

Nevada Cannabis Compliance Board Meeting Minutes October 20, 2020

The Nevada Cannabis Compliance Board (CCB) held a public meeting on October 20, 2020, beginning at 9:00 a.m. In compliance with the Governor's Emergency Directive #006, dated March 22, 2020, the Meeting was conducted by means of electronic communication.

Cannabis Compliance Board Members Present:

Michael Douglas, Chair
Jerrie Merritt
Dennis Neilander (telephone)
Riana Durrett
Dr. Bryan Young

Tyler Klimas, Executive Director, called the meeting to order and took roll. Chairman Michael Douglas, Member Jerrie Merritt, and Member Riana Durrett were present in Las Vegas. Member Dr. Bryan Young was present in Carson City. Member Dennis Neilander joined via telephone. Deputy Asheesh Bhalla confirmed that the meeting complied with open meeting requirements.

I. Public Comment

Executive Director Klimas stated all public comment received up until the start of the meeting will be read into the record. Any public comment received after the start of the meeting will be read into the records at the second public comment period.

Tiana Bohner, Public Information Officer of the CCB, read the following public comment into the record.

Public comment was received from Chris Anderson and requested the Board consider amending NCCR 7.050 to bring the adult use delivery limit in line with the medical delivery limit. Mr. Anderson stated safety and quality of medical deliveries have not been an issue. The lower delivery trip limit exacerbates a competitive disadvantage for smaller operators and larger companies with larger fleets benefit. Adult use patients will have quicker delivery times without detriment to regulatory soundness or public safety.

Public comment was received from Will Adler of Silver State Government Relations requesting clarification of the application of regulations for transportation of and the vehicles allowed to transport cannabis for testing, specifically NCCR 11.015(2) and NCCR 13.040(3). It is position of Scientists for Consumer Safety that laboratory vehicles need no safety modifications. Requested clarification on emails sent to cannabis laboratories regarding the testing of hemp products. It was understood that only tests performed for the hemp program should be shared with Nevada Dept. of Agriculture, and only on a voluntary basis.

Public comment was received from Dani Baranowski on behalf of the Chamber of Cannabis, a newly formed nonprofit. Ms. Baranowski thanked the CCB for clarification on private consumption events and suggested the change that the event coordinator provide documentation that all parties contributing to the event will not violate any of the NCCRs or statutes. They asked for clarification on the one-ounce cannabis limit, what zoning ordinances apply for private events, what is definition of "private," if tickets can be sold, and what the process is to request approval. Also, requested the CCB to rectify agent card issues via Accela and the lengthy process.

II. Consideration for approval of the September 22, 2020 Cannabis Compliance Board meeting minutes.

Chairman Douglas asked for a motion. Member Merritt made a motion to approve the September 22, 2020 meeting minutes. Member Durrett seconded the motion. All Members in favor said aye. Motion carried.

III. Introduction of Board Members

Executive Director Klimas welcomed the new Board Members, Dr. Bryan Young and Riana Durrett. Chair Douglas stated they were pleased to have Dr. Young providing medical expertise and Ms. Durrett providing her understanding of the industry.

IV. Consent Agenda

A. Complaints

Executive Director Klimas stated that pursuant to NRS 678A.510, the Attorney General reviewed these violations and recommended proceeding with disciplinary action. Klimas presented the violations alleged and requested the Board vote to authorize the service of a complaint for disciplinary action for each licensee.

As to Licensee A, the complaint alleged five violations of NAC 453A and eight violations of NAC 453D. As to Licensee B, six violations of NCCR 6.070, six violations of NCCR 4.005, one violation of NCCR 4.035, one violation of NCCR 6.085, and one violation of NCCR 4.050.

Chair Douglas asked for a motion. Member Durrett made a motion to go forward with the complaints. Member Merritt seconded the motion. All Members said aye. Motion carried.

Chair Douglas stated that the agenda item regarding the dispute over change of location between MediFarm LLC and Cheyenne Medical LLC would not be heard at the meeting. The Board is taking additional time to review the legal facts and the item will be on the agenda next month for consideration.

V. Request for Transfer of Interest

Chief Compliance Audit Investigator David Staley presented agenda item V which consisted of four transfer of interest applications.

