

Nevada Cannabis Compliance Board

Meeting Minutes April 27, 2021

The Nevada Cannabis Compliance Board (CCB) held a public meeting on April 27, 2021, 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, Member Jerrie Merritt, Member Riana Durrett and Member Young were present via video connection. Deputy Attorney General Asheesh Bhalla confirmed that the meeting complied with open meeting law requirements.

I. Public Comment

No public comment was received.

II. Meeting Minutes

A. Consideration for approval of the March 23, 2021 Cannabis Compliance Board Meeting minutes.

Chair Douglas asked for a motion on agenda item II. Member Neilander made a motion to approve the minutes. Member Merritt seconded. All Members said aye. Motion carried.

III. Briefing to the Board Regarding January 19, 2021 Workshop

Member Young provided an update regarding the discussion concerning NCCR 12.065. Member Young stated that the regulation was overly broad and may need to be repealed or amended. The bigger issue was that the consumers clearly want to be informed regarding the product, which becomes a labelling issue. This could be discussed at workshop regarding labelling and with the upcoming legislation regarding labelling. The technologies appear safe for the consumer. Member Young asked Director Klimas for guidance regarding scheduling.

Director Klimas commented that the legislation that Member Young referenced was SB 168, which would provide the flexibility for the Board to promulgate regulations around packaging and labeling (what would be included on the package and what would be included in a pamphlet included with purchase). The conversation around NCCR 12.065 could be included in that discussion to determine how to provide that information to a customer that a product has been remediated. This could take place after the passage of SB 168.

Member Young thought that was appropriate. There will need to be some type of labelling on all product that undergoes post-harvest remediation, something broad that would cover all of the different industries, and the consumer could be better informed.

Chair Douglas thanked Member Young for his work and asked Director Klimas about other pending legislation about working with another State agency. Chair Douglas agreed that continuing this matter until after Legislature has spoken makes sense.

IV. Request for Transfer of Interest

Director Klimas stated that agenda item C (Compassionate Team of Las Vegas, LLC) has been continued and will be heard at the May board meeting. Chief Investigator David Staley presented transfers of interest.

- A. Chief Staley presented the transfer of interest request for Curaleaf Holdings, Inc. TOI's 19071, 19090, 19091 request approval for Curaleaf to purchase ownership interest in Naturex II, LLC from Robert Frey, Brian Kessler, and Andrey Blokh. TOI 21015 was assigned in error to update officers and board members and was included here to administratively remove it from CCB records. Curaleaf has requested waivers pursuant to NCCR 5.112 and 5.125 of the requirements of NCCR 5.110. Naturex II has requested a waiver pursuant to NCCR 5.125 for Kyle Wyloge. Staff suggest that if approved, the waivers be set to expire on the agenda date that their next TOI application is heard. Staff identified areas of concern for TOI 19090. Amanda Connor and Peter Clateman appeared on behalf of Curaleaf.

Chair Douglas stated that he had concerns and information issues regarding the selling of stock by one of the members and how that occurred.

Ms. Connor thanked the CCB staff for their work and asked Curaleaf's counsel to address the Chair's questions. Mr. Clateman stated that Curaleaf did not have the ability to stop a shareholder from transferring their shares and without their involvement. Individual shares cannot be traced if they are publicly traded. If the shareholder has not deposited their shares into the publicly traded depository system in Canada, you would see them as the direct shareholder on the register. They can provide the document with respect to the transfer in October 2019 and it would show the direct legal entity transfer but does not show who owns that entity. When the shares were transferred, there were in the depository, in the transfer agent in Odyssey Trust Company.

Member Neilander asked if there was a requirement under Canadian securities law that you report transactions above 5% if you are aware of them. Mr. Clateman responded that it was 10% and the burden is on the shareholder.

Member Durrett asked if you could require of shareholders purchasing stocks that they report over 5%, for an offering in the future. Mr. Clateman responded that they could. They polled for the 10% and let them know they were required to do it. Member Durrett added that it was understandable if that didn't occur in 2019, but it has to happen going forward and publicly traded companies can't come back and say that they had no control. In the privileged are, it won't be treated like every other publicly traded company. It may be different state by state due to federal conflict and state legalization. Mr. Clateman responded that even if the requirement was in the articles, they would not be able to police it. They would only see the Canadian depository system as the shareholder. Member Durrett stated that it would allow the regulators to do it because they could impose requirements and require disclosure of identity as well. Mr. Clateman reiterated there was no way to police it and the burden is on the shareholder. If they found out, certain actions could be taken. Ms. Connor stated that there is a provision in the articles that if they became aware that a shareholder cannot comply with regulatory requirements, they have the ability to take action and buy out a shareholder.

