

## **Amber Virkler**

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**From:** Cody Krecicki <cody@krecicki.com>  
**Sent:** Wednesday, July 15, 2020 7:04 PM  
**To:** CCB Meetings  
**Subject:** New licenses

New licenses. This should be discussed. We all deserve a piece of the industry.

P.S. I am never too busy for your referrals.

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## Amber Virkler

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**From:** Mitchell Stipp <mstipp@stipplaw.com>  
**Sent:** Thursday, July 16, 2020 3:11 PM  
**To:** CCB Meetings  
**Subject:** Fwd: CWNevada  
**Attachments:** Complaint-Filed.pdf; Motion for Preliminary Injunction-NuVeda vs. CWNevada-Filed and Accepted-7.8.2020.pdf; Notice of Hearing-Motion for Preliminary Injunction.pdf

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

This email and attachments pertain to Sub-section 1 of Article VII/Section C of the CCB agenda published for the meeting on July 21, 2020.

My firm represents NuVeda, LLC. NuVeda filed a complaint against CWNevada on March 21, 2019 for breach of its joint venture agreements. The matter was stayed after CWNevada filed a chapter 11 bankruptcy petition and a receiver was subsequently appointed after the petition was dismissed. The parties have agreed to lift the stay against litigation.

The receiver through CWNevada seeks enforcement of the joint venture between NuVeda and CWNevada. NuVeda has opposed the settlement with CWNevada because of this effort by the receiver. CWNevada is not capable of curing its defaults and performing in light of the receivership and settlement with the state. NuVeda filed a motion for a preliminary injunction before Department 1 (which would prohibit the consummation of the settlement). For this reason, the matter before CCB should be continued (at minimum) until after the hearing in Department 1 considers the relief requested by NuVeda. The hearing is on August 13, 2020. If CCB wants to consider the settlement notwithstanding the pending preliminary injunction hearing, NuVeda would ask the matter be removed from the consent agenda (since the settlement is opposed).

If CCB intends to hear the matter as scheduled, NuVeda believes the settlement should be rejected unless the following concerns are addressed:

1. The licenses which are being revoked should be related to the alleged violation asserted by the state in the complaint. CWNevada has offered revocation of licenses which have the least value to the estate. Value to the estate should not be the consideration. The relevant consideration is the conduct of Brian Padgett and his employees and representatives through CWNevada.
2. CWNevada is still owned by Brian Padgett. CWNevada should not be permitted to operate any businesses under any remaining licenses pending their liquidation. The receiver through CWNevada is operating its dispensary at Blue Diamond. The receiver for CWNevada also plans to commence operations at Ali Baba, Highland and Oakridge after approval is received of the settlement from CCB.
3. CWNevada should not be permitted to operate, manage, control or own any businesses which are regulated by CCB.

Overall, the settlement with the state does not accomplish the objectives of holding CWNevada accountable. Mr. Padgett still owns CWNevada. If the settlement is approved by CCB, CWNevada will be permitted still to operate, manage, control or own businesses which are regulated by CCB (whether through its remaining licenses or the licenses of third-parties). It would be problematic for CCB to approve a settlement which allows a receiver to continue owning, operating and receiving the benefit of cannabis licenses.



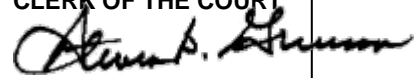
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*Attorneys for NuVeda, LLC, Clark NMSD, LLC,  
and Nye Natural Medicinal Solutions, LLC*

CASE NO: A-19-791405-C  
Department 4

**IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**

**IN AND FOR THE COUNTY OF CLARK**

NUVEDA, LLC, a Nevada limited liability company; CLARK NMSD, LLC, a Nevada limited liability company; and NYE NATURAL MEDICINAL SOLUTIONS, LLC, a Nevada limited liability company

Plaintiffs,

v.

CWNEVADA, LLC, a Nevada limited liability company; CWNV, LLC, a Nevada limited liability company; BRIAN C. PADGETT, a Nevada resident; DOES I to X, inclusive; and ROES I to X, inclusive,

Defendants.

Case No.:

Dept. No.:

**COMPLAINT**

**[Exempt from Arbitration Pursuant to NAR 3(A) – Declaratory Relief Requested]**

Plaintiffs NUVEDA, LLC, a Nevada limited liability company, CLARK NMSD, LLC, a Nevada limited liability company, and NYE NATURAL MEDICINAL SOLUTIONS, LLC, a Nevada limited liability company, by and through their counsel of record, the law firm Wiley Petersen, allege and assert as follows:



## **JURISDICTIONAL ALLEGATIONS**

1. Plaintiff NUVEDA, LLC (“NuVeda”) is a Nevada limited liability company duly formed and existing under the laws of the State of Nevada.

2. Plaintiff CLARK NMSD, LLC (“Clark NMSD”) is a Nevada limited liability company duly formed and existing under the laws of the State of Nevada.

3. Plaintiff NYE NATURAL MEDICINAL SOLUTIONS, LLC (“Nye Natural”) is a Nevada limited liability company duly formed and existing under the laws of the State of Nevada.

4. Upon information and belief, Defendant CWNEVADA, LLC (“CW Nevada”) is a Nevada limited liability company duly formed and existing under the laws of the State of Nevada.

5. Upon information and belief, Defendant CWNV, LLC (“CWNV”) is a Nevada limited liability company duly formed and existing under the laws of the State of Nevada.

6. Upon information and belief, Defendant BRIAN C. PADGETT (“Padgett”) is a resident of the State of Nevada.

7. The true names of Defendants DOES I to X and ROE CORPORATIONS I to X, inclusive, are unknown to Plaintiffs currently and, therefore, Plaintiffs bring suit against them by the foregoing fictitious names. Plaintiffs allege that said Defendants are liable to Plaintiffs under the claims for relief set forth below. Plaintiffs request that when the true names are discovered for these DOE and ROE Defendants, that this Complaint, or subsequent pleading, if appropriate, may be amended by inserting their true names in lieu of the fictitious names together with apt and proper words to charge them.

