

Nevada Cannabis Compliance Board

Meeting Minutes July 25, 2023

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 July 25, 2023.

Cannabis Compliance Board Members Present:

Michael Douglas, Chair

Jerrie Merritt

Riana Durrett

Bryan Young

Adriana Guzmán Fralick

Chair Douglas called the meeting to order, and Executive Director Tyler Klimas took roll.

Chair Douglas and Member Merritt were present in Las Vegas. Member Young and Member Guzmán Fralick were present in Carson City. Member Durrett was present via video conference.

Instructions to join the meeting the meeting via Zoom for public comment were read aloud.

I. Public Comment

Timothy Eli Addo provided comments regarding consumption lounges and the 82nd Legislative Session. Mr. Addo stated that he made claims about the CEIC in previous meetings and received an email threatening a lawsuit. Mr. Addo stood by his statements. Mr. Addo thought that the consumption lounge regulations and drawing process was unfair.

Bri Padilla from the Chamber of Cannabis spoke about SB277 and the changes that will be made regarding the petition process for individuals with past convictions to be reviewed and considered by the Board. Ms. Padilla asked for a timeline for implementation, accessible resources, and comprehensive information to be provided to the public regarding this process. Ms. Padilla would like everyone to have a fair chance to participate and foster an inclusive industry.

Darlene Mason from the Chamber of Cannabis addressed the layoffs happening in the cannabis industry due to dispensaries and vendors not properly paying brands or production companies. Ms. Mason would like the CCB to look into contracts being enforceable.

Timothy Roberts spoke about SB277 and his personal circumstances including serving time after an arrest and being a medical cannabis card holder and user. Mr. Roberts grows cannabis for his son for medical reasons and would like to get a job in the industry. Mr. Roberts would like a timeline for the process to appeal to work in the industry.

Cristina Ulman from the Chamber of Cannabis stated that the Chamber has delivered over 50 public comments to the Board to present their concerns. Ms. Ulman was concerned about the 38 people that were laid off from The Source and may now go to the illicit market or other states. Ms. Ulman was concerned with their safety of not having a job or health insurance. Ms. Ulman thought that the Board should be concerned with the cultivators and producers that aren't being paid. Ms. Ulman would like another public workshop to ask the industry how it can be better.

Dani Baranowski of the Chamber of Cannabis stated that the industry was thriving in some aspect but there was the opportunity to be better. Ms. Baranowski thought it was incumbent on the industry to create economic growth and urged the Board to revisit the Chamber's suggestions and hold another workshop, specifically on accounts receivable.

Will Adler spoke on behalf of the Sierra Cannabis Coalition echoed the comments previously made and encouraged the Board to hold workshops based on the legislation that passed and also lab testing.

Katree Saunders stated she was a medical cannabis patient and advocate and has been affected by the war on drugs at the state and federal level. Ms. Saunders spoke about her problems with the CCB and intimidation by the CEIC. Ms. Saunders addressed concerns with growing practices and remediation, consumption lounge regulations, her employment in the cannabis industry, and corruption.

II. Meeting Minutes

A. Consideration for approval of the June 20, 2023, Cannabis Compliance Board Meeting minutes.

Chair Douglas asked for a motion on the meeting minutes. Member Merritt made a motion to approve the meeting minutes. Member Young seconded the motion. There was no additional discussion. All Members said aye. Motion carried.

III. Consent Agenda

A. Consideration for Approval to Extend the 12-Month Period for Final Inspection

1. FNM Holdings, LLC (C105, RC105)

Chief of Administration Steve Gilbert introduced the matter to the Board. This request differed from previous extension requests in that the licenses were active and operating at one point but then reverted to conditional status. FNM Holdings obtained the licenses after the Board approved a transfer from Herbal Care LLC. FNM submitted a request to extend the 12-month deadline to become operational due to scarcity of building materials and supplies has delayed work and progress. FNM has been working diligently to become operational. FNM Holdings requested a 6-month extension to February 3, 2024.

Amanda Connor appeared on behalf of FNM Holdings and provided additional information on the status of the work to become operational. Ms. Connor requested a 6-month extension.

