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

In the Matter of

HRS Agriculture, LLC
License No.: AU-G-C-000718

ENF No.: 24-00561

/ CONSENT ORDER AND STIPULATION

CONSENT ORDER

On July 18, 2024, the Cannabis Regulatory Agency (CRA) issued a formal complaint against the adult-use marijuana class C grower establishment license (AU-G-C-000718) of HRS Agriculture, 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 420.112a(1), R 420.802(2), and R 420.802(3).

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 420.112a(1), R 420.802(2), and R 420.802(3).

Accordingly, for these violations, IT IS ORDERED:

1. Respondent must pay a fine in the amount of five thousand and 00/100 dollars ($5,000.00). This fine shall be paid within 60 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 "24-00561" and license number "AU-G-C-000718" clearly displayed on the check or

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

2. Within 30 days of the effective date of the consent order and stipulation, Respondent must file a complex amendment and the most up to date operating agreement with CRA License Maintenance Section (LMS) and respond to any deficiencies timely with LMS. Respondent must update any deficiencies identified by LMS to obtain approval within 60 days from submitting the requested documentation and/or reporting forms.

3. Within 30 days of the effective date of the consent order and stipulation, Respondent shall submit an affidavit to confirm the agreement between Respondent and Oak Canna, LLC was never acted on and is void.

4. If Respondent fails to timely comply with the terms of this order, Respondent's license shall be suspended until compliance is demonstrated.

5. 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.

6. Respondent shall be responsible for all costs and expenses incurred in complying with the terms and conditions of this consent order.

7. If Respondent violates any term or condition set forth in this order, Respondent shall be subject to fines and/or other sanctions under section7(1)(c) of the MRTMA, MCL 333.27957, and Mich Admin Code, 420.808.

8. 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.

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: 3/6/2025

By: Brian Hanna

Digitally signed by: Brian Hanna
DN: CN = Brian Hanna email = hannab@michigan.gov C = US O = CRA OU = CRA
Date: 2025.03.06 14:12:38 -05'00'

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 FSFC/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 entered into the partnership agreement, but it was since mutually abandoned by both parties.
    b. The ownership change at issue involved entities disclosed to the CRA in Respondent's prequalification application, but failed to include those entities in its submitted ownership structure.
    c. Respondent was cooperative and wishes to resolve the allegations without the need for and expense of an administrative hearing.

d. Respondent has been licensed as a class C grower since 2022 and has no prior discipline against its license.

4. The CRA's discipline resolution section manager 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 discipline resolution section manager, 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:

Alyssa A. Grissom Digitally signed by Alyssa A. Grissom Date: 2025.03.06 09:12:49 -05'00'

Alyssa Grissom, DRS Manager
or her designee
Cannabis Regulatory Agency

Dated: 3/6/2025

AGREED TO BY:

Harold Sullivan, Authorized Officer
on behalf of Respondent
HRS Agriculture, LLC

Dated: 2-28-25

Richard Sulaka, P77193
Attorney for Respondent

Dated: 3/3/25

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

In the Matter of

HRS Agriculture LLC
License No: AU-G-C-000718
_____/

ENF No: 24-00561

FORMAL COMPLAINT

The Cannabis Regulatory Agency (CRA) files this formal complaint against HRS Agriculture 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 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 grower class C establishment in the state of Michigan.

4. Respondent operated at 2300 East Ten Mile Road, 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:

a. In December 2021, Respondent expanded its ownership to include two more owners, Weston Family Trust and Rikkel Investments, but failed to report the ownership change for review or approval to the CRA
b. On February 19, 2022, Respondent and another licensee, Oak Canna, entered into a licensing agreement. This agreement was never submitted for review or approval per CRA License Maintenance Section (LMS).
c. On June 28, 2023, Respondent submitted a reporting form to notify the CRA that it was involved in litigation. When the documentation was being reviewed by CRA LMS, LMS noticed a different ownership structure than was originally reported to the CRA. The new owners were not disclosed to the CRA prior to the disclosure of the litigation.
d. On April 29, 2024, the CRA Regulation Agent (RA) contacted one of Respondent's owners, R.S. requesting an explanation to the allegations.
e. On May 2, 2024, the CRA RA contacted another of Respondent's owners, H.S. requesting an explanation to the allegations.
f. On May 2, 2024, R.S. responded via email an explanation including an updated organization chart and disclosure document for the additional owners.
g. R.S. explained that the licensing agreement between Respondent and Oak Canna was not filed because the partnership between H.S. and R.S deteriorated so it never came to effect. However, there was a signed partnership agreement that was present.
h. On May 9, 2024, an attorney R.S. explained that R.S. was responsible for submitting the appropriate and required documents to the CRA.

i. The ownership structure provided by the attorney showed that Weston Family Trust had 10.66% ownership and Rikkel Investments had 5.33% ownership.

Count I

Respondent's actions as described above in paragraphs a and e, demonstrate a violation of Mich Admin Code R 420.112a(1) which states a licensee may contract with another party to use the other party's intellectual property or for the other party to provide management or other services necessary for the operation of the licensee pursuant to a licensing or management agreement approved by the agency.

Count II

Respondent's actions as described above in paragraphs a through e, demonstrate a violation of Mich Admin Code R 420.802(2) which states licensees shall report to the agency any changes to the marihuana business operations that are required in the acts and these rules, as applicable.

Count III

Respondent's actions as described above in paragraphs a, c through e, and n, demonstrate a violation of Mich Admin Code R 420.802 (3) Licensees shall report to the agency any proposed material changes to the marihuana business before making a material change. A proposed material change is any action that would result in alterations or changes being made to the marihuana business to effectuate the desired outcome of a material change. Material changes, include, but are not limited to, the following: (a) Change in owners, officers, members, or managers.

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

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

By Email: CRA-LegalHearings@michigan.gov

CONTINUED ONTO NEXT PAGE

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: 7/18/2024

By: Alyssa A. Grissom

Digitally signed by Alyssa A. Grissom
Date: 2024.07.18 15:03:19 -04'00'

Alyssa A. Grissom
Legal Section Manager
Cannabis Regulatory Agency