

Nevada Cannabis Compliance Board Meeting Minutes August 22, 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 August 22, 2023.

Cannabis Compliance Board Members Present:

Adriana Guzmán Fralick, Chair

Riana Durrett, Vice Chair

Jerrie Merritt

Bryan Young

Hon. Michael Douglas

Chair Guzmán Fralick called the meeting to order, and Executive Director Tyler Klimas took roll. Chair Guzmán Fralick, Member Douglas, Member Merritt, and Vice Chair Durrett were present in Las Vegas. Member Young was present in Carson City.

Chair Guzmán Fralick gave an introduction of the Chair and Vice Chair and thanked Hon. Douglas for his work and continued service.

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

I. Public Comment

Amanda Connor thanked Michael Douglas for his work for the CCB and congratulated Chair Guzmán Fralick and Vice Chair Durrett on their appointments. Ms. Connor pointed to an article that predicted cannabis may be the first female dominated billion-dollar industry and thought Nevada was a prime example of women leading in the cannabis industry.

Hadhinah Felice of the Chamber of Cannabis was grateful for the creation of Subcommittees aimed at assisting professionals in the industry and for the commitment to make a positive impact. Ms. Felice thought the subcommittees hold the key to unlocking growth within the industry.

Abby Kaufmann of the Chamber of Cannabis noted Chair Douglas's comments from the June meeting where he stated that what the Board needs to be effective is for the industry to come together, bring all segments to the table; the Board is only as good as the information it receives. Ms. Kaufmann commented that the industry needed the regulators to create the space for them to contribute the information and have those dialogues. The industry would like to have workshops on their suggestions rather than those necessitated by statute.

Bri Padilla of the Chamber of Cannabis had concerns with the proposed rules for facilitating cannabis sales and consumption at large scale events. Ms. Padilla noted that the Legislature has passed twice on creating rules for smaller cannabis events. Ms. Padilla thought it was a push from out of state interest groups and did not serve the current operators and local community. Ms. Padilla would like a forum for input from the community, industry stakeholders and operators.

Timothy Eli Addo addressed his concerns regarding the social equity consumption lounge process with Legislature, the social equity guidelines, and selection process. Mr. Addo does not think that the CEIC has helped any community of color.

Timothy Roberts spoke about his circumstances and appealed to the Board to include a pathway for him to obtain an agent card and work in the cannabis industry under SB277. Mr. Roberts detailed the reasons why he thought he should be eligible to work in the industry and recommended options for potential applicants including a letter of approval from Department of Parole and Probation, approval from a therapist if counseling is required, Metrc certificate, fingerprinting, passport quality photo, and a probationary period.

Mike Wheable, County Manager for White Pine County, spoke in support of the changes to NCCR 5 under agenda item V with a few suggestions. Mr. Wheable pointed out a typo in NCCR 5.035(5). Mr. Wheable recommended including a population cap so that it only applies to rural counties with less than 55,000. Mr. Wheable thought this would alleviate the concerns the industry has with a random number selection process.

Katree Saunders spoke about her circumstances and struggles with the cannabis industry. Ms. Saunders would like the CCB to work with people like her who have been affected by the war on drugs to get into the industry, the people that don't have \$250,000 in liquid assets.

Robert Kurilko of Silver Lion Farms was pleased that CCB was putting forth regulations to allow for a medical cannabis cultivation and production licensing round. Mr. Kurilko appreciated the CCB adding language that gives rural counties an active role in qualifying cannabis companies. Mr. Kurilko did not like the random number selector as part of the licensing process.

Donna Bath echoed Mr. Wheable's and Mr. Kurilko's comments and noted that economic development was struggling in rural counties. There is a 3% tax base, and they have mining, but the Legislature went after the mining tax. Ms. Bath agreed with including the population cap of 55,000 and allowing the rural counties to participate in the industry.

Paul Michael Burgess reminded the Board of the closed session that he had at a Board meeting the previous year. Mr. Burgess had concerns with his application, getting answers, delta-8 products, hemp regulations and oversight. Mr. Burgess asked if SB277 and petitions to the Board would be retroactive and does the applicant need to submit a new petition.

Abad Piza stated his concerns with the industry and trying to make a union. The speaker thought that there was a monopoly and there should be a place for other people to apply for licenses and find themselves a place within the state.

II. Meeting Minutes

A. Consideration for approval of the July 25, 2023, Cannabis Compliance Board Meeting minutes.

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

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

Lounge.

