

# Nevada Cannabis Compliance Board Meeting Minutes November 14, 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 9:12 a.m. on November 14, 2023.

## **Cannabis Compliance Board Members Present:**

**Adriana Guzmán Fralick, Chair**

**Riana Durrett, Vice Chair**

**Dr. 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, and Member Young were present in Las Vegas. Vice Chair Durrett was present in Carson City.

Chair Guzmán Fralick announced that Executive Director Klimas would be moving on from the Cannabis Compliance Board. Chair Guzmán Fralick added that it was a pleasure to work with Director Klimas and he was leaving a huge hole to fill. Director Klimas thanked the Board, stakeholders, attorneys, advocates, executive team, legal team, and CCB staff for all the work and enthusiasm. Members Young, Douglas, and Durrett thanked Director Klimas.

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

## **I. Public Comment**

Alicia Ashcraft spoke about the pro bono project that the State Bar of Nevada Cannabis Law Section has been working on. The service is for individuals facing disciplinary action or agent card issues who may not be able to afford legal representation. The program was established through the legal aid center of Southern Nevada. Ms. Ashcraft noted that flyers were available at the back table and thanked the attorneys who have signed up to volunteer their services.

Maggie McLetchie congratulated Ms. Ashcraft and the Cannabis Law Section on a successful CLE conference the previous week. Ms. McLetchie thanked Director Klimas and Member Douglas for participating.

Hadhinah Felice stated she is a small cannabis business owner and serves as a board member of the Chamber of Cannabis. Ms. Felice thanked the CCB for the workshop in October. Ms. Felice wanted to draw attention to NCCR 12.030 and 12.040 regarding the date of harvest. Ms. Felice thought that awareness of the date of final harvest was paramount given the shelf life of cannabis and it was essential for cultivators to include the final harvest date on labels. Ms. Felice asked the CCB to consider retaining NCCR 12.030(1)(e) and 12.040(1)(j). Ms. Felice thanked Director Klimas for his work and wished him luck in future endeavors.

Nicole Buffong spoke on behalf of the Chamber of Cannabis and Minorities for Medical Marijuana. Ms. Buffong questioned the status of NCCR 12.065 regarding cannabis treated with radiation. Ms.

Buffong stated the consumer has right to know what products are radiated. Ms. Buffong thanked Director Klimas for all the work he has done in creating a transparent and open relationship with the regulators.

Abby Kaufmann thanked Director Klimas for his work in helping the industry. Ms. Kaufmann expressed concerns with the proposed revisions to the regulations and to consider the purpose and logic behind changes. Changes to packaging regulations should protect consumers and help operators reduce costs and eliminate waste. Ms. Kaufmann stated there weren't concerted efforts by the CCB to communicate that QR codes have been an option for a year and urged the CCB to proactively communicate with the industry. Ms. Kaufmann asked who is in charge of holding regulators accountable of its statutory requirements.

## **II.Meeting Minutes**

### **A. Consideration of acceptance of the October 18, 2023, Cannabis Compliance Board Solicitation of Input on Packaging, Labeling, and Advertising Regulations and Possession and Sales Limit Regulations meeting minutes.**

Chair Guzmán Fralick asked for a motion on the minutes. Member Douglas made a motion for approval of the minutes. Member Young seconded the motion. All Members present said aye. Motion carried.

## **III.Consent Agenda**

Member Douglas asked to pull items A(1) and (2) for discussion.

### **A. Service Agreements**

1. Nevada Medical Group, LLC (P044, RP044) and Moj NV LLC

Chief of Investigations David Staley stated the management service agreement was entered into to provide for the management of Nevada Medical's production facility (P044 and RP044). Staff reviewed the agreement and found the relationship between the parties appropriate.

Alex Fox and Trip Hoffman appeared on behalf of Nevada Medical Group with Arin Srichinda. Mr. Srichinda stated he had a business in Seattle, Washington and intends to do the same here.

Member Douglas asked about the intentions of the business and if they understood the rules for Nevada. Member Doulgas was concerned with what the licensee was getting, how they would be paid, and for clarification that the minimum payment amount per month was \$20,000. Mr. Fox responded that Nevada Medical Group will receive \$20,000 per month. Member Douglas asked if they were looking to purchase the business or just operate within the business in the future. Mr. Fox responded they would purchase the business.

Chair Guzmán Fralick noted that any purchase would need to be approved by the Board prior to the transaction. Mr. Fox stated that the management agreement has an option to purchase the business and they may proceed with a TOI. Mr. Fox noted that Nevada Medical would be in charge of compliance at all times.

Member Doulgas made a motion for approval. Member Young seconded the motion. All Members present said aye. Motion carried.

