

Nevada Cannabis Compliance Board Meeting Minutes August 23, 2022

The Nevada Cannabis Compliance Board (CCB) held a public meeting at 555 East Washington Ave, Room 2450, Las Vegas, Nevada and 1919 College Parkway, Meeting Room 100, Carson City, Nevada beginning at 9:11 a.m. on August 23, 2022.

Cannabis Compliance Board Members Present:

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

Chair Douglas called the meeting to order, and Director Klimas took roll. Chair Michael Douglas and Member Durrett, and Member Merritt were present in Las Vegas. Member Young was present in Carson City. Member Neilander was present via video connection.

I. Public Comment.

Scot Rutledge with Argentum Partners appeared on behalf of Green Life Productions (GLP). Mr. Rutledge provided information on the CCB's investigation of GLP's growing methodology which began in October of 2021 and is still ongoing. Mr. Rutledge stated that they planned to submit a petition for new definitions and further clarification of the regulations. Mr. Rutledge stated they have received numerous time and effort bills which they have paid. They requested detailed logs of the bills 42 days prior but have not yet received them. Mr. Rutledge would like the logs provided prior to the next bill being issued so that they may be reviewed and reviewed with CCB staff.

Will Adler appeared on behalf of Sierra Cannabis Coalition. Mr. Adler stated there was a lack of clarity in the time and effort bills. Mr. Adler noted the announcement that transportation would be charged at half time and no charges for digital communications. Mr. Adler would like time and effort to be further looked at. Mr. Adler would like information on the RFP for the market study and asked the Board to direct staff to conduct a statewide economic survey of licensees.

Rachel Lee spoke on behalf her CBD company, Sunflower Compassionate Company. Ms. Lee spoke about the issues that concerned her and these included buying from dispensaries as a consumption lounge applicant, not allowing cannabis in casinos especially medicinal patients, and the lack of support for the communities affected by the war on drugs.

Cristina Ulman appeared on behalf of the Chamber of Cannabis. Ms. Ulman thanked the Board for the transparent and collaborative process in how the regulations were workshopped and decided. Ms. Ulman asked the Board to consider creating more subcommittees with industry experts that can serve as guides and share their knowledge and solutions. The industry should not be afraid to ask a question in fear that the CCB will cite them with a fine. The CCB is not responsible for the success of cannabis businesses, but regulations directly impact the economic development of the market.

Nicole Buffong, of Minorities for Medical Marijuana and for Chamber of Cannabis, thanked Director Klimas for participating in a virtual townhall. Ms. Buffong thanked the Board for the mandate to require cultivators to label radiated flower and recommended standardized testing for all laboratories in the state. Ms. Buffong was disappointed that the CCB challenged the growing process of Green Life Productions. Ms. Buffong recommended that a Cannabis Advisory Committee that had advisors that consume and touch the plant daily,

and a patient and consumer committee that includes advisors from cultivation and production. Ms. Buffong volunteered to be on such committee.

Briana Padilla of the Chamber of Cannabis thanked the CCB for the work on consumption lounge regulations. Ms. Padilla stated that Clark County had tabled a discussion on consumption lounges in order to review a presentation that noted items of concern that had been previously discussed and laid to rest during the extensive workshop process. The items included whether to allow entertainment, outdoor consumption in conjunction with odor mitigation, and additional limitations on the number of locations allowed. The types of constraints being mentioned by Clark County have the potential to cut these new businesses down before they get off the ground especially for the independent and social equity licensees. The Chamber is willing to continue to work with the CCB.

Amber Jansen appeared as a patient and spoke labelling of radiation and decontamination. Ms. Jansen spoke about the importance of customers knowing about this. Ms. Jansen felt that clean, organic cannabis was being attacked as opposed to growers using chemicals. Ms. Jansen stated that a patient should want to use clean cannabis and the best way would be to juice it. If you compare the pass/fail rates, it shows that you can grow without using remediation and decontamination. The industry needs to establish new quality standards for product purity and employ new growing practices to meet them. Remediation is used for growers that are failing.

Gerardo Gonzales spoke as a consumer and stated that clean weed was looked at by the state as something bad. Mr. Gonzales stated there was transparency on what the RAD machines do but there were no studies on what the combustion can do. Radiation alters DNA and your cells so there should be more studies before that is the new industry standard. There are new machines being sold at trade shows to treat cannabis. Mr. Gonzales supported the clean growers in Nevada.