Chair Douglas asked for confirmation that the licensee expected to be open in six months. Ms. Connor responded that they anticipated they would be operational much soon than that and were requesting the six months.

Member Merritt made a motion to approve agenda item III(A) for FNM Holdings. Chair Douglas asked Member Merritt to amend the motion to include the February 2024 date. Member Merritt amended the motion. All Members said aye. Motion carried.

IV. Consideration of the Proposed Settlement Agreement to Resolve Disciplinary Action.

Member Durrett made a disclosure that she was retained as an expert witness by one of the parties in litigation with The Harvest Foundation prior to service on the Board. Member Durrett will abstain from this matter relating to the licensee out of an abundance of caution.

Senior Deputy Attorney General L. Kristopher Rath provided opening comments on these matters. Mr. Rath stated that all three agreements involved cases which arose prior to the new legislation which came into effect on June 14. The legislation was not retroactive, so the Board is not required to consider all of the new requirements like mitigating factors and the \$20,000 cap per violation. Mitigating factors have been included in the settlements, and the settlement agreements resulted in penalty amounts that work out to less than \$20,000 per violations admitted even though the respondent did not admit to all violations. Mr. Rath noted that these are arm's length settlement agreements and so the parties negotiated the penalties, admissions, and other terms. Mr. Rath added that there were still a few more complaints or settlements under the old regime to be worked out. Regulation 4 will be updated.

A. Cannabis Compliance Board vs. The Harvest Foundation, LLC (Case No. 2021-55)

Mr. Rath stated that the case had a lengthy and complicated history that originated with a complaint and summary suspension in November 2021 and cannabis receivership in July 2022. The complaint arose from an investigation that began in August 2021. Prior to that, Harvest allowed its licenses to expire in June 2021 but continued to operate. CCB agents found Metrc inventory discrepancies, multiple cannabis plants and products left unattended and not tracked in Metrc, untagged cannabis, and lack of surveillance footage. Harvest renewed its license on the 90th day after expiration and narrowly avoided mandatory surrender provisions. An additional inspection conducted in November 2021 found the facility was unlocked in certain places, it held cannabis, an underage contractor employee was in the facility, lack of security system and visitor logs, and additional Metrc and inventory variances blamed on several thefts that were not timely reported to the CCB. The complaint alleged four Category I violations, four Category II violations, four Category III violations, Category IV, and Category V violations. The complaint requested revocation of the licenses and a civil penalty of over \$400,000. A summary suspension was issued the same day as the complaint was filed. Additional violations were found after the complaint was filed. The Respondent answered the complaint on December 21, 2021, and the parties soon entered into negotiations. On July 25, 2022, the Court appointed a receiver over Harvest based on a motion filed by a creditor. Kevin Singer was approved by the Board as receiver and the settlement negotiations continued. Mr. Rath noted that the proposed settlement was complex and was approved by the receivership Court on June 12, 2023. To resolve the matters at issue, the Respondent admitted to the following: one Category 1 Violation for operating without required permits and licenses; one Category II Violation for failure to maintain required security alarm surveillance system; three Category III violations for failing to tag cannabis plants and products; six Category V violations for failing to file required reports with the Board. The Respondent will submit transfer of interest (TOI) and change of location requests within 180 days. Respondent agreed to civil penalty of \$200,000 to be paid within 30 days of the approval of the TOI, which may be extended for good cause. All owners of record will surrender their agent cards within 12 months of TOI approval and will not apply for an agent card in Nevada for 8 years; the two owners that hold ownership interest in another cannabis establishment (Strive) must submit TOI for those ownership interests within 180 days of the Board's approval of this stipulation. Licenses are in conditional status will remain so until they pass final inspection; licenses renewals must be timely. The CCB and Attorney General took into account mitigating factors. Given the severe nature and number of violations, the

primary mitigating factors are the licensee owners' agreement to sell the licenses and give up their interest in the cannabis industry in Nevada; without this concession, the only option would have been to seek revocation of the licenses and agent cards. The respondent submitted a plan of correction that was approved by CCB staff. The Attorney General recommends and requests approval of the settlement agreement.