8. The Court has original subject matter jurisdiction over this dispute pursuant to Article 6, Section 6, Clause 1 of The Constitution of the State of Nevada in that this dispute involves an amount in controversy that exceeds the jurisdictional limits of any Justice Court.

9. The Court also has original subject matter jurisdiction over this matter pursuant to Nevada Arbitration Rule 3(A) in that Plaintiffs’ Complaint asserts a cause of action for declaratory relief.

10. The Court can exercise personal jurisdiction over Defendants pursuant to NRS §14.605.

11. Pursuant to NRS §13.010(2), venue is proper in the Eighth Judicial District Court in and for Clark County, Nevada in that the underlying contract at issue was executed, and the obligations arising therefrom were performed, in Clark County, Nevada.

#### **GENERAL ALLEGATIONS**

12. NuVeda operates and serves as the parent company owning a 100% interest in Clark NMSD and Nye Natural (hereinafter, NuVeda, Clark NMSD, and Nye Natural, shall be referred to collectively as “the NuVeda Parties”).

13. The NuVeda members consist of Dr. Pejman Bady (“Bady”), Dr. Pouya Mohajer (“Mohajer”), and Joseph Kennedy (“Kennedy”).

14. On November 3, 2014, Clark NMSD was awarded two provisional licenses for marijuana dispensaries located at (a) 2113 North Las Vegas Boulevard, North Las Vegas, Nevada (Reference Number 94090342955467020377) (the “North Las Vegas Dispensary”); and (b) 1320 South Third Street, Las Vegas, Nevada (Reference Number 25025985357868237824) (the “City of Las Vegas Dispensary”).

15. Also, on November 3, 2014, Nye Natural was awarded one provisional license for marijuana cultivation in Nye County, Nevada (Reference Number 40733091629454751109) and one provisional license for marijuana production in Nye County, Nevada (Reference Number 91604693916166507699) (hereinafter, allegations pertaining to all four licenses shall be referred to collectively as the “Licenses”).

#### **The Membership Interest Purchase Agreement**

16. Throughout 2015, the NuVeda Parties sought an infusion of capital to assist with their business operations.

17. On November 17, 2015, CWNevada provided NuVeda with a Letter of Intent setting forth the general terms and conditions of a proposed joint venture between CWNevada, and the NuVeda Parties involving the Licenses.

18. On December 6, 2015, CWNevada, CWNV and the NuVeda Parties executed the Membership Interest Purchase Agreement (“MIPA”) formally memorializing the parties’ obligations as initially provided in the Letter of Intent.

1           19.     The MIPA expressly provides that the NuVeda Parties were to transfer the Licenses to  
2 a newly formed company – CWNV – and that CWNevada would own a 65% membership interest in  
3 CWNV with NuVeda retaining a 35% ownership interest in CWNV.

4           20.     In exchange for the aforementioned transfer, CWNevada was to “commence funding,  
5 and paying for, one hundred percent (100%) of: (i) all necessary tenant improvements, furniture,  
6 fixtures, equipment, and fees and expenses relating thereto, for the development of the facilities on the  
7 [Clark NMSD and Nye Natural] properties, and all matters relating [to a scheduled attached to the  
8 MIPA]; (ii) all fees and expenses to effectuate the transfer and obtain transfer approvals; and (iii)  
9 sufficient working capital for the operation of the businesses of [Clark NMSD and Nye Natural].

10          21.     The MIPA further expressly provided that CWNV was to pay or reimburse the NuVeda  
11 Parties for certain costs and expenses incurred after execution of the agreement.

12          22.     The MIPA further provided that, upon execution of the MIPA, CWNV and CWNevada  
13 would develop, manage, operate, and promote the facilities and were charged with the duties to protect  
14 the Licenses and maximize profits and the overall value and goodwill of the Clark NMSD and Nye  
15 Natural facilities.

16          23.     Through an amendment to the MIPA, cultivation and production operations were to “be  
17 up and running by the end of December 2016.”

18          24.     The same amendment expressly states that if the cultivation and productions operations  
19 were not “up and running in earnest by the end of 2016, CWNevada shall provide lost profits to CWNV  
20 based on the number of months the facilities are tardy in opening and based on the profits those facilities  
21 actually make for that same number of months upon opening.”

22     **Operations Pursuant to the MIPA**

23          25.     In December 2016, the City of Las Vegas dispensary began its business operations.

24          26.     In January 2017, the North Las Vegas dispensary began its business operations.

25          27.     CWNevada and/or CWNV representatives have managed both dispensary locations  
26 since their respective openings to present date.

27          28.     In June 2017, Nye Natural was issued a cultivation license.

1           29. From the issuance of the cultivation license to present, CWNevada and CWNV failed  
2 to construct a large-scale cultivation facility and, instead, keeps the license in good standing through  
3 use of a portable pod which yields a small crop and does not generate sizable revenues.

4           30. A production facility was constructed however, until recently, no business operations  
5 were conducted out of said facility.

6           31. From the onset of CWNevada and CWNV's management of North Las Vegas  
7 Dispensary and City of Las Vegas Dispensary they have collected all revenues generated and have not  
8 made any disbursements to the NuVeda Parties.

9           32. More problematic, CWNevada and CWNV have engaged in conduct that subjects the  
10 NuVeda Parties to disciplinary proceedings.

11 **CWNevada and CWNV's Actions Jeopardizing NuVeda's Licenses**

12           33. The State of Nevada Department of Taxation ("Department of Taxation") has published  
13 documentation which provides for certain categories and penalties in the event of a cannabis business'  
14 failure to adhere to promulgated regulations (the "Violation Checklist"). A true and correct copy of  
15 the Violation Checklist is appended hereto as **Exhibit 1**.

16           34. Violations range from Category I (most severe) to Category V (least severe) and  
17 penalties accompanying the violations include revocation of the licenses, suspension of the licenses  
18 and/or fines.

