

Nevada Cannabis Compliance Board

Meeting Minutes July 27, 2021

The Nevada Cannabis Compliance Board (CCB) held a public meeting at 555 East Washington Ave, Room 2450, Las Vegas, Nevada on July 27, 2021, beginning at 9:00 a.m.

Cannabis Compliance Board Members Present:

Michael Douglas, Chair
Dennis Neilander
Riana Durrett
Jerrie Merritt

Tyler Klimas, Executive Director, called the meeting to order and took roll. Chairman Michael Douglas, Member Durrett, and Member Merritt were present in Las Vegas. Member Dennis Neilander was present via video connection. Deputy Attorney General Asheesh Bhalla confirmed that the meeting complied with open meeting law requirements.

I. Public Comment

Steven Cohen spoke on behalf of THC Nevada regarding NCCR 11.075. There was an issue to be addressed regarding the regulation change. When there is a failure of a test and that lot is retested which results in a pass, it should not count towards the 50 tests allowed. They are in agreement with the rest of the changes in NCCR 11.075.

Director Klimas stated all public comment received via email would be posted online.

II. Meeting Minutes

A. Consideration for approval of the June 15, 2021, Cannabis Compliance Board Workshop minutes.

B. Consideration for approval of the June 22, 2021, Cannabis Compliance Board Meeting minutes.

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

III. Consent Agenda

A. Complaints

Director Klimas stated that there are two complaints that the Attorney General's office has reviewed and recommends serving. With the passage of SB49, section 1.3 was amended to allow the Executive Director to serve the complaint, but the Board must still grant approval to proceed with disciplinary action. The complaints will be served within a reasonable time and will be posted online.

As to Respondent A, the complaint alleged violations of NCCR 4 and NCCR 6.

As to Respondent B, the complaint alleged violations of NCCR 4, NCCR 6, and NCCR 10.

Member Durrett made a motion for approval of Agenda Item III A (1) and (2). Member Merritt seconded. All Members present said aye. Motion carried.

IV. Request for Transfer of Interest

A. EMK HYDROGARDEN, LLC (TOI 18924)

Chief Staley stated that the applicant has requested permission with the Board's approval to move the matter to the August agenda. Chair Douglas moved the matter to August.

B. SH Parent, Inc. (TOI 19063, 19063A)

Chief Staley stated the TOI applications 19063 and 19063A requested approval for SH Parent to merge with Ceres Acquisitions Corp, a special purpose acquisitions company which will be renamed Parallel Brands Inc. Bakery Partners LLC and Cookies Creative Consulting and Promotions Inc. will invest 51% in Parent's dispensary only as a joint venture. CCB Staff suggest that if approved, the approval be conditioned to require Parallel to submit updated ownership after completion of Parent/Ceres transaction. Parallel has requested waivers

pursuant to NCCR 5.122 and 5.125. Parallel has adequately addressed the items required to allow the Board to approve the waiver. Staff suggest that if approved, the waivers be limited to expire on such agenda date that Parallel's next TOI application is heard. Staff identified no areas of concern.

Maggie McLetchie appeared on behalf of D.H. Flamingo, D.H. Aldebaran, and SH Parent Inc. Ms. McLetchie listed all of the persons who were available via Zoom and in person regarding the matter. Ms. McLetchie provided a description of the ownership structure of the entities. Ms. McLetchie clarified that there are two separate TOI applications that can be approved independently. One is to contribute the dispensary license to the joint venture to be jointly owned with Cookies. The other is for the go public transaction. Ms. McLetchie requested approval of both transactions. If approved, D.H. Flamingo would still be the 49% owner of the joint venture. Parallel will become a public company. Stockholders of the existing SH Parent will also become stockholders of the public entity. There will be continuity.

Ms. McLetchie provided a description of the transaction where D.H. Flamingo proposed to become part of a new limited liability company with Bakery LV, LLC. This joint venture will be renamed CR/P Las Vegas, LLC and it will hold the dispensary licenses. The current license holder D.H. Flamingo will continue to hold 49% of the interest in the licenses. The Bakery LV LLC and the Cookies entities will ultimately own 51%.

Brandon Johnson from Cookies presented their business plan post approval. Mr. Johnson is the manager of newly formed CR/P Las Vegas and will oversee all management decisions and operations locally. They are a compliance driven company, a social impact/community company, and support and promote social equity.

Member Durrett asked what members of the team will be located in Nevada. Mr. Johnson responded that most of the corporate team will be in California where the home office is. Director and vice president level positions will be in Nevada as it grows. They operate in 14 states and 5 countries.

