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

In the Matter of

Hongrui Enterprises, Inc. **ENF Nos.: 24-00254,**
License No. GR-C-000565 **24-00258, and 24-00449**
_____/

FORMAL COMPLAINT

The Cannabis Regulatory Agency (CRA) by and through its attorneys, Assistant Attorneys General Jeffrey W. Miller and Sarah E. Huyser, files this formal complaint against Hongrui Enterprises, Inc. (Respondent), alleging upon information and belief as follows:

1. The CRA is authorized under the Medical Marihuana Facilities Licensing Act (MMFLA), MCL 333.27101 *et seq.*, to investigate alleged violations of the MMFLA and administrative rules promulgated thereunder, take disciplinary action to prevent such violations, and impose fines and other sanctions against applicants and licensees that violate the MMFLA or administrative rules.

FACTUAL ALLEGATIONS

2. Respondent holds four active, stacked class C medical marijuana grower state licenses under the MMFLA to operate in the state of Michigan.

3. Respondent operated at 1100 Industrial Blvd., Albion, MI 49224, at all times relevant to this complaint.

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

5. On August 25, 2023, the CRA conducted a site visit after receiving information that the Michigan State Police (MSP) was at Respondent's business the previous day.

a. When CRA regulations agents (RAs) arrived on-site and asked to observe Respondent's surveillance system, Respondent's general manager, S.L., escorted the RAs to the interior office. S.L. informed the RAs that MSP seized the hard drive and recording system to all of the cameras the night before.

b. Respondent continued to operate without a functioning video surveillance system.

c. Due to the missing equipment, the RAs could not view any recorded video surveillance footage during the site visit. Further, Respondent could not provide 30 days of recordings to the RAs.

d. Respondent admitted that the surveillance system had not been replaced as of August 30, 2023.

e. During the site visit, the RAs observed 3,171 untagged and untracked plants—including mature marijuana plants. Respondent admitted that its employees did not immediately tag plants if they were too busy to do so.

f. The above-referenced 3,171 untagged plants were in excess of the total of 6,000 plants Respondent was authorized to grow under its four stacked class C grower licenses.

g. The RAs observed several garage doors near the loading dock area that were partially open and not secured with commercial-grade locks. Respondent admitted that the unsecured doors were points of entry into the business and used for transferring marijuana product.

h. The RAs noted several containers of chemicals on pallets scattered throughout the grow area. These chemicals were not secured in a locked storage area.

i. The RAs advised Respondent on how to compliantly tag and track their marijuana product.

6. The CRA conducted another on-site inspection on November 28, 2023.

The CRA observed the following:

a. Respondent's business contained nine grow rooms. These rooms were not locked or secured when the CRA conducted the inspection, even though marijuana product was present.

b. Respondent's security office was also unlocked and unsecured. Further, Respondent did not have any employee on-site who could operate the surveillance equipment at the time of the inspection.

c. Respondent had changed the lights in all rooms in the business following the August 2023 inspection. Respondent's owner, K.S., indicated that the lights were changed to LED lights without notifying the CRA of the change.

d. Respondent kept containers of chemicals in various locations throughout the business. These containers were not secured in a location reserved for such chemicals.

e. Respondent possessed more than the allowable number of plants at the business. Respondent had a total of 10,738 plants on-site. This is 4,738 plants more than allowed under Respondent's stacked licenses.

f. Respondent had untagged and untracked marijuana plants and marijuana flower in various locations throughout the business. This included mature marijuana plants.

g. Respondent still was not properly tagging or accurately entering its inventory into the statewide monitoring system (Metrc).

h. Respondent failed to provide employee information, criminal background checks, or any SOPs that are required to be on-site. There was no employee on-site who could provide the requested items. K.S. indicated that they would provide those documents

once S.L. returned to the country. However, the items were never provided to the CRA.

i. The CRA requested that Respondent provide 30 days of surveillance video. Respondent failed to provide that footage. Further, Respondent could not provide any surveillance logs when requested.