19 **Failure to Pay Business License Fees/Operation with Expired License – North Las Vegas Dispensary**

20           35. On February 19, 2019, the NuVeda Parties received notice that City of North Las Vegas  
21 Business License Division ("North Las Vegas Business License Division") had not received renewal  
22 notices and fees for the North Las Vegas Dispensary.

23           36. The North Las Vegas Business License Division's notice provided that operation of  
24 North Las Vegas dispensary with an expired licensed jeopardized the closing of the location.

25           37. On that same date, the North Las Vegas Dispensary's business operations were halted  
26 as a result of CWNevada and CWNV's failure to remit renewal and notice fees.

27           38. CWNevada and CWNV's operation of the North Las Vegas Dispensary without the  
28 requisite permit and certification amounts to a Category I violation in the Violation Checklist.

1 Unauthorized Personnel Handling Product and Hampering of a Department of Taxation Investigation

2 39. On February 21, 2019, a Department of Taxation representative received notice that  
3 unauthorized personnel had entered a restricted area at the City of Las Vegas Dispensary and handled  
4 marijuana product.

5 40. The handled material was seized by the Department of Taxation and was quarantined  
6 during the department's investigation.

7 41. Thereafter, and upon information and belief, CWNevada/CWNV personnel has  
8 removed the quarantined material hampering the Department of Taxation's investigation.

9 42. On March 14, 2019, a Department of Taxation representative sent correspondence to  
10 CWNevada and CWNV (a) requesting the location of the quarantined product; (b) requesting that the  
11 product remain at said location until the Department of Taxation can take control of the product; (c)  
12 requesting the identity of the individual who removed the product from the City of Las Vegas  
13 Dispensary; and (d) putting CWNevada and CWNV on notice that said removal is prohibited and will  
14 likely lead to civil penalties.

15 43. CWNevada and CWNV's actions in destroying or concealing evidence amounts to a  
16 Category I or Category II violation subjecting the NuVeda dispensary license to suspension or  
17 revocation.

18 Failure to Comply and Assist in a Business License Division Audit

19 44. On March 7, 2019, a City of Las Vegas Business Licensing Auditor provided  
20 CWNevada and CWNV with correspondence requesting information to assist the Department of  
21 Planning, Business License Division ("City of Las Vegas Business License Division") with an audit  
22 pertaining to the City of Las Vegas Dispensary.

23 45. The correspondence requests that CWNevada and CWNV provide seventeen categories  
24 of information related to the organizational and ownership structure of the dispensary and accounting  
25 information.

26 46. NuVeda complied with the request but, upon information and belief, CWNevada and  
27 CWNV have failed to produce any document in response to the request.  
28

47. The correspondence cites Las Vegas Municipal Code 6.95.110(K) and states that “[e]ach licensee must meet the accounting and auditing procedures established by the Department to track and record all sales for audit purposes. The Department must have access to such records as provided for under LVMC 6.02.020.

48. CWNevada and CWNV’s failure to provide the information and comply with the cited code is a violation as set forth in the Violation Checklist.

#### Failure to Remit Payment for Business License

49. On March 13, 2019, NuVeda representatives received notice from the City of Las Vegas Department of Planning Business Licensing Division (“Las Vegas Business Licensing Division”) that the City of Las Vegas Dispensary license was going to be revoked due to non-payment of business license fees and accrued interest.

50. The Las Vegas Business Licensing Division representative states that the entity had extended the deadline eleven days based upon CWNevada and CWNV’s statements and representations which never materialized.

51. On March 14, 2019, the CWNevada had to remit payment in the amount of \$28,205 to the Las Vegas Business Licensing Division to prevent revocation.

52. Timely payment of such fees is CWNevada and CWNV’s responsibility pursuant to the MIPA.

#### Unauthorized Change of Business Name – City of Las Vegas Dispensary

53. In February 2019, CWNevada and CWNV representatives changed the City of Las Vegas Dispensary business name from “Canopi” to “Flower Depot” without governmental approval or authorization.

54. Such act constitutes a Category IV violation as set forth in the Violation Checklist and subjects the license to suspension and fine.

#### Failure to Remit Payment for Inspection – City of Las Vegas Dispensary

55. On February 28, 2019, CWNevada and CWNV were provided a 15 Day Notice by the Las Vegas Business Licensing Division for failure to remit payment for an inspection that occurred at the City of Las Vegas Dispensary.

1 56. CWNevada and CWNV's continued to ignore and/or refuse to remit payment as  
2 requested.

3 57. CWNevada and CWNV were obligated to remit payment pursuant to the terms and  
4 conditions of the MIPA.

5 58. The NuVeda Parties remitted payment for the inspection fee to avoid suspension or  
6 revocation of the license.

7 Underreporting of Gross Revenues and Procedural Issues

8 59. On February 25, 2019, CWNevada and CWNV were notified by the Las Vegas Business  
9 License Division that an audit of City of Las Vegas Dispensary accounting records evidenced the  
10 underreporting of "gross revenues by \$74,304.09 from charging the 3% city licensing fee to [its]  
11 customers."

12 60. NRS Chapter 268 provides that the city licensing fee is to be borne by the marijuana  
13 establishment.

14 61. The Las Vegas Business License Division also provided that "unexplained under-  
15 reporting variances of \$52,938.55 were also noted."

16 62. Finally, the division found six (6) accounting procedure errors and requested  
17 CWNevada provide a written response on how said errors would be corrected.

18 63. The NuVeda Parties are unaware whether CWNevada or CWNV has provided the  
19 requested response; if it has not, the failure to provide would result in a violation as set forth in the  
20 Violation Checklist.

21 Failure to Pay Requisite Taxes

22 64. On February 7, 2019, Clark NMSD received notice from the Department of Taxation  
23 that it had (a) failed to file and pay sales and use tax returns for October 2018, November, 2018, and  
24 December 2018; (b) failed to file and pay recreational marijuana tax returns for October 2018,  
25 November 2018, and December 2018; and (c) failed to file and pay modified business tax returns for  
26 quarters ending September 2018 and December 2018.