Chief of Investigations David Staley presented these items to the Board. Chief Staley noted that if approved, the applicant will need to complete necessary local approvals and a final inspection by the CCB.

A. Global Harmony, LLC (D004, RD004)

Chief Staley stated Global Harmony operates a dispensary in Las Vegas and plans to operate the consumption lounge similar to a traditional bar or lounge. Global Harmony has submitted all the required information and no areas of concern were identified during the investigation.

John Heishman and Kema Ogden appeared on behalf of Global Harmony. Member Douglas asked how far along they were with the proposed lounge. Mr. Heishman responded that they were in the early stages waiting for the approval, but they had the existing space in their facility. Member Durrett provided additional background information on Global Harmony. Ms. Ogden noted that she has been in the non-profit world for a long time helping the under-served population with health, wellness, and education.

Member Durrett made a motion for approval of the conditional license for Global Harmony. Member Merritt seconded the motion. All Members said aye. Motion carried.

B. Deep Roots Harvest, Inc. (RD399)

Chief Staley stated that Deep Roots has requested approval for a consumption lounge located on the existing patio of their Blue Diamond retail store in Las Vegas. Deep Roots has submitted all the required information and no areas of concern were identified during the investigation.

Lori Rogich, Jon Marshall, and Brenda Snell appeared on behalf of Deep Roots. Ms. Rogich introduced Ms. Snell, Chief Administrative Officer, who has been with the company since 2018. Ms. Snell stated that she oversees human resources, compliance, security, and IT. Ms. Snell previously worked in the gaming industry and with numerous government agencies to promote the development and interest of business owners in Nevada. Ms. Snell has introduced an employment program that embraces fair and equal treatment of all staff members and builds a culture of excellence and innovation. Mr. Marshall stated that there is a modest patio footprint that exists; they will bring this into compliance with taller walls, cameras, and access doors. It will be styled with patio furniture and tv's, similar to a tasting style microbrewery concept.

Member Durrett asked what they thought of retail establishments only being entitled to one lounge and what kind of impact that has. Mr. Marshall responded that they were curious how the lounge would play out and that was the reason why they are starting with a smaller scale. Mr. Marshall thought it was good to start slowly and see how they do; he did not think there needed to be one on every corner.

Chair Guzmán Fralick asked for the timeline. Mr. Marshall responded that they had limited tenant improvements and needed local jurisdiction approval; they hope to open by end of first quarter 2024.

Member Durrett made a motion to approve the conditional license for Deep Roots Harvest. Member Douglas seconded the motion. All Members said aye. Motion carried.

C. KV Group, LLC (ACON-A22-00053)

Chief Staley stated that KV Group was requesting approval for a consumption lounge in Pahrump called Green Life Preserve and is intended to be a farm to table cannabis lounge. KV Group submitted all required information, and no areas of concern were identified during the investigation.

Chair Guzmán Fralick noted that KV Group also had a transfer of interest on the agenda. Chief Staley stated that if the Ms. Villa is found suitable for the consumption lounge, then she could proceed with the TOI; the items will be handled separately.

Kouanin Villa-Eslava and her husband, Steven Cantwell, appeared on behalf of KV Group. Ms. Villa-Eslava stated that she and her husband have been in the cannabis industry since 2014 with a cultivation facility. They are excited for the opportunity and have gone over their plan with local county commissioners.

Member Durrett asked for a description of the proposed lounge. Mr. Cantwell responded that they would convert their home on their farm to the lounge and create a health and wellness atmosphere.

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

IV. Request for Transfer of Interest

Chief Staley presented the transfers of interest to the Board.

A. KV Group, LLC (TOI# 23001)

Chief Staley stated TOI 23001 was filed to request approval for transfers of 49% of KV Group to investors Michael Floyd, Bryan Floyd, Gloria Boucher, Steven Khoury, and Andres Triggs. Ms. Villa-Eslava will remain the 51% owner. No areas of concern were identified in the investigation.

Ms. Villa-Eslava stated she was doing a transfer to her investors that she has worked with for the past nine years. They are some of the founding members of Green Life Productions and valued members of the local community. The team consists of general contractors, electrical and security engineers.

Member Durrett made a motion to approve the transfer of interest under agenda item IV A. Member Douglas seconded the motion. Member Douglas noted that Mr. Cantwell was a former champion in UFC fighting. All Members said aye. Motion carried.

