

IN THE MATTER OF * **BEFORE THE MARYLAND**
HOLISTIC INDUSTRIES LLC * **CANNABIS ADMINISTRATION**
Respondent *
License No. GA-23-00019 * **Case No. 24-00094**

* * * * *

CONSENT ORDER

On or about January 2, 2025, the Maryland Cannabis Administration (“MCA” or the “Administration”), pursuant to the Cannabis Reform Act (the “Act”), codified at Alcoholic Beverages and Cannabis Article, § 36-501, *et seq.* (2023 Supp.) and Code of Maryland Regulations (COMAR) 14.17 (2023) and COMAR 10.26 (2021)¹, brought administrative action against **HOLISTIC INDUSTRIES LLC, License No. GA-23-00019 (“Respondent”)**, for the reasons set forth herein.

The pertinent provisions of the Act are as follows:

§ 36-202. Powers and duties of Administration

(a) The Administration shall:

* * *

7) after a determination that a violation of this title or a regulation adopted under this title has occurred, suspend, fine, restrict, or revoke cannabis licenses and cannabis registrations, whether active, expired, or

¹ The predecessor agency to the MCA was the Maryland Medical Cannabis Commission (MMCC). The regulations applicable to the MMCC are in COMAR 10.62. On July 1, 2023, the MCA published emergency regulations found in COMAR 14.17. Pursuant to COMAR 14.17.02 E, the regulations are considered supplemental to COMAR 10.62.01 - 10.62.37 during the relevant time period set forth herein. COMAR 14.17 prevails only to the extent that COMAR 10.62.01 - 10.62.37 conflicts or is inconsistent with COMAR 14.17. To the extent the provisions of COMAR 10.62 are referenced herein, the word “Commission” has been replaced with “Administration”.

surrendered, or impose any other penalty authorized by this title or any regulation adopted under this title[.]

The pertinent provisions of COMAR in place at the time of the allegations set forth herein are as follows:

14.17.10 Cannabis Grower Operations

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.02 Cannabis Grower Premises

B. A licensed grower facility premises shall be secured in accordance with COMAR 10.62.10.04 – 10.62.10.08.

* * *

.03 Cannabis Grower Controls.

A licensed grower facility shall:

- A. Grow cannabis in accordance with COMAR 10.62.11;
- B. Record inventory in accordance with COMAR 10.62.12; and
- C. Implement quality controls in accordance with COMAR 10.62.15.

10.62.11 Medical Cannabis Growing Controls

* * *

.03 Horticultural Controls.

H. Sanitation.

Sanitation shall be in compliance with the licensee’s standard operating procedures.

.04 Equipment.

B. A licensee shall maintain cleaning and equipment maintenance logs.

10.62.12 Inventory Control by Grower

* * *

.02 Inventory Control System.

- (A) A licensee shall enter timely and accurate data into a perpetual inventory control system that identifies and tracks the licensee's stock of medical cannabis from the time the medical cannabis is propagated from seed or cutting to the time it is delivered to a licensed dispensary, a licensed processor, or a qualifying patient or caregiver.

* * *

- (C) The inventory control system shall be designed to promptly identify a discrepancy in the stocks.

10.62.15 Medical Cannabis Grower Quality Control

* * *

.03 Holding Procedure.

A licensed grower shall hold medical cannabis in secure, segregated storage until released for distribution.

14.17.14 Complaints, Enforcement, Record Keeping and Inspection of Cannabis Businesses

* * *

.04 Discipline and Enforcement.

A. Diversion.

- (1) A licensee, registrant, agent, or employee may not:
 - (a) Divert cannabis or cannabis products for any unauthorized sale or distribution;
 - (b) Fail to maintain records in accordance with this subtitle, COMAR 10.62, and the standard operating procedures of the licensee;
 - (c) Fail to accurately track, tag, or otherwise record inventory in the seed-to-sale tracking system; or

* * *

- (2) A licensee, registrant, agent, or employee may not conduct a series of transactions that would be in violation of §A(1)(d) of this regulation.

.05 Fines, Hearings, and Suspension.

A. A licensee, registrant, agent, or employee who violates Regulation .04A—B of this chapter is subject to a fine of up to \$10,000 per violation.

To avoid the costs and uncertainties of a full hearing and any related appeals, the Parties seek to resolve by this Consent Order the disputed allegations above.

