

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

In the Matter of

KD Processing, LLC
License No. AU-P-000394
CMP No. 23-000888

ENF No. 23-00478

_____/ **CONSENT ORDER AND STIPULATION**

CONSENT ORDER

On July 20, 2023, the Cannabis Regulatory Agency (CRA) issued a formal complaint against the adult use processor license (no. AU-P-000394) of KD Processing, LLC (Respondent) 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, and administrative rules promulgated thereunder. The complaint alleged Respondent violated Mich Admin Code, R 420.103(3), R 420.210(1), and R 420.212(1).

The executive director or designee reviewed the stipulation contained in this document and agrees the public interest is best served by resolution of the complaint. Therefore, the executive director or designee finds that the allegations contained in the complaint are true and that Respondent violated Mich Admin Code, R 420.103(3), R 420.210(1), and R 420.212(1).

Accordingly, for these violations, IT IS ORDERED:

1. Respondent must pay a fine in the amount of two thousand and 00/100 dollars (\$2,000.00). 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). CRA guidance on how to make compliance payments online is available under “Tips for Licensees” at www.michigan.gov/cra/bulletins. Checks or money orders shall be made payable to the State of Michigan with “ENF No. 23-00478” and “License No. AU-P-000394” clearly displayed on the check or money order and mailed to: Department of Licensing and Regulatory Affairs, Cannabis Regulatory Agency, P.O. 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 may be subject to additional fines and/or other sanctions.

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

Signed on: 07/03/2024

CANNABIS REGULATORY AGENCY

By: **Brian Hanna**
Executive Director Brian Hanna
or Designee
Cannabis Regulatory Agency

Digitally signed by: Brian Hanna
DN: CN = Brian Hanna email =
hannab@michigan.gov C = US O = CRA OU =
CRA
Date: 2024.07.03 15:46:44 -0400

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 charges set forth in the complaint by presentation of evidence and legal authority and to present a defense to the charges.
3. The parties considered the following in reaching this agreement:
 - a. That the violations occurred within the first 30 days of Respondent's operation. Employee training has occurred since the time of the violations.
 - b. Respondent was cooperative and wishes to resolve the allegations without the need for and expense of an administrative hearing.
4. The CRA's operations director or designee must approve this proposed agreement before it is forwarded to the CRA's executive director or 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 operations director, executive director, or 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: 2024.07.02 13:26:30 -0400

Desmond Mitchell
Operations Director
or Designee
Cannabis Regulatory Agency
Dated: 07/02/2024

Sarah E. Huyser

Sarah E. Huyser (P70500)
Assistant Attorney General
Attorney for Cannabis Regulatory Agency
Dated: July 1, 2024

AGREED TO BY:

Rocky Denha

Rocky Denha
Authorized Representative
On behalf of Respondent
KD Processing, LLC
Dated: 6/17/24

Mike Bahoura

Mike Bahoura (P80205)
Attorney for Respondent

Dated: 6-17-2024

LF: 2023-0388352-A/KD Processing, LLC, ENF 23-00478/Consent Order & Stipulation 2024-06-13

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

In the Matter of

KD Processing, LLC
License No.: AU-P-000394

ENF No: 23-00478

FORMAL COMPLAINT

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

1. The Cannabis Regulatory Agency (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 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 processor establishment in the state of Michigan.
4. Respondent operated at 950 E 10 Mile Rd., Hazel Park, Michigan 48030, at all times relevant to this complaint.
5. Following an investigation, the CRA determined that Respondent violated the MRTMA and/or administrative rules promulgated thereunder as set forth below:

CANNABIS REGULATORY AGENCY
2407 NORTH GRAND RIVER • P.O. BOX 30205 • LANSING, MICHIGAN 48909
www.michigan.gov/CRA
LARA is an equal opportunity employer/program

- a. On April 4, 2023, Respondent accepted statewide monitoring system (Metrc) package tag numbers 1A405030003A341000004514 and 1A405030003A341000004515 into its physical inventory via manifest 0001976460.
- b. On April 6, 2023, Respondent accepted Metrc package tag numbers 1A405030003A341000005047, 1A405030003A341000005050, 1A405030003A341000005048, 1A405030003A341000005049, 1A405030003A341000004817, 1A405030003A341000004818, and 1A405030003A341000004819 into its physical inventory via manifest 0001982705.
- c. It was not until April 19, 2023 that Respondent accepted the abovementioned Metrc package tag numbers into its Metrc inventory. Respondent's Metrc inventory was inaccurate for 15 days.

Count I

Respondent's actions as described above in paragraph c demonstrate a violation of Mich Admin Code, R 420.103(3), which states a marihuana processor 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 paragraph c demonstrate a violation of Mich Admin Code, R 420.210(1), which states except for designated consumption establishments or temporary marihuana events licensed under the MRTMA, a marihuana business must not have marihuana products that are not identified and recorded in the statewide monitoring system pursuant to these rules.

Count III

Respondent's actions as described above in paragraph c demonstrate a violation of Mich Admin Code, R 420.212(1), which states, in part, all marihuana products must be identified and tracked consistently in the statewide monitoring system under these rules.

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 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

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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: 7/20/23

By: Alyssa A. Grissom
Digitally signed by Alyssa A. Grissom
Date: 2023.07.20 15:52:52 -04'00'

Alyssa A. Grissom
Legal Section Manager
Cannabis Regulatory Agency