

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

In the Matter of

SBCMI, LLC
License No.: PR-000172

ENF No.: 23-00919

_____/ CONSENT ORDER AND STIPULATION

CONSENT ORDER

On December 7, 2023, the Cannabis Regulatory Agency (CRA) issued a formal complaint against the medical marijuana processor facility license (PR-000172) of SBCMI, LLC (Respondent) under the Medical Marijuana Facilities Licensing Act (MMFLA), MCL 333.27101 *et seq.*, and the administrative rules promulgated thereunder. The formal complaint alleged Respondent violated Mich Admin Code, R 420.109(1), R 420.112a(2), R 420.206(10), R 420.206(12), R 420.403(1), R 420.403(2), R 420.403(7)(a), R 420.403(7)(b), R 420.403(7)(e), R 420.403(8)(b), and R 420.403(11)(a).

The executive director reviewed the stipulation contained in this document and agrees the public interest is best served by resolution of the formal complaint. Therefore, the executive director finds that all of the allegations contained in the formal complaint are true and that Respondent violated Mich Admin Code, R 420.109(1), R 420.112a(2), R 420.206(10), R 420.206(12), R 420.403(1), R 420.403(2), R 420.403(7)(a), R 420.403(7)(b), R 420.403(7)(e), R 420.403(8)(b), and R 420.403(11)(a).

Accordingly, for these violations, **IT IS ORDERED:**

1. Respondent must pay a fine in the amount of fifteen-thousand and 00/100 dollars (\$15,000.00). This fine shall be paid within 90 days of the effective date of this order by check, money order, or online through Accela Citizen Access (ACA).

Instructions on how to make online payments can be found under the Tips for Licensees bulletin section at www.michigan.gov/cra. Check or money orders shall be made payable to the State of Michigan with enforcement number “23-00919” and license number “PR-000172” clearly displayed on the check or money order. Respondent shall mail the fine to Department of Licensing and Regulatory Affairs, Cannabis Regulatory Agency, PO BOX 30205, Lansing, Michigan 48909.

2. If Respondent fails to timely comply with the terms of this order, Respondent’s license shall be suspended until compliance is demonstrated.
3. Unless otherwise specified in this order, Respondent shall direct any communications to the CRA that are required by the terms of this order to CRA-CSS@michigan.gov.
4. Respondent shall be responsible for all costs and expenses incurred in complying with the terms and conditions of this consent order.
5. If Respondent violates any term or condition set forth in this order, Respondent shall be subject to fines and/or other sanctions under section 407(1) of the MMFLA, MCL 333.27407(1), and Mich Admin Code, 420.808.
6. Upon timely compliance of the terms of this order by Respondent, the matters set forth in the formal complaint shall be deemed resolved and closed subject to this Consent Order.

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This order shall be effective 30 days after the date signed by the CRA's executive director or his designee, as set forth below.

CANNABIS REGULATORY AGENCY

Signed on: 10/23/2024

By: Brian Hanna
Digitally signed by: Brian Hanna
DN: CN = Brian Hanna email =
hannab@michigan.gov C = US O = CRA OU = CRA
Date: 2024.10.23 14:31:12 -04'00'

Brian Hanna, Executive Director
or his designee
Cannabis Regulatory Agency

STIPULATION

The parties stipulate to the following:

1. The facts alleged in the formal complaint are true and constitute a violation of the administrative rules promulgated under the MMFLA.
2. Respondent understands and intends that by signing this stipulation, Respondent is waiving the right under the MMFLA, administrative rules promulgated thereunder, and the Administrative Procedures Act of 1969, MCL 24.201 *et seq.*, to require the CRA to prove the violations set forth in the formal complaint by presentation of evidence and legal authority, and to present a defense to the violations.
3. The parties considered the following in reaching this agreement:
 - a. Respondent provided updated standard operating procedures (SOP) related to labeling and homogeneity testing.
 - b. Respondent provided a packaging and labeling edibles checklist, a product batches guide, and product intake form.
 - c. Respondent stated that it has implemented an internal two-tier monitoring system for testing including auditing for homogeneity testing.
 - d. Respondent has not had subsequent disciplinary action taken regarding homogeneity testing.

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- e. The majority of the marihuana product related to this collaboration was associated with the co-located adult use license.
 - f. The records of formulation were in custody of Viola Detroit who was involved in processing at Respondent's location. Viola Detroit did not provide them to Respondent nor to the CRA.
 - g. Respondent was cooperative and wishes to resolve the allegations without the need for and expense of an administrative hearing.
 - h. Respondent's license is closed.
4. The CRA's centralized services director or her designee must approve this proposed agreement before it is forwarded to the CRA's executive director or his designee for review and issuance of the above consent order. The parties reserve the right to proceed to an administrative hearing without prejudice to either party, should the CRA's centralized services director, executive director, or their designees reject the proposed consent order.

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By signing this stipulation, the parties confirm that they have read, understand, and agree with the terms of the consent order.