27 65. The combined tax arrearages as provided in the notice was in excess of \$313,000 and  
28 was the responsibility of CWNevada and CWNV pursuant to the MIPA.

1           66.     The notice further provided that “[t]his letter constitutes a ‘warning,’ Category I, First  
2 Offense, per NAC 453D.905. Further violations of the same type(s) will result in disciplinary actions  
3 including, but not limited to civil penalties, suspension or revocation of your registration certificate,  
4 license, or both.”

5           67.     On March 6, 2019, the NuVeda Parties were notified CWNevada and CWNV had failed  
6 to file and pay retail marijuana tax and sales/use tax for January 2019.

7           68.     Upon information and belief, the tax arrearages set forth herein, in addition to  
8 constituting violations as provided in the Violation Checklist, directly and fatally affected the NuVeda  
9 Parties’ chances in being awarded additional dispensary licenses during the Department of Taxation’s  
10 issuance of new dispensary licenses in December 2018.

11 Failure to Pay Dispensary Staff

12           69.     CWNevada and CWNV, upon information and belief, have also failed to pay the  
13 dispensaries’ staff in a timely manner.

14 Employment of Agents Possessing Expired Credentials

15           70.     Upon information and belief, CWNevada and CWNV continue to employ individuals  
16 who do not possess a current agent card.

17           71.     Employment of such individuals constitutes a Category IV violation as set forth in the  
18 Violation Checklist.

19 **FIRST CAUSE OF ACTION**

20 **(Breach of Contract)**

21           72.     The NuVeda Parties repeat and reassert the allegations previously set forth and  
22 incorporate the same by reference herein.

23           73.     The MIPA entered into and executed by and between the NuVeda Parties, on the one  
24 hand, and CWNevada and CWNV, on the other, is a valid and existing contract with reasonably definite  
25 and certain terms.

26           74.     The NuVeda Parties have fully performed – or are willing to perform – all obligations  
27 required of them pursuant to the terms and conditions of the MIPA.  
28



1           75.     Conversely, CWNevada and CWNV, have breached the MIPA by failing to remit all  
2 payments required of them pursuant to the agreement, and failing to develop, manage, operate, and  
3 promote the facilities and fulfill the duties to protect the Licenses and maximize profits and the overall  
4 value and goodwill of the Clark NMSD and Nye Natural facilities.

5           76.     The actions of CWNevada and CWNV as set forth herein constitute a breach of the  
6 MIPA.

7           77.     CWNevada and CWNV's breach of the MIPA has caused the NuVeda Parties to incur  
8 damages in excess of Fifteen Thousand Dollars (\$15,000.00)

9           78.     CWNevada and CWNV's breach of the MIPA has required the NuVeda Parties to retain  
10 the services of counsel to prosecute this action and, therefore, the NuVeda Parties are entitled to an  
11 award of reasonable attorneys' fees and costs of suit.

## 12                                   **SECOND CAUSE OF ACTION**

### 13                   **(Breach of the Implied Covenant of Good Faith and Fair Dealing)**

14           79.     The NuVeda Parties repeat and reassert the allegations previously set forth and  
15 incorporate the same by reference herein.

16           80.     The NuVeda Parties and CWNevada and CWNV are parties to the MIPA.

17           81.     Every contract entered into in Nevada provides that the parties owe a duty of good faith  
18 and fair dealing toward each other.

19           82.     CWNevada and CWNV have breached that duty by performing in a manner that was  
20 unfaithful or inconsistent with the purposes of the contract.

21           83.     CWNevada and CWNV's actions denied the NuVeda Parties of their justified  
22 expectations.

23           84.     CWNevada and CWNV's breach of the MIPA and the implied covenant of good faith  
24 and fair dealing has caused the NuVeda Parties to incur damages in excess of Fifteen Thousand Dollars  
25 (\$15,000.00).

26           85.     CWNevada and CWNV's breach of the MIPA has required the NuVeda Parties to retain  
27 the services of counsel to prosecute this action and, therefore, the NuVeda Parties are entitled to an  
28 award of reasonable attorneys' fees and costs of suit.

1 **THIRD CAUSE OF ACTION**

2 **(Unjust Enrichment)**

3 86. The NuVeda Parties repeat and reassert the allegations previously set forth and  
4 incorporate the same by reference herein.

5 87. The NuVeda Parties assert that the MIPA is – and has been since execution of the  
6 agreement in December 2015 – a valid and existing contract.

7 88. However, in the alternative, if it is determined that a valid contract exists between the  
8 NuVeda Parties and CWNevada and CWNV, the NuVeda Parties assert that Defendants have been  
9 unjustly enriched as a result of the actions and conduct by and between the parties.

10 89. Specifically, CWNevada and CWNV have utilized the NuVeda Parties' Licenses to  
11 generate revenue, and CWNevada and CWNV have accepted said revenues.

12 90. CWNevada and CWNV have refused to distribute any generated revenues to the  
13 NuVeda Parties.

14 91. CWNevada and CWNV continue to possess and enjoy the revenues derived from the  
15 Licenses despite repeated demands by the NuVeda Parties for disbursement of the revenues.

16 92. CWNevada and CWNV have unjustly retained the revenues derived from the Licenses  
17 against fundamental principles of justice or equity and good conscience.

18 93. Because of CWNevada and CWNV's retention of the revenues derived from the  
19 Licenses, the NuVeda Parties have incurred damages in excess of Fifteen Thousand Dollars  
20 (\$15,000.00)

21 94. Pessotto Investments and Cowpasture have been required to retain the services of  
22 counsel to prosecute this action and, therefore, they are entitled to an award of reasonable attorneys'  
23 fees and costs.

24 95. CWNevada and CWNV's actions have required the NuVeda Parties to retain the  
25 services of counsel to prosecute this action and, therefore, the NuVeda Parties are entitled to an award  
26 of reasonable attorneys' fees and costs of suit.

