

Nevada Cannabis Compliance Board Meeting Minutes September 28, 2021

The Nevada Cannabis Compliance Board (CCB) held a public meeting at 555 East Washington Ave, Room 2450, Las Vegas, Nevada and 1919 College Parkway Room 100, Carson City, Nevada on September 28, 2021, beginning at 11:00 a.m.

Cannabis Compliance Board Members Present:

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

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 Young was present in Carson City. Member Neilander was present via video connection. Deputy Attorney General Asheesh Bhalla confirmed that the meeting complied with open meeting law requirements.

I. Public Comment

Director Klimas stated all public comment received via email would be posted online. There was no in person public comment.

II. Meeting Minutes

A. Consideration for approval of the August 24, 2021, Cannabis Compliance Board Meeting minutes.

B. Consideration for approval of the August 26, 2021, Cannabis Compliance Board Emergency Meeting minutes.

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

III. Consent Agenda

A. Complaints

Director Klimas stated that there was one complaint that the Attorney General's office has reviewed and recommended proceeding with disciplinary action.

As to Respondent A, the complaint alleged violations of NAC 453A and 453D, and NRS 453A and 453D.

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

IV. Request for Transfer of Interest

A. TapRoot Holdings NV, LLV (TOI 19070 and 21000011) (RD670, T083)

Chief of Investigations David Staley presented the TOI application for TapRoot Holdings NV, LLC. TOI 19070 was a withdrawal. TOI 21000011 requested approval for an internal transfer of one conditional adult-use retail license from one TapRoot subsidiary to another. Staff identified no areas of concern.

Shane Terry, CEO and managing member, appeared on behalf of TapRoot. Mr. Terry stated that at the last application cycle, they applied for the license under an existing entity. He was creating TapRoot LLCs to move the licenses from the production entity into its own dispensary entity. Mr. Terry is the sole member of both.

Member Neilander asked if he would eventually transfer the other five to separate LLCs. Mr. Terry responded that the intention is to create an entity for every separate geographic location.

Member Durrett asked if any others had opened. Mr. Terry responded that this was the first one opening and is in Humboldt County.

Member Durrett made a motion to approve the transfer of interest. Member Merritt seconded. All Members said

aye. Motion carried.

Chief Staley asked for a motion in regard to the withdrawal. Member Durrett made a motion to approve TOI 19070. Member Merritt seconded. All Members said aye. Motion carried.

V. Consideration for Approval of Management Services Agreement

A. MMNV2 Holdings I, LLC and Mustang 2Mouths, LLC (C025, RC025, P016, RP016)

Chief Staley presented the management agreement between MMNV2 Holdings I, LLC (MedMen) and Mustang 2Mouths, LLC (Mustang). The management agreement provides for Mustang to manage and operate all aspects of day-to-day business of MedMen's cultivation and production operations in Sparks, Nevada. Mustang will receive a management fee of 30% of net revenue. Mustang has a pending TOI application to acquire MedMen. CCB staff have reviewed the agreement and found it appropriate. CCB staff recommends that the Board consider approval of the relationship between MedMen and Mustang rather than the approval of the agreement.

Amanda Connor appeared on behalf of Mustang; Andrew Creighton and Zackary Kozak were available via Zoom. Alicia Ashcraft appeared on behalf of MedMen; Dan Edwards was available via Zoom.

Chair Douglas asked if there were any comments from MedMen regarding lawsuits in California and if there were any concerns. Ms. Ashcraft responded there were no concerns, changes in officers and directors but nothing that affects matters here.

