

Nevada Cannabis Compliance Board

Meeting Minutes August 15th, 2024

The Nevada Cannabis Compliance Board (CCB) held a public meeting at 700 E. Warm Springs Road, Las Vegas, Nevada and 4600 Kietzke Lane, Suite L235, Reno, Nevada beginning at 9:00 a.m. on August 15, 2024.

Cannabis Compliance Board Members Present:

Adriana Guzmán Fralick, (Reno)

Riana Durrett, Vice Chair

Hon. Michael Douglas

Dr. Vicki Mazzorana

Jerrie Merritt

Adriana Guzmán Fralick, Chair called the meeting to order.

Executive Director James Humm took the roll.

All were present for the meeting.

There were instructions provided regarding public conference limited to three minutes per person.

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

I. Public Comment

Tara Baker gave public comment on her new cannabis disposal business opening soon.

Craig Broderson gave public comment stating, I wanted to investigate what would be the procedure for a possible closed-door meeting of the board, and it's regarding what may happen if cannabis gets rescheduled to schedule 3.

II. Meeting Minutes

1. Consideration of Approval of the July 18, 2024, Cannabis Compliance Board Meeting Minutes (for possible action)

Member, Mazzorana makes a motion to approve the minutes.

Member Douglas, second.

Motion carries.

Adriana Guzmán Fralick mentions that we want to move the agenda around a little bit. We've got item 5, which is the consideration of a proposed settlement agreement to resolve disciplinary action. We're going to go ahead and move that to right before. Item 4. So right now, we will do the consent. Agenda. Then we will do. Item 5, and then we'll go on to item 4.

III. Consent Agenda

1. Consideration of Approval to Extend Final Inspection Deadline

1. KV Group LLC Petition to Extend the Twelve-Month Period for Final Inspection Consumption Lounge CLI002 (for possible action)

Steve Gilbert, Chief of Administration for the record. Agenda Item 3A consists of a petition submitted by a conditional license to extend the 12 month period for final inspection by the CCB. Item one is for KV

Group LLC. Which was approved for a conditional independent consumption lounge in Nye County jurisdiction. After passing suitability by the board in the August 22, 2023, meeting. June 25th, 2024. Through its legal counsel, KV Group submitted a letter to the CCB requesting a twelve-month extension of the August 22, 2024, deadline for final inspection. Which would be to August 22, 2025. KV Group reports experiencing significant delays in finding a suitable location in Nye County. It does report that the principal owner, while working with the local jurisdiction, determined that the front parcel of her residential property is owned business opportunity and is eligible for KV Group to apply for a land use, permit to operate a consumption. Lounge, KV Group anticipates preparation for and submission of the land use application as well as Nye. County processing of the application will take 5 to 6 months. Staff have communicated to KV Group that there are no areas of concern.

Member Douglas asked for clarification on the planning Director and county code as it pertains to their special use permit.

Alicia Ashcraft provided clarification.

Member Douglas made a motion to approve to extension request.

Member Mazzorana seconded the motion.

All in favor. Motion Carried.

