

SETTLEMENT AGREEMENT

Effective January 8, 2025 (the “Effective Date”), the State of Maine Department of Administrative and Financial Services (“DAFS” or “the Department”) and Licensee, Arcanna, RH, LLC (AMF 275), (collectively, “the Parties”) enter into this Settlement Agreement (the “Agreement”).

The Licensee is Arcanna, RH, LLC (“Arcanna”). Arcanna’s principals are James Folan, III, Dana Brearley, and Ryan Ward.

On January 8, 2024, Michael W. Field, then Director of Licensing, Office of Cannabis Policy (“OCP”), DAFS, issued a Notice of Administrative Action, concerning AMF 275 pursuant to the Cannabis Legalization Act, 28-B M.R.S. §§ 101-1102 (the “CLA”), and Maine Adult Use Cannabis Program Rules, 18-691 C.M.R. Ch. 1 (the “AUCPR”).

This action is subject to an administrative hearing pursuant to 28-B M.R.S. §801 and in accordance with the Maine Administrative Procedure Act, 5 M.R.S. §§ 9051-9064, and then potentially to judicial review pursuant to 5 M.R.S. §§ 11001-11002 and M.R. Civ. P. 80C.

NOW THEREFORE, as the Parties wish to settle this matter in consideration of the mutual promises set forth herein, rather than continue the hearing and appeals process, the Parties agree as follows:

1. In June, July and August of 2023 OCP investigated Arcanna. OCP concluded that Arcanna had entered false data in the tracking system (Metrc) and did not create production batches correctly; had a pattern of failing to follow sample collections procedures and keep sampling records; had given employee samples without identifying those in Metrc; and had exceeded employee sampling limits.
2. The parties have agreed that technical assistance will adequately address the following issues: pattern of not creating sample collection records; pattern of failing to properly indicate creation of production batches in Metrc; incomplete visitor logs; and unauthorized persons in limited access areas

3. The parties have agreed to a total fine of \$25,000, in addition to technical assistance, for the following violations: entering false information into Metrc (\$10,000); failing to follow required sample collection procedures (\$10,000); employee receiving samples not identified in Metrc (\$2,500); and exceeding the employee sampling limits (\$2,500). Arcanna shall pay this fine by April 8, 2025.
4. Arcanna cooperated with OCP in its investigation and has updated internal documents including its SOP for Compliance Testing.
5. This Agreement sets forth the entire agreement of the Parties in relation to the conduct described above and in the Notice dated January 8, 2024, and any amendment hereof shall be in writing. Representations that are not contained in the Agreement or subsequent written amendment shall have no effect.
6. The Parties agree that once this agreement is signed an administrative hearing on the Notices of Administrative Action is no longer necessary.
7. The Parties acknowledge that this Agreement and its reduction to final written form is the result of good faith negotiations between the Parties. The Parties and their respective counsel (if applicable) have carefully reviewed and examined this Agreement before execution by said Parties. Any statute or rule of construction that requires ambiguities to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.
8. This Agreement shall be governed by the laws of the State of Maine.
9. The Parties agree that this Agreement is binding upon, and inures to the benefit of, the Parties and their successors and assigns.
10. The signatory for DAFS, Vernon W. Malloch, represents that he is duly authorized and empowered to execute this Agreement on behalf of DAFS, and that his signature is enough to legally bind DAFS to the terms of this Agreement.
11. The signatory for the Licensee, Arcanna, represents that he is duly authorized and empowered to execute this Agreement on behalf of

Licensee and that his signature is enough to legally bind Licensee to the terms of this Agreement.

IN WITNESS WHEREOF, the duly authorized representative of DAFS, and James Folan III, have signed this Agreement below:

ARCANNA RH, LLC

James Folan III
By James Folan, III, Principal

Date: 1/9/2025

DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

Vernon Malloch
By Vernon W. Malloch, Deputy Director of Operations, OCP

Date: 1/9/2025