

STATE OF COLORADO
OFFICE OF THE ATTORNEY GENERAL

ASSURANCE OF DISCONTINUANCE

IN THE MATTER OF BEE'S KNEES CBDS

This Assurance of Discontinuance (“Assurance”) is entered into between the State of Colorado, *ex rel.* Philip J. Weiser, Attorney General for the State of Colorado (“the State”), and Bee’s Knees Enterprises, LLC d/b/a Bee’s Knees CBDs; Purity Science Group LLC; and Joseph Leyba, individually (referred to collectively as “Bee’s Knees”); pursuant to the Attorney General’s powers under Colo. Rev. Stat. Section 6-1-110(2) and constitutes a complete settlement between the State and Bee’s Knees (collectively the “Parties”) regarding the State’s allegations that Bee’s Knees business practices violated the Colorado Consumer Protection Act (“CCPA”).

I. INTRODUCTION

Bee’s Knees is an industrial hemp company that sells to both wholesale and retail consumers. The company’s retail sales are made directly through <https://beeskneescbds.com> (“Bee’s Knees Website”). The State alleges, for a period from 2019 through approximately October 2024, Bee’s Knees made several misrepresentations directly to wholesale consumers and to retail consumers through the Bee’s Knees Website regarding the source, chain of custody, and quality of its products. The State also alleges that Bee’s Knees falsely associated with three non-profit organizations and sold products that should be kept away from children without using an age-verification system on its website.

This Assurance resolves the dispute between the State and Bee’s Knees regarding Bee’s Knees’ alleged misrepresentations. Bee’s Knees denies that it violated the CCPA.

II. PARTIES

1. Philip J. Weiser is the duly elected Attorney General for the State of Colorado and has authority to investigate and prosecute violations of the CCPA, C.R.S. Sections 6-1-101 through 6-1-1121.

2. Bee's Knees Enterprises, LLC is a Colorado limited liability company with the registered principal office address of 1627 East Evans Avenue, Pueblo, CO 81004 and which operates or is otherwise associated with an additional property located at 4804 Quita Ct, Pueblo, CO 81005.

3. Joseph M. Leyba ("J. Leyba") is an individual residing in Tulsa County, Oklahoma, and is the founder and president of Bee's Knees Enterprises, LLC.

4. Purity Science Group LLC is an entity disclosed by J. Leyba to the State and which is believed to operate within and/or market and sell products or services to customers or consumers in the state of Colorado.

III. DEFINITIONS

5. The term "Effective Date" means the first date upon which both Parties have executed and delivered this Assurance.

6. Unless otherwise specified, all definitions found in C.R.S. § 6-1-105(1) are incorporated herein, and any term defined in those Sections shall have the same meaning when used in this Assurance.

IV. STATE'S ALLEGATIONS

A. Bee's Knees made misrepresentations regarding the source of hemp extracts being imported and/or sold by them to wholesale Consumers.

7. Bee's Knees' primary revenue stream comes from the sale of hemp extracts to wholesale consumers who are engaged in the manufacture of hemp-infused products.

8. In purchasing hemp extracts from Bee's Knees, wholesale consumers have relied on the specific representations from Bee's Knees that its hemp extracts are from licensed hemp farm(s), CDPHE Approved Source(s), were properly tested, and possessed the requisite chain of custody documentation to confirm the source of those hemp extracts.

9. Despite the representations made to wholesale consumers, Bee's Knees is unable to verify the truthfulness of the representations made in their Certificates of Analysis ("COAs") and chain of custody documentation.

10. Bee's Knees misrepresented to wholesale consumers that the hemp extracts being sold to them were coming from a licensed hemp farm or CDPHE Approved Source, even though Bee's Knees does not possess valid government issued permits or licenses, COAs, or chain-of-custody documentation to confirm the source of those products.

B. Bee's Knees made, or continues to make, misrepresentations on the Bee's Knees Website to induce consumers to purchase its products.

11. The "About" section of the Bee's Knees Website made several representations regarding the source and quality of its products.

12. First, under the heading "Colorado Grown Hemp" Defendants stated, "We take pride in our work and take careful measures in every step of the process from the cuttings on the farm, extraction in the lab, and baking in the kitchen."

13. During the taking of the sworn statement of J. Leyba on January 22, 2024, J. Leyba admitted that statement on the Bee's Knees Website was not accurate.

