

NEVADA CANNABIS COMPLIANCE BOARD BIENNIAL REPORT

2023



1st Edition

CANNABIS COMPLIANCE BOARD
STATE OF NEVADA

CCB.NV.GOV

CCB Biennial Report - January 2023

2023

CCB BIENNIAL REPORT



The Nevada Legislature set forth the public policy, through NRS 678A.005, which guides the Nevada Cannabis Compliance Board's (CCB) daily operations, regulatory decisions, and, ultimately, its core purpose and mission.

Following the approval of Assembly Bill 533 (2019) during the 80th Legislative Session, the CCB formally began operations on July 1st, 2020.

Regarding the economic benefit of the cannabis industry to Nevada's economy, public policy dictates, "the continued growth and success of the cannabis industry is dependent upon public confidence and trust" (NRS 678A.005 (2)).

Furthermore, "that public confidence and trust can only be maintained by strict regulation of all persons, location, practices, associations and activities related to the operation of cannabis establishments" (NRS 678A.005 (3)).

Modeled after the Nevada Gaming Control Board, the CCB was charged with setting the Gold Standard in cannabis regulation and oversight. Since its launch, the CCB has emerged as a leader in shaping cannabis policy and regulatory best practices for states nationwide.

Understanding the maturation of Nevada's cannabis industry, the CCB continuously evolves and adapts, while remaining grounded in its commitment to protect the public health and safety of Nevadans and those who visit the Silver State.

EXECUTIVE SUMMARY

TOTAL RETAIL AND MEDICAL CANNABIS SALES (FISCAL YEAR 2022)

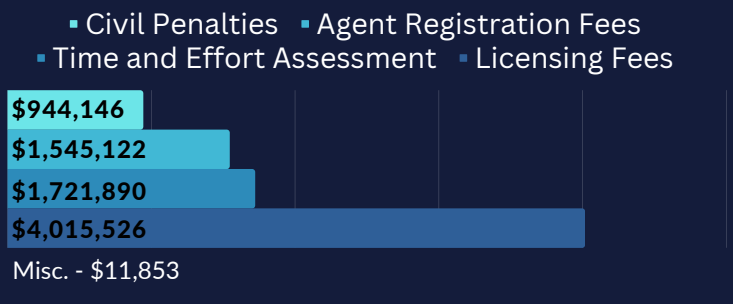
$965,091,123

A decrease of **3.8%** compared to fiscal year 2021. This decline is consistent with sales trends in other states with mature cannabis markets and can be attributed at least in part to after-effects of the COVID-19 pandemic.

Average retail price per gram of marijuana flower/bud in 2022: ***$7.18***

WHOLESALE EXCISE TAX COLLECTED (FY 22): $63,020,342

AGENCY-GENERATED REVENUE (FY 22): $8,238,537



AGENCY OPERATING BUDGET (FY 22): $10,833,403

TRANSFER TO LOCAL GOVERNMENTS (FY 22): $5,000,000

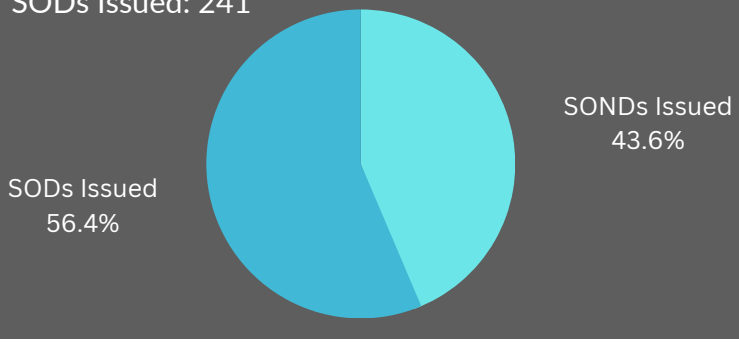
AMOUNT TRANSFERRED TO STATE EDUCATION FUND (FY 22):

$58,886,476

ENSURING COMPLIANCE

Timeframe: Calendar Year 2022
SONDs Issued: 186
SODs Issued: 241

CCB Board Agents conduct annual routine inspections and audits of cannabis establishments, which result in either a Statement of No Deficiencies (SOND) or a Statement of Deficiencies (SOD).



23

Disciplinary complaints authorized by CCB Board Members in 2022, as a result of violations identified during an audit or inspection.

CANNABIS COMPLIANCE BOARD
STATE OF NEVADA

AGENCY OVERVIEW

Mission Statement: *The Nevada Cannabis Compliance Board governs Nevada's cannabis industry through strict regulation of all areas of its licensing and operations, protecting the public health and safety of our citizens and visitors while holding cannabis licensees to the highest ethical standards.*



Administration and Licensing



Inspections and Audit



Investigations



Enforcement

5 *CCB Board Members*

12 *Cannabis Advisory Commission Members*

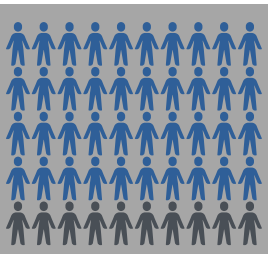
93 *Full-Time Employees*

OPERATIONS & RESPONSIBILITIES

- Oversee and regulate Nevada's 760+ medical and adult-use operational licenses.
- Enforce statutes and regulations set forth in NRS 678A-D and the Nevada Cannabis Compliance Regulations (NCCR 1-15).
- Protect public health and safety for consumers, medical patients, and visitors to the State.
- Maintain the industry's economic benefit to the State.

AGENCY GROWTH

STAFFING



July 2020

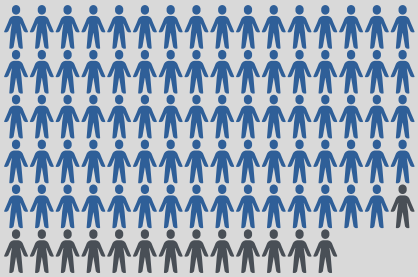
First Month Fully Authorized

- 50 positions
- 20% vacancy

An additional 10 positions were withheld due to COVID budget cuts.

December 2022

- 93 positions
- 15% vacancy



In 2021, 23 positions were authorized under AB 341 to support the oversight and regulation of cannabis consumption lounges.

AGENCY EFFICIENCIES

Increased staffing paired with the review and revision of procedures resulted in sound policy updates and greater operational efficiencies.

- Automated agent registration card application process from paper forms to an entirely online web application, significantly reducing the time and steps required to complete an application.
- Launched online ACH payment option for license fees and agent card applications. Previously, mail-in or in-person drop-off payments were the only options.
- Reduced wait time by **84%** for staff assignment of a Transfer of Interest request, down from two (2) years in 2020 to four (4) months, today.
- Reduced wait time by **98%** for staff review and processing of an Agent Registration Card application, down from 45 days in 2020 to one (1) business day, today.
- Within weeks of passage of AB 341 (2021), convened the first Cannabis Advisory Commission (CAC) meeting and established subcommittees to study and make recommendations regarding the regulation of cannabis consumption lounges.
- In Fall 2022, the CCB successfully completed its first licensing round, issuing 40 prospective licenses for cannabis consumption lounges. Prior to that, the most recent licensing round was conducted by the Department of Taxation in 2018.