B. Alternative Medicine Association, LC (TOI# 22014) (C087, RC087)

Chief Staley stated TOI 22014 was filed to request approval for an administrative update to AMA's ownership to capture parent company 1933 Industries Inc. which was erroneously excluded from Taxation ownership records for AMA. The application requested approval for Ernest Mark Zobrist to grant his 9% ownership to his son, Caleb Zobrist. No areas of concern were identified during the investigation. AMA requested a waiver of NCCR 5.110 pursuant to 5.112. 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 its next TOI agenda date.

Caleb Zobrist, Paul Rosen, and Ernest Mark Zobrist appeared on behalf of AMA. Caleb Zobrist noted that Ernest Mark Zobrist will no longer be a member and is retiring. Mr. Rosen, CEO, stated that he has known the Zobrists for four years and the Board of Directors fully supported the transfer and noted that Caleb Zobrist has been a key member. Mr. Mark Zobrist noted that AMA was the first company approved for cultivation in Clark County.

Member Durrett asked what the company was known for or goals they could share. Caleb Zobrist responded that they were a value brand and tried to make their products as cheap and accessible as possible. Member Durrett asked if it was locally owned. Caleb Zobrist responded that the parent company is 1933 Industries which is a publicly traded company on the Canadian Securities Exchange.

Member Durrett made a motion to approve the transfer of interest under agenda item IV B relating to Alternative Medicine Associates with the waiver of 5.110 pursuant to 5.112 granted and set to expire on the next TOI agenda date. Member Merritt seconded the motion. All Members said aye. Motion carried.

C. MJ Distributing C202 LLC (TOI# 2100025 and 2100026) (C202, RC202), MJ Distributing P133 LLC (P133, RP133), and MJ Holdings, Inc.

Chief Staley stated TOI 2100025 and 2100026 were filed to request approval for MJ Holdings' acquisition of MJ Distributing C202 LLC and MJ Distributing P133 LLC, the holders of cultivation and production licenses in Amargosa Valley. The Board approved the relationship between the companies for a management services agreement (MSA) in June 2022 pending the completion of this investigation. MJ Holdings requested a waiver of NCCR 5.110 pursuant to 5.112. Staff suggest that if approved, the Board limit the waivers to expire on its next TOI agenda date.

Chief Staley noted that staff identified ten areas of concern during the investigation with MJ Holdings and its prior controlling shareholder, Paris Balaouras, that provide grounds for the Board to deny MJ Holdings' request and find Mr. Balaouras unsuitable to hold a cannabis license. The areas of concern include the following: illegal possession of cannabis and illegal sale of cannabis, MJ Holdings' previous claims in SEC filings that it is a licensed cannabis establishment, MJ Holdings' control and operation of MJ Distributing without an approved MSA or valid agent cards, unapproved TOI relative to Red Earth, MJ Holdings' executives violation of fiduciary duty to MJ Holdings and its shareholders, sublease agreements entered into with licenses that were not owned, allowance of Al Reasonover to work in the operations despite his agent card denial, lack of compliance with regulations, MJ Holdings may not be qualified under NCCR 5.015, and MJ Holdings owes the IRS approximately \$338,000 in back taxes with no plans to pay. Chief Staley added that staff have discussed the concept of a conditional approval that would allow MJ Holdings to acquire the MJ Distributing licenses with certain requirements and conditions.

Brian Hardy appeared on behalf of MJ Holdings. Adam Fulton appeared on behalf of Paris Balaouras. Allyson Johnson appeared on behalf of MJ Distributing. Mr. Hardy stated he has worked with staff and appreciated the willingness to work through issues. Mr. Hardy provided an overview of the investigation process and added that Mr. Fulton brought him in as outside counsel after the areas of concern were raised during the exit interview. Mr. Hardy has binders of documents regarding those issues, but wanted to focus on what the company may be able to

do in the future. He believed they have addressed each area of concern, provided documentation supporting their position, and proposed how those concerns can be alleviated and/or monitored by the CCB. Mr. Hardy asked if there were any questions that can be answered as part of his affirmative presentation.