27  
28 ///

1 **FOURTH CAUSE OF ACTION**

2 **(Preliminary and Permanent Injunctive Relief)**

3 96. The NuVeda Parties repeat and reassert the allegations previously set forth and  
4 incorporate the same by reference herein.

5 97. The Licenses are highly coveted assets, the number of which are regulated by  
6 governmental authorities.

7 98. As such, the Licenses are unique in nature and the NuVeda Parties will be irreparably  
8 harmed if the Licenses are suspended or revoked as a result of CWNevada and CWNV's actions.

9 99. CWNevada, CWNV, and Padgett, through their (a) Failure to Pay Business License  
10 Fees/Operation with Expired License – North Las Vegas Dispensary; (b) Unauthorized Personnel  
11 Handling Product and Hampering of a Department of Taxation Investigation; (c) Failure to Comply  
12 and Assist in a Business License Division Audit; (d) Failure to Remit Payment for Business License;  
13 (e) Unauthorized Change of Business Name – City of Las Vegas Dispensary; (f) Failure to Remit  
14 Payment for Inspection – City of Las Vegas Dispensary; (g) Underreporting of Gross Revenues and  
15 Procedural Issues; (h) Failure to Pay Requisite Taxes; (i) Failure to Pay Dispensary Staff; and (j)  
16 Employment of Agents Possessing Expired Credentials have breached their obligation under the  
17 MIPA.

18 100. The NuVeda Parties enjoy a likelihood of success on the merits based upon the  
19 allegations set forth herein.

20 101. Based upon the foregoing allegations, the NuVeda Parties are entitled to injunctive  
21 relief enjoining CWNevada, CWNV, and Padgett from operating and managing the City of Las Vegas  
22 Dispensary and North Las Vegas Dispensary, and ceasing all business operations at the City of Las  
23 Vegas Dispensary and North Las Vegas Dispensary until the time the NuVeda Parties can take  
24 possession of the dispensaries and operate and manage said dispensaries.

25 102. CWNevada, CWNV, and Padgett's actions have required the NuVeda Parties to retain  
26 the services of counsel to prosecute this action and, therefore, the NuVeda Parties are entitled to an  
27 award of reasonable attorneys' fees and costs of suit.

28 ///

1 **FIFTH CAUSE OF ACTION**

2 **(Declaratory Relief)**

3 103. The NuVeda Parties repeat and reassert the allegations previously set forth and  
4 incorporate the same by reference herein.

5 104. Disputes and controversies have arisen between the NuVeda Parties and CWNevada  
6 CWNV, and Padgett relative to their actions, controlling documents, and conduct by and between the  
7 parties.

8 105. The disputes and controversies include, but are not limited to, the obligations of the  
9 parties and actions pursuant to the provisions of the MIPA and the various requirements and obligations  
10 required by those governmental bodies which regulate and oversee the cannabis industry in Nevada.

11 106. NRS 30.030 provides that courts of record, within their respective jurisdictions, shall  
12 have the power to declare rights, status, and other legal relations whether further relief is or could be  
13 claimed. No action or proceeding shall be open to objection on the ground that a declaratory judgment  
14 is prayed for. The declaration may be either affirmative or negative in form and effect, and such  
15 declarations shall have the force and effect of a final judgment or decree.

16 107. Based upon the language of NRS 30.030, this Court has the power to declare the rights,  
17 status, and other legal relations between the NuVeda Parties and CWNevada, CWNV, and Padgett.

18 108. Plaintiffs request that this Court declare the rights, statuses, and other legal relations of  
19 the parties including, but not limited to CWNevada and CWNV's performance pursuant to the MIPA  
20 and all obligations arising therefrom, whether the contract should be rescinded for Defendants' non-  
21 performance, and as to the conduct and actions of CWNevada, CWNV, and Padgett.

22 WHEREFORE, the NuVeda Parties pray as follows:

23 1. For judgment against CWNevada and CWNV, joint and severally, for damages in an  
24 amount in excess of Fifteen Thousand Dollars (\$15,000.00);

25 2. For, first, a preliminary and, thereafter, a permanent injunction enjoining CWNevada,  
26 CWNV, and Padgett from operating and managing the City of Las Vegas Dispensary and North Las  
27 Vegas Dispensary, and ceasing all business operations at the City of Las Vegas Dispensary and North  
28

1 Las Vegas Dispensary until the time the NuVeda Parties can take possession of the dispensaries and  
2 operate and manage said dispensaries;

3 3. For a declaration from the Court as to the rights, statuses, and other legal relations of  
4 the parties including, but not limited to, CWNevada and CWNV's performance pursuant to the MIPA  
5 and all obligations arising therefrom, whether the contract should be rescinded for Defendants' non-  
6 performance, and as to the conduct and actions of CWNevada, CWNV, and Padgett.

7 4. For any and all pre-judgment and post-judgment interest that accrues;

8 5. For reasonable attorneys' fees and costs incurred in the prosecution of this litigation;  
9 and

10 6. For such other and further relief in equity or at law as the Court determines to be just  
11 and proper.

12 DATED this 19<sup>th</sup> day of March, 2019.

13  
14 **WILEY PETERSEN**

15  
16 /s/ Jason M. Wiley

17 JASON M. WILEY, ESQ.

18 Nevada Bar No. 9274

19 RYAN S. PETERSEN, ESQ.

20 Nevada Bar No. 10715

21 1050 Indigo Drive

22 Suite 130

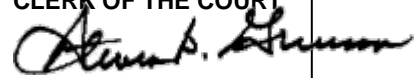
23 Las Vegas, Nevada 89145

24 Telephone: 702.910.3329

25 [jwiley@wileypetersenlaw.com](mailto:jwiley@wileypetersenlaw.com)

26 [rpetersen@wileypetersenlaw.com](mailto:rpetersen@wileypetersenlaw.com)

27 *Attorneys for Plaintiffs NuVeda, LLC*  
28 *Clark NMSD, LLC and Nye Natural*  
*Medicinal Solutions, LLC*



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*Attorneys for NuVeda, LLC, Clark NMSD, LLC,  
and Nye Natural Medicinal Solutions, LLC*

**IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**  
**IN AND FOR THE COUNTY OF CLARK**

NUVEDA, LLC, a Nevada limited liability company; CLARK NMSD, LLC, a Nevada limited liability company; and NYE NATURAL MEDICINAL SOLUTIONS, LLC, a Nevada limited liability company

Plaintiffs,

v.