2. Euphoria Wellness LLC (P089, RP089) and Sunder Desert LLC, Distinction Wellness LLC, Abide Brands Inc., and Stonewater Advisory and Consulting LLC

Chief Staley stated that the agenda item was for a series for production agreements. Euphoria recently informed the CCB that the production agreement with Abide has been assumed by Sunder Desert after its acquisition. The production agreements were brought to the CCB's attention by the Department of Taxation; Euphoria then requested to ask for approval before moving forward. Staff identified an area of concern in that the agreements appear to be sub-pieces of Euphoria's cannabis licenses.

Nicole Lovelock appeared on behalf of Euphoria Wellness along with Darlene Purdy Skinner. Paul Jacobson, Keith Cich, and Alyssa Lloyd were available via video conference. Ms. Lovelock stated that Euphoria keeps complete control over everything within the production facility; Euphoria staff oversee the operations of the production facility.

Alicia Ashcraft appeared on behalf of Distinction Wellness and was available for any questions.

Member Douglas noted that Euphoria was a good licensee but had concerns with language in the agreement that basically state they are separate entities coming in and are responsible for their space. Member Douglas wanted to make sure they understand they must be compliant. In addition, sufficient information will be provided to Euphoria timely for spot checks and audits. Member Douglas asked to hear from representatives of the groups that are coming in.

Ms. Lovelock stated that Euphoria shares the same concerns of cooperation and compliance. Ms. Lovelock noted that Rove of Stonewater Advisory and Consulting has been operating since 2020 without issue and Euphoria has not had an issue with any inspections. The operators are in different areas of the facility based on the type of service they provide. The agreement can be terminated if there is no compliance with laws and regulations. Member Douglas added that the licensee is ultimately responsible.

Chair Guzmán Fralick asked to hear from the operators.

Paul Jacobson with Stonewater Advisory Consulting stated they had been operating at Euphoria since 2020. They make vape related products, beverages, and pre-rolls. They started in California and sell products in nine states. They follow this same model except for in California where they hold their own license. Mr. Jacobson added they also take compliance seriously and are excited to continue to be a part of the Nevada cannabis industry.

Keith Cich of Sunder Desert stated they currently operated in California, Nevada, and Massachusetts. They have been with Euphoria since 2021. They have their own licenses in California and are the fourth largest edible brand in the nation. They are regulated in Los Angeles by the LA Department of Cannabis Regulations and run a state of the art, clean, and compliant operation.

Alyssa Lloyd of Distinction Wellness and franchisee owner of DADiRRi Nevada. DADiRRi is based out of Colorado and has been in the cannabis industry since 2017. Ms. Lloyd added that they have been working with Euphoria since the first quarter of 2023.

Chief Staley noted that the CCB investigators do a background and suitability check of the parties and their operations. The report provided to the Board is a technical description of the contracts. Member Douglas commented that it would be helpful to have some information about the parties, so they know what they are approving.

Member Young asked if Euphoria's compliance officer was overseeing the other entities or did they have their own compliance officer. Ms. Darlene Skinner responded that Euphoria has compliance director and director of cultivation; each group also internally has their own managers and compliance directors. There is also a compliance attorney.

Member Durrett commented that this was a service agreement and asked if the Board was broadening its review of agreements. Ms. Skinner noted that it was not a management agreement but a service agreement. Chief Staley responded that these were presented the Board due to the appearance of sublease agreements as there has been concern with third parties coming in and operating under the umbrella of the licensee while not being licensed; these were provided for clarity.

Member Douglas made a motion for approval of the agreements. Member Young seconded the motion. All Members present said aye. Motion carried.

## **B. Consideration for Approval to Extend Final Inspection Deadline**

1. Eureka NewGen Farms LLC (C186, P122, RD290)
2. Cheyenne Medical RD598 LLC (RD598)
3. Green Therapeutics LLC (RD273)
4. Essence Henderson LLC (RD347)
5. Essence Henderson LLC (RD348)
6. MM R & D LLC (C208, P138, RD098)
7. MM R & D LLC (C209, P139)
8. Essence Tropicana LLC (RD319) (for possible action)
9. Nevada Organic Remedies LLC (RD218) (for possible action)
10. Clear River LLC (RD229) (for possible action)
11. Deep Roots Harvest Inc (RD401) (for possible action)
12. GreenMart of Nevada NLV LLC (RD507) (for possible action)
13. GreenMart of Nevada NLV LLC (RD511) (for possible action)
14. Vertical Horizon LLC (C205, RC205, P136, RP136) (for possible action)
15. Wenger LLC (T090) (for possible action)
16. Polaris Wellness Center LLC (T068) (for possible action)
17. Polaris Wellness Center LLC (RD636) (for possible action)
18. Green Leaf Farms Holdings LLC (C162, RC162, P105, RP105) (for possible action)
19. ETW Management Group LLC (C023, RC023) (for possible action)
20. ABC NV LLC (RC120) (for possible action)
21. International Service and Rebuilding Inc. (C211, P141) (for possible action)
22. Qualcan LLC (RD222) (for possible action)

Chair Guzmán Fralick asked any Board Members wanted to pull an item for discussion. If not, she would take a motion for approval with the extension length included in the motion. Member Durrett asked to pull item III B (1) for Eureka NewGen Farms.

