

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CANNABIS REGULATORY AGENCY

In the Matter of

DKB2, LLC
License No.: AU-G-C-000783

ENF No.: 24-00174

/ CONSENT ORDER AND STIPULATION

CONSENT ORDER

On March 29, 2024, the Cannabis Regulatory Agency (CRA) issued a formal complaint against the adult-use marijuana grower establishment license (AU-G-C-000783) of DKB2, LLC, (Respondent) under the Michigan Regulation and Taxation of Marihuana Act (MRTMA), MCL 333.27951 *et seq.*, and the administrative rules promulgated thereunder. The formal complaint alleged Respondent violated Mich Admin Code, R 420.102(7), R 420.210(2), R 420.211(6), and R 420.303(4).

The executive director reviewed the stipulation contained in this document and agrees the public interest is best served by resolution of the formal complaint. Therefore, the executive director finds that all of the allegations contained in the formal complaint are true and that Respondent violated Mich Admin Code, R 420.102(7), R 420.210(2), R 420.211(6), and R 420.303(4).

Accordingly, for these violations, IT IS ORDERED:

1. Respondent must pay a fine in the amount of twenty thousand and 00/100 dollars (\$20,000.00). This fine shall be paid within 30 days of the effective date of this order by check, money order, or online through Accela Citizen Access (ACA). Instructions on how to make online payments can be found under the Tips for Licensees bulletin section at www.michigan.gov/cra. Check or money orders shall be made payable to the State of Michigan with enforcement number "24-00174" and license number "AU-G-C-000783" clearly displayed on the check or

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money order. Respondent shall mail the fine to Department of Licensing and Regulatory Affairs, Cannabis Regulatory Agency, PO BOX 30205, Lansing, Michigan 48909.

2. If Respondent fails to timely comply with the terms of this order, Respondent's license shall be suspended until compliance is demonstrated.
3. Unless otherwise specified in this order, Respondent shall direct any communications to the CRA that are required by the terms of this order to CRA-CSS@michigan.gov.
4. Respondent shall be responsible for all costs and expenses incurred in complying with the terms and conditions of this consent order.
5. If Respondent violates any term or condition set forth in this order, Respondent shall be subject to fines and/or other sanctions under section 7(1)(c) of the MRTMA, MCL 333.27957, and Mich Admin Code, R 420.808.
6. Upon timely compliance of the terms of this order by Respondent, the matters set forth in the formal complaint shall be deemed resolved and closed subject to this Consent Order.

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This order shall be effective 30 days after the date signed by the CRA's executive director or his designee, as set forth below.

CANNABIS REGULATORY AGENCY

Signed on: 7/18/2024

By: Brian Hanna

Digitally signed by: Brian Hanna
DN: CN = Brian Hanna email = hannab@michigan.gov C = US O =
CRA OU = CRA
Date: 2024.07.18 15:22:39 -0400

Brian Hanna, Executive Director
or his designee
Cannabis Regulatory Agency

STIPULATION

The parties stipulate to the following:

1. The facts alleged in the formal complaint are true and constitute a violation of the administrative rules promulgated under the MRTMA.
2. Respondent understands and intends that by signing this stipulation, Respondent is waiving the right under the MRTMA, administrative rules promulgated thereunder, and the Administrative Procedures Act of 1969, MCL 24.201 *et seq.*, to require the CRA to prove the violations set forth in the formal complaint by presentation of evidence and legal authority, and to present a defense to the violations.
3. The parties considered the following in reaching this agreement:
 - a. Respondent stated it made staffing changes, updated its standard operating procedures to promote compliance with its inventory management, and provided additional staff training to prevent recurrences.
 - b. Respondent was cooperative and wishes to resolve the allegations without the need for and expense of an administrative hearing.
 - c. Respondent has been licensed as an adult use class C grower since 2022 and has no prior discipline against its license.

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4. The CRA's centralized services director or her designee must approve this proposed agreement before it is forwarded to the CRA's executive director or his designee for review and issuance of the above consent order. The parties reserve the right to proceed to an administrative hearing without prejudice to either party, should the CRA's centralized services director, executive director, or their designees reject the proposed consent order.