14. Additionally, on the "About" section of the Bee's Knees Website is the heading "Fresh, Organic & Non-GMO" where it states, "Bees Knees CBD is proud to be a Vegan, Gluten Free, Non-GMO, and Organic." During his sworn statement J. Leyba testified that only a "pretty low" percentage of all of Bee's Knees hemp came from a certified organic source and the only

other basis for considering their products organic is from the gelatin portion that goes into the gummy edibles.

15. Until on or around February 2024, the main page of the Bee's Knees Website showed logos for three different nonprofit organizations: Operation Honey Bee, The Bee Conservancy, and National Wildlife Federation.

16. When a user clicked on each of the logos it automatically brought them to the homepage of each non-profit.

17. The presence of these logos on the Bee's Knees website created the impression to consumers that Bee's Knees had some affiliation with, and/or donated to, these nonprofit organizations.

18. The State's investigation uncovered that Bee's Knees has not donated any money to those three nonprofits, nor did it receive permission to include the names and logos of the nonprofit organizations on the Bee's Knees Website.

19. Shortly after J. Leyba's January 22, 2024, sworn statement, all three non-profit logos were removed from the Bee's Knees Website.

C. Bee's Knees failed to set up a proper age verification system on their website, which allows minors to access its intoxicating hemp products.

20. Bee's Knees sells products on the Bee's Knees Website in various forms, such as balms, tinctures, gummies, and chocolate.

21. For some of these products, Bee's Knees listed a warning under the product description that included "Keep out of reach of children under 18" and "Do not drive or operate any machinery while using this product."

22. Despite those warnings, the Bee’s Knees Website can be accessed by anyone. Upon entering the website, there is no “age gate” that asks a consumer if they are 18 years or older before accessing products.

23. At no time during the ordering process or payment is a customer prompted to provide a government identification card to prove that they are 18 years or older.

24. There is nothing preventing a minor from purchasing intoxicating products, which Bee’s Knees admits should be kept away from minors, through the entire purchase process on the Bee’s Knees Website.

D. The State’s Claims.

25. The CCPA, C.R.S § 6-1-105(1)(b), prohibits a person in the course of the person’s business, vocation, or occupation from “knowingly or recklessly mak[ing] a false representation as to the source, sponsorship, approval, or certification of goods...[.]”

26. The CCPA, C.R.S § 6-1-105(1)(c), prohibits a person in the course of the person’s business, vocation, or occupation from “knowing or recklessly mak[ing] a false representation as to the affiliation, connection, or association with or certification by another.”

27. The CCPA, C.R.S § 6-1-105(1)(d), prohibits a person in the course of the person’s business, vocation, or occupation from “us[ing] deceptive representations or designations of geographic origin in connection with goods or services.”

28. The CCPA, C.R.S § 6-1-105(1)(e), prohibits a person in the course of the person’s business, vocation, or occupation from “knowingly or recklessly mak[ing] a false representation as to the characteristics, ingredients, uses, benefits, alterations, or quantities of goods, foods, services, or property...[.]”

29. The CCPA, C.R.S § 6-1-105(1)(u), prohibits a person in the course of the person’s business, vocation, or occupation from “fail[ing] to disclose material information concerning goods, services, or property which information was known at the time of an advertisement or sale if such failure to disclose such information was intended to induce the consumer to enter into a transaction.”

30. The CCPA, C.R.S § 6-1-105(1)(z), prohibits a person in the course of the person’s business, vocation, or occupation from “refus[ing] or fail[ing] to obtain all governmental licenses or permits required to perform the services or to sell the goods, food, services, or property as agreed to or contracted for with a consume.”

31. The CCPA, C.R.S § 6-1-105(1)(rrr), prohibits a person in the course of the person’s business, vocation, or occupation from “ knowingly or recklessly engag[ing] in any unfair, unconscionable, deceptive, deliberately misleading, false, or fraudulent act or practice.”

32. The CCPA, C.R.S § 6-1-105(1)(sss), prohibits a person in the course of the person’s business, vocation, or occupation from “violat[ing] this section [the CCPA] as it applies to hemp, industrial hemp, industrial hemp products, intoxicating hemp, adult use cannabis products, the plant cannabis sp., or anything derived from or produced from the plant cannabis sp.”