CWNEVADA, LLC, a Nevada limited liability company; CWNV, LLC, a Nevada limited liability company; BRIAN C. PADGETT, a Nevada resident; DOES I to X, inclusive; and ROES I to X, inclusive,

Defendants.

Case No.: A-19-791405-C

Dept. No.: 1

**MOTION FOR PRELIMINARY  
INJUNCTION PREVENTING THE  
LIQUIDATION OF CWNEVADA  
PENDING TRIAL**

**REQUEST FOR HEARING**

Plaintiffs NUVEDA, LLC, a Nevada limited liability company, CLARK NMSD, LLC, a Nevada limited liability company, and NYE NATURAL MEDICINAL SOLUTIONS, LLC, a Nevada

1 limited liability company, by and through their co-counsel of record, Mitchell Stipp, Esq., of the Law  
2 Office of Mitchell Stipp, hereby files the above-referenced motion.

3 This motion is based on the papers and pleadings before the court, the memorandum of points  
4 and authorities that follows, the exhibits filed separately and incorporated herein by this reference, and  
5 the argument of counsel at the hearing.

6  
7 DATED this 8th day of July, 2020.

8  
9 **LAW OFFICE OF MITCHELL STIPP**

10  
11 /s/ Mitchell Stipp, Esq.  
12 MITCHELL STIPP, ESQ.  
13 Nevada Bar No. 7531  
14 LAW OFFICE OF MITCHELL STIPP  
15 1180 N. Town Center Drive, Suite 100  
16 Las Vegas, Nevada 89144  
17 Telephone: 702.602.1242  
18 mstipp@stipplaw.com  
19 *Attorneys for Plaintiffs*  
20  
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1  
2 **MEMORANDUM OF POINTS AND AUTHORITIES**

3 **I.**

4 **STATEMENT OF FACTS AND PROCEDURAL HISTORY**

5  
6 Throughout 2015, the Plaintiffs sought an infusion of capital to assist with their business  
7 operations. On November 17, 2015, CWNevada, LLC, a Nevada limited liability company  
8 (“CWNevada”), provided a Letter of Intent setting forth the general terms and conditions of a proposed  
9 joint venture between CWNevada, and the Plaintiffs. On December 6, 2015, Plaintiffs and CWNevada  
10 executed a Membership Interest Purchase Agreement (“MIPA”) formally memorializing the parties’  
11 obligations as initially provided in the Letter of Intent. See MIPA included as part of **Exhibit 1** (proof  
12 of claim). The MIPA expressly provides that CWNevada was to “commence funding, and paying for,  
13 one hundred percent (100%) of: (i) all necessary tenant improvements, furniture, fixtures, equipment,  
14 and fees and expenses relating thereto, for the development of the facilities on the [Clark NMSD and  
15 Nye Natural] properties, and all matters relating [to a scheduled attached to the MIPA]; (ii) all fees and  
16 expenses to effectuate the transfer and obtain transfer approvals; and (iii) sufficient working capital for  
17 the operation of the businesses of [Clark NMSD and Nye Natural].

18 The MIPA further expressly provided that CWNevada was to pay or reimburse Plaintiffs for  
19 certain costs and expenses incurred after execution of the agreement and that, upon execution of the  
20 MIPA, CWNevada would develop, manage, operate, and promote the facilities and were charged with  
21 the duties to protect the Plaintiffs’ licenses and maximize profits and the overall value and goodwill of  
22 the Clark NMSD and Nye Natural facilities.

23 Through an amendment added to the MIPA, cultivation and production operations were to “be  
24 up and running by the end of December 2016.” The same amendment expressly states that if the  
25 cultivation and productions operations were not up and running in earnest by the end of 2016,  
26 CWNevada shall provide lost profits based on the number of months the facilities are late in opening  
27 and based on the profits those facilities actually make for that same number of months upon opening.  
28



1 From the onset of CWNevada's management of Plaintiffs' dispensaries, CWNevada collected all  
2 revenues generated and have not made any disbursements to the Plaintiffs.

3 A receiver (the "Receiver") was appointed over CWNevada and its assets. See **Exhibit 2**. The  
4 parties have stipulated to resolve their dispute before this court (now Department 1). See **Exhibits 3**  
5 (stipulation to lift litigation stay) and **4** (order approving claim process). The Receiver also filed a  
6 subsequent motion to lift the stay on litigation to allow CWNevada, Shane Terry and Phil Ivey<sup>1</sup> to  
7 pursue litigation against related parties of Plaintiffs. The court granted this request but ruled based on  
8 NuVeda's opposition that the stay was also lifted to allow parties to pursue CWNevada and its assets  
9 subject to the Receiver's right to seek re-application of the stay. See **Exhibit 5**.

10 The Receiver has sought to liquidate CWNevada through settlement reached with the Nevada  
11 Department of Taxation which will leave CWNevada without any ability to perform under the MIPA  
12 or satisfy any judgments received by the Plaintiffs in this case. See **Exhibits 6** and **7**. Therefore,  
13 Plaintiffs seek an order from this court prohibiting the transfer, sale, liquidation or other disposition of  
14 the assets of CWNevada during the pendency of this case.

