

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

In the Matter of the Petition for Interim Suspension Order

Against:

URBAN BUDS LLC, DBA URBAN BUDS

FARBOD MOLARABI AND FRAYDOON BRAL, OWNERS;

Cannabis – Commercial Distributor License No.

C11-0001076-LIC

Cannabis – Commercial Retailer-Non-Storefront License No.

C9-0000094-LIC

Cannabis – Manufacturer – Type 6 License No. DCC-10004923

Respondent.

Agency Case No. DCC24-0001188-INV

OAH No. 2025120437

ORDER DENYING PETITION FOR INTERIM SUSPENSION ORDER

Harden Sooper, Administrative Law Judge (ALJ), Office of Administrative Hearings, State of California, heard this matter by videoconference on January 2, 2026.

Christopher C. Lamerdin, Deputy Attorney General, represented petitioner Evelyn Schaeffer, Deputy Director, Compliance Division, Department of Cannabis Control (Department), State of California.

Allison B. Margolin, Attorney at Law, represented respondent Urban Buds LLC, doing business as Urban Buds; Farbod Molarabi and Fraydoon Bral, owners.

Pursuant to Business and Professions Code section 494, the ALJ received declarations, documentary evidence, and memoranda of points and authorities as well as oral argument heard at the hearing. The record closed and the matter was submitted for decision at the conclusion of the hearing.

SUMMARY

Petitioner seeks interim suspension of respondent's cannabis distributor, non-storefront retailer, and manufacturer licenses based upon respondent's violations of the Medicinal and Adult-Use Cannabis Regulation Safety Act (MAUCRSA) and its accompanying regulations. Although petitioner proved respondent violated MAUCRSA, petitioner did not prove that permitting respondent to continue engaging in licensed activity poses a danger to public health, safety, or welfare. Accordingly, the Petition for Interim Suspension Order (ISO Petition) against respondent is denied.

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FACTUAL FINDINGS

Jurisdictional Matters

1. The Department issued respondent the following licenses: (1) Cannabis – Commercial Distributor License Number C11-0001076-LIC, issued on September 17, 2019, and expiring on September 17, 2026; (2) Cannabis – Retailer – Non-Storefront License Number C9-0000094-LIC, issued on June 13, 2019, and expiring on June 12, 2026; and (3) Cannabis – Manufacturer – Type 6 License Number DCC-10004923, issued on July 18, 2023, and expiring on July 18, 2026.
2. On December 10, 2025, petitioner filed an ISO Petition against respondent.

Background

3. Respondent operates licensed premises (Premises) in Culver City.
4. Petitioner seeks interim suspension of respondent's licenses based upon numerous alleged MAUCRSA violations discovered during the Department's May 6, 2025, inspection of the Premises.
5. In support of the Petition, petitioner submitted a memorandum of points and authorities and a declaration of Rene Pena-Mancinas, Special Investigator, dated December 3, 2025.
6. In opposition to the Petition, respondent submitted a memorandum of points and authorities and a declaration of Farbod Molarabi, dated December 30, 2025.

May 6, 2025 Department Inspection of Respondent

7. In his declaration, Investigator Pena-Mancinas stated he conducted an inspection of the Premises on May 6, 2025, and discovered respondent: (1) failed to respond to cannabis recalls, (2) possessed unsourced cannabis and cannabis product, (3) performed curbside retail cannabis deliveries with a non-storefront cannabis retailer license, (4) failed to provide requested records, (5) leased its Cannabis Non-Storefront Retailer License, (6) entered false information into its California Cannabis Track and Trace (CCTT) account, and (7) could not account for the whereabouts of approximately 2.5 million individual cannabis products and 855,000 pounds of bulk cannabis.

8. In his declaration, Mr. Molarabi asserted respondent cooperated with the Department's inspection, providing requested information both during the inspection and afterward and complying with the Department's subsequent directives. Mr. Molarabi claimed statements in Investigator Pena-Mancinas's declaration omit material context or overstate conclusions drawn from incomplete or unreliable data sources.

RESPONDENT'S AGREEMENTS WITH THIRD PARTIES

9. Upon his arrival at the Premises, Investigator Pena-Mancinas spoke with an individual who identified themselves as an employee of Hey High, a retailer operating under respondent's non-storefront retailer license. Investigator Pena-Mancinas stated he reviewed the Department's records and confirmed respondent did not have a registered fictitious business name of Hey High.

