

**STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CANNABIS REGULATORY AGENCY**

In the Matter of

**Sky Labs, LLC
License No. AU-P-000157**

ENF No: 24-00788

FORMAL COMPLAINT

The Cannabis Regulatory Agency (CRA) by and through its attorneys, Assistant Attorneys General Sarah E. Huyser and Jeffrey W. Miller, files this formal complaint against Sky Labs, LLC (Respondent), alleging upon information and belief as follows:

1. The CRA is authorized under the Michigan Regulation and Taxation of Marihuana Act (MRTMA), MCL 333.27951 *et seq.*, to investigate alleged violations of the MRTMA and administrative rules promulgated thereunder, take disciplinary action to prevent such violations, and impose fines and other sanctions against applicants and licensees that violate the MRTMA or administrative rules.

FACTUAL ALLEGATIONS

2. Respondent holds an active state license under the MRTMA to operate an adult-use marijuana processor business in the state of Michigan.

3. Respondent does not hold an industrial hemp processor-handler license.

4. Respondent operated at 9421 N. Dort Highway, Mt. Morris, MI 48458, at all times relevant to this complaint.

5. Following an investigation, the CRA determined that Respondent

violated the MRTMA and/or administrative rules promulgated thereunder as set forth below.

6. According to manifests in the statewide monitoring system (Metrc), Respondent accepted more than 20 transfers exceeding a total of more than one million grams of product identified as “Isolate (hemp concentrate)” from a state-licensed medical marijuana processor between April 25, 2024 and July 15, 2024.

7. The CRA contacted the medical marijuana processor identified on the manifest to determine if it was the source of the product. The licensee’s representative informed the CRA that it does not have a hemp processor-handler license and did not transfer isolate to Respondent or any other business.

8. Respondent’s employee, K.S., informed the CRA that he thought that the business could obtain and process hemp from a medical marijuana processor despite being told previously that Respondent needed a hemp processor-handler license to do so.

9. On July 15, 2024, the CRA requested certificates of analysis (COAs) for the products listed on the above-referenced transfer manifests. Respondent failed to provide the COAs by the CRA’s July 22, 2024, deadline.

10. On July 23, 2024, the CRA emailed Respondent and extended the deadline to 5:00 p.m. that day. Respondent failed to respond. The CRA has still not received a COA for the isolate from Respondent.

11. Respondent combined all of the above referenced concentrate with other batches of distillate already in its inventory.

12. The CRA’s review of Metrc on July 24, 2024, revealed that Respondent

had not tested any of the packages that were created by combining the isolate with the above referenced distillate.

13. On July 29, 2024, the CRA conducted a site visit at Respondent's business.

- a. The CRA met with K.S., who claimed to have sent the requested COAs on July 23, 2024. K.S. texted one COA to the CRA while the CRA was onsite.
- b. The COA was for flower, not isolate. K.S. indicated that was the COA he received from the hemp farm. K.S. said he would obtain a COA for the isolate. A COA for the isolate was never provided to the CRA.
- c. According to Metrc, Respondent received a 220,000-gram package of isolate that morning from the same medical marijuana processor referenced above.

14. On July 30, 2024, a CRA regulation agent spoke to C.W., a manager with Respondent. C.W. stated that Respondent received a shipment of pure THCA on July 27, 2024, and placed it in the ovens to decarboxylate.

15. The CRA also spoke to T.R., the general manager at Respondent's co-located retailer.

- a. T.R. stated that they were working on July 27, 2024, and did not see any shipments arrive that day.
- b. T.R. showed the CRA the surveillance system that covered both locations to verify. The CRA observed that the timestamp was 12 hours behind. T.R. stated this must have happened when the IT company removed cameras from the processing area.
- c. Camera footage from July 27, 2024 showing the arrival of the isolate or C.W. and any other employees unloading a truck could not be located.
- d. T.R. stated that the IT manager was onsite before July 18, 2024, but did not know the exact date they were present because surveillance logs were not being used before that date.

- e. C.W. confirmed via a later telephone call that the IT company had removed cameras from processing trailers and a reporting form was not submitted before the removal.

16. On July 31, 2024, the CRA conducted an onsite visit at Respondent's business.

- a. The CRA observed the ovens where the pure THCA was being warmed. One oven contained five boxes, and the other contained four. Each box contained various glass jars.
- b. C.W. stated that another employee, Z.G., received the isolate at her residence and put it into the glass jars before it was taken to the business on July 27, 2024.
- c. C.W. also stated that K.S. forgot to enter the package into Metrc until July 29, 2024.
- d. C.W. stated that he did not have a COA for this product but would obtain it. Respondent has not provided the COA to the CRA.
- e. The CRA asked C.W. to use the surveillance system to show the product arriving, and C.W. did not have access.
- f. The CRA observed that the date and time of the surveillance system was now accurate. C.W. stated IT had fixed it the day before. IT did not fill out the surveillance log when the system was updated and did not fill out the visitor log when they entered the business.
- g. C.W. showed the CRA the inside of the two trailers where the cameras were removed. A reporting form was submitted for the trailers being removed but it stated that the cameras and all related surveillance equipment had already been removed. Respondent failed to submit a reporting form before the cameras were removed.
- h. C.W. subsequently provided a screenshot of boxes being moved into the ovens into the building. The timestamp read 22:39:50 on July 26, 2024. C.W. acknowledged that the time stamp was off by 12 hours. The time reported was not accurate.