Member Neilander asked Mr. Johnson to describe how they decided to get into the Nevada market. Mr. Johnson responded that Nevada was identified as a logical market to move into and struggled to find the right partner. Their stores are a tourist attraction. This will be their flagship destination.

Member Neilander asked how the investigative process was. Mr. Johnson stated that it was very thorough and encouraged other states to do the same thing.

Member Neilander added that this was the first SPAC transaction and asked if there were two years to complete the process. Ms. McLetchie responded the entity is on good track to obtain regulatory approval in other jurisdictions.

Chair Douglas confirmed that company must provide an updated list of Owners, Officers and Board members once the merger has closed and the final valuation has occurred and asked if there were any other conditions. Chief Staley stated the TOIs can be approved separately or together and the other condition was the standard condition pursuant to waivers of 5.112 and 5.125.

Member Durrett made a motion to approve the transfers 19063 and 19063A subject to the condition that the company provide an updated list of all Owners, Officers, and Board Members, including ownership percentages, of Parallel Brands Inc. once the Ceres merger has closed, and final valuation has occurred; and subject to the condition that waivers under NCCR 5.112 and 5.125 will expire upon submission of an additional transfer application. Member Merritt seconded. All Members present said aye. Motion carried.

C. Vegas Valley Growers North, LLC (TOI 19044, 20005)

Chief Staley presented the TOI application for Vegas Valley Growers North, LLC. TOI 19044 was filed in May 2019. The transaction could not be completed, and the company has requested to withdraw the TOI. TOI 20005 was filed to request that existing shareholders John Burke and Gobinder Chopra transfer their shares to the remaining shareholders Mitchell and Marla Wilson; and for the Wilsons to sell all of their interest in Vegas Valley to Marianna Arakelyan and her company MA Royal LLC. Staff identified no areas of concern.

Maggie McLetchie appeared on behalf of Vegas Valley Growers LLC. Hasmik Jorgensen appeared on behalf of the buyer to explain the plans for the operation once the transfer is completed. Ms. Jorgensen will be the chief executive officer for MA Royal. Ms. Jorgensen and Ms. Arakelyan have learned from the current owners and

will maintain all of the brands and products and will also launch a new brand and product line. They will work on a wholesale model providing raw materials to other production companies. The mission is to create quality medical products. Ms. Jorgensen started in the cannabis industry in 2016 and has been operations manager for two years.

Member Durrett asked where the funding came from. Ms. Jorgensen responded that her partner owns a successful billing company and dental management company, and she will be the primary finance. Member Neilander asked if the Wilsons will have any involvement once the transaction is completed. Ms. McLetchie responded that part of the purchase price will be financed through a note that the Wilsons will hold. The Wilsons will not be owners or employees but will hold the note that secured the licenses. The Wilsons own the company on which the business currently operates and will be involved in the buildout of the new planned facility.

Member Merritt made a motion to approve TOI 19044. Member Neilander seconded. All Members present said aye. Motion carried.

Member Merritt made a motion to approve TOI 20005 with no conditions. Member Durrett seconded. All Members present said aye. Motion carried.

V. Consideration for Approval of Service Agreements

A. D.H. Flamingo, Inc. and Cookies Retail

Chief Staley presented the agenda item, which was a series of March 11, 2021, service agreements between D.H. Flamingo Inc, and Cookies Creative Consulting and Promotions LLC consisting of a retail license agreement, property management agreement, inventory management agreement, and support services agreement. The agreements are part of the business combination previously approved in agenda item IV B. Staff reviewed the agreements and found them appropriate. Staff recommended that the Board consider approval of the relationship between D.H. Flamingo, Parallel, Cookies, and Cookies-related entities rather than approval of the agreements themselves. Approval is recommended only for this relationship and should be made clear that CCB is not approving, condoning, and/or accepting any particular advertising, signage, packaging, particular use of logos or trademarks, and/or anything else to be used by the licensees.

Ms. McLetchie explained that these are peripheral agreements which will be assigned to the joint venture now that the transfers have been approved. The agreements provide for various profit-sharing payments based on gross revenue. In working with CCB staff it was determined that appropriate to ensure that the relationship between Cookies and CR/P was approved by the Board. The consulting agreement will not be assigned to the joint venture. The entities are all the same Cookies ownership and group of companies.

Member Durrett asked who will be in charge of compliance. Ms. McLetchie responded that it will be Ryan Johnson, Brandon Johnson, and a designee from Parallel (the three managers of the joint venture). Brandon Johnson confirmed compliance will rest with them, and there will be a team of compliance individuals supporting the store. Member Durrett asked if there will be a Director of Compliance in Nevada. Mr. Johnson responded that it will be regional.