INDUSTRY SNAPSHOT

**As of January 2023*

**Source: CCB*

100

Active dispensaries/retail sales facilities

- 66 co-located
- 1 stand-alone medical
- 33 stand-alone adult-use

765

Total medical and recreational operational licenses / certificates statewide

BREAKDOWN OF LICENSES BY JURISDICTION

NRS 678B.220 and NRS 678B.260 outline the limitation on the total number of licenses that can be issued in each jurisdiction for medical and adult-use cannabis establishments, respectively. Additionally, local jurisdictions retain authority to set restrictions such as limitations or moratoriums. Furthermore, local jurisdictions may set ordinances more strict than state law or regulation.



FAST FACTS

The highest concentration of active licenses is in Southern Nevada.

- **517** active licenses in Clark County (Unincorporated Clark Co., Las Vegas, North Las Vegas, Henderson, Mesquite)
- **122** active licenses in Washoe County (Unincorporated Washoe Co., Reno, Sparks)

Dual Licensees (Medical and Adult-Use establishments that are co-located and conducting business at a single address.)

- **148** Cultivation Facilities
- **108** Production Facilities
- **10** Independent Testing Laboratories
- **66** Medical Dispensaries/Retail Cannabis Stores
- **332** Total

The state's only stand-alone medical cannabis dispensary is located in the City of Fallon. All other active dispensaries hold either dual licenses (medical and adult-use) or an adult-use only license.

This data only includes active licenses which have received final licensure to operate from the CCB. This does not include prospective or conditional licenses.

*Source: CCB

INDUSTRY SNAPSHOT

*As of December 2022

Each year, the CCB publishes a demographic report of the Nevada cannabis industry's workforce. This is the first year the CCB generated this report based on data collected from agent card applications, rather than a voluntary survey, resulting in a 100% response rate.

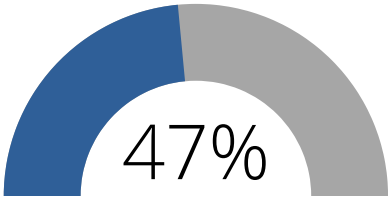
18,361

Active cannabis agent registration card holders



60% identified as **Male**

39% identified as **Female**

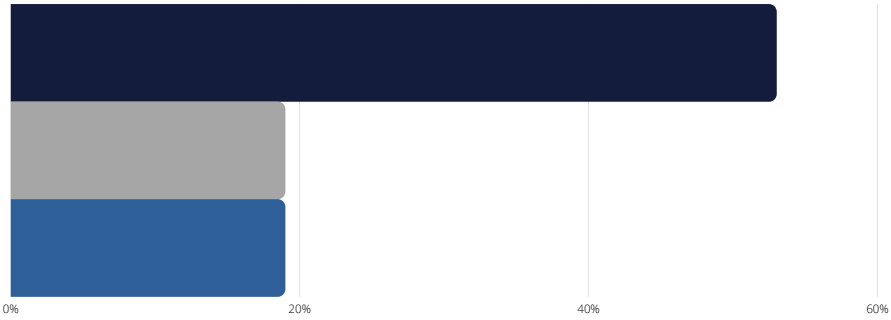


fall within the **25-34 year old** age group

53% identified as **White**

19% identified as **Hispanic**

19% identified as **Black**





26%

identified as being of **Hispanic, Latino, or Spanish origin**

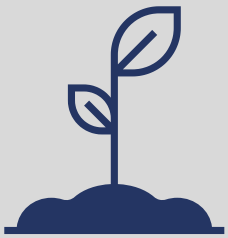
840

Total number of industry executives (owners, officers, and board members)

Previous years' reports can be found on the CCB's website, here. There is little to no variance regarding the demographics of industry executives in year-over-year comparisons. This can be attributed to the fact that there has been limited opportunity for new entrants into Nevada's cannabis industry. The selection of cannabis consumption lounge applications in Fall 2022 represents the first major licensing round since 2018.

*Source: CCB

INDUSTRY SNAPSHOT



1,349,794

Total number of plants cultivated

Total wholesale cultivation sales for calendar year 2022

$287,792,883



Total retail and medical cannabis sales combined for calendar year 2022

$825,026,195



14.5%

Decrease in combined sales for calendar year 2022 compared to calendar year 2021

Top Cultivation Category: Marijuana Flowers/Buds (69% of wholesale)

$7.18 Average Retail Price Per Gram

	Top Retail Sales Categories	Average Retail Price	Diff (+/-) previous calendar year
1	Marijuana Flowers / Bud	$7.18/ gram	↓ 19%
2	Solvent Based Concentrate	$24.40/ each	↓ 9%
3	Infused Edible	$15.38/ each	↓ 6%
4	Non-Solvent Based Concentrate	$27.82/ each	↓ 6%
5	Pre-Rolled Cigs / Joints	$9.18/ each	↓ 10%
6	Small / Popcorn Buds	$4.74/ gram	↓ 36%

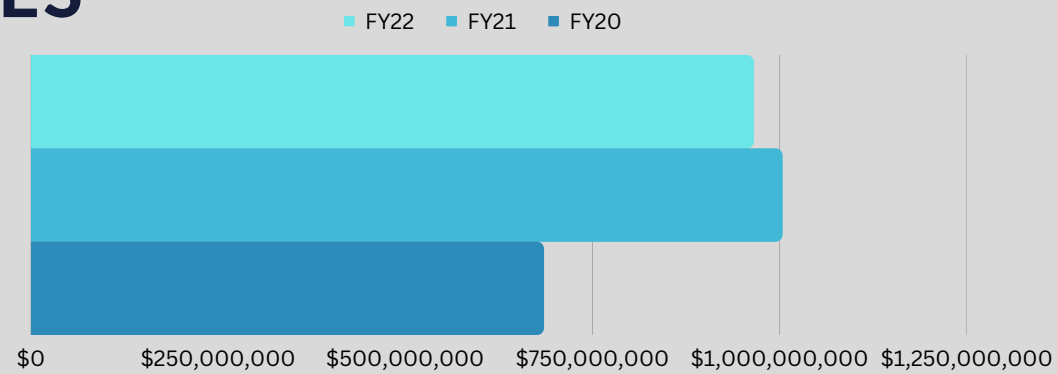
*Source: Nevada Department of Taxation

BY THE NUMBERS: INDUSTRY

TAXABLE SALES

Reported by Adult-Use Retail Stores and Medical Dispensaries

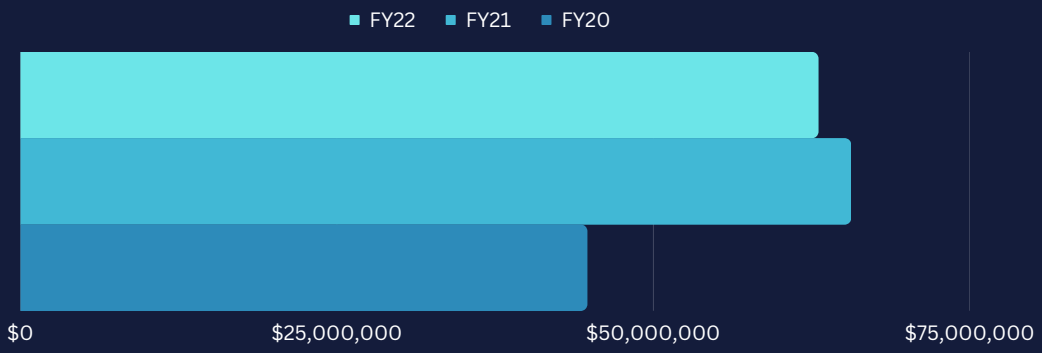
- FY22: $965,091,123
- FY21: $1,003,467,665
- FY20: $684,959,149



