

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

In the Matter of

Youssef Barakat

EXCL-24-000013

NOTICE OF INTENT TO EXCLUDE

The Cannabis Regulatory Agency (CRA) by and through its attorney, Assistant Attorney General Adam M. Leyton, files this notice of intent to exclude against Youssef Barakat (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.*, Medical Marihuana Facilities Licensing Act, MCL 333.27101 *et seq.*, and the administrative rules promulgated thereunder, to exclude a person from employment at, or participation in, a marijuana business. The CRA may issue a notice of intent to exclude upon a finding that the person, while employed at the marijuana business, engaged in conduct that is in violation of the marijuana statutes or administrative rules that could negatively impact public health, safety, and welfare. Mich Admin Code, R 420.808a(1)(a).

2. During Respondent's ownership and employment at licensed adult-use marijuana retailer businesses Kzoo420, LLC dba Big Rapids Tree House Club (license no. AU-R-000760) and Kzoo420, LLC dba Bay City Tree House Club

(license no. AU-R-000949), Respondent engaged in conduct that violates the marijuana statutes or administrative rules, and that could negatively impact public health, safety, and welfare as set forth below.

FACTUAL ALLEGATIONS

Sale of Marijuana to Underage Cadet at Big Rapids Tree House Club

3. The CRA issued adult-use marijuana retailer license AU-R-000760 to Kzoo420, LLC dba Big Rapids Tree House Club (hereafter, BRTHC) on July 13, 2022. At the time of licensure, Respondent held a 50% ownership stake in BRTHC. According to statewide monitoring system (Metrc) records, Respondent was also an employee of BRTHC beginning August 3, 2022.

4. On February 1, 2023, Michigan State Police (MSP) officers conducted an operation at BRTHC's licensed premises located at 217 Maple St., Big Rapids, Michigan 49037. For purposes of the operation, the officers provided a 20-year-old cadet with pre-recorded currency to use while attempting to purchase marijuana from the business.

5. After showing their vertical identification to an attendant, J.M., the underage cadet was allowed to enter BRTHC's limited access area where marijuana is sold. The cadet then purchased 1.5 ounces of marijuana flower from the budtender, D.S., using the pre-recorded currency. D.S. sold the marijuana flower to the cadet in a clear sandwich bag with no Metrc tag number or label.

6. Following the purchase, MSP officers entered BRTHC and recovered the pre-recorded currency from the cash register. CRA staff were also on site and

observed that interior doors leading to the point-of-sale area and storage area were unsecured.

7. CRA staff interviewed J.M. and D.S. J.M. and D.S. explained that they are employees of BRTHC. CRA staff attempted to verify this information in Metrc but could not locate any records of J.M. or D.S.'s employment at the business. J.M. and D.S. also claimed that the doors inside the business were unsecured because they were not given keys.

8. CRA staff contacted Respondent via telephone for additional information. Respondent explained that he had not entered J.M. and D.S. as employees in Metrc because he had not yet completed their background checks. Respondent also explained that marijuana products at BRTHC are sold to the public without Metrc tag numbers or other CRA-required information because the business does not have a printer to create the appropriate labels.

9. CRA staff also observed two video surveillance cameras in a room of the business with pieces of paper taped to them and blocking their view. Respondent explained that the area is an employee lounge, and further revealed that he covers the cameras when sleeping in the lounge.

10. Based on the conduct alleged in paragraph 7 above, Respondent violated MCL 333.27961(c), which relevantly states that a marijuana establishment shall secure every entrance to the establishment so that access to areas containing marijuana is restricted to employees, and that a marijuana establishment shall

secure its inventory and equipment during and after operating hours to deter and prevent theft of marijuana and marijuana accessories.

11. Based on the conduct alleged in paragraph 7 above, Respondent violated Mich Admin Code, R 420.212(1), which relevantly states that all marijuana products must be stored at a marijuana business in a secured limited access area or restricted access area.

12. Based on the conduct alleged in paragraph 8 above, Respondent violated Mich Admin Code, R 420.602(1), which relevantly states that a licensee shall conduct a criminal history background check on any prospective employee before hiring that individual.

13. Based on the conduct alleged in paragraph 8 above, Respondent violated Mich Admin Code, R 420.104(3)(a), which states that a marijuana retailer shall sell or transfer marijuana to an individual 21 years of age or older only after it has been tested in accordance with the rules and bears the label required for retail sale.

14. Based on the conduct alleged in paragraph 8 above, Respondent violated Mich Admin Code, R 420.303a(3)(b), which relevantly states that a marijuana sales location may sell or transfer a marijuana product only to a marijuana customer if the marijuana product bears the label required under the acts and rules for retail sale.