Christine Gamez is a local operator of a dispensary in northern Nevada and on the board of directors for the Chamber of Cannabis. Ms. Gamez thanked the Board for the transparency in creating the regulations and for allowing the public and industry to address concerns. The social equity program has been encouraging. Ms. Gamez has seen that you either need to be incredibly wealthy or have a lot of investors standing behind you. The level of fines that arise from complaints is not something that social equity applicants are able to handle. The amount of fines should be looked at in the same way that fees have been reduced. Ms. Gamez recommended a hotline where questions can be asked without fear. Remediation programming and training is needed. The guidance provided for lounges is more than has been provided for any other sector of the industry. Ms. Gamez recommended subcommittees for all other areas of the industry.

II. Meeting Minutes

A. Consideration for approval of the July 26, 2022, Cannabis Compliance Board Meeting minutes.

Chair Douglas asked for corrections or a motion from the Board. Member Merritt made a motion to approve the minutes for agenda item II A. Member Young seconded the motion. Board Members said aye. Motion carried.

III. Consideration the Proposed Settlement Agreements to Resolve Disciplinary Action

A. Cannabis Compliance Board vs. Nevada Organic Remedies, LLC (RD219) (Case No. 2022-68)

Senior Deputy Attorney General L. Kristopher Rath presented the settlement agreements. Mr. Rath stated the complaint was filed and served on June 6, 2022. The Respondent has not filed an answer to the complaint, but the disciplinary process was stayed to allow the agreement to be prepared for the Board's consideration. The complaint alleged unintentionally concealing evidence, failure to properly document a cannabis sales transaction, selling an amount of cannabis in excess of transaction limits, failing to follow seed to sale tracking requirements, and failure to follow its own policies and procedures for cannabis sales. In addition to the allegations in the complaint on July 15, CCB staff completed its investigation of the

licensee self-report of the sale of cannabis to an underaged person. The respondent and the Attorney General's office entered into negotiations to settle the complaint and the underage sale. Respondent agreed to waive the filing and service of complaint so that the matter may be resolved. As set forth in the settlement agreement, respondent admitted to one Category II violation for making an unintentionally false statement or representation of fact, which is the second Category II violation within two years. Respondent admitted to one Category III violation for failing to keep required records including seed-to-sale tracking requirements, one Category III violation for failing to notify the Board of a serious incident in the required time, and one Category III violation for allowing activity which violates the laws of the state. This last violation was the only one attributed to the self-reported underage sale. Respondent agreed to pay civil penalties in the total amount of \$145,000 within 30 days of the date of the approved agreement. Respondent provided a plan of correction that was approved by CCB staff. The Attorney General recommended and requested approval of the settlement agreement.

Alicia Ashcraft appeared on behalf of Nevada Organic Remedies. Steve Haffer and compliance counsel Amanda Connor also appeared on behalf of Nevada Organic Remedies. Ms. Ashcraft thanked Mr. Rath for the work and requested approval of the settlement agreement.

Member Durrett asked what the specific amount was related to the underage sale. Mr. Rath responded that it was \$45,000 and added that the normal third Category III violation would be \$90,000. This was the same penalty recommended for the same issue with a different licensee.

Member Durrett commented that there needed to be an environment where the industry can notify the CCB and work towards resolving it. Member Durrett would not support a \$45,000 fine for a one-time incident that was then corrected.

Chair Douglas supported the settlement that was presented. Chair Douglas added that one of the Board's difficulties was to regulate the industry and to let industry know; it seemed that the industry still didn't know as these issues keep coming up. It may not be the ownership but the persons working. Chair Douglas hoped for better supervision and education of the employees and industry. A County Commissioner stated it was the role of a regulator to grant or deny a license and not to issue fines. Chair Douglas hoped that the Board did not get into the termination of a licensed business and would like to see less fines. The Board continues to learn and grow.

Member Neilander agreed with Chair Douglas's comments. Member Neilander added that in the matter before the Board, the violations occurred and there were multiple violations. Member Neilander appreciated that one was self-reported and thought that licensees should be rewarded for that conduct, but the fact is the violations occurred.

Member Neilander made a motion to approve the settlement agreement in agenda item III A for Nevada Organic Remedies. Member Merritt seconded the motion. Member Durrett commented that violations like this will always occur, even in industries such as Gaming. Member Durrett thought that the CCB needed to work with industry and welcome self-reporting and understand that some violations are more serious than others. Member Durrett would like information on how much the fine impacts the business. Member Durrett would not support the settlement agreement due to the self-reporting. Members Young, Neilander, Merritt and Chair Douglas said aye to the motion. Member Durrett said no and was opposed to the motion. Motion carried.

