

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

In the Matter of

Candid Labs, LLC
License Nos.: GR-C-000690,
GR-C-000764, GR-C-000765,
GR-C-000766, GR-C-000817,
GR-C-000818, GR-C-000819,
& GR-C-000820

ENF No. 22-00669

/ CONSENT ORDER AND STIPULATION

CONSENT ORDER

On February 3, 2023, the Cannabis Regulatory Agency (CRA) issued a formal complaint against the medical marijuana class C grower licenses (nos. GR-C-000690, GR-C-000764, GR-C-000765, GR-C-000766, GR-C-000817, GR-C-000818, GR-C-000819, GR-C-000820) of Candid Labs, LLC (Respondent) under the Medical Marihuana Facilities Licensing Act (MMFLA), MCL 333.27101 *et seq.*, and administrative rules promulgated thereunder. The complaint alleged Respondent violated Mich Admin Code, R 420.6(5), R 420.108(8), R 420.206a(2), R 420.209(11), R 420.209(12), R 420.210(1), R 420.210(2), R 420.211(1), R 420.211(2), R 420.211(8), R 420.212(1), R 420.802(3)(f), and R 420.803(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 420.6(5), R 420.108(8), R 420.206a(2), R 420.209(11), R 420.209(12), R

420.210(1), R 420.210(2), R 420.211(1), R 420.211(2), R 420.211(8), R 420.212(1), R 420.802(3)(f), and R 420.803(1).

Accordingly, for these violations, IT IS ORDERED:

1. Respondent's licenses (nos. GR-C-000690, GR-C-000764, GR-C-000765, GR-C-000766, GR-C-000817, GR-C-000818, GR-C-000819, GR-C-000820) are revoked. The licenses shall not be renewed, reinstated, reissued, or reactivated, limited or otherwise, at any future date.
2. Prior to the effective date of this order, Respondent shall follow the CRA's procedures for "Closing a Licensed Marijuana Business" at <https://www.michigan.gov/cra/closing-a-licensed-marijuana-business>. Respondent's inventory may be sold, transferred, or destroyed pursuant to these procedures.
3. Respondent and Respondent's supplemental applicant, Ramon Hana, are permanently prohibited from applying for or otherwise seeking any new marijuana business license in the State of Michigan; exercising managerial control over a such a business; or otherwise meeting the criteria to be deemed an applicant, supplemental applicant, or otherwise subject to a background investigation of any such business.
4. Respondent and Respondent's supplemental applicant, Ramon Hana, are permanently prohibited from any new ownership interest in a licensed marijuana business in the State of Michigan.
5. Respondent's supplemental applicant, Ramon Hana, is also the sole supplemental applicant for other state marijuana business licenses under license numbers AU-P-000328 and PR-000312. Mr. Hana is prohibited from applying for or otherwise seeking renewal, reinstatement, reissuance, or reactivation, limited or otherwise, at any future date of license numbers AU-P-000328 and PR-000312. Mr. Hana shall administratively close licenses AU-P-000328 and PR-000312 before the date of license expiration. This includes following the CRA's procedures for "Closing a Licensed Marijuana Business" at <https://www.michigan.gov/cra/closing-a-licensed-marijuana-business>.
6. Respondent's supplemental applicant, Ramon Hana, is permanently prohibited from being employed or working in any capacity at a licensed marijuana business in the State of Michigan, including but not limited to, performing the functions of a regular or managerial employee, rendering any services as an independent contractor, or

rendering any services via another party. This paragraph does not apply to the licenses identified in paragraph 5 above.

7. 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-LegalHearings@michigan.gov.
8. Respondent shall be responsible for all costs and expenses incurred in complying with the terms and conditions of this consent order.
9. If Respondent violates any term or condition set forth in this order, Respondent may be subject to additional fines and/or other sanctions.
10. This order concludes the CRA's investigation into Respondent and the individuals associated with the allegations contained in formal complaint ENF No. 22-00669.

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: 6/12/23

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

Digitally signed by: Brian Hanna
DN: CN = Brian Hanna email =
hannaab@michigan.gov C = US O = CRA OU =
CRA
Date: 2023.06.12 10:23:38 -0400

STIPULATION

The parties stipulate to the following:

1. Respondent does not contest the allegations of fact and law in the formal complaint. By pleading no contest, Respondent does not admit the truth of the allegations but agrees that the CRA's executive director or designee may enter an order treating the allegations as true for purposes of resolving the complaint.
2. Respondent understands and intends that by signing this stipulation, Respondent is waiving the right under the MMFLA, 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) This consent order and stipulation is part of a comprehensive resolution of all of Respondent's currently outstanding formal complaints.
 - b) Respondent and Respondent's supplemental applicant, Ramon Hana, understand and agree that any new application for a state marijuana business license or renewal contrary to the accompanying consent order will be denied.
 - c) 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:

Desmond Mitchell Digitally signed by Desmond Mitchell
Date: 2023.06.12 09:14:42 -04'00'