Mr. Staley presented transfer of interest application for Wellness & Caregivers of NLV, LLC. The requested approval was for existing shareholders to contribute a combined 26% of their current ownership back to Wellness & Caregivers NLV so that the company can issue shares to raise additional capital. A waiver of NCCR 5.110 pursuant to NCCR 5.112 for Retirement Funding Programs Inc. and Danny Shinji Izumi was requested. Staff identified no areas of concern. If approved, ownership will be as follows: Brent Fogel 19.5%; Jay Heller 19.5%; Reckoner Enterprises, LLC 19.5%; DLI Holdings LLC 21.5%; Bradley Saunders 15.5%; Retirement Funding Programs Inc. with William Bender as Trustee 3.5%; and Danny Shinji Izumi 1.0%. Alicia Ashcraft was available for questions.

Chair Douglas asked for questions. There were none. Chair Douglas asked for a motion for approval of the transfer of interest and the 5% waiver. Member Merritt made a motion to approve. Member Durrett seconded the motion. All Members said aye. Motion carried with the waiver.

Member Durrett asked to provide a disclosure statement before the next item was heard. Member Durrett stated she served as of-counsel for Connor & Connor law firm from 2016-2019, where her primary function was drafting standard operating procedures that did not typically involve confidential information. Member Durrett will disclose and abstain from voting on any matters on the agenda where she may have confidential information, or something made her impartial. Member Durrett stated she is not employed by Connor & Connor or any licensees. She has no pecuniary interest in any licensees. She does not believe that the independent judgment of a reasonable person in her position would be materially affected by her work at Connor & Connor or the Nevada Dispensary Association. Member Durrett does not intend to recuse herself from deliberation or voting on any agenda items before the Board.

Mr. Staley moved to agenda item C, transfer of interest for CPCM Holdings LLC. The requests were for existing shareholders to reorganize their existing and individual ownership for tax estate planning and liability protection. Individual ownership will not change but will be held through new entities created by existing owners. Also included was the request for wholly owned subsidiary Cheyenne Medical RD598, LLC to acquire conditional cannabis retail license RD598 from Lone Mountain Partners. CPCM requested waiver of NCCR 5.110 pursuant to NCCR 5.125 for Julie Murray. Staff recommended that the Board limit the waiver to expire on such agenda date as CPCM's next transfer of interest application is heard. Amanda Connor was available to answer questions.

Chair Douglas asked for questions from the Board. There were none. Chair Douglas asked for motion of approval, noting that the waiver of the 5% or less would be approved to the next transfer of interest. Member Young made the motion to approve. Member Merritt seconded. All Members said aye. Motion carried.

Mr. Staley presented item B for Wellness & Caregivers of Nevada II, LLC. The requested approval was for existing shareholders to contribute a combined 26% of their current ownership back to Wellness & Caregivers of Nevada II, LLC so that the company can issue shares to raise additional capital. A waiver of NCCR 5.110 pursuant to NCCR 5.112 for Retirement Funding Programs Inc. and Danny Shinji Izumi was requested. If approved, ownership will be as follows: Brent Fogel 19.5%; Jay Heller 19.5%; Reckoner Enterprises, LLC 19.5%; DLI Holdings LLC 21.5%; Bradley Saunders 15.5%; Retirement Funding Programs Inc. with William Bender as Trustee 3.5%; and Danny Shinji Izumi 1.0%. Alicia Ashcraft was available for questions. Staff identified no areas of concern.

Chair Douglas asked for questions. There were none. Chair Douglas asked for a motion for approval of the transfer of interest and the 5% waiver. Member Merritt made a motion to approve. Member Durrett seconded the motion. All Members said aye. Motion carried with the waiver.

Mr. Staley presented item D for MJ Distributing C201, LLC and MJ Distributing P132, LLC. The requested approval was for Vireo Health International, Inc. to purchase MJ Distributing C201, LLC and MJ Distributing P132, LLC from MJ Distributing Inc. and John Goss and Mark Zobrist, resulting in MJ Distributing C201, LLC and MJ Distributing P132, LLC becoming wholly owned subsidiaries of Vireo Health of Nevada I, LLC, a wholly owned subsidiary of Vireo Health International, Inc. The company requested a waiver of NCCR 5.110 pursuant to NCCR 5.112 for all Vireo Health International, Inc. shareholders that hold under 5%. Mark Zobrist and Kyle Kingsley were available for questions.