STATE WHOLESALE CANNABIS EXCISE TAX COLLECTED

15% Rate - Adult-Use and Medical

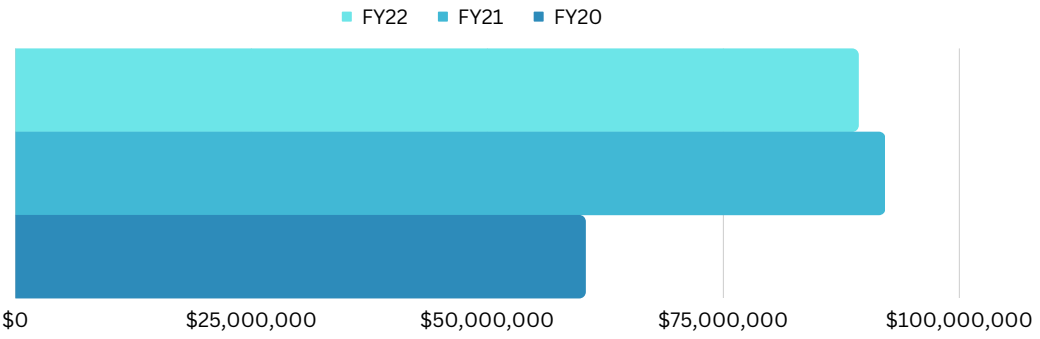
- FY22: $63,020,342
- FY21: $65,613,311
- FY20: $44,770,674



STATE RETAIL CANNABIS EXCISE TAX COLLECTED

10% Rate - Adult-Use Only

- FY22: $89,314,456
- FY21: $92,138,285
- FY20: $60,410,272



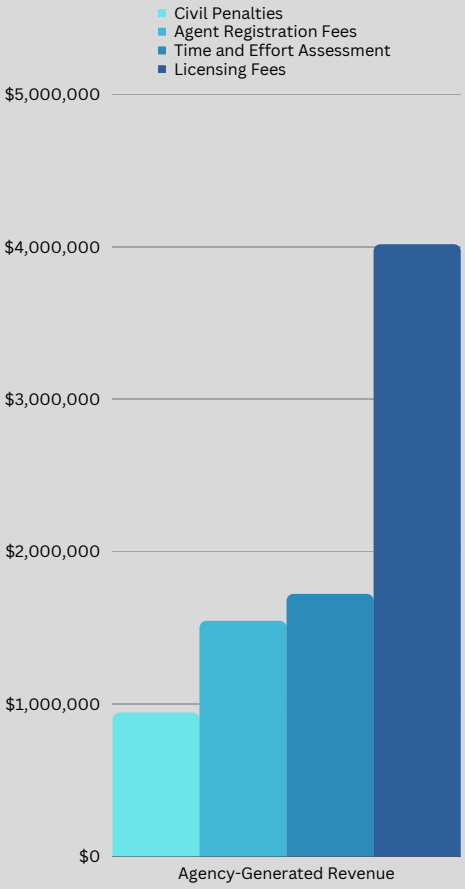
*Source: CCB

CCB REVENUE & EXPENDITURES

Agency-generated revenue and wholesale excise tax must first be expended to pay the operating costs of the Board. Then, excess revenue is deposited into the State Education Fund.

AGENCY-GENERATED REVENUE:

$8,238,537



EXCISE TAX - WHOLESALE:

$63,020,342



TOTAL FY 22 REVENUE (INCLUDING RESERVE):

$72,227,397

AGENCY OPERATING BUDGET

$10,833,403

ANNUAL TRANSFER TO LOCAL GOVERNMENTS

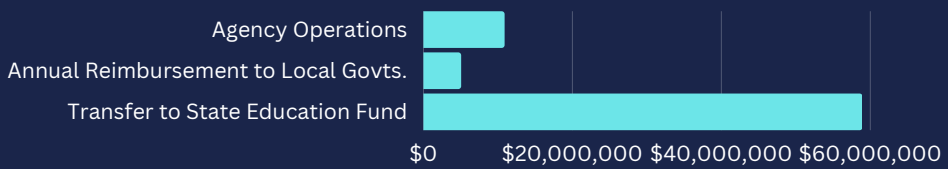
$5,000,000

TRANSFER TO HEALTH DIVISION

$350,000

TRANSFER TO STATE EDUCATION FUND

$58,886,476



TOTAL EXPENDITURES:

$72,227,397

INDUSTRY FEES

LICENSING & RENEWAL FEES

Renewal fees have never increased and remain unchanged for medical and adult-use cannabis licenses since 2013 and 2017, respectively.

Medical dispensary license renewal: $5,000
Medical cultivation license renewal: $1,000
Medical production license renewal: $1,000
Medical independent laboratory license renewal: $3,000

Adult-use retail store license renewal: $6,600
Adult-use cultivation license renewal: $10,000
Adult-use production license renewal: $3,300
Adult-use independent laboratory license renewal: $5,000
Adult-use distributor license renewal: $5,000
Adult-use consumption lounge (retail or independent) license renewal: $10,000

The CCB bills licensees for oversight work including audits, inspections, and licensing investigations. Funds collected from time and effort are used to help fund operations and pay for new positions, which allows tax revenue to flow directly to the State Education Fund.

TIME AND EFFORT ASSESSMENT

$111

Hourly rate at which time and effort for CCB staff work is billed. This rate has remained unchanged since implemented by the Division of Public and Behavioral Health in 2015.

T&E Fees apply to:

- Annual routine audits & inspections
- Investigations as a result of a complaint or routine audit or inspection
- Transfer of interest requests
- Review of management services agreements

T&E Fees **do not** apply to:

- Holiday/random spot checks
- Work carried out by CCB POST-officers
- General correspondence from CCB Agents
- Inspection of certain lab testing data

Recent CCB T&E Policy Changes:

- Travel time was reduced to 1/2 rate
- Inspection of raw laboratory testing data is no longer billed
- Any general technical correspondence from CCB Agents, not related to ongoing audits, inspections, or investigations is no longer billed

COMPLIANCE REDUCES COSTS

$542.51

*Average T&E Bill for an annual routine on-site facility inspection (Cultivation, Production, Dispensary, Lab only) in which **no** deficiencies are identified, resulting in a Statement of No Deficiencies (SOND)*

$2,366.29

Average T&E Bill for an annual routine on-site facility inspection (Cultivation, Production, Dispensary, Lab only) in which deficiencies are identified, resulting in a Statement of Deficiencies (SOD)

$3,475.99

*Average T&E Bill for a licensing investigation (Transfer of Interest "TOI" request) in which **no** areas of concern are identified*

$12,193.35

Average T&E Bill for a licensing investigation (Transfer of Interest "TOI" request) in which areas of concern are identified

0.9% **Median total annual time and effort bill for a business compared to that entity's total annual operating costs.***

*This median was calculated based on the Total Time and Effort Assessment to Operating Expense ratios for licensees which filed a TOI request, processed by CCB Board Agents in FY 22.
The average of this dataset is 9.5%; however, this data is heavily skewed by four entities which experienced serious compliance issues combined with limited operations and operating costs.

