

Nevada Cannabis Compliance Board Meeting Minutes February 22, 2022

The Nevada Cannabis Compliance Board (CCB) held a public meeting at 555 East Washington Ave, Room 2450, Las Vegas, Nevada beginning at 9:00 a.m. on February 22, 2022. The Carson City meeting location was not available due to 2-hour delayed opening of State Offices for inclement weather on the scheduled meeting day.

Cannabis Compliance Board Members Present:

Michael Douglas, Chair
Jerrie Merritt
Riana Durrett
Bryan Young

Tyler Klimas, Executive Director, called the meeting to order and took roll. Chair Michael Douglas and Member Durrett were present in Las Vegas. Member Young and Member Merritt were present via video connection. Deputy Attorney General Asheesh Bhalla confirmed that the Board complied with the Open Meeting Law requirements.

I. Public Comment.

There was no public comment.

Chair Douglas noted that Northern Nevada was delayed due to snow day. Chair Douglas noted that Agenda Item IV (A), Request for Transfer of Interest for Premium Produce, LLC would be held out and pushed to the March meeting.

II. Meeting Minutes

A. Consideration for approval of the January 25, 2022, Cannabis Compliance Board Meeting minutes.

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

III. Consent Agenda

A. Complaints

Director Klimas stated that there were two complaints that the Attorney General's office had reviewed and recommended proceeding with disciplinary action.

1. As to Respondent A, the complaint alleged violations of NCCR 4.
2. As to Respondent B, the complaint alleged violations of NRS 678B, NCCR 4, and NCCR 7.

Chair Douglas noted that the complaints were presented blindly to the Board. Member Durrett made a motion to approve agenda item III A (1 and 2). Member Young seconded the motion. All Members present said aye. Motion carried.

IV. Request for Transfer of Interest

Chief Investigator David Staley presented the transfers of interest.

A. Premium Produce, LLC (TOI# 18080) (C033, RC033, P038, RP038)

Chair Douglas noted again that Premium Produce was moved to the March Board meeting.

B. Healthcare Options for Patients Enterprises, LLC (TOI# 22001) (C129, RC129, P064, RP064)

Chief Staley stated TOI 22001 requested approval for waivers of NCCR 5.110 pursuant to NCCR 5.112 and 5.125. HOPE appeared at the January 2022 Board meeting, but the requested waivers were not included in the January TOI. The two NCCR 5.110 waivers are included in this agenda to rectify their absence in the January agenda. Staff identified no areas of concern. Staff suggested that if approved, the approval be conditioned such that HOPE's waivers pursuant to NCCR 5.112 and 5.125 be limited to expire on such agenda as HOPE's next TOI application is heard.

Brianna Martinez appeared on behalf of HOPE. Ms. Martinez stated that they agreed with Chief Staley and asked the Board to approve the waivers. There were no questions from the Board.

Member Durrett made a motion to approve the waiver of NCCR 5.110 pursuant to NCCR 5.112 and 5.125 upon the condition that the waivers be limited to expire on such time as the licensee's next TOI request is submitted. Member Merritt seconded the motion. All Members present said aye. Motion carried.

C. Jushi Holdings, Inc.; NuLeaf Inc.; NuLeaf Clark Dispensary, LLC; NuLeaf Incline Dispensary, LLC; NuLeaf Reno Production, LLC; NuLeaf Sparks Cultivation, LLC; NuLeaf CLV, Inc.; NuLeaf CLV Dispensary, LLC (TOI# 21014 and 210027) (C064, RC064, P061, RP061, T064, D065, RD065, D068, RD068, D069, RD069)

Chief Staley stated TOI 21014 and 210027 requested approvals for various NuLeaf entities to complete an internal restructuring prior to a planned acquisition by Jushi. Jushi requested approval for waivers of NCCR 5.110 pursuant to NCCR 5.112 and 5.125. This item was also an investigation into Jushi's suitability to receive a potential consumption lounge license. Jushi qualified for this review by establishing the required revolving account with the CCB and requesting such review. It was Staff's review that Jushi was suitable to file an application for a consumption lounge license. Consumption lounge licensure cannot be finalized until Jushi completes all required submissions and location inspections. Staff identified no areas of concern with the application. Staff suggested that if approved, the approval be conditioned such that Jushi's waivers pursuant to NCCR 5.112 and 5.125 be limited to expire on such agenda as Jushi's next TOI application is heard.