V. Consideration of Proposed Settlement Agreement to Resolve Disciplinary Action

A. Nevada Organic Remedies (C094) (Case No. 2024-014) (for possible action)

Kris L. Rath, Senior Deputy Attorney General I'll be presenting, which is the settlement agreement for the case of CCB Vs. Nevada Organic Remedies, LLC. CCB Case No. 2024-014. This license is a cannabis cultivation facility operating in Clark County, Nevada organic remedies, says it's cultivation, production, dispensary and distribution licenses. However, the subject of the settlement, agreement and taxation, license, C094. At the time of the subject audit under the revised counsel, their licenses have been merged to one, which is number C094. Nevada organic remedies is currently operated via a court ordered receiver and is also the subject of a TOI that the Board will share later today. With respect to this case, no complaint has been drafted or served in this matter. Rather prior to the drafting of the of the complaint CCB through the Attorney General's office, contacted counsel for the receiver, and we engaged in settlement discussion. Drafting service of any complaints in a subsequent answer. Deadline is held back as settlement discussions ensue. After such settlement discussions the parties were able to reach settlement agreement in principle and the approval of this Board. The key allegations against the licensing and the underlying audit include 2 failures to comply with tracking requirements which included a failure to reconcile quantity of plants and the wet weight document from a harvest lot for information recorded and metric facility tracking system. The failure to reconcile one of your phones and source plans documented on the phone log of the information. There was also a failure to meet electronic monitoring requirements for regulation. The set forth of the proposed settlement agreement before you to resolve these matters responded with the 2 civil category 5 violation, for failing to comply with CCB requirements. After the allegations for the violations alleged, responded also with this civil penalty without \$10,000 for the 30 days. Approval of this settlement agreement, approved. The CCB Staff and Council, who would consider many big factors in coming to this submission. Those mitigating factors are all listed out in paragraph 12. Additional to weigh each of the mitigating factors equally. CCB Staff and Council also fully considered the factors set forth in NCCR. 4.030

subsection, 2. In determining the amount of civil penalties to assess, which includes a consideration size of business as well as the ability to pay the pending sale, was also a key factor as well as management factor. Given the violations alleged, the civil penalty amount is reasonable. Taking the matter to a hearing could have resulted in a much higher civil penalty. Additionally, if the TOI is approved there will be new owner managers in the facility which is also significantly consider based on the foregoing. The Attorney General recommends requests. He approves the settlement agreement.

John Savage, appointed receiver over The Source and its subsidiaries. We just like to thank CCB. Staff and council for working with us and reaching, we think, is a fair and reasonable resolution to this matter.

Member Douglas made a motion to approve.

Member Durrett seconded the motion.

All in favor.

Motion Passes.

IV. Requests for Transfers of Interest

A. Deep Roots Holdings, Inc (RC070, RP088, T024, T095, RD165, D200, RD397, RD398, RD399, RD401, CLA005) (TOIs #2400022 - #2400025) and The Source Holding LLC (RC062, RC094, RP063, T056, RD107, RD152, RD216, RD217, RD218, RD221 ACON-A22-00070) (for possible action)

David Staley, Chief of Investigations for the CCB. I'm here to present agenda. Item number 4, which consists of 5 transfers of interest or TOI applications. Item A are TOI applications by Deep Roots Harvest Inc. TOI number 24002 through 240024 were filed, requesting approval for the acquisition of various cultivation, production, distribution, dispensary, and consumption lounge licenses from The Source Holdings LLC. The Source has been under a court ordered receivership, starting on July 25th of 2023, and Deep Roots will purchase all of The Sources, operational and conditional licenses. TOI number 240025 was filed, requesting approval of a reorganization and recapitalization of Deep Roots whereby Deep Roots Harvest Inc and Deep Roots Aria Acqco, Inc. Will become subsidiaries of the holding company Deep Roots Holding Inc. The recapitalization component of TOI number 240025 is a reflection of the reorganizational structure, but also includes an equity incentive component whereby Deep Roots will be issuing shares of ownership to numerous employees and advisors as an award for their contribution, since inception Deep Roots has also requested a waiver of NCCR 5.11 pursuant to 5.112. If approved, the requirements for prior board approval of a transfer of less than 5% ownership will be waived. The company has adequately addressed the items required by in NCCR 5.112, and staff suggests that if approved, the board limit Deep Roots, 5.125 waiver to expire its next TOI agenda date. No areas of concern were developed during this investigation.

Good morning, Amanda Connor, from the law firm of Connor and Connor on behalf of the source, holding Llc. And the receiver, Mr. Santucci, as Mr. Staley indicated, the source is proposing the licenses that remain in its possession to be transferred to Deep Roots. I'm going to turn it over to Lori in just a moment. But before I do, I would request that, similar to the Rd. 219 transfer Justice Douglas, that you motioned in April. That the motion have, that the receivers stay in place until the court approves that which would give time for local transfers and approvals to occur.

