

Nevada Cannabis Compliance Board Meeting Minutes November 17, 2020

The Nevada Cannabis Compliance Board (CCB) held a public meeting on November 17, 2020, beginning at 9:00 a.m. In compliance with the Governor's Emergency Directive #006 dated March 22, 2020 and Emergency Directive #029 dated July 31, 2020, the Meeting was conducted by means of electronic communication.

Cannabis Compliance Board Members Present:

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

Tyler Klimas, Executive Director, called the meeting to order and took roll. Chairman Michael Douglas was present in Las Vegas. Member Dennis Neilander, Jerrie Merritt, Member Riana Durrett, and Member Dr. Bryan Young were present via video connection. Deputy Attorney General 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 record at the second public comment period.

No public comment was received.

II. A. Consideration for approval of the October 12, 2020 Cannabis Compliance Board regulatory workshop minutes

B. Consideration for Approval of the October 20, 2020 Cannabis Compliance Board meeting minutes. Executive Director Klimas made a clarification in regard to the October 20, 2020 meeting minutes. On page 5 paragraph 5 there was an exchange between Deputy Director Miles and Member Durrett. Deputy Director Miles misheard Member Durrett's question. Executive Director Klimas clarified that any owner that owns over 5% of a cannabis establishment, must provide his/her identity and register per the requirements, regardless of whether they object or not. There were no additional questions from the Board.

Chair Douglas asked for a motion for agenda items II A and II B. Member Neilander made motion to approve minutes for October 12th workshop and October 20th meeting, agenda items II A and II B. Member Merritt seconded. All Members said aye. Motion carried.

III. 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 one violation of NAC 453D.

As to Licensee B, the complaint alleged one violation of NAC 453D.

As to Licensee C, the complaint alleged one violation of NAC 453D.

The Chair asked for a motion. Member Neilander made a motion to approve agenda item III A (1), (2), and (3). Member Durrett seconded. All Members said aye. Motion carried.

IV. Request for Transfer of Interest

Member Durrett provided a disclosure. Member Durrett stated she interned for Senator Mike Schneider in 2005. There was nothing about the internship that imparted confidential information, or anything that would make a reasonable person partial in this case, or not objectively impartial. Member Durrett will not abstain from the matter.

Chief Investigator David Staley presented agenda item IV A for Medical Cannabis Healing, LLC. TOI 18001B requested approval for Andrew Schneider to transfer interest to his father Michael Schneider. TOI 18001C requested approval for Bauer Horton, Stephen and Valentyna Parlak, Brian Le, and Paul and Cynthia Rosa to convert subscription agreements and promissory notes into membership interest in Medical Cannabis Healing. Staff identified no areas of concern with TOI 18001C. Staff identified an area of concern with TOI 18001B because Andrew Schneider transferred his 2.24% ownership interest to his father, Michael Schneider before receiving approval. This was an apparent violation of NAC 453D, which was in effect at time of transfer.

CCB staff provided options to Medical Cannabis Healing executives and included their responses in the investigative report. Tyler Morgan was present to answer questions.

Chair Douglas asked for questions from the Board. There were none. Chair Douglas asked for Tyler Morgan to join the meeting to answer questions regarding this technical violation.

Tyler Morgan appeared on behalf of Medical Cannabis Healing. On January 4, 2018, a transfer of interest request was submitted to DPBH for Andrew Schneider to transfer his ownership interest to Michael Schneider, who was also an owner at that time. In June, a subsequent transfer of interest was submitted. Stephen Rudy was contacted and asked about the transfers. Mr. Rudy responded that there was a backlog. Agent cards were issued to prospective owners in the transfer, so they thought that the transfer had already been approved. It appeared that the first request was never finalized by DPBH. The second transfer was with the Department of Taxation. They were trying to get both approved.

Member Neilander asked Mr. Morgan if he understood that there were regulations in place and transfers can't be done without prior approval. Mr. Morgan responded that he understood.

Chair Douglas asked for recommendations. Member Neilander recommended approving the transfers, noting that there was a violation of the old regulation and there were mandatory penalties. The approval would be conditioned that the transfer would take place after the penalties were paid.