Jeff Donato with Argentum appeared on behalf of NuLeaf entities along with COO Sean Luse. Melissa Waite was not present. Harris Shaine appeared via Zoom on behalf of Jushi. Mr. Donato stated they were requesting approvals for the transfers of interest of the NuLeaf entities which will ultimately go into the Jushi entity.

Member Durrett asked if Ms. Waite represented Jushi. Mr. Donato stated that she did. Member Durrett asked what the timeline for the acquisition was. Mr. Donato stated that once they have all of the local jurisdiction approvals, then the acquisition will take place.

Chair Douglas asked if it was a merger. Mr. Donato responded that it was an acquisition with the end result being the Jushi entity.

Member Durrett asked what the plan was for the local Nevada staff. Mr. Shaine responded that they would go in and review everything, but the intention was to keep the business running with minimal changes. Member Durrett asked how Tahoe was dealing with the change. Mr. Luse stated the Incline dispensary was under Washoe's jurisdiction and they have not raised any issues or questions. Mr. Luse added that he will still be involved going forward in addition to the management team. Member Durrett commented that the facilities with no management living in Nevada seem to struggle more.

Member Durrett made a motion to approve the transfers of interest with the condition that the waivers of NCCR 5.110 pursuant to NCCR 5.112 and 5.125 be limited to expire on such time as the licensee's next TOI request is submitted, and including the Board's approval of the suitability for the consumption lounge application with the understanding that it would come before the Board again for final approval. Chair Douglas noted that this would not approve the consumption lounge, just the suitability portion. Member Young seconded the motion. All Members present said aye. Motion carried.

D. Jushi Holdings Inc.; SF-D Inc. (TOI# 2100014)

Chief Staley stated TOI 2100014 requested approval of SF-D to complete internal restructuring prior to being acquired by Jushi. Jushi requested approval for waivers of NCCR 5.110 for this TOI, but Chief Staley did not think those needed to be voted on as they were approved in the prior agenda item. Staff identified no areas of concern.

Melissa Waite appeared on behalf of Jushi Holdings. Alicia Ashcraft appeared on behalf of the seller SF-D Inc.

Member Durrett asked for an over of the transfer. Ms. Ashcraft stated that at an earlier Board meeting, there was a reorganization with Gravitas and the assets of the dispensary, and the retail store were approved to be transferred to SF-D. Jushi is now acquiring the entity SF-D Inc and it will be a subsidiary of the parent company. Ms. Waite added that Jushi will be acquiring the stock of the entity that currently owns the license. Chair Douglas noted it was for a medical and adult-use dispensary located in Las Vegas.

Member Durrett made a motion to approve agenda item IV (D). Member Young seconded the motion. All Members present said aye. Motion carried.

E. Good Chemistry Nevada, LLC (TOI# 18077) (C125, P083)

Chief Staley stated TOI 18077 was filed in 2018 for the removal and replacement of various Good Chemistry officers while no changes in ownership were included. The policy of the Nevada Department of Taxation during 2018 was to handle changes of officers through the TOI application process. As a result, staff requested a withdrawal of TOI 18077 to clean up the records. During the investigation, staff identified areas of concern regarding Good Chemistry's failure to file and pay various tax returns.

Jeff Donato from Argentum appeared on behalf of Good Chemistry. Holly Bayham and Joseph Sandoval, Jr. were available via Zoom to answer questions. Mr. Donato stated it was essentially a letter submitted for a request to update the owners and officers of Good Chemistry and it was treated as a transfer of interest although there was no ownership change. Mr. Donato requested a withdrawal to clean up the records.

Chair Douglas asked for clarification on the late-filed tax returns. Mr. Donato responded that all taxes are up to date and the tax returns were zero returns, so there were no funds owed to the state for late returns. Mr. Donato added that Good Chemistry was now using a new company for tax returns.

Chair Douglas made a motion to approve the withdrawal of the prior TOI application that was submitted. Member Durrett seconded the motion. All Members present said aye. Motion carried.