Member Douglas noted that Mr. Balaouras has been at the epicenter of what happened in the past and is entangled in the future; how will this be alleviated in the future? Mr. Hardy stated that Mr. Fulton could respond to specific questions on Mr. Balaouras. Mr. Hardy responded that in respect to the control issue, the company will identify individuals to serve as permanent CEO, COO, and CFO and not less than three Board members within 120 days of approval of the license. Each member must retain an agent card and all members, board members and C-Suite executives must appear before the CCB for suitability approval before the position is made permanent. Mr. Hardy added that the company will cease all activities, agreements, or contracts with Mr. Balaouras who has agreed to not acquire, undertake, or procure any future investments, control, or ownership interest in the company; the company will lodge an instruction letter with its transfer agent. Mr. Balaouras has absolved himself of all interest he held in the company. Mr. Fulton added that Mr. Balaouras is no longer involved or wants to be involved with MJ Holdings moving forward.

Mr. Hardy commented that Mr. Reasonover was used for institutional knowledge but was not involved directly in the cannabis industry. Member Durrett asked what Al Reasonover's role would be going forward. Mr. Hardy stated that he had responded to inquiries but no longer has dealings with the company. Mr. Fulton added that Mr. Reasonover's agent card was denied; he has a right to bring that before the Board at a later date if he wanted to work with MJ Holdings. Mr. Hardy stated that Mr. Reasonover was able to answer questions they had about what happened; he was a consultant.

Chair Guzmán Fralick asked for clarification on the conditions. Mr. Hardy responded that they are proposing that the TOI that is before the Board be granted with the conditions listed. The conditions will be affixed to the license for a term of not less than two years absent extraordinary circumstances.

Chair Guzmán Fralick noted that she was concerned with what she read in the report but did not want anyone to fail as this means jobs. Chair Guzmán Fralick asked for clarification on what the Board would be voting on. Senior Deputy Attorney General L. Kristopher Rath responded that the Board could vote to approve contingent on a final agreement to all of the conditions; CCB would work with counsel to make sure everything is in writing. Mr. Hardy added that they were trying to avoid a conditional license; it would be a license with conditions.

Member Douglas stated he would like to know what the proposed conditions are before approval. Mr. Hardy stated they could meet with counsel, come up with the agreement, and come back at a special meeting. Mr. Rath noted the conditions came late the day before, but it could be approved contingent upon a final agreement. Mr. Hardy stated there were eight terms that everyone has gone through and offered to read them in. Member Durrett asked if there was a time sensitivity issue or if this could wait a month. Mr. Hardy responded that the sellers are anxious to sell, and the interest payments are accruing. Chief Staley added that he supported the company's need to transfer the license as its economic viability is not great; the components of the settlement agreement deal with attracting and retaining qualified C-suite executives and board of directors that can operate a publicly traded company. Chief Staley supported the

transfer of the licenses sooner rather than later. Mr. Hardy explained the process. Chair Guzmán Fralick asked that if it they were asking for contingent approval of a license with conditions. Mr. Hardy affirmed. Member Douglas reiterated that he would like to know the proposed conditions; the Board may not agree.

Chair Guzmán Fralick called for a fifteen-minute recess to look at the conditions.

The Board took a recess at 10:41 a.m. The Board came back on the record at 10:58 a.m.

Chair Guzmán Fralick noted that Board reviewed the conditions, the conditions will be read into the record, and the Board will vote on a license contingent upon going back with staff and coming up with the conditions that will be attached to the license and will come back to the Board for review. Mr. Rath added that if the contingency is not met, it will be put back on the agenda to review the transfer.

Mr. Hardy stated the conditions which included the following: MJ Holdings must provide an additional status report within three months after the CCB approves the written agreement and quarterly thereafter; the company shall identify within 120 days individuals to serve as permanent CEO, COO, CFO, not less than three board members (one of which shall be chair and ensure such positions remain filled), who must all maintain an agent card during the duration they serve; all board members and C-Suite executives are able to serve as interim position holders until they appear before the Board for suitability approval and provide any requested information to staff; CCB shall reserve the right to identify potential civil penalties relating to MJ Holdings actions during the term of the MSA subject to CCB jurisdiction and parties will agree to negotiate regulatory violations prior to service of complaint; MJ Holdings' TOI approval is subject to the agreed upon conditions and MJ Holdings can be subjected to disciplinary action for violation of any of the conditions; MJ Holdings may request removal of the agreed upon conditions after two years subject to Board approval; CCB will continue to monitor MJ Holdings and may request additional information; the company agrees to cease all activities, agreements, or contracts with Mr. Balaouras whom has agreed to not acquire, undertake or procure any future investments, control or ownership whether directly or indirectly and the company will lodge an instruction letter with its transfer agent; company shall provide updates on pending litigation involving Jim Kelly and Chris Doubek; and the company is required to maintain compliance counsel at all times.