10. Investigator Pena-Mancinas further discovered another entity, Kushagram, was operating under respondent's license and in the Premises. Both Hey

High and Kushagram used respondent's CCTT account. Based upon the Department's records, Kushagram is not a registered fictitious name for respondent. Investigator Pena-Mancinas observed signs that Kushagram operated separately from Hey High, including that Kushagram had its own separate point-of-sale area and separate cannabis goods inventory area.

11. Mr. Molarabi explained to Investigator Pena-Mancinas that respondent contracts with Hey High and Kushagram to operate using respondent's license and that through those two entities, respondent operates under two delivery models. Hey High operates under the "pizza model," meaning operations in which a cannabis retailer fulfills orders after they are placed and subsequently delivers orders to customers directly from a licensed premises. Kushagram operates under the "ice cream model," meaning a retailer carries unsold cannabis goods in its inventory, within the delivery vehicle, and fulfills orders as they are placed in real time.

12. In his declaration, Mr. Molarabi disputed the Department's characterization of respondent's relationship with Hey High and Kushagram. Mr. Molarabi asserted "Hey High" is a branding name and business identity used by respondent, and at all times respondent retained ownership, control, and responsibility for licensed operations. He further asserted respondent did not lease its licenses to third parties, nor did it cede control of the Premises or its operations, and that any references to different business names reflected branding, management, or operational models, not a transfer or lease of licensure.

13. On May 7, 2025, Mr. Molarabi emailed to Investigator Pena-Mancinas a copy of respondent's management services agreement with its "delivery operator," presumably Hey High or Kushagram. A copy of the agreement was not submitted into evidence in this matter.

CURBSIDE DELIVERY

14. Investigator Pena-Mancinas asked the Hey High employee to explain respondent's process for receiving and processing cannabis orders. The employee stated customers place orders through Hey High's website. After receiving the order, Hey High staff package the order items into a brown paper bag and notify the drivers on shift of the pending order ready for delivery. Once a driver is available, they pick up the order from the Premises and deliver it to the customer at a pickup location.

15. Investigator Pena-Mancinas learned a common pickup location was a CVS Pharmacy parking lot, located "across the street" from the Premises. (Ex. 3, p. A25.) Hey High's website informs customers the retailer is a curbside or pickup-only service. While observing the current location of delivery drivers on a computer screen at the Premises, Investigator Pena-Mancinas viewed a message thread between respondent and a current cannabis customer, including a message that was an acknowledgement of an order for a customer who had arrived to "pick up" an order.

16. Investigator Pena-Mancinas concluded respondent was performing curbside retail sales deliveries, which is not permitted under respondent's license. During his review of respondent's CCTT records, Investigator Pena-Mancinas discovered an unspecified number of retail sales manifests listing a delivery address matching the location of the CVS Pharmacy parking lot. He informed Mr. Molarabi that curbside delivery was not permitted under respondent's license and, according to Investigator Pena-Mancinas, Mr. Molarabi stated he understood. In his declaration, Investigator Pena-Mancinas stated he later discovered respondent's curbside deliveries continued after the inspection based upon his review of respondent's CCTT account in October 2025. However, his declaration contained no further information about these deliveries.

17. Mr. Molarabi did not address curbside deliveries in his declaration. However, in its memorandum of points and authorities, respondent argued deliveries to a location across the street from the Premises is not prohibited by Department regulations and do not constitute curbside delivery.

INVENTORY AND STORAGE DISCREPANCIES

18. Investigator Pena-Mancinas discovered respondent had significant ledgers created in its CCTT account, but the ledgers only contained a single cannabis item, which is inconsistent with an “ice cream model” where customers may choose between several cannabis goods in a retailer’s inventory. Investigator Pena-Mancinas concluded respondent was not in compliance with Department regulations requiring retailers to list all cannabis goods carried for delivery.