Member Durrett asked about Mustang's experience in operating cannabis facilities. Mr. Kozak replied that Mustang was a subsidiary of a larger entity, Battery Works, which was made up of companies that have significant experience in cultivation and manufacturing in California. There are licenses in Mendocino County. Lit House and Saunder Endeavors are some of the brands. Member Durrett asked for more information on the option to buy. Mr. Kozak responded that it was Mustang's intention for the management agreement to remain in place until the TOI is processed and then exercise the asset purchase of MedMen facilities. Mr. Edwards added that the transaction was also taking place in California and the management agreement is an interim step. The management agreement has a split of rent, revenue, and operating expenses. This reduces cash burn off for MedMen and allows their partners to enter the state. MedMen is publicly traded, and Mustang is private. Member Neilander asked if it was strictly an asset purchase on the option. Mr. Kozak replied that was correct.

Member Durrett made a motion to approve the relationship between the two parties under item V (A) and the fact that they are entering an agreement. Member Merritt seconded. All Members said aye. Motion carried.

VI. ACC Enterprises, LLC (C130, RC130) Status Report to the Board regarding the receivership and potential transfer of interest.

Mr. William Leonard, Jr. provided an update to the Board. Mr. Leonard stated that there were transfers and purchases of interest prior to 2020 and he felt it appropriate to do a transfer of interest. The minority holders have questioned the legitimacy of transfers between Howard Misle and his widow and the initial transfers or purchases. Mediation with Judge Gonzalez is set for October 5, potentially moved to October 12. If a resolution is not met, binding arbitration is scheduled for two weeks later with Judge Peggy Leen. Sheba Stratham was retained to look at compliance issues.

Chair Douglas commented that it was a little convoluted with the details of the various parties but appreciated the work to put it into order. Member Durrett asked if there were other members of the company vying for a larger interest. Mr. Leonard responded that the minority holders were saying that Mr. Misle did not and cannot prove that he put money in at the very beginning, and there is no such thing as "sweat equity." The transfer to the widow is questioned because they think they should be allowed to buy Mr. Misle's shares. Member Neilander was impressed with the report.

VII. Consideration for Approval to Extend February 5, 2022 Final Inspection Deadline

Chief of Administration presented the petitions submitted to extend the February 5, 2022 deadline to receive a final inspection by the CCB.

A. Eureka NewGen Farms, LLC. Chief Gilbert stated Eureka NewGen Farms ("NewGen") was issued a conditional medical cultivation and production license (C186 and P122) on April 11, 2018 and a conditional adult-use retail store license (RD290) on December 5, 2018 and all were within Eureka County jurisdiction. On December 12, 2020, the CCB issued a notice to NewGen that its cultivation, production, and retail store

facilities must be inspected and approved for final licensure and complete local government requirements no later than February 5, 2022 or the licenses will expire. NewGen submitted a letter requesting an extension on August 2, 2021 due to an ordinance banning all marijuana establishments within the county.

Michael Tangreen and Katie McConnell, counsel for NewGen, presented their case. Ms. McConnell provided additional information including the times that NewGen appeared before county commissioners in 2018 and 2020. NewGen made several attempts to get on the agenda and was advised the Board was not interested in any change to the ordinance unless federal law is changed. NewGen intended to file legal action against Eureka County within two weeks and requested an extension of time to perfect the licenses. Mr. Tangreen added that they have had conflicting information, were told they could move to the city of Carlin and prepared to do that. Lincoln Litchfield from City Council of Carlin was available. Mr. Tangreen would like to be able to open.

Member Durrett asked if CCB staff reached out to Eureka County. Mr. Gilbert replied they did not, but reviewed the materials submitted.

Ms. Connell added they have reached out to all levels of the county including commissioners and district attorney and believe their only action is legal action. The proposed location is rural and not heavily populated. Member Durrett asked who the customers would be. Ms. McConnell responded it was between Winnemucca and Elko, or Reno and Salt Lake City.