V. Consideration for Approval of Management Services Agreements

A. New Leaf Cultivation Center LLC (C089, RC089), A New Leaf Production Center, LLC (P058), and Qanvas Services Reno-SPCC, LLC Request Approval of a Management Services Agreement to Allow Qanvas Services Reno-SPCC, LLC to Provide Management Services to New Leaf Cultivation Center LLC (C089, RC089) and A New Leaf Production Center, LLC (P058)

Chief Staley presented the request for approval of the management agreement between A New Leaf Cultivation Center LLC, A New Leaf Production Center, LLC and Qanvas Services Reno-SPCC, LLC. A New Leaf was currently in receivership and the management agreement provides for Qanvas to supervise and manage the day-to-day cultivation and production operations at New Leaf facilities. Qanvas will receive of monthly fee of \$13,000 plus 20% of net profits. Once the profit sharing reaches \$20,000 in any month, the \$13,000 fee ceases. An area of concern was identified because one of the members of Qanvas is Ranson Shepherd who is also a 21.5% owner of Las Vegas Wellness and Compassion, LLC which holds cannabis cultivation and production licenses. LV Wellness settled two complaints in 2021 and further compliance issues are currently under review by the CCB's audit division. CCB staff reviewed the management agreement and found it appropriate. CCB staff recommend that the Board consider approval of the relationship between New Leaf and Qanvas rather than approval of the management agreement itself.

John Savage appeared on behalf of Dotan Melech, the receiver for New Leaf entities. Joseph Davidsohn appeared on behalf of Qanvas. Ranson Shepherd was not present. Ed Humphrey was present on behalf of Alex Hose, owner of related entities and interested party in the receivership. Mr. Humphrey stated they had fully vetted the management agreement with other interested parties in the receivership and support moving forward.

Chair Douglas asked for comment on the areas of concern with Ransom Shepherd. Mr. Savage responded that was the first they had heard of it but were willing to work with the Board in any manner.

Chair Douglas made a motion for approval of the relationship as to the form of the agreement and not the content, noted the area of concern that the CCB will monitor. Member Young seconded the motion. Member Durrett asked if the Board would like to bring Mr. Shepherd in at a later date. Chair Douglas responded that based on what the Board has received from Staff, two issues have been resolved and one is under investigation, and that would come before the Board at a later date. All Members present said aye. Motion carried.

VI. Request for Consideration of Approval of Court-Appointed Receiver's Application for a Cannabis Establishment Agent Registration Card for a Cannabis Receiver

A. Larry L. Bertsch, CPA, CFF, GCMA's Application for a Cannabis Establishment Agent Registration Card for a Cannabis Receiver as Court-Appointed Receiver for Auragen, LLC and Helios NV, LLC (C177, RC177) in Second Judicial District Court Case No. CV20-01141 Green Cross of America, Inc.

Senior Deputy Attorney General Ashley Balducci presented the matter to the Board. Agenda item VI was for the Board's approval of the court appointed receiver Larry Bertsch's application for an agent card for cannabis receiver over a cannabis cultivation facility. Mr. Bertsch applied for an agent to be a cannabis receiver. If approved by the Board, this would place him as a cannabis receiver over Helios NV, LLC. Mr. Bertsch provided his curriculum vitae

that identified the cases in which he has acted as a court appointed receiver and which included a matter involving a state licensed cannabis sales facility. Helios operates a state licensed medical and adult use cultivation facility in Reno, Nevada. Auragen, LLC owns Helios, and several individuals own Auragen. An owner of Auragen, Irene Howard, filed a derivative lawsuit in second judicial District Court against Hydrovize International, Inc., a management company, and West Plischke, the owner of Hydrovize and one of the owners of Auragen. The arbitrator granted an order appointing Mr. Bertsch over Auragen and Helios that the Court later confirmed. The CCB has a pending disciplinary action against Helios that is stayed pending the CCB's action on Mr. Bertsch's application. If Mr. Bertsch's application is approved, the order should include language that Mr. Bertsch is to take immediate possession and control of Helios and manage its operations in the best interest of the company and in compliance with Nevada law. Mr. Bertsch would become the designation point of contact for Helios pursuant to NCCR 2.050 and responsible for responding to all inquiries and investigation requests from the CCB. Mr. Bertsch would be subject to all agent card provisions and must be independent and may not be represented by counsel for Helios and/or counsel for any of the owners for Auragen. Mr. Bertsch may retain counsel to represent himself. Mr. Bertsch should be ordered to provide the CCB with a report of his initial activities with Helios no later than March 15, 2022 and provide monthly reports thereafter. Mr. Bertsch shall remain in place until the CCB has approved his removal. Helios or any of the individual owners of Auragen may apply to the CCB to remove Mr. Bertsch at any time, but the CCB must approve removal by majority vote. Helios will be responsible for payment of Mr. Bertsch's fees and costs for the execution of his duties.

