

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

In the Matter of

Sky Labs, LLC

ENF Nos.: 21-00144, 21-00249,
21-00496, 22-00296,
22-00413, 22-00415,
22-00416, 22-00418,
22-00311, 22-00448,
& 22-00489

License No.: PR-000121

/ ERRATA TO CONSENT ORDER AND
STIPULATION SIGNED ON JUNE 14, 2023

ERRATA TO CONSENT ORDER AND STIPULATION SIGNED ON JUNE 14, 2023

On June 14, 2023, the Cannabis Regulatory Agency (CRA) issued a consent order and stipulation (ENF Nos.: 21-00144, 21-00249, 21-00496, 22-00296, 21-00413, 22-00415, 22-00416, 22-00418, 22-00311, 22-00448, and 22-00489) against the medical marijuana producer facility license (PR-000121) of Sky Labs, LLC (“Respondent”) under the Medical Marijuana Facilities Licensing Act (MMFLA), MCL 333.27101 *et seq.*, and the administrative rules promulgated thereunder.

The consent order and stipulation signed on June 14, 2023, contained a Scrivener’s Error in that the violation of Mich Admin Code, R 420.303(6) under ENF Nos. 22-00415 & 22-00418 was missing from paragraphs 1 and 2.

The parties agree the intent of consent order and stipulation signed on June 14, 2023, was to include the violation of Mich Admin Code, R 420.303(6) under ENF Nos. 22-00415 & 22-00418.

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This document does not change or amend any other terms or stipulations of the Consent Order and Stipulation signed on June 14, 2023.

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Signed on: 07/28/2023

By: Adam Sandoval Digitally signed by Adam Sandoval
Date: 2023.07.28 06:38:37 -04'00'

Brian Hanna, Executive Director
or his designee
Cannabis Regulatory Agency

AGREED TO BY:

AGREED TO BY:

Desmond Mitchell Digitally signed by Desmond
Mitchell
Date: 2023.07.21 13:37:21 -04'00'

Desmond Mitchell, Operations Director
or his designee
Cannabis Regulatory Agency

Chad Wurtzel
Chad Wurtzel (Jul 20, 2023 14:26 EDT)

Chad Wurtzel, Authorized Officer
on behalf of Respondent
Sky Labs, LLC

Dated: 7/21/2023

Dated: 20/07/2023

Denise Pollicella

Denise Pollicella, P55629
Attorney for Respondent

Dated: 20/07/2023

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DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CANNABIS REGULATORY AGENCY

In the Matter of

Sky Labs, LLC
License No.: PR-000121

ENF Nos.: 21-00144, 21-00249,
21-00496, & 22-00296

FIRST SUPERSEDING FORMAL COMPLAINT

The Cannabis Regulatory Agency (“Complainant”) files this first superseding formal complaint against Sky Labs, LLC (“Respondent”) alleging upon information and belief as follows:

1. The Cannabis Regulatory Agency (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 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 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.

3. Section 206(c) of the MMFLA provides that the administrative rules must ensure the health, safety, and security of the public and integrity of the marihuana facility operations.

^[1] Executive Reorganization Order 2019-2 created the Marijuana Regulatory Agency (MRA) as a Type I agency within the Department of Licensing and Regulatory Affairs (LARA). MCL 333.27001(1)(a)(d). On April 13, 2022, the MRA became the Cannabis Regulatory Agency (CRA). The CRA exercises its statutory powers, duties, and functions independent of LARA’s direction. MCL 16.103.

4. Respondent's conduct as described below is a risk to public health and safety and/or the integrity of marihuana facility operations.

FACTUAL ALLEGATIONS AND INTENDED ACTION OF THE CRA

5. Respondent holds an active state operating license under the MMFLA to operate a medical marijuana processor in the state of Michigan.

6. Respondent operated at 9421 N. Dort Hwy, Mt. Morris, Michigan 48458 at all times relevant to this complaint.

7. Following an investigation, the CRA determined that Respondent violated the MMFLA and/or administrative rules promulgated thereunder as set forth below:

a. ENF: 21-00144

- i. On December 16, 2020, Respondent submitted a retest request to the CRA for twelve statewide monitoring system (Metrac) packages (vape carts) which failed compliance testing for the chemical residue Bifenthrin at 0.4 or higher. The twelve packages are listed below:

1. 1A4050100008C3D000007748,
2. 1A4050100008C3D000007749,
3. 1A4050100008C3D000007750,
4. 1A4050100008C3D000007754,
5. 1A4050100008C3D000007757,
6. 1A4050100008C3D000007783,
7. 1A4050100008C3D000008134,
8. 1A4050100008C3D000008135,
9. 1A4050100008C3D000008136,
10. 1A4050100008C3D000008137,
11. 1A4050100008C3D000008138,
12. 1A4050100008C3D000008139.