Member Douglas asked for the makeup of the shareholders. Mr. Hardy responded that Mr. Balaouras' 40% interest was returned to the company and is being held as unissued shares, Mr. Jim Kelly holds approximately 13%, and everyone else was a minor shareholder.

Member Durrett recommended adding a contingency plan if the permanent positions aren't filled. Member Durrett thought that the monitoring should be more flushed out and that they can come before the Board sooner if persons are identified for positions. Mr. Hardy noted that they hoped to identify persons soon after having an approved TOI. Mr. Fulton noted that board members of publicly traded companies carry fiduciary obligations and responsibilities.

Member Young asked if Cede & Company the shareholder was publicly traded. Chief Staley responded that Cede & Company was a depository entity that holds the shares for the shareholders and facilitates transfers; it does not have voting rights.

Member Douglas was concerned that the 30% would be controlling the 70% made up of minority shareholders and passive investors and wanted to know how the Board could be sure that the timelines would be adhered to. Mr. Hardy responded that the identified persons could serve as interim until they become permanent; they can get an agent card and serve until the investigation is complete.

Chief Staley suggested that a condition could be added to compel the company to appear at a Board meeting if an issue is identified. Mr. Hardy asked for clarification on this process. Chief Staley proposed a mechanism in which the CCB can trigger the appearance at a Board meeting. Mr. Hardy thought that was appropriate as long as there was notice and response period. Chief Staley added this would only be used in extreme circumstances. Chair Guzmán Fralick noted that they would not be treated any differently and there are processes in place for doing these things.

Chair Guzmán Fralick stated that the Board would consider a vote for approval of the transfer of interest contingent on conditions for the license and those conditions will be negotiated between the parties. Mr. Hardy asked if the conditions noted would serve as the outline for the future discussion. Chair Guzmán Fralick responded that was her understanding.

Allyson Johnson asked for confirmation if the licenses would be transferred contingent upon a finalized agreement and then will be a conditional license for MJ Holdings. Chair Guzmán Fralick noted that was correct except that it would not be a conditional license, but a license with conditions. Ms. Johnson restated that the license will be transferred to MJ Holdings and then they will be responsible to meet the conditions that are provided to the Board. Chair Guzmán Fralick responded affirmatively. Member Durrett added that if the conditions weren't met, the recourse would be potential discipline. Chief Staley noted the waiver requested pursuant to NCCR 5.112.

Member Durrett made a motion to approve the transfer of interest requested under agenda item IV C contingent upon a finalized agreement between staff and the subject licensee that sets forth conditions that they will operate under for the next two years; and to grant the waiver under 5.110 pursuant to 5.112. Member Merritt seconded the motion. Member Douglas stated that he did not support the motion and noted his concerns with the operation; if a finalization is not in writing at the next meeting, Member Douglas wanted to go forward with some type of issue as to their license. Chair Guzmán Fralick noted that staff would be look at the past and if violations had occurred. Member Young stated that he was not in support of the TOI in the way it is currently presented.

Chair Guzmán Fralick called for a vote. Members Merritt, Durrett and Chair Guzmán Fralick said aye. Members Young and Douglas said nay. Motion carried. Chair Guzmán Fralick commented that she was trusting staff and counsel to come to a good agreement and report back on the status.

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

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

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

1. NCCR 5.020. Request for applications to operate a cannabis establishment: Notice by Board; required provisions; time period for submission of applications.

2. NCCR 5.035. Request by board of county commissioners of the county to the Board to issue a medical cannabis establishment license for one medical cannabis cultivation facility and/or one medical cannabis production facility.
3. NCCR 5.042. Submission of application for a cannabis establishment license pursuant to NCCR 5.035.
4. NCCR 5.047. Cannabis establishment prospective and conditional licenses pursuant to NCCR 5.035.
5. NCCR 5.052. Cannabis establishment final licenses pursuant to NCCR 5.035.

Deputy Director Michael Miles stated that the regulations before the Board were to grant one medical cultivation and/or one medical production license to counties that have not participated in the cannabis industry. After the previous time before the Board, the Board asked staff to review the regulations and come up with other options. Additions to the regulations give the counties the option to submit letters of support; the letters will be included in the minimum scoring guidelines and the application process. The process allows counties that have not participated in the cannabis industry input into the economic development of those counties.