Member Douglas made a motion for an extension of 12 months for items 2 through 22. Member Young seconded the motion. Member Douglas noted that there were different issues for the licensees and hoped they would see them move forward. Member Young added that a year ago there were 26 for approval; it was exciting to see the changes in the state. Chair Guzmán Fralick commented that in the future those with moratoriums and those without may be handled differently. Member Durrett added that she would not be in support of extensions for companies that don't have a location and it is not due to a moratorium or lawsuit.

Chair Guzmán Fralick called for a vote on the 12-month extension for items 2 through 22. All Members present said aye. Motion carried.

1. Eureka NewGen Farms LLC LLC (C186, P122, RD290)

Chief of Administration Steve Gilbert stated NewGen was issued a conditional medical cultivation and production license and adult-use retail license within Eureka jurisdiction. NewGen reports that the lawsuit filed with Eureka County in October 2022 is still pending and they will be moving forward. The ordinance prohibiting medical and recreational establishments on all lands within the county remains in place.

Katie McConnell and Michael Tangreen, owner, appeared on behalf of Eureka NewGen Farms. Ms. McConnell detailed the work that has been done since the last extension request including filing of the lawsuit, confidential settlement conference, and presentation of a plan to the Eureka County Commission. The Commission ultimately denied the plan but provided feedback and was willing to reconsider another item if NewGen could show there was public support of cannabis in Eureka County. They have received support from the Eureka County Sheriff and Chief of Police of Carlin, the closest city to where the proposed facility would be. No one from the public spoke in opposition at meetings and the people that appeared were in favor. NewGen has worked on public outreach and education for support. Ms. McConnell added that NewGen pays renewal fees each year and is the only license holder in Eureka County. The litigation is still pending, and they are trying to address this in a collaborative manner.

Mr. Tangreen stated that they want to be a part of the cannabis community and have done everything according to the regulations. They are moving forward and getting some good traction.

Member Durrett asked for the status of the litigation. Ms. McConnell responded that they have stayed further actions pending a possible settlement with the county. The former county commissioner was very opposed to everything; the replacement for that commissioner is willing to communicate on the issue.

Member Durrett asked that the CCB be notified if there are changes to the lawsuit and made a motion to approve a 12-month extension. Member Young seconded the motion. All Members present said aye. Motion carried.

#### **IV. Consideration of Approval for a Conditional License for a Cannabis Consumption Lounge**

Chief Staley presented the item 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. CLS Holdings USA, Inc. (D046, RD046)**

Chief Staley stated CLS Holdings USA operates the Oasis Cannabis Dispensary in Las Vegas and plans to operate as a consumption lounge, appealing to individuals and special private events. CLS submitted all information required to be moved to a conditional license status. No areas of concern were identified during the investigation.

Michael Glover appeared on behalf of CLS Holdings USA Inc. and its subsidiary Serenity Wellness Centers LLC which operates Oasis. Mr. Glover stated they were seeking approval for the consumption lounge to be located on South Industrial Boulevard, fairly close to the Las Vegas Arts District. Mr. Glover noted that Serenity is comprised of three entities and is a vertically integrated company operating in Las Vegas since 2015. Serenity has a reputation for quality and is proactive in the community. Oasis visitors are 80% local and 20% tourist and they expect the lounge to have the same percentages. The lounge will be adjacent to Oasis and will be approximately 3,700 square feet of interior space and 300 square feet covered patio. The interior will be two-thirds smoking and one-third non-smoking. The lounge will operate as a private event space, rented out by external entities or events sponsored by the lounge itself. The maximum capacity will be 100 individuals. Mr. Glover added that they have initiated the process with the City of Las Vegas for the special use permit; once they have the approval, they will move forward with remodeling the space. Mr. Glover thanked CCB investigator Rachael Prince for her work.

Member Douglas asked if there had been any issues working with the city and if there was a theme to attract people. Mr. Glover replied that it was a new enterprise, and they didn't know the ultimate outcome, but the scale of the operation will not financially tax the underlying corporate structure. They personally canvassed the surrounding businesses to discuss their plans and conducted a poll at the dispensary. It affirmed there was an existing population of people who might be interested in coming to the lounge.

Member Douglas asked what the operating hours will be. Mr. Glover replied the hours are 9:00 AM to 4:00 PM and depends on whether something is booked. They anticipate most events will be Friday and Saturday night. Member Douglas asked if they were trying to open for National Finals Rodeo or the Superbowl. Mr. Glover responded that the Superbowl would be more realistic.