ADMINISTRATION & LICENSING

What's New: *In November 2020, the CCB began an initiative to streamline the application process for licensees and agent card holders, saving applicants time and eliminating the need for costly application processing services. To date, this includes:*

- *Launched fully online applications.*
- *Implemented ACH online payment option.*
- *Developed ability to pay certain fees through an online revolving account.*
- *Collaborated with DPS to refine process for receiving background check reports more efficiently.*
- *Added new requirement for license renewals: Licensees must provide a letter of good standing issued by Department of Taxation.*

DIVISION DUTIES

•Maintain database of 760+ medical and adult-use operational licensees and ownership listings.

•Process and review license applications and renewals; collect related fees.

•Manage Cannabis Agent Registration Card program (18,000+ active); all employees, contractors, volunteers, and most owners, officers, and board members of a cannabis establishment must carry an active Agent Card.

•Partner with Department of Public Safety and FBI to conduct background checks, and review background reports prior to approval of an Agent Card application.

•Assisted the Department of Taxation in collecting unpaid taxes from licensees.

CONSUMPTION LOUNGE LICENSING

In Fall 2022, the CCB successfully completed the first cannabis licensing round in the State since 2018, issuing 40 prospective licenses for cannabis consumption lounges. During the application window, the CCB received 99 complete applications from 14 states, including Nevada. The CCB issued two types of lounge licenses: retail and independent.

Per state law, the CCB was authorized to issue 20 independent lounge licenses, half of which (10) were designated for social equity applicants.

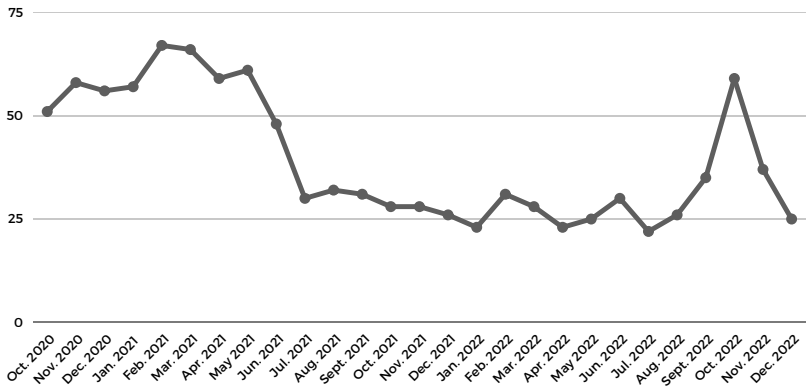
There was no competitive selection process required for retail lounges, which will be attached to an existing dispensary. Recipients of independent lounge licenses for both social equity and non-social equity applicants were determined using a random number generator.

This represents the first major opportunity for new businesses to enter Nevada's cannabis industry since 2018. It is anticipated lounges will open in Unincorporated Clark County, City of Las Vegas, Nye County, Storey County, and Washoe County. The CCB expects cannabis consumption lounges to open on a rolling basis over the next year with the first likely to open by Summer 2023.

Agent Card Processing

**The CCB began tracking this data in October 2020.*

NUMBERS & STATISTICS



***7** CCB Agent Card Team Members*

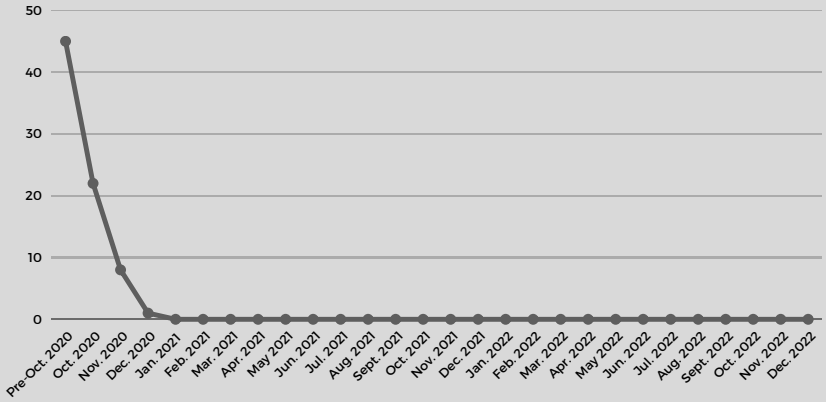
APPLICATIONS RECEIVED DAILY

On average, the CCB receives between 22-59 new agent card applications daily.

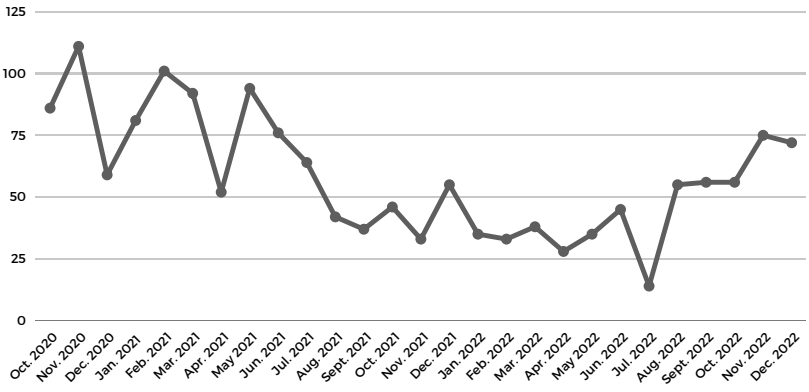
APPLICATION PROCESSING TIME

At its peak, a newly submitted application could take up to 45 days to be processed.

Today, staff review and process applications within one business day of receipt.



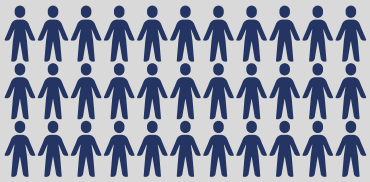
TEMPORARY AGENT CARDS ISSUED DAILY



On average, the CCB issues between 14-101 temporary agent card letters daily. While pending results from an FBI background check, a temp letter allows agent card applicants to begin or continue working in the cannabis industry.

Currently, an applicant who submits a complete application and payment can expect to receive a temporary agent card within 48 hours.

INSPECTIONS & AUDITS



12 *Field Inspectors*
6 *Lab Inspectors*
15 *Field Auditors*

DIVISION DUTIES

•Perform audits and inspections of cannabis facilities (routine, pre-openings, facility modifications, investigations, spot checks, etc.).

•Ensure facilities are operating in accordance with laws and regulations in order to promote public health and safety.

•Track and monitor all inventory from seed-to-sale through Metrc.

•Process requests for cannabis product packaging/labeling, facility modifications, menu or equipment changes, laboratory retests, requests to extract, and R&D testing.

•Ensure independent testing laboratories adhere to general laboratory standards, practices, and procedures.

•Verify compliance and security in all establishments is functioning properly through 24/7 video surveillance.

What's New: *Previously, auditors and inspectors conducted routine inspections/audits together, each with their own checklist pertaining to the regulations for reference, on site.*

After an operational analysis, it was determined auditors and inspectors should generally work in separate teams. This allows Board Agents to conduct more focused visits, complete more comprehensive on-site reviews, provide better feedback to licensees, and educate facilities on potential public health or safety issues.

