

BEFORE THE CANNABIS CONTROL APPEALS PANEL
OF THE STATE OF CALIFORNIA

Case No. 2026-04-DCC-0002

License: C11-0000305-LIC

Department Decision: DCC25-00004-CON

EUPHORIC LIFE, INC.
807 Industrial Drive
Hollister, CA 95023
Appellant/Licensee,

v.

DEPARTMENT OF CANNABIS CONTROL,
Respondent.

OPINION AND FINAL ORDER

Pursuant to California Code of Regulations, title 16, section 6017, the attached Opinion and Order was adopted by the Cannabis Control Appeals Panel in the above referenced matter on June 25, 2026.

The Order is final, is effective thirty (30) days from the date below, and is not subject to reconsideration or rehearing by the Panel.

IT IS SO ORDERED this 29th day of June, 2026.



Anne Hawley
Executive Director
For the Cannabis Control
Appeals Panel

**BEFORE THE CANNABIS CONTROL APPEALS PANEL
OF THE STATE OF CALIFORNIA**

Case No. 2026-04-DCC-0002

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EUPHORIC LIFE, INC.
807 Industrial Drive
Hollister, CA 95023
Appellant/Licensee,

v.

DEPARTMENT OF CANNABIS CONTROL,
Respondent.

Appeals Panel Hearing: May 21, 2026

PROCEDURAL HISTORY

Appellant Euphoric Life Inc. is licensed as both a cannabis distributor and manufacturer. (Proposed Decision, at p. 2.) Appellant maintains facilities for each purpose that are “contiguous with, although distinct from” each other. (*Ibid.*)

In August 2024, Department staff inspected appellant’s distribution facility and observed bagged cannabis flower and pre-rolled cannabis cigarettes lacking proper labels. (*Id.* at p. 3.) The Department issued a Notice to Comply instructing appellant to remedy the labeling errors and submit a statement describing how it would avoid such errors in the future. (*Id.* at pp. 3-4.) Appellant responded to the Notice to Comply and listed its remedial measures. (*Id.* at p. 4.)

However, in April 2025, Department inspectors visited appellant’s distribution premises and again discovered unlabeled or improperly labeled cannabis product. (*Id.* at p. 5.) The inspectors inventoried the product and issued an Initial Embargo Notice. (*Id.* at p. 6.) In June 2025, the Department issued a Supplemental Notice of Embargo directing appellant to submit a plan describing how it intended to correct the labeling errors. (*Id.* at p. 8.)

Appellant submitted a timely correction plan but did not include any supporting documents. (*Id.* at p. 8.)

In August 2025, the Department notified appellant that its correction plan was inadequate and instructed appellant to submit a plan for voluntary destruction of the embargoed cannabis. (*Id.* at pp. 9-10.) Appellant declined to do so. (*Id.* at p. 10.)

In October 2025, the Department served appellant with a pleading seeking an order of condemnation authorizing destruction of the embargoed cannabis. (*Id.* at p. 2.) Appellant filed a notice of defense, and the matter was heard by Administrative Law Judge Julie E. Cox on February 5 and 12, 2026. (*Id.* at pp. 1-2.) On February 26, 2026, ALJ Cox issued a Proposed Decision ordering condemnation of the embargoed cannabis and awarding costs to the Department. (*Id.* at pp. 14-15.) On March 5, 2026, the Department adopted the Proposed Decision in its entirety, with an effective date of April 6, 2026. (Final Decision, at p. 1.) The effective date served as the date upon which the Department, absent a stay of enforcement, was authorized to destroy the embargoed cannabis.

On March 23, 2026, appellant sought a writ of mandate from the Santa Clara Superior Court. (*Euphoric Life v. Dept. of Cannabis Control* (Sup. Ct. of Santa Clara Co., 2026) Case No. 26CV489817.) Appellant concurrently filed an ex parte application for stay of enforcement of the Final Decision pending review. (Ex Parte Application, *Euphoric Life, supra.*)

On April 17, 2026, the Superior Court denied appellant's ex parte application. (Order Denying Stay of Enforcement Pending Judicial Review [hereinafter, "Order Denying Stay"] *Euphoric Life, supra.*) The court's Order concluded that it "lacks jurisdiction to proceed under Business & Professions Code section 26045, which is not limited in application or scope by the provisions of section 26043." (Order Denying Stay, *Euphoric Life, supra.*)

On April 16, 2026, appellant filed its Notice of Appeal with this Panel. (Notice of Appeal, at p. 1.)

