

Curaleaf Cultivation at Center of Illinois Diversion Lawsuit

Lawsuit Alleges Illinois Regulators Suspected ‘Systemic Diversion’ at Curaleaf Cultivation Center

Former Curaleaf Compliance Director Files Whistleblower Suit in Federal Court

Illinois cannabis regulators suspected widespread diversion of marijuana products at Curaleaf Holdings’ cultivation facility in Litchfield, according to a recent federal lawsuit filed by a former high-level employee. The case, brought by former Curaleaf regional compliance director **Matthew Kalmick**, was filed July 29 in U.S. District Court for the Northern District of Illinois. Kalmick alleges that regulators flagged “a vast amount of unaccounted-for inventory” as well as other serious compliance and safety issues, but company leaders failed to act and later retaliated against him for raising concerns.

Regulators Flagged Potential Theft, Environmental and Safety Concerns

The complaint alleges that in addition to suspected diversion of cannabis inventory, Illinois Department of Agriculture (DOA) officials identified multiple environmental, health, and safety violations at the Litchfield site. According to Kalmick, then-bureau chief Bresha Brewer reported unlicensed pesticide use, obstructed emergency exits, improperly stored chemicals, and inadequate protective equipment for employees. Brewer’s warnings allegedly indicated what Kalmick described as a “crisis” at the cultivation center.

Allegations of Diversion Carry Extra Weight in Illinois Market

Diversion the movement of legally grown cannabis into illicit markets is a recurring issue in states with oversupply and weak controls. But Illinois has long been viewed as less vulnerable because of its strict cultivation caps and limited number of licensed facilities. With only 21 cultivation centers permitted statewide and canopy sizes capped at 210,000 square feet for flowering plants, oversupply pressures have historically been muted. That context makes the allegations against Curaleaf particularly significant, especially given Illinois’ \$2 billion annual cannabis market.

Kalmick Claims Retaliation After Reporting Compliance Failures

According to the lawsuit, Kalmick repeatedly escalated concerns about Illinois operations as well as compliance failures at Curaleaf's North Dakota facility. He claims to have raised issues with company executives, including Senior Vice President Paul Chialdikas, but said his reports were ignored. In February 2024, Illinois regulators halted all shipments from Litchfield after discovering large quantities of unlabeled, mislabeled, or missing product. Instead of addressing these issues, the lawsuit alleges, Curaleaf's leadership including then-CEO Matt Darin retaliated against Kalmick by blocking his promotion and terminating his employment in May 2024.

Company Response and Current Legal Status of the Case

Curaleaf has not addressed the allegations publicly. A company spokesperson said in an email that Curaleaf would not comment on the pending litigation. Court records show the company has requested additional time to respond to Kalmick's complaint. Kalmick, through his attorney **Davina Rae DiPaolo**, declined to comment further. The lawsuit seeks unspecified damages under state and federal whistleblower and employment protection laws and is expected to proceed to jury trial if not settled.

Previous Safety and Compliance Issues at Litchfield Facility

The Litchfield cultivation site has faced regulatory scrutiny before. In 2023, federal officials with the **Occupational Safety and Health Administration (OSHA)** cited the facility for three serious workplace safety violations involving employee respirator use. Curaleaf paid approximately **\$16,800** to settle the case. These earlier penalties, combined with the current allegations, underscore ongoing concerns about Curaleaf's compliance culture in Illinois.

Alleged Non-Compliance Extends Beyond Illinois Operations

Kalmick's lawsuit also highlights issues outside Illinois. He claims company leadership knowingly tolerated violations at a North Dakota cultivation facility, where regulators had already imposed fines for non-compliance. Despite repeated reports, Kalmick alleges Curaleaf executives displayed "indifference" to the violations, reflecting what he described as a pattern of systemic neglect across multiple state operations.

Cannabis Industry Observers Note Rare Nature of Illinois Diversion Claims

Industry analysts note that while diversion allegations are common in states like Oregon or Oklahoma—where **oversupply has crashed wholesale prices**—Illinois has been largely insulated. Cultivation caps and higher retail prices have limited illicit market leakage. However, Illinois cannabis prices fell modestly in 2024, raising questions about whether operators may have been tempted to sidestep compliance in the face of slowing sales. The allegations against Curaleaf stand out not only because of the market context but also because they come from a **senior compliance officer** with insider knowledge.

Confidentiality Rules Limit Regulator Transparency on Inspections

The Illinois DOA declined to provide additional information. In an emailed statement, spokesperson **Lori Harlan** noted that all inspections and investigations of licensees are confidential under state law. That confidentiality means that, for now, the public must rely on Kalmick's complaint and court proceedings to learn more about the alleged diversion and safety issues. Brewer, the former bureau chief who reportedly

raised alarms with Curaleaf, has since taken another role in state government and did not respond to requests for comment.

Potential Consequences for Curaleaf and the Illinois Cannabis Market

The lawsuit could have significant consequences for Curaleaf, one of the largest multistate operators in the U.S. If substantiated, allegations of systemic diversion and repeated safety violations could damage the company's reputation and trigger further regulatory scrutiny. For Illinois' tightly controlled market, the case raises concerns about whether compliance oversight is sufficient to safeguard both consumers and the integrity of the legal cannabis supply chain.

High Stakes Lawsuit Puts Spotlight on Curaleaf and Illinois Oversight

The federal lawsuit filed by former compliance director Matthew Kalmick represents one of the most serious sets of allegations yet leveled against a major U.S. cannabis operator. With claims of systemic diversion, unlicensed pesticide use, and regulatory indifference, the case puts both Curaleaf and Illinois regulators under scrutiny. As court proceedings move forward, industry stakeholders will be watching closely to see whether these allegations mark an isolated failure or reveal deeper issues within one of the country's most tightly regulated cannabis markets.

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