herein.
- 16. If the CCB approves this Stipulation and Order, it shall be deemed and considered disciplinary action by the CCB against BNL.
- 17. Both parties acknowledge that the CCB has jurisdiction to consider and order this Stipulation and Order because BNL holds privileged licenses regulated by the CCB as of July 1, 2020. BNL expressly, knowingly, and intentionally waives the 21-day and/or 5-day notice requirements contained in the Nevada Open Meeting Law⁴ and acknowledges that this Stipulation and Order may be presented to the CCB for its consideration and

 $^{^3}$ To be apportioned \$4,250 to T002 and \$4,250 to T003.

⁴ And/or the 7 and 14-calendar day requirements under A.B. 52, Section 6.

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potential ratification at the CCB's meeting on December 12, 2023.

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:

- 18. <u>Violations</u>: As to licenses T002 and T003, BNL is found to have committed one Category II violation, as set forth in Paragraph 14(a), above.
- 19. <u>Imposition of Civil Penalties</u>. BNL shall pay a total civil penalty in the amount of Eight Thousand, Five Hundred Dollars (\$8,500) within the time set forth in Paragraph 20 below, to be apportioned as set forth in Paragraph 15, above.
- 20. Payment of Civil Penalties. If the CCB approves this Stipulation and Order at its December 12, 2023, meeting, BNL must pay the civil penalty set forth in this agreement no later than 5:00 p.m., Pacific Time, on Thursday, January 11, 2024. If the CCB approves this Stipulation and Order, or an Amended Stipulation and Order, at a CCB meeting which occurs after December 12, 2023, then BNL must pay the civil penalty set forth in this agreement within 30 days of the date the CCB approves this (or an amended) Stipulation and Order
- 21. Penalties for Failure to Comply with Payment Deadline. BNL acknowledges that it is critical to comply with the strict requirements of the deadline for payment set forth in this agreement. BNL agrees that, should it fail to timely make timely payment under this Stipulation and Order, the following penalties and procedures will be in effect:
 - a. CCB will allow a five business day grace period for late payment⁵.
 - b. If payment is not physically received by CCB at its Carson City office by 5:00 p.m., Pacific Time, on the last day of the grace period within which it is due, BNL shall be deemed to be in breach of this Stipulation and Order, deemed to be in default, and shall pay all amounts due

⁵ 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 days grace period will be granted for payment.

under this Stipulation and Order, as well as an additional late payment penalty of twenty thousand dollars (\$20,000), and shall have its licenses T002 and T003 immediately suspended, with such suspension remaining in place until all amounts due under this Stipulation and Order are paid in full (inclusive of the \$20,000 late payment penalty). 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 CCB. If all amounts due under this section are not paid within 90 days after the date of the order of default, licenses T002 and T003 shall be deemed voluntarily surrendered. BNL 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 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.

- c. BNL 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 set forth in Paragraph 20 (which does not include any grace period). The CCB is not required to grant such a petition. In such a petition, BNL 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 21(c), there shall be no grace period on the new payment date or dates. If BNL does not pay by the new payment date, the provisions and penalties of Paragraph 20(b) apply.

22. Contingency if Approval Denied. If approval of this Stipulation and Order is denied by the CCB, BNL 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, which shall include the filing and service of a disciplinary complaint and a disciplinary hearing before the CCB or its assigned hearing officer. 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 Complaint⁶ (to be filed) and BNL preserves all its defenses and arguments it may assert. An unapproved Stipulation and Order shall not be admissible as evidence or referenced in argument at any disciplinary hearing in CCB Case No. 2023-34 or any other matter involving the CCB.

23. 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 BNL 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 a subsequent regularly scheduled meeting. If such an agreement cannot be reached, the Parties agree to proceed with the Administrative Action, which shall include the filing and service of a disciplinary complaint and a disciplinary hearing before the CCB or its assigned hearing officer. Should the Administrative Action proceed for the reasons set forth in this Paragraph, CCB preserves

⁶ Should the CCB proceed with a disciplinary complaint, said complaint will not be limited to the violations set forth in this settlement agreement and the CCB reserves its rights to include additional regulatory violations in any such disciplinary complaint.

all its claims and arguments in the Administrative Action as set forth in its Complaint⁷ (to be filed) and BNL preserves all its defenses and arguments it may assert. An unapproved Stipulation and Order shall not be admissible as evidence or referenced in argument at any disciplinary hearing in CCB Case No. 2023-34 or any other matter.