33. The State alleges that Bee’s Knees conduct here violated at least these subsections of the CCPA.

34. Bee’s Knees denies its conduct violated the CCPA.

V. LEGAL AUTHORITY

35. C.R.S. § 6-1-110(2) authorizes the Attorney General to accept an assurance of discontinuance for any deceptive trade practice listed in Part 7 of the CCPA. Section 6-1-110(2)

also allows the Attorney General to accept voluntary payment from Bee's Knees of any costs of investigation and any action or proceeding by the attorney general.

VI. CONSIDERATION

36. The Parties enter into this Assurance for the purpose of compromising and resolving all disputed claims and to avoid further expense of protracted litigation. This Assurance does not constitute an admission by Bee's Knees of any violation of the CCPA, nor shall it be construed as an abandonment by the State of its claim that Bee's Knees has violated the CCPA.

37. Bee's Knees shall pay civil penalties to the State in the amount of four-hundred and ninety-five thousand dollars (\$495,000.00). Payment shall be as follows:

- a. On or before December 31, 2024, Bee's Knees shall pay a total of seventy-five thousand dollars (\$75,000.00) to the State.
- b. On or before June 30, 2025, Bee's Knees will pay an additional twenty-five thousand dollars (\$25,000.00) to the state.
- c. On or before December 31, 2025, Bee's Knees will pay an additional twenty-five thousand dollars (\$25,000.00) to the state.
- d. On or before June 30, 2026, Bee's Knees will pay an additional twenty-five thousand dollars (\$25,000.00) to the state.
- e. On or before December 31, 2026, Bee's Knees will pay an additional twenty-five thousand dollars (\$25,000.00) to the state.
- f. On or before June 30, 2027, Bee's Knees will pay an additional twenty-five thousand dollars (\$25,000.00) to the state.
- g. On or before December 31, 2027, Bee's Knees will pay an additional twenty-five thousand dollars (\$25,000.00) to the state.

38. The State agrees to suspend Bee's Knees payment of the remaining two-hundred and seventy thousand dollars (\$270,000.00), representing Bee's Knees compliance costs to date and anticipated costs in the future for compliance, if Bee's Knees complies fully with the terms outlined in paragraphs 37 to 53. Payment shall be in the form of a certified check, cashier's check, or money order made payable to the "Colorado Department of Law," shall reference "In the Matter of Bee's Knees," and shall be delivered to: Colorado Department of Law, c/o Miriam Burnett, 1300 Broadway, 9th Floor, Denver, CO, 80203. All payments under paragraph 37 are to be held, along with any interest thereon, in trust by the Attorney General to be used in the Attorney General's sole discretion for reimbursement of the State's actual costs and attorneys' fees, the payment of restitution, if any, and for future consumer fraud or antitrust enforcement, consumer education, or public welfare purposes.

VII. FURTHER ASSURANCES OF BEE'S KNEES

39. The duties, responsibilities, burdens, and obligations undertaken in connection with this Assurance shall apply to Bee's Knees, and any of its principals, officers, directors, agents, employees, representatives, successors, affiliates, subsidiaries, contractors, and assignees.

40. The injunctive terms contained in this Assurance are entered pursuant to C.R.S. § 6-1-110.

A. Compliance with Law

41. Bee's Knees shall comply with the Colorado Consumer Protection Act with respect to any future business operations, of any kind or character whatsoever, being conducted in the state of Colorado.

42. Bee's Knees shall not make a misrepresentation that is capable of misleading Bee's Knees customers or consumers, or fail to state a material fact if that failure is capable of misleading

Bee's Knees customers or consumers, regarding the properties of its products that have not been independently verified for it as truthful and accurate.

43. In no instance may Bee's Knees rely solely on the representations of any non-affiliated, third-party supplier of any of the raw materials used to make its products which are marketed and sold to customers or consumers.

44. Bee's Knees, and all of its subsidiaries and affiliates, shall comply with all applicable provisions of any local, state, or federal law applicable to its business operations which are within the scope of this Assurance

B. Obtain and Maintain all Permits and Licenses Allowing for the Manufacture, Assembly, Warehousing, Import, Export, Sale or Distribution of Cannabis Products Into or From the State of Colorado

45. Bee's Knees agrees that it will obtain all required licensure and permits pertaining to any of its operations being conducted in the state of Colorado related to the manufacture, assembly, warehousing, import, export, co-packaging, sale, or distribution of any kind of cannabis product, whether industrial hemp or marijuana, and shall maintain all such licenses and permits at all times.

46. Upon written request by the State, Bee's Knees shall provide, within ten (10) business days, copies of all past and/or current licenses and permits issued by any state agency, or any applications submitted for such licenses and permits to such state agency, for verification of compliance with this provision.

