

Nevada Cannabis Compliance Board

Meeting Minutes June 22, 2021

The Nevada Cannabis Compliance Board (CCB) held a public meeting at 555 East Washington Ave, Room 2450, Las Vegas, Nevada on June 22, 2021, beginning at 9:00 a.m.

Cannabis Compliance Board Members Present:

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

Tyler Klimas, Executive Director, called the meeting to order and took roll. Chairman Michael Douglas and Member Durrett were present in Las Vegas. Member Dennis Neilander 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

Tina Ulman from the Chamber of Cannabis thanked the CCB for being accessible and communicative during the legislative process. The Chamber respected the CCB's willingness to take on the cannabis lounge regulations and licensing and hoped to have a role in the discussions pertaining to consumption lounges. The Chamber was thankful for the CCB's commitment to social equity, diversity and expanding ownership opportunities in the industry.

II. Swearing in of Cannabis Compliance Board POST Officer Shandon Snow.

Director Klimas introduced Shandon Snow. CCB Compliance Enforcement Investigator 3 Heather Withers administered oath to CCB employee Shandon Snow.

III. Meeting Minutes

A. Consideration for approval of the May 25, 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 Neilander seconded. All Members present said aye. Motion carried.

IV. Request for Transfer of Interest

A. CWNevada, LLC (RC011); Fortress Equities ORCL, LLC (TOI 2100021)

Chief Compliance Audit Investigator David Staley presented the request for transfer of interest for CWNevada, LLC and Fortress Equities ORCL, LLC. Fortress was owned by David Shapiro, a real estate investor in California and Nevada. TOI 2100021 requested approval for the sale CWNevada cultivation license RC011 in Nye County to Shapiro and Fortress. The Board reviews and approved the sale of CWNevada's Clark County assets at the May meeting. The proposed sale of RC011 was facilitated by the court-appointed receiver. Fortress is negotiating a proposed management agreement which will come before the Board for approval at a later date. Staff identified no areas of concern. Deal Jalili, Dotan Melech, John Savage, Jeff Donato, and Sheba Statham were available for questions.

There were no questions from the Board. Member Neilander made a motion for approval. Member Durrett seconded. All Members present said aye. Motion carried.

V. Consideration of the Approval of Lease Agreements

A. Commerce Park Medical, LLC and Chetak Development

Mr. Staley presented the lease agreement between Commerce Park Medical, LLC and Chetak Development. Commerce Park owned and operated retail store RD329 in the Cactus Plaza Shopping Center owned by Chetak. The lease agreement provided that Commerce Park will pay Chetak 8% of net sales over \$15 million yearly on top of the \$270,000 annual yearly base lease amount. CCB staff identified no areas of concern. Amanda Connor and Mitch Britten were present via Zoom to answer questions.

VI. Member Neilander asked if the reason the agreement was before the board because of the financial arrangement. Mr. Staley responded affirmatively due the participation in the revenue. Ms. Connor thanked the staff and requested approval of the agreement.

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

VII. Consideration of Approval of Management Service Agreement

A. F&L Investments, LLC and Harvest Cheyenne Holdings, LLC

Mr. Staley presented the management services agreement between F&L Investments, LLC and Harvest Cheyenne Holdings, LLC for the management of GreenMart of Nevada, LLC and its cultivation licenses C038 and RC038. The two companies filed a TOI application. The management agreement provided for Harvest Cheyenne to begin the additional build-out and operation of GreenMart's cultivation facilities while the TOI is processed. Staff identified no areas of concern. Tiffany Kahler was present to answer questions.

Ms. Kahler, from law firm of Armstrong Teasdale, requested approval of the agreement. There were no questions from the Board. Member Durrett made a motion for approval. Member Neilander seconded. All Members present said aye. Motion carried.

B. Harvest of Nevada, LLC and Vertical Horizon, LLC

Mr. Staley presented the management services agreement between Harvest of Nevada, LLC and Vertical Horizon, LLC for the management of Harvest's cultivation licenses C205/RC205 and production licenses P136/RP136 in West Wendover. The two companies plan to file a TOI application. The management agreement provides for Vertical Horizon to begin the construction and operation of Harvest's cultivation and production facilities while the TOI application is processes. Staff identified no areas of concern. Tiffany Kahler was present to answer questions.

Ms. Kahler requested approval of the agreement. There were no questions from the Board. Member Durrett made a motion for approval. Member Neilander seconded. All Members present said aye. Motion carried.