On April 24, 2026, the Department filed the instant Motion. (Dept. Motion to Dismiss Appeal or, in the Alternative, to Vacate Stay [hereinafter "Motion"].) Appellant filed its Opposition on April 27, 2026, requesting that this Panel deny the Department's Motion or, alternatively, "continue the stay for 14 days to permit Appellant to seek emergency writ relief from the Court of Appeal." (App. Opp. to Appellee's Motion to Dismiss Appeal or, in the Alternative, to Vacate Stay [hereinafter "Opposition"] at p. 2.)

DISCUSSION

This Panel finds that it lacks jurisdiction to hear an appeal from the Final Decision ordering condemnation of appellant's cannabis product and has no authority to extend the automatic stay beyond the effective date of this order.

The Department's authority to condemn cannabis or cannabis products derives from section 26039.3 of the Business and Professions Code and from Department rule 17801.5.

Section 26039.3, subdivision (f), states, "The department may condemn cannabis or a cannabis product under the provisions of this section. A proceeding for condemnation shall be subject to appropriate notice to, and the opportunity for a hearing with regard to, the person or license affected in accordance with" the formal administrative hearing procedures supplied by the Government Code. (Bus. & Prof. Code, § 26039.3(f); see also Gov. Code, §§ 11500-11530.)

Department rule 17801.5, subsection (d)(2), permits the Department to "initiate condemnation proceedings in accordance with section 26039.3(f)" where it has previously embargoed a licensee's cannabis or cannabis product, and the licensee has failed to timely submit an adequate plan for remediation of the issues that led to the embargo. (Code Regs., tit. 4, § 17801.5(d)(2).)

Section 26043 of the Business and Professions Code defines this Panel's jurisdiction:

After proceedings pursuant to Section 26031, 26031.5, or 26058 of Chapter 2 (commencing with Section 480) or Chapter 3 (commencing with Section 490) of Division 1.5, any person aggrieved by the decision of the department denying the person's application for any license, denying the person's renewal of any license, placing any license on probation, imposing any condition on any license, imposing any fine on any license or licensee, assessing any penalty on any license, or canceling, suspending, revoking, or otherwise disciplining any license as provided for under this division, may appeal the department's written decision to the panel.

(Bus. & Prof. Code, § 26043(a).) The statute enumerates which administrative proceedings must precede any appeal before the Panel. (See Bus. & Prof. Code, § 26043(a).) Those proceedings include a hearing on the suspension, revocation, or probation of a license based on violations of cannabis law (see Bus. & Prof. Code, § 26031); a hearing on a citation resulting in a fine (see Bus. & Prof. Code, § 26031.5); a hearing on the denial of a license application (see Bus. & Prof. Code, § 26058); a hearing on the denial of a license based on provisions related to character and criminal convictions (see Bus. & Prof. Code §§ 480-489); or a hearing on the suspension or revocation of a license based on tax delinquencies,

noncompliance with support orders, and similar provisions (see Bus. & Prof. Code, §§ 490-494.6). (Bus. & Prof. Code, § 26043(a).) They do not include proceedings ordering condemnation of cannabis product under section 26039.3, subdivision (f), or Department rule 17801.5, subsection (d)(2). (See *ibid.*)

This Panel must therefore grant the Department's Motion to Dismiss. The alternative Motion to Vacate Stay is rendered moot. Rule 6014 does not permit this Panel to maintain the automatic stay beyond issuance of a final order. (See Code Regs., tit. 16, § 6014(a).)

The Panel, however, is troubled by the apparent lack of a clear, guaranteed route of appeal for licensees faced with a condemnation order. At oral argument on its Motion, members of this Panel inquired where licensees might properly pursue an appeal from a condemnation order, and the Department answered that any such appeal may only be heard by the courts of appeal or the Supreme Court pursuant to section 26045, subdivision (a). That provision states,

No court of this state, except the Supreme Court and the courts of appeal to the extent specified in this chapter, shall have jurisdiction to review, affirm, reverse, correct, or annul any order, rule, or decision of the department or to suspend, stay, or delay the operation or execution thereof, or to restrain, enjoin, or interfere with the department in the performance of its duties, but a writ of mandate shall lie from the Supreme Court or the courts of appeal in any proper case.

(See Bus. & Prof. Code, § 26045(a).)

This Panel is not persuaded. Subdivision (a) of section 26045 serves to *divest* jurisdiction, not grant it. (See *ibid.*) The introductory clause "[n]o court of this state" serves to remove lesser courts as a venue for review of virtually any Department order. (See *ibid.*) The language does not explicitly grant jurisdiction over condemnation proceedings to higher courts, and reading an implied grant of such jurisdiction in that provision stretches its overtly negative introductory language. (See *ibid.*)

This interpretation of section 26045 is consistent with the Santa Clara Superior Court's ruling on appellant's ex parte application for a stay of enforcement, in which it observed that it "lacks jurisdiction to proceed under Business & Professions Code section 26045." (See Order Denying Stay, *Euphoric*, *supra*; see also Evid. Code, § 452(c) [permitting judicial notice of official acts].) The Superior Court notably refrained from describing what venue, if any, might hold jurisdiction over appeals from Department condemnation orders. (See *ibid.*)

Moreover, subsequent provisions of section 26045 *do* explicitly describe the scope of higher courts' jurisdiction, and imply that any higher-court litigation must first proceed through this Panel:

(b) Any person affected by a final order of the panel, including the department, may apply to the Supreme Court or to the court of appeal for the appellate district in which the proceeding arose, for a writ of review of that final order.