B. Cannabis Compliance Board vs. Nevada Organic Remedies, LLC (RD217) (Case No. 2022-107)

Mr. Rath stated the matter arose from an investigation conducted in late 2021. CCB discovered that the respondent failed to accept cannabis it received into its Metrc inventory within the required 24 hours and remained outside of Metrc almost a month later. The intent was to proceed with a disciplinary matter however, due to the engagement of negotiations on the prior matter with licensee's counsel, the parties

were able to negotiate a proposed resolution for this separate license. The respondent waived the service and filing of the complaint and agreed to resolve the matter. As set forth in the settlement agreement, respondent admitted to one Category IV violation for violating transportation or delivery requirements and agreed to a civil penalty of \$7,500. The respondent provided a plan of correction which was approved by CCB staff. The Attorney General recommended and requested approval of the settlement agreement.

Amanda Connor appeared on behalf of Nevada Organic Remedies with CEO Mr. Haffer. Ms. Connor was available for questions and asked for approval of the settlement agreement.

Member Neilander made a motion to approve agenda item III B. Member Young seconded the motion. All Members said aye. Motion carried.

C. Cannabis Compliance Board vs. Tryke Companies SO NV, LLC (C031, RC031) (Case No. 2022-104)

Mr. Rath stated the complaint in this case was filed and served on August 2, 2022. The respondent has not filed an answer to the complaint but requested and was granted an extension to answer the complaint until September 6 so that the parties could attempt to negotiate a settlement agreement for the Board's consideration. The allegations in the complaint included respondent's purchase of cannabis outside the seed-to-sale tracking system and from an unapproved and unlicensed source, the storage of cannabis from an unlicensed source, and intentional or unintentional misrepresentations to the Board or Board Agents regarding the foregoing issues. Respondent admitted to one Category II violation for making an unintentionally false statement to the Board, one Category II violation for purchasing cannabis from an unapproved source and agreed to pay civil penalties in the amount of \$72,000 with 30 days of the date the settlement is approved. A plan of correction was submitted and approved by CCB staff. The Attorney General recommended and requested approval of the settlement agreement.

Joel Schwarz appeared on behalf of Tryke Companies. Brett Scolari, Chief Compliance Officer for Tryke companies, was available. Mr. Schwarz thanked the staff and noted that there was an employee, who in the attempt to respond promptly to an inquiry, inadvertently provided inaccurate information.

Member Durrett asked how seeds come into the state. Mr. Schwarz responded that the DEA does not consider cannabis seeds to be a controlled substance; there is also the challenge of how to label and track a seed. Mr. Scolari stated that they considered this a self-report as it was the compliance manager who called to ask a question of staff which evolved into an investigation. Mr. Scolari supported the settlement agreement and appreciated getting the settlement expedited. Mr. Scolari added that the seed issue and other items are worthy of discussion.

Member Young made a motion approve agenda item III C as stated on the agenda. Member Neilander seconded the motion. All Members said aye. Motion carried.

D. Cannabis Compliance Board vs. Tryke Companies SO NV, LLC (D030, RD030) (Case No. 2022-109)

Mr. Rath stated the matter arose from an investigation conducted in June 2022. On June 16, 2022, the CCB's investigation team observed consumers from Tryke's dispensary consuming cannabis on Tryke's premises and warned the licensee of the issue. Later that same day, CCB's audit team arrived at Tryke's dispensary and again observed consumers from Tryke's dispensary consuming cannabis on the premises. The respondent was advised again of the situation and was issued a statement of deficiencies letter for both instances of on-site consumption of cannabis. As Tryke's counsel was already in negotiations for another matter, the parties entered into negotiations on this matter. The respondent waived the filing and service of the complaint. To resolve the matter, the respondent admitted to one Category III violation for allowing consumption of cannabis on the premises of its dispensary. The licensee admitted to multiple violations in an earlier case, Case No. 2022-81; one of which was a Category III violation. Thus, progressive discipline

applies, and this is the second Category III violation within the last three years. As a result, the respondent agreed to pay a civil penalty of \$30,000 within thirty days of CCB approval. A plan of correction was provided and approved by CCB staff. The Attorney General recommended and requested approval of the settlement agreement.

