

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

In the Matter of

Kula Farms, LLC dba Red Arrow Farm
ERG No.: 000026
License No.: GR-C-000277
ENF No.: 21-00165

CMP No.: 21-000377

/ CONSENT ORDER AND STIPULATION

CONSENT ORDER

On April 29, 2021, the Cannabis Regulatory Agency (CRA) issued a formal complaint against the medical marijuana grower class c facility license (GR-C-000277) of Kula Farms, LLC dba Red Arrow Farm (“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 420.108(2) and R 420.108(7).

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 420.108(2) and R 420.108(7).

Accordingly, for these violations, IT IS ORDERED:

1. Respondent must pay a fine in the amount of Four Thousand and 00/100 dollars (\$4,000.00). 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

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. The MRA became the Cannabis Regulatory Agency (CRA) on April 13, 2022.

number "21-00165" clearly displayed on the check or money order. Respondent shall mail the fine to Department of Licensing and Regulatory Affairs, Cannabis 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 CRA that are required by the terms of this order to CRA-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 407(1) of the MMFLA, MCL 333.27407(1), 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.

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

Signed on: _____

By: _____
Andrew Brisbo, Executive Director
Cannabis 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 violations 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, 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 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 provided an updated standard operating procedure to prevent future noncompliant transfers.
 - b. Respondent provided a standard operating procedure for inventory maintenance to define its process to ensure compliant maintaining and tracking of marijuana product inventory volumes.
 - c. Respondent stated it provided training in August 2021 for every employee who interacts with the statewide monitoring system to prevent future noncompliant transfers.
 - d. Respondent provided a certificate of scale calibration dated August 23, 2021, to show its scales have been calibrated since the incident.
 - e. Respondent was cooperative and wishes to resolve the allegations without the need for and expense of an administrative hearing.
 - f. Respondent has no prior discipline against its license.
4. The CRA's enforcement division director or her 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 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:

Julie Kluytman, Director
Enforcement Division
Cannabis Regulatory Agency

Barry R. Roelofs
Barry R. Roelofs, Authorized Officer
On behalf of Respondent
Kula Farms, LLC dba Red Arrow
Farm

Dated: _____

Dated: 4/26/2022

Kristina Araya
Kristina Araya # P74507
Attorney for Respondent

Dated: 4/26/2022

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

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FORMAL COMPLAINT

The Marijuana Regulatory Agency (“Complainant”) files this formal complaint against Kula Farms, LLC dba Red Arrow Farm (“Respondent”) alleging upon information and belief as follows:

1. The Marijuana Regulatory Agency (MRA) is authorized under the Medical Marijuana 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 MRA’s authority to impose sanctions on the license.
3. Section 206(c) of the MMFLA provides that the administrative rules must ensure the health, safety, and security of the public and integrity of the marijuana facility operations.
4. Respondent’s conduct as described below is a risk to public health and safety and/or the integrity of marijuana facility operations.

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FACTUAL ALLEGATIONS AND INTENDED ACTION OF THE MRA

5. Respondent holds an active state operating license under the MMFLA to operate a medical marihuana grower class c facility in the state of Michigan.

6. Respondent operated at 34280 56th Street, Bangor, Michigan, 49013, at all times relevant to this complaint.

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

- a. On September 4, 2020, Respondent accepted a transfer of two packages of flower from a provisioning center. The two packages of flower were GMO marijuana buds and had statewide monitoring system (Metrc) tags 1A405010000251D000000396 (Metrc package tag 0396) and 1A405010000251E000000311 (Metrc package tag 0311). Respondent accepting a transfer from a provisioning center is an unauthorized transfer and in violation of Mich Admin Code, R 420.108(2), which states a grower license only authorizes the transfer of seeds, seedlings, and tissue cultures, not marijuana flower. Except as otherwise provided in this subrule, a grower license authorizes sale of marihuana plants to a grower only by means of a secure transporter. A grower license authorizes the sale or transfer of seeds, seedlings, or tissue cultures to a grower from a registered primary caregiver or another grower without using a secure transporter.
- b. When Respondent accepted the transfer of Metrc package tag 0311, it accepted 5250 grams of the product into its Metrc inventory, however, only 2970 grams were physically sent and received, leaving 2280 grams of product physically remaining at the provisioning center. By accepting more product into its Metrc inventory than it physically received, Respondent's Metrc and physical inventories were not accurate, in violation of Mich Admin Code, R 420.108(7), which states a grower shall enter all transactions, current inventory, and other information into the

statewide monitoring system as required in the medical marihuana facilities licensing act, these rules, and the marihuana tracking act.

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 333.27407(4) 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 MMFLA and/or the administrative 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
Lansing, Michigan 48909

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 at (517) 284-8599 or MRA-LegalHearings@michigan.gov.

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Dated: 04/29/2021

MARIJUANA REGULATORY AGENCY

By: **Claire
Patterson** Digitally signed by Claire
Patterson
Date: 2021.04.29 17:14:08
-04'00'

Claire Patterson, Scientific and Legal Section Manager
Enforcement Division