Mr. Bertsch, Richard Kleikamp, and Candace Carlyon, counsel for Mr. Bertsch, were available to answer questions. Ms. Carlyon stated Mr. Bertsch has served as a U.S. Bankruptcy trustee for more 20 years and served as a court appointed receiver in multiple actions. Ms. Carlyon asked the Board to confirm the Judge's decision to appoint Mr. Bertsch as receiver over those companies.

Chair Douglas asked Mr. Bertsch to explain why the Board should approve his application and detailed the background of Mr. Bertsch's previous duties. Mr. Bertsch responded that he has been associated with a couple of cannabis matters including CWNevada and Desert Air at 420 Sahara. He is not unfamiliar with what is going on and sees it as a challenge.

Member Durrett asked what his role in the CWNevada was. Mr. Bertsch responded that he participated in it at the beginning until they appointed a receiver and he kept himself up to date. In Desert Air, he was appointed because there was a conflict between the two owners, and then they settled.

Ed Humphrey represented the landlord for Helios, 800 Stillwell Partners, LLC. Mr. Humphrey commented that this receivership started off in an arbitration. The arbitrator has been issuing Orders and the district court has been confirming those Orders. Creditors are not parties to that arbitration and are not subject to the same arbitration agreements. There are issues with that including notice, and how everybody will get gathered in the same place. The arbitrator does not have jurisdiction over Mr. Humphries clients and the dual track needs to be addressed.

Jeff Barr represented Irene Howard in the receivership action in the arbitration action. The matter was filed in the Washoe County and the Court has jurisdiction over every Order of the arbitrator so there is no issue with procedure or due process. Everything will be handled through the second judicial district.

Chair Douglas made a motion for approval, noting that the appointment does not become final until the Board issues its Order. Member Durrett seconded the motion. All Members present said aye. Motion carried. Chair Douglas asked if the agent card application had been submitted. Ms. Balducci replied that it had been submitted, the background check was completed and the CCB was waiting on the Board approval to issue the agent card.

VII. Petition filed Pursuant to NRS 678A.460(1)(d)

A. White Pine County and Silver State Government Relations on behalf of Silver Lion Farms' Petition to the Cannabis Compliance Board to Amend Nevada Cannabis Compliance Regulation 5.

Senior Deputy Attorney General L. Kristopher Rath introduced the matter to the Board. Agenda Item VII was a petition filed pursuant NRS 678A(1)(d) and NCCR 4.145. White Pine County through its county manager filed the petition which was also signed by a representative of Silver Lion Farms. The County supported Silver Lion Farms' attempt to obtain a cannabis cultivation license. The petition proposed an addition of NCCR 5.036 to Regulation 5, the text of which was included in the petition. The proposed regulation seeks to allow a board of county commissioners to request a new licensing round for non-statutorily restricted licenses such as cultivation or production facilities. The wording would require the CCB to open a new licensing round for such facilities on the request of the board of county commissioners.

Will Adler was present representing White Pine County and stated the petition was not from Silver Lion Farms. Michael Wheable, county manager of White Pine County, was present via Zoom. Mr. Adler stated the county Ordinance No. 523 was approved in October to allow for cannabis to be legal and there would no longer be a moratorium or restrictions in the county. This occurred after months of discussions surrounding cannabis and what it would mean to have it in their county. Mr. Adler stated counties had to choose to be in or out of the marijuana program, and there have been almost no other times to get into the program. White Pine is a small county of about 9,000 residents and is looking to diversify their economy. White Pine County reached out to the CCB to discuss its options and submitted the petition in order to have the option for a licensing round. Mr. Adler cited NRS 678.B.220 that there “shall” be a medical cultivation and medical production license issued. White Pine submitted that a county should be able to submit a letter to the CCB in order to have a licensing round for that county but only for the limited license types that aren’t restricted. Mr. Adler claimed that there is no reason why a county should not be allowed to have cannabis licensing in their county. The transferring of licenses is not allowed between counties or jurisdictions. Mr. Adler stated that the proposed language submitted was not perfect and was heavy with mandates but could be worked through during the regulatory change process.