Member Young made a motion to approve the conditional license for a cannabis consumption lounge for CLS Holdings. Member Douglas seconded the motion. All Members present said aye. Motion carried.

**V. Request for Transfer of Interest**

Chief Staley presented the transfers of interest to the Board.

**A. CLS Holdings USA, Inc. (TOI 2300003) (C039, RC039, P024, RP024, D046, RD046, T073)**

Chief Staley stated TOI 2300003 was filed to request approval for existing institutional investors to acquire ownership in CLS pursuant to the conversion of certain warrants and convertible debentures. The conversions resulted in the dilution of five existing owners, removal of an owner, and an increase over 5% of certain institutional investors. CLS requested a waiver of NCCR 5.110 pursuant to NCCR 5.112. If approved, the requirements for prior Board approval

of transfers of less than 5% of CLS ownership will be waived. Staff suggest that if approved, the Board limit the waivers to expire on its next TOI agenda date. An area of concern was identified because the conversion of the warrants and convertible debentures and transfer of ownership interest was completed in September 2022.

Amanda Connor appeared on behalf of CLS Holdings and noted that Michael Glover, corporate SEC attorney, and Chief Compliance Officer Jamie Dickson were in attendance. Ms. Connor stated that the debentures and warrants were in place when CLS's TOI was before the Board and approved at the April 2022 board meeting; they should have been part of the suitability review. After the debentures and warrants were converted in October 2022, CLS notified the CCB that there was a change in shareholders over 5% for 45 consecutive days. In February 2023, Chief Staley asked CLS for a written response as to why the conversions were not an unapproved TOI and gave a deadline to submit transfer of interest documents. Ms. Connor stated the company was not of the position that this was an unapproved TOI but provided the documents as requested and provided arguments as to why an unapproved TOI did not occur. Ms. Connor argued that the ownership interest and licenses have not changed; CLS followed the requirements of NCCR 5.110(10)(e); the conversion of warrants did not constitute transfers; and the CCB should have been aware of the debentures and warrants during its prior suitability investigation. Ms. Connor added the regulations aren't well developed on publicly traded companies and asked the Board for approval of the waivers but was not sure if approval of a transfer is needed.

Mr. Glover provided an explanation of publicly traded companies, the force conversion of debt to equity, and the effect on shareholders. Mr. Glover added that he had conversations with Ms. Connor and Chief Staley about the mechanics of these instruments. Cannabis companies do not have access to conventional markets and may raise capital with instruments that are creatively constructed and not necessarily conventional. Mr. Glover explained the circumstances surrounding the conversion and the funds involved. The funds are passive investors and to say that they have any desire to operate, control, or influence CLS would be an overstatement; this was a strategic move by the company and not a territorial move by an investor.

Member Durrett asked Chief Staley if they had complied with NCCR 5.110. Chief Staley did not remember that specifically and added that the statutes are basic when it comes to transfers of interest; the area of concern was identified because the debts were converted to equity without prior approval. Member Durrett accepted counsel's representation that they complied with NCCR 5.110.

Member Durrett asked if the company had made the structure of their company and agreements available and had gone through suitability investigation, would there be an assumption that they don't need to go back for approval on specific provisions? And if the agreement was entered into prior to the CCB, is there a process for formalizing the agreement or checking it once the terms of the agreement come to fruition? Chief Staley replied that there is a process; NCCR 5.110(4) requires Board approval before security interest can be granted. Chief Staley added that in this case, specific approval for the security provided by warrants and debentures was not requested; counsel argued that there was implicit approval when the Board approved the TOI at the April 2022 Board meeting. In this instance, it was not specifically identified for Board approval. Member Durrett thought it was unclear what the correct pathway was for agreements and contracts that were entered into prior to the CCB. Member Durrett was in support of approval to the extent that it needs approval and not in support of sending it to the Attorney

General for review.

Member Douglas appreciated Mr. Glover's and Ms. Connor's presentation and asked Chief Staley if they gave notice when the event took place or if staff found it during review. Ms. Connor stated that the notice was provided on October 21, 2022. Member Douglas asked if the notice was before or after the transaction. Ms. Connor replied that it was after the fact because the regulation says for 45 consecutive days that they have to hold the 5% interest. Member Douglas commented that it was "murky clear." Member Douglas supported approval of what is before the Board and referring the matter to the Attorney General for clarity on what happened in the transaction.

Chair Guzmán Fralick agreed and recommended a subcommittee to work on this issue. Member Durrett commented that she would not send it to the Attorney General's office and it was debatable that approval was needed at this point.