Chair Douglas asked for questions. There were none. Chair Douglas asked for a motion for approval of the transfer of interest and the 5% waiver. Member Merritt made a motion to approve. Member Durrett seconded the motion. All Members said aye. Motion carried with the waiver.

VI. Consideration of Proposed Settlement Agreements to Resolve Disciplinary Action

Deputy Attorney General L. Kristopher Rath provided introductory remarks. Mr. Rath will provide a summary of the settlement agreement and the Attorney General's recommendation for approval. Respondents and their counsel will be available for questions, and then the Board may decide to take action. Mr. Rath noted the penalties set forth are under NAC 453D and 453A because the events at issue occurred when those were in effect. The NCCRs became effective August 6, 2020.

Agenda item A was Cannabis Compliance Board vs. Nevada Wellness Center, Case No. 2020-006. The complaint was served on July 21, 2020. The respondent answered the complaint, generally denying allegations and proceeded with the disciplinary process. Settlement negotiations were entered into and the Attorney General and CCB staff came to a mutually agreeable proposal for resolution. The central allegation was the respondent allowed non-delivery sales at the dispensary one day in contravention of the Governor's Emergency Directive #3. The respondent admitted to one Category 5 violation and imposition of \$2,500 civil penalty. The Attorney General's office recommended approval of the settlement agreement.

Chair Douglas asked for questions from the Board. Member Durrett asked if the violation occurred only over one day. Mr. Rath responded that was correct.

Member Neilander made motion to approve the stipulation and settlement in this matter. Member Merritt seconded. All Members said aye. Motion carried.

Agenda item B was Cannabis Compliance Board vs. MM Development Company, Inc., Case No. 2020-007. The complaint was served on July 21, 2020. The respondent answered the complaint, generally denying allegations and proceeded with the disciplinary process. Settlement negotiations were entered into and the Attorney General and CCB staff came to a mutually agreeable proposal for resolution. The central allegation was the respondent allowed an employee and a customer to remain in its dispensary without face coverings in contravention of the Governor's Emergency directives. Respondent admitted to one Category 5 violation and imposition of \$5,000 civil penalty.

Chair Douglas asked for questions from the Board. Member Durrett asked if it was the normal course of business to deny the allegations. Mr. Rath responded yes, and then there was discovery and discussion. Member Durrett made motion to approve the settlement. Member Merritt seconded. All Members said aye. Motion carried.

Agenda item C was Cannabis Compliance Board v. NV Green, Inc., Case No. 2020-010. The complaint was served on August 25, 2020. Respondent's counsel contacted CCB counsel and began settlement negotiations. The Attorney General and CCB staff came to a mutually agreeable proposal for resolution. The allegations concerned violations of requirements for disposing of cannabis waste, alleged non-compliance with certain seed-to-sale tracking requirements, and record keeping. Corrective actions were taken. Respondent admitted to two Category 3 violations and one Category 5 violation for its cultivation facility. Respondent admitted to one Category 3 violation and one Category 5 violation for its production facility. Respondent agreed to imposition of \$10,333 civil penalty, which included time and effort cost. Attorney General recommended approval.

Chair Douglas asked if they were back in compliance with recording and other requirements. Mr. Rath confirmed. Member Merritt made motion to approve. Member Durrett seconded. All Members said aye. Motion carried.

Agenda item D was Cannabis Compliance Board vs. Kynd-Strainz, LLC, Case No. 2020-011. The complaint was served on August 25, 2020. Respondent's counsel contacted CCB counsel and began settlement negotiations. The Attorney General and CCB staff came to a mutually agreeable proposal for resolution. The complaint alleged violations of the requirements for disposal of cannabis waste, non-compliance with certain seed-to-sale tracking requirements, record keeping and one employee without an agent card immediately available. The matters were alleged to occur at the dispensary. Corrective actions were taken. Respondent admitted to one Category 3 violation, one Category 5 violation and imposition of \$13,500 in civil penalty. Attorney General recommended approval.