[¶ . . . ¶]

(e) No decision of the department that has been appealed to the panel and no final order of the panel shall become effective during the period in which application may be made for a writ of review, as provided by subdivision (c).

(Bus. & Prof. Code, § 26045(b), (e).)

The consequences of this interpretation, however, are troubling. If appeal before higher courts is limited to parties affected by final orders of this Panel, and this Panel lacks jurisdiction over appeals from condemnation proceedings, then licensees subject to a Department condemnation order are left with no venue for appeal. It is untenable that licensees faced with destruction of valuable property might have no clear route to appeal before either this Panel or the courts. Moreover, even if we accept the Department's position that condemnation orders may be appealed directly to higher courts pursuant to section 26045, subdivision (a), such appeals are through writ of mandate only and are therefore discretionary. Again, licensees are offered no guaranteed venue for even an initial appeal. Finally, if the Department ultimately chooses to rely on condemnation orders as a widespread enforcement strategy, then funneling appeals from those orders directly to higher courts would represent an inexplicable waste of judicial resources.

This Panel notes that its statutory framework does not permit it to perform either a legislative or policymaking role. We encourage those who do hold such power to expressly identify a forum for review of Department condemnation orders. At present, that issue lies beyond this Panel's authority.

ORDER

The Department's Motion to Dismiss Appeal is granted. The alternative Motion to Vacate Stay is moot. Appellant's request to extend the automatic stay is denied¹.

DR. DIANDRA BREMOND, CHAIRPERSON
JOSH NEWMAN, MEMBER
CATHRYN RIVERA, MEMBER
CANNABIS CONTROL APPEALS PANEL

Issued June 25, 2026

¹ This final order is filed in compliance with Business and Professions Code section 26044(b), and it shall become effective 30 days following the date of the filing of this order as provided by section 26045(e).

Any party, before this final order becomes effective, may apply to the appropriate court of appeal, or the California Supreme Court, for a writ of review of this final order in accordance with Business and Professions Code section 26045 et seq. Service on the Panel pursuant to California Rules of Court (Rule 8.25) should be directed to: 400 R Street, Suite 320, Sacramento, CA 95811 and/or electronically to: appeals@ccap.ca.gov.

**BEFORE THE
DEPARTMENT OF CANNABIS CONTROL
STATE OF CALIFORNIA**

In the Matter of the Other Against:

EUPHORIC LIFE, INC.,

Cannabis – Distributor License No. C11-0000305-LIC,

Respondent.

Agency Case No. DCC25-00004-CON

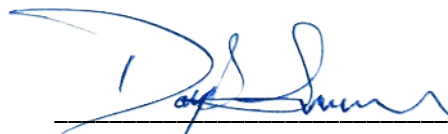
OAH No. 2025110826

FINAL DECISION

Pursuant to Government Code section 11517, the attached Proposed Decision of Administrative Law Judge Juliet E. Cox is hereby adopted in its entirety by the Department of Cannabis Control as its Final Decision in the above-entitled matter.

This Decision shall become effective on April 6, 2026.

IT IS SO ORDERED this 5th day of March 2026.



Douglas Smurr
Assistant General Counsel
FOR THE DEPARTMENT OF CANNABIS CONTROL

**BEFORE THE
DEPARTMENT OF CANNABIS CONTROL
STATE OF CALIFORNIA**

**In the Matter of the Proceeding for Condemnation of
Embargoed Cannabis Products Against:**

**EUPHORIC LIFE INC. (Ahmad Rafii, Owner)
Cannabis Distributor License No. C11-0000305-LIC
Respondent.**

Agency Case No. DCC25-00004-CON

OAH No. 2025110826

PROPOSED DECISION

Administrative Law Judge Juliet E. Cox, State of California, Office of Administrative Hearings, heard this matter by videoconference on February 5 and 12, 2026.

Deputy Attorney General Michael Duong represented complainant Evelyn Schaeffer, Deputy Director, Compliance Division, Department of Cannabis Control.

Attorney Nooshin Dalili represented respondent Euphoric Life Inc. Respondent's Owner and Designated Responsible Party, Ahmad Rafii, was present throughout the hearing.