Chair Guzmán Fralick asked for closing comments. Mr. Glover commented that both Chief Staley's and CLS's intentions were honorable and both sides tried to do the right thing. Mr. Glover offered to participate in a subcommittee on this issue. Ms. Connor had no further comments

Member Durrett made a motion to approve the transfer requested under agenda item V A and to approve the waiver requested under NCCR 5.110 that will be set to expire on CLS's next agenda date. Member Douglas asked for the motion to be repeated. Member Durrett restated the motion. Member Douglas agreed with the first part of the motion but wanted to refer the matter to the Attorney General for clarify the position as to notice and waiver. Member Durrett did not accept the amendment to the motion. Chair Guzmán Fralick seconded Member Durrett's motion and asked for discussion on the motion. Member Young stated he supported sending it to the Attorney General for clarification. Member Douglas agreed. Chair Guzmán Fralick called for a vote. Chair Guzmán Fralick and Member Durrett said aye. Member Douglas and Member Young said nay. Motion failed.

Chair Guzmán Fralick asked for another motion. Member Douglas made a motion for approval of the TOI and the waiver as stated, and to refer to the Attorney General to review and clarify for the Board the situation. Member Young seconded the motion. Chair Guzmán Fralick asked for clarification on the motion. Member Douglas stated it was to send back to staff to provide information to the Board to understand whether an additional notice or approval is required in the future for these types of transactions; not for an investigation for violation but for future transactions. Member Durrett supported having some kind of structure around this discussion. Chair Guzmán Fralick called for a vote. All Members present said aye. Motion carried.

**B. Circle S Farms LLC (TOI 19004) (C148, RC148, P093, RP093, RD374, T019)**

Chief Staley stated TOI 19004 was filed to request approval for Glenda Shaw to sell her 2% ownership back to existing members Stacey Huffman, Darlene Davis, and Brenda Gunsallus. Circle S requested a waiver of 5.110 pursuant to 5.112. If approved, the requirement for prior Board approval of transfers of less than 5% of Circle S ownership will be waived. Staff suggest that if approved, the Board limit the waivers to expire on Circle S's next TOI agenda date. The sale of Shaw's membership interest in January 2019 was an area of concern.



Amanda Connor appeared on behalf of Circle S Farms. Ms. Connor noted that Circle S was an original 2014 license holder and is all female owned. Ms. Connor stated that the transfer was submitted in January 2019 under the Department of Taxation and has been pending since that time. Ms. Connor stated that the agreement called for regulatory approval; Glenda Shaw is still listed as a member on taxes and holds agent cards. The company's position is that payment of money does not equate the transfer of interest.

Member Douglas interrupted to ask about a court settlement and if it would resolve the issue as to the transfer. Chief Staley stated there were initially two areas of concern: the transfer of Shaw's interest and litigation. The litigation was settled on November 3. Chief Staley noted that the investigator received conflicting accounts as to the transfer based on a telephone call with Ms. Shaw and letters that were provided.

Ms. Connor reiterated that the agreement requires regulatory approval, she was on the company taxes as a member, has agent cards, and is asking to be removed. Ms. Connor asked for approval to remove Ms. Shaw and grant the waiver.

Maggie McLetchie stated that Ms. Shaw was present and able to answer questions. Ms. McLetchie noted there may have been confusion between the investigator and Ms. Shaw. Ms. McLetchie added that the litigation did not result in a finding against the company and has been resolved. Ms. McLetchie did not think that someone filing a lawsuit should be an area of concern; it is unfortunate that this delayed the ability of Ms. Shaw to get out of the industry. Chair Guzmán Fralick asked if the lawsuit was the reason it took so long. Ms. McLetchie responded that was her understanding, in addition to the moratorium on transfers. There were no real suitability issues; these are compliant companies, and this was a 2% minority interest transfer to existing owners and operators.

Member Douglas had difficulty with the partial payment made. Ms. McLetchie stated the agreement provided that payment was made up front but that does not mean the transfer was effectuated. A seller may negotiate as part of the transaction that they get paid up front even though they will be an owner until CCB approves the transfer. Member Douglas stated other cases have placed money in escrow pending approval by the Board. Member Douglas was concerned that the consensus was it was better to take action and then ask for approval.

Member Young asked if it was their position that Ms. Shaw was still a 2% owner. Ms. McLetchie responded affirmatively. Ms. Connor added that she is on the taxes and listed as a member.

Member Douglas asked if there were still concerns based on the representations made. Chief Staley responded that the documentation provided was not clear. Chief Staley noted that Ms. Shaw's K-1's gave a higher level of comfort that she was recognized as an owner by Circle S.

Chair Guzmán Fralick summarized Ms. Shaw's situation. Ms. Shaw stated that she keeps up all regulatory requirements; she received monies but was still part and principal of the entity.

Member Durrett asked Chief Staley if he agreed that giving money is not transfer of ownership. Chief Staley replied that in a contract, the payment of funds is one component of the complete contract. Chair Guzmán Fralick asked if the regulations required the funds to be put in escrow. Chief Staley responded that it was not required but was commonly done but did not think that

any transactions done under Taxation had amounts placed in escrow. Chair Guzmán Fralick asked if people call the office to ask about a transfer, are they informed that advised to put funds in escrow. Executive Director Klimas replied that individuals reach out to investigators and Chief Staley often; they do not provide legal counsel but will provide that option. Chief Staley added that he will explain the requirements and if they have questions, he may explain how other companies have handled it.