Deputy Director Miles stated NCCR 5.020 is notice provision to call for applications; this would apply to all license types. NCCR 5.035 allows a county to submit a petition to request a potential license be given to a county for a medical cannabis cultivation or production license if they do not already have one. NCCR 5.042 detailed the submission of the application. NCCR 5.047 detailed the suitability investigation after the application was accepted. NCCR 5.052 detailed obtaining the final license after all final inspections occurred.

Member Durrett asked if a medical license was issued, would it become a dual license under SB277. Deputy Director Miles affirmed. Member Durrett asked about the market study to determine whether a sufficient number of cannabis license exists and if that applied in this case. Deputy Director Miles explained that NCCR 5.020 was a generic regulation that would cover any licensing round in the future; after the study, the Board could apply it to other licensing rounds but dispensaries and consumption lounges are limited by statute.

Member Durrett asked about NCCR 5.047(E) regarding the Board's parameters of looking at relative weight to any criterion of merit; how does it work if they are coming to the Board after having gone through a random number generator. Deputy Director Miles explained the application process, minimum scoring guidelines, and entry into the random number generator. The selected applicants would go through a suitability analysis that takes into account the criterion of merit listed in statute; there is no requirement that they be given an actual number for relative weight. Member Durrett argued that weight is not given during a suitability investigation. Deputy Director Miles responded that the Board does give weight when it considers transfers of interest. Member Durrett thought that was twisting what relative weight means; it only says relative weight specific to the scoring and ranking process. Deputy Miles noted that the previous process was massively litigated for many potential problems, including corruption; the Board is not bound to how the process occurred prior. Deputy Director Miles added that the Board is giving weight to all the decisions, and it falls within statute.

Member Durrett and Deputy Director Miles discussed the consideration of social equity and the use of random number generator; Member Durrett did not think that the random number generator took social equity into consideration.

Member Durrett asked how the community support letter would work. Deputy Director Miles stated if there was only one applicant with a letter then there would be no random number generator; that one would be granted the prospective license. Member Durrett commented that that would give the local government complete discretion; the CCB was created in response to the previous litigation and to have an independent Board to make the decisions and did not think that should be left to the local government. Deputy Director Miles added that this was limited to maybe six licenses and allows the counties serious input into the economic development of their counties by statute; it does not relinquish the CCB of responsibility.

Member Durrett appreciated the CCB taking comments into consideration to appease the opposition, but did not think that the CCB had the authority for reasons stated; the legislature contemplated that the CCB would follow the relative weight of criterion of merit rather than a random number generator. Deputy Director Miles noted that multiple senior deputy attorney generals disagreed. Executive Director Klimas added that the proposed regulations are specific only to a limited medical only licensing round for cultivation and production for jurisdictions that did not participate initially.

Chair Guzmán Fralick opened the discussion for public comment.

Amanda Connor believed that the stakeholders want White Pine County to get the medical licenses they have petitioned for, but it must be done within the confines of statutory permits. NRS 678B.280 and 240 state the Board shall consider a criterion of merit when issuing the licenses except for cannabis consumption lounge licenses. The lottery only appears in relation to issuance of lounge licenses. The legislature declined to act on changing the process.

Donna Bath appeared on behalf of Silver Lion Farms. Ms. Bath did not want to hold up the process but noted that the medical was exempted from any round and was confused.

Member Douglas commented that the county is entitled to have the licenses and the Board was trying to determine how to decide who to fairly issue the license to, how do you rank them or if they have met the merit base, can you go to a number generator to make sure there is not political or overreaching favoritism. Member Douglas added that the merit system has created problems in all jurisdictions.

Ms. Bath was concerned that White Pine would have to go through a random number generator where other rural counties in the past did not have to do so. There may be applicants from Clark County, Douglas County, or Reno that try to get into their jurisdiction and did not see how they would be on equal ground as the prior licensing. Chair Guzmán Fralick noted that the number generator would not come in to play if only the one company in White Pine County received the letter of approval. Deputy Director Miles stated the random number generator would only come into play if zero letters or multiple letters were issued.

Member Durrett commented that the random number generator had been voted down several times and offered to propose other methods if the proposed changes were not adopted.

Mike Wheable, County Manager for White Pine County, stated NCCR 5.035(C) considers that the county will be able to choose to provide letters of support that will then factor into the merit based analysis on the applicant's ability to enter the random number generator. It proposes that there will be a merit analysis for each applicant before the random number generator. Mr.