COUNT 1

Respondent's actions as described above demonstrate a violation of Rule 420.18(1), which relevantly states that any material change or modification to the marijuana business after licensure must be approved by the agency before the change or modification is made.

COUNT 2

Respondent's actions as described above demonstrate a violation of Rule 420.103(1), which relevantly states that a marijuana processor license authorizes the marijuana processor to purchase or transfer marijuana or marijuana-infused products from only a licensed marijuana establishment.

COUNT 3

Respondent's actions as described above demonstrate a violation of Rule 420.103(3), which states that a marijuana processor must accurately enter all transactions, current inventory, and other information into the statewide monitoring system as required in the rules.

COUNT 4

Respondent's actions as described above demonstrate a violation of Rule 420.206(14), which states when combining marijuana and marijuana product into another marijuana product, each form of marijuana and marijuana product must have passing test results in the statewide monitoring system prior to the creation of the new combined product.

COUNT 5

Respondent's actions as described above demonstrate a violation of Rule 420.209(9), which relevantly states that a licensee shall have cameras that record images that clearly and accurately display the time and date.

COUNT 6

Respondent's actions as described above demonstrate a violation of Rule 420.210(1), which relevantly states that a marijuana business must not have marijuana products that are not identified and recorded in the statewide monitoring system pursuant to the rules.

COUNT 7

Respondent's actions as described above demonstrate a violation of Rule 420.210(2), which relevantly states that a marijuana business must not have

any marijuana product without a batch number or identification tag or label pursuant to the rules, and that a licensee shall immediately tag, identify, or record as part of a batch in the statewide monitoring system any marijuana products as provided in the rules.

COUNT 8

Respondent's actions as described above demonstrate a violation of Rule 420.212(1), which relevantly states that all marijuana products must be identified and tracked consistently in the statewide monitoring system.

COUNT 9

Respondent's actions as described above demonstrate a violation of Rule 420.602(6), which relevantly states that trade or professional services providers must be reasonably monitored, logged in as visitors, and escorted through limited access areas.

COUNT 10

Respondent's actions as described above demonstrate a violation of Rule 420.802(3), which relevantly states that licensees shall report any proposed material changes to the marijuana business before making the change, including additions or reductions in equipment or changes that impact security, fire safety, and building safety.

THEREFORE, based on the above, the CRA gives notice of its intent to impose fines and/or other sanctions against Respondent's license, which may include the suspension, revocation, restriction, and/or refusal to renew Respondent's license.

Under MCL 333.27957(1)(c) and Rule 420.704(2), any party aggrieved by an action of the CRA suspending, revoking, restricting, or refusing to renew a license, or imposing a fine, shall be given a hearing upon request. A request for a hearing must be submitted to the CRA in writing within 21 days after service of this complaint. Notice served by certified mail is considered complete on the business day following the date of the mailing.

Respondent also has the right to request a compliance conference under Rule 420.704(1) and R 420.808(4). A compliance conference is an informal meeting at which Respondent has the opportunity to discuss the allegations in this complaint and demonstrate compliance under the MRTMA and/or the administrative rules.

Hearing and compliance conference requests must be submitted in writing by one of the following methods, with a copy provided to the assistant attorneys general named below:

By Mail: Department of Licensing & Regulatory Affairs
Cannabis Regulatory Agency
P.O. Box 30205
Lansing, Michigan 48909

In Person: Department of Licensing & Regulatory Affairs
Cannabis Regulatory Agency
2407 North Grand River
Lansing, Michigan 48906

By Email: CRA-LegalHearings@michigan.gov

If Respondent fails to timely respond to this formal complaint, a contested case hearing will be scheduled to resolve this matter.

Questions about this complaint should be directed to the undersigned assistant attorneys general.

Respectfully submitted,
/s/ Sarah E. Huyser

Sarah E. Huyser (P70500)
Jeffrey W. Miller (P78786)
Assistant Attorneys General
Attorneys for Cannabis Regulatory Agency
Licensing and Regulation Division
525 West Ottawa Street
P.O. Box 30758, Lansing, MI 48909
Telephone: (517) 335-7569
Fax: (517) 241-1997

Dated: January 7, 2025



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LANSING

MARLON I. BROWN, DPA
DIRECTOR

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ENF No.:24-00788

PROOF OF SERVICE

I hereby certify that on January 9, 2025, I provided a copy of the Formal Complaint dated January 7, 2025 in the above captioned case by personal service to:

Chad Wurtzel

575 W. BIG BEAVER

TROY, MI

48084

Kenneth Bean

Digitally signed by Kenneth Bean
DN: CN = Kenneth Bean email = beak2@michigan.gov C =
AD
Date: 2025.01.08 15:18:06 -0500

Cannabis Regulatory Agency
Department of Licensing & Regulatory
Affairs

CANNABIS REGULATORY AGENCY
2407 NORTH GRAND RIVER • P.O. BOX 30205 • LANSING, MICHIGAN 48909

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