- ii. Bifenthrin is a chemical residue banned by the CRA from use in the cultivation and production of marijuana products.

- iii. The distillate used to make the marijuana products previously passed safety compliance testing and did not contain banned chemicals (or this level of banned chemicals) before Respondent used it to create the vape carts at issue.
- iv. Respondent is in violation of Mich Admin Code R 420.206(4), which states the agency shall publish a list of banned chemical residue active ingredients that are prohibited from use in the cultivation and production of marihuana plants and marihuana products to be sold or transferred in accordance with the acts or these rules.

b. ENF: 21-00249

- i. On April 5, 2021, Respondent's Metrc package tag 1A4050100008C3D000014427 (vape carts) failed safety compliance testing for Vitamin E Acetate, a target analyte banned for inhalation by the Food and Drug Administration (FDA).
- v. During the investigation to determine the origin of the Vitamin E Acetate, the CRA discovered the record of formulation (ROF) used in the production of the concentrate did not include the minimum requirements. The Certificate of Analysis (COA) for the terpenes used to manufacture the concentrate did not include all ingredients and their concentrations.
- vi. Respondent did not quarantine the product while undergoing testing. The product was moved from where the original samples were taken and then into the kitchen for remediation.
- vii. Respondent is in violation of Mich Admin Code, R 420.304(2), which states that if a testing sample is collected from a marihuana business for testing in the statewide monitoring system, that marihuana business shall quarantine the marihuana product that is undergoing the testing from any other marihuana product at the marihuana business. The quarantined marihuana product must not be packaged, transferred, or sold until passing test results are entered into the statewide monitoring system.
- viii. Respondent is in violation of Mich Admin Code, R 420.403(6), which states inactive ingredients must be approved by the FDA for the intended use, and the concentration must be less than the maximum concentration listed in the FDA Inactive Ingredient database for the intended use.

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- ix. Respondent is in violation of Mich Admin Code, R 420.403(8)(c), which states that a producer shall keep formulation records for all marihuana products. These records, at a minimum, must include the recipe, any additional processing in order to be shelf stable, and test results for any ingredients used.

c. ENF: 21-00496

- i. On June 14, 2021, Respondent had three Metrc package tags fail safety compliance testing for multiple banned chemical residues at levels significantly above the allowable action limits as indicated below:

- ii. 1A4050100008C3D000022537-

Bifenazate = 1.326ppm; action limit is 0.2ppm
Bifenthrin = 2.722ppm; action limit is 0.2ppm
Carbaryl = 1.125ppm; action limit is 0.2ppm
Chlorfenapyr = 9.923ppm; action limit is 1ppm
Malathion = 10.747ppm; action limit is 0.2ppm
Myclobutanil = 1.235ppm; action limit is 0.2ppm

1A4050100008C3D000022538-

Bifenazate = 13.376ppm; action limit is 0.2ppm
Bifenthrin = 7.434ppm; action limit is 0.2ppm
Carbaryl = 0.884ppm; action limit is 0.2ppm
Chlorfenapyr = 13.526ppm; action limit is 1ppm
Malathion = 8.21ppm; action limit is 0.2ppm
Metalaxyl = 1.814 ppm; action limit is 0.2ppm
Myclobutanil = 1.613ppm; action limit is 0.2ppm

1A4050100008C3D000022539-

Bifenazate = 23.047ppm; action limit is 0.2ppm
Bifenthrin = 12.781ppm; action limit is 0.2ppm
Carbaryl = 1.299ppm; action limit is 0.2ppm
Chlorfenapyr = 12.99ppm; action limit is 1ppm
Malathion = 10.476ppm; action limit is 0.2ppm
Metalaxyl = 3.352ppm; action limit is 0.2ppm
Myclobutanil = 1.613ppm; action limit is 0.2ppm

- iii. Respondent is in violation of Mich Admin Code, R 420.206(4), which states the agency shall publish a list of banned chemical residue active ingredients that are prohibited from use in the cultivation and production of marihuana plants and marihuana products to be sold or transferred in accordance with the acts or these rules.