Member Neilander asked where they were at with the declaratory relief action. Ms. McConnell replied that it was drafted and needed to be filed in Eureka County. How fast they can get a ruling will depend on which judge it is assigned to and anticipated 9 months to get a hearing. Member Durrett asked what grounds are if local governments aren't required to allow cannabis use. Ms. McConnell responded that the ordinance was an all-out ban and not a zoning ordinance. It doesn't have to do with health, safety, or welfare. In McConnell's interpretation they could implement control measures but not prohibit. If the complete moratorium was taken away, then they would be allowed to perfect the license. Mr. Tangreen added that Carlin was three miles away and able to support fire, ambulance, and police, and are in support of NewGen being in their community.

Member Durrett stated that she did not support granting an extension as it is clear that the county does not want to allow the facilities, and local governments have the ability to not allow them. Chair Douglas was in favor of allowing it to go forward to court. Member Young asked if counties that are prohibiting cannabis now are moving towards legalization. Director Klimas responded that there have been two jurisdictions move from prohibition to allowance. Member Neilander commented that the applicant met their burden to show they have made a good faith attempts to activate their license and was in favor of granting an extension.

Member Neilander made a motion to grant an extension of time for a 12-month period from today's date [September 28, 2021]. Member Young seconded. Members Merritt, Young, Neilander and Chair Douglas said aye. Member Durrett said nay. Motion carried.

- B. Wellness Connection of Nevada, LLC.** Chief Gilbert stated Wellness Connection of Nevada, LLC ("Wellness") was issued a conditional adult-use retail license (RD633) on December 5, 2018 within the Las Vegas jurisdiction. On August 18, 2021, Wellness submitted a request to extend the deadline to November 4, 2022 due to a denial of a special use permit. Wellness is currently in a legal dispute with the City of Las Vegas regarding the special use permit for retail store. Staff did not have concerns. Wellness requested a 9-month extension.

Christopher Rose and Matthew McClure appeared on behalf of Wellness. Mr. Rose stated the proposed location is at the corner of Sahara Ave. and Fort Apache. There were two issues that led to the dispute and litigation with the special use permit application process. Wellness thought the application and hearing process was unfair and biased when a councilperson took a public stand against the application. The second was the severity in how the applications were handled. The matter is currently with the Nevada Supreme Court but there was no indication as to when the matter would be heard. The reason for the request is to allow the decision process with the Nevada Supreme Court to run its course and provide time, if necessary, for further proceedings and to complete the buildout.

Member Durrett made a motion to approve the request for an extension [of 9 months]. Member Young seconded. All Members said aye. Motion carried.

- C. HSH Lyon, LLC.** Member Young made a disclosure that he has a physician-patient relationship with one of the managing members, Mr. Ernst. Member Young did not feel this would affect his ability to render an objective opinion.

Chief Gilbert stated HSH Lyon, LLC (“HSH”) was issued a conditional medical cultivation and production license on April 11, 2018 within Lyon County. On October 10, 2021, HSH submitted a letter requesting an extension to October 2022 due to initial delays and unforeseen delays due to COVID. HSH provided a timeline of events and described its progress. HSH does not expect delivery of their metal building until December 2021 or January 2022 and does not expect to be able to erect the building before the deadline. Staff identified areas of concern that included HSH has owned the land since 2017, the moratorium was lifted in March of 2018 and did not make any progress on the buildout during the majority of 2019 or 2020.

Ashlee and Russell Ernst appeared on behalf of HSH. Mr. Ernst stated that they own the land and the greenhouses but are not vertically integrated. They had a difficult time selling product and supply issues. They are not publicly traded and need to secure funding.

Member Neilander asked if an extension shorter than one year could be granted. Director Klimas stated the Board may grant a shorter period of time. Mr. Ernst added that they hold another license for cultivation and production, but it was taking longer to open the dispensary. They do want to get it going and become vertically integrated. Member Neilander commented that he appreciated that, but the Board has responsibility to make sure these move along. There did not seem to be much activity. Member Durrett added that she had the same concerns as Member Neilander. She thought there were business decisions made to get the other facilities open. Other local businesses were able to get open and then be purchased by publicly traded companies. Chair Douglas thought that a 6-month extension was appropriate.