Chair Douglas asked if they were back in compliance. Mr. Rath confirmed. Member Merritt made motion to approve. Member Durrett seconded. All Members said aye. Motion carried.

Agenda item E was Cannabis Compliance Board vs. Blossum Group, Case No. 2020-011. The complaint was served on August 25, 2020. Respondent's counsel contacted CCB counsel and began settlement negotiations. The Attorney General and CCB staff came to a mutually agreeable proposal for resolution. The complaint alleged certain violations of requirements for disposal of cannabis waste, non-compliance with certain seed-to-sale tracking requirements, improper storage of cannabis products, record keeping, an employee without an agent card immediately available, and certain building maintenance issues. Respondent admitted to one Category 3 violation, one Category 4 violation, and four Category 5 violations for its cultivation facility. Respondent admitted to one Category 3 violation and two Category 5 violations for its production facility. Respondent agreed to imposition of \$30,000 civil penalty, payable in lump sum or payment plan with six installments, and penalties if not timely paid. Attorney General recommend approval.

Chair Douglas asked if they were back in compliance. Mr. Rath confirmed. Member Neilander made motion to approve. Member Durrett seconded. All Members said aye. Motion carried.

Member Durrett asked for clarification if Nevada Green was medical only or if they also have adult use. Mr. Rath believed both but will clarify that.

VII. Consideration of Proposed Amendments and/or Additions to the Nevada Cannabis Compliance Board Regulations

Deputy Director Michael Miles presented six changes to the NCCR, contained within NCCR 5 and NCCR 6. The proposed changes were developed with public and industry input through an informal public period, a public input period and formal workshop held on October 12th.

Proposed new Regulation 5.127 was the requirement for the transmission of a complete shareholder list to the CCB from publicly traded companies and set an appropriate timeframe to provide the list. If it is unreasonable to secure a complete list of shareholders, the cannabis establishment must provide the non-objecting beneficial ownership list and explain to the Board why they cannot obtain and provide a full list of shareholders.

5.112 and 5.125 provide for the waiver process of owners holding less than 5%. 5.112 and 5.125 have been updated to include the language referencing 5.127. An addition to 5.125 (1)(a)(5) is the cannabis establishment agent card requirement for any owner who maintains a position of authority or exerts control over the company.

5.110 was amended in section 10 (e) and set a timeframe in which a cannabis establishment must notify the Board when a shareholder purchases and maintains an interest from under 5% to 5% or over for 45 consecutive days. If the ownership threshold is triggered, the cannabis establishment must notify the Board after it becomes aware of the interest within 5 business days, and the cannabis establishment is required to meet all statutory requirements for a shareholder of 5% or more interest within 30 days after the 45th consecutive day.

Proposed Regulation 6.072 was for training requirements for all establishment types. It was contained within the old NAC 453 regulations. Cannabis establishments should already be adhering to these. In addition, cannabis sales facility training was necessary for delivery drivers.

Proposed Regulation 6.140 provided for the collection of comprehensive demographic data within the cannabis industry. The adoption of regulations providing for this collection is mandated in NRS 678A.450. The CCB envisions sending out a survey once a year. Per NRS, the results are required to be transmitted to the Legislature by January 1st of each odd-numbered year.

Chair Douglas asked about the incorporation of public comment. Deputy Director Miles indicated that the changes made after the workshop are indicated by color on the proposed regulations. Chair Douglas asked if any public comment was received at this meeting today in reference to these regulations. Deputy Director Miles responded there were not.

Member Durrett asked under 5.127(2)(a) and (b), if a company had an owner that was over 5% but was objecting, are they required to provide that identity, or are they allowed to remain objecting and not disclose their identity. Deputy Director Miles responded that if they were objecting, they do not have to disclose but would have to provide the reason why they were not disclosing; and anything over 5% needs to be disclosed.

Member Neilander commented that he appreciated that the CCB held a workshop and thought that the way the materials were presented was helpful and clear. Chair Douglas added that this is a new area with the publicly traded companies, and this is a work in progress. There may be other concerns and questions going forward, and additional rules needed.

Chair Douglas read agenda item VII (A) into the record for 5.110. Member Merritt made motion to approve regulation 5.110. Member Durrett seconded. All Members said aye. Motion carried.

