

**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: 24-00381

FORMAL COMPLAINT

The Cannabis Regulatory Agency (CRA) by and through its attorneys, Assistant Attorneys General Jeffrey W. Miller and Sarah E. Huyser, 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 establishment 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. On March 20, 2024, the CRA began an investigation into Respondent's activities based on information in the statewide monitoring system (Metrc) indicating that Respondent accepted THCA isolate from a state-licensed medical marijuana processor.

7. Metrc showed that Respondent received two packages of THCA isolate from the medical marijuana processor on March 6 and 7, 2024. Metrc indicated Respondent received package 1A4050300014ADD000121897 (-121897) on March 6, 2024. This package contained 29,700 grams of THCA isolate. Metrc also indicated Respondent received package 1A4050300014ADD000117997 (-117997) on March 7, 2024. This package contained 300 grams of THCA isolate.

- a. A member of the medical marijuana processor denied transferring THCA isolate to Respondent and did not know why Respondent entered its license number as the source of the transfer.
- b. Respondent's manager, R.H., was asked where Respondent obtained the THCA isolate at issue. R.H. reported that the product came from a business that is believed to be located in Colorado. R.H. admitted that Respondent incorrectly entered the transfer in Metrc as received from the Michigan medical marijuana processor's license number.
- c. Respondent provided the CRA a certificate of analysis (COA) for the THCA isolate. This COA indicated that the product had been tested by a California laboratory in January 2024 and was 86.95% THC.

8. According to Metrc, Respondent received additional packages of THCA isolate from a different state-licensed medical marijuana processor on March 13 and 14, 2024. The two packages had a combined weight of 100,010 grams.

- a. When asked about the packages received on March 14, 2024, R.H. stated that Respondent received the packages from the suspected Colorado business, but incorrectly entered the transfer in Metrc as received from the Michigan medical marijuana processor.
- b. R.H. stated that they incorrectly entered the THCA isolate as concentrate and hemp concentrate in Metrc. R.H. indicated this was due to a lack of knowledge on how to properly track the THCA isolate in Metrc.
- c. One of the packages Respondent received on March 14, 2024, was assigned Metrc number 1A4050300014ADD000084350 (-84350). This package contained 100,000 grams of THCA. Metrc indicated that Respondent used package -84350 to create six child packages containing 12,061.5 grams each and a seventh package containing 27,631 grams.
- d. Metrc indicated package 1A4050300014ADD000123497 (-123497) was received by Respondent on March 13, 2024, and contained 10 grams of THCA isolate. However, R.H. admitted that this package never physically existed.

9. R.H. provided an invoice showing that Respondent purchased 130,300 grams of THCA isolate from a business in Colorado on January 10, 2024. The invoice showed that the product was shipped to an address on Cass Lake Road in Keego Harbor, Michigan. The CRA determined that this address is the residence of Respondent's manager, Z.G. Z.G. stated that the product was then transferred to Respondent's business.

10. R.H. provided the CRA with a document labeled as a "record of formulation." According to this document, Respondent converted three packages

containing a net total of 130,000 grams of THCA isolate to create 123,000 grams of distillate by decarboxylation on January 15, 17, and 18, 2024. Respondent did not enter the products into Metrc until on or after March 6, 2024—at least 51 days after Respondent received the product.

11. The CRA asked Respondent to provide video surveillance footage from March 5 through March 8, 2024. In response, Respondent reported that the requested footage would not show the delivery of the packages received on March 6 and 7, as they actually were obtained in January 2024.

12. Respondent admitted that the January delivery remained onsite for approximately two months without being tagged or tracked in Metrc. R.H. stated that Respondent initially did not enter the product in Metrc because Respondent did not know how to do so correctly.

13. According to Metrc, Respondent received 12 external cannabinoid transfers on or after March 6, 2024. In addition to the above-referenced four transfers from the above-mentioned state-licensed medical marijuana processors, Metrc showed that Respondent received seven transfers containing THCA isolate from a third Michigan-licensed adult-use marijuana processor. The adult-use processor denied transferring the product to Respondent and did not know why Respondent entered its license number as the source of the transfer.

14. On April 22, 2024, the CRA conducted an unannounced site visit at Respondent's business.

15. Upon arrival, CRA staff observed containers with THCA in Respondent's lobby. The THCA was entered in Metrc under two package numbers. Package 1A4050300014ADD000130983 (-130983) was located in four buckets. Package 1A40503000A4ADD000131368 (-131368) was in vacuum-sealed bags inside two boxes. Respondent's manager, Z.G., stated the THCA had been delivered to her residence from the Colorado business. Z.G. stated that all of the THCA received by Respondent came from the Colorado business. Z.G. admitted that they incorrectly indicated in Metrc that the product was from Michigan licensees.

16. According to Z.G., package -130983 was the remainder of the THCA from the shipments received on March 6, 7, and 14, 2024.

17. Package -131368 was sampled as part of safety compliance testing on April 19, 2024. One of Respondent's employees, K.S., was present during the sampling event. Video surveillance of the sampling event revealed that K.S. opened and provided the lab employee with only one of several bags of the THCA contained in package -131368. K.S. did not produce the entire batch of product for sampling.

18. Compliance testing results listed in Metrc for Package -131368 indicated that the product had a THC content of 81.46%.

19. Upon reviewing the video surveillance for the sampling event, the CRA discovered that the timestamp of the cameras was off by one hour and seven minutes.

COUNT 1

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 2

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 3

Respondent's actions as described above demonstrate a violation of Rule 420.206(13), which states that all ingredients containing cannabinoids, whether naturally occurring or synthetically derived, that are added to marijuana or marijuana products must be from a source licensed to grow, handle and product cannabinoids under a license issued by a governmental authority and entered into the statewide monitoring system.

COUNT 4

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 5

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 6

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 7

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 8

Respondent's actions as described above demonstrate a violation of Rule 420.304(2)(f), (g) and (h), which relevantly state that a marijuana business shall not interfere or prevent a laboratory collecting samples of marijuana from complying with the following requirements:

- (f) The laboratory shall have access to the entire batch for the purpose of sampling.
- (g) An employee of the marijuana business from which marijuana product test samples are collected shall be physically present to observe the laboratory employee collect the sample of marijuana product for testing and shall ensure that the sample increments are taken from throughout the batch.
- (h) An employee of the marijuana business shall neither assist the laboratory employee nor touch the marijuana product or the sampling equipment while the laboratory employee is obtaining the sample.

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/ Jeffrey W. Miller
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