John Savage, counsel for receiver, and Kevin Singer were present. Maggie McLetchie appeared on behalf of Mr. Lemmons and Mr. Burton in their individual capacity. Derek Connor appeared on behalf of the Harvest Foundation.

Mr. Savage gave an update on the status of the receivership. The court approved the settlement agreement, and the receiver has been marketing the license but do not yet have any offers. The receiver was hopeful they could meet the deadlines in the settlement agreement.

Ms. McLetchie wanted to clarify that the settlement agreement would not impede Mr. Lemmons and Mr. Burton from renewing their agent cards while the transfer of interest was pending. Mr. Rath confirmed.

Mr. Singer added that they were trying to monetize the license to pay back fees, penalties, and creditors.

Member Merritt made a motion to approve agenda item IV A. Member Young seconded the motion. Members Merritt, Young, Guzmán Fralick, and Chair Douglas said aye. Member Durrett abstained. Motion carried.

B. Cannabis Compliance Board vs. Diversified Modalities Marketing, LTD (Case No. 2023-019)

Mr. Rath stated there was no complaint filed in this matter. After the investigation concluded, the respondent's counsel and Mr. Rath discussed whether the matters at issue could be resolved via a settlement agreement. The respondent waived the filing and service of the complaint. The matter arose from a routine audit and inspection that began in October 2021. A Statement of Deficiencies was issued that included failure to properly tag cannabis plants, failure to follow seed-to-sale tracking requirements, improper disposal of cannabis waste with insufficient destruction logs, failure to have a licensed pesticide applicator, and building disrepair issues. A final plan of correction was approved in October 2022. To resolve these matters, respondent admitted to the following: one Category III violation for failing to tag cannabis; a second Category III violation for failing to follow seed-to-sale tracking requirements; one Category IV violation for failing to properly respond to agent's request to provide information or documentation timely; and a second Category IV violation for failing to properly stock hand-washing facilities. Respondent agreed to pay \$30,000 civil penalty in lump sum or 12 monthly installments. Mitigating factors were considered and are outlined in paragraph 12 of the settlement agreement. The approved plan of correction is detailed in paragraph 21 of the settlement agreement. The Attorney General recommends and requests approval of the settlement agreement.

Brian Hardy appeared on behalf of the Diversified Modalities with Dr. Vu Luu, the owner. Mr. Hardy thanked that staff and added that they have reviewed and approved the proposed settlement agreement.

Member Durrett asked how much product was untagged and not in Metrc. Mr. Hardy responded there were twelve missing tags; Mr. Rath did not recall the number and added that there were also inventory discrepancies. Member Durrett thought that this case seemed like an outlier with minor infractions. Mr. Rath noted that there were other issues that would have been included in a complaint; more charges could have been filed but in the interest of resolving the case, they did not go after those things. Mr. Hardy added that there were 12 cannabis plants, 18 jars of cannabis product and 4 Metrc tags that were missing. Additionally, Mr. Luu was needed at the hospital and so more staff will be brought into the facility. Mr. Hardy noted that the fees versus the attorney's fees that would be associated have been resolved in this nature.

Member Durrett asked what the requirements for a certified pesticide applicator were. Mr. Rath responded that is somebody who is certified and trained to apply the pesticides so they are properly done. Mr. Rath noted it was not admitted as a violation in the settlement agreement.

Member Guzmán Fralick commended staff for being proactive and saving the state time and money.

Member Merritt made a motion to approve the settlement agreement in agenda item IV B. Member Guzmán Fralick seconded the motion. Members Merritt, Young, Guzmán Fralick, and Chair Douglas said aye. Member Durrett said nay. Member Durrett commented that the amount of the fine was closer to where it should be but was still too high. Motion carried.