7. On March 15, 2024, the Bureau of Fire Services (BFS) conducted an inspection of Respondent's business. BFS returned for a recheck inspection on April 5, 2024, and observed continued violations. Due to this, BFS indicated that Respondent's fire safety certification was not approved. Following the April 5 inspection, BFS cited numerous continuing NFPA violations based on conduct that included the following:

a. Respondent installed several new LED light fixtures in the grow rooms. In addition, the inspector observed several extension cords in the grow rooms that penetrated the ceiling and were energized from an unknown source. Respondent failed to submit a reporting form or permits for these changes. Respondent also failed to have the work permitted or conducted by a licensed electrician.

b. Respondent had covered several exits and aisles within the grow rooms with construction material. The additions made it impossible to use the exits.

c. Respondent had begun work to replace the drywall on the ceiling that had appeared to have mold present. However, Respondent failed to report the changes to BFS or the CRA. Respondent also failed to get the mold issue abated.

d. Respondent's business did not have a working fire protection system. The previous system was disabled, and several portions were removed. In addition, the business had no fire walls or fire separation.

e. Respondent had previously installed a light fixture in the dry room. However, BFS found the wiring to be unsafe. Respondent

removed the wiring which left the room without a light as required by code.

8. The CRA conducted a third on-site inspection of Respondent's business on March 27, 2024. The CRA observed the following:

a. The grow rooms doors were not secure, although the rooms contained marijuana plants. The doors were propped open with five-gallon buckets.

b. Respondent failed to tag all of the marijuana plants located in several of the grow rooms. The tags were located in the rooms but were not affixed to the plants—including mature marijuana plants.

c. The surveillance system was located in an unsecured room in the business. S.L. informed the RAs that the room could not be secured due to damage caused during MSP's seizure of the surveillance equipment in August 2023.

d. The surveillance system was not fully operating at the time of the inspection. Several of the surveillance cameras were not operating, and the system was not recording data. S.L. stated that the system had not been recording since December 4, 2023.

e. S.L. admitted that Respondent had no security alarm system.

f. Respondent's surveillance log was not up-to-date. The last entry in the log was from July 2023.

g. Respondent was not accurately tracking its marijuana plants in Metrc. RAs observed more plants on-site than were tracked in Metrc. S.L. could not explain and was unable to reconcile the plant count discrepancy in Metrc.

h. Respondent had untagged product in a freezer. S.L. indicated that the product was old product that should have been destroyed previously. S.L. further stated the product had been in the freezer since October 2023.

i. S.L. stated that Respondent had not submitted material change forms or received any electrical permits for the LED lights that had been observed during the November 2023 on-site inspection.

9. On April 2, 2024, the CRA returned to Respondent's business to conduct a physical plant count. The CRA counted 6,869 plants at that time. This is 869 plants more than allowed by Respondent's stacked licenses. S.L. had no explanation for the overage.

COUNT 1

Respondent's actions as described above demonstrate a violation of Rule 420.108(1)(c), which relevantly states that a grower license authorizes a class C grower to grow not more than 1,500 marijuana plants for each license the grower holds in that class.

COUNT 2

Respondent's actions as described above demonstrate a violation of Rule 420.108(8), which relevantly states that a grower shall accurately enter all transactions, current inventory, and other information into the statewide monitoring system.

COUNT 3

Respondent's actions as described above demonstrate a violation of Rule 420.206(1)(a), which relevantly states that a cultivator shall not operate a marijuana business unless the cultivator operations are within a building that meets the security requirements and passes the inspections required in the rules.

COUNT 4

Respondent's actions as described above demonstrate a violation of Rule 420.208(5), which relevantly states that a licensee shall comply with the NFPA 1, 2021 edition, entitled "Fire Code."

COUNT 5

Respondent's actions as described above demonstrate a violation of Rule 420.209(3), which relevantly states that a licensee shall securely lock the marihuana business, including interior rooms as required by the agency, windows, and points of entry and exits, with commercial-grade, nonresidential door locks or other electronic or keypad access.

COUNT 6

Respondent's actions as described above demonstrate a violation of Rule 420.209(5), which states that a licensee shall have a video surveillance system that, at a minimum, consists of digital or network video recorders, cameras capable of meeting the recording requirements in this rule, video monitors, digital archiving devices, and a color printer capable of delivering still photos.

COUNT 7

Respondent's actions as described above demonstrate a violation of Rule 420.209(6)(a)(i), which relevantly states that a licensee shall ensure the video surveillance system records any areas where marijuana products are weighed, packed, stored, loaded, and unloaded for transportation, prepared, or moved within the marijuana business.

