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Split-Payment Arrangements Involving Unlicensed Entities: Prohibited Conduct and Compliance Requirements

PURPOSE OF THIS BULLETIN

This bulletin provides notice to all Nevada cannabis licensees that payment structures in which a purchasing cannabis establishment remits payment — in whole or in part — to an unlicensed entity in connection with the acquisition of cannabis or cannabis products are prohibited under the Nevada Administrative Code ("NAC") and Nevada Revised Statutes Title 56 ("NRS 678A-D").

Licensees engaging in such arrangements risk disciplinary action, including civil penalties, license suspension, or license revocation.

I. BACKGROUND AND PURPOSE

The Nevada Cannabis Compliance Board ("CCB" or "Board") has become aware of payment arrangements in the Nevada cannabis marketplace in which a licensed cannabis purchasing establishment (such as a cannabis sales facility or dispensary) is presented with more than one invoice in connection with a single cannabis product acquisition — one invoice from the licensed Nevada cannabis establishment that produced or sold the cannabis product, and one or more additional invoices from entities that are not licensed cannabis establishments under Nevada law.

These arrangements typically arise in the context of brand licensing agreements, where an out-of-state or otherwise unlicensed company (a "brand licensor") licenses its name, trademark, or intellectual property to a Nevada licensed production facility. In some instances, the second invoice is presented by the brand licensor directly; in others, it is presented at the direction or request of the licensed production facility. Regardless of which party initiates the dual-invoice structure, the result is the same: the purchasing licensee is asked to remit a portion of the product purchase price — often characterized as a "licensing fee," "brand royalty," "IP charge," or similar designation — to an entity that is not a licensed Nevada cannabis establishment.

Regardless of how such payments are labeled, the Board treats these arrangements according to their economic substance: a cannabis purchasing establishment is remitting consideration in connection with the acquisition of cannabis products to an entity that is not a Nevada licensed cannabis establishment. This is a violation of Nevada cannabis law.

This bulletin sets forth the applicable legal framework, describes prohibited and permissible conduct, identifies the disciplinary consequences of non-compliance, and provides guidance on compliant alternative structures.

II. APPLICABLE LEGAL FRAMEWORK

The following NAC provisions and NRS statutes govern the acquisition of cannabis and cannabis products between licensed establishments and are directly implicated by split-payment arrangements.

Regulation / Statute	Summary of Requirements
NAC 678B.214(2) (previously NCCR 6.080(2))	A cannabis establishment shall only acquire cannabis or cannabis products from another Nevada licensed cannabis establishment. The CCB interprets "acquire" to include the act of buying. Thus, no payment for cannabis or cannabis products may flow to an unlicensed entity.
NAC 678B.214(7) (previously NCCR 6.080(7))	Each cannabis establishment must maintain a documented inventory control system that records, for every inter-licensee acquisition, the name and license number of the providing establishment, the agent registration card numbers of all agents involved, and the date of acquisition. A split-payment structure introduces an undocumented, unlicensed counterparty that cannot be reconciled within this mandatory framework.
Title 56 and the NACs (General)	All cannabis establishments must use the Board-approved seed-to-sale tracking system (currently METRC) for all cannabis transactions. Every transfer must be fully and accurately reflected in that system. Split payments to unlicensed entities fall outside the seed-to-sale chain and cannot be properly tracked or audited.
NAC 678B.211 (previously NCCR 6.075)	Each cannabis establishment must develop and maintain written policies and procedures governing the acquisition of cannabis from other cannabis establishments. A split-payment structure is incompatible with a compliant acquisition policy.
NRS 678B (General)	Nevada cannabis statutes require disclosure and CCB approval of all persons and entities with financial interests in licensed cannabis establishments. An unlicensed entity receiving payment tied to cannabis product sales may be deemed to hold an undisclosed financial interest, triggering independent licensing violations for the producing establishment.

III. PROHIBITED CONDUCT

The following conduct is prohibited under the NAC and NRS 678A-D. Licensees engaging in any of the following practices are subject to disciplinary action:

PROHIBITED — The following payment arrangements violate Nevada cannabis law:

- A cannabis purchasing establishment (e.g., dispensary, sales facility, or production facility) remitting any portion of payment for cannabis products directly to an unlicensed entity, regardless of how the payment is characterized.
- Accepting, processing, or honoring an invoice from an entity that is not a licensed Nevada cannabis establishment in connection with the acquisition of cannabis or cannabis products.
- Structuring a cannabis product transaction so that the total purchase consideration is divided among a licensed and one or more unlicensed parties — including but not limited to structures labeled as brand licensing fees, IP royalties, technology fees, fulfillment charges, or similar designations.
- A licensed production facility (or other producing establishment) directing a purchasing licensee to remit any portion of the product purchase price to a third party, licensed or unlicensed, that is not the producing establishment.
- Failing to record the full and accurate purchase price — attributable solely to the licensed selling establishment — in the seed-to-sale tracking system and inventory documentation required by NAC 678B.214(7) (previously NCCR 6.080(7)) and NAC 678B.217 (previously NCCR 6.082.