19. Investigator Pena-Mancinas also observed cannabis goods held in containers that did not have a unique identifier (UID) or other package tags, and several large black bags and smaller clear bags containing bulk cannabis flower without UID package tags. Mr. Molarabi indicated respondent could provide CCTT package tags and transportation manifests for some but not most of the items. As of December 1, 2025, respondent did not provide any CCTT package tags or cannabis transportation manifests for these items. As such, Investigator Pena-Mancinas classified them as “unsourced.”

20. The unsourced bulk cannabis and other noncompliance cannabis items were inventoried and placed under embargo by the Department. According to Investigator Pena-Mancinas, on August 20, 2025, respondent voluntarily destroyed the items.

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21. Investigator Pena-Mancinas further observed respondent's use of the Premises did not appear to match the premises diagram provided to the Department. For example, the "Batch Sampling Loading/Unloading Area" on respondent's Department-approved diagram was instead used as a retailer area with various cannabis goods in inventory and ready for order processing. (Ex. 3. P. A26.) On May 7, 2025, Mr. Molarabi emailed to Investigator Pena-Mancinas an updated premises diagram. However, a copy of the updated diagram was not submitted into evidence in this matter.

22. Based upon an audit conducted by Investigator Pena-Mancinas and other Department staff, there was a significant discrepancy between the physical inventory observed at the Premises and the inventory recorded in respondent's CCTT accounts. According to Investigator Pena-Mancinas, Mr. Molarabi stated he was aware respondent had a "big" inventory discrepancy. (Ex. 3, p. A28.) The Department discovered approximately 2.5 million cannabis goods were "unaccounted for." In addition, respondent's CCTT accounts showed 1,588 packages in inventory with a negative quantity and one package with a zero quantity. Investigator Pena-Mancinas stated, based on his training and experience, these types of inventory discrepancies are consistent with the licensee engaging in cannabis diversion, as the missing cannabis items were not recorded as sold, and therefore excise taxes were not collected.

23. The Department's audit also revealed 3,685 packages in respondent's distributor inventory which were received and passed regulatory compliance testing between 2020 and 2023. The certificates of analysis for these packages were not valid beyond 12 months, meaning these products no longer met regulatory testing requirements.

24. In his declaration, Mr. Molarabi asserted that respondent conducted its own inventory analysis and concluded that only 1.7 percent of the 2.5 million cannabis items alleged by the Department as unaccounted for were unresolved discrepancies "when properly analyzed." (Ex. B, p. B16.) In support of his assertion, Mr. Molarabi attached to his declaration a nine-page report and explanation of the methodology used to arrive at his conclusion. Mr. Molarabi also noted Investigator Pena-Mancinas conceded during the Department inspection that full reconciliation of respondent's inventory was extremely difficult due to CCTT's technological limitations.

SURVEILLANCE FOOTAGE

25. According to Investigator Pena-Mancinas, respondent was unable to provide any video surveillance records showing when the unsourced items arrived at the Premises or video surveillance showing at least 90-days retention.

26. In his declaration, Mr. Molarabi asserted Investigator Pena-Mancinas's declaration omitted material facts regarding respondent's surveillance footage. Mr. Molarabi stated he displayed respondent's surveillance footage on a mobile device, including footage more than 60 days old, as requested by the Department. Mr. Molarabi asserted the Department confirmed the surveillance system was recording and retaining footage in a manner consistent with Investigator Pena-Mancinas's requests.

27. Along with his declaration, Mr. Molarabi submitted email correspondence corroborating his efforts to obtain surveillance footage requested by the Department during its inspection. On May 7, 2025, Mr. Molarabi contacted the information technology company providing surveillance footage services to respondent, asking for assistance retrieving footage. Although a company representative responded to the

Premises the same day, the evidence did not establish whether respondent obtained the requested footage.

SAFETY RECALL COMPLIANCE

28. On October 2, 2025, Investigator Pena-Mancinas reviewed respondent's non-storefront retailer CCTT account and noted it showed 163 packages of cannabis products that had been issued a safety recall. Investigator Pena-Mancinas stated the products' whereabouts were unknown at the time of the inspection. He further observed respondent had adjusted within CCTT as "incorrect quantity" several previously recalled and embargoed products after the embargo or recall was initiated. (Ex. 3, p. A29.) Investigator Pena-Mancinas did not further describe the significance of those adjustments.