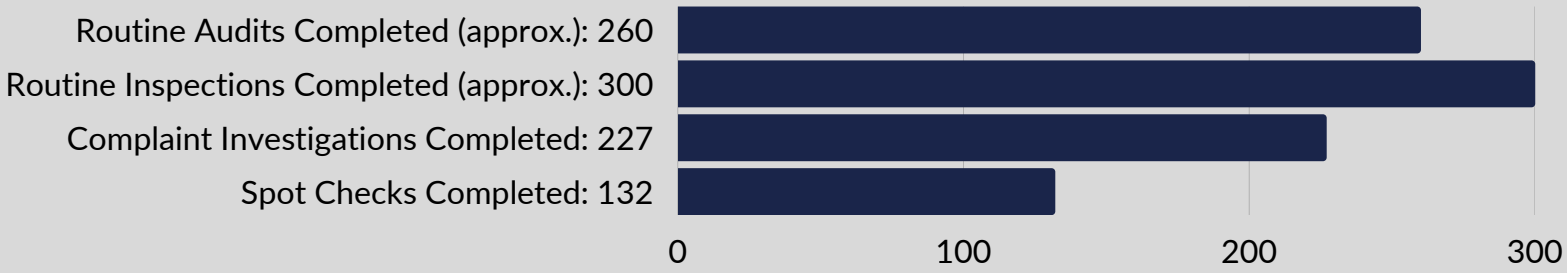




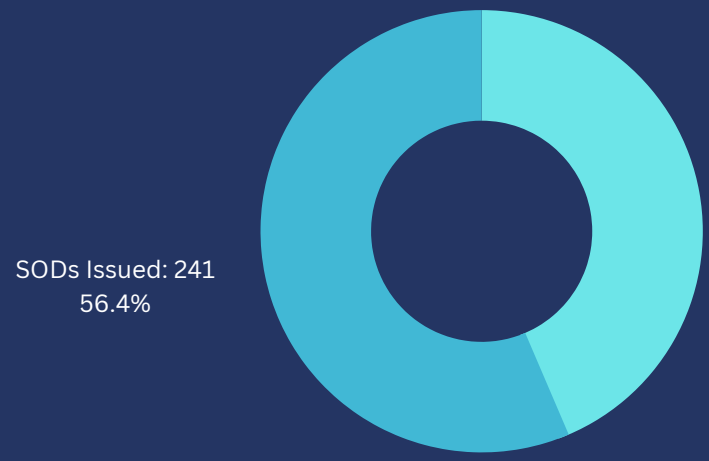


ENSURING COMPLIANCE

CCB Inspectors and Auditors are at the front lines of ensuring compliance. Upon completion of a routine inspection or audit, Board Agents will issue either a Statement of No Deficiencies (SONDs) or a Statement of Deficiencies (SODs) to a licensee. SODs may further advance to Letters of Concern or Disciplinary Complaints upon further review by the Nevada Attorney General's Office and the CCB.



Timeframe: January 1, 2022 - December 1, 2022



Statements of No Deficiencies (SONDs) Issued: **186**
Statements of Deficiencies (SODs) Issued: **241**

Timeframe: January 1, 2022 - December 1, 2022

23

Disciplinary complaints authorized by CCB Board Members in 2022, as a result of violations identified during an audit or inspection.

*In 2022, the CCB implemented a new step, **Letters of Concern**, which may be issued to a licensee in lieu of a disciplinary complaint. Letters of Concern are not disciplinary actions and do not include a fine. They serve as an informal warning and remain on a licensee's compliance record. This process helps to create an additional layer of education to address a violation before such conduct escalates to a disciplinary complaint.*

Most common violations for SODs which **do** result in a complaint or fine:

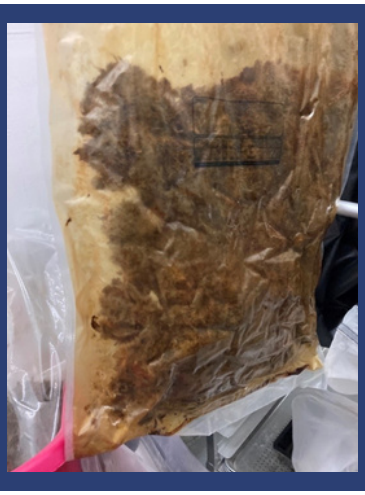
1. Major seed-to-sale tracking issues including:
   a. Untagged plants;
   b. Missing/unaccounted inventory;
   c. Lack of documentation of sales transactions;
   d. Importing plants and seeds improperly.
2. Major issues regarding facility maintenance or sanitation.
3. Security system/camera issues.
4. Diversion/theft of cannabis by individual agents.
5. Refusing CCB Agents' access; providing forged documents.

Most common violations for SODs which, alone, **do not** result in a complaint or fine:

1. Logs not properly maintained.
2. Facility (floors, walls, ceilings) not maintained.
3. Surfaces not clean or maintained.
4. Agent cards expired or not carried on person.
5. Improper storage, including those that may pose potential for contamination or may compromise proper seed-to-sale tracking system.
6. Improperly functioning or stocked handwashing sinks / insufficient hand washing.