## 15 II.

### 16 LEGAL ARGUMENT AND ANALYSIS

#### 17 A. Preliminary Injunction Standard

18 Preliminary injunctions are sanctioned to accomplish the restoration of the status quo pending  
19 the resolution of the underlying dispute on the merits. Leonard v. Stoebling, 102 Nev. 543, 782 P.2d  
20 1358 (1986). A preliminary injunction to preserve the status quo is normally available upon a showing  
21 that the party seeking it enjoys a reasonable probability of success on the merits and that the conduct,  
22 if allowed to continue, will result in irreparable harm for which compensable damages are an  
23 inadequate remedy. Pickett v. Comanche Construction Co., 108 Nev. 422, 836 P.2d 42 (1992); Dixon  
24 v. Thatcher, 103 Nev. 414, 742 P.2d 1029 (1987).

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25  
26  
27 <sup>1</sup> Messrs. Terry and Ivey do not have legitimate claims. These claims have been initiated in Department 13 (Judge  
28 Denton). See Complaint filed in Case No. A-20-817363-B. Mr. Terry sold his claims to BCP 7 Holdings, LLC, which is  
controlled by Brian Padgett. Mr. Padgett through his entity dismissed the claims with prejudice. Mr. Ivey never funded  
the \$1.9M line of credit for his interests, and Mr. Terry agreed to resolve any disputes with Mr. Ivey through the  
conveyance of his interests. These matters are discussed and briefed in **Exhibit 8**.

1 NRS 33.010 outlines the basic considerations involved in deciding whether to grant injunctive  
2 relief. The statute provides:

3 An injunction may be granted in the following cases:

- 4 1. When it shall appear by the complaint that the plaintiff is entitled to the relief  
5 demanded, and such relief or any part thereof consists in restraining the  
6 commission or continuance of the act complained of, either for a limited period  
7 or perpetually.
- 8 2. When it shall appear by the complaint or affidavit that the commission or  
9 continuance of some act, during the litigation, would produce great or  
10 irreparable injury to the plaintiff.
- 11 3. When it shall appear, during the litigation, that the defendant is doing or  
12 threatens, or is about to do, or is procuring or suffering to be done, some act in  
13 violation of the plaintiff's rights respecting the subject of the action, intending  
14 to render the judgment ineffectual.

15 Here, all three subsections of NRS 33.010 are applicable. Plaintiffs are entitled to the relief  
16 requested as they will suffer great or irreparable injury if injunctive relief is not ordered. As set forth  
17 in greater detail below, Plaintiffs' have no adequate remedy at law.

18 **1. Failure to Issue a Preliminary Injunction Will Result in Irreparable Harm**

19 As early as 1865, the Nevada Supreme Court recognized the utility of preliminary injunctions  
20 in cases where there is a "threatened injury." Champion v. Sessions, 1 Nev. 478 (1865). While it is  
21 true that a party with an adequate remedy at law cannot face an "irreparable injury" (see e.g., Number  
22 One Rent-A-Car v. Ramada Inns, Inc., 94 Nev. 779, 587 P.2d 1329 (1978)), the Nevada Supreme Court  
23 has held that were the adequacy of a remedy at law is unclear, injunctive relief should be granted.  
24 Ripps v. City of Las Vegas, 72 Nev. 135, 297 P.2d 258 (1956). Further, the existence of a remedy at  
25 law will not preclude an injunction where the equitable remedy is "far superior" to the legal remedy.  
26 Nevada Escrow Services v. Crockett, 91 Nev. 201, 209, 533 P.2d 471, 478 (1975).

27 Here, Plaintiffs will incur immediate and irreparable harm if CWNevada is not enjoined from  
28 disposing of the assets of CWNevada. The proposed settlement with the Nevada Department of  
Taxation (the "State") and subsequent sale of the remaining assets of CWNevada will leave no money  
for CWNevada to perform under the MIPA (or satisfy any judgments by Plaintiffs against CWNevada)  
after paying administrative costs, receiver certificates, and other credit claims approved by the  
Receiver. See **Exhibits 6 and 7**.

1                   **2.       Review of the Relative Interest of the Parties Favors Injunctive Relief**

2               It has been acknowledged by the Nevada Supreme Court that probably the most important  
3 consideration of a trial court in deciding whether to issue an injunction is that of the interests of the  
4 parties – how much damage will the party seeking an injunction really suffer if restraint is denied  
5 versus the hardship to the non-moving party if the injunction is granted. Home Finance Co. v. Balcom,  
6 61 Nev. 301, 127 P.2d 389 (1942); Ottenheimer v. Real Estate Division, 91 Nev. 338, 535 P.2d 1284  
7 (1975).

8               Here, the balancing of interests clearly and unequivocally favors Plaintiffs. If CWNevada is  
9 permitted to liquidate and leave CWNevada with no ability to perform under the MIPA or satisfy any  
10 judgment, then Plaintiffs will have no recourse against CWNevada. Conversely, CWNevada will face  
11 no hardship if this court grants injunctive relief. The Receiver is in the process of negotiating joint  
12 ventures for CWNevada's facilities pending the liquidation of its assets. The Receiver has the ability  
13 to borrow money through receivership certificates. The Receiver can complete the disciplinary process  
14 with the State and may be able to retain all CWNevada's licenses. Without these assets, there is no  
15 joint venture with Plaintiffs.

16                   **3.       Plaintiff is Likely to Succeed on the Merits, Thus, Injunctive Relief is**  
17                   **Appropriate**

18               A preliminary injunction is available upon a showing that the party seeking the injunctive relief  
19 enjoys a "reasonable probability" of success on the merits. Christensen v. Chromalloy American Corp.,  
20 99 Nev. 34, 656 P.2d 844 (1983); Republic Entertainment, Inc. v. Clark County Liquor & Gaming  
21 Licensing Board, 99 Nev. 811, 672 P.2d 634 (1983); Number One Rent-A-Car v. Ramada Inns, Inc.,  
22 94 Nev. 779, 587 P.2d 1329 (1978); Dixon vs. Thatcher, 103 Nev. 414, 742 P.2d 1029 (1987).

