

CANNABIS COMPLIANCE BOARD

STATE OF NEVADA

ccb.nv.gov

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Issuing Division: Investigations
NOTICE TO LICENSEES

Investigative Reports

This notice is to provide greater detail into the Nevada Cannabis Compliance Board's (CCB) suitability review process for licensure and Transfers of Interest (TOI). To better guide licensees and potential licensees in preparing and submitting a TOI application, the following is a brief summary of the topics covered in a CCB Investigative Report and the reason for including each topic.

Nevada Revised Statutes ("NRS") 678B.200 and 678B.280, as well as Nevada Cannabis Compliance Regulations (NCCR) 5.015, and others, provide that the CCB considers various factors when determining the suitability of an applicant for licensure. Such factors include business competence, associations and relationships, funding sources, character, honesty and integrity, criminal history, and more.

Natural persons and affiliated companies within the ownership structure undergoing the following checks:

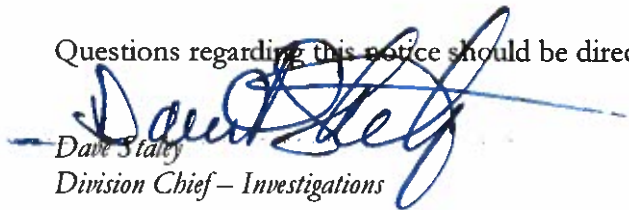
Lexis/Nexis, Thompson Reuters, Accela, Open Corporates, Corporation Wiki, Secretary of State for every state an applicant has a company or does business in, all labor commissions to check labor law compliance for all states an applicant has or had a business in, all business licensing agencies the applicant SEDAR for all Canadian traded companies and all securities agencies within Canada, all Cease Trade Orders (CTO) and/or Management Cease Trade Orders (MCTO), all "black out" trade periods calendars to ensure compliance with CTO and/or MCTO, Securities and Exchange Commission (SEC) checks of all US and Canadian traded companies, every city, county and state law enforcement agency where an applicant has lived, FBI, DHS, ICE, Canadian Legal Information Institute for all Canadian based companies and individuals, all cannabis licensing agencies for any state an applicant holds or has had said license, Facebook, Instagram, Twitter, Google, Bing, Microsoft Edge, Duck Duck Go, LinkedIn, YouTube, TikTok, Snapchat, Pinterest, Reddit, WhatsApp and/or any other internet site where information could be found, all courts of record for any litigation(s) an applicant is or was involved in, all financial reports which include income statements w/EBITDA, balance sheets, tax returns, K1 reports, World Checks and Department of the Treasury, Office of Foreign Assets Control (OFAC) checks.

Additionally, all known associates of an applicant with a criminal background go through all of the above checks with the exception of financial checks. However, if they are involved in any business dealings with the applicant, financial checks would be included.

The CCB Investigations Division completes a review of these factors and submits an Investigative Report to the Board for its consideration during licensing decisions. Board review and decisions regarding these Investigative Reports are made publicly at one of the CCB's monthly board meetings, during which the licensee or potential licensee subject to the Report has the opportunity to address the Board as well.

<i>The Investigative Report covers the following areas:</i>	
Introduction	Brief description of which Agent completed the investigation and during what time period.
Executive Summary	Brief summary of which entities or individuals are involved, what applications were submitted, and are there any Areas of Concern or Areas of Interest.
Corporate Structure	"A picture is worth a thousand words." Wire Chart showing real person ownership, through holding companies, to the on-the-street licensed operations. Before and after charts graphically representing the current structure of the company, and proposed structure of the company if the requested approvals are granted.
Ownership and Management	Excel chart showing complete ownership structure and top C-suite executives. Before and after charts representing the current structure of the company, and proposed structure of the company if the requested approvals are granted.
Business Overview	Description of licensed operations of the seller, buyer, and any material intermediary company. Includes brief overview of operations in other jurisdictions and biography and description of responsibilities or control by major owners and C-Suite executives.
Corporate Financials	Spreading of Balance Sheet and Income Statement top line items for the last two complete fiscal years showing percentage changes between the two years. Each line item has a paragraph description explaining the contents of the category and year-to-year change. A second section that calculates and discusses Liquidity, Leverage, Coverage and Profitability Ratios and explaining reasons for year-to-year change.
Applications	Brief technical explanation of each specific transaction the companies are requesting approval for and summary of Statute or Regulation requirements if applicable.
Proposed Transaction	Detailed description of proposed transaction structures themselves including summary of purchase and sale agreement terms, timelines, and amounts.
Areas of Concern Areas of Interest	Description of investigative findings that Staff determines should be brought to the Board's attention. Areas of Concern would include hidden ownership, ties to organized crime, criminal history, non-payment of State taxes or potential violations of Nevada Statutes or Regulations. Areas of Interest would include Going Concern Statements, litigation, conflicts with a local jurisdiction or other similar updates.
Regulatory Checks	Description of applicant and licensee's status with other local regulatory jurisdictions including city, state, county etc., status with other State Cannabis regulators such as Oregon, California or others, status with the Nevada Department of Taxation, or status with any other applicable agency.
Closing Conference	Verification of the time that the Agent discussed the findings of the Investigative Report and any Areas of Interest or Areas of Concern to allow the applicants to prepare for any potential questions from the Board.
Notification	Verification that all applicable owners or C-suite executives were notified that their appearance at a scheduled Board meeting is required.

Questions regarding this notice should be directed to ccbinvestigations@ccb.nv.gov.



Dave Staley
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