COMMON COMPLIANCE ISSUES IN 2022

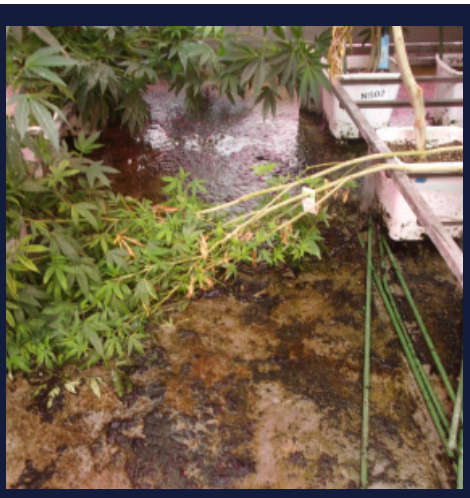
Improper Storage





COMMON COMPLIANCE ISSUES IN 2022

Facility Issues



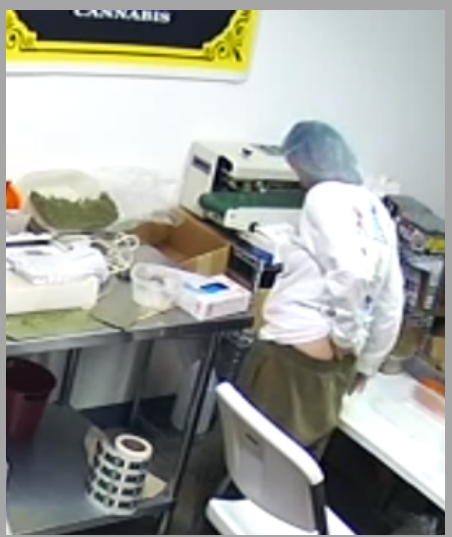








Unsanitary Practices



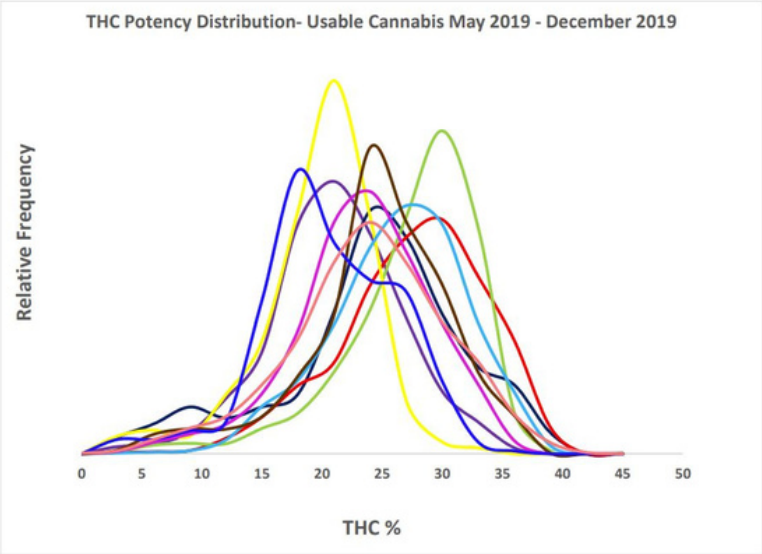


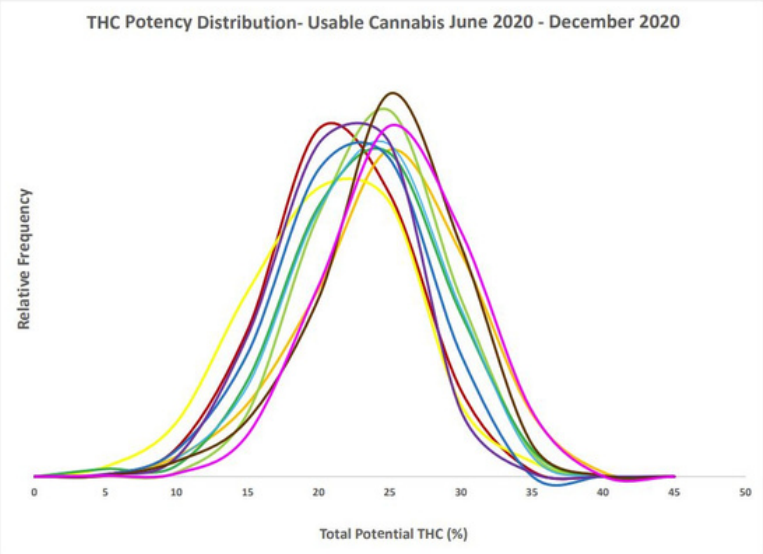
LAB INSPECTIONS

•Currently, the state's 10 independent testing laboratories are inspected annually with a comprehensive in-depth review completed every other year. On average, CCB Lab Inspectors spend two full days onsite during a laboratory inspection, in addition to 200+ hours spent inspecting raw testing data.
•Licensees are **not** billed a time and effort fee by the CCB for the inspection of raw laboratory testing data.

THC POTENCY COMPLIANCE

In addition to ensuring lab methods, materials, and sanitary practices meet regulatory standards, as part of a routine inspection, CCB Lab Inspectors review data to ensure accurate reporting of THC potency results.



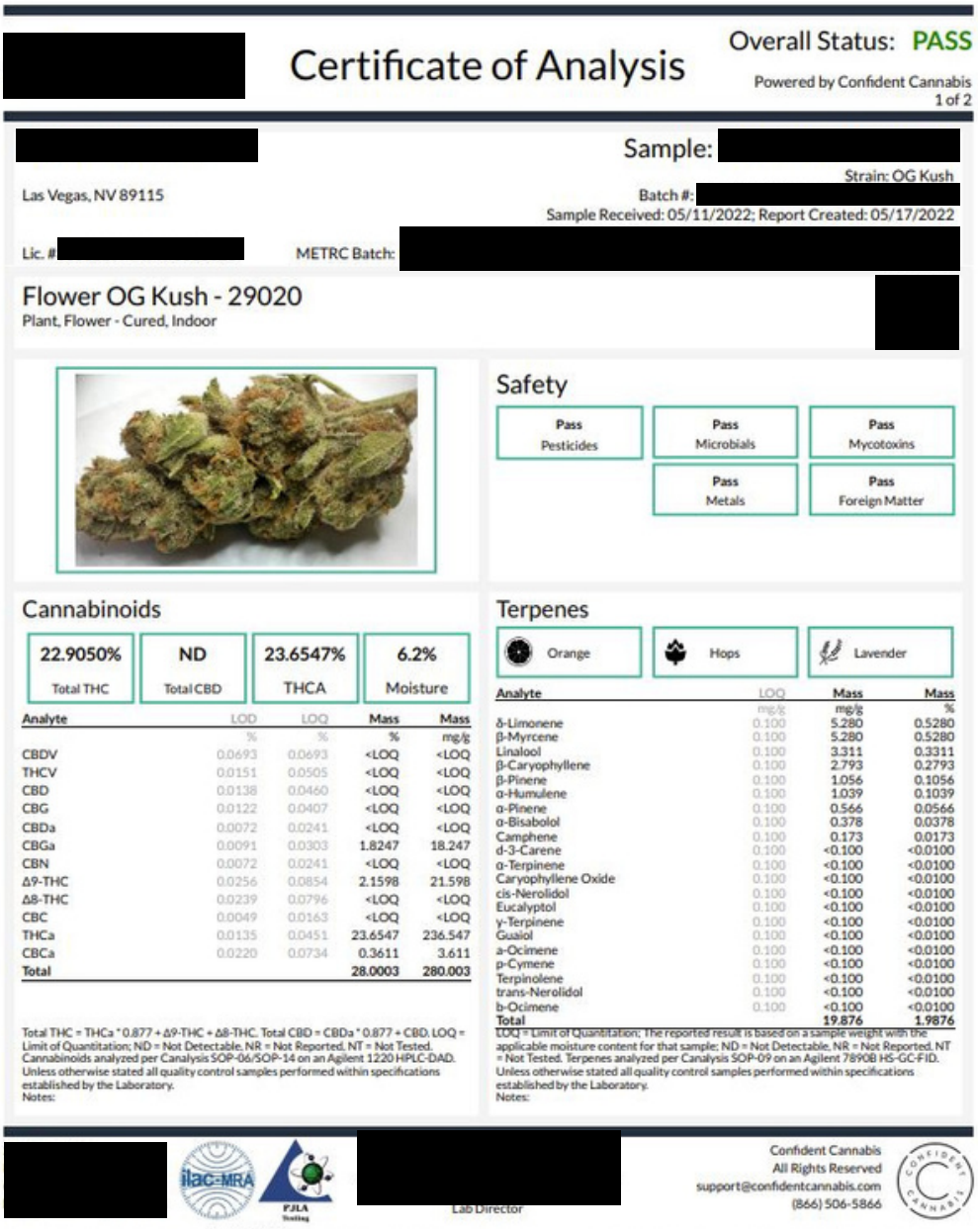


A histogram from 2019 (left) showed a wide spread of THC potency averages, compiled through data reported by all 10 labs. In general, the average THC potency for flower tends to be 20-25%. Potency above 30% may indicate potential inflation and falsifying of data.

CCB Board Agents launched an investigation into the THC potency practices of all labs. As a result, labs suspected of inflating THC potency numbers were identified and have since curbed that practice, as seen in the histogram from 2020 (right). CCB Lab Inspectors continue to monitor THC potency regularly and histograms to-date remain consistent with 2020 results.

CERTIFICATES OF ANALYSIS

A random sample must be collected from each product's batch for testing. Upon testing, each sample receives a Certificate of Analysis (CoA), issued by the independent testing laboratory. The CoA follows the product's batch to the point of sale. Consumers may request to review the CoA for any product being sold at a dispensary.



