

Cannabis Compliance Board Regulatory Workshop Meeting Minutes

The Cannabis Compliance Board (CCB) held a public meeting on October 12, 2020, beginning at 10:00 a.m. In compliance with the Governor's Emergency Directive #006, dated March 22, 2020, the Workshop was conducted by means of electronic communication.

Cannabis Compliance Board Members Present:

Michael Douglas, Chair
Jerrie Merritt (by telephone)
Dennis Neilander (by telephone)
Riana Durrett

Tyler Klimas, Executive Director, called the meeting to order. Deputy Attorney General Asheesh Bhalla confirmed the workshop had been properly noticed.

- I. Public Comment: Public comment was asked to be submitted online to be read into the record at the meeting. Any comments received from that point on or after will be read at the closing public comment period and/or posted online in their entirety.

Tiana Bohner, Public Information Officer for the Cannabis Compliance Board read public comments received.

Submission one was from Bob Summers. Mr. Summers asked the CCB to address issues with Accela, including agent card processing time. Accountability for consistent interpretation of regulations needed to be addressed. Businesses need to understand the regulations and the consequences. Mr. Summers stated it is difficult to communicate with CCB staff, and emails are not answered timely.

Submission two was from Curaleaf and suggested amendments to section 5.127. The requirement to obtain an agent card for shareholders of a publicly traded company should be limited to shareholders with voting rights and voting interest that equates to more than 5% interest for 90 consecutive days. In 5.127(2)(b), the requirement for annual explanation as to why a publicly traded company cannot provide a list of all beneficial shareholders should be removed. In 5.127(2)(b), the requirement should be changed to state that all shareholders holding 5% or more in the establishment that are known to the publicly traded company should be disclosed.

Submission three was from the Nevada Dispensary Association (NDA). NDA recommended removing language in 5.127(2)(b) to explain why the list of beneficial owners could not be obtained, or edit the section to only request a list of non-objecting beneficial owners. NDA recommended adding language to maintain the confidentiality of shareholders of less than 5%. NDA strongly supported proposed regulation 6.072.

Submission four was from Margaret McLetchie on behalf of GreenMart of Nevada NLV, LLC. GreenMart proposed the time period in 5.127(1) be increased from 7 days to 30 days, which aligns with 5.127(2). McLetchie stated 5.127(1) should be deleted in its entirety. GreenMart proposed change to 5.127(2)(a) to remove language to provide updated list of all beneficial owners, and to only provide updated list of all non-objecting beneficial owners. Publicly traded companies can only identify non-objecting beneficial owners who do not object to being identified. Those who object to being identified or hold shares through trading accounts can not be identified without extremely unreasonable cost or effort.

- II. Executive Director Klimas provided a description of the process used in drafting the proposed changes to the regulations. There was an informal public input period from September 30, 2020 through October 5, 2020. Five comments were submitted during this time and were posted online for viewing.

Executive Director Klimas began with NCCR 5 and stated that changes being proposed dealt mainly with the issue of the waiver process and requirements for ownership for those who hold under 5% of a publicly traded company. Executive Director Klimas began with 5.127 which was a new regulation proposed within NCCR 5. Many of the other changes incorporate 5.127.

NCCR 5.127 was trying to address the requirement of transmission of a complete shareholder list to the CCB of publicly traded companies. At the August Board meeting during a transfer of interest request, there was an open discussion with a publicly traded company regarding the feasibility of reporting this shareholder list to the Board. The company discussed the process around securing such a list of names and addresses of shareholders, and the difference between obtaining those lists of objecting and non-objecting beneficial shareholders.

NCCR 5.127 serves to clarify the timeframe in which a publicly traded company should submit a list of all beneficial owners to the CCB as part of its waiver application for shareholders under 5%. Under NCCR 5.127, a publicly traded company would notify the Board within seven days of notice of an annual shareholders meeting of when that meeting will take place, and then will need to submit to the Board within thirty days after the shareholders meeting or any meeting that relates to change of control of the company. Items in the submission include an updated list of all officers and board members, an updated list of all owners with an ownership interest over 5%, regardless of whether they are voting or have beneficial interest. Submission must include a valid and current name and address of each person disclosed.