Desmond Mitchell
Operations Director
Cannabis Regulatory Agency
Dated: 6/12/23


AGREED TO BY:




Ramon Hana
On behalf of Respondent
Candid Labs, LLC
Dated: 6-8-2023

/s/ Adam M. Leyton

Adam M. Leyton (P80646)
Risa Hunt-Scully (P58239)
Assistant Attorneys General
Attorneys for Cannabis Regulatory Agency
Dated: 06/09/2023



Ramon Hana
Dated: 6-8-2023



Robert Huth (P42531)
Attorney for Respondent
Dated: 6/8/2023

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& GR-C-000820

ENF No: 22-00669

FORMAL COMPLAINT

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

1. The Cannabis Regulatory Agency (CRA) is authorized under the Medical Marihuana Facilities Licensing Act (MMFLA), MCL 333.27101 *et seq.*, and Executive Reorganization Order No.2019-2, MCL 333.27001, to investigate alleged violations of the MMFLA 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 MMFLA or administrative rules.

2. Section 402(12) of the MMFLA provides that the expiration of a license does not terminate the CRA’s authority to impose sanctions on the license.

FACTUAL ALLEGATIONS AND INTENDED ACTION OF THE CRA

3. Respondent holds an active state operating license under the MMFLA to operate multiple medical marijuana Class C grower facilities in the state of Michigan.

4. Respondent operated under all eight licenses referenced above at 1850 Parmenter Rd., Corunna, Michigan 48817, at all times relevant to this complaint.

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

- a. On October 3, 2022, Respondent reported to the CRA that its video surveillance system was malfunctioning during its harvest period.
- b. On October 6, 2022, CRA staff made an onsite visit to Respondent's facility to discuss the surveillance issues and observe the facility.
- c. CRA staff observed two glass jars containing marijuana distillate without statewide monitoring system (Metrc) tags and at least 30 partially full untagged jars containing what looked like product waste located in three large cardboard boxes inside a storage room. Respondent's onsite manager, DeAngelo Williams, stated the contents in the jars was product waste ("tails") and that the contents were supposed to be destroyed. He advised that he did not know the proper procedure to destroy the product. Williams was unable to provide Metrc information, manifests, or a waste log to identify any of the contents within the jars.
- d. CRA staff observed several bags labeled "T-27" containing fresh-frozen flower without Metrc tags located inside a refrigerated trailer.
- e. CRA staff observed a large green dumpster filled with plant biomass and large flower buds. No Metrc information was located on or near the dumpster to identify the material. DeAngelo Williams stated that the material in the dumpster was plant waste, however, it was not mixed with anything to render it unusable and unrecognizable as required. CRA staff discovered the dumpster was an addition to the marijuana facility that Respondent failed to have inspected by the CRA or receive CRA approval for prior to bringing it onto the facility grounds.
- f. CRA staff observed approximately 7-10 mature marijuana plants without Metrc tags inside a white van located on the facility grounds. Williams stated the plants were harvested the day before (October 5, 2022) but still recorded in Metrc under the "flowering" stage.

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- g. CRA staff observed at least four large black trash bags filled to the top with marijuana product between the facility greenhouses. CRA staff also observed product spilling out of the trash bags. Williams stated that the trash bags contained marijuana trim. CRA staff observed that the marijuana product in the black trash bags did not have Metrc tags affixed inside or outside of the bags. Respondent was unable to provide proof of where the product came from. The marijuana product could not be identified on any manifest or in Metrc as being from the regulated market.
- h. CRA staff observed multiple mature marijuana plants greater than 8 inches tall in the field without Metrc tags affixed.
- i. CRA staff observed two large greenhouses on the facility grounds. The first greenhouse's entry door was open, unsecured and the greenhouse had numerous mature marijuana plants greater than 8 inches tall hanging from the ceiling without Metrc plant tags affixed. Williams stated that the plants were harvested the day before (October 5, 2022) and that he updates the number of plants harvested in Metrc at the end of each week, but not immediately.
- j. The second greenhouse was locked and secured. Once inside, CRA staff observed numerous mature marijuana plants greater than 8 inches tall hanging from the ceiling and laying on the counter without Metrc plants tags.
- k. CRA staff observed two trash bags full of plant tags under a table in the facility break room. Williams advised the CRA that the tags belonged to plants already destroyed, but that he had not yet reported the destruction in Metrc.
- l. Williams stated that their video surveillance system was down from 9am on September 30, 2022 through 5pm on October 3, 2022 and that it stopped operating again between 6:30-7am on October 4, 2022 until 4pm.
- m. On October 6, 2022, CRA staff entered the video room, accompanied by Williams, and observed that 38 cameras were inoperable and showing black

screens. CRA staff requested Williams to bring up the surveillance recordings from September 30, 2022 through October 4, 2022. CRA staff observed some video footage, but the footage cut to a black screen numerous times for long periods of time. Williams stated that they have a rat problem and that rats had chewed through the video wires and that Respondent contacted its security contractor again to fix the issue.