The Board emphasizes that the characterization or labeling of a payment does not determine its legal status. A payment described as a "brand royalty" or "IP licensing fee" that is tied — economically or contractually — to the sale of cannabis products is treated by the Board as consideration for the acquisition of cannabis products, subject to the full requirements of NAC 678B.214(2) (previously NCCR 6.080(2)) and related provisions.

IV. ILLUSTRATIVE SCENARIOS

The following scenarios illustrate compliant and non-compliant payment structures:

Scenario	Description	Status
Single Invoice — Licensed Seller	Dispensary receives one invoice from a Nevada licensed production facility for cannabis products. Payment is made solely to the production facility. The full transaction is recorded in METRC.	**COMPLIANT**
Dual Invoice — Licensed + Unlicensed	Dispensary receives two invoices: one from a Nevada licensed production facility, and one from an out-of-state brand company. Dispensary pays both. The brand company is not a Nevada licensed cannabis establishment.	**VIOLATION**

Production Facility Directing Payment to Brand	A Nevada licensed production facility instructs its dispensary customer to remit a portion of the product payment directly to an unlicensed brand licensor, regardless of whether a separate invoice is issued.	**VIOLATION**
Brand Licensor Paid by Production Facility	A brand licensor licenses its IP to a Nevada production facility. The production facility pays the licensor a royalty from its own revenues. The dispensary pays only the production facility on a single invoice. Full transaction recorded in METRC.	**COMPLIANT**
Fee Disguised as Separate Charge	A dispensary receives a single product invoice from a licensed production facility, plus a separate invoice from an unlicensed entity labeled as a 'technology fee,' 'fulfillment fee,' or 'IP charge' tied to the same product transaction.	**VIOLATION**

V. COMPLIANT ALTERNATIVE STRUCTURES

The Board does not prohibit brand licensing arrangements as a business matter. However, the financial relationship between a brand licensor and the Nevada cannabis supply chain must be structured so that all consideration for cannabis products flows exclusively between licensed Nevada cannabis establishments, as required by NAC 678B.214 (previously NCCR 6.080(2)).

The following structure is compliant:

COMPLIANT STRUCTURE

- **Step 1:** The brand licensor (unlicensed entity) enters into a private license agreement with the Nevada licensed production facility. The production facility pays the brand licensor royalties or fees from the production facility's own revenues, separate from and independent of any downstream product sale.
- **Step 2:** The Nevada licensed production facility manufactures and sells branded cannabis products to purchasing licensees (e.g., dispensaries) under a single invoice issued solely by the production facility.
- **Step 3:** The purchasing licensee pays only the licensed production facility. The purchasing licensee has no direct financial relationship with the brand licensor.
- **Step 4:** The full transaction — one licensed seller, one licensed buyer, full product consideration — is accurately recorded in METRC and the licensee's inventory documentation in compliance with NAC 678B.214(7) (previously NCCR 6.080(7)) and NAC 678B.217 (previously NCCR 6.082).

Licensees should also note that any financial arrangement between a brand licensor and a Nevada licensed cannabis establishment must be disclosed to the Board to the extent required under NRS 678B and applicable licensing regulations.

VI. DISCIPLINARY CONSEQUENCES

Licensees found to have engaged in split-payment arrangements involving unlicensed entities are subject to disciplinary action by the Board under NRS 678A-D and the NAC. Applicable disciplinary measures include, but are not limited to:

- Civil monetary penalties;
- Mandatory compliance plans and enhanced reporting requirements;
- License suspension; and
- License revocation.

The Board may also refer matters involving unlicensed financial interests in cannabis establishments to the Nevada Attorney General or other appropriate law enforcement agencies.

The Board notes that both the purchasing licensee and the producing licensee may be subject to disciplinary action in connection with a prohibited split-payment arrangement. A purchasing licensee's lack of knowledge that the arrangement was non-compliant does not necessarily constitute a defense. Licensees are responsible for ensuring that all payments made in connection with cannabis product acquisitions are directed solely to licensed Nevada cannabis establishments.

VII. QUESTIONS AND REPORTING

Licensees who believe they are currently party to a non-compliant payment arrangement are encouraged to contact the Board promptly to discuss options for remediation. Voluntary disclosure and prompt corrective action will be considered by the Board in connection with any disciplinary proceeding.

Licensees with questions regarding this bulletin or the requirements described herein may contact the Board at: regulations@ccb.nv.gov.