Chair Douglas stated that violation had a maximum fine of \$10,000. Considering there was a technical violation with mitigating circumstances surrounding it, the question was whether the Board is obligated to impose a \$10,000 fine, or set it for a hearing for that amount; or, can the Board impose less than that amount for the alleged violation, that the licensee could then stipulate and agree to? Chair Douglas asked to hear from Board counsel.

Senior Deputy Attorney General Kristopher Rath responded that if the licensee is agreeable to stipulating to a fine, then one would not need to go through the hearing process. If they do not stipulate, then one would need to go through the process of filing the complaint and having the hearing. There is the discretion to go below the maximum.

Chair Douglas recommended considering approval of the TOI on a stipulated agreement to accept civil penalties in the amount of \$4,000. The license would be final once that agreement was worked out with the licensee.

Mr. Morgan asked for clarification that his options were to agree to a \$4,000 fine and have both transfers processed, and if he did not agree then it would go to another hearing. Chair Douglas responded that was correct. Mr. Morgan asked if he could confer with counsel regarding this and respond later that day. Chair Douglas stated they could move forward with this because the motion would be conditioned that if the fine was accepted, it could be wrapped up with the stipulation. If Mr. Morgan did not agree, then the Board would move forward with additional actions.

Mr. Morgan asked if there was someone he could communicate with to provide his answer. Executive Director Klimas responded that he could contact Chief Staley. Chair Douglas recommended amending the motion to conditionally approve the TOI on a stipulated agreement for Medical Cannabis Healing to accept civil penalties in

the amount of \$4,000 for the intentional violation of NAC 453D (5)(3)(b), and would be conditional until stipulation is memorialized, as the licensee asked for additional time to confer with his counsel and owners. If accepted, the stipulation would be memorialized and finalized. If the licensee would like to pursue other action, then the Board would proceed with alternative action.

Member Neilander stated that the amended motion was agreeable. It was stated on the record that the licensee thought the other transfers had already been approved based on other activities that went on. Member Neilander stated the motion would be to approve the TOI conditioned that there be a stipulated agreement between Medical Cannabis Healing to accept the civil penalty in the amount of \$4,000 for the violation of NAC 453 D. Member Durrett seconded the motion. All Members said aye. Motion carried.

Mr. Staley presented agenda item IV B, which consisted of TOI applications 19010, 19075, and 21011, for Naturex LLC requested approval for internal transfers to be completed. The applications would result in five existing members selling their membership interest to other two existing members, Samuel Dorf and George Archos. If approved they would each own 50% interest. Staff identified no areas of concern. Kimberly Maxson-Rushton was available for questions.

Chair Douglas asked if Board members had any questions for comments. Member Neilander asked if this was an internal reorganization. Mr. Staley replied that there were seven owners of Naturex through intermediary companies. Five members are selling their interest to the two individuals.

Member Neilander made a motion to approve of agenda item IV B. Member Durrett seconded the motion. All Members said aye. Motion carried.

V. 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. These matters were based on NAC 453D which was in effect during the time of the violations.

Agenda item A was Cannabis Compliance Board vs. Tryke Companies Reno, LLC, Case No. 2020-018. The complaint was served on September 22, 2020. Settlement negotiations were entered into and the Attorney General and CCB staff came to a mutually agreeable proposal for resolution. The allegations concerned violations of failing to meet seed-to-sale tracking requirements, failing to meet requirements for disposal of cannabis waste, issues with packaging and labeling requirements, and issues with timely production of records. To resolve this matter, the respondent admitted to two category 3 violations and two category 5 violations. Respondent agreed to imposition of \$10,000 civil penalty, which was inclusive of costs. The licensee provided plan of correction which addressed all of these issues and they are now in compliance. The Attorney General's office recommended approval of the settlement agreement.

Chair Douglas asked for questions from the Board. There were no questions.

Member Durrett made motion to accept the settlement agreement for this matter. Member Merritt seconded. All Members said aye. Motion carried.

Agenda item B was Cannabis Compliance Board vs. Alicia Nina Castile, Case No. 2020-016. The complaint was served on August 25, 2020. This was a disciplinary action seeking revocation of agent cards and \$1,250 civil penalty. The complaint had two key allegations. The complaint alleged the respondent was working in a dispensary when she was only allowed to work in production or cultivation. The complaint alleged that the respondent diverted marijuana by placing product in her pocket. The respondent did not have legal counsel and entered into settlement negotiations. The Attorney General and CCB staff came to a mutually agreeable proposal for resolution. To resolve the matter, the respondent admitted to a violation of 453D (3)(a), which is a revokable offense. The respondent has left the industry. The CCB agreed it would not seek payment of the civil penalty. The Attorney General requested approval of the settlement agreement.