My name is Lori Rogich, and I'm here on behalf of deep roots harvest with me today. I have Capurro. Mr. Capurro is an Honor Board member, president, and CEO of Deep Roots. Next to him is Dennis Smith. Dennis is our treasurer and Chief Financial Officer, and also an owner. Next to Dennis is John Marshall. Mrs. Marshall is an owner, and our chief operating officer, and John is Brenda Snell. Mrs. Snell is our Chief Administrative Officer. Thank you for this opportunity. We appreciate your patience and support as we come before you today with one of the largest cannabis transactions in the State. We are proud to be here, and we ask for your approval of our reorganization and the acquisition of certain licenses that are currently in receivership. We are excited to be in this position and are available for any questions that you need. Thank you.

Member Durrett, Deep Roots Holdings, Inc is successful, and do you think part of that is because of the gaming background of some of the owners? Do you think that's been a large part of the success.

Keith Cappuro stated that I think that the compliance background that our partners have certainly plays a role. I think, part of the success also is just related to the conservative manner in which we've run our business. We've tried to apply really some business principles and not get fancy, not try to try not to spend too much money and try to preserve our cash flow. Certainly, the gaming background has been helpful. You know, sound business practices, not getting fancy holding on to cash flow.

Member Douglas clarified what approval they are looking for prior to District Court. Amanda Connor stated that the court has approved. The court just needs to have local agency release the receiver.

Member Douglas made a motion to approve and waiver of application pursuant to NCCR 5.110 pursuant to NCCR 5.112. Member Mazzorana seconded the motion. All in favor. Motion carried.

B. Green Mining Concepts Inc (D105/RD105) (TOIs #2300041 & #2300042) and Blue Star Partners LLC (for possible action)

Chief Staley, Item B are TOI applications by Green Mining Concepts Inc TOIs number 2300041 and 2300042 were filed, requesting approval for Green Mining to sell its Exhale dispensary to William Barth and his company, Blue Star Partners, LLC. Exhale holds cultivation, production, and a dispensary license, although its cultivation and production licenses are currently non-operational. Barth is a current owner of Green Mining and a significant Green Mining creditor. The sale of the Exhale dispensary to Barth will satisfy over half of the debt owed to Barth by Green Mining. An area of concern was developed during this investigation. Green mining, through its subsidiary Exhale Brands, Nevada, LLC owes the Nevada Department of Taxation over \$900,000 in unpaid taxes. The Nevada Tax Commission met yesterday and approved a payment plan with Exhale in addition, as part of the proposed purchase of the Exhale dispensary by Barth Bluestar, paid over \$600,000 to taxation for the benefit of exhale brands as part of its acquisition.

Chair Guzmán Fralick asked for some clarification on the exchange between the companies and the taxes owed.

Brian Hardy, with the law firm of Marquis Arbach on behalf of Exhale, and we also have Adam Fulton on behalf of the proposed Purchase Service Company, Blue Star. With respect to what's going to be occurring here. Mr. Barth has been one of the major funders or a banker effectively for the company. And then, about a year ago, you saw him with an interest in the company in order to satisfy certain amounts of that debt, and then, as a result of it, ongoing litigation, additional debt came due, and owing, and in order to negotiate with him in order not to foreclose on that debt, we were able to obtain the forgiveness of an extension of some of that debt in exchange for the release of this particular license to him individually as well as in exchange. We wanted to make sure we were taking care of the tax obligation and so we obtained from him a commitment which is reflected in the 1st Amendment Escrow instructions which have been, I believe, provided to the Board. The commitment of him to pay the principal amount of the remainder of the tax obligations of the company, which is the amount \$612,000. Money to be posted in an account to be released within 10 days following approval. So we went to the Board of Taxation to get them approved for the remainder of we'd have a payment program on the remainder of the principal and interest during that interim time, and we have submitted a request over to taxation for a waiver or consideration of a waiver of some or all that principle and interest is for continuing to reorganize financial obligations of the company that was submitted, and after yesterday's approval of the tax plan, I spoke with taxation, Kathy over there, and she indicated that she received our request for a waiver. However, unfortunately due to the systems of taxation. As a result of this, Mr. Barth's loan will be substantially reduced and extended out on any remainder balance that we have, so that we can get this matter reorganized, and so that at the end of the day we will be continuing to seek either a waiver, and in order to use the remainder of the assets of the company, or operations of the company to pay off any residual.

