

Nevada Cannabis Compliance Board Meeting Minutes October 25, 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 9:00 a.m. on October 25, 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.

Chair Douglas noted that agenda item III (B) for Polaris Wellness was removed at the request of the applicant. Additionally, agenda item V (D, E, F, and G) for Las Vegas Wellness and Compassion, LLC were removed at the request of the applicant and will be continued to another meeting.

I. Public Comment

Rachel Lee of Sunflower Compassionate Company thanked the CCB for the work on regulations and laws. Ms. Lee provided a comment to the predatory investors that want to prey on the social equity applicants. Ms. Lee does not want those investors to water down what the Board has attempted to do for social equity applicants. Ms. Lee stated there are people in Nevada dependent on medical research that could provide cures.

Layke Martin spoke on behalf of the Nevada Cannabis Association. Ms. Martin stated they had concerns about the interpretation and application of the facility ID and name requirement on certain store signage and licensed dispensaries. Ms. Martin stated the current interpretation of NCCR 12.070(3) was burdensome for licensees. The legislative intent was to create additional tools to seek civil penalties against unlicensed cannabis businesses and help tourists and law enforcement distinguish between advertising by licensed and unlicensed companies. The current definition of advertising is very broad and asked for written guidance on advertising, or they could submit a petition or request for declaratory ruling.

Christina Ulman with the Chamber of Cannabis wanted to follow up on suggested solutions and revisions that were offered and discussed during the industry roundtable. Ms. Ulman listed the suggestions that they asked the board to take into consideration which included revising fair market value calculations, reducing time and effort billing, increasing lot size for testing, revise packaging regulations to reduce waste, revise pre-roll tax, revising acceptable microbial levels and create a resource line for the industry to use as a tool to ensure they follow regulations.

Will Adler with the Sierra Cannabis Coalition echoed the comments of Layke Martin and added that the license holders were being required to have extra signage where the local governments don't want to see the extra advertisements. Mr. Adler asked the CCB to look at and address the advertising issue.

II. Meeting Minutes

A. Consideration for approval of the September 15, 2022, Cannabis Compliance Board Special Meeting minutes.

B. Consideration for approval of the September 27, 2022, Cannabis Compliance Board Meeting minutes.

Chair Douglas stated there were two sets of meeting minutes for approval and asked for corrections or a motion from the Board. Member Merritt made a motion to approve the minutes. Member Young seconded the motion. Board Members said aye. Motion carried.

III. Consent Agenda

A. Complaints

Director Klimas presented the complaints that were reviewed by the Attorney General to authorize service of the complaints.

1. As to Respondent A, the complaint alleged violations of NRS 678B.385 and NCCR 4.035.
2. As to Respondent B, the complaint alleged violations of NRS 678B.385 and NCCR 4.035.

Member Durrett made a motion to approve service of the complaint for disciplinary action in agenda item III A (1 and 2). Member Merritt seconded the motion. All Members said aye. Motion carried.

B. Conditional Approval of Request for Transfer of Interest

1. Polaris Wellness Center, L.L.C. (CTOI# 22012) (C168, RC168, P114, RP114, T068, RD636)
- Chair Douglas noted that this item was taken off of the agenda.

IV. Consideration the Proposed Settlement Agreements to Resolve Disciplinary Action

A. Cannabis Compliance Board vs. Physis One, LLC (Case No. 2021-101)

Senior Deputy Attorney General L. Kristopher Rath presented the settlement agreement for Physis One, LLC. The license has a medical and adult-use cultivation facility. The complaint was filed and served on August 12, 2022. The respondent has not yet filed an answer, rather an agreement in principle was reached as a resolution and the disciplinary process was stayed to allow an agreement to be prepared for the Board's consideration. The allegations in the complaint included a failure of the following: meet the requirements for disposal of cannabis waste, keep required records, comply with seed-to-sale tracking requirements, properly wash and sanitize product contact surfaces, properly store cannabis, ensure processes designed to prevent contamination, and ensure all items are stored at least 6 inches from the floor. The CCB staff and Attorney General considered the factors set forth in NCCR 4.030(2) in determining admissions and civil penalties. The respondent quickly came up with and implemented an approved plan of correction. As set forth in the proposed settlement agreement to resolve the case, respondent will admit to one Category III violation for failing to keep required records and failing to meet the requirements for disposal of cannabis waste; one Category III violation for failing to comply with seed-to-sale tracking requirements; one Category IV violation for failing to properly wash and sanitize product contact surfaces; and two Category V violations for failing to timely submit required reports to the Board. Respondent agreed to pay \$42,500 civil penalties on a short payment plan. Respondent provided a plan of correction that was approved by CCB staff. The Attorney General requests and recommends approval of the settlement agreement.