Wheable thought that addressed the concerns and duty of the Board to do a merit-based analysis. Mr. Wheable detailed how he envisioned the process would go. Deputy Director Miles clarified that if only one applicant submits a letter with their package, that person would be granted the prospective license; if multiple letters of support are submitted, then there would be a random number selector. Mr. Wheable added that it puts the onus on the county which is good and bad. Mr. Wheable supported approving the regulations.

Member Durrett asked for clarification on the merit-based analysis and suitability and if more regulations would be needed. Deputy Director Miles stated that the merit-based analysis happens in the application and in the suitability review. The application is more of a binary but is still a criterion merit analysis. Mr. Rath added that if the county issues a letter of support, that is an additional minimum scoring requirement to get into the random number generator. Member Durrett asked if the letter would increase the score or not. Deputy Director Miles responded that the lesser score does not move forward in the application process; a binary analysis is still an analysis.

Chair Guzmán Fralick asked if the criteria of merit were embedded in the application. Deputy Director Miles stated the minimum scoring guidelines, which is the criteria of merit, is in the application.

Mr. Wheable stated that the county may choose to provide multiple letters of support to companies and the selection may then go through the random number generator. Mr. Wheable noted there were sufficient safeguards to protect the CCB and the county takes on more of the liability. Mr. Wheable thought it was a good compromise for a difficult situation.

Donna Bath asked if there would need to be additional workshops if there weren't regulations in place for the criteria of merit. Chair Guzmán Fralick noted that the merit criteria are built into the application.

Robert Kurilko, CEO of Silver Lion Farms, gave his perspective and read that the county is being put in a position as a gate. Mr. Kurilko did not like the random number generator and agreed that the application itself is merit. Mr. Kurilko was concerned with license squatting to prevent competition. Mr. Kurilko thought that the regulations were they best they could be with all of the different things that are trying to be accomplished and encouraged the Board to pass them.

Brett Scolari appeared on behalf of Strategies 360 and their clients. Mr. Scolari echoed the comments of Amanda Connor and written submission of Nevada Cannabis Association and David Goldwater. Mr. Scolari stated the industry supported White Pine County's efforts but was concerned with the random number generator process; the legislatures authorized a weighted merit-based application and provided for the Board to adopt regulations for determining the relative weight of each criterion. An unweighted system conflicts with the current statutory framework. Mr. Scolari suggested adding a larger weight to a subsection and urged the Board to reject the proposed language in its current form.

Layke Martin appeared on behalf of the Nevada Cannabis Association and stated they supported White Pine County's efforts but had concerns with the use of the random number generator through all future licensing rounds. The lottery is mentioned in statute once where it is referenced as a tool in the lounge license application. The statute requires that criteria of merit

be considered when issuing medical licenses; the Board would need to develop a rubric to evaluate applications. The current draft would allow the county to pick their preferred licensee by only issuing one letter of support. If a lottery supported diversity, it's unclear how skipping the letter by getting a letter would also promote diversity. Ms. Martin thought there should be a policy discussion on whether a lottery should be used for future rounds and whether it accomplishes the state's goals.

Timothy Eli Addo spoke on behalf of Kora Lounge and urged the Board look into the process for the random number selector, everyone's input, and opinion for consideration.

Robert Kurilko understood the concerns of the industry for a random number generator expanded beyond this. Mr. Kurilko stated this was a narrow pool using the county as the gate to prevent license squatting. Mr. Kurilko suggested removing random number generator and call it a traditional merit-based evaluation.

Chair Guzmán Fralick called for a motion. No Board Members made a motion. Chair Guzmán Fralick made a motion to vote on the proposed regulation. Member Durrett seconded the motion. Member Durrett did not want to delay this further but wanted the Board to entertain further proposals and come back before the Board in September.

Chair Guzmán Fralick asked counsel if there was anything prohibiting a random number generator for these purposes. Mr. Rath responded there was no legislation that says you cannot use it for other new licenses; it was used for one new licensing round and there is no prohibition for using it for another new licensing round.

Member Douglas was concerned with blending the merit prior to use, if necessary, of a random number selection. In terms of scoring or evaluation to establish merit, you must be consistent; it doesn't say that you have to be exact. You can decide that applicants of merit within five points of each other go forward and the rest fail. Member Douglas thought there needed to be clarity and that it was too subjective in terms of how it will be applied if it goes forward and thought merit needed to be looked at before you are in. Member Douglas questioned how to define merit; the Board can't be afraid of litigation but needs to make sure that position has a possibility of success. The random number selection is kind of a problem if that is the only criteria for selection.