- 24. <u>Closure of Disciplinary Action</u>. Once this Stipulation and Order is fully performed by BNL, the Administrative Action will be closed.
- 25. Communications with CCB Members. BNL understands that this Stipulation and Order will be presented to the CCB in open session at a duly noticed and scheduled CCB meeting. BNL understands that the CCB has the right to decide 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. BNL acknowledges that such communications may be made or conducted ex parte, without notice or opportunity for BNL 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. BNL agrees that it has no objections to such ex parte communications. The CCB agrees that BNL 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 BNL and/or the Nevada Attorney General's staff attorneys. BNL agrees that, should the CCB decline to approve this Stipulation and Order, BNL 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.

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⁷ Should the CCB proceed with a disciplinary complaint, said complaint will not be limited to the violations set forth in this settlement agreement and the CCB reserves its rights to include additional regulatory violations in any such disciplinary complaint.

- 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 this Stipulation and Order, and/or the administration of CCB Case No. 2023-34.
- 27. No Precedence. 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.

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, 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.

- 28. <u>Attorneys' Fees and Costs</u>. The Parties each agree to bear their own attorneys' fees and costs.
- 29. <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 to the purposes and provisions of this Stipulation and Order.
- 30. Voluntary and Informed Agreement. The Respondent represents that its cannabis receiver, who is responsible for and able to legally bind BNL has read completely and understands 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.
- 31. <u>Warranties of Authority</u>. The Parties to this Stipulation and Order, and each 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.
- 32. <u>Binding Effect</u>. This Stipulation and Order shall be binding upon and inure to the benefit of the Parties hereto and the Parties' respective successors, predecessors, parents, affiliates, shareholders, employees, heirs, executors, assigns, and administrators.
 - 33. <u>Construction</u>. The headings of all Sections and Paragraphs of this Stipulation

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.

- 34. 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.
- 35. <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, specifically to the receivership court in Eighth Judicial District Court Case No. A-23-875887-B, *Kevin Singer v. Herbl, Inc., et al.* 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.
- 36. <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.
- 37. <u>Time is of the Essence</u>. Time is of the essence in the performance of all terms of this Stipulation and Order.
- 38. 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.
2	39. <u>Counterparts and Copies</u> . This Stipulation and Order may be executed in
3	counterparts, each of which when so executed and upon delivery to counsel of record for the
4	Parties shall be deemed an original (" <u>Counterparts</u> "). This Stipulation and Order shall be
5	deemed executed when Counterparts of this Stipulation and Order have been executed by
6	all the Parties and/or their counsel; such Counterparts taken together shall be deemed to
7	be the Agreement. This Stipulation and Order may be executed by signatures provided by
8	electronic facsimile or email, which signatures shall be binding and effective as original
9	wet ink signatures hereupon. All fully executed copies of this Stipulation and Order are
10	duplicate originals, equally admissible in evidence.
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12	IN WITNESS WHEREOF, this Stipulation and Order has been executed by the
13	Parties and attested by their duly authorized representatives as of the date(s) so indicated.
14	The Effective Date of this Stipulation and Order shall be the date it is ordered by the CCB.
15	the Garage
16	Date: Date:
17	John J. Savage (Nev. Bar No. 11455) Counsel for Respondent BNL and its
18	Receiver, Kevin Singer
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20	115/
21	Wayin Singer Basiless for DNI
22	Kevin Singer, Receiver for BNL On behalf of Respondent BNL
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24	11/2 1 1210
25	Date: (1)2023
26	L. Kristopher Rath (Nev. Bar No. 5749) Senior Deputy Attorney General
27	Counsel for Cannabis Compliance Board
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ORDER

WHEREAS, on the 12th day of December 2023, 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 BNL.

IT IS SO ORDERED.

SIGNED AND EFFECTIVE this day o

STATE OF NEVADA,

CANNABIS COMPLIANCE BOARD

By:

Adriana Guzmán Fralick, Chair