- n. On October 6, 2022, CRA staff emailed Respondent to request that it provide the following information by October 10, 2022:
 - i. Waste logs related to the current harvest and plant tags found in black trash bags.
 - ii. A standard operating procedure related to extraction.

As of the date of this formal complaint, Respondent has failed to provide the requested information.

- o. On October 10, 2022, Respondent provided three invoices from its security contractor dated June 18, 2022, June 24, 2022, and October 1, 2022 documenting repairs already made to fix its ongoing video surveillance system issues. As of October 6, 2022 (the day of the site visit), Respondent's video surveillance system was still malfunctioning.

Count I

Respondent's actions as described in paragraph n demonstrate a violation of Mich Admin Code, R 420.6(5), which states an applicant or licensee has a continuing duty to provide information requested by the agency and to cooperate in any investigation, inquiry, or hearing conducted by the agency.

Count II

Respondent's actions as described in paragraphs c, f, g, i, and k demonstrate a violation of Mich Admin Code, R 420.108(8), which states a grower shall accurately enter all transactions, current inventory, and other information into the statewide

monitoring system as required in the MMFLA, these rules, and the marihuana tracking act.

Count III

Respondent's actions as described in paragraph n demonstrate a violation of Mich Admin Code, R 420.206a(2), which states standard operating procedures must be made available to the agency upon request.

Count IV

Respondent's actions as described in paragraphs l, m, and o demonstrate a violation of Mich Admin Code, R 420.209(11), which states a licensee shall keep surveillance recordings for a minimum of 30 calendar days.

Count V

Respondent's actions as described in paragraphs l, m, and o demonstrate a violation of Mich Admin Code, R 420.209(12), which states surveillance recordings of the licensee 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 marihuana business immediately upon request.

Count VI

Respondent's actions as described in paragraphs c and g 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 VII

Respondent's actions as described in paragraphs c, d, f, g, h, i, and j demonstrate a violation of Mich Admin Code, R 420.210(2), which states except for a designated consumption establishment or temporary marihuana event licensed under the MRTMA, a marihuana business must not have any marihuana product

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without a batch number or identification tag or label pursuant to these rules. A licensee shall immediately tag, identify, or record as part of a batch in the statewide monitoring system any marihuana product as provided in these rules.

Count VIII

Respondent's actions as described in paragraph c demonstrate a violation of Mich Admin Code, R 420.211(1), which states a marihuana product that is to be destroyed or is considered waste must be rendered into an unusable and unrecognizable form through grinding or another method as determined by the agency that incorporates the marihuana product waste with 1 or more of the following types of non-consumable solid waste so that the resulting mixture is not less than 50% non-marihuana product waste: (a) paper waste. (b) plastic waste. (c) cardboard waste. (d) food waste. (e) grease or other compostable oil waste. (f) fermented organic matter or other compost activators. (g) soil. (h) other waste approved in writing by the agency.

Count IX

Respondent's actions as described in paragraph e demonstrate a violation of Mich Admin Code, R 420.211(2), which states marihuana plant waste, including roots, stalks, leaves, and stems that have not been processed with a solvent must be rendered into an unusable and unrecognizable form through grinding or another method as determined by the agency that incorporates the marihuana plant waste with 1 or more of the following types of compostable waste so that the resulting mixture is not less than 50% non-marihuana plant waste: (a) food waste. (b) yard waste. (c) vegetable based grease or oils. (d) other compostable wastes approved by the agency.

Count X

Respondent's actions as described in paragraph c demonstrate a violation of Mich Admin Code, R 420.211(8), which states a licensee shall maintain accurate and comprehensive records regarding marihuana product waste, and marihuana plant

waste that accounts for, reconciles, and evidences all waste activity related to the disposal.

Count XI

Respondent's actions as described in paragraphs c, f, g, I, and k demonstrate a violation of Mich Admin Code, R 420.212(1), which states 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 under these rules.

Count XII

Respondent's actions as described in paragraph e demonstrate a violation of Mich Admin Code, R 420.802(3)(f), which states 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: (f) any change or modification to the marihuana business before or after licensure that was not preinspected, inspected, or part of the marihuana business location plan or final inspection.

Count XIII

Respondent's actions as described in paragraph e demonstrate a violation of Mich Admin Code, R 420.803(1), which states 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 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 Mich Admin Code, R 420.704(2), any party aggrieved

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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 MMFLA 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.

Questions about this complaint should be directed to the Cannabis Regulatory Agency at (517) 284-8599 or CRA-LegalHearings@michigan.gov.

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Dated: 2/3/23

By: Alyssa A. Grissom

Digitally signed by
Alyssa A. Grissom
Date: 2023.02.03
11:19:32 -05'00'

Alyssa A. Grissom
Legal Section Manager
Cannabis Regulatory Agency

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