Chair Douglas asked for questions from the Board. There were no questions. Member Durrett made motion to accept the settlement agreement. Member Merritt seconded. All Members said aye. Motion carried.

Agenda item C was Cannabis Compliance Board vs. Tahoe-Reno Botanicals, Case No. 2020-019. The complaint was served on September 22, 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 in the complaint alleged failure to meet requirements for disposal of cannabis waste, seed-to-sale tracking, and improper transportation manifests. To resolve this matter, respondent admitted to one category 4 violation and one category 5 violation. Respondent agreed to imposition of civil penalty in the amount of \$7,888.50, which was inclusive of costs. The licensee provided a plan of correction for all issues raised in the complaint and is now in compliance. Attorney General recommended approval of the agreement.

Chair Douglas asked for questions. Member Neilander asked if an additional exhibit can be included that contained a summary of what the corrective actions were and have that be in the file, so that if there was a repeat incident it would be in the record. Deputy Attorney General Rath responded the plan of correction can be included as an exhibit in the settlement agreement and materials. Member Neilander commented that the entire plan of correction did not need to be included, but a summary would be sufficient.

Member Neilander made motion to approve the settlement agreement for agenda item V B. Member Merritt seconded. All Members said aye. Motion carried.

VI. Consideration of the Dispute Over Request for Change of Location between Cheyenne Medical LLC and MediFarm, LLC, continued from September 22, 2020 Board Meeting.

Deputy Attorney General Kristopher Rath presented this agenda item for consideration before the Board. This matter was continued from the September 22, 2020 Board Meeting. This matter came before the Board at the request of CCB Staff when Cheyenne Medical (Thrive) submitted a change of location request to move a retail cannabis dispensary to 2975 Sammy Davis Jr. Drive in Las Vegas, Nevada (Subject Property). Mr. Rath provided a timeline of key events in this matter. The Board may vote to grant the request for change of location, conditionally grant the request, deny the request, conditionally deny the request, or to continue the matter to a later date. Counsel for MediFarm and Cheyenne Medical were available for additional questions.

Chair Douglas asked if the Board had any questions for counsel. Member Durrett asked Mr. Rath if a change of location is barred by the new NRS that put the 1,500 foot setback in place. Mr. Rath responded that they looked at whether it could be retroactively applied. Member Neilander asked Mr. Rath to confirm if both of the parties involved agreed that the grandfather ran with the land and was not specific to a license. Mr. Rath responded that that was their conclusion.

Chair Douglas commented that this matter was a perplexing and interesting request put before the Board. Chair Douglas provided a summary of the events for the matter as it related to the Department of Taxation's initial conditional approval and the dealings with the landowner and local jurisdiction. One matter that will need to be addressed in the future is the definition of "application", and if that applied to the date of application for the license or the date of application for the transfer of location. Both entities received their licenses prior to any change in law. The Board was in a position to award a conditional license to Cheyenne Medical. But it was noted that it will be a race, as there two conditional licensees. The first to meet all of the terms would be licensed to operate at the location. Chair Douglas asked for additional comment from the Board.

Member Neilander agreed with Chair Douglas, and added that he did not see anything in the record that indicated that the Legislature intended for this distancing law to be imposed retroactively. There could be the argument that that would not be legal in any circumstance. Member Neilander was not aware of another instance where there was an approved SUP by the county prior to a distancing requirement. In Gaming, Legislature generally would clarify in a reviser's note what the grandfather provisions were and how the applicants could go forward. Member Neilander added the landlord purchased the land with the intent of having a dispensary there, and had received all of the necessary approvals. If there is no retroactive application of the law, then the transfer could be permitted and not barred by the distance requirement. Member Neilander asked how to deal with the existing approval granted by the Department of Taxation. He added that the Board could approve the request with the condition that there can be only one license at that location.

Chair Douglas stated that there was a conditional license that has not been finalized, and there was no prohibition against issuing a second conditional license. Then whoever gets the landlord's approval and meets the other requirements, would be the one granted the license. Chair Douglas did not think a conditional license needed to be rescinded.