C. Cannabis Compliance Board vs. NV Cann Labs, LLC (Case No. 2023-02)

Mr. Rath stated that the allegations in the complaint arose from a routine inspection which began in November 2021. After back and forth with the Respondent, staff approved a plan of correction on October 21, 2022. The complaint was filed on April 24, 2023. Mr. Rath noted that there were multiple allegations in the complaint, but the key allegations included the following: Respondent made intentionally false statements to board agents; failure to comply with approved procedures; failure to comply with NCCR 11.070 (including failing to report test results to the CCB and conducting unauthorized retests of cannabis samples); failure to notify the CCB of modifications or expansion of facilities; failure to follow approved security plan; failure to maintain a quality assurance/quality control program; and failure to have an owner in possession of a valid agent card for over a year. Respondent was granted extensions to answer the complaint and entered into settlement negotiations. To resolve these matters, Respondent admitted to the following nine violations: one Category II violation for failing to comply with NCCR 11.070 pertaining to laboratory testing requirements; a second Category II violation for intentional variance for approved procedures in a laboratory; one Category III violation for allowing activity which violates the laws of the state; a second Category III violation for failure to maintain a quality assurance / quality control program; one Category IV violation for an owner's failure to have a valid agent card; and four Category V violations for failure to comply with requirements not described in other categories. Mr. Rath noted that some violations were shifted from what was alleged in the complaint in order to come to a mutually agreeable resolution. Respondent agreed to pay \$162,500 civil penalty within 30 days of approval of the settlement or pursuant to a 10-month payment plan. Mitigating factors are included in paragraph 9 of the settlement. The plan of correction is detailed in paragraph 19 of the settlement agreement. The Attorney General recommends and requests approval of the proposed settlement agreement.

John Hunt appeared as counsel on behalf of NV Cann Labs with Nick Sever, member and co-manager. Mr. Hunt stated that the resolution protects the industry and his clients have taken responsibility. Mr. Hunt noted that it was a learning experience in this new industry. Mr. Hunt added that it was an exemplary lab this is relied upon by the Board and industry for retesting. Mr. Hunt asked for the Board's approval.

There were no questions or comments from the Board.

Member Merritt made a motion to approve the settlement agreement. Member Young seconded the motion. All Members said aye. Motion carried.

V. Consideration of Approval of Court-Appointed Receiver's Applications for a Cannabis Establishment Agent Registration Card for a Cannabis Receiver

- A.** Jacques Santucci's Application for a Cannabis Establishment Agent Registration Card for a Cannabis Receiver as Court-Appointed Receiver for Nevada Organic Remedies, LLC (D152, RD152, RD221, RD219, C094, RC094, P063, RP063, T056, RD216, Consumption Lounge application ACON-A22-00070, RD218, RD217), Henderson Organic Remedies, LLC (D107, RD107), and Wellness Orchards of Nevada, LLC (C062, RC062) in Eighth Judicial District Court Case No. A-23-870859-C.

Senior Deputy Attorney General L. Kristopher Rath provided an introduction to the Board. Mr. Rath stated that the application was to place Jacques Santucci as receiver over the licenses of three cannabis establishments, sixteen medical and adult-use cannabis licenses and a pending consumption lounge application. The entities employ over 300 people. The receivership was requested due to ongoing management issues with parent company The Source Holdings, LLC and a large debt owed to one of the minority owners of The Source, which is Green Ops. Green Ops filed a complaint and motion to appoint receiver in 8th Judicial Court; there was no opposition, and the court granted the motion on July 7, 2023, subject to CCB's approval of Mr. Santucci's application. Mr. Santucci's agent card application is submitted, and a temporary agent card could be issued immediately upon Board approval.

John Savage appeared as counsel for proposed receiver, Jacques Santucci. Mr. Santucci was available for questions. Maggie McLetchie appeared on behalf of Green Ops. Ms. McLetchie's co-counsel Scott Moskol was available via Zoom. Amanda Connor appeared as point of contact and regulatory counsel for the licensees.

Chair Douglas noted his concerns with the receiver's ability to work with whoever is on the ground in Nevada based on being out of state and critical void in senior management at The Source. Mr. Santucci responded that the company is set up for that kind of remote work; they have headquarters in Maine and clients are around the country. There is a team of a dozen people that travel and also utilize video conferencing capabilities. Mr. Santucci planned to spend time in Nevada for the next couple of months to meet with employees, partners, and vendors; they will also use technology to help manage the companies remotely. Connor & Connor will remain as compliance counsel during the receivership.

Member Durrett commented that this case should be looked at when discussing criteria of merit in future licensing rounds for what should be avoided.