Chair Douglas stated his concern was compliance with Nevada laws. There was little information on the stock transfer, and he would like to see more information about that divestment and information on when it came onto their books, as to how the stock was broken down, whether it was purchased by the company. The Board wants to be fair to publicly traded companies and enforce the laws of the state of Nevada. Chair Douglas stated he would like specific information as to what happened.

Mr. Staley stated that the company provided information that indicated Curaleaf did not repurchase those shares from the investor but did provide the schedule of when the investor sold the shares in October 2019 and who they sold them to. Ms. Connor responded that the shares were sold on October 16, 2019 and it was a third-party transaction. Mr. Clateman added that it did appear to be third party transfers. The companies that were transferring the shares didn't hold them in the depository system, so they were able to see the names of the companies that own the shares and the two companies that they transferred to. Chair Douglas stated he would like the opportunity to consider the information just provided.

Member Durrett asked if the other transfers could be addressed. Member Neilander agreed that the one transfer should be held in abeyance. There was a question of how to separate the transfers. Mr. Staley responded that the sale of shares by the third-party independent shareholder is not specifically tied to any individual TOI. The areas of concern relate to Curaleaf Holding's TOI applications in general. Ms. Connor agreed. Ms. Connor added that her clients did their best to comply without clear guidance and asked that the Board approve the transfers that have been pending for some time, and if there are areas of concern, those can be addressed with a stipulation and perhaps settlement.

Chair Douglas appreciated the request; however, the Board's obligation is to uphold the law. Chair Douglas would like to have another look at this and see if there is a way to approve part of the pending transactions. If it is global situation, then the Chair would move to hold until the next meeting to make sure all of the questions have been answered.

Mr. Staley thought it might be possible to hold TOI 19071 until the next agenda and any areas of concern addressed in TOI 19090 and 19091 could be handled relative to TOI 19071. Mr. Clateman commented that the transfers have been pending for a year and a half. The Board is looking for information as to whom the shares were transferred to. The shares barely exceeded the 5% level and were indirect shares of a holding company. There was no money going into the licensee companies from whoever the shareholder was. Mr. Clateman thought there was a big disconnect between this packet of shares and the transfers that they were asking to be approved. Mr. Clateman asked the Board to consider approval, subject to providing the information on the transfer which shows the transfer of shares to other legal entities.

Mr. Staley provided possible actions for the Board to take to allow the company to move forward on the pending transaction for Las Vegas Natural Caregivers. Ms. Connor requested that all of the transactions move forward and include a stipulation that the company provide the information to staff on that share transfer. Mr. Staley stated the Board may request the Deputy Attorney Generals to discuss a stipulated settlement to be heard on the May agenda.

Chief Douglas stated that he would only be comfortable approving TOI 19071, as to Robert Frey and Brian Kessler, and holding the other two for additional information and heard at the May meeting. It is not known if there would need to be a settlement. Member Durrett commented that she would be comfortable with a conditional approval, with the condition on the proposed stipulation occurring and being able to review that particular transaction. Member Neilander commented that the transaction involving an individual over 5% can be dealt with as part of the stipulation if needed or with the other pending application. The stipulation can't deal with the individual that made market transactions, but the Board has the ability and jurisdiction to look at that. Member Neilander asked if the company could address other jurisdictions where the company is licensed and those thresholds and possible noncompliance. Mr. Staley confirmed that the shareholder that divested their shares has a pending transfer of interest application and the CCB can follow up relative to that individual shareholder.

Mr. Clateman added that the divestment of shares did not result in a new 5% shareholder. Mr. Clateman was not sure what concerns were being referred to in other states. It was not at the ownership level. In Maryland, they had asked Grass Roots to sever a relationship with a licensee prior to acquisition, and it was discovered that the relationship was not completely severed. The timing of acquiring Grass Roots and divesting of the license did not avoid a temporary overlap in licenses. Member Neilander commented that this was not an area of concern but wanted the company to be aware that regulators in Nevada are watching what is going on in other states. Management contracts may approach some of the caps on licenses.

Mr. Clateman appreciated that and assured the Board that in no instance were they looking to exceed caps. There is a difficulty in operating in different states to perfectly time divestments. There was an intent to comply. The transfers were approved in Maryland last Thursday. Member Neilander understood the difficulty, but part of the investigative process is to make sure the company is not doing something in another jurisdiction that would cause problems for Nevada. Ms. Connor requested that Board consider the option proposed by Mr. Staley of moving forward with a conditional approval and stipulation.

Member Durrett stated that this one is important because Curaleaf is so visible and could be a leader to other licensees. Member Durrett added that the statute in place at the time was that any transfers had to be approved, so the fact that Taxation may not have had a clear path does not mean there was not a violation.

