

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS¹
MARIJUANA REGULATORY AGENCY

In the Matter of

AEY Capital, LLC CMP No.: 21-001798
AU-ER No.: 000181
License Nos.: AU-R-000243, AU-P-000138, AU-R-000329, AU-G-C-000253, AU-G-C-000254, AU-G-C-000255, AU-G-C-000256, AU-G-C-000257, AU-G-EX-000128, AU-R-000348, AU-R-000386, AU-R-000499
ENF No.: 22-00099

RKD Ventures, LLC CMP No.: 21-001803
AU-ER No.: 001702
License No.: AU-R-000511
ENF No.: 22-00101

AEY Holdings, LLC CMP No.: 21-001806
AU-ER No.: 000511
License No.: AU-R-000300
ENF No.: 22-00025

Thrive Enterprises, LLC CMP No.: 21-001834
AU-ER No.: 000359
License Nos.: AU-R-000466, AU-R-000529
ENF No.: 22-00107

_____ / **CONSENT ORDER AND STIPULATION**

CONSENT ORDER

On February 16, 2022, the Marijuana Regulatory Agency (MRA) issued a formal complaint against the adult-use marijuana establishment licenses listed above of AEY Capital, LLC; RKD Ventures; LLC, AEY Holdings, LLC; and Thrive Enterprises, LLC (“Respondents”) under the Michigan Regulation and Taxation of Marihuana Act (MRMTA), 2018 IL 1, *et seq.*, and the administrative rules promulgated thereunder. The

¹ Executive Reorganization Order 2019-2 created the Marijuana Regulatory Agency (MRA) as a Type I agency within the Department of Licensing and Regulatory Affairs (LARA). MCL 333.27001(1)(a)(d). The MRA exercises its statutory powers, duties, and functions independent of LARA’s direction. MCL 16.103.

formal complaint alleged Respondent violated the Mich Admin Code, R 420.802(3)(a), (d), and (f), and R 420.803(1).

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 the allegations contained in the formal complaint are true and that Respondent violated Mich Admin Code, R 420.802(3)(a), (d), and (f), and R 420.803(1).

Accordingly, for these violations, IT IS ORDERED:

1. Respondent must pay a fine in the amount of One Hundred Twenty-Five Thousand and 00/100 dollars (\$125,000.00). This fine shall be paid within 30 days of the effective date of this order by check or money order made payable to the State of Michigan with enforcement numbers "22-00099, 22-00101, 22-00025, 22-00107" clearly displayed on the check or money order. Respondent shall mail the fine to Department of Licensing and Regulatory Affairs, Marijuana Regulatory Agency, PO BOX 30205, Lansing, Michigan 48909.
2. If Respondent fails to timely pay the fine, Respondent's license shall be suspended until payment is received.
3. Unless otherwise specified in this order, Respondent shall direct any communications to the MRA that are required by the terms of this order to MRA-LegalHearings@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 will be subject to fines and/or other sanctions under section 7(1)(c) of the MRTMA, MCL 333.27957, and Mich Admin Code, R 420.806.
6. Upon timely payment of the fine 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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www.michigan.gov/MRA

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This order shall be effective on the date signed by the MRA's executive director or his designee, as set forth below.

Signed on:

By:

Andrew Brisbo Digitally signed by: Andrew Brisbo
DN: CN = Andrew Brisbo email = brisboa@michigan.gov
C = US O = Marijuana Regulatory Agency OU = Executive Director
Date: 2022.02.22 08:56:59 -05'00'

**Andrew Brisbo, Executive Director
Marijuana Regulatory Agency**

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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 MRA to prove the charges set forth in the formal 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 was cooperative and wishes to resolve the allegations without the need for and expense of an administrative hearing.
4. The MRA's enforcement division director or her designee must approve this proposed agreement before it is forwarded to the MRA'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 MRA's enforcement division 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:

AGREED TO BY:

 <p>Digitally signed by: Julie Kluytman DN: CN = Julie Kluytman email = kluytman@michigan.gov C = US O = Marijuana Regulatory Agency Date: 2022.02.22 08:36:45 -0500'</p>
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Julie Kluytman, Director
Enforcement Division
Marijuana Regulatory Agency



David Malinoski,
Authorized Officer
On behalf of Respondents
AEY Capital, LLC;
RKD Ventures, LLC;
AEY Holdings, LLC; and Thrive
Enterprises, LLC

Dated: 2/22/2022

Dated: 02-18-2022

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License No.: AU-R-000511
ENF No.: 22-00101

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AU-ER No.: 000511
License No.: AU-R-000300
ENF No.: 22-00025

Thrive Enterprises, LLC CMP No.: 21-001834
AU-ER No.: 000359
License Nos.: AU-R-000466, AU-R-000529
ENF No.: 22-00107

FORMAL COMPLAINT

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

1. The Marijuana Regulatory Agency (MRA) is authorized under the Michigan Regulation and Taxation of Marihuana Act (MRTMA), 2018 IL1, *et seq.*, and Executive Reorganization Order No.2019-2, MCL 333.27001, to investigate alleged violations of the MRTMA and the Administrative Rule promulgated thereunder, take disciplinary action to

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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 marihuana establishment operations.