Member Guzmán Fralick agreed that a lot could be done with technology now but asked how many days per month initially the receiver will be present in the state. Mr. Santucci responded that he will be here as much time as is needed; he did not anticipate needed to be present that much, but he or his team will be onsite if necessary. Mr. Santucci thought that there was a good team in place and the issue was more about the organization of the companies.

Member Durrett asked who on the ground will have cannabis experience in the day-to-day operations. Mr. Savage responded that he would be counsel for Mr. Santucci and work with Ms. Connor and Kevin Blair as general counsel. The company appeared in good shape from a regulatory compliance issue. The plan is to continue business as usual and additional support will be brought in if needed. Mr. Santucci's team plans to visit all of the sites while they are here this week. Mr. Santucci is willing to be here as much as necessary and willing to work with the Board on any potential conditions; they have relationships with regulatory compliance.

Member Durrett asked for a timeline over the next few months or year. Mr. Santucci responded that in his initial examination, it would take six to eight months. He expected that by end of first quarter of 2024, there would be a change of control and resolution to the case.

Ms. McLetchie addressed the concerns of her client Green Ops who is the creditor, minority owner, and holds the only board seats after the other owners quit without notice. Green Ops is in a difficult position and has been working closely with Ms. Connor's office to ensure ongoing compliance. Ms. McLetchie noted that they met with other potential receivers before selecting Mr. Santucci in light of his extensive experience and ability to work with the players.

Chair Douglas noted that the receiver had an experienced background out of state, has indicated his willingness to come in state to work, and use of methods to have regular meetings remotely.

Member Merritt made a motion to approve agenda item V A. Member Young seconded the motion. Member Guzmán Fralick asked if there could be a status update in the first quarter of 2024. Mr. Rath noted that the receivership order and court order require monthly reports. All Members said aye. Motion carried.

VI. Consideration of Approval for a Conditional License for a Cannabis Consumption

Lounge

Chief of Investigations David Staley stated this was the first independent consumption lounge applicant to come before the Board. Chief Staley noted that the applicant will need to complete necessary local approvals and a final inspection by CCB staff.

A. La Lounge, LLC (ACON-A22-00073)

Chief Staley stated that La Lounge, LLC is owned by Mohammad Nagy, Mohammad Malik, Robert Potter, Preston Razaee and Omar Nagy. The lounge will be in Clark County. La Lounge's plan includes a restaurant component to its consumption lounge and has submitted all information required to move to a conditional license. No areas of concern were identified.

Amanda Connor appeared on behalf of La Lounge, LLC. Preston Razaee stated he was one of the principals and a practicing attorney in Las Vegas; he has also worked in national and international law firms and for two Eighth Judicial District Court judges.

Member Durrett asked how he came to be involved in cannabis and what they are envisioning for the lounge. Mr. Rezaee responded that Dr. Nagy is a proponent of medical marijuana use. Mr. Rezaee added that the legislature and Board was moving in the right direction with decriminalization and legalization. Three of the members previously held cultivation licenses. Robert Potter stated he has been a licensed contractor for 38 years and has built three grow facilities and three dispensaries. Mr. Potter holds board member cards for Tree of Life. Omar Nagy is an attorney and was a banker for 18 years, mostly in real estate banking. Mr. Nagy added that the lounge model was new and the other states where it was available had different rules and regulations. They want to be involved in the lounges for the business and to provide a comfortable and safe place to enjoy medical marijuana or marijuana products. They have not yet finalized their ideas or model for the lounge. Mr. Nagy noted the concerns of marijuana odors and added they would like to contain the consumption to certain areas. Khalid Malik stated he was a childhood friend of Omar Nagy who offered the opportunity to be involved.

Chair Douglas noted that the location was not known at this time.

Member Merritt made a motion to approve agenda item VI A. Member Young seconded the motion. All Members said aye. Motion carried.