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d. ENF: 22-00296

- i. On December 7, 2021, and January 6, 2022, audits were requested for multiple Metrc package tags (packages) from Respondent's inventory; these packages previously received full compliance testing.
- ii. On December 14, 2021, a sampling event occurred for the December 7, 2021, audit request.
- iii. The December 7, 2021, audit requested testing of vape carts for chemical residue, Vitamin E Acetate, and potency for the following packages:
 1. 1A4050100008C3D000007748 [-07748];
 2. 1A4050100008C3D000007749 [-07749];
 3. 1A4050100008C3D000007750 [-07750];
 4. 1A4050100008C3D000007754 [-07754];
 5. 1A4050100008C3D000007757 [-07757];
 6. 1A4050100008C3D000007783 [-07783];
 7. 1A4050100008C3D000008134 [-08134];
 8. 1A4050100008C3D000008135 [-08135];
 9. 1A4050100008C3D000008136 [-08136];
 10. 1A4050100008C3D000008137 [-08137];
 11. 1A4050100008C3D000008138 [-08138];
 12. 1A4050100008C3D000008139 [-08139].
- iv. The December 7, 2021, audit request indicated:
 1. Package [-08134]'s initial test results for Vitamin E Acetate resulted in findings of no Vitamin E Acetate; but, when tested again, the results indicated Vitamin E Acetate above the CRA action limit.
 2. Packages [-08135] and [-08136], initially failed for chemical residues but when tested again, passed for chemical residue.
 3. All the packages in the audit initially failed for only the chemical residue, Bifenthrin; however, when tested again, only two packages failed for Bifenthrin; [-07750] and [-07783].
 4. Additionally, the audit indicated, the packages that had failed for chemical residue when tested again, had detections for

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one or more of the following chemical residues: Bifenazate, Carbaryl, Chlorfenapyr, Hexythiazox, Myclobutanil, Spiromesifen, Tebuconazole, and Trifloxystrobin.

5. The audit indicated that the amount of Total THC and Total Cannabinoids were significantly lower than when the packages were initially tested.
 6. Additionally, the audit indicated that three vape carts comprising the sample for package [-08134], which failed for Vitamin E, were distinctly different.
 7. The three vape carts had uniquely different hues ranging from amber to dark yellow which would not be expected in a homogeneous liquid solution. The potency of each cart was measured separately and as a solution. The Total THC found between these three vape carts from the same batch are vastly different.
 8. The audit indicated that the packages tested first are not the same packages that were tested for the second time, and/or the packages were not in the same condition at the time of the second testing, even though all the products contained in the packages were sampled from the same Metrc package tag. Packages containing the same Metrc tag must contain the same product.
- v. On January 18, 2022, a sampling event occurred for the January 6, 2022, audit request.
- vi. The January 6, 2022, audit requested testing of distillate for chemical residue, Vitamin E Acetate, and potency. The testing included the following packages:
1. 1A4050100008C3D000022537 [-22537]
 2. 1A4050100008C3D000022538 [-22538]
 3. 1A4050100008C3D000022539 [-22539]
 4. 1A4050100008C3D000022844 [-22844]
 5. 1A4050100008C3D000022845 [-22845]
 6. 1A4050100008C3D000022846 [-22846]
 7. 1A4050100008C3D000023449 [-23449]
 8. 1A4050100008C3D000023450 [-23450]
 9. 1A4050100008C3D000023451 [-23451].

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vii. The January 6, 2022, audit request indicated:

1. At the time of the sampling event, Respondent presented eight batches of distillate in multiple jars.
2. Respondent presented the multiple jars with altered Metrc tag numbers to indicate they were the same batch.
3. The audit indicated, package [-22537] with the jar designation CAM-220119-091 passed for chemical residues, when all the other jars for that package failed.
4. The audit indicated, jars with package tags [-22537], [-22538], and [-22539] that initially failed for chemical residues failed for distinctly different chemical residues present when tested again.
5. Furthermore, the audit test results indicated when all the packages were tested for cannabinoids initially, Delta8-THC was not detected. When the same packages were tested at again, the following packages were found to contain Delta8-THC: [-22537], [-22846], [-23450] and [-23451].
6. The audit indicated that the packages tested first are not the same packages that were tested for the second time, and/or the packages were not in the same condition at the time of the second testing, even though all the products contained in the packages were sampled from the same Metrc package tag. Packages containing the same Metrc tag must contain the same product.
7. On January 19, 2022, the CRA requested 8 days (January 12, 2022– January 19, 2022) of video surveillance footage from Respondent. Specifically, all camera angles in the kitchen area and all camera angles in the trailer where vape carts are filled and packaged.
8. On February 16, 2022, Respondent provided the video surveillance footage to the CRA; however, none of the angles from the trailer where vape carts are packaged were viewable.