Adam Fulton, for the record on behalf of Blue Star Partners, Fulton. This is a good example in our industry of people being able to resolve their differences instead of going the court route and appointing a receiver and dragging it out. And we really appreciate Staff's help in navigating some of these complex issues which maybe are not par for the course in order to do something that does not require a quarter. And so, I would like to thank the staff at all, and there was a lot of staff that helped us get through this not only here, but over the part of taxation to make this possible. I think it was really a great thing to see in our industry. I echo that same support, and the Attorney General's office has been phenomenal. That's both the taxation and the CCB. So, they've been phenomenal to be able to work with that, and see that you know, it's not always the best option to point a receiver and go through court proceedings so that can get expensive for companies.

Member Douglas made a motion to approve.

Member Merritt seconded the motion.

All in favor. Motion carried.

C. MedMen Enterprises Inc (D178/RD178) (TOI #2300035), Curaleaf Holdings, Inc (C013/RC013, P012/RP012, D208/RD208) (TOIs #2400013 & #2400014), and GL Partners, Inc. (for possible action)

David Staley, item C TOI application by GL Partners Inc TOIs number 230035, 240013 and 240014 were filed requesting approval for GL partners to purchase cultivation, production and dispensary licenses from Medmen Enterprises, Inc. and Curaleaf Holdings, Inc. GL partners currently operate in Missouri, Arkansas, Illinois, West Virginia, and South Dakota, and these proposed purchases will mark GL partners 1st time entrance into the Nevada market. On April 26, 2024, Medmen filed for bankruptcy under the Canadian Bankruptcy and Insolvency Act and has been liquidating assets. One of those assets, a dispensary held by Mmof. Fremont. Retail, Inc is being sold to GL partners. Pursuant to a second agreement, Curaleaf is selling subsidiaries, acres, cultivation, LLC. And acres dispensary LLC which hold cultivation, production, and dispensary licenses to GL partners. No areas of concern were developed during this investigation.

Amanda Connor, with the law firm of Connor and Connor. I'm here with John Mueller. Thank you to Chief Investigator Staley. He is correct that it is GL Partners Inc. 1st time entering the Nevada market, although they were here for a management services agreement a few months ago. But it is not John Mueller's 1st time entering Nevada. In fact, he was one of the original licenses, and is excited to return. This is involving to the purchase of 2 different companies, a dispensary cultivation production, and a second dispensary. And just so you are aware that GL partners does have another pending transfer of interest, so we'll hopefully be back in front of the board soon, with additional acquisitions. They are very excited to be in the Nevada market.

Chair Guzmán Fralick, asked why Nevada?

John Mueller gave a briefing on what his companies plan is here in Nevada.

Member Durrett, I think our metric for whether Nevada is doing well is, if we can suck John Mueller back, and so I'm glad to see we sucked you back in and been a great operator, so I'm glad you're back.

Member Mazzorana asked if John Mueller lives here.

John Mueller does not live in Nevada.

Member Douglas made a motion to approve.

Member Mazzorana seconded the motion.

All in favor. Motion carried.