Chair Douglas commented that he appreciated the evolution that the county has gone through to now allow cannabis licensing, but the county missed the opportunity that allowed that regulation to come into play. There is competing language in the law that asks the Board to look at or allow for market study and analysis as to opening a new licensing round. That is an obstacle that has not been surmounted to date. In addition, licensing rounds are open to all who apply, not just be requested by a county for one person. That is problematic in terms of fairness.

Member Durrett asked how this was limited to White Pine County as the language suggested that every year, every county could request more cultivation facilities. Mr. Adler responded that the language stated a county could submit a letter to request a licensing window just for the borders of that county, not for any other county or statewide. There should be the opportunity to have new licensing or to allow existing owners to apply to move their license to another county.

Member Durrett asked the Attorney General staff how to reconcile the “shall” language in the NRS. Mr. Rath responded that entities would still have to apply and have an open licensing round. The statute requires any cannabis licensee to apply with the CCB for a license which means the CCB would have to open a licensing round. As long as there are applicants, then the CCB “shall” issue at least one medical license to a county. Mr. Rath added that the change of location issues is in statute and not a regulation and would need to be dealt with by the Legislature. Member Durrett asked for thoughts on the market demand study that are a prerequisite. Mr. Rath responded that NRS 678A.310 directed the CAC in consultation with the CCB to consider the distribution of licenses across the state and seeks to have a marketing study coordinated by the CAC. Mr. Rath noted that under NCCR 4.145(e), the petition is required to have the petitioner identify all persons or groups who the petitions believe will be affected by the adoption amendment or repeal of a regulation including the cannabis industry as a whole. A market study or impact discussion regarding the industry as a whole was not included in the petition.

Mr. Adler thought that the CCB has said that they would do a market study and was unaware that it should have been included with the petition. Chair Douglas commented that the petitioner has the obligation to do certain things for the record or have it jointly done. Mr. Adler responded that they were going off of direction given. Chair Douglas added that Mr. Adler had been pointed in terms of what the law has told the CCB it has to do, and the CCB’s review indicates that he has a dual obligation to provide something that helps the CCB move forward. Chair Douglas stated the Board is empowered only with the authority given by the Legislature and the medical statutes.

Member Young asked what the relationship was between White Pine County and Silver Lion Farms. Mr. Wheable stated that he is the county manager for White Pine and was the elected district attorney for two terms. Mr. Wheable stated when this first came up years ago, he was still prosecuting individuals for marijuana use in the county and they did not know how the regulations were going to play out. Mr. Wheable added that the petition was to address the conflicts between the law and the regulations, and the proposed language would allow White Pine County to petition to open; the Board still has the ability to approve or decline those applications. White Pine would like to better its citizens lives and be a part of the industry. There is a lot of poverty in the rural counties. Mr. Wheable stated that Silver Lion Farms is a private business, and the county is trying to facilitate business and new economies and they would like to see them continue to develop in the industry and support the tax base. They are looking at other industries as well. Mr. Wheable understands the obligations in the petition process and would be happy to provide additional information. It can be limited by removing the “shall” language and limit it to counties with certain populations.

Member Durrett added that the market study language is triggered as necessary. Chair Douglas commented that what they are looking at does not have only county applications but also statewide applications as to how it affects the marketplace; there needs to be homework done on the issue. Chair Douglas made a motion to deny the petition without prejudice so the matter may come

back, and with the Executive Director taking the matter up with the Cannabis Advisory Commission to make the necessary studies to see whether or not it makes sense to open additional licensing rounds. Member Durrett seconded the motion. All Members present said aye. Motion carried.

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

Chief of Administration Steve Gilbert presented the matters to the Board.