The matter was submitted for decision on February 12, 2026.

FACTUAL FINDINGS

1. Respondent Euphoric Life Inc. holds California Cannabis Distributor License Number C11-0000305-LIC, issued by the Department of Cannabis Control. In licensing respondent as a cannabis distributor, the Department approved Ahmad Rafii as respondent's Owner (Bus. & Prof. Code, § 26001, subd. (av)) and Designated Responsible Party (Cal. Code Regs., tit. 4, § 15000, subd. (t).)

2. Respondent also holds a license to manufacture cannabis. Respondent's manufacturing facility is contiguous with, although distinct from, respondent's distribution facility.

3. On October 20, 2025, acting in her official capacity as Deputy Director of the Department's Compliance Division, complainant Evelyn Schaeffer served respondent with a pleading titled "Condemnation of Embargoed Cannabis Product(s)." Respondent returned a timely notice of defense.

4. Complainant seeks an order authorizing destruction of cannabis owned and possessed by respondent and currently subject to a Department-ordered embargo (described below in greater detail in Findings 14 through 16 and 20). Complainant seeks this order on the grounds that this cannabis is not labeled and packaged according to law, and is misbranded, and that respondent has not demonstrated the ability to correct these errors. Complainant also seeks an order directing respondent to pay the Department's reasonable costs to investigate and prosecute this matter. Respondent contends that destruction of the cannabis at issue is not necessary, because respondent has proposed to cure, and can cure, any inadequate labeling and packaging.

August 2024 Inspection

5. In August 2024, Department staff members conducted an inspection at respondent's licensed cannabis distribution facility.

6. Respondent stored unprocessed cannabis flower in freezers, after receiving it in bulk from cultivators but before either transferring it to respondent's manufacturing facility, sending it to another manufacturer or distributor, or packaging it for retail sale. Department inspectors observed numerous bags of cannabis flower in respondent's freezers that bore labels with identifying information (including strains and weights) but that did not bear labels showing these items' unique identifier (UID) codes from the Department's cannabis track-and-trace system. (This system involves a database, known as METRC, that is accessible both to Department personnel and to licensees' authorized staff members.) Some UID labels were nearby, and Department inspectors were able to confirm that the UID codes on these labels corresponded in METRC to packages containing substantially the same strains and amounts of cannabis flower as the bags inspectors found in respondent's freezers.

7. Department inspectors also observed several boxes with UID labels, each of which contained numerous pre-rolled cannabis cigarettes. The individual cannabis cigarettes did not bear UID labels.

8. Department inspectors discussed the matters summarized in Findings 6 and 7 with respondent's staff members. On August 27, 2024, Department Special Investigator Ruby Ocegueda issued a Notice to Comply to respondent, describing the Department inspectors' findings and their discussions with respondent's staff members.

9. In relevant part, the August 2024 Notice to Comply instructed respondent that each bag or other package of unprocessed cannabis flower stored within a freezer must bear UID information. Similarly, each pre-rolled cannabis cigarette must bear its own UID label. The Notice to Comply instructed respondent to correct these labeling errors and to provide a written statement describing how respondent would avoid similar errors in the future.

10. Respondent timely provided the statement Ocegueda's August 2024 Notice to Comply requested. The statement said that respondent had put UID labels on its freezers, and had labeled bags or containers within those freezers with UID codes as well. Photographs accompanying the statement confirmed that UID labels were present. The statement also said that respondent had destroyed all of the pre-rolled cigarettes that lacked individual UID labels, and had re-trained staff members to ensure that no pre-rolled cigarettes would "leave the packaging area" without proper UID labels.

April 2025 Inspection and Embargo

11. Department inspectors again visited respondent's distribution facility on April 29, 2025.

12. A person who identified himself as John Calzada met the Department staff members. Calzada told them that he was not respondent's employee, but was a "volunteer" or "consultant" who was helping respondent manage its inventory.

13. Calzada escorted Ocegueda and two colleagues to the room housing respondent's freezers. He did not know where its light switch was at first, but eventually located it.

14. Eight freezers that did not bear UID labels contained cannabis flower in bags. Most of this unprocessed cannabis flower was in clear plastic bags, and some of these clear bags were in larger black bags. Some of the clear bags and some of the larger black bags had handwritten labels, and some were unlabeled. A few loose labels were in the freezers, as if they had fallen off bags that currently were or formerly had been in the freezers. The handwritten labels that were present included codes that seemed to correspond to cannabis strains, and dates. No labels included UID codes.

15. A ninth freezer contained screw-capped jars, which in turn appeared to contain manufactured cannabis products. A few of the caps had labels with one or two words on them. No jars had UID labels, or any other fully identifying information.