Chair Douglas read agenda item VII (B) into the record for 5.112. Member Merritt made motion to approve regulation 5.112. Member Durrett seconded. All Members said aye. Motion carried.

Chair Douglas read agenda item VII (C) into the record for 5.125. Member Merritt made motion to approve regulation 5.125. Member Durrett seconded. All Members said aye. Motion carried.

Chair Douglas read agenda item VII (D) into the record for 5.127. Member Merritt made motion to approve regulation 5.127. Member Durrett seconded. All Members said aye. Motion carried.

Chair Douglas read agenda item VII (E) into the record for 6.072. Member Merritt made motion to approve regulation 6.072. Member Durrett seconded. All Members said aye. Motion carried.

Chair Douglas read agenda item VII (F) into the record for 6.140. Member Merritt made motion to approve regulation 6.140. Member Durrett seconded. All Members said aye. Motion carried.

VIII. Disposition of Pending Matters

Deputy Attorney General Ashley Balducci provided the disposition for Case No. 2020-4. A complaint for disciplinary action was filed against Brian Padgett alleging several violations of NAC 453D which proceeded to hearing on June 30, 2020. On August 3, 2020, the administrative law judge issued a final decision and imposed disciplinary action against Brian Padgett, that included revocation of all eight of his prior cannabis establishment agent registration cards, imposition of civil penalties in the amount of \$87,500 and a warning issued. The time to appeal has expired and having received no appeal from Brian Padgett, the imposition of discipline is final.

IX. Approvals and Resolutions

- A. Notice of Final Licensure. Executive Director Klimas presented information regarding establishments that have been issued a final license since the last Board meeting.
1. Caliente Development Company, LLC (RC199 and RP130) located in Lincoln County had its final adult use license granted and issued on September 28, 2020.
 2. Nevada Organic Remedies, LLC (RD216) located in Las Vegas had its final license issued on October 19, 2020. A previously submitted change of location was also approved.
 3. Acres Medical, LLC (T012) located in Las Vegas had its final license issued on September 28, 2020.

X. Briefing to the Board from the Executive Director

Executive Director Klimas provided information the Board regarding pending matters. CWNevada has moved towards the sale of the unrevoked certificates and licenses as dictated in the settlement agreement approved by the Board at the July meeting. CWNevada has requested approval to enter into profit-sharing agreements with two service providers. The CCB issued a 60-day conditional approval of the agreements, with profits being placed in trust. The Board will have the opportunity to review these agreements and ask questions. Member Neilander asked if service providers are defined in the regulations and whether they need approval. Executive Director Klimas responded that they will have to apply and receive an agent registration card. Member Neilander commented that gaming had several defined categories for services providers.

Executive Director Klimas provided information to the Board regarding Herbal Choice Inc. (C112) and Herbal Choice NLV, LLC (C111). Both entities are owned by Norberto Madrigal and the facilities were currently non-operational. Mr. Madrigal was arrested and accused of criminal activity, which included activity at location C112. The licenses were up for renewal in June and have not been renewed. Mr. Madrigal has been requested to appear at the November Board meeting to discuss the renewal requests.

Executive Director Klimas reported that the CCB has introduced a new email notification system to replace the older ListServ system. The contact lists were migrated to the new system and test emails were sent out. Mr. Klimas stated if there were any questions, they could reach out to the CCB Media team.

XI. Next Meeting Date.

Executive Director Klimas stated the next meeting date was November 17, 2020.

XII. Future Agenda Items

Chair Douglas asked if there were items requested for future agendas. There were none.

XIII. Public Comment

Tiana Bohner read the public comment from Dani Baranowski which was continued from the previous public comment read at the start of the meeting. As members of the cannabis industry, they appreciated the classification by Governor Sisolak as an essential business. The process of receiving agent cards is not conducive towards job creation and growth of the industry with processing times of one month, and recommended processing time limits to accept or deny Accela submittals. Ms. Baranowski requested an update of the appointment process for the advisory board and requested the Board to provide clear and distinct licensing procedures.

XIV. Adjournment

Chair Douglas made motion to adjourn. Meeting adjourned at 10:29 a.m.