15. Based on the conduct alleged in paragraph 8 above, Respondent violated Mich Admin Code, R 420.502(1), which states that each marijuana product

sold or transferred must be clearly labeled with the tracking identification numbers assigned by the statewide monitoring system affixed, tagged, or labeled and recorded, and any other information required by the agency, the acts, and the rules.

16. Based on the conduct alleged in paragraph 8 above, Respondent violated Mich Admin Code, R 420.504(1), which relevantly states that the container, bag, or product holding a marijuana product must be labeled with all information listed in the rule before the marijuana products is sold or transferred by a marijuana sales location.

17. Based on the conduct alleged in paragraph 8 above, Respondent violated Mich Admin Code, R 420.505(1)(f), which relevantly states that a marijuana sales location shall verify that a marijuana product is labeled and packaged for sale or transfer in accordance with Rule 420.504 prior to selling or transferring marijuana or a marijuana product to a marijuana customer.

18. Based on the conduct alleged in paragraph 9 above, Respondent violated Mich Admin Code, R 420.209(6)(a) and (b), which relevantly state that a licensee shall ensure the video surveillance system records specified areas within the business and records images effectively and efficiently of the area under surveillance with a minimum of 720p resolution.

Semi-Annual Inspection at Big Rapids Tree House Club

19. On April 13, 2023, CRA staff conducted a semi-annual inspection at BRTHC's licensed premises located at 217 Maple St., Big Rapids, Michigan 49037.

20. Upon arriving at BRTHC, CRA staff noticed that the business lacked electrical power and did not have an operable video surveillance and alarm system. CRA staff met with Respondent, who advised that BRTHC had been without power since March 26, 2023, due to nonpayment of the power bill. Respondent further advised that the business possessed approximately \$20,000 worth of marijuana products on site. Respondent failed to notify the CRA about the lack of power, working cameras, or working alarms prior to the semi-annual inspection.

21. Respondent additionally advised that the City of Big Rapids revoked BRTHC's city-issued permit to operate on March 10, 2023 based on violations of the City Code and Zoning Ordinances. Respondent failed to notify the CRA about the City's decision prior to the semi-annual inspection.

22. During the semi-annual inspection, CRA staff observed opened packages, jars, and empty wrappers of marijuana products throughout the business. When asked to explain, Respondent stated he used marijuana products while at the business.

23. CRA staff also observed marijuana products within paper bags intended for retail sale. Some of these marijuana products were removed from their original packaging and lacked Metrc tag numbers or labels. CRA staff further observed marijuana products in the point-of-sale area that were not kept behind a counter or otherwise secured.

24. Based on the conduct alleged in paragraph 20 above, Respondent violated Mich Admin Code, R 420.209(4), which relevantly states that a licensee shall maintain an alarm system at the marijuana business.

25. Based on the conduct alleged in paragraph 20 above, Respondent violated Mich Admin Code, R 420.209(6)(a) and(b), which relevantly state that a licensee shall ensure the video surveillance system records specified areas within the business and records images effectively and efficiently of the area under surveillance with a minimum of 720p resolution.

26. Based on the conduct alleged in paragraph 20 above, Respondent violated Mich Admin Code, R 420.802(3), which relevantly states that licensees shall report to the CRA any proposed material changes to the marijuana business before making the material change, and that a proposed material change is any action that would result in alterations or changes being made to the marijuana business to effectuate the desired outcome of a material change.

27. Based on the conduct alleged in paragraph 21 above, Respondent violated Mich Admin Code, R 420.802(6), which relevantly states that a licensee shall notify the CRA within 10 business days of receiving a notification of an alleged violation of an ordinance or a zoning regulation adopted pursuant to section 6 of the MRTMA, MCL 333.27956, committed by the licensee, but only if the violation relates to activities licensed under the act or rules.

28. Based on the conduct alleged in paragraph 22 above, Respondent violated Mich Admin Code, R 420.203(2)(b)(ii), which relevantly states that a

marijuana business shall not allow onsite or as part of the marijuana business the consumption, use, or inhalation of a marijuana product.

29. Based on the conduct alleged in paragraph 23 above, Respondent violated Mich Admin Code, R 420.104(3)(a), which states that a marijuana retailer shall sell or transfer marijuana to an individual 21 years of age or older only after it has been tested in accordance with the rules and bears the label required for retail sale.

30. Based on the conduct alleged in paragraph 23 above, Respondent violated Mich Admin Code, R 420.303a(3)(b), which relevantly states that a marijuana sales location may sell or transfer a marijuana product only to a marijuana customer if the marijuana product bears the label required under the acts and rules for retail sale.

31. Based on the conduct alleged in paragraph 23 above, Respondent violated Mich Admin Code, R 420.502(1), which states that each marijuana product sold or transferred must be clearly labeled with the tracking identification numbers assigned by the statewide monitoring system affixed, tagged, or labeled and recorded, and any other information required by the agency, the acts, and the rules.