16. As in August 2024, the Department inspectors found numerous pre-rolled cannabis cigarettes in respondent's distribution facility that lacked UID labels. In April 2025, however, these cigarettes were not even in a box with a UID label, but instead were loose on a table. In addition, inspectors found numerous pre-rolled cannabis cigarettes that bore UID labels, but for which the packaging did not match the packaging that METRC showed for items with these UID codes.

17. Mike Sweeney, respondent's head of operations, arrived soon after Ocegueda and her colleagues. Sweeney offered to show the Department staff members METRC transfer manifests for cannabis flower that respondent had received from licensed cultivators, and production records, to link the items in respondent's freezers to cannabis that METRC showed as being in respondent's inventory.

18. Respondent's managing owner, Aiden Rafii (Ahmad Rafii's adult son), arrived about 90 minutes after the inspection began. Rafii told Ocegueda that he recently had removed the UID labels from the bags of cannabis flower described in

Finding 14, to photocopy them, but that he knew where to find them and intended to reapply each label (or a photocopy of it) to the correct bag by referring to the handwritten labels and to other records.

19. Ocegueda declined to review respondent's records on the spot. Instead, she informed Rafii and Sweeney that the Department would embargo the items, and that respondent could submit documentation to the Department later if respondent believed that the documentation would resolve ambiguities or discrepancies about how the items described in Findings 14 through 16 related to items that METRC showed in respondent's inventory.

20. Ocegueda and her Department colleagues inventoried the items described in Findings 14 through 16, and issued an Initial Embargo Notice. The embargo covers:

- Refrigerator 1: 50.8 pounds of frozen cannabis flower without UID label;
- Refrigerator 2: 45.2 pounds of frozen cannabis flower without UID label;
- Refrigerator 3: 19.2 pounds of frozen cannabis flower without UID label;
- Refrigerator 4: 52.5 pounds of frozen cannabis flower without UID label;
- Refrigerator 5: 50.0 pounds of frozen cannabis flower without UID label;
- Refrigerator 6: 22.4 pounds of frozen cannabis flower without UID label;
- Refrigerator 7: 31.36 pounds of frozen cannabis flower without UID label;
- Refrigerator 8: 85.76 pounds of frozen cannabis flower without UID label;

- Refrigerator 9: 33.02 pounds, in 23 jars, of concentrated cannabis without UID labels;
- 540 1-gram infused pre-rolled cigarettes with pink product labels but no UID labels;
- 225 1-gram infused pre-rolled cigarettes with blue product labels but no UID labels;
- 540 1-gram infused pre-rolled cigarettes with orange product labels but no UID labels;
- 400 1-gram infused pre-rolled cigarettes with UID code 1A4060300009D17000003794 for which the actual packaging does not match the packaging an item with this UID code should have;
- 360 1-gram infused pre-rolled cigarettes with UID code 1A4060300009D17000003796 for which the actual packaging does not match the packaging an item with this UID code should have; and
- 540 1-gram infused pre-rolled cigarettes with UID code 1A4060300009D17000003795 for which the actual packaging does not match the packaging an item with this UID code should have.

The embargo also covers other items that respondent subsequently agreed to destroy, and that are not at issue in this condemnation proceeding.

21. Supervising Special Investigator Nephtali Lopez followed the April 29 Initial Embargo Notice with a written Supplemental Notice of Embargo on June 4, 2025. This notice states that Department staff members have reason to believe that

the embargoed cannabis described in Finding 20 is “misbranded . . . because its labeling does not conform to the” UID requirements. The notice also states specifically that because the bags of frozen cannabis flower lacked any UID labels, “Department staff could not source the cannabis products inside of the freezers.” The Supplemental Notice of Embargo directed respondent to submit a written plan to Ocegueda, on or before June 18, 2025, describing how respondent would “address the issues that resulted in the embargo.”

Respondent’s Proposed Plan of Correction

22. Respondent sent a timely correction plan proposal to Ocegueda.

a. For the eight freezers with cannabis flower lacking UID labels, and for the ninth with processed cannabis, respondent proposed to “reapply the photocopied UID labels to the embargoed items (Items 1-9), consistent with their existing METRC assignments.” Respondent did not state the specific UID codes that respondent proposed to apply to these items.

b. For the pre-rolled cigarettes that lacked UID labels, and for those with UID labels that were in packaging that did not match the METRC information for these UID codes, respondent proposed to submit a “formal Remediation Request Form” before completing what Rafii described as a project to repackage the cigarettes “to address label adhesive failure.” Respondent proposed to submit this request within five days after the Department lifted the embargo.