- viii. Respondent is in violation of Mich Admin Code, R 420.209(7), which states in part, each camera must be placed in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the marihuana business and allows for the clear and certain identification of any person, including facial features, and activities, including sales or transfers, in all areas required to be recorded under these rules.
- ix. Respondent is in violation of Mich Admin Code, R 420.210(2), which states in part, a licensee shall immediately tag, identify, or record as part of a batch in the statewide monitoring system any marihuana product as provided in these rules.
- x. Respondent is in violation of Mich Admin Code, R 420.210(3) which states, a licensee shall not reassign or subsequently assign a tag to another package that has been associated with a package in the statewide monitoring system.
- xi. Respondent is in violation of Mich Admin Code, R 420.212(1) which states in part, all marihuana products must be identified and tracked consistently in the statewide monitoring system under these rules

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

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Respondent has the opportunity to discuss the allegations in this complaint and demonstrate compliance under the MMFLA and/or 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
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 Cannabis Regulatory Agency's legal section at (517) 284-8599 or CRA-LegalHearings@michigan.gov. The formal complaints filed against the Respondent on July 9, 2021, and December 1, 2021, are hereby WITHDRAWN and replaced in full by this superseding complaint.

Dated: 8/10/2022

By:

Alyssa A. Grissom	Digitally signed by Alyssa A. Grissom Date: 2022.08.10 16:07:30 -04'00'
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Alyssa A. Grissom
Legal Section Manager
Enforcement Division
Cannabis Regulatory Agency

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In the Matter of

Sky Labs, LLC
License No.: PR-000121

ENF No(s): 22-00413, 22-00415,
22-00416, 22-00418,
22-00311, 22-00448,
& 22-00489

SECOND SUPERSEDING FORMAL COMPLAINT

The Cannabis Regulatory Agency (“Complainant”) files this Second Superseding Formal Complaint against Sky Labs, LLC (“Respondent”) alleging upon information and belief as follows:

1. The Cannabis Regulatory Agency (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 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.

3. Section 206(c) of the MMFLA provides that the administrative rules must ensure the health, safety, and security of the public and integrity of the marihuana facility operations.

4. Respondent’s conduct as described below is a risk to public health and safety and/or the integrity of marihuana facility operations.

FACTUAL ALLEGATIONS AND INTENDED ACTION OF THE CRA

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5. Respondent holds an active state operating license under the MMFLA to operate a medical marijuana processor facility in the state of Michigan.

6. Respondent operated at 9421 N. Dort Hwy., Mt. Morris, Michigan 48458, at all times relevant to this complaint.

7. Following an investigation, the CRA determined that Respondent violated the MMFLA and/or administrative rules promulgated thereunder as set forth below:

ENF 22-00416

- a. On September 2, 2021, the CRA conducted a semi-annual inspection at Respondent's facility.
- b. The CRA observed pre-rolls without statewide monitoring system (Metr) tags affixed to the pre-rolls, bags, or storage bins. This marijuana product could not be identified on any manifest or in the statewide monitoring system as being sourced from a licensed grower.

Count I

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.210(2), which states except for a designated consumption establishment or temporary marihuana event licensed under the MRTMA, a marihuana business must not have any marihuana product without a batch number or identification tag or label pursuant to these rules. A licensee shall immediately tag, identify, or record as part of a batch in the statewide monitoring system any marihuana product as provided in these rules.

Count II

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.212(1), which states, in part, all marihuana products must be identified and tracked consistently in the statewide monitoring system under these rules.

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Count III

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.210(1), which states except for designated consumption establishments or temporary marihuana events licensed under the MRTMA, a marihuana business must not have marihuana products that are not identified and recorded in the statewide monitoring system pursuant to these rules.

Count IV

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.502(1)¹, which states all marihuana products sold or transferred between marihuana businesses must have the tracking identification numbers that are assigned by the statewide monitoring system affixed, tagged, or labeled and recorded, and any other information required by the agency, the acts, and these rules.