Member Neilander made a motion for approval of the relationship of the parties. Member Merritt seconded. All Members present said aye. Motion carried.

VI. Consideration for Approval of Lease Agreement

A. Cheyenne Medical, LLC and 2975 Sammy Davis Jr. Drive, LLC.

Chief Staley presented the lease agreement between Cheyenne Medical LLC and 2975 Sammy Davis Jr. Drive LLC. The lease agreement provides for the participation by 2975 Sammy Davis Jr. Drive LLC in the revenue of Cheyenne Medical LLC adult use cannabis retail store. CCB staff reviewed the agreement and found it appropriate. CCB Staff recommend that the Board consider approval of the relationship between Cheyenne Medical LLC and 2975 Sammy Davis Jr. Drive LLC rather than the agreement themselves.

Amanda Connor appeared on behalf of Cheyenne Medical and the landlord to request approval. The lease agreement is fairly common in retail commercial space. There is a minimum base rent and once a certain threshold is hit, a percentage of profits will go to the landlord. The landlord's principles obtained agent cards. Ms. Connor requested approval.

Member Durrett asked if any members were present in person. Mitch Britten was present in Las Vegas.

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

VII. Consideration for Approval of Amended Plan of Correction and Supplemental Information and Lifting of Suspension

A. NLV Wellness, LLC (Case No. 2021-37)

Chief of Inspection and Audit Kara Cronkhite introduced the matter to the Board. On May 19, 2021, CCB agents conducted an unannounced inspection at NLV Wellness LLC. Several deficiencies were observed and additional CCB staff went to the facility to assist. In total, over 500 plants and over 29,000 grams of usable cannabis were observed that were not tagged or entered in METRC. An emergency Board meeting was held on May 20, 2021, and the Board voted to summarily suspend NLV Wellness. The Emergency Order of Suspension was served on May 20, 2021, and facility ceased operations. CCB agents witnessed the destruction of all untagged plants and cannabis within the facility. NLV Wellness hired regulatory counsel to assist with continued compliance of regulations. On June 14, CCB agents conducted a walkthrough at the NLV Wellness counsel's request. Deficiencies were noted. On June 18, a corrective action plan and request to lift suspension was received. On June 23 the suspension was conditionally lifted upon approval of the Board, and the facility was permitted to resume operations after the 34-day suspension.

Amanda Connor and Kevin Brenner appeared on behalf of the licensee. Ms. Connor reiterated the events as described by Ms. Cronkhite. Ms. Connor added that the facility took additional steps during the suspension to correct deficiencies, such as cleaning, maintenance and facility repairs. Staff training was implemented. Ms. Conner and her team did a compliance walk thru and will continue to do that ongoing. NLV Wellness took this matter seriously and is committed to operating in compliance.

Member Durrett asked to hear from Salman Ali on what he feels is necessary going forward. Mr. Ali did not want to make excuses but wanted to ensure the Board that moving forward they are 110% fully in compliance with all regulations. Mr. Ali identified as a social equity applicant and was disappointed that this happened. He wanted to be a good example to those who look up to him. Member Durrett asked how often they planned to do regulatory checks. Mr. Ali responded that he would leave that to regulatory counsel. A full-time compliance employee will also be hired and will remain in close contact with regulatory counsel.

Chair Douglas applauded the plan put forth. There may be disciplinary action.

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

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

A. Cannabis Compliance Board vs. Red Earth, LLC (Case No. 2021-41)

Senior Deputy Attorney General L. Kristopher Rath presented the settlement agreement. The case did not involve a complaint, but an agreement was reached to resolve the matter without the filing and service of a formal complaint. The case involved an unauthorized transfer of interest. In April 2021, CCB staff discovered that MJ Holdings had purchased ownership in Red Earth, LLC in December 2017 without approval of the Department of Taxation or CCB. CCB Staff requested further information and Red Earth's counsel acknowledged that the transfer had been made and agreed that the licensee would unwind the transfer. CCB Counsel entered into settlement negotiations to attempt to resolve the violation at issue and came to a mutually acceptable resolution. Red Earth admitted to the imposition of one Category 2 violation for the failure to notify the Department of Taxation of the change in ownership interest. Respondent agreed to pay \$10,000 civil penalty and agreed to unwind the unauthorized transfer. CCB staff will review and approve the unwinding documents. Once the unwinding is done and full payment made of civil penalty, the matter can be closed. CCB staff agreed that the admitted violation, the penalty, and unwinding of the transfer addressed their areas of concern. Red Earth was advised of and understands the requirements for transfers going forward. The Attorney General's office recommended and requested approval of the settlement agreement.