Joel Schwarz stated that this falls into the category of violations that Member Durrett noticed as almost inevitable that it is going to happen. As soon as a person steps outside, they may choose to consume onsite. The respondent has done what it can to ensure there are not gaps in its security, but this is a violation that most licensees will deal with at some point. Mr. Scolari added that the security director spent hours developing plans to mitigate those instances. Tourists often ignore warnings and signs which is hard to correct. Mr. Scolari stated they accepted the proposal.

Member Durrett thought it was unfortunate that the respondent felt that they had to accept this because of the situation with the pending transfers. Member Durrett would like to see licensees availing themselves of the process available.

Member Young made a motion to approve the settlement agreement under agenda item III D as stated on the agenda. Member Merritt seconded the motion. All Members said aye. Motion carried.

IV. Request for Transfer of Interest

Chief Investigator David Staley presented the transfers of interest.

A. Tryke Companies Reno, LLC (TOI# 210272, 21028, 2100055, 22013) (D026, RD026, D040, RD040), Tryke Companies SO NV, LLC (C031, RC031, P021, RP021, D030, RD030, D033, RD033, T084), and Curaleaf Holdings, Inc.

Chief of Investigations David Staley stated the transfers of interest were filed by Tryke for restructuring in preparation for Curaleaf to purchase Tryke and its licenses. Areas of concern with Tryke were not included in the investigative report as they were recently settled and approved by the Board. Curaleaf requested waivers pursuant to NCCR 5.112 and NCCR 5.125 of the requirements of NCCR 5.110 regarding a review of owners related to transfers of under 5%. Staff suggest that if approved, the Board limit such waivers to expire on the next agenda date of a Curaleaf transaction. An early suitability review for a lounge license was completed in conjunction with the investigation. Curaleaf was found to be suitable for the requested TOIs and for a potential lounge license.

Amanda Connor appeared on behalf of Curaleaf. Peter Clateman and Kayann Tyssee appeared on behalf of Curaleaf. Brett Scolari appeared on behalf of Tryke. Mr. Scolari thanked Mr. Staley and staff for the review of the application and stated they were excited for the Curaleaf transaction.

Member Neilander asked Curaleaf if there were any immediate plans with respect to the operations if the transfer is approved. Ms. Connor responded that they have been working with Tryke to get familiar with the operations and will be bringing in their corporate structure and compliance team; there were no immediate plans to change direct operations.

Member Durrett asked if there were any operators from Curaleaf present and added that it would be helpful in the future to have operators present and not just the attorneys. Member Durrett what would happen if the transfers were not approved or if there were other pending matters with Tryke. Mr. Rath responded that the only other matters were the ones resolved previously in the meeting.

Chair Douglas noted that there were no issues with Secretary of State, Department of Taxation, City of Las Vegas, or City of Sparks.

Member Durrett made a motion to approve the transfers of interest under agenda item IV A. Member Neilander seconded the motion and noted there was a condition for the waivers under Regulation 5 to expire on Curaleaf's next agenda date. Member Durrett accepted the condition. All Members said aye. Motion carried.

B. DB Labs, LLC (TOI# 21029-21032, 21047) (L003, RL003) and Kaycha Group, LLC

Chief Staley stated the TOIs were filed by DB Labs restructuring in preparation for Kaycha to purchase DB Labs and its licenses. Kaycha has requested waivers pursuant to NCCR 5.112 and 5.125 of the requirements of NCCR 5.110 regarding a review of owners related to transfers of under 5%. Staff suggest that if approved, the Board limit such waivers to expire on the next agenda date of a Kaycha transaction. Staff identified an area of concern with TOI 21029-21032 and 21047 because DB Labs filed late of incomplete tax returns with the Nevada Department of Taxation six times during the last three years.

Alicia Ashcraft appeared on behalf of Kaycha Labs and was available for questions. James Horvath was available via Zoom.

Chair Douglas noted that the issue raised as to the taxes, the licensee was current, and the taxes had been just a few days late and was not a stumbling block.

Member Neilander asked Kaycha what the current plans were if approved. James Horvath responded that they were currently under a management agreement that was approved last year. There won't be changes except for expansion. They may make some improvements, but no significant changes to operations.

Member Neilander made a motion to approve agenda item IV B with the condition that the waivers expire on Kaycha's next agenda date. Member Young seconded the motion. All Members said aye. Motion carried.