Member Douglas made a motion for approval of the transfer and noting they were taking in the totality of the information to grant this. Member Durrett seconded the motion. Ms. Connor noted the waiver request of 5.112 pursuant to 5.110. Member Douglas included that in his motion. Member Durrett was in agreement with the second. All Members said aye. Motion carried.

### **C. Desert Aire Wellness LLC (TOI 20004) (D169, RD169)**

Chief Staley stated TOI 20004 was filed to request approval for Paula Newman to see her 17% ownership back to the company. Desert Aire is majority owned by the same owners as Circle S Farms. Desert Aire requested a waiver of NCCR 5.110 pursuant to 5.112. If approved, the requirements for Board approval of transfers of less than 5% will be waived. Staff suggest that if approved, the Board limit the waivers to expire on its next TOI agenda date. An area of concern was developed during the investigation because the sale of Ms. Newman's ownership occurred on December 14, 2019.

Amanda Connor appeared on behalf of Desert Aire Wellness. Ms. Connor noted that this is a sister company that share three of the main members as majority owners. The transfer of interest was submitted in January 2020, prior to the CCB, and has been pending since that time. Ms. Connor stated it was the company's position that there was not an unapproved transfer. The redemption agreement makes clear that it was subject to regulatory approval. Ms. Paula Newman is still on the company taxes and requesting that she urgently be removed as it is affecting her line of work. Ms. McLetchie stated she had nothing further unless there were questions.

Member Durrett thanked the licensee for everything the group does for the community.

There were no questions from the Board. Member Durrett made a motion to approve the transfer under agenda item V C with the waiver of 5.112 pursuant to 5.110. Member Young seconded the motion. All Members present said aye. Motion carried.

### **D. NLV Wellness LLC (TOI 2000005 – 2000010, and 2300019) and NLV Mayflower Holdings LLC**

Chief Staley stated TOI 2000005 through 2000010 and 2300019 were filed to request approval of internal restructuring of NLV Wellness. Salman Ali requested the withdrawal of TOIs 2000005 through 2000010 as NLV Wellness no longer wanted to move forward with the restructuring. TOI 2300019 was filed to request approval for Mayflower Holdings to purchase NLV Wellness. An area of concern was developed because it appears the internal restructuring occurred without approval. Form K-1's disclosed the persons considered owners for federal income tax purposes; NLV Wellness provided unsigned amended federal tax returns but no additional supporting documentation supporting its claim that the transfers had not occurred.

Alyne Opie appeared as counsel for Mr. Kupferman. Chair Guzmán Fralick asked for an explanation of Mr. Ali's and Mr. Kupferman's ownership. Ms. Opie explained that Mr. Kupferman was of the opinion that he has never had ownership interest in this company. The tax returns were filed; Mr. Kupferman requested that the returns be amended and does not know why those documents were not provided to the Board. Mr. Ali noted that the error was made and the amended returns were done before they were asked for; the amended returns were provided and the investigator did not ask for additional documents.

Maggie McLetchie appeared on behalf of the parties for the transfer to NLV Mayflower Holdings. Ms. McLetchie added that during the closing conference, she was not aware that any additional items were outstanding. Ms. McLetchie stated that additional documents could be provided but did not think that had an impact on the withdrawal that both parties want. The license has a settlement agreement and the proposed transfer would allow for a fresh start; the current owners will be able to pay off the remaining amount on the settlement agreement.

Member Douglas commented that it was hard to support this when a tax return was filed and there was no explanation as to why it was submitted in the form it was and the parties are saying they never approved it to happen. Ms. McLetchie responded that it was Mr. Ali's representation that the CPA made an error when aware of the potential transaction. Member Douglas thought that a trained professional wouldn't file certain things unless they have an inclination from the client, and the client signs the bottom line. Member Douglas did not have enough information to understand what happened with the misfiling. Mr. Ali reiterated that it was an error on the CPA's part; there was never any ownership. Ms. McLetchie added that the amended returns were provided and the parties to the prior proposed transaction do not wish to continue. Ms. Opie stated that her client does not want to be involved and requested that the Board approve the withdrawal.

Ms. McLetchie addressed TOI 2300019, the proposed transfer to an entirely new company NLV Mayflower Holdings LLC. The two owners, Zhaohang Ou and David Chen were present and have experience in small businesses and in cannabis. The experience from other states includes cultivation, production, and testing lab. They have been working as volunteers alongside the current operator to learn and understand the Nevada business; they are excited to be compliant operators in Nevada. The current owners of NLV Wellness will no longer be involved with the company. As part of the transaction, the settlement will be paid.