By signing this stipulation, the parties confirm that they have read, understand, and agree with the terms of the consent order.

AGREED TO BY:

Sara Hernandez

Digitally signed by Sara Hernandez
DN: CN = Sara Hernandez email =
HernandezS1@michigan.gov C = US O = CRA OU = LARA
Date: 2024.07.17 13:53:26 -0400

Sara Hernandez, CSD Director
or her designee
Cannabis Regulatory Agency

Dated: 07/17/2024

AGREED TO BY:



Dennis Bostick, Jr., Authorized Officer
on behalf of Respondent
DKB2, LLC.

Dated: 7-3-24



Robert Nederhood (P70028)
Attorney for Respondent

Dated: 7-9-24

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STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CANNABIS REGULATORY AGENCY

In the Matter of

DKB2, LLC
License No: AU-G-C-000783

ENF No: 24-00174

FORMAL COMPLAINT

The Cannabis Regulatory Agency (“CRA”) files this formal complaint against DKB2, LLC (“Respondent”) alleging upon information and belief as follows:

1. The CRA is authorized under the Michigan Regulation and Taxation of Marihuana Act (“MRTMA”), MCL 333.27951, *et seq.*, and Executive Reorganization Order No.2019-2, MCL 333.27001, to investigate alleged violations of the MRTMA and the administrative rules promulgated thereunder, take disciplinary action to prevent such violations, and impose fines and other sanctions against applicants and licensees that violate the MRTMA or the administrative rules.
2. Section 8(1)(d) of the MRTMA provides that the administrative rules must ensure the health, safety, and security of the public and integrity of the marijuana establishment operations.

FACTUAL ALLEGATIONS AND INTENDED ACTION OF THE CRA

3. Respondent holds an active state license under the MRTMA to operate an adult use Class C grower establishment in the state of Michigan.
4. Respondent operated at 32900 Dequindre Road, Suite B, Warren, Michigan 48092, at all times relevant to this complaint.
5. Following an investigation, the CRA determined that Respondent violated the MRTMA and/or the administrative rules promulgated thereunder as set forth below:

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- a. On September 18, 2023, the CRA conducted an unannounced inspection at Respondent's establishment and found non-compliant marijuana product and waste in Respondent's dry room/inventory room.
- b. The CRA found 16 clear plastic bags of shake and trim on a shelving unit, with a sign that read, "cleaned trim." All of the bags had strain names handwritten on blue tape, but none of them had statewide monitoring system (Metrc) tags attached, or tag numbers written on them.
- c. The CRA weighed the bags, applied red investigative tags, and placed them under quarantine.
- d. In subsequent written communications with the CRA, Respondent stated the 16 bags each contained unmixed, untested trim from a single harvest. Respondent was able to trace the product to existing entries in Metrc.
- e. Respondent claimed that it attempted to track this product compliantly in Metrc. However, the processes that Respondent described were not compliant:
 - i. Respondent admitted that it included the weight of the separated trim in the Metrc weight of the packages of buds and flower that were sampled and tested. After the buds and flower passed testing, Respondent broke out child packages for the trim. This was not compliant, as it caused the buds and flower to have inaccurate weights in Metrc, and the trim to inherit passing test results when it had not been sampled and tested. Respondent was required to create separate packages for the trim immediately after removing it from the buds and flower, and have it tested separately.
 - ii. Respondent also admitted that it sorted some packages of trim into different grades and placed them in new bags, while maintaining the original package tags in Metrc. Respondent was required to create new packages for these new bags in Metrc, and separately test them.
 - iii. Respondent admitted it created these 16 bags at various times in the preceding month, and they sat on the shelves without Metrc tags until

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the CRA inspection. Respondent was required to create and attach Metrc tags immediately after the trim was separated out.