C. Deep Roots Harvest, Inc. (TOI# 21048, 21053, 22002) (C070, RC070, C185, D165, RD165, D200, RD397, RD398, RD399, RD400, RD401, P088, RP088, P121, T024) and GPRP Distributors, LLC (T095)

Chief Staley stated the TOIs were filed for approval of internal Deep Roots restructuring and for Deep Roots to purchase GPRP and its distributor license. Deep Roots has requested waivers pursuant to NCCR 5.112 and 5.125 of the requirements of NCCR 5.110 regarding a review of owners related to transfers of under 5%. Staff suggest that if approved, the Board limit such waivers to expire on the next agenda date of a Deep Roots transaction. An early suitability review for a lounge license was completed in conjunction with the investigation. Deep Roots was found to be suitable for the requested TOIs and for a potential lounge license. Staff identified areas of concern with the TOIs because GPRP filed late of incomplete tax returns with the Department of Taxation seven times during the last three years.

Lori Rogich appeared on behalf of Deep Roots Harvest Inc. and GPRP Distributors, LLC. Keith Capurro, president and CEO of Deep Roots and manager of GPRP, was present. Deep Roots has been awarded 18 licenses throughout the state under Mr. Capurro. Dennis Smith, financial officer of Deep Roots, was also present. Ms. Rogich thanked CCB staff.

Chair Douglas noted there was a reference to tax issues and added there were no monetary returns due at this time and the issue had been covered previously.

Member Neilander asked if this was more of an internal transfer. Ms. Rogich responded that was correct. Member Neilander asked if any of the Primm's were available. Ms. Rogich responded that they were not present. Member Neilander stated he wanted to ask them about minors. Member Neilander commented that in the gaming industry, minors always tried to gamble. There was a balance of having procedures in place and follow them. If the procedures aren't followed, that is subject to disciplinary action. If the

procedures are followed and something happens, it could be a violation noted but maybe not disciplinary action. Member Neilander did not have any issues with the transfers.

Member Neilander made a motion to approve agenda item IV C with the condition that the waivers expire on Deep Roots's next agenda date. Member Young seconded the motion. All Members said aye. Motion carried.

D. Two Skirts Cultivation and Production, LLC (TOI# 21039) (C190, RC190, P125, RP125) and West 118 Investments, LLC

Chief Staley stated the TOI was filed by Two Skirts to request approval for West 118 to acquire Two Skirts cultivation and production licenses. Madelon Kaster is the 100% owner of Two Skirts and as 27.3% member of West 118, she will remain the controlling member over the licenses. No areas of concern were identified during the investigation.

Adam Fulton, counsel for West 118, appreciated CCB staff's work with processing the TOI and added that they were in the process of opening a cultivation in Fernley, Nevada.

Member Neilander appreciated the clean application and the work done.

Member Neilander made a motion to approve agenda item IV D. Member Merritt seconded the motion. All Members said aye. Motion carried.

E. Euphoria Wellness, LLC (TOI# 21054) (C072, RC072, P089, RP089, D161, RD161, T027)

Chief Staley stated the TOI was filed by Euphoria Wellness to request approval for transfer of 6% membership being held in its treasury account to three existing internal ownership entities. Euphoria has requested waivers pursuant to NCCR 5.112 and 5.125 of the requirements of NCCR 5.110 regarding a review of owners related to transfers of under 5%. Staff suggest that if approved, the Board limit such waivers to expire on the next agenda date of a Euphoria transaction. Staff identified no areas of concern.

Nicole Lovelock, counsel for Euphoria Wellness, appeared with managing director Darlene Purdy Skinner and was available for questions.

There were no questions from the Board. Member Merritt made a motion to approve the transfer of interest for Euphoria Wellness. Chair Douglas noted that would be with the waiver. Member Neilander seconded the motion. All Members said aye. Motion carried.

F. Planet 13 Holdings, Inc. (TOI# 21024, 21037) (C003, RC003, C004, RC004, C067, RC067, D006, RD006, RD215, P002, RP002, P003, RP003, P034, RP034, T051, T077)

Chief Staley noted that TOI 21037 was mistakenly assigned to the previously approved sale of Planet 13's distribution license (T077) to Natural Medicine and was included only as a housekeeping item for removal from CCB records. TOI 21024 was filed to request approval of various secondary equity offerings by Planet 13 for approval of internal restructuring to facilitate the co-CEO's estate planning and to capture information that was previously omitted due to administrative limitations experienced by the Department of Taxation. Planet 13 has requested waivers pursuant to NCCR 5.112 and 5.125 of the requirements of NCCR 5.110 regarding a review of owners related to transfers of under 5%. Staff suggest that if approved, the Board limit such waivers to expire on the next agenda date of a Planet 13 transaction. An early suitability review for a lounge license was completed in conjunction with the investigation. Planet 13 was found to be suitable for the requested TOIs and for a potential lounge license. Staff identified no areas of concern.

