

Nevada Cannabis Compliance Board

Meeting Minutes May 25, 2021

The Nevada Cannabis Compliance Board (CCB) held a public meeting on May 25, 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 Bryan Young were present via video connection. Deputy Attorney General Asheesh Bhalla confirmed that the meeting complied with open meeting law 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. Tiana Bohner, Public Information Officer, read public comment into the record.

Andro George, a shareholder in iAnthus Capital Holdings, stated that the Nevada CCB has received two complaints about the conduct of iAnthus trading as Greenmart of Nevada NLV, LLC. However, the CCB settled with iAnthus and approved GGP as the new controlling shareholder. If licensees are able to issue false statements to the regulators, the market, shareholders and receive undisclosed loans, under what circumstances would the CCB act? The response to the two complaints was that an investigation would be inappropriate.

Anna McMahon stated that iAnthus lied to the CCB about who the Greenmart CEO was, like to shareholders, and the market about their financials. The former CEO was fired after he received undisclosed interest free loans. How are licensees able to issue false statements to the regulators and be granted a license transfer? The response to the two complaints was that an investigation would be inappropriate.

Timothy Kwong stated that iAnthus lied to the CCB about who the Greenmart CEO was, like to shareholders, and the market about their financials. The former CEO was fired after he received undisclosed interest free loans. How are licensees able to issue false statements to the regulators and be granted a license transfer? The response to the two complaints was that an investigation would be inappropriate.

Hardy Bordihn, a shareholder of iAnthus, gave a complaint about the conduct of iAnthus. Mr. Bordihn stated iAnthus lied to the CCB and the former CEO was fired after he received undisclosed interest free loans. How are licensees able to issue false statements to the regulators and be granted a license transfer? The response to the two complaints was that an investigation would be inappropriate. Mr. Bordihn expects that the argument of public policy exception applies such that a U.S. Bankruptcy Court should refuse to recognize the foreign reorganization of a cannabis business as manifestly contrary to the public policy of the United States.

II. Meeting Minutes

A. Consideration for approval of the April 27, 2021, Cannabis Compliance Board Meeting minutes.

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

III. Consideration of the Proposed Settlement Agreement and Request for Transfer of Interest

A. Compassionate Team of Las Vegas, LLC

Senior Deputy Attorney Ashley Balducci presented the proposed settlement agreement to resolve litigation with Compassionate Team of Las Vegas, LLC and process its transfer of interest request. The litigation at issue involved a unique set of circumstances that does not set any sort of precedence for the CCB. Ms. Balducci requested approval of the proposed settlement agreement.

Daniel Simon appeared on behalf of Compassionate Team. Chair Douglas asked Mr. Simon if he was the licensee that entered into the proposed settlement, was he familiar with the terms and conditions and did he agree with those terms and conditions. Mr. Simon responded in the affirmative.

Member Neilander made a motion for approval. Member Durrett seconded. All Members said aye. Motion carried.

IV. Consideration of the Proposed Settlement Agreements to Resolve Disciplinary Action

A. Cannabis Compliance Board vs. Sean Characky

Senior Deputy Attorney General L. Kristopher Rath presented the proposed settlement agreement for Cannabis Compliance Board vs. Sean Characky (Case No. 2020-09). The complaint was filed and served on August 25, 2020. The respondent answered the complaint, and the matter was assigned to a hearing officer. During the course of the disciplinary process, the parties undertook settlement negotiations and came to a mutually agreeable proposal. The events at issue in the complaint occurred at a cultivation facility in March 2019 under the Department of Taxation. The allegations involved misrepresentation regarding use of certain equipment and obtaining required permits. There was a companion complaint filed separately against the facility and that matter was resolved with a settlement agreement in January 2021. Respondent admitted to two Category 2 violations for unintentionally concealing evidence, agreed to \$100,000 civil penalty, and suspension of agent cards for 35 days. If the settlement is approved, the suspension would commence tomorrow. Respondent provided a plan of correction which has been approved by the CCB. The Attorney General requested and recommended approval of the settlement agreement.

Crane Pomerantz appeared on behalf of Mr. Characky, who was also present. Chair Douglas asked if Mr. Characky understood the settlement and did he agree to the terms. Mr. Pomerantz stated he had reviewed the settlement agreement with Mr. Characky who apologized. Mr. Characky agreed with his counsel's statements.

Member Neilander asked for an updated on the plan of correction. Mr. Rath responded that the facility has updated its employment manual and standard operating procedures on remediation. Mr. Characky has read these updates and will comply with them.