Member Neilander asked Executive Director Klimas if any additional conditions needed to be included in the motion in order for CCB staff to process it properly. Executive Director Klimas responded that no other conditions would be required.

Member Durrett stated that she agreed with how the issue was framed, and the comments of Chair Douglas and Member Neilander. She added that she had been involved in crafting AB533, and did not think there was consideration that it would prevent changes of location going forward. Member Durrett stated that allowing Cheyenne Medical to go forward with a change of location request was correct legally and policy-wise.

Member Neilander made a motion to approve the change of location request for Cheyenne Medical, LLC (RD263), and the approval be conditioned that there be no more than one dispensary license at the noted location. Member Merritt seconded the motion. All Members said aye. Motion carried.

VII. Consideration for Approval of Professional Services Agreement and Equipment Lease Agreement between Pure Tonic Concentrates, LLC and Lucid Management

Mr. Staley presented agenda item VII, which consisted of a request for approval of a professional services agreement and equipment lease agreement between Pure Tonic Concentrates, LLC and Lucid Management, LLC. CCB staff reviewed the agreements, found them appropriate, and issued a conditional approval letter on October 9, 2020. The letter conditioned the CCB approval until the date of the meeting, November 17, 2020. The Board may provide formal approval of the management agreements. Jake Ward and Thor Hoyte were available for questions.

Chair Douglas asked if the CCB would be notified if the 12 month agreement would be extended if there had not been a sale. How would the CCB know that they are in compliance at the end of 12 months?

Mr. Staley responded that the approval could be conditioned on submission of or notification of an extension to the agreement unless a sale is made.

Member Neilander made a motion to approve the professional services agreement and equipment lease agreement between Pure Tonic Concentrates and Lucid Management, conditioned that the licensee must notify the Board 30 days in advance of any amendment to the agreements. Member Durrett seconded the motion. All Members said aye. Motion carried.

VIII. Consideration for Approval of CWNevada LLC's Profit-Sharing Agreements

Senior Deputy Attorney General Ashley Balducci presented item VIII. CWNevada requested that the CCB approve four profit-sharing agreements for the Ali Baba production facility. These agreements were approved by the receivership court prior to submission to the CCB. CCB recommended conditional approval on October 8, 2020. This item was discussed at the October 20, 2020 meeting. CWNevada withdrew two of the profit-sharing agreements, so there were two before the Board to deliberate and vote on. The receiver, Dotan Melech, and the counsel, John Savage, were available for questions. There was one profit-sharing agreement for manufacturing and production services between CWNevada and Consensus. The second profit-sharing agreement was for manufacturing and production services between CWNevada and Spectrum.

Chair Douglas asked for background information on both. Ms. Balducci responded that her understanding of the agreement was that Consensus would provide manufacturing and production services. After reasonable reserves for future expenses, Consensus will retain 70% of net cash from the operation with the remainder going to CWNevada. Shawn Falconbridge was available to answer questions. Ms. Balducci stated in her review of the agreement with Spectrum, Spectrum will pay CWNevada 8% of the net revenue sharing if CWNevada sells it, or 3% net revenue sharing if Spectrum sells it. 40% of the net cash from operations goes to Spectrum and the remainder to CWNevada. The Spectrum agreement is different in that Spectrum is providing working capital to CWNevada through receivership certificates that is paid back with 18% interest, and that must be paid back before any other receivership certificates are paid back. Aaron Lyons was available for any questions.

Member Neilander commented there was nothing in the agreements that appeared unreasonable from a commercial point of view, and the receiver had an obligation to protect the creditors and put the business in a

position to sell it. Member Neilander asked for a status of that, and what the status of the other two agreements was. Ms. Balducci responded that the other two agreements were withdrawn for CCB approval and the receiver will not be requesting CCB approval for those.

Mr. Staley added that both of the companies that have entered into services agreements with CWNevada will be contributing some capital to support the operations. A brief background check was done and no issues were found. CCB staff is comfortable going forward with a proposed approval of the two agreements.

John Savage provided a brief update on the status of the receivership. November 16 was the deadline for interested parties to submit initial bids for the licenses available for sale. At least one bid was received for each license that met the minimum bid requirements and proof of funds. There will be a status check with receivership court on December 7, and the virtual action is set for December 15. Final approval of licenses will be in front of the receivership court. Final payments for the licenses will be due by January 15, in time for the deadline under the settlement agreement with the Board of January 21, 2021.

