

ADMINISTRATIVE HEARINGS DIVISION

September 21, 2023

STIPULATED SETTLEMENT AGREEMENT FOR MARIJUANA VIOLATION CASES

1. Naked Extracts, LLC
Blake Roberts, Managing Member
Michael Hanks, Member
dba **NAKED EXTRACTS**

(Processor)

ORAR 845-025-1300(1)(a) - From about November 1, 2019 until about April 22, 2021, Licensee and/or Licensee's employees, agents, or representatives imported marijuana, as defined in ORS 475C.009(23)(a) and ORAR 845-025-1015(53), and/or marijuana items, as defined in ORAR 845-025-1015(55), into the State of Oregon when they obtained marijuana-derived terpenes from True Blue, a business located in California, and brought them into Oregon for use in their products.

(1st Level Category I)

ORAR 845-025-5700(1) - On or before March 23, 2021, Licensee and/or Licensee's employees, agents, or representatives failed to comply with the Oregon Health Authority (OHA) testing rule ORAR 333-007-0330(1)(a), (b), (c) when they failed to test every process lot of a finished cannabinoid extract, as defined in ORAR 333-007-0310(26), only tested their bulk extract before it had marijuana-derived terpenes added into it, and did not test the extract after the terpenes were added, after which the bulk extract with the marijuana-derived terpenes were separated into vape cartridges to be sold or transferred to a patient, designated primary caregiver, or consumer.

(1st Level Category I)

ORAR 845-025-1200(1), (5) - On or about April 29, 2021, Licensee and/or Licensee's employees, agents, or representatives failed to make available for inspection purchase invoices and supporting documents for items and services purchased for the use in the processing of marijuana items and/or employee records when they were requested by an employee of the Commission when they refused to provide an OLCC inspector with a list of all employees

Note: Licensee was charged with these violations by Notice dated August 15, 2023. Licensee has begun the process of selling the business. Licensee requested a hearing and now wishes to enter into this settlement agreement.

AGGRAVATED

Staff aggravated Violations One, Two, and Four for repeated misconduct.

(continued **NAKED EXTRACTS**)

who have worked at the licensed premises since January 1, 2021, a log showing when each employee worked, and current contact information for each employee; and/or copies of receipts or records of purchased marijuana terpenes, botanical terpenes, or artificial flavors since January 1, 2020.

(1st Level Category II)

OAR 845-025-7540(1), (2) - Between about April 21, 2021 and April 22, 2021, Licensee and/or Licensee's employees, agents, or representatives failed to enter data into the METRC Cannabis Tracking System (CTS) that fully and transparently accounted for all inventory tracking activities when packages labeled with UID Nos. 1A40103000165D1000006975, 1A40103000165D1000006976, 1A40103000165D1000006977, 1A40103000165D1000006978, 1A40103000165D1000006979 and/or 1A40103000165D1000006980 were located on the premises but were listed as wasted in Licensee's CTS account and packages labeled with UID Nos. 1A401030000DCB5000099268, 1A401030000DCB5000099272, 1A401030000DCB5000099270, 1A401030000DCB5000099262, 1A401030000DCB5000099266, 1A401030000DCB5000099276, 1A401030000DCB5000099274, and/or 1A401030000DCB5000099264 were listed as waste in Licensee's CTS account when in actuality they were not wasted by Licensee, but just could not be found at the licensed premises.

(1st Level Category III)

OAR 845-025-3230(1), (2), (3), (4), (5), (6) - On or before April 23, 2021, Licensee and/or Licensee's employees, agents, or representatives failed to create and maintain written, detailed standard policies and procedures that include instructions for making each cannabinoid concentrate, extract, or product, the ingredients and the amount of each ingredient for each process lot, the process for making each

(continued **NAKED EXTRACTS**)

product, the number of servings in each process lot, the intended amount of THC per serving and in unit of sale of the product, the process for making each process lot homogenous.

(1st Level Category IV)

SYNOPSIS: This processor imported marijuana-derived terpenes from California, added them as flavoring to their extracts, and then failed to test the final process lots prior to transferring them for ultimate use or consumption by consumers. Licensee operated under the mistaken belief that these terpenes were not “marijuana items” subject to rules against importation and requiring testing. Licensee was not cooperative during the investigation, which led to further violation charges, and claims that this was due to reliance on advice from its former counsel. Licensee requested the opportunity to get out of the business via a sale/surrender agreement. Staff does not perceive any evidence of diversion, and the inversion from California was limited to terpenes used in flavoring which do not contain THC.

TERMS OF AGREEMENT

1. Licensee accepts responsibility for the violations as set out in the Notice. These were Licensee’s first and second Category I violations. These were Licensee’s first Category II violation within two years, first Category III violation within two years, and first Category IV violation within two years. Any subsequent Category II, III, or IV violations within the same two years will be charged starting at the second level.
2. Each licensee agrees to accept a Letter of Reprimand for these violations. This reprimand will become a permanent part of the licensee’s Commission file and may be considered in any future application for any license or permit by that licensee.
3. Violations One and Three were mitigated for Licensee’s good faith effort to prevent a violation by relying on advice of their counsel. Violations One, Two, and Four were aggravated for repeated misconduct. Commission staff proposed the standard sanction of license cancellation and seizure and destruction of marijuana items.
4. Licensee has begun the process of selling the business. Licensee hereby surrenders its license effective on the date the transfer of ownership of the business is completed or at 12:00 PM (noon) on December 21, 2023, whichever is earlier. If Licensee’s license expires on or before December 21, 2023, and Licensee chooses to keep its license active beyond the expiration date, Licensee understands and agrees that it will have to timely submit a renewal application and any required fees. Renewal will not create any rights beyond the final surrender date.
5. Licensee understands and agrees that the Commission is not representing or guaranteeing that a prospective buyer will have an approved license on or before December 21, 2023, or at any time. Licensee understands and agrees that any prospective buyer will have to fully complete the application process, and the application has to receive final approval by the Commission, prior to a license being issued to the prospective buyer.

(continued **NAKED EXTRACTS**)

6. Licensee agrees that any marijuana or marijuana items at the premises as of the date of surrender which have not been properly transferred to another licensee may be seized and destroyed by the Commission.
7. Licensee withdraws its Request for Hearing in this matter.
8. This agreement is conditioned upon final approval of the Commission and will be reviewed by the Commissioners at their September 2023 Commission Meeting. If the agreement is not accepted and approved in its entirety by the Commission it is deemed null and void and Licensee's hearing rights, if any, will be restored. If the agreement is accepted and approved in its entirety by the Commission, Licensee waives any and all rights to a contested case hearing under the Administrative Procedures Act (ORS Chapter 183) and to judicial review, or to otherwise challenge this agreement and the final order.