Member Neilander made a motion to grant an extension for a 6-month period from today’s date [September 28 ,2021]. Member Merritt seconded. All Members said aye. Motion carried.

VIII. Approvals and Resolutions

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

1. Rural Remedies, LLC (C192, RC192, P127, RP127, C193, RC193, P128, RP128) Chief Gilbert stated that Rural Remedies received a conditional license on April 11, 2018, and applied for the corresponding adult-use cultivation and production license which was granted on February 8, 2019. Rural Remedies also was granted a conditional license on April 11, 2018. Deficiencies were found at the pre-opening inspection and were corrected. The CCB issued the final license on September 10, 2021 for one medical and adult-use cultivation and one medical and adult-use production in Austin, Nevada and one medical and adult-use cultivation, and one medical and adult-use production facility in Battle Mountain.

IX. Consideration of Suspended Enforcement of NCCR 13.025(5) due to COVID-19.

Deputy Director Miles provided an update to the Board. At the July Board meeting, the Board approved an amendment to NCCR 13.025(5) pertaining to the circumstances in which two drivers are required to distribute cannabis. At the August Board meeting, the Board granted emergency relief until the September Board meeting to the two-driver rule due to the surge in COVID-19. Blackbird Logistics requested another extension.

Drea Ballard, Director of Operations, appeared on behalf of Blackbird. Mr. Ballard requested to continue the relief due to the CDC’s advisement to remain 6 feet apart.

Member Young asked if Blackbird mandated vaccinations. Mr. Ballard responded that vaccination was required for all new employees and testing was required for all unvaccinated employees. Member Neilander asked how the current situation was after the outbreak. Mr. Ballard responded there was one person out with COVID at the present time. Masks are required for all operations employees on-site, off-site, and every location they travel to. Chair Douglas asked what the status of the drivers was. Mr. Ballard responded that Las Vegas staff had 65% vaccination rate.

Chair Douglas commented that several extensions have been granted and was not inclined to grant another. Member Neilander asked for Deputy Miles to restate the requirement. Deputy Miles stated the product must be worth over \$75,000 to require two drivers and they must drive a minimum of 100 miles between stops. Member Neilander commented that licensees have had time to develop their business plan and was not in favor of granting an extension.

Chair Douglas made a motion to enforce the regulation at the end of 30 days. Member Neilander seconded the motion. All Members said aye. Motion carried.

X. Cannabis Advisory Commission – Updates and Actions

Director Klimas provided an update on the Cannabis Advisory Commission. The subcommittees have continued to meet and discuss issues surrounding consumption lounges. The Commission may meet at the end of October or early November to consider the work done by the subcommittees.

XI. Briefing to the Board from the Executive Director

Director Klimas recognized the work of the CCB’s enforcement team that participated in the shutdown of a large cultivation grow on tribal land. The Cannabis Regulation Association submitted comments on the Cannabis Administration & Opportunity Act. The SAFE Banking Act is moving forward with the NDAA. Regulation 11.015 regarding lab payments will be moving forward with adoption at the November Board meeting. Regulation 12.065 had been set for consideration at this September meeting. However, it was pulled and will be discussed at a workshop to be scheduled in the future. Department of Taxation released its taxable sales information for the fiscal year. Taxable sales for cannabis exceeded one billion dollars for the first time. This resulted in around \$150 million in excise taxes to the State.

XII. Next Meeting Date

The next meeting date will be October 26, 2021.

XIII. Items for Future Agendas

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

XIV. Public Comment

Amber Jackson provided public comment in Las Vegas. Ms. Jackson stated that there was a CBD store on Fremont St. labeled as a dispensary. The store was making people think that they were buying THC. Ms. Jackson did not think this was a fair business practice. Customers may buy the product and then tell others that it was not a good product. This would not be good for the State.

XV. Adjournment

Member Durrett made a motion to adjourn. Meeting adjourned at 12:38 p.m.