

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

In the Matter of

JK LOGIX INC.
License No.: ST-000022

ENF No.: 22-00451

/ CONSENT ORDER AND STIPULATION

CONSENT ORDER

On November 23, 2022, the Cannabis Regulatory Agency (CRA) issued a formal complaint against the medical marijuana secure transporter facility license (ST-000022) of JK Logix Inc. (Respondent) under the Medical Marijuana Facilities Licensing Act (MMFLA), MCL 333.27101 *et seq.*, and the administrative rules promulgated thereunder. The formal complaint alleged Respondent violated Mich Admin Code, R 420.802(3)(a) and R 420.802(3)(c).

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 some of the allegations contained in the formal complaint are true and that Respondent violated Mich Admin Code, R 420.802(3)(a).

Accordingly, for these violations, IT IS ORDERED:

1. Respondent must pay a fine in the amount of ten thousand and 00/100 dollars (\$10,000). 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). 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 "22-00451" and license number "ST-000022" clearly displayed on the check or

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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 this order, Respondent will submit a standard operating procedure (SOP) detailing all required procedures for compliant reporting of material changes, and obtaining CRA approval when required, before Respondent implements or operates under any proposed material change. Respondent must correct any deficiencies within 30 days of receiving notice, unless otherwise agreed by the CRA in writing.
3. The alleged violation of Mich Admin Code, R 420.802(3)(c) is DISMISSED.
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-LegalHearings@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 section 407(1) of the MMFLA, MCL 333.27407(1), and Mich Admin Code, R 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.

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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: 09/06/2023

By: Brian Hanna
Digitally signed by: Brian Hanna
DN: CN = Brian Hanna email =
hanhab@michigan.gov C = US O =
CRA OU = CRA
Date: 2023.09.06 09:38:16 -0400

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 regarding a violation of Mich Admin Code, R 420.802(3)(a) are true and constitute a violation of the administrative rules promulgated under the MMFLA.
2. Respondent understands and intends that by signing this stipulation, Respondent is waiving the right under the MMFLA, the 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 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. A prior version of Mich Admin Code, R 420.802(3)(c) in effect at the time of the violation is not applicable to the allegations in the formal complaint.
 - b. Respondent admitted to adding at least one new shareholder (owner) with direct or indirect ownership of 10% or less in 2021, without first reporting the proposed changes to the CRA.

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- c. Respondent stated that it relied on the advice of a former attorney, who advised that any “under 10%” owners did not need to be submitted to the CRA.
 - d. Respondent was not required to obtain prequalification for any new “under 10%” stockholders Pursuant to Mich Admin Code, R 420.802(3)(d) and R 420.101(c)(i)(E). However, Respondent was required to submit amendments reporting all proposed new owners and obtain CRA approvals before finalizing the proposed ownership changes, pursuant to Mich Admin Code, R 420.802(3)(a).
 - e. Respondent subsequently submitted an amendment on September 9, 2022, and the CRA approved it on April 19, 2023.
 - f. Respondent was cooperative and wishes to resolve the allegations without the need for and expense of an administrative hearing.
 - g. Respondent has been licensed as a medical marijuana secure transporter facility since 2019 and has no prior discipline against its license.
4. The CRA’s operations director or his 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 operations director, executive director, or their designees reject the proposed consent order.

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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: 2023.09.05
16:22:50 -04'00'

Desmond Mitchell, Operations Director
or his designee
Cannabis Regulatory Agency

Dated: 09/05/2023

AGREED TO BY:



Jordan Kiefer, Authorized Officer
on behalf of Respondent
JK Logix Inc.

Dated: 9/5/23



Trevor Stewart (P77972)
Attorney for Respondent

Dated: 9-5-23

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

In the Matter of

JK Logix, Inc.
License No.: ST-000022

ENF No: 22-00451

FORMAL COMPLAINT

The Cannabis Regulatory Agency (“Complainant”) files this formal complaint against JK Logix, Inc. (“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 a medical marijuana secure transporter facility in the state of Michigan.

4. Respondent operated at 1600 Turner St., Lansing, Michigan 48906, 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 1, 2019, Respondent was issued a medical marijuana secure transporter license. Individual J.K. was listed as the sole owner.
- b. Respondent filed its Annual Financial Statement (AFS) for FY2021 with the ownership interests as individual J.K. at 68%, individual S.K. at 9%, individual B.L. at 9%, individual C.F. at 9% and individual P.V. at 5%.
- c. Respondent did not file the proper amendment to change the ownership with the CRA.

Count I

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.802(3)(a), 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: (a) Change in owners, officers, members, or managers.

Count II

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.802(3)(c), 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

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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: (c) The addition or removal of a person named in the application or disclosed.

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 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

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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.

Dated:

11/23/2022

By:

Alyssa A. Grissom	Digitally signed by Alyssa A. Grissom Date: 2022.11.23 11:07:40 -05'00'
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Alyssa A. Grissom
Legal Section Manager
Cannabis Regulatory Agency