[redacted]

Certificate of Analysis

Overall Status: PASS

Powered by Confident Cannabis
1 of 2

[redacted]

Sample: [redacted]

Strain: OG Kush

Las Vegas, NV 89115

Batch #: [redacted]

Sample Received: 05/11/2022; Report Created: 05/17/2022

Lic. # [redacted] METRC Batch: [redacted]

Flower OG Kush - 29020

Plant, Flower - Cured, Indoor

[redacted]

Safety

Pass Pesticides	Pass Microbials	Pass Mycotoxins	
	Pass Metals	Pass Foreign Matter	

Cannabinoids

22.9050% Total THC	ND Total CBD	23.6547% THCA	6.2% Moisture

Analyte	LOD %	LOQ %	Mass %	Mass mg/g
CBDV	0.0693	0.0693	<LOQ	<LOQ
THCV	0.0151	0.0505	<LOQ	<LOQ
CBD	0.0138	0.0460	<LOQ	<LOQ
CBG	0.0122	0.0407	<LOQ	<LOQ
CBDa	0.0072	0.0241	<LOQ	<LOQ
CBGa	0.0091	0.0303	1.8247	18.247
CBN	0.0072	0.0241	<LOQ	<LOQ
Δ9-THC	0.0256	0.0854	2.1598	21.598
Δ8-THC	0.0239	0.0796	<LOQ	<LOQ
CBC	0.0049	0.0163	<LOQ	<LOQ
THCa	0.0135	0.0451	23.6547	236.547
CBCa	0.0220	0.0734	0.3611	3.611
Total			28.0003	280.003

Total THC = THCa * 0.877 + Δ9-THC + Δ8-THC. Total CBD = CBDa * 0.877 + CBD. LOQ = Limit of Quantitation; ND = Not Detectable, NR = Not Reported, NT = Not Tested. Cannabinoids analyzed per Canalysis SOP-06/SOP-14 on an Agilent 1220 HPLC-DAD. Unless otherwise stated all quality control samples performed within specifications established by the Laboratory.
Notes:

Terpenes

Orange	Hops	Lavender

Analyte	LOQ mg/g	Mass mg/g	Mass %
δ-Limonene	0.100	5.280	0.5280
β-Myrcene	0.100	5.280	0.5280
Linalool	0.100	3.311	0.3311
β-Caryophyllene	0.100	2.793	0.2793
β-Pinene	0.100	1.056	0.1056
α-Humulene	0.100	1.039	0.1039
α-Pinene	0.100	0.566	0.0566
α-Bisabolol	0.100	0.378	0.0378
Camphene	0.100	0.173	0.0173
d-3-Carene	0.100	<0.100	<0.0100
α-Terpinene	0.100	<0.100	<0.0100
Caryophyllene Oxide	0.100	<0.100	<0.0100
cis-Nerolidol	0.100	<0.100	<0.0100
Eucalyptol	0.100	<0.100	<0.0100
γ-Terpinene	0.100	<0.100	<0.0100
Guaiol	0.100	<0.100	<0.0100
a-Ocimene	0.100	<0.100	<0.0100
p-Cymene	0.100	<0.100	<0.0100
Terpinolene	0.100	<0.100	<0.0100
trans-Nerolidol	0.100	<0.100	<0.0100
b-Ocimene	0.100	<0.100	<0.0100
Total		19.876	1.9876

LOQ = Limit of Quantitation; The reported result is based on a sample weight with the applicable moisture content for that sample; ND = Not Detectable, NR = Not Reported, NT = Not Tested. Terpenes analyzed per Canalysis SOP-09 on an Agilent 7890B HS-GC-FID. Unless otherwise stated all quality control samples performed within specifications established by the Laboratory.
Notes:

[redacted] ilac-MRA PJLA Testing [redacted] Lab Director

Confident Cannabis
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support@confidentcannabis.com
(866) 506-5866

92,472

Samples tested in Fiscal Year 2022

Of the 90,000+ samples tested,

88% *passed*

12% *failed*

Most Common Reasons for Failure

Usable Cannabis:

- Total Yeast and Mold
- Aspergillus
- Total Coliforms / Total Enterobacteriaceae

Concentrates:

- Butane
- Aspergillus
- Bifenthrin (an unapproved pesticide)

Infused products:

- Homogeneity

INVESTIGATIONS

11 *Compliance/Audit Investigators*

DIVISION DUTIES

•Review, process, and document Transfers of Interest (TOI) and/or TOI waiver applications for change of ownership requests for CCB Board action.

•Vet potential licensees and affiliated owners, officers, and board members, which includes conducting interviews and a full suite of background and due diligence checks, and financial analysis.

•Process requests for management contract approvals and changes to officers and directors.

•Provide comprehensive and technical review and analysis reports and make recommendations to the Board.

•All Transfer of Interest requests are reviewed and approved by the Board at one of its monthly public meetings.

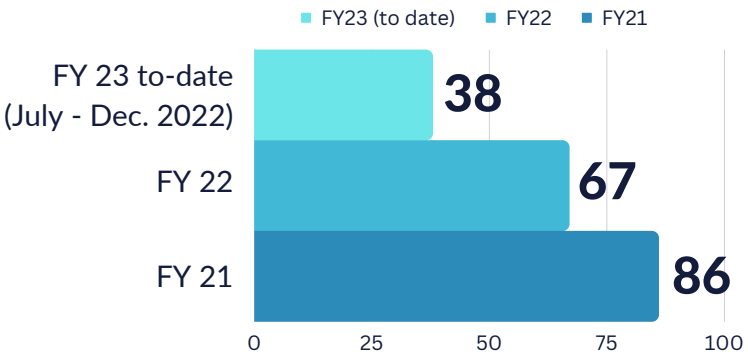
•**Areas of Concern** indicate potential issues identified by CCB investigators which must be resolved prior to Board approval.

What's New: *Two years ago, when the CCB was formed, it inherited a backlog of Transfer of Interest requests, spanning several years. As a result, requests were placed on a two-year waitlist for review.*

Today, TOIs are able to be assigned to a CCB Agent in under four months of receipt, significantly reducing the wait time for licensees.

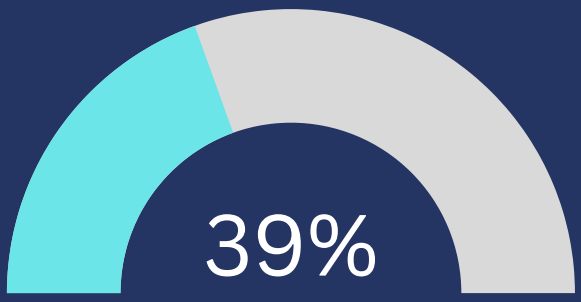
Complexity of the request, whether areas of concern are identified, and licensee's responsiveness in providing information requested by CCB investigators contribute to the process time of a TOI request.

TRANSFER OF INTEREST REQUESTS PROCESSED



3 MONTHS

Approximate time from assignment to Board approval for a Transfer of Interest request which does not include any areas of concern.



Of the 38 Transfers of Interest (TOIs) processed in FY 23 to-date (July 1, 2022 - Dec. 1, 2022), CCB investigators identified areas of concern in 15 (39%).

- FY 22: 36% contained areas of concern
- FY 21: 12% contained areas of concern

Most Common Reasons for Areas of Concern

- *Taxation compliance issues*
- *Unapproved Transfers of Interest (TOI) / hidden ownership*
- *Regulatory violations (Audit/Inspections)*
- *Individuals found to be unsuitable*

VETTING POTENTIAL LICENSEES

Through vetting potential licensees as part of a comprehensive review, CCB investigators have discovered hidden ownership, a major cause for concern.