Member Durrett noted that not everything that the legislature doesn't want done is specifically prohibited; they specifically mandated that it be done a certain way. A change has to be taken up with legislature.

Member Young supported the random number generator if two candidates are exactly equal; it appears that legislature passed on the opportunity to clarify. Member Young also had concerns with the county's ability to write the letter; an applicant with lower merit could receive the letter and then get the license.

Chair Guzmán Fralick noted that there were a lot of comments, but no proposed language was submitted and encouraged those to be submitted. The Board has been working on this for a long time.

Member Douglas asked for the motion to be repeated. Chair Guzmán Fralick stated the motion was to vote on staff's proposed regulations. Member Durrett stated she may need to withdraw her second. Deputy Attorney General Chricy Harris confirmed the motion was to enter into a vote on this agenda item that was seconded by Member Durrett, and then there was the discussion. Member Douglas stated he was unclear on what was being voted on. Chair Guzmán Fralick clarified that her intent for the motion was to vote for approval for purposes of discussion. Member Durrett stated her second will stand and her vote will be no. Member Douglas asked if he could make a tabling motion and bring the matter back in 30 days. Member Young seconded the motion. Chair Guzmán Fralick stated she wanted to get a vote on what was before the Board and called for a vote to approve the regulations as presented. All Board Members said nay. Motion failed.

Chair Guzmán Fralick asked for a new motion. Member Douglas made a motion to send it back to staff, look at the comments made by the public and Board and see if one or two versions can be presented at next month's meeting, considering the issues that were raised about merit, clarification of what that is, and use or non-use of the random generator. Member Merritt seconded the motion. Member Durrett requested to add to the motion that those who submitted comments iron out some proposed language to bring back a consensus. Deputy Director Miles noted that there are 30-day notice requirements for adopting language. Member Durrett stated that a notice to adopt could be posted without the language. Ms. Harris recommended the actual language be posted for clarity. Chair Guzmán Fralick commented that it has been worked on for a long time and may take time to get it right.

Member Douglas restated his motion for it to come back to the Board in 60 days. Member Merritt seconded the motion. All Members said aye. Motion carried.

VI. Approvals and Resolutions

A. Notice of Final Licensure

Chief of Administration Steve Gilbert presented the notice to the Board of establishments that have been issued their final license since the last Board meeting.

1. Dune Operating Holdings, LLC (C175, RC175)

Chief Gilbert stated Dune Operating Holdings was awarded a conditional medical cultivation and conditional adult-use cultivation license in North Las Vegas jurisdiction. On May 10, 2023, a pre-opening inspection and audit was conducted, and the facility was found to be in compliance. The CCB approved and issued the final license on July 25, 2023.

2. Essence Henderson, LLC (RD346)

Chief Gilbert stated Essence Henderson LLC was granted a conditional adult-use retail store license in the North Las Vegas jurisdiction. On July 3, 2023, a pre-opening inspection and audit was conducted, and the facility was found to be in compliance. The CCB approved and issued the final licensure on July 25, 2023.

VII. Briefing from the Chair and the Executive Director

Chair Guzmán Fralick did not have a briefing. Executive Director Klimas provided an update regarding the Cannex matter and advised the Board that discussions have begun and will

continue. Any updates will be provided to the Board next month if there are any.

VIII. Next Meeting Date

The next Board meeting is scheduled for September 26, 2023

IX. Items for Future Agendas

Chair Guzmán Fralick noted the regulations will be heard again in 60 days.

Member Durrett asked if the status on excluded felonies could be included. Executive Director Klimas noted that a six-month schedule of proposed workshops was put out. One of the workshops will be on regulation 4 and the excluded felony petition process. Member Durrett noted that statute will be effective January 1, 2024. Executive Director Klimas responded that the CCB could work on it beforehand, so it is ready to go.

X. Public Comment

Paul Michael Burgess thanked Deputy Director Miles for the sidebar conversation. Mr. Burgess stated he provided a document on technology to former Chair Douglas last year and asked him to investigate the document in 60 days. Mr. Burgess thought that this was an emergency and is trying to bring his public safety technology to the State, the Governor, and Chief Innovation Officer. Mr. Burgess would like Governor, the Chief of Staff, and the Board to look at his application along with the Attorney General.

XI. Adjournment

Meeting adjourned at 12:55 p.m.