Chair Douglas asked for confirmation if any business had been done under the agreement. Mr. Rath responded that there had not, but Mr. Fulton could address that further.

Member Durrett made a disclosure that Mr. Adam Fulton represented her mother on a civil matter but did not feel that would impact her independent judgment.

Mr. Fulton confirmed that no business was conducted by MJ Holdings. The transaction did occur, and the TOI was not submitted, but no action was taken, and no operations occurred. Mr. Fulton confirmed that his clients are in agreement with the settlement. There were no questions from the Board.

Member Merritt made a motion for approval of the settlement agreement. Member Durrett seconded. All Members present said aye. Motion carried.

IX. Consideration for Approval for Deadline Extension for RG Highland Enterprises, Inc (C040)

Director Klimas stated that the deadline extension was approved Board several months ago setting a deadline of February 5, 2022, for licensees not yet operational to become operational.

Chief Steve Gilbert presented the matter to the Board. RG Highland was issued a provisional medical cultivation license on November 3, 2014, and a conditional adult-use cultivation license on September 21, 2018. The received a final medical license on October 1, 2015 but had to cease operations due to the Project Neon freeway expansion. On June 25, 2021, RG Highland Enterprises, through their legal counsel, submitted a letter to request an extension of the February 5, 2022, deadline until August 30, 2022. They provided the facts surrounding the reason for vacating initial location, efforts to secure a new location, delays currently experienced, and a timeline of progress made from October 12, 2020, to present. Chief Gilbert stated it was appropriate for the Board to consider approving the extension and staff have no additional concerns.

Amy Sugden appeared on behalf of RG Highland. Ms. Sugden stated that RG Highland was one of the first cultivation facilities to open and operate but was displaced due to Project Neon. The extension request is a precautionary matter as construction is currently underway and completion is expected around February 2022. They requested a six-month extension to ensure there is time for all approvals.

Chair Douglas asked if there was any relocation assistance provided in addition to the condemnation. Ms. Sugden stated there were some relocation efforts, specifically Nevada Department of Transportation provided assistance with approvals. Member Durrett added that it was great that the licensee was proactive in coming before the Board.

Member Durrett made a motion to approve a six-month extension of the deadline. Member Neilander seconded. All Members present said aye. Motion carried.

X. Consideration of Proposed Amendments and/or Additions to the Nevada Cannabis Compliance Board Regulations

Deputy Director Miles presented the proposed amendments to the Regulations. The proposed amendments had previously been presented and discussed at a public workshop.

A. Regulation 1. Issuance of Regulations; Construction; Definitions

1. NCCR 1.135.

There were no questions from the Board.

B. Regulation 3. Cannabis Advisory Commission: Organization and Administration

1. NCCR 3.020
2. NCCR 3.025
3. NCCR 3.030

There were no questions from the Board.

C. Regulation 4. Disciplinary and Other Proceedings Before the Board

1. NCCR 4.035
2. NCCR 4.040
3. NCCR 4.050
4. NCCR 4.055
5. NCCR 4.135

There were no questions from the Board.

D. Regulation 5. Licensing, Background Checks, and Registration Cards

1. NCCR 5.140

Chair Douglas asked if this was to reduce the replacement agent card fee to \$75. Deputy Miles responded that was correct. There were no further questions from the Board.

E. Regulation 6. Production and Distribution of Cannabis

1. NCCR 6.035

2. NCCR 6.040

3. NCCR 6.065

4. NCCR 6.080

5. NCCR 6.120

There were no questions from the Board.

F. Regulation 11. Cannabis Testing Facilities

1. NCCR 11.010

2. NCCR 11.015

3. NCCR 11.025

4. NCCR 11.040

5. NCCR 11.050

6. NCCR 11.070

7. NCCR 11.075

Chair Douglas stated the Board has received concerns at a late date regarding NCCR 11.015. Deputy Miles responded that structuring payment to allow reduction of price for failed tests gives the wrong look for the industry. Chief Cronkhite added that it was CCB Staff's belief that providing incentive to the laboratories to pass the tests encourages them to implement practices that are not the best for public health purposes. Any opportunity to discourage facilities from pressuring the laboratories to reduce payment for fails or encourage passing results so that they received payments should be discouraged.