Leighton Koehler appeared on behalf of Planet 13 Holdings. Larry Scheffler and Robert Groesbeck, founder, co-CEO and board members, were also present and available for questions. Mr. Koehler

requested approval of the TOI and complimented Ms. Dani Sandrock on her work on the TOI. Mr. Koehler added that most of the transfers related to public company financings.

Chair Douglas noted that there were no monopolistic issues.

Member Neilander asked about the secondary market for the public offerings and if it was an attractive space. Mr. Koehler responded that it was not and added that cannabis markets go down further than the rest of the market. Mr. Koehler also appreciated the conditional TOI process as it will increase ability to obtain TOIs in the future.

Member Neilander made a motion to approve agenda item IV F with the condition that the waivers pursuant to Regulation 5 expire on Planet 13's next agenda date. Chair Douglas noted the date of June 30, 2023 for the Regulation 5 waivers. Member Young seconded the motion. All Members said aye. Motion carried.

G. 5Seat Investments LLC (TOI# 21045) (C054, RC054, P037, RP037, D060, RD060) and SSAC D1, LLC (C077, RC077, P050, RP050)

Chief Staley stated 5Seat and SSAC filed TOI 21045 to request approval for the transfer of 5Seats's dispensary license to SSAC. 5Seat will continue to operate its cultivation and production licenses. 5Seat has requested waivers pursuant to NCCR 5.112 and 5.125 of the requirements of NCCR 5.110 regarding a review of owners related to transfers of under 5%. Staff suggest that if approved, the Board limit such waivers to expire on the next agenda date of a 5Seat transaction. Staff identified areas of concern because 5Seat filed late or incomplete tax returns with the Department of Taxation twenty-one times during the last three years and SSAC filed late or incomplete tax returns eight times during the last three years.

Adam Fulton appeared as counsel for SSAC, was available for questions and asked for the Board's approval.

Chair Douglas noted the tax issues. Member Neilander asked if both companies were currently in compliance with required filings. Mr. Fulton responded that was his understanding.

Member Neilander made a motion to approve agenda item IV G with the condition that the waivers pursuant to Regulation 5 expire on the company's next agenda date. Member Young seconded the motion. All Members said aye. Motion carried.

V. Request for Consideration of Approval of Management Services Agreement

A. Mesa Oils, LLC (P073, RP073) and SPNV, LLC

Chair Douglas noted that the Mesa Oils management services agreement was pulled from the agenda.

B. My Life Organics, Inc. (C175, RC175) and Dune Operating Holdings, LLC

Chief Staley stated that CCB staff reviewed the management services agreement between My Life Organics and Dune Operating Holdings and found the relationship between the parties to be appropriate.

Jeremy Holmes representing both My Life Organics and Dune Operating Holdings stated the management agreement was for a pending transfer of interest and to maintain the status quo until that has been ruled upon by the Board.

Member Durrett made a motion to approve the relationship in the management agreement under agenda item V B. Member Merritt seconded the motion. All Members said aye. Motion carried.

VI. Petition for Additional Retests Filed Pursuant to NCCR 11.075(7)

A. Lone Mountain Partners, LLC (RC122)

Chief of Inspection and Audit Kara Cronkhite presented the petition submitted by Lone Mountain Partners, LLC. Chief Cronkhite stated the position was filed on July 8, 2022, to request an additional fifty retests after failing initial laboratory analysis. The facility provided a list of the fifty retests completed and requested approval for an additional fifty. After an initial review of the petition, CCB staff requested additional information from Lone Mountain including any corrective actions taken to address the contamination within the facility. Lone Mountain provided a response on July 12, 2022, that was determined to be appropriate to reduce or eliminate aspergillus contamination within the facility. The Board may grant the petition and allow all retests requested, grant in part the petition and allow some retests requested, deny with prejudice, deny without prejudice and allow the licensee to file a second petition before the end of the year, deny in part but allow to remediate or send the failed cannabis to extraction, or any other action the Board deems appropriate.

Chair Douglas asked if the request was now complete. Chief Cronkhite responded that initially the request was incomplete, but once additional information was provided the request was then complete.

Derek Connor appeared on behalf of Lone Mountain Partners and James Leventis was available for questions. Mr. Connor noted that many of the tests that were sent for retest ended up passing after retest.