Chair Guzmán Fralick asked for an explanation of the organizational chart. Ms. McLetchie responded that Zhaohang Ou (Jason) and David Chen are the proposed owners. Hung Ha will be COO and there will also be operators involved.

Member Douglas asked if Plants or Pills Inc. was a part of Mayflower. Ms. McLetchie responded there was a prior issue that is outside her scope of representation; that entity has nothing to do with the transaction or these owners.

Chair Guzmán Fralick asked to hear from the proposed owners. Hung Ha stated that the opportunity presented itself and he was looking to move back. Mr. Ha wanted to bring new strains to Las Vegas, develop something specific to Las Vegas. Ms. McLetchie added that they planned to do flower and pre-rolls. David Chen stated he has been in Las Vegas since 2004 to play poker.

Member Durrett made a motion to approve the requested withdrawals and transfers of interest under agenda item V D. Member Young seconded the motion. Members Young, Durrett, and Chair Guzmán Fralick said aye. Member Douglas said nay. Motion carried.

Chair Guzmán Fralick called for a recess at 12:07 p.m. The Board came back on the record at 12:20 p.m.

## **VI. Consideration of Approval for Security Interest for DED Ops NV LLC (D010, RD010)**

Chief Staley presented the item to the Board. Chief Staley stated NCCR 5.110(4) required in part that a person shall not grant a security interest without Board approval. Desert Evolution requested approval to pledge certain ownership interest in connection with a promissory note, loan agreement, and pledge agreement with James Hammer. Mr. Hammer is an existing owner of Desert Evolution and his loan to the company will help provide needed financing. Staff suggest that if approved, the approval of the grant of security interest be conditioned to provide that a TOI application be filed, and Board approval received prior to foreclosing on the pledged securities. No areas of concern were identified.

Amanda Connor appeared on behalf of James [Jim] Hammer. Mr. Jim Hammer's son, James Hammer, was also present to answer questions. Ms. Connor stated that pursuant to the regulations, approval was requested for the security interest. The company understands that a transfer of interest would need to be submitted and approved should there be a triggering event. Ms. Connor's understanding was that a suitability review would be expedited if needed.

Mr. Jim Hammer stated that the license was bought at auction and they have been partners for several years. It had been a profitable partnership with the dispensary. Mr. James Hammer added that the cultivation and production was going to start expanding; they are familiar with the asset and felt comfortable lending.

Member Douglas asked Mr. Jim Hammer and Mr. James Hammer if they understood that the security interest cannot be foreclosed upon without prior Board approval. Mr. Hammer affirmed.

Member Durrett thanked Chief Staley for getting the matter on the agenda so quickly.

Member Douglas made a motion for approval of the security interest for DED Ops Nevada LLC. Member Young seconded the motion. All Members present said aye. Motion carried.

## **VII. Adjudication of Disciplinary Action**

### **A. Cannabis Compliance Board vs. Julian Jayo (Case No. 2022-67)**

Senior Deputy Attorney General Emily Bordelove presented a summary of the case to the Board. A complaint was filed after investigating and substantiating a report at a cannabis facility that an employee had been seen on surveillance video taking cannabis from the facility into his personal possession. The complaint alleged violations of NRS 678B.385(3) and NCCR 4.035(1)(a)(15). The CCB served respondent the complaint at the mailing address provided in his agent card application. Respondent did not file an answer to the complaint and the matter was referred to the CCB hearings division. The respondent was noticed but did not appear at the early case conference or the hearing. The hearing officer found that the CCB met its burden of proof, finding it more probably than not that respondent violated NRS 678B.385(3) and NCCR 4.035(1)(a)(15). The burden was met by

respondent's admission of the factual allegations alleged in the complaint due to his failure to appear. The hearing officer recommended that the Board revoke respondent's agent cards and suspension of those agent cards with no opportunity to apply for nine years eleven months pursuant to NCCR. The time would begin to run from the day the Board issues its written order.

No appeared on behalf of the respondent.

Member Doulgas asked for confirmation that the record indicates that on numerous occasions notice was sent to Mr. Jayo and he did not respond or show to any of these events. Ms. Bordelove stated that was correct.

Member Douglas noted that the Board is required to state that at least three Members have reviewed the record. Board Members present indicated that they reviewed the record.

Member Douglas made a motion to accept the findings of fact, conclusions of law and recommendations that have been provided; the suspension of respondent's agent card for a period of nine years and eleven months is warranted. Member Young seconded the motion. All Members present said aye. Motion carried.

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

- A. NCCR 1.069 "Cannabis receiver" defined.
- B. NCCR 1.084 "Disabled" defined.
- C. NCCR 1.112 "Incapacitated" defined.
- D. NCCR 5.170 Death or incapacity of a cannabis establishment owner.
- E. NCCR 5.175 Placement and appointment of a cannabis receiver.
- F. NCCR 5.180 Application and requirements for a cannabis receiver.
- G. NCCR 5.190 Duties and responsibilities of a cannabis receiver.
- H. NCCR 5.195 Certificate of qualification for a cannabis receiver.
- I. NCCR 10.080 Cannabis establishment: Storage, management and disposal of waste.