23. Respondent submitted no documents along with its proposed correction plan. In particular:

a. Respondent provided no documents to show that the cannabis flower in respondent's freezers, described in Finding 14, ever had borne UID labels, or if so that after having removed these labels respondent could reapply them accurately.

b. Respondent provided no documents to show that respondent (in its capacity as a licensed manufacturer) had created the processed cannabis described in Finding 15 from cannabis that ever had borne UID labels, or if so to demonstrate the relationship between the unprocessed cannabis respondent earlier had received and the processed cannabis in jars in respondent's freezer on April 29, 2025.

c. Respondent provided no documents to show that the unlabeled pre-rolled cigarettes described in Finding 16 ever had borne UID labels, or if so that after having removed these labels and repackaged the cigarettes respondent could reapply these labels accurately.

d. Respondent provided no documents to relate the UID-labeled pre-rolled cigarettes described in Finding 16 to the differently packaged pre-rolled cigarettes that should, according to METRC, have borne these UID labels.

e. Respondent did not provide a draft of the remediation request that it proposed to make if the Department lifted the embargo as to any pre-rolled cigarettes.

24. By notice dated August 7, 2025, Ocegueda informed respondent that the proposed correction plan was inadequate. The notice stated specifically that respondent had failed "to provide adequate information/records as to the source of the items [described in Findings 14 and 15] that did not have any adequate identifying information when observed during the visit." Similarly, for the pre-rolled cigarettes, the notice stated that respondent had "failed to provide adequate verification or records"

as to the unlabeled cigarettes, and had failed to link the labeled cigarettes in their current packaging to the items listed in METRC with this UID information.

25. Ocegueda directed respondent to submit a plan for voluntary destruction of the items under embargo, but respondent declined to do so.

Additional Evidence

26. Both Sweeney and Aiden Rafii testified about numerous documents, and about recordings from respondent's interior video surveillance system, that they said could confirm: (a) that the frozen cannabis flower under embargo corresponds to cannabis flower that METRC shows respondent to have received from licensed cultivators; (b) that Aiden Rafii had removed the UID labels from these cannabis packages shortly before the April 2025 inspection, consistent with his description of photocopying the labels for recordkeeping; (c) that Sweeney created the processed cannabis under embargo from cannabis flower that METRC shows respondent to have received from licensed cultivators, but as of April 29, 2025, had not yet documented this transformation in METRC or produced new UID labels for this processed cannabis; and (d) that all the pre-rolled cigarettes under embargo correspond to inventory that METRC shows that respondent should have, although respondent's employees had repackaged these cigarettes and had not yet relabeled some of them as of April 29, 2025.

27. At the hearing, respondent provided samples of some of the documentation Sweeney and Rafii described, such as records demonstrating receipt of cannabis flower from licensed cultivators and documenting transformation of cannabis flower into processed cannabis and waste material. These records are neither original nor complete, however; rather, respondent offered excerpts from its METRC records

and its manufacturing records, accompanied by testimonial explanations from Rafii and Sweeney regarding the events these records represent.

28. Moreover, respondent did not provide most of the records Rafii and Sweeney described. In particular, respondent provided no inventory spreadsheets (which Rafii testified that he maintains) or freezer logs (which Sweeney testified that he maintains), and no interior video recordings. Respondent also provided no documentation whatsoever supporting Rafii's and Sweeney's explanations for why some pre-rolled cannabis cigarettes under embargo lacked UID labels entirely, and why others had UID labels but did not match METRC records. And although Rafii told Ocegueda on April 29, 2025, that he knew exactly where to find the UID labels that he recently had removed from the frozen cannabis flower described in Finding 14, respondent has never offered copies of those labels to the Department.

29. Rafii testified that the reason respondent has never provided complete documentation to confirm to the Department that respondent's METRC records account for all the cannabis under embargo; that the absence of UID information on this cannabis on April 29, 2025, was temporary; and that respondent easily could have reapplied accurate UID information to this cannabis, is that Department staff members have never explained what documentation would satisfy the Department on these questions. This testimony is not credible; and even if Rafii's confusion were genuine, it would be unreasonable.

30. As summarized in Findings 26 through 29, respondent relies almost exclusively on Rafii's and Sweeney's testimony to establish that it can apply or reapply UID codes to the cannabis at issue in this proceeding that identify that cannabis accurately. In light of respondent's failure even to identify those UID codes for most of the cannabis in question, however, let alone to produce records supporting those

codes' accuracy as unique identifiers for this cannabis, this testimony is aspirational but not credible.

Costs

31. Between April 4 and December 31, 2025, the Department incurred \$9,980.90 in costs for its staff members' investigative services in this matter. Complainant's claim for reimbursement of these costs is supported by a declaration that complies with California Code of Regulations, title 1, section 1042, subdivision (b)(1). This cost amount is reasonable.