VII. Request for Transfer of Interest

A. Medical Cannabis Healing, LLC (TOI# 22015) (C178, RC178, P112, RP112)

Chief Staley stated TOI 22015 was filed to request approval for a transfer of 4.03% ownership by Ali Ganji back to the company after his death. Medical Cannabis Healing requested a waiver of NCCR 5.110 pursuant to NCCR 5.125. If approved, the requirements for prior Board approval of transfers of less than 5% will be waived. Staff suggest that if approved, the Board limit the waiver to expire on their next TOI agenda date. Staff identified the transfer of Ganji's shares as an area of interest.

Dallas Horton appeared on behalf of Medical Cannabis Healing as CEO. Tyler Morgan appeared as president of Medical Cannabis Healing. Mr. Horton stated that Mr. Ganji passed away during construction and so was not able to earn sweat equity. They were concerned that Mr. Ganji's family would go to probate in California. Mr. Horton apologized for not advising the CCB prior to taking action; the shares are sitting in treasury and have not been issued.

Member Durrett asked if the Michael Schneider involved was Senator Schneider. Mr. Horton responded affirmatively. Member Durrett disclosed that she interned for him in 2005.

Member Merritt made a motion to approve agenda item VII A. Chief Staley asked Member Merritt if she could incorporate the approval of the waiver of NCCR 5.125 be conditioned to expire on their next TOI agenda date. Member Merritt accepted the amendment to the motion. Member Young seconded the motion.

B. THC Production, LLC (TOI# 2200007) (P017, RP017)

Chief Staley stated TOI 2200007 was filed to request approval for the buyout of the 50% they did not already own by Zakre Silva and Andres Gutierrez, through Imperial Enterprises, LLC, from exiting member Experience Premium Cannabis, LLC. No areas of concern were identified.

Zachary Silva, one of the owners of Imperial Enterprises and managing member of THC Productions, appeared on behalf of the licensee.

Chair Douglas noted there were no concerns. There were no questions from the Board.

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

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

A. NCCR 15.055. Ventilation of the cannabis consumption lounge.

Deputy Director Michael Miles presented the proposed changes to the regulations. At the previous Board meeting, changes to the air ventilation regulations for consumption lounges were approved and the Board requested that the CCB take additional public comment on this regulation. The CCB received two additional comments. The proposed change created a waiver process to sections 1 through 4 that would require Board approval. The process must be approved by an engineer and will detail how the new plan still protects customers and agents working in the lounge.

Chair Douglas asked for public comment.

Scot Rutledge with Argentum Partners on behalf of Reset Consulting thanked the staff and Board for considering their comments. Mr. Rutledge appreciated the opportunity for a waiver. The businesses will have different designs and focuses and being able to work with the CCB on a case-by-case basis will allow them to open sooner and save money.

Amanda Connor echoed Mr. Rutledge's comments. Ms. Connor stated it was hard to determine an appropriate standard given all of the factors and variables. Ms. Connor thought a waiver process that relied on professionals was appropriate. Ms. Connor asked the Board to approve the proposed amendment.

Brett Scolari with Strategies 360 echoed the comments of Mr. Rutledge and Ms. Connor. Mr. Scolari thought that the waiver was a great landing spot for the industry. Mr. Scolari was aware of his clients consulting with engineers that have experience in facilities that requires heavy ventilation that could be presented to the Board.

Member Durrett supported the addition and appreciated the staff working so quickly. Member Durrett would like a discussion before any of those come before the Board for approval, a high-level discussion on goals and a more specific discussion on what to look for in the reports. Member Durrett would appreciate industry involvement on educating the CCB, discussion and recommendations on goals.

Chair Douglas would also like a discussion on what the Board should consider and would also like to hear what the public's concerns are. Chair Douglas asked Director Klimas to put something together for the Board to consider before an application.

There were no additional questions or discussion.

Member Merritt made a motion to approve the proposed changes in agenda item VIII A. Member Young seconded the motion. All Members said aye. Motion carried.

IX. Consideration of future meeting dates for the second phase of adjudication hearing in Cannabis Compliance Board vs. Cannex Nevada, LLC now known as Lettucetest, LLC (Case No. 2020-27)

Chair Douglas provided a brief overview on the steps that have been taken so far in this matter. The Board has not yet determined the fines or what kind of violations they were. Chair Douglas noted that it was not yet final, and the parties could come to an agreement for possible settlement. Chair Douglas would like the matter in 30 days on the next agenda for a status update to set a date for the next phase or allow the parties to come to an agreement.