A. Polaris Wellness Center, LLC (T068)

Chief Gilbert stated Polaris submitted a request for a 12-month extension of the deadline for its distribution license on November 19, 2021. The request referred to an event that took place during a routine inspection held at its cultivation facility in January 2020 where Marijuana Enforcement Division staff quarantined a room at the facility which Polaris had intended to utilize to perfect its conditional distribution license. The investigation was concluded by the CCB in early 2021 and staff have communicated to Polaris there are no areas of concern.

Rusty Graf and Lee McCue appeared on behalf of Polaris. Chair Douglas asked how Polaris has resolved the issue. Mr. Graf responded that the delay was caused by the quarantine of a room for over a year. The room was to be used to conduct the transportation activities. Mr. Graf stated that the room was free and available now and the room has been cleared. Mr. McCue added that it has been difficult to get a transit vehicle at this time due to covid and supply chain issues.

Chair Douglas made a motion to grant a 12-month extension of the license. Member Durrett seconded the motion. All Member present said aye. Motion carried.

B. GreenMart of Nevada NLV, LLC (T038)

Chief Gilbert stated GreenMart submitted a request for a 12-month extension of the deadline for its distribution license on January 28, 2022. GreenMart reported it had faced issues in regard to obtaining and/or allocating sufficient space for the distributorship. GreenMart's prior plan did not allow for sufficient space for it to house distribution in its cultivation and production facility. After being awarded conditional retail dispensary licenses, litigation put those licenses at risk and GreenMart was not sure if it would have the ability to perfect those licenses. With the July 2020 settlement being reached, GreenMart took steps reconfiguring its space to allow it to operate a distributorship to allow it to distribute to its dispensaries. Staff identified no areas of concern.

Dayvid Figler appeared on behalf of GreenMart. Mr. Figler stated GreenMart was taking steps forward now that the litigation has been resolved. The reconfiguring of the spaces to be able to distribute to their own dispensary is underway and they are asking for a one-year continuance.

There were no questions from the Board. Chair Douglas commented that licensees need to understand that even with the settlement agreement, they need to timely make application to extend licenses. Chair Douglas made a motion to approve the 12-month extension, noting that if they are back in a year asking for an extension it must be timely otherwise it will be denied. Member Durrett seconded the motion. All Members present said aye. Motion carried.

IX. Approvals and Resolutions

A. Notice of Final Licensure

- 1. Silver Sage Wellness, LLC (T074)** Chief Gilbert stated Silver Sage Wellness applied for an adult use cannabis distribution license during the May 2017 application period and was issued a conditional license on August 28, 2017 in Clark County jurisdiction. On March 15, 2021, CCB staff conducted a pre-opening audit and inspection. A statement of deficiencies was issued March 19, 2021. A plan of correction was submitted and approved by the CCB on March 24, 2021. The CCB issued the final licensure of February 8, 2022.

X. Briefing to the Board from the Executive Director

Director Klimas stated that the CCB and Attorney General's office were still working on the draft language for the consumption lounge regulations. A workshop will be scheduled. The demographic survey was sent out to 16,000 registered agents and 7,000 surveys were returned. There was about 70% response rate from owners, officers, and board members. The response rate was lower than last year. The CCB will look for ways to increase participation next year, with possibly including the demographic survey as part of the agent card application or renewal process.

XI. Next Meeting Date

The next Board meeting is scheduled for March 22, 2022.

XII. Items for Future Agendas

Chair Douglas would like staff to look at the application process for those people that are 5%. The Board is being inundated by LLC's and publicly traded companies. The CCB needs more information on who these individuals are and would like the information better vetted with the regulations the state has as to backgrounds of individuals who own interest in cannabis.

XIII. Public Comment

Dan Pabon, general counsel for Schwazze or Medicine Man Technologies which is a creditor in a receivership case involving ACC Enterprises, LLC (C130, RC130). There was a motion filed on February 17, 2022 indicated that the receiver recommended shut down of the facility. Mr. Pabon's understanding of AB326 was that the Cannabis Compliance Board was to promulgate rules surrounding the dissolution and winding down of assets as part of a receivership. Mr. Pabon stated it appeared that those rules have not yet been promulgated. If the issues come before the CCB, there may not be rules that govern the process. Mr. Pabon would like to speak to someone with the CCB regarding what those rules may be for the receivership.

Chair Douglas stated the Board was not able to dialogue during the public comment period.

XIV. Adjournment

Meeting adjourned at 10:24 a.m.