Member Durrett would like to hear about more about how the company complies with Nevada's regulatory structure, rather than how it works with publicly traded companies on the Canadian Stock Exchange.

Member Neilander made a motion to approval agenda item IV A as stated on the agenda, conditioned that the transfers are not officially approved or take place if they are pending, until the licensee and Attorney General's office and CCB staff are able to reach a stipulated settlement agreement in respect of what appears to be transfers that occurred without approval, hopefully to appear on the May agenda. Member Durrett seconded. All Members said aye. Motion carried.

Member Neilander commented that the TOI numbers are not listed on the agenda. For public notice and procedural purposes, it may be clearer to include the TOI number and not the ID number. Director Klimas stated the CCB could make that change.

- B.** Chief Staley presented the transfer of interest request for Euphoria Wellness, LLC. TOI 18009, 18009C, 19020, 21019, 21042, and 21046 request approval for internal reorganization of ownerships among various existing shareholders. TOI 18009B was a request for the sale of ownership to Livfree Wellness, LLC. The companies have requested a withdrawal of this application as the transaction has been cancelled. Euphoria has requested waivers pursuant to NCCR 5.112 and 5.125 of the requirements of NCCR 5.110. Staff suggest that if approved, the waivers be set to expire on the agenda date that their next TOI application is heard. Staff identified no areas of concern with the application. Nicole Lovelock and Clint Cates were available to answer questions.

Nicole Lovelock and Darlene Purdy appeared on behalf of Euphoria. They had no comments unless there were questions from the Board. There were no questions from the Board.

Member Neilander made a motion to approve agenda item IV B with the condition that the waivers expire on the agenda date of the next TOI application. Member Durrett seconded. All Members said aye. Motion carried.

- C.** Chair Douglas noted that Agenda Item C has been moved to the next meeting date.
- D.** Chief Staley presented the transfer of interest request for Ayr Wellness, LLC. TOI 19032, 19046, and 19046A were filed by Ayr to request approval to acquire Livfree Wellness, LLC, Washoe Wellness, LLC and The Canopy NV, LLC. Ayr has requested waivers pursuant to NCCR 5.112 and 5.125 of the requirements of NCCR 5.110. Staff suggest that if approved, the waivers be set to expire on the agenda date that their next TOI application is heard. Staff identified no areas of concern with the application. Alicia Ashcraft and Clint Cates were available to answer questions.

Member Neilander asked for clarification regarding the non-managing shareholders referenced in the report, and if they were members of the LLC or shareholders in the other holding companies. Chief Staley responded Ayr is a corporation so there may have been the wrong terminology in the report. There are shareholders that are not considered managers. Since it is not an LLC, they wouldn't necessarily be members or managers.

Alicia Ashcraft appeared on behalf of Ayr Wellness. Ms. Ashcraft thanked the CCB staff for their work and requested approval of the transfers.

Member Neilander made a motion to approve agenda item IV D with the condition that the waivers expire on the agenda date of the next TOI application. Member Merritt seconded. All Members said aye. Motion carried.

V. Approvals and Resolutions

Health Program Manager 3, Steve Gilbert, presented the notice of final licensure.

A. Notice of Final Licensure

1. Compassionate Team of Las Vegas, LLC (C048, RC048) is located in Las Vegas. The cultivation facility was inspected on December 3, 2020 and was in compliance. CCB staff conducted a follow up inspection on February 25, 2021 and issued the final adult-use cultivation license.

VI. Briefing to the Board from the Executive Director

Director Klimas provided an update on the current legislative session. The CCB closed its budget in front of the joint money committees on April 12th. SB49 was scheduled to be heard in Assembly Judiciary. AB341 (consumption lounges) and AB322 (vendor licenses and events) are awaiting a hearing in front of the money committees. SB235 (change to dual license structure) and SB168 (packaging) are awaiting a hearing date. Director Klimas added that it is not known what bills will pass, but it will be very important for the industry and public to get engaged in the policy discussions surrounding the implementation of legislation.

CCB agents went out on 4/20, an unofficial cannabis holiday, to perform compliance checks. There were minimal issues of non-compliance and the staff was generally well received.

Chair Douglas asked if there would be in-person meetings in June or July. Director Klimas responded that potentially June would be an in-person meeting.

VII. Next Meeting Date

The next meeting date will be May 25, 2021.

VIII. Items for Future Agendas

Chair Douglas asked for agenda items to be given to himself or the Executive Director.

IX. Public Comment

No public comment was received.

X. Adjournment

Meeting adjourned at 10:25am.