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

A. Cannabis Compliance Board vs. Las Vegas Wellness and Compassion, LLC (Case No. 2021-29)

Deputy Attorney General L. Kristopher Rath presented the proposed settlement agreement for Las Vegas Wellness and Compassion, Case No. 2021-29. The complaint was filed and served on February 23, 2021. The Respondent answered the complaint on March 12, 2021, and the CCB assigned a hearing officer. During the course of the administrative process, counsel for the respondent and the Attorney General's office entered into negotiations and came to a mutually agreeable proposal for resolution. The events at issue occurred at a cultivation facility in March 2019 and the allegations involved the underage son of one of the owners volunteering at the facility and misrepresentations made by staff at the facility. The Respondent admitted to two Category 2 violations for allowing a person under the age of 21 to volunteer at a cannabis establishment and for unintentional false statements made to agents of the Marijuana Enforcement Division. Responded admitted to a Category 3 violation for allowing disorderly activity and agreed to \$75,000 civil penalty. Respondent provided a plan of correction which was approved by CCB staff. The Attorney General recommends and requests approval of the settlement agreement.

Rusty Graf, counsel for Las Vegas Wellness, Chad Wallace, and Ranson Shepherd were present via Zoom. Mr. Graf stated they agreed with Mr. Rath and were available for questions. Member Neilander asked if the company was in compliance with the remediation plan. Mr. Graf responded that they were in compliance. Chair Douglas asked if the licensee fully understood the terms and conditions of the stipulation. Mr. Graf responded that they did.

Member Neilander made a motion for approval of stipulation and agreement of Case No. 2021-29. Member Durrett seconded. All Members present said aye. Motion carried.

B. Cannabis Compliance Board vs. Las Vegas Wellness and Compassion, LLC (Case No. 2021-32)

Deputy Attorney General L. Kristopher Rath presented the proposed settlement agreement for Las Vegas Wellness and Compassion, Case No. 2021-32. The complaint was filed and served on February 23, 2021 and concerned their production facility. The Respondent answered the complaint on March 12, 2021, and the CCB

assigned a hearing officer. During the course of the administrative process, counsel for the respondent and the Attorney General's office entered into negotiations and came to a mutually agreeable proposal for resolution. The events at issue occurred in October 2020. The allegations involved failure to comply with hand-washing requirements, failure to comply with hot water delivery requirements, failure to maintain stock hand-washing facilities, impermissible equipment used for extractions, and issues with keeping equipment surfaces clean. Respondent admitted to one Category 3 violation, one Category 4 violation, and three Category 5 violations. Respondent agreed to \$20,000 civil penalty and provided a plan of correction that was approved by CCB staff. The Attorney General recommended and requested approval.

Rusty Graf, counsel for Las Vegas Wellness, Chad Wallace, and Ranson Shepherd were present via Zoom. Chair Douglas asked if the licensee understood the stipulation and agreed with the terms and conditions. Mr. Graf responded affirmatively. Chair Douglas asked if the licensee agreed with the plan of correction and to facilitate the actions, so the issues do not happen again. Mr. Graf responded affirmatively.

Member Durrett made a motion for approval of stipulation and agreement for Case No. 2021-32. Member Young seconded. All Members present said aye. Motion carried.

C. Cannabis Compliance Board vs. Zenway Corp. (Case No. 2021-34)

Mr. Rath presented the settlement agreement for Cannabis Compliance Board vs. Zenway Corp, Case No 2021-34. The complaint was filed and served on March 23, 2021. The respondent chose to enter into settlement negotiations. They were granted an extension to answer the complaint and will not need to file an answer if the settlement agreement is approved. The events at issue occurred at the respondent's cultivation facility in November 2020. The allegations include an employee without a valid agent card, conducting research and development activities without approval, failure to prevent consumption of alcohol and cannabis at a room in the facility, and failure to meet certain security requirements. Respondent admitted to one Category 2 violation, one Category 3 violation, one Category 4 violation, and one Category 5 violation. Respondent agreed to \$40,000 civil penalty. Respondent provided a plan of correction that was approved by CCB staff and thereafter refined and improved the plan of correction that was also approved by CCB staff. The Attorney General recommended and requested approval of the settlement agreement.

Derek Connor appeared on behalf of the respondent. Mr. Connor thanked the staff and was available for any questions. Chair Douglas asked if the respondent understood the stipulation and settlement terms and conditions. Mr. Connor responded affirmatively. Chair Douglas asked if they agreed to the fine and the violations. Mr. Connor responded affirmatively.

Member Durrett made a motion to approve the stipulation and settlement agreement for Case No. 2021-34. Member Young seconded. All Members present said aye. Motion carried.

D. Cannabis Compliance Board vs. Digipath, Inc. (Case No. 2021-37)

Mr. Rath presented the settlement agreement for Case No. 2021-37. This matter did not involve a complaint. The transfer of interest application for Digipath presented at the May meeting had areas of concern, including lack of prior approval for transfers and lack of valid agent cards for some owners, officers, and directors. CCB staff and the Attorney General's office worked on an agreement in principle with Digipath, of which the terms were placed on the record at the May meeting. The settlement agreement was executed. The respondent waived its rights to the filing and service of the disciplinary complaint. The respondent admitted to one Category 2 violation, two Category 4 violations, and agreed to imposition of \$20,000 civil penalty, paid in installments. Once full payment has been made, the TOIs at issue will be approved. The Attorney General recommends and requests approval of the settlement agreement.