Count V

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.109(4), which states a processor shall enter all transactions, current inventory, and other information into the statewide monitoring system as required in the MMFLA, these rules, and the marihuana tracking act.

ENF 22-00489

- a. On November 9, 2021, Respondent had the following statewide monitoring system (Metrc) tags fail safety compliance testing for Bifenthrin, a banned chemical residue:
 - i. 1A4050100008C3D000026259
 - ii. 1A4050100008C3D000026260
- b. Bifenthrin has a half-life of two years.

¹ The Cannabis Regulatory Agency (CRA) Administrative Rules were updated and took effect on March 7, 2022. The updated rule, Mich Admin Code, R 420.502(1), is substantially similar to the prior rule.

- c. On March 7, 2022, the Michigan Department of Agriculture and Rural Development (MDARD) conducted an inspection at the marijuana grower of the abovementioned products and did not detect any indication of the banned chemical residues.

Count VI

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.206(4), which states the agency shall publish a list of banned chemical residue active ingredients that are prohibited from use in the cultivation and production of marihuana plants and marihuana products to be sold or transferred in accordance with the acts or these rules.

ENF's 22-00415 & 22-00418

- a. On January 20, 2022, as a result of an ongoing investigation regarding Respondent allegedly receiving product not associated with any manifests, the CRA made an unannounced visit to Respondent's facility.
- b. The CRA requested that Respondent provide video surveillance recordings of the area where vape cartridges were filled and packaged (all angles) from January 12, 2022 through January 19, 2022.
- c. On January 24, 2022, the CRA informed Respondent the surveillance recordings would be picked up on January 26, 2022.
- d. On January 26, 2022, the CRA picked up the surveillance recordings and observed the recordings were missing all angles as requested.
- e. After further attempts to retrieve the requested surveillance recordings on February 9, 2022 and February 10, 2022, Respondent failed to provide the requested surveillance recordings until February 14, 2022, 25 days after the surveillance recordings were initially requested.

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- f. On January 26, 2022, while conducting an onsite compliance check at Respondent's facility, the CRA observed untagged shake/trim inside a large plastic bag.
- g. On January 26, 2022, the CRA also observed untagged packages inside a yellow and black bin. Respondent admitted to the CRA that the packages were not entered into Metrc. This marijuana product could not be identified on any manifest or in the statewide monitoring system as being sourced from a licensed grower.
- h. On March 17, 2022, the CRA made another visit to Respondent's facility to investigate the product and Metrc manifests it received from a medical marijuana grower facility on January 19, 2022 and February 25, 2022.
- j. The CRA observed a trailer on the premise. The CRA observed a large volume of black and yellow bins within the trailer that had Metrc tags affixed and contained packages and marijuana product.
- k. The CRA also observed a wad of crumbled up statewide monitoring system (Metrc) tags on one of the bins.
- l. The CRA weighed some of the tagged bins associated with the January 19, 2022 and February 25, 2022 manifests, which were transferred from a medical marijuana grower facility.
- m. The total weight of the bins ending in Metrc tag #0003 was 416.64lbs (188984.73g).
- n. The total weight of the bins ending in Metrc tag #0006 was 362.25lbs (164313.84g).
- o. The trailer contained one unmarked bin that weighed 6.05lbs (2744.23g) and one unlabeled bin that weighed 35.75lbs (16215.93g).
- p. The CRA, accompanied by Respondent, observed that the manifests were inaccurate as the GWT listed on the manifests were significantly higher at 450.80lbs. (204480.00g) for each package in comparison to what the product weighed at Respondent's facility.
- q. The January 19, 2022 and February 25, 2022 Metrc manifests indicate that Respondent received marijuana flower (bud) from the medical marijuana

