

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

In the Matter of

Candid Labs, LLC
License No(s): 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

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 marijuana 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 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 as determined by the agency that incorporates the marijuana 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-marijuana 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 marijuana 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 marijuana plant waste with 1 or more of the following types of compostable waste so that the resulting mixture is not less than 50% non-marijuana 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 marijuana product waste, and marijuana plant

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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: _____

By: _____

Alyssa A. Grissom
Legal Section Manager
Cannabis Regulatory Agency

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PROOF OF SERVICE

I hereby certify that on February 3, 2023, I mailed a copy of the Formal Complaint dated February 3, 2023 in the above captioned case to:

Candid Labs, LLC
16383 Shaftesbury Ln.
Macomb, Michigan 48044

Department Technician
Cannabis Regulatory Agency
Department of Licensing & Regulatory
Affairs

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