32. The Department also has incurred \$25,984.75 in costs for legal services provided to complainant by the California Department of Justice in this matter. Complainant's claim for reimbursement of these costs is supported by a declaration that complies with California Code of Regulations, title 1, section 1042, subdivision (b)(2). This cost amount also is reasonable.

LEGAL CONCLUSIONS

1. The Department regulates commercial cannabis activity within California. (Bus. & Prof. Code, §§ 26010, 26010.5.) The Department carries out this responsibility by licensing participants in commercial cannabis activity (*id.*, § 26050 et seq.) and by prescribing business practices that these licensees must follow (*id.*, § 26060 et seq.).

Track-and-Trace Requirements

2. California's commercial cannabis regulatory system requires licensees to track and account for all cannabis cultivated, manufactured, distributed, and sold at retail. (Bus. & Prof. Code, § 26067 et seq.)

3. To accomplish this tracking, the Department assigns UID codes to cannabis plants or groups of plants under cultivation by licensed cultivators. (Bus. & Prof. Code, § 26069.) After licensees have harvested, processed, and packaged it for retail sale, cannabis must bear a label or tag with its UID code. (*Id.*, § 26067; Cal. Code Regs., tit. 4, §§ 15049, subd. (a), 17398, 17399.) When cannabis moves in commerce from one licensee to another, such as from a cultivator to a manufacturer or distributor, the licensees must record these transfers in METRC with reference to the cannabis's UID. (Bus. & Prof. Code, § 26068; Cal. Code Regs., tit. 4, §§ 15049, subds. (b), (c), 15049.2.) Similarly, when a licensee transforms cannabis, such as by extracting psychoactive compounds from cannabis flower, the licensee must document this transformation in METRC with reference to the cannabis's UID. (Cal. Code Regs., tit. 4, § 15049, subds. (b), (c).)

4. In licensed commerce, at any point between harvest and retail sale, cannabis in any form that does not bear a UID code is "misbranded." (Bus. & Prof. Code, § 26039.5, subd. (a)(4).)

Cause to Embargo and Condemn

5. The Department may embargo misbranded cannabis, preventing its further movement through the licensed supply chain. (Bus. & Prof. Code, § 26039.3, subd. (a); Cal. Code Regs., tit. 4, § 17801.5, subd. (a).)

6. A licensee may propose a plan to correct misbranded cannabis, which would allow that cannabis to resume movement through the licensed supply chain. (Bus. & Prof. Code, § 26039.3, subd. (c); Cal. Code Regs., tit. 4, § 17801.5, subd. (d)(1).)

7. Alternatively, the Department may "condemn" misbranded cannabis, directing its destruction under Department supervision. (Bus. & Prof. Code, § 26039.3,

subd. (f); Cal. Code Regs., tit. 4, § 17801.5, subd. (d)(2).) In this matter, as summarized in Findings 3 and 4, respondent challenges complainant's request that the Department issue an order condemning the cannabis identified in Findings 14 through 16 and 20 on the ground that this cannabis is misbranded.

FIRST CAUSE TO CONDEMN: LABELING AND PACKAGING VIOLATIONS

8. Complainant bears the burden in this matter to show by a preponderance of evidence that the cannabis identified in Findings 14 through 16 and 20 is misbranded. The matters stated in Findings 14 through 20 demonstrate that this cannabis is misbranded, within the meaning of Business and Professions Code section 26039.5, subdivision (a)(4), and California Code of Regulations, title 4, section 17398, subdivision (c)(2), because none of it bore accurate UID labels when Department staff members inspected it on April 29, 2025, in respondent's licensed distribution facility.

SECOND CAUSE TO CONDEMN: FAILURE TO CORRECT VIOLATIONS

9. Complainant does not bear the burden in this matter to show further that correction of this misbranding is impossible. Rather, respondent—as the licensee responsible for record-keeping and storage in compliance with law, and as the actor with the best potential information about the cannabis on its premises—bears the burden to show that it can remediate the misbranded cannabis by applying or reapplying accurate UID codes to it.

10. The matters summarized in Findings 22, 23, and 26 through 30 do not demonstrate that the frozen cannabis flower, processed cannabis, and pre-rolled cigarettes described in Findings 14 through 16 as lacking UID labels on April 29, 2025, ever had UID labels. Even if any of this cannabis did ever have UID labels, the matters summarized in Findings 22, 23, and 26 through 30 do not demonstrate which UID

codes these labels had, and therefore which UID codes new labels should bear. For the UID-labeled items described in Finding 16, the matters summarized in Findings 22, 23, and 26 through 30 do not demonstrate identity between these items and the items corresponding in METRC to these labels' UID codes. Even assuming that respondent acquired all the cannabis at issue from licensed cultivators and manufacturers, the matters summarized in Findings 22, 23, and 26 through 30 establish no method through which respondent could reconstruct its chain of custody in order to restore this cannabis's compliance with the track-and-trace system. For these reasons, the Department may condemn this cannabis.