COUNT 8

Respondent's actions as described above demonstrate a violation of Rule 420.209(11), which relevantly states that a licensee shall keep surveillance recordings for a minimum of 30 calendar days.

COUNT 9

Respondent's actions as described above demonstrate a violation of Rule 420.209(12), which relevantly states surveillance recordings are subject to inspection by the agency and must be kept in a manner that allows the agency to view and obtain copies of the recordings at the marijuana business immediately upon request.

COUNT 10

Respondent's actions as described above demonstrate a violation of Rule 420.209(14), which relevantly states that a licensee shall maintain a log of the recordings, which includes: (a) the identity of the employee or employees responsible for monitoring the video surveillance system, and (b) the identity of the employee who removed any recording from the video surveillance system storage device and the time and date removed.

COUNT 11

Respondent's actions as described above demonstrate a violation of Rule 420.210(1), which relevantly states that a marijuana business must not have marijuana products that are not identified and recorded in the statewide monitoring system.

COUNT 12

Respondent's actions as described above demonstrate a violation of Rule 420.210(2), which relevantly states that a marijuana business must not have any marijuana product without a batch number or identification tag or label pursuant to the rules, and that a licensee shall immediately tag, identify, or record as part of a batch in the statewide monitoring system any marijuana product as provided in the rules.

COUNT 13

Respondent's actions as described above demonstrate a violation of Rule 420.211(1), which relevantly states that a marijuana product that is to be destroyed or is considered waste must be rendered into an unusable and unrecognizable form through grinding or another method that incorporates the marijuana product waste with an approved non-consumable solid waste so that the resulting mixture is not less than 50% non-marijuana plant waste.

COUNT 14

Respondent's actions as described above demonstrate a violation of Rule 420.212(1), which states that all marihuana products must be stored at a marihuana business in a secured limited access area or restricted access area and must be identified and tracked consistently in the statewide monitoring system.

COUNT 15

Respondent's actions as described above demonstrate a violation of Rule 420.212(3), which states that all chemicals or solvents must be stored separately from marihuana products and kept in a closed container in locked storage areas.

COUNT 16

Respondent's actions as described above demonstrate a violation of Rule 420.303(2), which relevantly states that a cultivator shall tag each individual plant that is greater than 8 inches in height with an individual plant tag and record the identification information in the statewide monitoring system.

COUNT 17

Respondent's actions as described above demonstrate a violation of Rule 420.602(1), which relevantly states that a licensee shall conduct a criminal history background check on any prospective employee, keep records of the results, record confirmation of criminal history background checks, and make the confirmation available for inspection upon request by the agency.

COUNT 18

Respondent's actions as described above demonstrate a violation of Rule 420.802(3), which relevantly states that a licensee shall report to the agency any proposed material changes to the marijuana business before making a material change, and that material changes include, but are not limited to, changes of processing machinery or equipment and additions or reduction in equipment or processes at the marijuana business.

COUNT 19

Respondent's actions as described above demonstrate a violation of Rule 420.803(1), which relevantly states that any material change or modification of the marijuana business must be approved by the agency before the change or modification is made.

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.

Under MCL 333.27407(4) and Rule 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 Rule 420.704(1) and R 420.808(4). 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 MMFLA and/or the administrative rules.

Hearing and compliance conference requests must be submitted in writing by one of the following methods, with a copy provided to the assistant attorneys general named below:

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 undersigned assistant attorneys general.

Respectfully submitted,

/s/ Jeffrey W. Miller

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Dated: August 9, 2024

LF: 2024-0404539-A / Hongrui Ent, ENF 24-00254-00262, 24-00449-00452 / Formal Complaint / 2024-08-09

In the Matter of

Hongrui Enterprises, Inc.
License No.: GR-C-000565

ENF No(s).: 24-00254, 24-00258, & 24-00449

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PROOF OF SERVICE

I hereby certify that on 08/14/2024, I provided a copy of the Formal Complaint dated 08/09/2024 in the above captioned case by personal service to: Selena Liu

Brandi Wise

Cannabis Regulatory Agency
Department of Licensing & Regulatory Affairs