

ADMINISTRATIVE HEARINGS DIVISION

October 17, 2024

STIPULATED SETTLEMENT AGREEMENT FOR MARIJUANA VIOLATION CASES

1. Canna Royale, LLC
Matthew Leonard, Member
Kayla Leonard, Member
dba **CANNA ROYALE / ROYAL ZEN**

(Producer)

ORS 475C.265(2) and OAR 845-025-8550(1)(2)(3)(4)
There are reasonable grounds to believe there is a history of lack of institutional control involving the operation of the business of recreational Marijuana Producer License No. 1006861D757, or the licensed premises on Highway 238 in Grants Pass, Oregon (premises, or licensed premises), or the employees, agents, or representatives of the Licensee, or the METRC Cannabis Tracking System (CTS) account of the Licensee. The incidents constituting a history of a lack of institutional control occurred between May 3, 2022, and December 28, 2023.

(Category I)

OAR 845-025-1450(1)(a)(b) - On or before about December 28, 2023, Licensee and/or Licensee's employees, agents or representatives failed to ensure that it had cameras that continuously recorded, 24 hours a day, in all areas where mature marijuana plants, immature marijuana plants, usable marijuana, cannabinoid concentrates, extracts, marijuana products or waste may be present, and at all points of ingress and egress to and from such areas, when a review of camera systems on December 28, 2023, showed multiple camera outages in the preceding 90 days, including without limitation:

- A conex housing post-harvest marijuana and immature marijuana plants had outages on 28 days between 11/1/2023 and 11/28/2023;
- A camera located inside the barn where post-harvest marijuana is dried and stored had outages 10/16/2023, from 10/21/2023 through 11/7/2023, and only showed four days of recordings during the entire month of November 2023; and

Note: Licensee was charged with these violations by Amended Notice dated April 2, 2024. The proposed penalty was license cancellation. Licensee requested a hearing and now wishes to enter into this settlement agreement.

AGGRAVATION

Commission staff determined that aggravation of the penalty for Violation Number One was appropriate because multiple incidents in that violation were repeated.

(continued **CANNA ROYALE / ROYAL ZEN**)

- Other cameras in areas where marijuana was or could be present had intermittent recording lapses lasting up to several hours daily.

(1st Level Category II)

OAR 845-025-7520(1)(d) - On or about December 28, 2023, more than 45 days after its last harvest, Licensee and/or Licensee's employees, agents or representatives failed to assign and affix a UID tag to all other marijuana items, or receptacles containing marijuana items, in a manner that establishes an accurate record from one marijuana item to another and uses a new UID tag each time a marijuana item is added to or placed in a receptacle, when OLCC inspectors observed a stack of totes and bags containing useable marijuana against a wall inside the barn at the premises, the totes and bags did not have any UID tags affixed to them, and Licensee's last recorded harvest was on or about October 22, 2023.

(1st Level Category III)

SYNOPSIS: Commission staff charged Licensee with three violations, including a History of Lack of institutional Control (HLIC) based on 37 incidents involving pesticide log maintenance, harvest notifications, UID tagging, waste records, surveillance deficiencies, and employee recordkeeping. Licensee was provided with education, instruction, and opportunities to correct deficiencies at the premises, but many of the same issues persist. Licensee is in the process of selling their business.

TERMS OF AGREEMENT

1. This Settlement Agreement resolves only the violation(s) identified in the Notice.
2. Licensee admits the facts described in the Notice and accepts responsibility for the violations described in the Notice. This was Licensee's first Category I violation within two years, first Category II violation within two years, and first Category III violation within two years. Any subsequent Category II or III violations within the same two years will be charged starting at the second level. 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.

(continued **CANNA ROYALE / ROYAL ZEN**)