Bryan Hardy appeared on behalf of Physis One. Mr. Hardy stated they were able to come to a resolution fairly quickly and appreciated the consideration. Kelly Hurst was also available for questions.

Member Neilander made a motion to approve the settlement agreement under agenda item IV (A). Member Merritt seconded the motion. All Members said aye. Motion carried.

B. Cannabis Compliance Board vs. Picky Reno, LLC (Case No. 2022-96)

Senior Deputy Attorney General Emily Bordelove presented the settlement agreement for Picky Reno, LLC. Picky holds a medical and adult use dispensary license. The settlement agreement originated from a complaint filed and served on July 14, 2022. The matter was stayed to allow the parties to reach the settlement agreement before the Board. The violations alleged in the complaint include offering cannabis or cannabis products as free without purchase thus either selling cannabis not found in the seed to sale tracking system or diverting cannabis or cannabis products and failing to keep required records; failure to maintain required security alarm and surveillance systems, failing to meet requirements for disposal of cannabis waste, failure to keep required records, failure to establish and implement inventory control system, agent failing to display or have in immediate possession and agent card or temporary registration card, failure to maintain handwashing facilities, and failure to file monthly sales reports. To resolve the matter, the respondent admitted to one Category III violation for improper waste disposal, one Category III violation for failing to keep required records, and one Category V violation for failing to submit required reports. The respondent will accept a formal warning for the first Category V violation and \$40,000 civil penalty in two installments. Respondent provided a plan of correction that was approved by CCB staff. The CCB staff and Attorney General considered the factors set forth in NCCR 4.030(2). The Attorney General recommended and requested approval of the settlement agreement.

Michael Cristalli appeared on behalf of Picky Reno and thanked the Attorney General’s office for taking into consideration the information provided in mitigation of the underlying complaint. Management from the previous owner was left in place after the acquisition. Management has subsequently been changed and standard operating procedures consistent with the parent company have been implemented. Stacy Jackson, manager and compliance officer for Picky, was available for questions.

Member Neilander asked if the licensee was in compliance with the corrective action plan as indicated in paragraph 18. Ms. Jackson responded affirmatively.

Member Young made a motion to approve the settlement agreement in agenda item IV B for Picky Reno. Member Merritt seconded the motion. All Members said aye. Motion carried.

V. Request for Consideration of Approval of Service Agreements

Compliance Audit Investigator III Rachel Branner presented the transfers of interest.

A. Integral Associates, LLC (D044, RD044)

Chief of Investigations David Staley presented the fourth amended lease agreement between Integral Associates, LLC as tenant and Chetak Development as landlord. CCB staff have reviewed the agreement and found it appropriate.

Amanda Connor appeared on behalf of Integral Associates. Brendan Blume was available via Zoom. Ms. Connor requested approval of the lease agreement and was available for questions.

Chair Douglas asked if this was 10% above a certain threshold and no need for an additional investigation. Chief Staley responded that it was a lease agreement that was initially lower in comparison to potential rates, giving the opportunity to get a good cash flow with the operations. The higher amounts came into play with the success of the operation.

Member Neilander asked Ms. Connor if the agreements were starting to be more standardized overall. Ms. Connor responded that the industry was still new, and the agreements are sporadic but becoming more standard.

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

B. Nature’s Kindest, LLC (C008, RC008) and Kindibles, LLC (P007, RP007)

Chief Staley presented the management services agreement between Nature’s Kindest LLC and Kindibles, LLC with Mint Nevada, LLC. The agreement is anticipated to be in place until the TOI filed by the parties requesting an acquisition by Mint is completed and presented to the Board. CCB staff reviewed the agreement and found it appropriate.

Alicia Ashcraft appeared on behalf of Mint Nevada. Eivan Shahara and Nick Scavio were available via Zoom. Ms. Ashcraft stated it was an interim agreement and was available for any questions.

Member Neilander asked what the timing of the transfer of interest. Chief Staley responded that he did not have a timeline for the TOI. Ms. Ashcraft added that Rachel Branner was assigned to the TOI. Chief Staley thought that it might be ready in January for consideration.

Member Durrett made a motion to approve the relationship proposed in agenda item V (B). Chair Douglas seconded the motion. All Members said aye. Motion carried.

C. SSAC Corporation (P050, RP050) and Metta Medical, Inc.

Chief Staley stated agenda item V (C) was a production agreement between SSAC Corporation and Metta Medical Inc. CCB staff have reviewed the agreement and found it appropriate.

Adam Fulton appeared on behalf of SSAC. Stefan Haller and Chris Emerson were available for questions. Mr. Fulton was available for questions and requested approval of the agreement.