The NEVADA INDEPENDENT

Russian oligarch indicted in campaign finance plot to win cannabis license in Nevada

Humberto Sanchez March 14th, 2022 at 2:19 PM Campaign Finance Elections Government SHARE

HIGH TIMES

NEVADA NEW YORK NEWS WORLD

Indictment Charges Russian Oligarch with Plot to Bribe and Obtain Cannabis License in Nevada

Prosecutors from New York will not tolerate illegal donations to back-scratch politicians for favors in the Nevada cannabis system.

BY BENJAMIN M. ADAMS · MARCH 18, 2022

"A representative of the Nevada Cannabis Compliance Board (CCB) told High Times that they just discussed this particular issue at a recent board meeting that took place last December.

'Muraviev was a lender and creditor, and it is the Board's responsibility to know where funds go,' [Member] Dennis Neilander said at a December 14 Cannabis Compliance Board meeting. 'In this case, the funds came from an individual who is known to have associated with some other individuals that committed serious crimes.'"

ENFORCEMENT

8 *POST-certified Agents*

DIVISION DUTIES

•Investigate complaints made against a licensed facility and incident reports filed regarding licensed facilities.

•Quarantine product if product appears to be untagged or found outside the seed-to-sale tracking system, or if product is found to be potentially unsafe for consumption.

•Partner with local and state law enforcement regarding criminal investigations and to convey safety notices when necessary.

•Assist in larger-scale collaborative enforcement efforts to curb the illegal cultivation, production, and sale of cannabis products.

What's Next: *The CCB recognizes a need for greater enforcement capability within the agency to address unregulated cannabis.*

Additional resources will be needed to support efforts to better protect communities and the legal market from the effects of the illicit market.

ENFORCEMENT EFFORTS

(Right): All plants and products must be tagged from seed-to-sale, using the CCB's tracking system, Metrc. If product in a licensed facility is found to be not properly tagged or brought in from out-of-state, CCB POST officers quarantine the product and assist CCB Agents in an investigation.

(Below): The CCB hosts quarterly statewide meetings with local, state, and federal law enforcement to share information and enhance efficiencies regarding cannabis-related issues.





CURBING UNREGULATED CANNABIS



Unregulated cannabis, including the illicit market, remains an issue in Nevada along with other states that legalized cannabis.

(Left): *Douglas County, Fall 2021*. CCB POST officers assisted in halting an illegal grow, production, and sale operation.

(Right): *Las Vegas, Summer 2022*. The illicit market offers many of the same products as legal operators do; however, these products are untested and often made in unsanitary conditions.



DELTA-8 THC AND OTHER SYNTHETIC CANNABINOIDS

In 2021, the CCB sponsored Senate Bill 49; as a result, it is illegal to produce, distribute, or sell a synthetic cannabinoid, including Delta-8 THC, in Nevada without proper approval from the CCB.



To date, no such process has been approved.

(Left): This Delta-8 product was being sold at an unlicensed CBD store in Las Vegas. Upon discovering the product, the CCB and City of Las Vegas worked together to ensure it was taken off the shelves.

- This slogan reads, "Kids and grown ups love it so." Packaging cannot be modeled after a brand appealing to children. In this case, this product is clearly mimicking Haribo gummy bears, a popular children's snack.
- This indicates that this is a Delta-8 THC product. Reports of hospitalization and intoxication, especially of minors, have made recent headlines nationwide.
- Cannabis products from a licensed facility include the Nevada universal cannabis symbol. This product has California's symbol.

AGENCY TRANSPARENCY & ACCOUNTABILITY

REGULATORY PROCESS

•The CCB holds public board meetings monthly with remote access and livestream capabilities.

•Any interested party may petition the Board to request the adoption, amendment, or repeal of a regulation (NCCR 4.145).

•Upon a regulation change, the CCB works to give ample notice and time for licensees to adjust to come into compliance.

•The CCB holds as many workshops as is warranted regarding regulation changes prior to a public hearing for adoption, allowing abundant time and opportunity to hear from the industry and other public stakeholders.

•In 2022, the CCB and CAC combined held 15 public meetings in order to receive input and develop the regulations surrounding cannabis consumption lounges.



ONLINE ENHANCEMENTS

•Upon its inception, the CCB developed an open book initiative to promote transparency and ensure accessibility to all publicly available information regarding licensees.

•The CCB website includes an interactive search tool to look up information about licenses, including owners, officers, and board members.

•Proposed regulation changes, supporting materials, complaints, dispositions, petitions, and public comment are always posted and available to review online.

•Ahead of the application window for cannabis consumption lounges in 2022, the CCB built a webpage with extensive resources, educational videos, and live webinars to help potential applicants.

FEDERAL ACTION

The CCB tracks nationwide cannabis-related conversations, trends, and issues. The CCB is a founding member of the Cannabis Regulators Association (CANNRA), a national organization of cannabis regulators from over 40 states and territories. CCB's Executive Director currently serves as CANNRA president.

ACCESS TO BANKING RESOURCES, LOANS, AND CAPITAL

SAFE Banking, which would grant access to financial services, continues to face challenges in Washington D.C. The SAFE Banking Act has passed in the House several times in recent years, but continues to fail to reach majority support in the Senate. In November 2022, Senator Jacky Rosen (D-NV) introduced a bill that would allow legal cannabis small businesses access to SBA loans and other federal resources.

SECTION 280E - TAX CODE

Under Section 280E, cannabis remains classified as a Schedule I controlled substance. As a result, legally operating cannabis businesses cannot deduct ordinary business expenses when filing federal tax returns. As a result, federal taxes for cannabis businesses are calculated based on gross income rather than net income.

NATIONWIDE WARNINGS - DELTA-8 THC

Both the FDA and CDC have issued multiple warnings regarding the dangers of Delta-8 THC products. Although Nevada made significant strides in protecting against Delta-8 production within the state, the online marketplace and loopholes in federal legislation around hemp and synthetic cannabinoids remain a serious threat to public health and safety. The *Las Vegas Sun* invited the CCB's Executive Director to contribute a guest column on the topic.

INTERSTATE COMMERCE

Interstate commerce would dramatically change the legal cannabis market and competition among and within states, including Nevada. Recent challenges to other state's regulatory authority regarding licensing and residency requirements provides a glimpse of how federal courts view cannabis regulation while still considered illegal at the federal level.

In addition, a flood of out-of-state cannabis businesses are expected to attempt to enter Nevada's market with anticipated competitive advantages based on economies of scale and better growing seasons, allowing them to compete during time of depressed cannabis sales value while Nevada-based companies are put out of business. This flood of cheap cannabis that has not met Nevada's strict testing standards and targets Nevada's tourist-based attractions will also present a public health and safety challenge.

For these reasons, it is imperative that Nevada's regulatory framework can adapt to potential changes to the cannabis landscape as a result of federal action.

CONTACT INFORMATION & CCB LOCATIONS

Website: CCB.NV.GOV

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Carson City, NV 89706

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Las Vegas, NV 89119

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Dennis Neilander
Jerrie Merritt
Riana Durrett
Dr. Bryan Young

CCB EXECUTIVE TEAM:

Tyler Klimas, Executive Director
Michael Miles, Deputy Director
Steve Gilbert, Chief of Administration
Kara Cronkhite, Chief of Inspections & Audit
Dave Staley, Chief of Investigations

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