In addition, the publicly traded company must submit an updated list of all beneficial owners regardless of amount or type of ownership. CCB recognizes that this may not always be possible. Included in 5.127 is direction to publicly traded companies, if it is unreasonable to secure such a list, to provide the non-objecting beneficial owner list and explain to the Board why they cannot obtain a full list of beneficial owners.

NCCR 5.112 and 5.125 are the regulations that provide for a waiver of requirements for an owner who holds under 5% interest, dealing with both agent registration cards and transfers of interest. Those regulations now reflect and reference 5.127 when it comes to disclosing all ownership records.

An addition to 5.125 (1)(a)(5) is that if any owner of a publicly traded company is found by the CCB to maintain a position of authority or exert control over the company, that individual will be required to obtain a cannabis establishment agent card and go through the background check process.

The final change proposed was in 5.110 (10)(e) which deals with transfers of interest and places a time frame of 45 days in which a cannabis establishment must notify the Board if any current owner will increase their ownership value from under 5% to over 5%. Comment was received where during stock trading, a publicly traded company may not know when a purchaser will rise above 5%. After internal discussions, staff recommended an additional edit that will direct the cannabis establishment to notify the Board as soon as it becomes aware of any ownership exceeding 5%. This allows an owner to rise over and fall under the 5% threshold within the 45 days, and then the requirements for owners over 5% would not apply. This requires publicly traded company to disclose Nevada cannabis regulations and requirements to prospective investors.

Public comment regarding the submission of reports “to the best of their ability” was not incorporated. The CCB feels comfortable with the language as it stands and the requirements are necessary and can be adhered to. The CCB will also take care with the information received that is confidential in nature.

Executive Director Klimas asked for questions from the Board Members. Member Durrett asked for confirmation if beneficial owners over 5% will need to be disclosed regardless of whether they are objecting or non-objecting. Chair Douglas stated that state law requires all are required to be disclosed, it does not say that one gets to object.

Deputy Director Miles commented that there is slight imprecise language that needs to be corrected. In instances where it says over 5%, it will need to be corrected to say 5% or over.

There were no additional questions or comments regarding NCCR 5.

Executive Director Klimas stated the first proposed change creates 6.072 which deals with training requirements for all establishment types. This was contained in the old 453 regulations but did not make it over into the NCCR in July. This is something that establishments should already be adhering to. NAC 453D.352 is the referenced regulation.

There was comment received on the need to clarify if retail training was necessary for delivery drivers. Since delivery drivers hold a retail agent card and are delivering product on behalf of the retail store, it is required. This was clarified in the proposed regulation.

There were comments received regarding agent cards and the ability to allow for training of employees as they wait to receive their agent registration card. Establishments can currently allow for visitors through their approved visitor policy which will allow for training opportunities.

Karalin Cronkhite, Health Program Manager II for the CCB, stated there is nothing in sections 1-6 of 6.072 that prohibits establishments from allowing prospective employees, as long as they are in accordance with their Board approved visitor policy for training purposes only. The trainee must be escorted at all times and is not allowed to handle product or cash until their temporary agent card is received.

Executive Director Klimas stated questions regarding this issue could be directed to the inspections team and Karalin Cronkhite.

Executive Director Klimas stated the second proposed addition of regulation 6.140 which provides for the collection of comprehensive demographic data within the cannabis industry. The adoption of regulations providing for this collection is an obligation contained in NRS 678A.450. The CCB envisions sending out an survey once a year. Per NRS, the results of the survey are required to be transmitted to the Legislature by January 1st of each odd numbered year. The CCB will conduct a similar survey of CCB staff, although this will not be transmitted or turned into a report.

Executive Director Klimas asked for questions from the Board members. There were none.

- III. No additional public comment was received. Executive Director Klimas made a public comment that there have been comments received regarding agent cards. This is an issue the CCB is working through. Covid and public health issues have affected the processing of agent cards. The CCB understands and hears the industry regarding the speed of receiving agent cards. The CCB recognizes the issue and is working thru these challenges.
- IV. Meeting adjourned at 10:30 a.m.