3. The standard sanction for the violations described in the Notice is license cancellation and seizure and destruction of marijuana remaining at the former licensed premises after the effective date of the order of license cancellation. Commission staff determined that aggravation of the penalty for Violation Number One was appropriate because multiple incidents in that violation were repeated. OAR 845-025-8590(5)(e)(B). Accordingly, the Notice proposed aggravating the penalty.
4. As an alternative to the proposed penalty in the Notice:
 - a. Each licensee shall accept a Letter of Reprimand for the violations set forth in the Notice.
 - b. Licensee is in the process of a Change of Ownership for License No. 1006861D757. Licensee hereby surrenders License No. 1006861D757 effective on the date the Change of Ownership application is approved and completed, or at 7:00 AM on January 17, 2025, whichever is earlier.
 - c. Licensee understands and agrees that the Commission is not representing or guaranteeing that a new owner will have an approved license on or before January 17, 2025, or at any time. Licensee understands and agrees that any new owner will have to fully complete the application process, and the application has to receive final approval by the Commission, prior to a license being issued.
5. Licensee withdraws the request for a hearing.
6. 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 violation. 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.
7. 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 12.
8. This Settlement Agreement is conditioned upon final approval by the Commission and will be reviewed by the Commissioners at their October 2024 meeting. 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.
9. 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 **CANNA ROYALE / ROYAL ZEN**)

10. 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.
11. Licensee of record is an Oregon limited liability company. Matthew Leonard is a Member of Licensee of record. Licensee of record represents and warrants that Matthew Leonard individually has the authority to enter into this Settlement Agreement and bind Licensee of record on its behalf.
12. 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.
13. The Settlement Agreement must be signed and received by the Commission by September 27, 2024, or this settlement offer is deemed withdrawn

2. **CAROLL'NNE BRESHEARS**
(Worker Permit #9M0H96)

ORS 475C.213 and OAR 845-025-8520(1) - On or about December 15, 2023, Permittee sold, delivered, transferred or made available a marijuana item to a person under 21 years of age who did not hold a valid OMMP patient or caregiver card.

(1st Level Category II(b))

Note: Permittee was charged with this violation by Notice dated May 28, 2024. The proposed penalty was 30-day license suspension or a civil penalty of \$750.00. Permittee requested a hearing and now wishes to enter into this settlement agreement.

TERMS OF AGREEMENT

1. This Settlement Agreement resolves only the violation identified in the Notice.
2. Permittee admits the facts described in the Notice and accepts responsibility for the violation described in the Notice. This was Permittee's first Category II(b) violation within two years. Any subsequent Category II(b) violations within the same two years will be charged starting at the second level. Upon execution and final approval of this Settlement Agreement by the Commission, this violation shall become a permanent part of Permittee's Commission file and may be considered in any future application for any license or permit by the Permittee.
3. The standard sanction for the violation described in the Notice is a 30-day license suspension or a civil penalty of \$750.00.
4. As an alternative to the proposed penalty in the Notice, Permittee shall either pay a \$525.00 civil penalty before 5:00 PM on November 15, 2024 **OR** serve a 21-day suspension beginning at 7:00 AM on November 22, 2024 and ending at 7:00 AM on December 13, 2024. If the full penalty is not paid prior to 5:00 PM on November 15, 2024, then Permittee shall serve the 21-day suspension. If Permittee acts in any way that is not allowed by rule or statute while under suspension, OLCC may file a violation against Permittee and Permittee's worker permit may be cancelled, suspended, or Permittee may receive a civil penalty. If OLCC notifies Permittee that Permittee has violated a rule or statute while under suspension, Permittee will be given the opportunity to contest the alleged violation in a contested case proceeding and the appropriateness of OLCC's decision to deny, suspend, or revoke the permit or impose civil penalties
5. Permittee withdraws the request for a hearing.
6. If Permittee's worker permit expires and is not renewed, or is surrendered before the Commission issues the final order incorporating this Settlement Agreement, the Permittee agrees to accept a Letter of Reprimand for the violation. This reprimand becomes a permanent part of the Permittee's Commission file and may be considered in any future application for any license or permit by the Permittee.
7. Permittee accepts this Settlement Agreement without any conditions or reservations. Permittee is aware of Permittee'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. Permittee is aware of Permittee's right to seek judicial review of a final order issued in the matter. Permittee 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, Permittee agrees to Commission's issuance of a Final Order incorporating this Settlement Agreement as described in paragraph 11.

(continued **CAROLL'NNE BRESHEARS**)

8. This Settlement Agreement is conditioned upon final approval by the Commission and will be reviewed by the Commissioners at their October 2024 meeting. If the Settlement Agreement is not accepted and approved in its entirety by the Commission it is deemed null and void and Permittee's hearing rights, if any, will be restored.
9. 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.
10. Permittee 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.
11. 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.
12. The Settlement Agreement must be signed and received by the Commission by September 26, 2024, or this settlement offer is deemed withdrawn.