Chair Douglas commented that there was payment for services and net profits will be split 50/50; Chair Douglas asked if there was a need to look at backgrounds or has that previously been done. Chief Staley responded that an abbreviated background investigation was done. There are four employees from Metta that will be present to train the SSAC employees and thereafter will be available for quality control purposes if necessary.

Chair Douglas noted that the agreement was for six months and could be terminated by either party.

Member Durrett made a motion to approve the relationship in agenda item V (C). Member Merritt seconded the motion. All Members said aye. Motion carried.

D. Las Vegas Wellness and Compassion, LLC (C137, RC137, P045, RP045) and Green Mountain Holdings, LLC

E. Las Vegas Wellness and Compassion, LLC (C137, RC137, P045, RP045) and Mojo II,

F. Las Vegas Wellness and Compassion, LLC (C137, RC137, P045, RP045) and Sip Distribution Holdings, LLC

G. Las Vegas Wellness and Compassion, LLC (C137, RC137, P045, RP045) and Vapen, LLC

Chair Douglas noted again that agenda items V (D, E, F, and G) were pulled off the agenda.

VI. Consideration for Approval to Extend Final Inspection Deadline

A. NevCann, LLC (C056, RC056)

Chief of Administration Steve Gilbert stated that NevCann, LLC applied for and was issued a conditional adult use cultivate license on September 24, 2018, in the Las Vegas jurisdiction. On December 13, 2021, NevCann submitted its first request for an extension for the February 5, 2022, deadline which was approved by the Board at the January 25, 2022, meeting. On October 6, 2022, NevCann submitted a second request to extend the February 5, 2023, deadline for 9 months to November 5, 2023. Although the request mentions the medical cultivation license, the request for an extension is only for the adult-use license. NevCann reported that it has received a special use permit for the build out of the cultivation facility but has run into difficulties in getting final permitting from the City of Las Vegas. The remaining

construction and inspection after permitting is received will take approximately eight months. NevCann has begun construction and has worked to expedite the process. Staff identified no areas of concern.

Adam Fulton appeared on behalf of NevCann. Architect Rob Gurdison provided an update and added that as of yesterday they have a permit to move forward and are fully funded.

Member Durrett stated that the independent cultivations have struggled and asked how theirs would be different; how did they plan to make it without a dispensary. Mr. Fulton responded that he represented many smaller cultivators, and the hope was to get the market back on track with higher production of better-quality product, or as other cultivators close and it will provide opportunities for others. Member Durrett commented that in a few years, this licensee may be in the same situation as other cultivators now.

Member Neilander commented that in the gaming industry there was competition, and some businesses succeed, and others fail, but the difference with the cannabis industry is there is a limited number of licenses. Mr. Fulton added that some cultivators are having a hard time, and some are doing fairly well but the market as a whole is struggling. Member Neilander added it was part of the maturation of the industry.

Chair Douglas commented that the gaming numbers have come back and was hopeful that this industry would come up as well. Member Durrett made a motion to approve the extension request under agenda item VI (A) to November 5, 2023. Member Young seconded the motion. All Members said aye. Motion carried.

B. Wellness Connection of Nevada, LLC (RD633)

Chief Gilbert stated Wellness Connection of Nevada, LLC was issued a conditional adult-use retail store license on December 5, 2018, within the Las Vegas jurisdiction. On August 18, 2021, Wellness submitted a letter to the CCB requesting approval for an extension of the February 5, 2022, to November 5, 2022, deadline to have a final inspection. Wellness reported issues with the Planning Commission and denial by the Las Vegas City Council. On September 14, 2022, Wellness submitted a second request to extend the deadline to November 5, 2023. Wellness reported that its legal dispute with the City of Las Vegas over the issuance of the special use permit is ongoing. Staff identified no areas of concern.

Christopher Rose and Matt McClure appeared on behalf of Wellness Connection. Chair Douglas asked if the matter was in District Court or the Supreme Court. Mr. Rose responded that they were back in District Court. The District Court had granted a writ of mandamus and judicial review as a result of what they believed was an unfair hearing and application process. The Nevada Supreme Court denied the City's petition for a writ seeking to overturn the District Court's order to require a new city council hearing. The city held a new city council meeting on April 20, 2022, where they considered the application for a special use permit again. Three council members voted in favor and noted that it was discriminatory to not allow dispensaries in specific wards. The final vote was three-to-three which resulted in a denial under city guidelines. A new petition for judicial review and for mandamus was filed on May 13, 2022. Mr. Rose provided the hearing schedule.

Chair Douglas asked if there had been an attempt at settlement. Mr. Rose responded that they tried to do that early on but were met with a lack of desire to do that.

Member Neilander asked what date was requested for the extension. Mr. Rose responded that the current date was November 5, 2022, and they requested a one-year extension.