- f. The CRA also found 19 clear plastic bags of product in an unsecured black plastic tote. None of the bags had strain names written on them. 3 bags had handwritten notes that read, “removed trim 4.14,” “removed trim sample buds,” and “mixed strain.” None of the bags had Metrc tags or tag numbers on them.
- g. The CRA weighed the bags in the tote, applied red investigative tags, and placed them under quarantine.
- h. In subsequent written communications with the CRA, Respondent admitted that all 19 bags were mixed, untested shake left over and accumulated after sales, and the contents could not be traced to specific entries in Metrc. Respondent said normally these bags would be wasted out, but Respondent had set them aside while exploring if they could instead be sold to a processor.
- i. Because the 19 bags contained mixed shake and trim, they were not compliant harvest batches, and the contents could not be sold or transferred. Therefore, Respondent was required to handle them as waste and store them in a secure container for no longer than 90 days until they could be compliantly destroyed.

Count I

Respondent’s actions as described above in paragraphs b, d, and e, demonstrate a violation of Mich Admin Code R 420.102(7) which states: a marihuana grower must accurately enter all transactions, current inventory, and other information into the statewide monitoring system as required in these rules.

Count II

Respondent’s actions as described above in paragraphs b, d, and e, demonstrate a violation of Mich Admin Code R 420.210(2) which states: except for a designated consumption establishment or temporary marihuana event licensed under the

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MRTMA, a marihuana business must not have any marihuana product without a batch number or identification tag or label pursuant to these rules. A licensee shall immediately tag, identify, or record as part of a batch in the statewide monitoring system any marihuana product as provided in these rules.

Count III

Respondent's actions as described above in paragraph f, h, and i, demonstrate a violation of Mich Admin Code R 420.211(6) which states in relevant part: a licensee shall dispose of marihuana product waste and marihuana plant waste in a secured waste receptacle.

Count IV

Respondent's actions as described above in paragraphs b, d, and e, demonstrate a violation of Mich Admin Code R 420.303(4) which states: a cultivator shall destroy the individual plant tag prior to packaging. Once a tagged plant is harvested, it is part of a harvest batch so that a sample of the harvest batch can be tested by a licensed laboratory as provided in R 420.304 and R 420.305. A cultivator shall separate the harvest batch by product type and quarantine the harvested batch from all other marihuana and marihuana products when the marihuana batch has test results pending. A harvest batch must be easily distinguishable from other harvest batches until the batch is broken down into packages. A cultivator may not combine harvest batches.

THEREFORE, based on the above, the CRA gives notice of its intent to impose fines and/or other sanctions against Respondent's license, which may include the suspension, revocation, restriction, and/or refusal to renew Respondent's license.

Pursuant to Mich Admin Code, R 420.704(2), any party aggrieved by an action of the CRA suspending, revoking, restricting, or refusing to renew a license, or imposing a fine, shall be given a hearing upon request. A request for a hearing must be submitted to the CRA in writing within 21 days after service of this complaint. Notice served by

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certified mail is considered complete on the business day following the date of the mailing.

Respondent also has the right to request a compliance conference under Mich Admin Code, R 420.704(1). A compliance conference is an informal meeting at which Respondent has the opportunity to discuss the allegations in this complaint and demonstrate compliance under the MRTMA and/or the administrative rules. A compliance conference request must be submitted to the CRA in writing.

Hearing and compliance conference requests must be submitted in writing by one of the following methods:

By Mail: Department of Licensing & Regulatory Affairs
Cannabis Regulatory Agency
P.O. Box 30205
Lansing, Michigan 48909

In Person: Department of Licensing & Regulatory Affairs
Cannabis Regulatory Agency
2407 North Grand River
Lansing, Michigan 48906

By Email: CRA-LegalHearings@michigan.gov

If Respondent fails to timely respond to this formal complaint, a contested case hearing will be scheduled to resolve this matter.

Questions about this complaint should be directed to the Cannabis Regulatory Agency's legal section at (517) 284-8599 or CRA-LegalHearings@michigan.gov.

Dated: 03/29/2024

By: Alyssa A. Grissom
Digitally signed by Alyssa A. Grissom
Date: 2024.03.29
07:30:39 -04'00'

Alyssa A. Grissom
Legal Section Manager
Cannabis Regulatory Agency

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