- grower facility. Respondent stated to the CRA that the product it received was flower (bud) but also shake/trim.
- r. The CRA observed the shake/trim and took photographs of the product.
 - s. During an April 12, 2022 onsite visit at the shipping grower facility, the grower admitted to transferring flower (bud) associated with the January 19th and February 25th manifests with the shake/trim.
 - t. Respondent admitted to the CRA that it neither verified if the January 19, 2022 and February 25, 2022 manifests were correct, nor did it weigh the packages before accepting the product.
 - u. On April 12, 2022, the CRA requested the surveillance recordings from March 19, 2022. As of the date of this formal complaint, Respondent has failed to provide those recordings.
 - v. On April 21, 2022, the CRA made another visit to Respondent's facility to discuss the product and Metrc manifests it received from the same medical marijuana grower facility on March 21, 2022 and March 29, 2022.
 - w. Respondent admitted to the CRA that it failed to weigh the product for accuracy prior to accepting the product.
 - x. The March 21, 2022 and March 29, 2022 Metrc manifests indicate that Respondent received marijuana flower (bud) from the medical marijuana grower facility. Respondent stated to the CRA that the product received was mulch. The CRA observed that the product was mulch and took photographs of the product.
 - y. When the CRA asked Respondent about its Standard Operating Procedures (SOPs), Respondent stated that it did not have an SOP for receiving product from another marijuana business.
 - z. On April 21, 2022, the CRA also asked Respondent to provide the February 25, 2022 surveillance recordings and logs of the inaccurate product and manifest arriving at the facility. Respondent stated the cameras were not

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operating that day and was unable to provide the recordings.

- aa. Additionally, on April 21, 2022, the CRA and Respondent went outside to one of Respondent's storage units/trailers that contained product it received from the abovementioned medical marijuana grower facility. The CRA observed moldy marijuana plant waste in a garbage bag that was inside of a bin located outside of the trailer.
- bb. While in the trailer, Respondent stated to the CRA that some of the flower it received contained stems, so it trimmed the flower before processing, which is a grower function. The flower was then shipped for sale and not processed into concentrate.
- cc. The CRA observed a lack of full camera coverage on the packages in the trailer where marijuana product was being stored.
- dd. The CRA also observed a bin in the trailer that had two Metrc tags affixed to it (1A40501000216630000000009 and 1A40501000216640000000011).

Count VII

Respondent's actions as described above, specifically failing to provide the video surveillance when requested, demonstrate a violation of Mich Admin Code, R 420.6(5), which states an applicant or licensee has a continuing duty to provide information requested by the agency and to cooperate in any investigation, inquiry, or hearing conducted by the agency.

Count VIII

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.109(4), which states a processor shall enter all transactions, current inventory, and other information into the statewide monitoring system as required in the MMFLA, these rules, and the marihuana tracking act.

Count IX

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Respondent's actions as described above demonstrate a violation of Mich_Admin Code, R 420.206a(1), which states a marihuana business must have up-to-date written standard operating procedures on site at all times.

Count X

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.206a(2), which states standard operating procedures must be made available to the agency upon request.

Count XI

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.209(6)(a)(i), which states a licensee shall ensure the video surveillance system does all the following: (a) records, at a minimum, the following areas: (i) any areas where marihuana products are weighed, packed, stored, loaded, and unloaded for transportation, prepared, or moved within the marihuana business.

Count XII

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.209(11), which states a licensee shall keep surveillance recordings for a minimum of 30 calendar days.

Count XIII

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.209(12), which states surveillance recordings of the licensee are subject to inspection by the agency and must be kept in a manner that allows the agency to view and obtain copies of the recordings at the marihuana business immediately upon request. The licensee shall also send or otherwise provide copies of the recordings to the agency upon request within the time specified by the agency.

Count XIV

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Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.210(1), which states except for designated consumption establishments or temporary marihuana events licensed under the MRTMA, a marihuana business must not have marihuana products that are not identified and recorded in the statewide monitoring system pursuant to these rules.

Count XV

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.210(2), which states except for a designated consumption establishment or temporary marihuana event licensed under the MRTMA, a marihuana business must not have any marihuana product without a batch number or identification tag or label pursuant to these rules. A licensee shall immediately tag, identify, or record as part of a batch in the statewide monitoring system any marihuana product as provided in these rules.

Count XVI

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.211(2), which states marihuana plant waste, including roots, stalks, leaves, and stems that have not been processed with a solvent must be rendered into an unusable and unrecognizable form through grinding or another method as determined by the agency that incorporates the marihuana plant waste with 1 or more of the following types of compostable waste so that the resulting mixture is not less than 50% non-marihuana plant waste: (a) food waste. (b) yard waste. (c) vegetable-based grease or oils. (d) other compostable wastes approved by the agency.

Count XVII

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.211(6), which states a licensee shall dispose of marihuana product waste and marihuana plant waste in a secured waste receptacle using 1 or more of

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the following methods that complies with applicable state and local laws and regulations: (a) a licensed municipal solid waste landfill. (b) a registered composting facility that has specific approval under part 115 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.11501 to 324.11554, to accept the material. (c) an anaerobic digester that has specific approval under part 115 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.11501 to 324.11554, to accept the material. (d) an in-state municipal solid waste or hazardous waste incinerator that has been permitted under part 55 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.5501 to 324.5542.