AGREED TO BY:

Sara Hernandez

Digitally signed by: Sara Hernandez
DN: CN = Sara Hernandez email =
HernandezS1@michigan.gov C = US O = CRA OU =
LARA
Date: 2024.10.22 11:17:14 -04'00'

Sara Hernandez, CSD Director
or her designee
Cannabis Regulatory Agency

Dated: 10/22/2024

AGREED TO BY:

Jacob Dikhow

Jacob Dikhow (Oct 17, 2024 13:47 EDT)

Jacob Dikhow, Authorized Officer
on behalf of Respondent
SBCMI, LLC

Dated: 10/16/2024

Salam Elia

Salam Elia, P76593
Attorney for Respondent

Dated: 10/16/2024

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

In the Matter of

SBCMI, LLC
License No.: PR-000172

ENF No: 23-00919

FORMAL COMPLAINT

The Cannabis Regulatory Agency (“CRA”) files this formal complaint against SBCMI, LLC (“Respondent”) alleging upon information and belief as follows:

1. The CRA is authorized under the Medical Marihuana Facilities Licensing Act (MMFLA), MCL 333.27101 *et seq.*, and Executive Reorganization Order No.2019-2, MCL 333.27001, to investigate alleged violations of the MMFLA and the administrative rules promulgated thereunder, take disciplinary action to prevent such violations, and impose fines and other sanctions against applicants and licensees that violate the MMFLA or administrative rules.
2. Section 402(12) of the MMFLA provides that the expiration of a license does not terminate the CRA’s authority to impose sanctions on the license.

FACTUAL ALLEGATIONS AND INTENDED ACTION OF THE CRA

3. Respondent holds an active state operating license under the MMFLA to operate a medical marijuana processor facility in the state of Michigan.
4. Respondent operated at 456 West 8 Mile Road, Hazel Park, Michigan 48030, at all times relevant to this complaint.
5. Following an investigation, the CRA determined that Respondent violated the MMFLA and/or administrative rules promulgated thereunder as set forth below:

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- a. From April 18, 2023, through April 21, 2023, Respondent produced approximately 200 eaches of marijuana-infused edibles on behalf of a third-party brand, Viola Detroit. Additionally, approximately 1,448 eaches were produced under license number AU-P-000160.
- b. The list of ingredients provided by Viola Detroit did not match the labels for several products produced by Respondent. Specifically, the Big Apple label was missing allulose, skullcap, California poppy, and food coloring; the Uptown Espresso label was missing allulose and food coloring; the Paradise Island label was missing allulose and food coloring; and the Auntie Punch label was missing allulose and food coloring.
- c. Respondent stated that it did not complete homogeneity testing for any edibles produced for Viola Detroit and failed to provide evidence of homogeneity testing.
- d. The THC modifier font was smaller than the product name on packaging labels for all edibles produced for Viola Detroit.
- e. There was no production date listed on packaging labels for all edibles produced for Viola Detroit.
- f. Packaging labels for all edibles produced for Viola Detroit indicated 20 mg of THC per serving, in excess of the maximum allowable serving size of 10 mg. Certificates of Analysis were created on April 30, 2023, detecting a 19-21 mg/unit concentration of THC among the flavors of Viola branded gummies.
- g. Respondent failed to provide records of formulations when requested by the CRA.
- h. Viola Detroit employees were at Respondent's adult use processor establishment between April 17, 2023, and April 20, 2023. During this time, Viola Detroit employees packaged marihuana products. These Viola Detroit employees were not listed in the statewide monitoring system ("Metrc") as

employees of Respondent. Additionally, Respondent stated that the employees were not employed by it.

- i. There was no expiration date listed on packaging labels for all edibles produced for Viola Detroit.
- j. Respondent produced branded edibles for Viola Detroit in exchange for monetary compensation.
- k. Respondent issued an invoice to Viola Detroit dated May 15, 2023, which included a line item for “[r]ent.” Viola Detroit alleges that it rented space from Respondent for Viola Detroit to produce the edibles and allow Respondent to observe.
- l. Pursuant to a written communication obtained by the RA, Viola Detroit informed Respondent that “[w]e won’t need staffing for this from your team this time, however happy to have them shadow [M.] to learn the ropes. We will need to package at your facility[.]” during a settlement negotiation.
- m. Respondent transferred marihuana-infused product from its medical license to a third-party adult-use grower license. Respondent created manifest 0002053081 on May 04, 2023. Respondent (PR-000172) was the originating entity and Viola Detroit (AU-G-C-000826) was the destination. The manifest was received by Viola Detroit on May 12, 2023.
- n. On September 27, 2023, the CRA issued a public health and safety bulletin for the recall of several packages Viola Gummies due to the product exceeding the maximum dose of 10 mg of THC per serving and for SBCMI, LLC’s failure to provide evidence that the product was homogeneous. Recall was issued for the following package tag numbers, all produced under license AU-P-000160, and related to the underlying conduct in the above allegations:
 - i. 1A4050300013E5D000020997;
 - ii. 1A4050300013E5D000021007;
 - iii. 1A4050300013E5D000023744;