Agreed Statement of Facts

1. Respondent holds license number **GA-23-00019** in order to operate a cannabis grower facility in Capitol Heights, Maryland.
2. At all times referenced herein, Respondent employed Agent E.W.² as a registered cannabis agent.
3. E.W. received his agent registration on April 4, 2023.

I. Complaint and Investigation

1. The Maryland Cannabis Administration (MCA) received an anonymous complaint on February 14, 2024, alleging suspected issues related to moldy flower at Respondent's grow facility located in Capitol Heights, Maryland.
2. On February 23, 2024, an MCA Investigator arrived at Respondent's grow facility to investigate the complaint and met with Respondent's then Facility Director.
3. The MCA's investigator inspected approximately 15 containers of flower, numerous bags of flower, and flower currently being processed in the packaging room and did not observe any signs of mold on or around any flower or cannabis products. Further, the MCA Investigator did not observe any signs of mold in any of the rooms, green waste containers or trash cans at the facility.
4. As part of the inspection, the MCA Investigator reviewed the Sanitation & Maintenance Log, which denoted various cleaning tasks. During the February 23, 2024, inspection, the MCA Investigator observed that the log was completed (to

² Agent E.W.'s name is being withheld from this document to protect their privacy but is already known to Respondent.

include the Packaging Room Supervisor's initials) from February 12, 2024, through March 1, 2024. The log contained one week of pre-dated signatures indicating certain cleaning tasks had been performed on the date specified.

5. As a result, the MCA Investigator requested surveillance footage of the 2nd Floor Flower Packaging Room for three random dates (February 13, 15, and 20, 2024) to confirm that the cleaning and sanitation procedures had been conducted.
6. On February 28, 2024, Respondent's Regional Compliance Manager provided screen-shots of the cleaning procedures for the three random dates requested, and Respondent offered to deliver the footage by USB.
7. To comply with the MCA's request for evidence of completion of cleaning and sanitation procedures, Respondent reviewed several days of video footage, at which time Respondent discovered instances of employee theft.
8. Upon discovery of the employee theft, on or around March 1, 2024, Respondent immediately notified the MCA Investigator of the following information:
 - a. While Respondent's staff were reviewing the requested video surveillance footage, they observed instances of employee theft;
 - b. Respondent immediately contacted and alerted the Prince George's County Police Department ("PGPD") to the suspected thefts;
 - c. Respondent would initiate an investigation and provide all results to the MCA within 30 days; and
 - d. Respondent terminated the employment of several employees in connection with the diversion and failure to adhere to certain inventory and sanitation SOPs, including Agent E.W., who was observed diverting

cannabis product from the facility and the employee identified as predating the Sanitation & Maintenance Log. Respondent also subsequently terminated the Facility Director.

9. On March 12, 2024, the MCA Investigator returned to Respondent's facility to view the surveillance footage Respondent had prepared for the MCA Investigator that showed instances of employee diversion. While there, he observed that five video monitor screens in a 2nd Floor Dry Room (Nos. 3, 4, 5, 6 and 7) revealed an obstructed view inside the lens cover.
10. The MCA Investigator instructed a member of Respondent's staff to clean and sanitize all camera lenses throughout the facility as soon as possible, and Respondent immediately complied.
11. In viewing the footage for February 13, 15, and 20, 2024, the MCA Investigator observed a pattern of motion detection on the surveillance screen for the packaging room occurring between 6:20 pm and 7:00 pm, despite employees typically concluding their shifts and exiting the facility by 6:00 pm.
12. As Respondent advised, the MCA Investigator observed video footage on approximately 25 occasions which showed Respondent's Agent E.W. entering the 2nd Floor Packaging room with a white FedEx envelope, filling the envelope with approximately 5 to 10 jars or pouches of cannabis products and exiting the facility with the white FedEx envelope in his possession.
13. Respondent provided the MCA Investigator video surveillance footage from several cameras in multiple rooms/areas, including 2nd Floor Flower Packaging Room, 1st floor hall near the employee clock out machine, 1st floor security

vestibule, and exterior front entrance for approximately 25 dates ranging from November 9, 2023 through February 26, 2024.