C. Age Verification Requirements

47. Within thirty (30) days of the Effective Date, Bee's Knees shall develop and implement an age-verification policy that prevents minors from being able to purchase their hemp

products from the Bee's Knee's Website, or any affiliated or subsequently created website that is owned or operated by it and engaged in the sale of similar products.

D. Website Requirements

48. Within thirty (30) days of the Effective Date, Bee's Knees shall remove any representations on the Bee's Knees Website referring to products being produced in Colorado and/or being Organic.

49. Within thirty (30) days of the Effective Date, Bee's Knees shall remove all improper associations to non-profits on the Bee's Knees Website. Bee's Knees agrees to refrain from any future publication on the Bee's Knees Websites which misrepresents an association with any third-party, including, but not limited to non-profit associations, trade groups, or any organizations for which it has no actual association, which has been confirmed by such third-party prior to making any such claim of any association therewith.

50. Bee's Knees agrees to not make any health claims about products containing any cannabinoid, unless those health claims are otherwise expressly allowed under the laws, rules, and regulations that apply to the marketing and/or advertisement of those products containing such cannabinoid.

E. Notice of Change of Address

51. J. Leyba shall notify the State via the email addresses listed below of any change of residence within 30 days of that change.

F. No Use of Third Parties of Persons to Violate the Terms of this Assurance

53. Neither J. Leyba, nor any other officer, owner, director, manager or employee of Bee's Knees, shall use any third persons or parties to violate the terms and conditions of this Assurance,

which includes, but is not limited to, the use of any family members, such a Ronald Leyba, to engage in any conduct which is not in full and complete compliance with this Assurance.

VIII. RELEASE

52. The State acknowledges by its execution hereof that this Assurance constitutes a complete settlement and release of all claims under the CCPA on behalf of the State against Bee's Knees with respect to all claims, causes of action, damages, fines, costs, and penalties that were asserted or could have been asserted under the CCPA for the conduct described in this Assurance, that arose prior to the Effective Date and relating to or based upon the acts or practices that are subject to this Assurance, including, without limitation, acts or practices (i) that Bee's Knees or its attorneys disclosed to the State during the course of its investigation; (ii) set forth in any Civil Investigation Demand Letter(s) issued by the State to Bee's Knees; (iii) set forth in any settlement outline(s) issued by the State to Bee's Knees; or (iv) any other investigation by the State related to Bee's Knees that occurred on or before the Effective date, whether or not such investigation is specifically outlined in this Assurance. The State agrees that, except as provided in the following paragraph, it shall not proceed with or institute any civil action or proceeding under the CCPA against Bee's Knees for any conduct or practice prior to the Effective Date that relates to the subject matter of this Assurance.

53. Nothing herein precludes the State from enforcing this Assurance, or from pursuing any law enforcement action under the CCPA with respect to the acts or practices of Bee's Knees not covered by this Assurance or any Bee's Knees acts or practices after the Effective Date. Nothing herein shall be construed to be a waiver or limitation of Bee's Knees legal rights, remedies, or defenses in connection with any claim, matter, or suit related to the subject matter of this Assurance other than an action by the State to enforce the provisions of this Assurance.

IX. ENFORCEMENT

54. The obligations set forth in this Assurance are continuing.

55. The Parties consent to venue and jurisdiction for any proceeding necessary to enforce the terms of this Assurance within the District Court of Denver County, Colorado.

56. A violation of any terms of this Assurance shall constitute a prima facie violation of the CCPA under C.R.S. § 6-1-110(2). If the State believes that Bee's Knees has violated any term of this Assurance, the State shall be entitled to file a civil action under the CCPA and seek an injunction or other appropriate relief from such court to enforce provisions of this Assurance.

57. In any such action, upon a showing by the State of a material violation of this Assurance by Bee's Knees, Bee's Knees stipulates to 1) a judgment in the amount of two-hundred and seventy thousand dollars (\$270,000.00), which reflects the suspended payment described in paragraph 38, plus any fines not yet paid described in paragraph 37 above; and 2) an order converting this Assurance into a permanent injunction against Bee's Knees. The State may seek, and the Court may enter, any additional remedies, including but not limited to additional monetary remedies, that are deemed proper. Bee's Knees agrees to waive any counterclaims that it may have had with respect to the subject matter of this Assurance and agrees to limit any defenses to (1) whether a violation has occurred; and (2) the remedies for the violation. Provided, however, the State shall notify Bee's Knees at least thirty (30) days in advance of any such filing and the Parties agree to meet and confer and engage in good faith negotiations to attempt to address the State's concerns.