29. Along with his declaration, Mr. Molarabi submitted email correspondence between himself and the Department regarding a cannabis product safety recall issued in December 2024. On July 31, 2025, Mr. Molarabi informed the Department that respondent destroyed the applicable products in respondent's inventory, as directed by the Department. The relationship between these products and the 163 packages of recalled products cited by Investigator Pena-Mancinas is unclear.

Analysis

RESPONDENT'S AGREEMENTS WITH THIRD PARTIES

30. The evidence did not establish the nature of respondent's agreements with Hey High and Kushagram. Petitioner alleges respondent sublet its Premises to unlicensed individuals and respondent asserts it did not lease its licenses to third parties, nor did it cede control of the Premises or its operations. More evidence is

required to determine whether the arrangements violate MAUCRSA or its accompanying regulations.

CURBSIDE DELIVERY

31. The evidence did not establish whether respondent's practice of making deliveries to a location across the street from the Premises violates MAUCRSA or its accompanying regulations. More evidence is required to make such a determination.

INVENTORY AND STORAGE DISCREPANCIES

32. The evidence established the following: (1) respondent possessed cannabis and cannabis products without an appropriate package tag or UID; (2) respondent failed to reconcile on-hand inventory of cannabis and cannabis products and failed to notify the Department of a significant inventory discrepancy; (3) respondent's use of the Premises did not appear to match the premises diagram provided to the Department; and (4) respondent failed to accurately record all commercial cannabis activity in its CCTT account, including preparation of shipping manifests. The evidence did not establish whether respondent engaged in "diversion" of cannabis product. More evidence is required to make such a determination.

SURVEILLANCE FOOTAGE

33. The evidence established respondent failed to keep surveillance recordings in a manner that allows the Department to view and obtain copies of the recordings immediately upon request.

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SAFETY RECALL COMPLIANCE

34. The evidence did not establish whether respondent failed to comply with a safety recall of cannabis product. According to Investigator Pena-Mancinas, respondent's CCTT account showed 163 previously recalled items and the whereabouts of the items were unknown. More evidence is required to determine the status of those items and respondent's compliance with any applicable safety recall.

LEGAL CONCLUSIONS

Authority and Burden of Proof

1. The Department is the state agency charged with administering and enforcing the provisions of the MAUCRSA. (Bus. & Prof. Code, §§ 26010.5, subd. (d); 26013.) The Department's highest priority is protection of the public. (Bus. & Prof. Code, § 26011.5.)

2. An interim order of suspension may be issued if it is proved, first, that the licensee has violated the MAUCRSA and second, that permitting the licensee to continue engaging in licensed activity would endanger the public health, safety, or welfare. (Bus. & Prof. Code, § 494, subd. (a); Cal. Code Regs., tit. 4 (CCR), § 17810.)

3. Petitioner must prove by a preponderance of the evidence that an interim suspension order should be issued. (Bus. & Prof. Code, § 494, subd. (e).) Preponderance of the evidence means evidence that has more convincing force than that opposed to it. (*People ex rel. Brown v. Tri-Union Seafoods, LLC* (2009) 171 Cal.App.4th 1549, 1567.)

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Alleged Violations of MAUCRSA

FAILURE TO COMPLY WITH COMMERCIAL CANNABIS LAWS AND REGULATIONS

4. In paragraph 48, subdivision (a), of the ISO Petition, petitioner alleged respondent failed to comply with laws and regulations regulating commercial cannabis activities.

5. Grounds for disciplinary action against a licensee include failure to comply with MAUCRSA or its accompanying regulations. (Bus. & Prof. Code, § 26030, subd. (a).)

6. As set forth in Legal Conclusions 9, 15, 18, 29, and 35, petitioner proved by a preponderance of the evidence respondent violated MAUCRSA or its accompanying regulations.

POSSESSION OF CANNABIS AND CANNABIS PRODUCT WITHOUT APPROPRIATE PACKAGE TAGS OR UID

7. In paragraph 48, subdivision (b), of the ISO Petition, petitioner alleged respondent possessed cannabis and cannabis product that did not have the appropriate package tag or applicable UID.