Member Durrett asked for the parties in the profit-sharing agreement and those that are allowed to bid, if they are required to already be licensed or subject to becoming licensed. Mr. Savage responded that individuals or companies with or without a license are allowed to bid. The transfer will need to be approved by the Board, but a court order makes the sale final and not conditioned upon Board approval. If the interested purchaser was denied approval, there would be efforts to cure that application, or potentially the new purchaser would need to find a new buyer. For the two companies in the profit-sharing agreements, the owners have received temporary agent cards.

Member Neilander commented that within the profit-sharing agreements, it referenced the CCB's provisions and the Cannabis Act and he was comfortable with the language. Member Neilander made a motion to approve the services agreement entered into between Consensus and the receiver, as well as the services agreement between Spectrum and the receiver as stated on the agenda. Member Merritt seconded the motion. All Members said aye. Motion carried.

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. Commerce Park Medical, LLC (RD329) was issued its final license on October 15, 2020.
2. Pure Tonic Concentrates, LLC (RD456) was issued its final license on November 4, 2020.

X. Briefing to the Board from the Executive Director

Executive Director Klimas provided information regarding three matters.

Executive Director Klimas provided an update on agent registration cards. There had been a delay in issuing temporary agent registration cards and permanent agent registration cards. The temporary card is issued as a PDF and could be available as soon as the complete application is received, included all necessary information in the application, payment received, and proof of fingerprinting has been delivered. The temporary card process was put into place by law to allow applicants to begin working in the industry while waiting for the results of the background check. The majority of resources are now focused on getting the temporary cards processed, since that is what is required to work. There is now a five-day turnaround time, in addition to the time to mail in payment, to issue the temporary agent card for completed applications. On November 9, the CCB extended the expiration date on temporary cards to January 31, 2021. Recent reports of delays are in regard to the issuance of permanent card. Given the extensions granted, there should be no concerns by anyone in the industry regarding their work status if they currently hold a temporary agent registration card. To speed up the process, the entire application can now be done online in less than 5 minutes. The online application has significantly reduced the number of incomplete applications received, which is one of the biggest sources of delay. CCB is working on coding automatic emails to notify applicants of missing information. Additionally, CCB staff is going through the outstanding incomplete applications. Over 2,000 applications are received each month. On average, 92 temporary cards and 51 permanent cards are issued per day. The CCB will be working with Department of Taxation staff to assist in processing agent cards. The CCB is working on implementing ACH payments, and setting up a pilot program with a revolving account to allow establishments to pay for agent cards from their own accounts. The CCB is looking at eliminating the need for registered agents to hold multiple cards for multiple establishment types.

Member Durrett commented that the update was helpful and she was encouraged by the things the CCB is working on to improve the process going forward.

Executive Director Klimas provided an update on disciplinary matters. There were two open investigations from 2018. Complaints were issued, approved for service, and served. Both are currently in settlement negotiations with CCB and the Attorney General's office. There was a larger list of identified violations and/or open investigations from 2019. Six complaints have been served and staff continues to work through the list. It is possible the Board will see some additional complaints from 2019. For 2020, the Board has seen the complaints issued this year.

Executive Director Klimas provided an update on Herbal Choice Inc. and Herbal Choice NLV which was discussed at the last Board meeting. Both entities are owned by Norberto Madrigal who was recently arrested and charged with alleged criminal activity. He was asked to appear at the November 17 meeting but his attorney asked that the matter and his appearance be stayed until the criminal case is resolved. The CCB and Attorney General's office is working to memorialize this in a written agreement, which will include the prohibition that Mr. Madrigal will not conduct any operations at his two currently non-operational cultivation facilities until a final determination is made on the renewal. Mr. Madrigal will be expected to come before the Board once the criminal case is resolved.

XI. Next Meeting Date.

Chair Douglas stated the next meeting date was December 18, 2020.

XII. Future Agenda Items

Chair Douglas stated the Board will need to look at the word "application" and what that means, and how that may affect various regulations.

XIII. Public Comment

No public comment was received.

XIV. Adjournment

Chair Douglas made motion to adjourn. Meeting adjourned at 10:43 a.m.