14. This footage revealed Agent E.W. entering the 2nd Floor Packaging Room between approximately 4:30 p.m. and 7:15 p.m. and taking containers of sealed cannabis products, putting them in a FedEx mailer, and then exiting the facility shortly thereafter with the mailer in his possession. Additional footage revealed Agent E.W. taking product through a propped open door (on one occasion) and loading stolen cannabis products into his vehicle before leaving the premises.
15. Respondent terminated Agent E.W.'s employment on March 1, 2024. Subsequently, Agent E.W.'s cannabis agent badge was returned to the MCA.
16. Respondent conducted its own investigation following discovery of Agent E.W.'s diversion. Upon completion of that investigation, Respondent provided the MCA with an investigative report indicating that certain SOPs may not have been followed.

II. Respondent's Relevant Standard Operating Procedures

1. Respondent's relevant SOPs regarding security and video surveillance at the time stated as follows:
 - a. SOP 402 – Facility Access Controls states that “[s]taff is prohibited from bracing open doors equipped with ACD readers.” This SOP also states that “propping doors open” is a violation of this policy” and thus “a serious threat to security.” (Effective Date: 9/20/21.)
 - b. GP Security SOP requires Respondent to “Ensure cannabis or cannabis-related products aren’t left unattended and ensure they are always stored in a manner in order to sufficiently prevent diversion, theft

and loss.” This SOP provides that Respondent’s security system is continuously monitored with a motion activated video surveillance recording system at all points where cannabis is grown, tested, cured, manufactured, processed or stored. Under “Theft and Diversion Prevention” in this same SOP, a “red flag” for potential diversion are “[v]isitors/[e]mployees that bring unnecessary bags into areas of cannabis storage.”

2. Respondent failed to adhere to its own Facility Access Controls and Security SOPS by failing to consistently monitor its cameras in the 2nd Floor Packaging Room.
3. Respondent violated its own SOPs by allowing a door to propped open on one occasion and allowing finished products from a work-in-product batch to be left in the 2nd Floor Flower Packaging Room without maintaining a record of how much finished product was left at the end of a shift.
4. Further, Respondent’s SOP 54 Inventory Management and Storage in GPs at the relevant time stated as follows:
 - a. “All finished product ready for sale will be stored in the vault.”
 - b. This SOP also requires that “[d]uring the last week of every month, the entire finished inventory must be counted.”
 - c. Also, this SOP requires that staff who conduct inventory audits should account for all items when conducting an audit and that discrepancies in the audit should be reported to the Facilities Manager for further investigation.

5. Respondent violated SOP 54 by failing to conduct routine inventory of its products.
6. Further, Respondent voluntarily conducted a complete inventory audit and reset and provided the MCA with an Inventory Reset Report May 24, 2024, which proactively identified Respondent's inability to locate certain product primarily due to entry errors.
7. Respondent's inventory audit and reset accounted for all product and resolved inventory discrepancies.
8. Respondent's failure to timely and accurately conduct inventory of its product account for the many missing products in its Inventory Reset Report.

III. Mitigation

1. Upon discovery of E.W.'s diversion of product from the facility, Respondent immediately terminated E.W. and reported the theft to the authorities. Respondent immediately held an all-facility meeting to convey to all employees a zero tolerance policy for diversion.
2. Upon discovery of the foregoing inventory and surveillance discrepancies, Respondent fired the then-Facility Director.
3. Respondent has since hired a new Facility Director for the Capitol Heights facility, an on-site Compliance and Inventory Manager for the Capitol Heights facility, and a National Director of Inventory Management. Respondent has also retained General Counsel to oversee the national Legal and Compliance functions.
4. Respondent voluntarily submitted a Corrective and Preventative (CAPA) measure to the Administration.

5. Respondent added multiple 360-degree cameras to ensure better camera coverage.
6. Respondent voluntarily conducted a full facility inventory audit and reported the inventory audit's results to the Administration.
7. Respondent evaluated, updated, and retrained staff on Standard Operating Procedures relating to inventory, sanitation, security, and maintenance logs.