Member Guzmán Fralick was in agreement to see if the parties could come to a stipulation or have mediation. Member Young agreed that 30 days was appropriate and would like a status update at that time.

Chair Douglas noted that the item would be moved to the next scheduled meeting of August 22 for an update as to possible settlement negotiations or for a date for the Board to hear the next phase as to appropriate level of violation and fine based on the record.

X. Briefing from the Chair and the Executive Director

Chair Douglas noted that the cannabis industry across the country is in the same position as Nevada, having the same concerns in the marketplace and being profitable in a regulated market. As a compliance board, they must operate within in the dictates and passage of regulations from the legislature. Hopefully these will help the market with the concerns of the unregulated industry and regulate industry. Chair Douglas noted concerns with the public comment and added that the Board is concerned with the people that work in the industry, but the Board does not oversee contract litigation.

Executive Director Klimas provided an update on the White Pine petition concerning medical licensing rounds. The CCB issued a notice of adoption for next month's Board meeting and staff is working on language that could potentially allow for local jurisdiction input specifically on community impact of cannabis facilities; this would extend to all jurisdictions qualified to participate in the medical only licensing round for cultivation and production.

Director Klimas provided a recap of the bills from the legislative session that impact the CCB. Most of the action items center on promulgating new regulations or amendments to the current regulations. The NCCRs will switch back to the NAC at some point. At the first of the year, there will be increased possession and purchase limits that the CCB will proactively communicate to the industry and public. SB195 includes changes to the disciplinary process, how the Board weighs mitigating factors, sets limits on max penalties, time and effort billing was eliminated for routine audits and inspections, and does not impact time and effort for

investigations. SB277 created a single cannabis establishment license that should reduce administrative burdens on the industry and regulators. The Board is required to develop a petition process for a person who has been convicted of an excluded felony to apply for an exemption; this goes into effect January 1. The CCB will work on the regulatory changes needed and hold a public workshop. The Cannabis Advisory Commission (CAC) is required to study the impacts and potential de-scheduling or rescheduling of cannabis at the federal level; a report will be submitted to Legislature by March 1, 2024. The CAC will meet on August 15, and this matter will be assigned to a subcommittee. SB328 contemplates what will be needed to begin addressing the illicit market, authorizes seizure, and envisions the development of a civil penalty structure through regulation targeted at illicit market operators. It also included change to the Board governance, staggers terms of the Board members, and places the CCB under the Administrative Procedures Act.

Director Klimas noted other legislation that will refine the fair market value process, codify the requirement to check the age of a cannabis consumer, and a Joint Resolution calling on Congress to de-schedule cannabis at the federal level.

Director Klimas added that CCB staff was working on developing drafts in order of priority and mandated deadlines. The goal is to get stakeholder input throughout the process. There will be changes around the way complaints and settlements are handled. There will be communications sent out to industry surrounding these changes as we move to the end of the year.

Chair Doulgas commented on the petition to work in the industry for those who are still under supervision and before they have been sentenced. Chair Douglas asked staff to look into whether or not agent cards could be granted during that time.

Member Durrett would like a more detailed discussion on how legislation would be implemented would be helpful to the Board, including timelines for implementation, the intent of legislation, and how it can be expected to be applied.

XI. Next Meeting Date

The next Board meeting is scheduled for August 22, 2023.

XII. Items for Future Agendas

Chair Douglas noted that there were several items for future agendas based on issues raised earlier in the meeting.

XIII. Public Comment

Desiree Harmon and Carly Krygier stated they had one of the prospective consumption lounge licenses. They were working on trying to develop a profitable and successful business. Some of the issues they are seeing include the need for dram laws for consumption lounges; they face high premiums on insurance due to not having those laws. They see high costs, for example when buying through retail directly and not wholesale; they have only found two licensees that are willing to not rip them off. Additionally, finding a location has been difficult due to most buildings having federally backed financing, the stigma of cannabis, setbacks with gaming establishments, and the limited number of buildings that qualify to hold lounges.

XIV. Adjournment

Meeting adjourned at 11:20 a.m.