Count XVIII

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.212(1), which states all marihuana products must be stored at a marihuana business in a secured limited access area or restricted access area and must be identified and tracked consistently in the statewide monitoring system under these rules.

Count XIX

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.303(6), which states a cultivator may transfer or sell marihuana to a producer without first being tested by a laboratory if the marihuana product will be processed. After the producer has processed the material, the producer shall have the sample tested for all required safety test pursuant to R 420.304 and R 420.305. A producer that received a package under this rule that has not been processed may transfer that package to another producer without having the package first tested by a laboratory for extraction.

ENF 22-00413

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- a. On March 15, 2022, Respondent notified the CRA that its video surveillance system experienced a system failure and as a result, it was shutting down operations effective immediately.
- b. On March 16, 2022, Respondent notified the CRA that its video surveillance system was repaired and now functioning as of 2 pm on March 16th.
- c. On April 21, 2022, the CRA visited Respondent's facility. Respondent stated it would provide the CRA an invoice for the camera repair and the video surveillance recording log.
- d. Later that day, Respondent provided the invoice for the camera repair and the recording log.
- e. The CRA observed the recording log did not contain the information required by administrative rule.

Count XX

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.209(14)(a), which states that a licensee shall maintain a log of the recordings, which includes all of the following: (a) The identity of the employee or employees responsible for monitoring the video surveillance system.

Count XXI

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.209(14)(b), which states that a licensee shall maintain a log of the recordings, which includes all of the following: (b) The identity of the employee who removed any recording from the video surveillance system storage device and the time and date removed.

Count XXII

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.209(14)(c), which states that a licensee shall maintain a log of the

recordings, which includes all of the following: (c) The identity of the employee who destroyed any recording.

ENF 22-00448

- a. On May 16, 2022, the CRA conducted compliance checks and discovered Respondent producing edible marijuana products that were not compliant with the administrative rules.
- b. Respondent produced Motor City Cannabites: THC Fruity Crispy, THC Strawberry Crispy, Cocoa Crispy, THC Snickerdoodle Cookie, THC Cherry Brownie, and THC Walnut Brownie.
- c. All the above-mentioned edible marijuana products were in shapes and in packaging appealing to minors and were not approved by the CRA.

Count XXIII

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.403(9)(a), which states a producer of edible marijuana product may not: (a) produce an edible marijuana product in a shape or with a label that would appeal to minors aged 17 years and younger.

Count XXIV

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.403(9)(b), which states a producer of edible marijuana product may not: (b) Produce an edible marijuana product that is associated with or has cartoons, caricatures, toys, designs, shapes, labels, or packaging that would appeal to minors.

Count XXV

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.403(9)(c), which states a producer of edible marijuana product may not: (c) Package edible marijuana products in a package that can easily be

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confused with a commercially available food product. The use of the word candy or candies on the packaging or labeling is prohibited.

ENF 22-00311

- a. On March 24, 2022, the CRA conducted a compliance check and discovered Respondent producing marijuana edibles with melatonin as an ingredient.
- b. Per the U.S. Food and Drug Administration (FDA) Inactive Ingredient database, Generally Recognized As Safe (GRAS), melatonin is not listed as an approved ingredient.
- c. The CRA conducted a follow up site visit at Respondent's medical marijuana processor facility and confirmed melatonin was no longer being used as an ingredient at the facility. No melatonin was observed, and "melatonin" was removed from all packaging.

Count XXVI

Respondent's actions as described above demonstrate a violation of Mich Admin Code, R 420.206(11), which states all non-marihuana inactive ingredients must be clearly listed on the product label. Inactive ingredients, other than botanically derived terpenes that are chemically identical to the terpenes derived from the plant Cannabis Sativa L., must be approved by the FDA for the intended use, and the concentration must be less than the maximum concentration listed in the FDA Inactive Ingredient database for the intended use.

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

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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 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
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 Cannabis Regulatory

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Agency's legal section at (517) 284-8599 or CRA-LegalHearings@michigan.gov.

The formal complaints filed against the Respondent on August 17, 2022, are hereby WITHDRAWN and replaced in full by this superseding complaint.

Dated: _____

By: _____
Alyssa A. Grissom
Legal Section Manager
Cannabis Regulatory Agency

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