IV. Conclusions of Law

1. Failing to maintain accurate cleaning and equipment maintenance logs is a violation of COMAR 10.62.11.
2. Failing to properly maintain the inventory of its cannabis products in a grow room is a violation of COMAR 10.62.12. Respondent violated COMAR 10.62.12 by failing to maintain the inventory of its cannabis products such that Agent E.W. was able to divert the same without quicker detection.
3. Because it allowed access to the flower room after hours, Respondent has violated COMAR 10.62.15 by failing to hold its cannabis products in secure segregated storage until released for distribution.
4. Respondent also violated COMAR 10.62.34.02 on at least 25 occasions by deviating from its standard operating procedures regarding a) video surveillance; b) inventory management; and c) security.

CONSENT ORDER

Based on the foregoing Findings of Fact and Conclusions of law, it is hereby

ORDERED that within three months of the Effective Date of this Order, Respondent shall pay a fine to the Commission's Compassionate Use Fund in the amount of **\$65,000**, and it is further

ORDERED that Respondent's Maryland cannabis grower's license number **GA-23-00019** be placed on **PROBATION** for a period of Six (6) Months beginning on the Effective Date of this Order, during which time Respondent shall:

- (a) Require its Cultivation Manager, Assistant Cultivation Manager, Assistant Post Harvest Manager, Operations Manager, Inventory and Compliance Associate, Compliance and Inventory Manager, Packaging Manager, and Production Manager (collectively "Managers") to complete the following online Metrc Learn courses:
 - i. Maryland Advanced Cultivator and Processor Training;
 - ii. Cultivator Level 1;
 - iii. Cultivator Level 2; and
 - iv. Cultivator Level 3;
- (b) Require the Managers listed in (a) to complete the following quizzes with a score of 80% or higher:
 - i. Cultivator Level 1;
 - ii. Cultivator Level 2; and
 - iii. Cultivator Level 3; and
- (c) Submit evidence of its monthly inventory to the MCA on a monthly basis for review and any necessary reconciliation;

ORDERED that Respondent shall be responsible for the costs associated with complying with this Order; and it is further

ORDERED that this Consent Order is a PUBLIC DOCUMENT pursuant to Md. Code Ann.,
Gen. Prov. §§ 4-401 et seq. (2019 Repl. Vol. and 2021 Supp.).

3/12/2025

Date



Alex D. Young, Chief of Staff
o/b/o Tabatha Robinson, Acting Director
Maryland Cannabis Administration

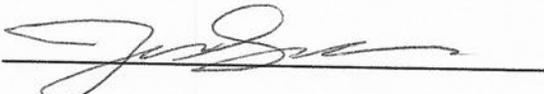
CONSENT

I, Josh Genderson, am a representative of Holistic Industries LLC, a Maryland limited liability company, and I have legal authority to enter into this agreement on behalf of Holistic Industries, LLC (hereinafter Respondent"). Respondent acknowledges that it had the opportunity to seek advice of counsel in this matter. By this Consent, Respondent agrees and accepts to be bound by this Consent Order and its conditions and restrictions. Respondent waives any rights it may have had to contest the Findings of Fact and Conclusions of Law.

Respondent acknowledges the validity of this Consent Order as if entered into after the conclusion of a formal evidentiary hearing in which the Respondent would have had the right to counsel, to confront witnesses, to give testimony, to call witnesses on its own behalf, and to all other substantive and procedural protections as provided by law. Respondent acknowledges the legal authority and the jurisdiction of the Administration to initiate these proceedings and to issue and enforce this Consent Order. Respondent also affirms that it is waiving its right to appeal any adverse ruling of the Administration that might have followed any such hearing.

I sign this Consent Order with authority and on behalf of Respondent and having consulted with counsel, Respondent fully understands and comprehends the language, meaning and terms of this Consent Order, without reservation, and understands its meaning and effect.

3-14-25
Date


Josh Genderson, on behalf of
Holistic Industries, LLC

NOTARY

IN THE COUNTY OF N/A,

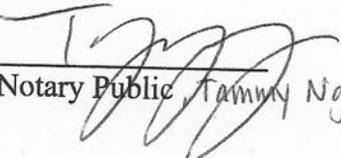
DISTRICT OF COLUMBIA,

Sworn to and subscribed before me on this 14 day of March 2025, by

Josh Genderson, on behalf of Holistic Industries LLC, and gave oath in due form of

law that the foregoing Consent Order was his voluntary act and deed. S/He has produced a

Driver's License as identification. DC DL 2728298.


Notary Public, Tammy Nguyen



My Commission Expires: September 14, 2027