Member Neilander made a motion for approval of agenda item IV A. Member Young seconded. All Members said aye. Motion carried.

B. Cannabis Compliance Board vs. Curaleaf Holdings, LLC

Mr. Rath presented the proposed settlement agreement for Cannabis Compliance Board vs. Curaleaf Holdings, LLC (Case No. 2021-38). At the April meeting, the CCB considered requests for transfers of interest on Curaleaf and asked the Attorney General's office to consult with the respondents to see if a settlement agreement could be reached to address the areas of concern. Curaleaf is the parent company of a number of licensees and the settlement agreement respondents are Acres Cultivation, LLC; Acres Dispensary, LLC; Acres Medical, LLC; Las Vegas Natural Caregivers, LLC; and Naturex II, LLC. The respondents waived their rights to the filing and service of complaint and admitted to the imposition of one Category 2 violation for failing to notify the Department of Taxation of change in ownership interest and imposition of \$35,000 civil penalty. The Attorney General requested and recommended approval of the settlement agreement.

Amanda Connor and Peter Clateman appeared on behalf of the licensees. Chair Douglas asked if the licensees were in agreement with the settlement agreement and the proposed fine. Mr. Clateman stated they were.

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

V. Request for Transfer of Interest

A. Helping Hands Wellness Center, LLC

David Staley presented the transfer of interest application for Helping Hands Wellness Center, Inc. (TOI 21050) that requested approved for Frank and Florence Jameson to purchase 70% interest in Helping Hands from Klaris Tertaryan and Lusine Danayan. Terteryan and Danayan will remain involved with their respective 15.75% and 14.25% interest. Staff identified no areas of concern.

Attorney Jared Kahn and Florence Jameson were available for questions. Member Neilander commented that this matter had no areas of concern and commended the licensees on their ability to follow the rules and submit a clean application.

Member Neilander made a made a motion to approve agenda item V A. Member Merritt seconded. All Members said aye. Motion carried.

Mr. Kahn and Dr. Jameson thanked the CCB staff for their work.

B. CWNevada, LLC, Desert Evolution, LLC

Mr. Staley presented the transfer of interest application for CWNevada LLC (TOIs 2100006, 2100007, 2100008) requesting approval for the sale of CW cultivation, production and dispensary licenses in Clark County to Desert Evolution, BDLV and Hammer. The proposed sale of CW licenses to those parties was facilitated by the court appointed receiver. Desert Evolution and BDLV requested waivers pursuant to NCCR 5.112. and 5.125 of the requirements of NCCR 5.110. Staff suggested that if approved, the waivers be limited to expire on such agenda date that their next TOI application is heard. Staff identified no areas of concern.

Member Neilander asked if CWNevada had additional pending applications. Mr. Staley responded that yes, the court appointed receiver went into sales agreements for the CWNevada assets before the Board today and also assets in Nye County. The application was filed, and staff is currently working on that investigation. Chair Douglas noted that former owner, Mr. Padgett, sent in correspondence contesting the action. That matter is being handled in district court, and they have approved this matter.

John Savage, counsel for Dotan Melech the receiver over CWNevada appeared. Jeff Donato, of Argentum with compliance on behalf of the receiver appeared. Dotan Melech appeared.

Chair Douglas asked for any questions or statements. Hearing none, Chair Douglas asked for a motion. Member Neilander made a motion to approved item V B (1, 2, and 3) as stated on the agenda with the condition that the waivers pursuant to NCCR 5.112 and 5.125 expired on such agenda date as Desert Evolution, LLC and BDLV Investment Holdings next TOI application is heard. Member Durrett seconded. All Members said aye. Motion carried.

C. Digipath Inc.

Mr. Staley presented the transfer of interest application for Digipath Inc. (TOIs 17013A and 17013B) which requested approval to issues shares of stock to Joseph Bianco and Todd Denkin, and approval for the sale of Bianco's shares after his death. Digipath requested waivers pursuant to NCCR 5.112 and 5.125 of the requirements of NCCR 5110. Staff suggests that if approved, the Board limit those waivers to expire on such agenda date as Digipath's next TOI application is heard. Staff identified areas of concern with TOIs 17013A and 17013B because Digipath completed the transfer prior to Board approval. In addition, Digipath completed the issuance of securities to various officers and directors between 2016 and 2020 without filing TOI applications or prior Board approval. Digipath and the CCB are agreeable to a settlement agreement on the following terms: admission to one Category 2 violation for failing to report a transfer of interest, and two Category 4 violations for failure to have owners, officers or board members with valid agent cards, with a total civil penalty of \$20,000 paid in four installments. If agreeable, a formal stipulation for settlement will be prepared for approval at a later Board meeting.

