

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

In the Matter of

Blue Fox Brands, Inc.
License No. AU-P-000208

ENF No. 24-00724

/ CONSENT ORDER AND STIPULATION

CONSENT ORDER

On August 29, 2024, the Cannabis Regulatory Agency (CRA) issued a formal complaint against the adult-use marijuana processor license (no. AU-P-000208) of Blue Fox Brands, Inc. (Respondent) under the Michigan Regulation and Taxation of Marihuana Act (MRTMA), MCL 333.27951 *et seq.*, and administrative rules promulgated thereunder. The complaint alleged Respondent violated Mich Admin Code, R 420.103(3) 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) and R 420.212(1).

Accordingly, for these violations, IT IS ORDERED:

1. Respondent must pay a fine in the amount of eight thousand and 00/100 dollars (\$8,000.00). 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. 24-00724” and “License No. AU-P-000208” 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.

CANNABIS REGULATORY AGENCY

Signed on: 6/3/2025

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

Digitally signed by: Brian Hanna
DN: CN = Brian Hanna email =
bhanna@michigan.gov C = US O = CRA OU = CRA
Date: 2025.06.03 09:48:30 -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. Respondent candidly acknowledged the discrepancies between its physical inventory and its Metrc inventory when speaking with the CRA's regulation agent during the investigation and immediately worked to rectify the situation. As stated in the complaint, Respondent corrected the name and category of the product under the Metrc tag ending in -6362. Further, the CRA's investigation report provides that Respondent corrected the package weights in Metrc for the Metrc tags ending in -1431, -1567, and -9609.
 - b. Respondent represents that the incident stemmed from its own oversights, rather than an intentional disregard of applicable rules. When asked to explain the weight discrepancies, Respondent's manager stated that an employee mistakenly pulled the incorrect package tag of THCA (package tag ending in -9609) while producing products and incorrectly subtracted the weights to the product tags ending in -1431 and -1567.
 - c. Respondent states that it has learned from this situation, completed a thorough review of the applicable statutes and administrative rules in light of this matter, and provided additional staffing to avoid future recurrences. For example, Respondent hired a finished goods inventory manager, a raw materials/concentrate/hemp inventory supervisor, and an

infusing/concentrate supervisor to assist with compliance going forward.

- d. Respondent also implemented revised standard operating procedures (SOPs) for creating production batches and implementing production logs that are intended to prevent future recurrences. Respondent submitted the SOPs to the CRA, and the CRA approved the SOPs on February 6, 2025.
- e. 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.

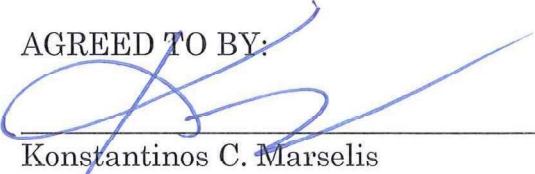
AGREED TO BY:

Alyssa A. Grissom Digitally signed by Alyssa A. Grissom
Date: 2025.06.02 13:44:00 -04'00'


Desmond Mitchell
Operations Director
or Designee
Cannabis Regulatory Agency
Dated: 6/2/2025

/s/ Adam M. Leyton
Adam M. Leyton (P80646)
Assistant Attorney General
Attorney for Cannabis Regulatory Agency
Dated: 04/08/2025

AGREED TO BY:



Konstantinos C. Marselis
Authorized Representative
On behalf of Respondent
Blue Fox Brands, Inc.
Dated: 4/8/25



Steven T. Kiouis (P46573)
Attorney for Respondent
Dated: 4/8/25

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

In the Matter of

Blue Fox Brands, Inc.
License No: AU-P-000208

ENF No: 24-00724

FORMAL COMPLAINT

The Cannabis Regulatory Agency (CRA) files this formal complaint against Blue Fox Brands, Inc. (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 adult use processor establishment in the state of Michigan.

4. Respondent operated at 1420 South Washington Avenue, Lansing, Michigan 48910, at all times relevant to this complaint.