32. Based on the conduct alleged in paragraph 23 above, Respondent violated Mich Admin Code, R 420.504(1), which relevantly states that the container, bag, or product holding a marijuana product must be labeled with all information listed in the rule before the marijuana products is sold or transferred by a marijuana sales location.

33. Based on the conduct alleged in paragraph 23 above, Respondent violated Mich Admin Code, R 420.505(1)(f), which relevantly states that a marijuana sales location shall verify that a marijuana product is labeled and packaged for sale or transfer in accordance with Rule 420.504 prior to selling or transferring marijuana or a marijuana product to a marijuana customer.

34. Based on the conduct alleged in paragraph 23 above, Respondent violated MCL 333.27961(c), which relevantly states that a marijuana establishment shall secure its inventory and equipment during and after operating hours to deter and prevent theft of marijuana and marijuana accessories.

35. Based on the conduct alleged in paragraph 23 above, Respondent violated Mich Admin Code, R 420.206(9), which relevantly states that a marijuana sales location shall keep marijuana products behind a counter or other barrier to ensure that a customer does not have direct access to the marijuana products.

36. Based on the conduct alleged in paragraph 23 above, Respondent violated Mich Admin Code, R 420.212(1), which states that all marijuana products must be stored at a marijuana 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.

Conduct at Bay City Tree House Club

37. The CRA issued adult-use marijuana retailer license AU-R-000949 to Kzoo420, LLC dba Bay City Tree House Club (hereafter, BCTHC) on March 30, 2023. At the time of licensure, Respondent held a 50% ownership stake in BCTHC.

According to Metrc records, Respondent was also an employee of BCTHC beginning May 8, 2023.

38. On June 12, 2023, CRA staff visited BCTHC's licensed location at 215 S. Linn St., Bay City, Michigan 48706 following a report that the business was unsecured with no employees on site.

39. CRA staff met with E.C., who identified himself as the property's landlord. E.C. explained that he arrived at BCTHC and found one of the exterior doors to the business unlocked and with no employees on site. E.C. further explained that no alarm was triggered when E.C. opened the unlocked door.

40. Inside the business, CRA staff observed numerous unsecured marijuana products in the point-of-sale area, including two unmarked bags of marijuana flower totaling 933.6 grams located under a counter.

41. Based on the conduct alleged in paragraphs 39 and 40 above, Respondent violated MCL 333.27961(c), which relevantly states that a marijuana establishment shall secure every entrance to the establishment so that access to areas containing marijuana is restricted to employees, and that a marijuana establishment shall secure its inventory and equipment during and after operating hours to deter and prevent theft of marijuana and marijuana accessories.

42. Based on the conduct alleged in paragraphs 39 and 40 above, Respondent violated Mich Admin Code, R 420.212(1), which states that all marijuana products must be stored at a marijuana 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.

43. Based on the conduct alleged in paragraph 40 above, Respondent violated Mich Admin Code, R 420.206(9), which relevantly states that a marijuana sales location shall keep marijuana products behind a counter or other barrier to ensure that a customer does not have direct access to the marijuana products.

THEREFORE, based on the above, the CRA gives notice of its intent to permanently exclude Respondent from being employed by or being a supplemental applicant of any medical or adult-use marijuana business under its jurisdiction.

Under Mich Admin Code, R 420.704a(1), an individual who has been notified on the CRA's intent to exclude may request a hearing in writing within 21 days of service of the notice of intent to exclude. A request for hearing must be submitted in writing by one of the following methods, with a copy provided to the assistant attorney 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

Upon receipt of a timely request, the CRA shall provide Respondent an opportunity for a contested case hearing pursuant to sections 71 to 87 of the

Administrative Procedures Act, MCL 24.271 to 24.287, and the Michigan Office of Administrative Hearings and Rules' general hearing rules. Mich Admin Code, R 420.704a(2).

If Respondent fails to timely request a hearing, the CRA shall place Respondent on the agency's exclusion list. Mich Admin Code, R 420.808a(5).

Questions about this notice should be directed to the undersigned assistant attorney general.

Respectfully submitted,

/s/ Adam M. Leyton
Adam M. Leyton (P80646)
Assistant Attorney General
Attorney for Cannabis Regulatory
Agency
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Dated: December 23, 2024

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GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LANSING

MARLON I. BROWN, DPA
DIRECTOR

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PROOF OF SERVICE

I hereby certify that on APRIL 9TH 2025, I provided a copy of the
Notice of Intent to Exclude dated DECEMBER 23RD 2024 in the above
captioned case by personal service to:

POSTED - 12811 WEST HERITAGE DRIVE
PLYMOUTH MI

RA Joel C 4/9/25
Cannabis Regulatory Agency
Department of Licensing & Regulatory
Affairs
REGULATION AGENT
JOEL CUTLER

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