3. Respondent's conduct as described below is a risk to public health and safety and/or the integrity of marihuana establishment operations.

FACTUAL ALLEGATIONS AND INTENDED ACTION OF THE MRA

4. Respondent holds an active state license under the MRTMA to operate multiple adult use establishments in the state of Michigan.

5. Respondent operated at multiple locations throughout the state of Michigan.

6. Following an investigation, the MRA determined that Respondent violated the MRTMA and/or Administrative Rules promulgated thereunder as set forth below:

- a. On September 30, 2019, Respondent submitted a prequalification application for AEY Thrive, LLC with DM as the sole member and documents submitted indicated that the entity was a member-managed LLC.
- b. AEY Thrive, LLC has not received prequalification status, nor has it submitted a step two application.
- c. DM has ownership in the following entities both directly and indirectly: AEY Thrive, LLC, AEY Capital, LLC, 3 State Park, LLC, Pure Releaf SP Drive, LLC, Buena Vista Real Estate, LLC, 123 Grow, LLC, Green Theory,

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LLC, and RKD Ventures, LLC.

- d. On November 14, 2021, the MRA received two amendment applications to change the ownership of AEY Holdings, LLC and Thrive Enterprises, LLC selling 100% ownership interest from DM to WDB Holdings, Inc. WDB Holdings, Inc. is owned solely by TerrAscend USA, Inc.
- e. After review of WDB Holdings, Inc., it was determined the agreement was between TerrAscend Corp (Owner of TerrAscend USA, Inc (Owner of WDB Holdings, Inc.)) and Gage Growth Corp.
- f. Gage Growth Corp. is not an entity associated with the applications or licenses submitted or held by AEY Holdings, LLC or Thrive Enterprises, LLC.
- g. Gage Growth Corp. was not disclosed to MRA and has not received appropriate vetting.
- h. Gage Growth Corp. (formerly known as Wolverine Partners Corp.) was exerting control over and directing the affairs and had the ability to make policy concerning Respondent's marijuana business and needed to complete the MRA change form and/or apply as a supplemental applicant.
- i. Respondent did not report the change of ownership/control to the MRA in violation of Mich Admin Code, R 420.802(3)(a), which states licensees shall report to the agency any proposed material changes to the marijuana business before making a material change that may require prior authorization by the agency. Material changes, include, but are not limited to, the following: (a) Change in owners, officers, members, or managers.
- j. Respondent is also in violation of Mich Admin Codes, R 420.802(3) (d & f), which state licensees shall report to the agency any proposed material changes to the marijuana business before making a material change that may require prior authorization by the agency. Material changes, include, but are not limited to, the following: (d) The addition or removal of a person named in the application or disclosed. (f) Any attempted transfer,

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sale, or other conveyance of an interest in a marihuana license.

- k. Finally, Respondent is in violation of Mich Admin Code, R 420.803(1), which states any change or modification to the marihuana business after licensure is governed by the standards and procedures set forth in these rules and any regulations adopted pursuant to the acts. Any material change or modification to the marihuana business must be approved by the agency before the change or modification is made.

THEREFORE, based on the above, the MRA 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 333.27957 (1)(c) and Mich Admin Code, R 420.704(2), any party aggrieved by an action of the MRA 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 MRA 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 Emergency Rules. A compliance conference request must be submitted to the MRA 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
Marijuana Regulatory Agency
P.O. Box 30205

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

By Email: MRA-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 Marijuana Regulatory Agency's legal section at (517) 284-8599 or MRA-LegalHearings@michigan.gov.

Dated: 2/16/22

By: Julie Kluytman
Julie Kluytman, Director
Enforcement Division
Marijuana Regulatory Agency

Digitally signed by: Julie Kluytman
DN: CN = Julie Kluytman email =
kluytmanj@michigan.gov C = US O =
Marijuana Regulatory Agency
Date: 2022.02.16 16:33:42 -0600

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