Senior Deputy Attorney General L. Kristopher presented the proposed cannabis receiver regulations under agenda item VIII A through H. Mr. Rath detailed the history of the proposed regulations including the workshops in September 2021 and August 2023. The proposed regulations have been revised based on written and verbal comments received.

Mr. Rath noted that Alicia Ashcraft asked for a change to NCCR 5.170(1)(b): to change "until" to "unless or until" so that clause will be authorized by the Board and/or Court unless or until such time the Board determines such cannabis receiver is no longer needed. Mr. Rath agreed with the change.

Chair Guzmán Fralick stated the Board could proceed to taking questions from the Board unless a rundown of the changes was needed.

Member Douglas asked if there were questions from the public.

Alicia Ashcraft noted that without the change to NCCR 5.170, it makes it mandatory to apply for a receiver if a 50% owners dies or is incapacitated. Ms. Ashcraft has had a situation where an over

50% owner is not involved in the day-to-day operations and the establishment had sufficient other owners/operators. Ms. Ashcraft noted that in NCCR 5.170(4) provides that an application is required within 21 days; Ms. Ashcraft asked for additional time or mechanism to ask for an extension. Ms. Ashcraft added that subsection (6) references a violation and recommended the language be added to NCCR 4.050.

Mr. Rath stated that he agreed with the change to NCCR 5.107(1)(b). Mr. Rath added that the 21 days is quick but doable and noted that there was not a prohibition against asking for an extension if needed. Mr. Rath agreed that the language from subsection (6) should be added to Regulation 4.

Maggie McLetchie noted that a company can't be expected to monitor every single owner and recommended changing it to when the company learns of the death.

Member Douglas commented regarding the 21-day provision that it could be changed to 30-day or if good cause is shown. Mr. Rath recommended changing it to "...within 30 days, or longer if good cause is shown..."

There were no additional comments. Member Young made a motion for approval of agenda items VIII (A through H) with the changes as noted. Member Douglas seconded the motion. All Members present said aye. Motion carried.

Chief of Audit and Inspection Kara Cronkhite presented the proposed change to NCCR 10.080. Chief Cronkhite stated that Green Life Production (GLP) submitted a petition to amend NCCR 10. The petition was heard at the September 2022 Board meeting then GLP and the CCB worked together to draft new language. In December 2022, the proposed language was sent out for solicitation of input and was considered at the April 2023 workshop. The proposed language will allow for licensed cannabis establishments to dispose of their cannabis waste by composting as long as they comply with USDA requirements and the compost does not leave the cannabis establishment.

There were no questions from the Board. Chair Guzmán Fralick asked for public comment.

Scot Rutledge thanked Chief Cronkhite and staff. He would like the Board's support in approving the new language.

Nicole Buffong appeared on behalf of Minorities for Medical Marijuana and the Chamber of Cannabis. Ms. Buffong stated that some of the best flower in the state is grown using compost; there was an opportunity to be leaders in the industry by implementing the amendment.

Amanda Connor stated she was in support of the amendment and noted that some of the regulations regarding documentation and inventory control, specifically logs, need to be updated. NCCR 6.080(7)(d) may need to be amended.

Timothy Eli Addo stated that this was a progressive step and a big one for regenerative ag, implementing organic and safe production. Mr. Addo was in support.

There were no additional comments or questions. Member Young made a motion for approval of agenda item VIII (I) as to NCCR 10.080. Member Douglas seconded the motion. All Board Members present said aye. Motion carried.

### **IX. Briefing from the Chair and the Executive Director**

Chair Guzmán Fralick thanked Director Klimas for his service and wished him luck. Director Klimas added that he did not take the decision lightly and has been working on the transition for several months. Director Klimas thanked Chair Guzmán Fralick for the support.

### **X. Next Meeting Date**

The next Board meeting is scheduled for December 12, 2023.

### **XI. Items for Future Agendas**

Member Durrett would like to revisit the issue of service agreements at another date, what will the Board consider and what requires approval. Chair Guzmán Fralick noted that could be a presentation from staff or Board discussion. Chair Guzmán Fralick added that there would also be a discussion on publicly traded companies.

### **XII. Public Comment**

Scot Rutledge thanked Director Klimas and appreciated the work he has done over the last few years.

Timothy Eli Addo was saddened to hear of Director Klimas's departure and addressed his concerns with the social equity program.

Rachel Lee of Sunflower Compassionate Company thanked Director Klimas for his service to the CCB and his contribution to the start of a social equity program.

### **XIII. Adjournment**

Meeting adjourned at 12:58 p.m.