X. MISCELLANEOUS PROVISIONS

58. This Assurance is the final, complete, and exclusive statement of the Parties' agreement on the matters contained herein, and it supersedes, terminates, and replaces any and all

previous negotiations, agreements, and instruments as may exist between the parties. Other than any representation expressly stated in this Assurance, Parties have not made any representations or warranties to each other, and no Party's decision to enter into this Assurance is based upon any statements by any other Party outside of those in this Assurance. No change or modification of this Assurance shall be valid unless in writing and signed by all Parties. If any provision(s) of this Assurance is held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

59. This Assurance shall neither create nor waive or otherwise affect any private rights or remedies in any third parties nor waive any rights, remedies, or defenses of the Parties in respect to any third parties. Under no circumstances shall this Assurance or the name of the Attorney General or any of the State's employees or representatives be used by Bee's Knees or any person under their direction or control to suggest the State's endorsement of Bee's Knees past, present, or future conduct.

60. Nothing herein relieves Bee's Knees of its duty to comply with all applicable laws, regulations, or rules of the State of Colorado nor constitutes authorization by the State for Bee's Knees to engage in acts and practices prohibited by such laws.

61. Bee's Knees acknowledges that it is the State's customary position that an agreement restraining certain conduct by a party does not prevent the State from addressing later conduct that could have been prohibited, but was not, in the earlier agreement, unless the earlier agreement expressly limited the State's enforcement options in that manner. Therefore, nothing herein shall be interpreted to prevent the State from taking enforcement action to address conduct occurring after the Effective Date that the State believes to be in violation of the law. The fact that

such conduct was not expressly prohibited by the terms of this Assurance shall not be defense to any such enforcement action.

62. The terms and provisions of this Assurance may be enforced by the current Colorado Attorney General, and by any of his duly authorized agents or representatives, as well as by any of his successors-in-interest, and by any of his successors-in-interest's agents or representatives.

63. Pursuant to C.R.S. § 6-1-110(2), this Assurance shall be a matter of public record.

64. Bee's Knees acknowledges that it had a full opportunity to review this Assurance and consult with legal counsel regarding it. The undersigned representatives of Bee's Knees agree and represent that they have read and understood this Assurance, accept the legal consequences involved in signing it, and that there are no other representations, agreements, or understandings between the State and Bee's Knees that are not stated in writing herein.

65. This Assurance may be signed in one or more counterparts, each of which shall be deemed an original, but which together shall constitute the Assurance. Electronic copies of this Assurance and the signatures hereto may be used with the same force and effect as an original.

XI. NOTICE

66. All notices regarding this Assurance shall be sent by certified mail, return receipt requested or reputable overnight delivery service (e.g. FedEx, UPS) at the addresses set forth below unless any Party notifies the other Parties in writing of another address to which notices should be provided:

Joseph Leyba
P.O. box 7482
Pueblo West, CO 81007

With copies to legal counsel by Regular U.S. Mail and email:

Vicente LLP
Attn: Timothy D. Swain, t.swain@vicentellp.com
Prudential Tower
800 Boylston Street, 26th Floor
Boston, MA 02199

If to the State:

Colorado Attorney General
1300 Broadway, 7th Floor
Denver, Colorado 80203
Attn: Lauren Dickey, First Assistant Attorney General, lauren.dickey@coag.gov
Attn: Nathan Mattison, Assistant Attorney General II, nathan.mattison@coag.gov
Attn: Ryan S. Miller, Assistant Attorney General II, ryan.miller@coag.gov

[Signatures appear on the following page(s)]

STATE OF COLORADO:

**PHILIP J. WEISER,
ATTORNEY GENERAL**

By:

Nathan Mattison

Nathan Mattison
Assistant Attorney General II
Attorney Reg. No. 59034



Ryan Miller
Assistant Attorney General II
Attorney Reg. No. 59026

BEE'S KNEES ENTERPRISES, LLC

By:



11/8/2024

Name: Joseph M. Leyba, in his individual
capacity

By:



Timothy Swain, BBO# 704722
Jason Adelstone, Attorney Reg. No. 54767
Attorneys for Bee's Knees
Attorneys for Bee's Knees