Mr. Neal Tomlinson, counsel for Digipath, Bruce Raben and Todd Denkin were available for questions. Mr. Tomlinson asked for the Board's approval of the settlement agreement.

There were no questions from the Board. Member Durrett made a motion for approval. Member Neilander seconded. All Members present said aye. Motion carried.

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

A. Crooked Wine d/b/a Blackbird Logistics NCCR 13.025(5) Update from May 25, 2021, Meeting

Deputy Director Michael Miles provided an update on the “two-driver rule” discussed at the June 15th workshop. The Board has granted emergency relief due to COVID-19 and waived the two-driver requirement for a limited time. Blackbird is requesting an additional extension until a potential new regulation is made permanent. CCB staff have no objection to the extension. The CCB awaits further information from Blackbird at Member Durrett’s request, where some distance requirement should still be implemented that would require two drivers in distribution trucks. Staff will present the amendment to NCCR 13025(5) at the next Board meeting and is open to additional input from Blackbird or the industry on the distance and minimum monetary amount. Blackbird submitted written public comment.

Member Neilander supported an extension of non-enforcement of the regulation. Chair Douglas made a motion to continue the current waiver until the July Board meeting. Director Klimas commented that if the amendment was adopted at the July Board meeting, there would still be a period of time before the regulation became effective. Chair Douglas responded that the extension can be extended, if necessary, in July. Member Neilander seconded the motion. All Members present said aye. Motion carried.

X. Approvals and Resolutions

A. Notice of Final Licensure. Steve Gilbert presented notice to the Board of establishments that have been issued their final license.

1. Clear River LLC (RD231) Clear River LLC was issued a conditional license on December 5, 2018, for an adult use retail store in North Las Vegas. On April 26, 2021, a pre-opening inspection was conducted. The facility was in compliance. The final license was issued on May 19, 2021.

2. Alternative Medicine Association LC (T013) Alternative Medicine Association LC was issued a conditional license for an adult use distribution facility in Las Vegas. A pre-opening inspection and audit was conducted on October 2, 2019, and an additional inspection on May 12, 2021. The facility was in compliance. The final license was issued on May 28, 2021.

3. Deep Roots Harvest, Inc. (RD398) Deep Roots Harvest, Inc. was issued a conditional license on December 5, 2018, for an adult use retail store in North Las Vegas. On May 10, 2021, a pre-opening inspection was conducted. The facility was in compliance. The final license was issued on May 27, 2021.

XI. Cannabis Advisory Commission – Updates and Actions

Director Klimas provided an introduction and update regarding the Cannabis Advisory Commission (CAC). Director Klimas is the Chair. There are eight industry and policy experts appointed by the Governor and the Director of Nevada Department of Public Safety, Director of Nevada Department of Taxation, and the Nevada Attorney General. The Commission will be tasked with studying cannabis-related issues and making recommendations to the Board on regulatory and policy matters. The Commission will take its direction from the Board. The first meeting will be held on July 13, 2021, and subcommittees will be established. Short-term goals relate to recently passed legislation and issues surrounding consumption lounges. Long-term goals will focus on topics such as market stability, public health awareness, illicit market, and equity and diversity.

XII. Briefing to the Board from the Executive Director

Director Klimas addressed consumption lounges and agent registration cards. With the passage of AB 341, the CCB has started to work on the beginning stages of the development and implementation of consumption lounges. Communication will go out to current adult-use retail stores to indicate if the store may qualify for a retail attached lounge. A lounge license will be a new establishment license. Current and prospective licensees will need to undergo a background and suitability check and be deemed suitable by the Board before they will be awarded a license. The CAC and CCB staff will develop the application and licensing process to be approved by the Board. Lounge licensees may be approved early to midyear 2022. There will be public workshops and the CCB will add a consumption lounge page to its website to be a central resource to the industry, local government and public.

Director Klimas stated there are currently no delays in processing agent cards other than the normal processing time for mailing payment and issuing the temporary card. The blanket extension of the expiration date for temporary cards will expire June 30, 2021. There are individuals that the CCB is waiting to receive their background check. The CCB will contact those individuals awaiting a background check who would be affected

by the June 30 date. An additional extension may be granted. In the future, additional background check processing delays and extensions will be handled on a case-by-case basis.

XIII. Next Meeting Date

The next meeting date will be July 27, 2021.

XIV. Items for Future Agendas

Chair Douglas asked for agenda items to be given to himself or the Executive Director. Member Durrett asked when the Board can expect to hear the proposed changes discussed at the workshop relating to retesting to be submitted by THC Nevada. Director Klimas responded that THC Nevada indicated they would provide changes. This would be posted online after they are received.

XV. Public Comment

There was no public comment in Las Vegas.

XVI. Adjournment

Meeting adjourned at 10:02 am.