Chair Douglas commented that he understood the intention but still had concerns in light of the memorandum in light of legal principles he would like time to look into. Chair Douglas asked regarding retesting, if there is a favorable retest, does that first failure count against the party? Chief Cronkhite responded that today was the first they had heard of this recommendation, but it could be considered. To compensate for the limit of 50, the option to remediate is allowed and this would not count toward the retest limit. The CCB addressed the concern to only retest the specific category. Chair Douglas asked for further clarification. Chief Cronkhite responded that the retests on failed product would only be counted if they were challenging the lab's results, not if they submitted a request to remediate.

Member Durrett indicated that she had the same questions and would like to have further discussion of whether a successful retest counts toward the limit. Chair Douglas would like to hold 11.015 and 11.075 until there is more precise language.

Mr. Steve Cohen stated that THC had already reached their limit of 50. They asked to consider it as is and respectfully asked for the matter to come back on that issue. [public comment]

Chair Douglas responded that he would like to hear the proposed language but was inclined to pass it as is and bring back at a later date. Deputy Miles commented that it could be added to an upcoming workshop. Chair Douglas asked for the Mr. Cohen to submit proposed language in writing.

G. Regulation 12. Packaging and Labeling of Cannabis Products

1. NCCR 12.015

2. NCCR 12.045

There were no questions from the Board.

H. Regulation 13. Cannabis Distributors

1. NCCR 13.020

2. NCCR 13.025

There were no questions from the Board.

Chair Douglas made a motion to hold 11.015, and to approve all the other amendments to the NCCR as they are. Member Durrett seconded. All Members present said aye. Motion carried.

XI. Petitions filed Pursuant to NRS 678A.460(1)(d)

A. Crooked Wine (d/b/a Blackbird Logistics) NCCR 13.025(5) Update from June 22, 2021 Meeting

Deputy Director Miles submitted a petition for a change to the two-driver rule in NCCR 13.025(5) to a single driver. The Board had granted emergency relief due to covid-19 and waived the two-driver requirement for a limited time. The amendment to the regulation that was just approved will not become effective for two to three weeks. Staff recommended an additional extension until the new regulation is made permanent. Executive Director Klimas added that a representative from Blackbird was available via Zoom if there were any questions.

There were no questions from the Board. Member Neilander made a motion for an extension for relief of NCCR 13.025(5) until the effective date of the previously discussed proposed amendments. Member Merritt seconded. Chair Douglas noted that the Board received supplemental information that day from Blackbird, but it would have been helpful if information from other jurisdictions was included. All Members present said aye. Motion carried.

XII. 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. Deep Roots Harvest LLC (RD400) Deep Roots Harvest LLC was issued a conditional license on December 5, 2018, for an adult-use retail store in Reno. On June 17, 2021, a pre-opening inspection and audit was conducted. The facility was in compliance. The final license was issued on July 2, 2021.

XIII. Cannabis Advisory Commission – Updates and Actions

Executive Director Klimas stated the first Cannabis Advisory Commission meeting was held on July 13, 2021. Four subcommittees were created: Public Health, Public Safety, Market Stability, and Social Equity, Diversity and Inclusion. Membership of the subcommittees includes Commissioners and members outside of the Commission. Subcommittees will begin to meet in August and will work on consumption lounges, and the Board should see some recommendations come from these meetings.

XIV. Briefing to the Board from the Executive Director

Executive Director Klimas stated on July 9, 2021, a letter was sent to all licensees that hold an adult-use cannabis establishment license for an adult-use cannabis retail store that they may be eligible to hold an adult-use cannabis establishment license for a retail cannabis consumption lounge. A letter of intent was requested to be sent to the CCB indicating if the licensee intended to apply and could reasonably open a consumption lounge in the first or second quarter of 2022 to assist the CCB in gauging interest. The letter of intent is not required to be submitted. The CCB will begin to work on the regulations and will hold workshops. There is a consumption lounge page on the CCB website.

On the federal level, the Cannabis Administration and Opportunity Act was released on July 14, 2021. The draft centered around the de-scheduling of cannabis and the administration of cannabis state-wide. It transfers administration from the DEA to the Treasury Department and the FDA. It touches on the administration and licensing, taxes, restorative justice programs, expungement issues, and research opportunities. There was deference to states. They are also requesting feedback.

XV. Next Meeting Date

The next meeting date will be August 24, 2021.

XVI. Items for Future Agendas

Chair Douglas stated the Board Members may provide agenda items to the Executive Director.

XVII. Public Comment

Chair Douglas stated the Board appreciated the cooperation of all the licensees in regard to the pandemic situation in Nevada.

XVIII. Adjournment

Member Merritt made a motion to adjourn. Meeting adjourned at 10:46 am.