Member Neilander a motion to approve agenda item VI (B) with the extension to expire on November 5, 2023. Member Durrett seconded the motion. All Members said aye. Motion carried.

C. Deep Roots Harvest Inc. (T024)

Chief Gilbert stated Deep Roots was issued a conditional adult-use distribution license on August 25, 2017, within the Mesquite jurisdiction. In error, the conditional license was not transferred from the Department of Taxation records into Accela, the Cannabis Compliance Board system of record. During a transfer of interest investigation, the conditional distribution license was discovered. The licensee would like to co-locate the conditional distribution license with the distribution license T095 that was acquired when the transfer of interest was approved. CCB staff identified no areas of concern.

Chair Douglas asked for representations from the licensee and noted there was a notice issue when the CCB took over regulation. Chair Douglas asked for the licensee to comment on where they are and what the plans are.

Lori Rogich appeared on behalf of Deep Roots Harvest along with Jon Marshall, owner and chief operating officer. Ms. Rogich requested an extension of time for the distribution license. Ms. Rogich added that they are ready for final inspection and a short extension will allow them to perfect the license.

Chair Douglas noted that the extension request was for February 5, 2023. Member Durrett made a motion to approve the extension under agenda item VI (C) and valid through February 5, 2023. Member Merritt seconded the motion. All Members said aye. Motion carried.

VII. Approvals and Resolutions

A. Notice of Final Licensure

1. West118 Investments LLC (C190, C190, P125, RP125)

Chief Gilbert stated that Two Skirts Cultivation and Production, LLC was awarded conditional licenses in the City of Fernley. Two Skirts requested and was granted an extension to the February 5, 2022, final inspection deadline to February 5, 2023. At the August 23, 2022, Board meeting, the licenses were transferred to West118 after approval by the Board. A pre-opening inspection/audit was conducted on September 15, 2022, and the facilities were found to be in compliance. Final licensure was issued on October 6, 2022.

VIII. Briefing from the Chair and the Executive Director

Chair Douglas did not have any comments. Director Klimas noted that there was a petition received from Fuhr seeking to amend NCCR 10.080 regarding waste disposal methods. The petitioner was advised that the regulations currently allow for another process if submitted by a licensee and approved by a board agent. The petition is posted online for informational purposes. Director Klimas provided an updated on the petition that was submitted by White Pine County. CCB staff and counsel have begun to draft the changes to regulations necessary to facilitate an open and competitive medical only licensing round for any and all jurisdictions who did not participate in the initial medical rounds. The CCB may notice the regulation changes for adoption at the December board meeting. Following a 15-day review by the Legislative Commission and 30-day notice for a licensing round, we could see a medical only licensing round in February. Director Klimas provided an updated on the petition received regarding cannabis events that the Board asked the Advisory Commission to meet, study, and make recommendations. The Cannabis Advisory Commission held a meeting, and the subcommittees were directed to meet. The CCB is tracking bills in Legislature and has submitted three BDRs: one on the disciplinary process, one is housekeeping in nature, and one on the portability of cannabis licenses in the rural areas. The CCB is also tracking additional BDRs that have been submitted.

Member Durrett asked for an update at the December meeting on the CCB's BDRs and those BDRs it is tracking.

IX. Next Meeting Date

The next Board meeting is scheduled for November 15, 2022.

X. Items for Future Agendas

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

XI. Public Comment

Timothy Eli Appo representing Chemovario provided comment on social equity and stated that AB 374 failed to address the root cause of the lack of diversity in ownership. Mr. Appo stated he tried to meet with A’Esha Goins to work on social equity, but he was ignored. Mr. Appo thought she proceeded with her agenda for the social equity program that resulted in the final draft we have now. Mr. Appo provided background on what the medical patients face and a regulation he drafted. Mr. Appo stated he did not qualify for social equity and asked the Board to look further into the social equity program.

Ron Baker, the outreach coordinator for the CEIC and class facilitator for the cannabis business school, stated that his door was always open, and he is at the office 10-12 hours a day. They go to events in the community almost daily. Mr. Baker stated they have extended their hand to Mr. Appo, but he has not come to their offices. Mr. Baker stated he has communicated through text with Mr. Appo and can get information to Ms. Goins.

Rachel Lee stated she met A’Esha Goins a year ago and has seen Ms. Goins work in the community. Ms. Lee does not want to see anyone belittle the work that the Board and Ms. Goins has done for the community.

Chandler Cooks thanked the Board for the ease of the consumption lounge application process. One application had been submitted and they were working on submitting additional applications.

Will Adler with the Sierra Cannabis Coalition asked if there could be a zoom link for the Advisory Commission meeting to provide comment.

Chair Douglas noted that elections are coming up and encouraged people to vote and to work with the representatives to get changes made.

XII. Adjournment

Meeting adjourned at 9:25am.