D. Waveseer, LLC (D091) (TOI #2400002) and Natural Medicine L.L.C. (C052, P039, D089, D145, T077, ACON-A22-00038) (for possible action)

David Staley, for the record. Item D is a TOI application by Waveseer, LLC. TOI, number 24002 was filed requesting approval for Waveseer to sell its Henderson dispensary to Natural Medicine LLC. Waveseer has also requested a waiver of NCCR. 5.11, pursuant to 5.112 if

approved, the requirements for prior board approval of transfers of less than 5% of waives to your ownership will be waived. The company has addressed the items required, and if approved, staff suggests the board limit waves. Here's 5.125 waiver, 5.112 waiver to expire in its next TOI agenda date. An area of concern was developed during this investigation. Waveseer through its subsidiaries Waveseer of Las Vegas, LLC. and Waveseer, Nevada, LLC owes the Nevada Department of Taxation over 1.3 5 million dollars in unpaid taxes. The CCB, Taxation and Waveseer have entered into a conditional TOI agreement which, if approved by the board, provides that Natural Medicine will remit all funds for the proposed dispensary purchase directly to the Department of Taxation, to pay all Waveseer, outstanding taxes, penalties, and interest. If there are any amounts left, Taxation will remit those funds back to Waveseer.

Chair Guzmán Fralick mentioned that this motion will involve two motions, the motion to approve the TOI and the conditional TOI agreement.

Alicia Ashcraft, the law firm of Ashcraft and Bar, on behalf of the licensee Waveseer of Nevada, and also waves here of Las Vegas, that is, party to the conditional TOI. Agreement with me here in Las Vegas is manager and CEO, David Rosen, happy to answer any questions that you may have.

Member Durrett asked what is the conditional TOI agreement with this?

Kris Rath clarified Member Durrett's questions based on the tax burden requiring different TOIs.

Member Douglas made a motion to approve both the TOI agreement and Conditional TOI with waiver.

Member Mazzorana seconded the motion.

All in favor. Motion carried.

E. Lander Leaf Growers L.L.C. (C198) (TOI #2400006) (for possible action)

David Staley, for the record. Item E is the TOI application by Lander Leaf Growers, LLC. TOI, number 240006 was filed requesting approval for 1% member, John Hallmark to sell his 1% membership to Karen Condor, who will then be a 50% member of Lander Leaf growers. An area of concern was developed during this investigation, because it appears that Holman was paid for his membership in August of 2021, in an unapproved transfer of interest.

CaRynn Conder explained Lander Leaf's business functions to the Board. Stated that they did not understand that the way they did things would be illegal. Also apologized for not knowing and doing things wrong.

Member Durrett made a comment to the owner that she wants to see smaller family owned business succeed but it is a heavily regulated industry that if you don't follow can get you in a lot of trouble and suggested getting on top of the laws if you do not want a attorney.

Member Douglas made a motion to approve.

Member Merritt seconded the motion.

All in favor. Motion carried.

VI. Briefing from the Chair and Executive Director (for discussion only)

Adriana Guzmán Fralick stated that it is nice to have the Director in Northern Nevada.

Executive Director James Humm thanked everyone who puts in work for the transfer of interests to get completed and in front of the Board.

VII. Next Meeting Date: September 19th, 2024 (for discussion only)

Adriana Guzmán Fralick asked with regard to this. I'm asking if we could please have before the end of the year and legislative session CCB Policy, basically what that would cover its ongoings reporting to the board as we go through the session. I understand once things speed up, it'll be difficult to have you report on everything that's happening at the Legislature, but then also, maybe the protocol for board members, as it relates to testimony and lobbying in some way.

Member Durrett introduced a new Law School Cannabis student.

VIII. Items for Future Agendas (for discussion only)

IX. Public Comment

Denise Pina gave public comment on social equity on the behalf of the International Cannabis Businesswomen Association. My concern right now is speaking on behalf in general of the social equity situation and challenges that everybody's endured.

Timothy Eli Abdo gave public comment on supporting Denise in her public comment and thanking Director Humm for his time and effort in properly auditing to social equity licensing.

X. Adjournment