DEPARTMENTAL DISCRETION

11. The Business and Professions Code mandates destruction of cannabis from unlicensed cultivation, but gives discretion to the Department regarding whether to require licensees to destroy misbranded cannabis. (Compare Bus. & Prof. Code, § 26039.3, subd. (c) [stating that cannabis "derived from an unlicensed source . . . shall be destroyed"], with *id.*, subd. (f)(1) [stating that the Department "may" direct destruction of misbranded cannabis].) According to respondent, the Department should not mandate destruction of the cannabis at issue in this matter, because complainant has failed to prove that the cannabis came to respondent from unlicensed cultivators. This argument is unsound; the reason that the Department may, and in this case should, require respondent to destroy this cannabis is that respondent cannot demonstrate that the cannabis came to respondent from licensed cultivators. The purpose of the track-and-trace system is for licensees and the Department easily and definitively to identify lawfully cultivated and processed cannabis, and respondent alone is responsible for its current inability to do so with respect to the cannabis at issue in this matter.

12. Respondent also asks that the Department give respondent another opportunity to develop and support a correction plan to salvage the cannabis at issue in this matter. Respondent already has declined to avail itself of at least two such opportunities, however: one in June 2025, as described in Findings 21 through 23, and a second at hearing. Moreover, as summarized in Findings 5 through 10, respondent received a prior opportunity to correct substantially similar misbranding, and to improve its practices to avoid misbranding going forward. The matters stated in Findings 22, 23, and 26 through 30 and in Legal Conclusion 10 confirm that respondent has not presented any correction plan that the Department could approve. Under these circumstances, the only appropriate outcome for this matter is destruction of the embargoed cannabis.

Costs

13. A licensee who must destroy misbranded cannabis after a condemnation hearing also must reimburse the Department for its reasonable costs to investigate and prosecute the matter. (Bus. & Prof. Code, § 26039.3, subd. (f)(1).) As stated in Findings 31 and 32, these costs total \$35,965.65.

14. A cost award must not deter a licensee who has potentially meritorious claims from exercising the right to an administrative hearing. (*Zuckerman v. State Board of Chiropractic Examiners* (2002) 29 Cal.4th 32, 45.) Cost awards must be reduced where a licensee has been successful at hearing in getting the charges dismissed or reduced; a licensee is unable to pay; or where the scope of the investigation was disproportionate to the alleged misconduct. (*Ibid.*) The agency must also consider whether the licensee has raised a colorable challenge to the proposed discipline, and a licensee's good faith belief in the merits of his or her position. (*Ibid.*)

15. As summarized in Findings 22, 23, and 26 through 30 and in Legal Conclusion 10, respondent raised no colorable challenge to complainant's request that the Department order destruction of the cannabis in question in this matter. No basis exists to reduce respondent's cost reimbursement obligation.

ORDER

1. The cannabis embargoed at the licensed distribution facility (License Number C11-0000305-LIC) operated by respondent Euphoric Life Inc. must be destroyed at respondent's expense, under supervision by the Department of Cannabis Control. This cannabis is:

- Refrigerator 1: 50.8 pounds of frozen cannabis flower without UID label;
- Refrigerator 2: 45.2 pounds of frozen cannabis flower without UID label;
- Refrigerator 3: 19.2 pounds of frozen cannabis flower without UID label;
- Refrigerator 4: 52.5 pounds of frozen cannabis flower without UID label;
- Refrigerator 5: 50.0 pounds of frozen cannabis flower without UID label;
- Refrigerator 6: 22.4 pounds of frozen cannabis flower without UID label;
- Refrigerator 7: 31.36 pounds of frozen cannabis flower without UID label;
- Refrigerator 8: 85.76 pounds of frozen cannabis flower without UID label;
- Refrigerator 9: 33.02 pounds, in 23 jars, of concentrated cannabis without UID labels;

- 540 1-gram infused pre-rolled cigarettes with pink product labels but no UID labels;
- 225 1-gram infused pre-rolled cigarettes with blue product labels but no UID labels;
- 540 1-gram infused pre-rolled cigarettes with orange product labels but no UID labels;
- 400 1-gram infused pre-rolled cigarettes with UID code 1A4060300009D17000003794;
- 360 1-gram infused pre-rolled cigarettes with UID code 1A4060300009D17000003796; and
- 540 1-gram infused pre-rolled cigarettes with UID code 1A4060300009D17000003795.

2. Respondent must pay \$35,965.65 to the Department to reimburse the Department for its reasonable costs incurred to investigate and prosecute this matter.

DATE: 02/26/2026



JULIET E. COX

Administrative Law Judge

Office of Administrative Hearings