Member Young noted that it sounded like there was a contamination at the facility and asked if there was an attempt to identify the source of that contamination. James Leventis responded that they outlined it for the investigators, completed R & D testing and changed a number of processes onsite to improve quality and environmental controls. Mr. Leventis added that they have not had any positive tests since the new processes. The petition is for additional tests for the remainder of the year.

Member Neilander asked for an explanation of the extraction process. Chief Cronkhite responded that if a facility wanted to send failed cannabis to extraction as their form of remediation, they would request permission through the CCB. If approved, it would be sent to a production facility where it would be extracted into oil, as an example. The oil would then be tested so that would not fall under the category of retest.

Member Neilander asked if that was part of the company's plan. Mr. Leventis responded that what they would like is the ability to retest since they have maxed out their retest capabilities. Member Neilander asked if there had been any positive tests since the remediation. Mr. Leventis stated it was his understanding that there had not been any. Member Neilander asked how long it had been since the cleanup. Mr. Leventis responded that it had been since about June.

Member Young asked if they wanted to retest samples that have failed twice or to test samples that may fail during the rest of the year. Mr. Leventis stated they wanted to ability to retest going forward and not to retest earlier samples that failed.

Member Durrett commented that the process appeared to be working. The Board addressed this regulation and allowed some discretion. There were red flags that were addressed, and it was great to see the process working.

Member Neilander commented that if approved, would the approval be conditioned so that product that has already failed twice can't be retested. Chief Cronkhite responded that the CCB does not allow for cannabis that has failed twice to be tested a third time; it can be sent to extraction upon approval of a board agent or destroyed. Director Klimas noted that the concern was that there was product pre-identified that would be utilized for the additional retests. It could be conditioned that the 50 retests

would only pertain to any product grown or harvested post-June or post-remediation efforts.

Mr. Connor commented that the company would like to follow the regulations and retest product that has failed once. Mr. Leventis added they would not try to retest product that failed twice but would like 50 more retests.

Member Young asked if the samples that failed twice were sent for remediation or extraction. Mr. Connor responded that the samples included in the petition have not and they have only failed once.

Member Young made a motion to grant 50 retests. Member Neilander seconded the motion. All Members said aye. Chair Douglas noted that there were no retests for product that failed twice. Motion carried.

VII. Consideration of Proposed Adoption, Amendment, and/or Repeal of the Nevada Cannabis Compliance Regulations

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

1. NCCR 5.040. Submission of application for a cannabis consumption lounge license.
2. NCCR 5.057. Lack of an ordinance from local governmental jurisdiction conclusively establishes no limit on business licensees for cannabis consumption lounges in local governmental jurisdiction.

Deputy Director Michael Miles presented the proposed changes to the regulations. Deputy Miles stated there were minor housekeeping updates in NCCR 5.040). The major addition was the named grandfather clause under NCCR. 5.040 Section 3(e)(1). The clause makes the grandfather date the same as the date of the application as found in NRS 678B.250(3)(a)(2)(II). In NCCR 5.057, it states localities that haven't set a limit prior to the date the CCB sends out its application notice, it will be deemed to have no limit on the amount of licenses it may grant. This does not prevent a locality from setting and enforcing any limit it wishes.

Chris Anderson of Sala Consulting on behalf of Planet 13 Holdings commented on NCCR 5.040. Mr. Anderson wanted to draw the Board's attention to the written comments that were submitted on regulation 5. If adopted, clarifying language from the Board will be helpful relative to location eligibility for retail lounge licensing.

Member Neilander did not have any questions for concerns. Chair Douglas added that it has been discussed and the purpose was to make sure it was understood that it referred back to the specificity that was established by the Legislature.

Member Neilander made a motion of approval to adopt as stated in agenda items VII (A) (1 and 2). Member Young seconded the motion. All Members said aye. Motion carried.

B. Regulation 6. Production and Distribution of Cannabis

1. NCCR 6.085. Required security measures, equipment and personnel; location of outdoor cultivation facility must allow for response by local law enforcement.

Deputy Miles stated NCCR 6.085 had a minor update to the requirements for monitoring real-time security camera footage. It removed the requirement that the footage must be continually monitored.

There was no public comment. Member Durrett commented that she supported the change; the Board wanted to take a pragmatic approach and the language now made sense.

Member Durrett made a motion to approve the amendment to NCCR 6 as stated under agenda item VI B. Chair Douglas noted it was NCCR 6.085. Member Merritt seconded the motion. All Members said aye. Motion carried.