Todd Peterson, Todd Denkin, Bruce Raben, Neal Tomlinson and Kristina Kleist were available for questions. Mr. Tomlinson stated that he agreed with Mr. Staley and thanked the CCB and Attorney General's office. Mr. Tomlinson stated they agreed with the proposed resolution.

Chair Douglas asked Mr. Rath to repeat the necessary conditions for the record. Mr. Rath stated the basic terms would be an admission to one Category 2 violation for failure to report a transfer of interest, and two Category 4 violations for failure to have owners, officers or board members with valid agent cards, with a total civil penalty of \$20,000. Chair Douglas asked for a conditional approval, subject to the matter coming back to the Board for final approval based on a fully executed settlement agreement?

Member Neilander made a motion to conditionally approve the transfer of interest subject to the parties coming to an appropriate settlement agreement on next month's agenda; and that the waivers of NCCR 5.110 pursuant to NCCR 5.112 and 5.125 are conditioned to expire on such agenda date as Digipath's next TOI application is heard. Member Young seconded. All Members said aye. Motion carried.

VI. Consideration of Approval of Management Service Agreement

A. H&H Management, LLC and DE Dispensary Ops NV, LLC

Mr. Staley presented the dispensary management agreement between DE Dispensary Ops NV, LLC and H&H Management, LLC. DE Dispensary Ops NV, LLC is the dispensary subsidiary created by the sale of CWNevada's dispensary license to Desert Evolution, LLC, BDLV and James Hammer. H&H Management, LLC is owned by James M. Hammer, James Hammer's son. CCB staff have reviewed the agreement and found it appropriate. Melissa Waite, James Hammer and Rob Slingerland were available for questions.

Chair Douglas had concerns approving a five-year agreement with two options thereafter for two additional five-year periods without the matter coming back before the Board. Mr. Staley responded that the CCB has not reviewed enough management contracts to get an idea for what is normal and customary. The potential five-year renewals are not unusual, and the owner of the management company is related to the owners of the entity.

Ms. Waite appeared with Rob Slingerland, CEO of Desert Evolution and its subsidiaries, and James Hammer, owner and member of DE Dispensary Ops. Ms. Waite thanked the Board for the earlier approval of CWNevada and thanked the staff for their assistance. Ms. Waite requested approval of the management agreement.

Member Neilander asked if the built-in extensions are common in management agreements in this industry. Ms. Waite responded that they are seen across-the-board. The length of the terms may be different. H&H has previously been approved as the management company, and the parties opted to go with a longer term. They would be amenable to come before the Board again prior to renewal, if the Board requested that. Member Neilander commented that he was comfortable with the terms of this one, considering the relationship. Member Neilander stated that the renewal could be subject to submission and administrative approval by CCB staff through the Executive Director. Member Durrett and Chair Douglas supported that approach.

Member Neilander made a motion to approve agenda item VI A as state on the agenda, with the condition that within 60 days of the expiration of the first tranch, that the licensee shall request administrative approval for the second tranch to kick in and would not come before the Board unless the Executive Director had issue. Member Durrett seconded. All Members said aye. Motion carried.

B. DB Labs, LLC and Kaycha IP, LLC

Mr. Staley presented agenda item VI B, a management services agreement between DB Labs, LLC and Kaycha IP, LLC. CCB Staff have reviewed the agreement and found it appropriate. Alicia Ashcraft and Susan Bunce were available for questions.

Ms. Ashcraft and CEO James Horvath were available for questions. Member Neilander asked about expiration date. Chair Douglas stated it was 10 years from the effective date. Mr. Staley added that the management agreement was put in place with the anticipation that Kaycha has submitted a TOI application for the potential acquisition of DB Labs. Mr. Staley did not think the CCB's review would take 10 years, but a term was needed for the agreement. Kaycha and DB Labs have filed a TOI application with the CCB, and it will be investigated.

Member Neilander made a motion to approve agenda item VI B. Member Merritt seconded. All Members said aye. Motion carried. Chair Douglas asked that if something goes awry in terms of the TOI going forward, that it is reported back to the Director to be consistent with what was done on the previous matter.