8. For all cannabis and cannabis products held in a container, the package tag shall be affixed to the container holding the cannabis or cannabis products. If cannabis or cannabis products are held in multiple containers, the package tag shall be affixed to one of the containers and the other containers shall be labeled with the applicable UID number. Each unit within the container shall be labeled with the

applicable UID number. All containers with the same UID number shall be placed contiguous to one another to facilitate identification by the Department. (CCR, § 15048.5, subd. (c).)

9. As set forth in Factual Finding 32, petitioner proved by a preponderance of the evidence respondent possessed cannabis and cannabis products without an appropriate package tag or UID. Respondent therefore violated CCR, section 15048.5, subdivision (c).

UNAUTHORIZED CURBSIDE DELIVERY

10. In paragraph 48, subdivision (c), of the ISO Petition, petitioner alleged respondent engaged in curbside retail cannabis delivery under its non-storefront retail license.

11. A licensed retailer or licensed microbusiness authorized to engage in storefront sales at their licensed premises may conduct sales through curbside delivery. Cannabis goods that have been purchased by a customer may be delivered to the customer in a vehicle parked immediately outside the licensed retail premises. Licensed retailers who are only authorized to engage in retail sales through delivery shall not conduct sales through curbside delivery. (CCR, § 15402, subd. (d).)

12. As set forth in Factual Finding 31, petitioner did not prove by a preponderance of the evidence respondent engaged in unauthorized curbside delivery in violation of CCR, section 15402, subdivision (d).

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FAILURE TO MAINTAIN SURVEILLANCE RECORDINGS

13. In paragraph 48, subdivision (d), of the ISO Petition, petitioner alleged respondent failed to keep surveillance recordings in a manner that allows the Department to view and obtain copies of the recordings immediately upon request.

14. Surveillance recordings are subject to inspection by the Department and shall be kept in a manner that allows the Department to view and obtain copies of the recordings at the licensed premises immediately upon request. The licensee shall also send or otherwise provide copies of the recordings to the Department upon request within the time specified by the Department. (CCR, § 15044, subd. (i).)

15. As set forth in Factual Finding 33, petitioner proved by a preponderance of the evidence respondent failed to keep surveillance recordings in a manner that allows the Department to view and obtain copies of the recordings immediately upon request. Respondent therefore violated CCR section 15044, subdivision (i).

INVENTORY DISCREPANCIES

16. In paragraph 48, subdivision (e), of the ISO Petition, petitioner alleged respondent failed to reconcile on-hand inventory of cannabis and cannabis products, and failed to notify the Department of a significant inventory discrepancy.

17. Licensees shall review the information recorded in the CCTT at least once every 30 calendar days to ensure its accuracy, including, at a minimum, reconciling on-hand inventory of cannabis and cannabis product with the records in the CCTT. If a licensee finds a discrepancy between the on-hand inventory and the CCTT, the licensee shall conduct an audit and notify the Department in writing if the discrepancy is significant. (CCR, § 15051.)

18. As set forth in Factual Finding 32, petitioner proved by a preponderance of the evidence respondent failed to reconcile on-hand inventory of cannabis and cannabis products and failed to notify the Department of a significant inventory discrepancy. Respondent therefore violated CCR section 15051.

IMPROPER CANNABIS STORAGE

19. In paragraph 48, subdivision (f), of the ISO Petition, petitioner alleged respondent failed to store all cannabis within the appropriate area in the Premises, in violation of CCR, section 15000.7, subdivision (a).

20. All cannabis and cannabis products must be stored within the licensed premises. (CCR, § 15000.7, subd. (a).)

21. As set forth in Factual Finding 32, petitioner proved by a preponderance of the evidence respondent's use of the Premises did not appear to match the premises diagram provided to the Department. However, the evidence did not establish a violation of CCR section 15000.7, subdivision (a), as respondent's cannabis and cannabis products were stored within the licensed premises.

IMPROPER AGREEMENTS WITH THIRD PARTIES

22. In paragraph 48, subdivisions (g) and (h), petitioner alleged respondent (1) engaged in commercial cannabis activity with unlicensed individuals under its non-storefront retail license and (2) sublet to unlicensed individuals a portion of its licensed premises for the unlicensed individuals to conduct commercial cannabis activity.

23. Every person who conducts commercial cannabis activity shall obtain and maintain a valid license from the Department for each separate premises at which commercial cannabis activity is conducted. (CCR, § 15000.1, subd. (a).)