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5. Following an investigation, the CRA determined that Respondent violated the MRTMA and/or administrative rules promulgated thereunder as set forth below:

- a. On June 6, 2024, a CRA Laboratory Scientific Section Analyst (SSA) visited Respondent's adult use processor establishment to investigate the source of banned chemical failures on five production batches of infused pre-rolls that Respondent produced. After performing a package audit with Respondent's general manager, S.E., the SSA determined Respondent did not accurately create and track one package of infused flower and buds, and three packages of concentrate in the statewide monitoring system (Metrc).
- b. Package tag 1A4050300021CA3000126362 (tag ending -6362) had the wrong product and category names in Metrc.
 - i. This package appeared in Metrc as "Mixed Strains" with category "Shake/Trim".
 - ii. The physical product was found in a clear plastic bag with tag ending -6362 and handwritten markings "735g G" and "Infused Rejects".
 - iii. The SSA observed the product appeared to be small buds or balls of infused flower and buds, and not shake or trim.
 - iv. S.E. confirmed she gave the package the wrong name in Metrc.
 - v. In follow up communications, S.E. demonstrated the error was corrected with a new package tag 1A4050300021CA3000093446. The corrected product name was "Infused Rejects-multi strains" and the category was "inhalable compound concentrate".
- c. Package tag 1A4050300044751000001431 (tag ending -1431) had excess physical inventory not accounted for in Metrc.
 - i. This package appeared in Metrc as THCA concentrate.
 - ii. The package history indicated the tag was used to create multiple child packages of infused products and then finished out.

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- iii. Physical product was found in 6 plastic containers labeled with tag ending -1431.
 - iv. The SSA subtracted an estimated tare weight for the containers and determined the total product weight in the containers was approximately 3,000g.
 - v. Respondent had 3,000g of extra product onsite that was not accounted for in Metrc.
- d. Package tag 1A4050300044751000001567 (tag ending -1567) also had excess physical inventory not accounted for in Metrc.
- i. This package appeared in Metrc as THCA with a total weight of 1,443g.
 - ii. Physical product was found in 7 plastic containers labeled with Metrc tag ending -1567.
 - iii. The SSA subtracted an estimated tare weight and determined the total product weight in the containers was around 3,375g.
 - iv. Respondent had 1,932g of extra product onsite that was not accounted for in Metrc.
- e. In follow up communications, S.E. said Respondent audited the THCA in stock, and another concentrate called Bubble Hash with package tag 1A4050300021CA3000149609 (tag ending -9609) and determined an employee had mistakenly grabbed and added the Bubble Hash during production instead of the THCA from tags ending -1431 and -1567.
- f. Tag ending -9609 also had physical inventory not accounted for in Metrc.
- i. The Metrc package history showed the package was created with 7,098g of product.
 - ii. The total excess THCA found onsite for tags ending -1431 and -1567 was approximately 4,932g.
 - iii. If an employee used 4,932g of Bubble Hash in lieu of THCA, there should have been approximately 2,166g left onsite for tag ending -

9609.

- iv. In follow up communications S.E. stated tag ending -9609 had all been used up, and there was none left onsite.
- v. Respondent was missing 2,166g of physical inventory from tag ending -9609.
- vi. During a second onsite visit on June 20, 2024, S.E. explained that the facility owner, K.M., increased the amount of concentrate used in each batch of infused products from 70g to 140g; however the increase was not properly communicated to S.E., and she continued logging only 70g of concentrate for each batch in Metrc.

Count I

Respondent's actions as described above in paragraphs a, b, c, d, e, and f, demonstrate a violation of Mich Admin Code R 420.103(3) which states: A marijuana 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 paragraphs a, b, c, d, e, and f, demonstrate a violation of Mich Admin Code R 420.212(1) which states in relevant part, products stored at a marijuana business must be 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

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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

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

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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: 8/29/24

By: Alyssa A. Grissom

Digitally signed by Alyssa
A. Grissom
Date: 2024.08.29
10:15:54 -04'00'

Alyssa A. Grissom
Legal Section Manager
Cannabis Regulatory Agency

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