- iv. 1A4050300013E5D000023612;
- v. 1A4050300013E5D000023621;
- vi. 1A4050300013E5D000023746;
- vii. 1A4050300013E5D000023771;
- viii. 1A4050300013E5D000023612;
- ix. 1A4050300013E5D000021006;
- x. 1A4050300013E5D000020846;
- xi. 1A4050300013E5D000023599;
- xii. 1A4050300013E5D000023616;
- xiii. 1A4050300013E5D000021001;
- xiv. 1A4050300013E5D000023614;
- xv. 1A4050300013E5D000023747;
- xvi. 1A4050300013E5D000023774;
- xvii. 1A4050300013E5D000021004;
- xviii. 1A4050300013E5D000023618;
- xix. 1A4050300013E5D000023743; and
- xx. 1A4050300013E5D000023768.

Count I

Respondent's actions as described above in paragraph m demonstrate a violation of Mich Admin Code, R 420.109(1), which states a processor license authorizes the processor to purchase only from a grower and sell marihuana-infused products or marihuana only to a provisioning center or another processor.

Count II

Respondent's actions as described above in paragraphs h, j, k, and l demonstrate a violation of Mich Admin Code, R 420.112a(2), which states a licensee shall submit a complete, unredacted, signed copy of the licensing, management, or other agreement to the agency for review and approval prior to performance under the agreement. Approval by the agency indicates an agency determination

that it does not appear based upon the information provided that the other party meets the definition of applicant.

Count III

Respondent's actions as described above in paragraph b demonstrate a violation of Mich Admin Code, R 420.206(10), which states a marihuana business shall label all marihuana products with the ingredients of the product, in descending order of predominance by weight.

Count IV

Respondent's actions as described above in paragraph g demonstrate a violation of Mich Admin Code, R 420.206(12), which states a marihuana business producing marihuana products shall maintain records of formulation and make them available to the agency upon request.

Count V

Respondent's actions as described above in paragraphs b, d, e, and f demonstrate a violation of Mich Admin Code, R 420.403(1), which states a producer shall package and properly label marihuana-infused products before sale or transfer.

Count VI

Respondent's actions as described above in paragraph c demonstrate a violation of Mich Admin Code, R 420.403(2), which states marihuana-infused products processed under these rules must be homogenous. The allowable variation for weight and THC and CBD concentrations between the actual results and the intended serving is to be + or – 15%. The agency shall publish guidelines for a producer to follow to verify the marihuana-infused product is homogeneous.

Count VII

Respondent's actions as described above in paragraph d demonstrate a violation of Mich Admin Code, R 420.403(7)(a), which states a producer shall label all

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marihuana-infused product with all of the following: (a) The name of the marihuana-infused product that includes a product modifier such as “marijuana product,” “THC product,” or “cannabis product” using the same or larger font than the product name.

Count VIII

Respondent’s actions as described above in paragraph b demonstrate a violation of Mich Admin Code, R 420.403(7)(b), which states a producer shall label all marihuana-infused product with all of the following: (b) The ingredients, including excipients and diluents, of the marihuana-infused product, in descending order of predominance by weight.

Count IX

Respondent’s actions as described above in paragraph e demonstrate a violation of Mich Admin Code, R 420.403(7)(e), which states a producer shall label all marihuana-infused product with all of the following: (e) The date the marihuana product was produced.

Count X

Respondent’s actions as described above in paragraph g demonstrate a violation of Mich Admin Code, R 420.403(8)(b), which states a producer of edible marihuana product shall comply with all the following: (b) Maintain and adhere to records of formulation and make them available to the agency upon request. These records at a minimum must include the recipe, any additional processing documentation that demonstrates the product to be shelf stable, and test results for all ingredients used.

Count XI

Respondent’s actions as described above in paragraph i demonstrate a violation of Mich Admin Code, R 420.403(11)(a), which states a producer shall not produce an edible marihuana product that requires time and temperature control for safety.

The agency may publish validation guidance for shelf stable edible marihuana product. The agency may request to review the validation study for a shelf stable edible marihuana product. The end product must be a shelf stable edible marihuana product and state the following information: (a) A product expiration date, upon which the edible marihuana product is no longer fit for consumption and after which it must be destroyed. Once a label with an expiration date has been affixed to an edible marihuana product, a licensee shall not alter that expiration date or affix a new label with a later expiration date.

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 333.27407(4) and Mich Admin Code, R 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 Mich Admin Code, R 420.704(1) 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 MMFLA and/or the administrative rules. A compliance conference request must be submitted to the CRA in writing.

Hearing and compliance conference requests must be submitted in writing by one of the following methods:

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

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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 Cannabis Regulatory Agency at (517) 284-8599 or CRA-LegalHearings@michigan.gov.

Dated: 12/7/2023

By: Alyssa A. Grissom
Digitally signed by Alyssa A. Grissom
Date: 2023.12.07 14:44:12 -05'00'

Alyssa A. Grissom
Legal Section Manager
Cannabis Regulatory Agency