VIII. Approvals and Resolutions

A. Notice of Final Licensure

1. Nevada Organic Remedies, LLC (RD221)

Chief of Administration Steve Gilbert stated Nevada Organic Remedies applied for an adult-use retail store in September 2018 and was issued a conditional license (RD221) in December 2018 in Nye County jurisdiction. On July 7, 2022, the CCB conducted a pre-opening inspection and audit, and the facility was found to be in compliance. A final licensure was issued on August 5, 2022.

2. Pure Tonic Concentrates, LLC (RD457)

Chief Gilbert stated Pure Tonic Concentrates was issued a conditional license (RD457) in December 2018 in the Storey County jurisdiction. On July 7, 2022, the CCB conducted a pre-opening inspection and audit, and the facility was found to be in compliance. A final licensure was issued on July 19, 2022.

IX. Draft of Cannabis Compliance Board's Language Access Plan for solicitation of public comment pursuant to NRS 232.0081(4)

Sara Tajalli, Education Information Officer for the CCB, presented the Language Access Plan. Per SB318, all state agencies are required to create a language access plan to ensure that limited English proficiency individuals receive meaningful and timely access to government services in their preferred language. The language access plan outlined the CCB's commitment to equity and the agency's responsibility for providing appropriate language access services using internal resources or state-sanctioned resources. After surveying, interaction with those seeking language accommodations is limited, however the CCB will begin to collect data on preferred language via the agent card survey and document requests for language accommodations. The plan includes policies and staff training on how to respond to limited English proficiency individuals via phone, writing, or in person, how to seek assistance from internal or state-sanctioned resources, how to see assistance from and report interactions to the language access coordinator, and how to document the mode of communication and preferred language of individuals. The plan will be updated annually.

Chair Douglas commented that he hoped some of the information has already been gathered by state agencies in general. The court undertook dealing with this eight or nine years ago as to written documents and public access as there are a limited number of interpreters and there are internal guidelines for not using family members as official interpreters. Ms. Tajalli responded that after surveying CCB staff of proficiency in languages other than English and comfort in assisting with CCB related services, there were multiple languages (Spanish, American Sign Language, and Thai) that some staff members are able to provide translation or interpretation services.

Chair Douglas asked if there was any public comment on this issue. There was no public comment.

X. Briefing from the Chair and the Executive Director

Chair Douglas commented that there was a delicate relationship between the State and local entities in regard to consumption lounges. The State gave certain rights to the local entities to regulate in terms of zoning and other matters. The Board is grappling with some of the things that were approved by the Legislature because they were not articulated as clearly as they should have been. Chair Douglas advised for listeners to be careful in their wish list as they go to legislature in the next session, making sure to clarify what is on the wish list and how it is to be effectuated.

Director Klimas stated that the day before, the CCB released a number of educational videos on consumption lounges and how to apply. There are a number of videos, checklists and documents that will help all applicants. Director Klimas noted that it was unprecedented to take those actions and recognized the work of the CCB team to put those materials together.

XI. Next Meeting Date

The next Board meeting is scheduled for September 27, 2022.

XII. Items for Future Agendas

Chair Douglas noted that Board members could submit items for future agendas.

XIII. Public Comment

Rachel Lee of Sunflower Compassionate Company thanked the CCB for the educational information. Ms. Lee commented that none of the dispensaries have done anything for the communities that were affected by the war on drugs. Ms. Lee asked in regard to the 3.5 grams of THC that will be allowed for the cannabis consumption lounge, how a dispensary could allow 28 grams to leave the facility but only 3.5 grams can only stay inside of the consumption lounge. Ms. Lee asked if a consumer used a THC patch, how could that be removed from their system before they leave the consumption lounge and questioned why a lounge is not able to allow a customer to leave with product like a dispensary. Ms. Lee asked if there were conversations between the CCB and cultivators to give the consumption lounge licensees some type of percentage off the price. Ms. Lee thought this guarantee the failure of a consumption lounge. In regard to remediation and retests, if someone said that a product she consumed had been tested for microorganisms or bacteria, should it be tested again.

Chair Douglas noted that Board can't answer questions presented during public comment, but the public can speak with CCB staff.

Erik Ambis thanked the CCB for all of the efforts put forth for the consumption lounges and applications, and the information that was released. Mr. Ambis looked forward to being successful in the industry.

XIV. Adjournment

Meeting adjourned at 11:27 a.m.