VII. Consideration of Approval of Retail License Agreement

A. Integral Associates, LLC and Cookies Creative Consulting & Promotions, LLC

Mr. Staley presented agenda item VII B, a retail license agreement between Integral Associates, LLC and Cookies Creative Consulting & Promotions, LLC. Staff have reviewed the agreement and found it to be appropriate.

Amanda Connor and Stacey Mahone were available for questions. There were no questions from the Board.

Member Durrett made a motion to approve agenda item VII A. Member Merritt seconded. All Members said aye. Motion carried.

VIII. Petition Filed Pursuant to NRS 678A.460(1)(d)

A. Crooked Wine (d/b/a Blackbird Logistics)

Deputy Director Michael Miles provided an informational update. Blackbird Logistics February 2021 petition for a change to the cross-docking regulation NCCR 13.020 has received formal comments on the amendment and will be placed on a workshop to be held in June.

Deputy Miles stated that Blackbird Logistics previously submitted a petition requested a change to the two-driver rule under NCCR 13.025(5). The Board granted emergency relieve due to COVID-19 and waived the two-driver requirement for a limited time. Blackbird requested an additional extension and for the Board to make the emergency relief permanent.

Jennifer Gallerani, Vice President of Logistics for Blackbird Logistics, was present for questions. Ms. Gallerani thanked the Board for the continued extension and has proven successful in keeping their workforce safe during the pandemic. There have been zero instances of work-related COVID cases. Ms. Gallerani requested to continue the extension as approximately 50% of their drivers are fully vaccinated. The existing regulation requires a second driver for any delivery of wholesale value that exceeds \$25,000, which is approximated 80-85% of their wholesale deliveries. For the duration of time that there has been a single driver, there have been zero security incidents. The Nevada Dispensary Association and dispensaries feel that a single driver is adequate. Blackbird would ask to continue the extension and consider repealing the requirement for two drivers in perpetuity.

Chair Douglas stated that he would like to continue this exemption under COVID until the next meeting, and to get a report from the workshop to give an idea of what the appropriate action may be. Member Neilander agreed with the Chair and was mindful that amending or repealing the regulation would take time.

Chair Douglas made a motion to continue the exemption for an additional 30 days and have the matter back on the agenda at the next meeting, to take whatever action is appropriate following the workshop. Member Neilander seconded the motion. All Members said aye. Motion carried.

IX. Approvals and Resolutions

A. Notice of Final Licensure

Steve Gilbert, presented the notice of final licensure for Nevada Organic Remedies, LLC (RD217). Nevada Organic Remedies, LLC was issued a conditional license for an adult-use retail store in North Las Vegas. On April 22, 2021, the CCB conducted a pre-opening inspection and audit, and the facility was in compliance. A final license as issued on May 7, 2021.

X. Briefing to the Board from the Executive Director

Executive Director Klimas provided an update on the legislative session. The CCB continues to track bills and will update the Board following the end of the session. The CCB's bill, Senate Bill 49, will be voted on by the Senate and if approved will go to the Governor's office for signature.

The Board met telephonically the previous week to consider the suspension of a cultivation license due to a public health and safety threat. The Board voted to suspend the license and the licensee has 10 days from that date to respond with a plan of correction which will come before the Board for approval.

The CCB continues to receive approximately 60 agent card applications per day. Staff processes 60-100 temporary agent card letter per day. There is no backlog of applications. Payments need to be mailed in and processed. The processing time for a new applicant to receive a temporary agent card is around 14 days, if the application is filled out correctly and all required information has been submitted. The hard card comes after the applicant passes a background check, which is dependent upon the time it takes the FBI and DPS to process and return the results to the CCB. The CCB continues to work on rolling out electronic check payments and revolving accounts.

There was a recent issue with a landlord and tenant dispute over rent. Under normal circumstances or in other industries, a landlord may take action by locking a tenant out. With cannabis, you may only take possession if you are licensed to do so. The CCB has a role to play in this type of dispute, but only to ensure the safe removal, transfer, or destruction of product. The liability and responsibility are on the licensee no matter what dispute is ongoing. These types of issues should likely be addressed in lease agreements to prevent confusion.

Director Klimas stated the next Board meeting would likely be in person, and we are waiting on further guidance regarding limitations. The workshop in June will likely be in person and open to the public as well.

XI. Next Meeting Date

The next meeting date will be June 22, 2021.

XII. Items for Future Agendas

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

XIII. Public Comment

No additional public comment was received.

XIV. Adjournment

Meeting adjourned at 10:20am.