24. A licensee shall not sublet or allow another person to conduct operations in any area designated as the licensed premises for the licensee's commercial cannabis activity. (CCR, § 15000.4.)

25. As set forth in Factual Finding 30, petitioner did not prove by a preponderance of the evidence respondent engaged in commercial cannabis activity with unlicensed individuals under its non-storefront retail license or sublet to unlicensed individuals a portion of its licensed premises for the unlicensed individuals to conduct commercial cannabis activity. More evidence is required to determine whether respondent's arrangements with Hey High and Kushagram violate MAUCRSA or its accompanying regulations.

FAILURE TO RECORD ACTIVITY IN CCTT

26. In paragraph 48, subdivision (i), of the ISO Petition, petitioner alleged respondent failed to accurately record all commercial cannabis activity in its CCTT account, including preparation of shipping manifests.

27. All commercial cannabis activity shall be accurately recorded in the CCTT. (CCR, § 15047.2, subd. (b).)

28. A licensee shall prepare a shipping manifest through the CCTT prior to transferring cannabis and cannabis products off of a licensed premises. (CCR, § 15049.2, subd. (a).)

29. As set forth in Factual Finding 32, petitioner proved by a preponderance of the evidence respondent failed to accurately record all commercial cannabis activity in its CCTT account, including preparation of shipping manifests. Respondent therefore violated CCR sections 15047.2, subdivision (b), and 15049.2, subdivision (a).

FAILURE TO RESPOND TO SAFETY RECALLS

30. In paragraph 48, subdivision (j), of the ISO Petition, petitioner alleged respondent failed to respond to cannabis recalls.

31. Licensees shall establish and implement written procedures for recalling cannabis goods that are determined to be misbranded or adulterated. The recall procedures shall be implemented upon discovery, or notification from the Department, that one or more batches of cannabis goods are adulterated or misbranded. (CCR, § 17226.)

32. As set forth in Factual Finding 34, petitioner did not prove by a preponderance of the evidence whether respondent failed to comply with a safety recall of cannabis product. More evidence is required to determine whether respondent violated MAUCRSA or its accompanying regulations in connection with safety recall compliance.

FAILURE TO COMPLY WITH GENERAL RECORD RETENTION REQUIREMENTS

33. In paragraph 48, subdivision (k), of the ISO Petition, petitioner alleged respondent failed to comply with the Department's general record retention requirements.

34. A licensee shall keep accurate records of commercial cannabis activity and maintain them for a minimum of seven years. Licensees shall provide and deliver records to the Department upon request. (Bus. & Prof. Code, § 26160, subd. (a) & (b); CCR, § 15037.)

35. As set forth in Legal Conclusion 15, petitioner proved by a preponderance of the evidence respondent failed to keep surveillance recordings in a

manner that allows the Department to view and obtain copies of the recordings immediately upon request. Respondent therefore also failed to comply with the Department's general record retention requirements, in violation of Business and Professions Code section 26160, subdivisions (a) and (b), and CCR section 15037.

Danger to Public Health, Safety, or Welfare

36. Petitioner did not prove by a preponderance of the evidence that permitting respondent to continue to engage in licensed activity would endanger public health, safety, or welfare. More evidence is required to evaluate petitioner's most serious allegations against respondent, namely respondent's agreements with third parties, unauthorized curbside delivery, diversion, and failure to comply with safety recalls. Respondent's evidence demonstrated, at least for the purposes of this proceeding, respondent's cooperation with the Department and willingness to remediate its MAUCRSA violations. Based on the evidence presented in this proceeding, an ISO is not warranted to protect the public pending the filing of an Accusation against respondent.

Disposition

37. Based on the foregoing, petitioner did not meet the requirements under Business and Professions Code section 494 for issuance of an interim order suspending respondent's licenses. The ISO Petition must therefore be denied.

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ORDER

The Petition for an Interim Suspension Order against respondent Urban Buds LLC, doing business as Urban Buds; Farbod Molarabi and Fraydoon Bral, owners, is denied.

DATE: 01/07/2026

Harden Sooper

HARDEN SOOPER

Administrative Law Judge

Office of Administrative Hearings