23               In the present matter, Plaintiffs are asserting causes of action against CWNevada, CWNV, and  
24 Brian Padgett for breach of contract and breach of the implied covenant of good faith and fair dealing  
25 related to the MIPA, and unjust enrichment plead in the alternative. Examination of the factual events  
26 asserted in the Complaint clearly provides that Plaintiffs are likely to succeed on the aforementioned  
27 causes of action.  
28

1 The MIPA expressly provides that CWNevada was to “commence funding, and paying for, one  
2 hundred percent (100%) of: (i) all necessary tenant improvements, furniture, fixtures, equipment, and  
3 fees and expenses relating thereto, for the development of the facilities on the [Clark NMSD and Nye  
4 Natural] properties, and all matters relating [to a scheduled attached to the MIPA]; (ii) all fees and  
5 expenses to effectuate the transfer and obtain transfer approvals; and (iii) sufficient working capital for  
6 the operation of the businesses of [Clark NMSD and Nye Natural]. In addition, that CWNV and  
7 CWNevada would develop, manage, operate, and promote the facilities and were charged with the  
8 duties to protect the Plaintiffs’ licenses and maximize profits and the overall value and goodwill of the  
9 Clark NMSD and Nye Natural facilities.

10 Since execution of the MIPA and CWNevada’s management of the dispensaries and other  
11 facilities, there has hardly been a “maximization of profits and the overall value and goodwill” of the  
12 facilities. The Plaintiffs have received zero disbursements from the dispensaries operated by  
13 CWNevada. CWNevada also failed to build-out a cultivation facility in Nye County. Conversely,  
14 CWNevada has realized all revenues and have failed to provide transparency and information to the  
15 Plaintiffs as required by the MIPA. As such, the Plaintiffs are likely to succeed on the merits of their  
16 litigation.

17 In sum, Plaintiffs satisfy the three (3) requirements necessary for injunction relief – failure to  
18 issue injunctive relief will result in irreparable harm, review of the relative interests of the parties favors  
19 the issuance of injunctive relief, and that Plaintiffs are likely to succeed on the merits of the allegations  
20 at trial. Accordingly, this court should grant Plaintiffs’ motion for preliminary injunction.

21 **B. The Court Should Order Plaintiff Post a Minimal Bond to Effectuate Injunctive Relief**

22 Pursuant to Nev.R.Civ.P. 65(c), a bond is required to protect a party that is wrongfully enjoined.  
23 Plaintiffs request this court order the posting of a minimal bond to effectuate injunctive relief.

24 ///

25 ///

26 ///

27 ///

28 ///

1 DATED this 9th day of July, 2020.

2 **LAW OFFICE OF MITCHELL STIPP**

3  
4 /s/ Mitchell Stipp, Esq.

5 MITCHELL STIPP, ESQ.

6 Nevada Bar No. 7531

7 LAW OFFICE OF MITCHELL STIPP

8 1180 N. Town Center Drive, Suite 100

9 Las Vegas, Nevada 89144

10 Telephone: 702.602.1242

11 mstipp@stipplaw.com

12 *Attorneys for Plaintiffs*

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**DECLARATION OF PEJMAN BADY**

14 The undersigned, Dr. Pejman Bady, authorized agent for Plaintiffs, certifies to the court as  
15 follows:

16 1. I am an authorized agent of Plaintiffs in the above referenced case.

17 2. I submit the above-titled declaration in support of Plaintiffs' motion for a preliminary  
18 injunction, which has been filed concurrently herewith. I have personal knowledge of the facts contained  
19 therein unless otherwise qualified by my information and belief or such knowledge is based on the record  
20 in this case, and I am competent to testify thereto, and such facts are true and accurate to the best of my  
21 knowledge and belief.  
22

23 Dated this 8th day of July, 2020.

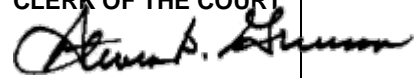
24  
25 /s/ Pejman Bady

26 Dr. Pejman Bady, Authorized Agent for Plaintiffs

DISTRICT COURT  
CLARK COUNTY, NEVADA

\*\*\*\*

Electronically Filed  
7/9/2020 3:11 PM  
Steven D. Grierson  
CLERK OF THE COURT



NuVeda, LLC, Plaintiff(s)

vs.

CWNebraska, LLC, Defendant(s)

Case No.: A-19-791405-C

Department 1

**NOTICE OF HEARING**

Please be advised that the Motion for Preliminary Injunction Preventing the Liquidation of CWNebraska Pending Trial in the above-entitled matter is set for hearing as follows:

**Date:** August 13, 2020

**Time:** Chambers

**Location:** RJC Courtroom 16A  
Regional Justice Center  
200 Lewis Ave.  
Las Vegas, NV 89101

**NOTE: Under NEFCR 9(d), if a party is not receiving electronic service through the Eighth Judicial District Court Electronic Filing System, the movant requesting a hearing must serve this notice on the party by traditional means.**

STEVEN D. GRIERSON, CEO/Clerk of the Court

By: /s/ Laurie Williams  
Deputy Clerk of the Court

**CERTIFICATE OF SERVICE**

I hereby certify that pursuant to Rule 9(b) of the Nevada Electronic Filing and Conversion Rules a copy of this Notice of Hearing was electronically served to all registered users on this case in the Eighth Judicial District Court Electronic Filing System.

By: /s/ Laurie Williams  
Deputy Clerk of the Court



July 16, 2020

***Via Electronic Mail***

Amber Virkler  
Grant Sawyer Office Building, Suite 4200  
555 E. Washington Avenue  
Las Vegas, Nevada 89101  
CCBmeetings@ccb.nv.gov

RE: Public Comment on Settlement of CWNevada Disciplinary Action (7.21.20)

Dear Ms. Virkler:

I am the court-appointed Receiver over CWNevada, LLC (“CWNevada”) pursuant to NRS 32.010 and write this letter in support of the of the Stipulation and Order for Settlement of Disciplinary Action (“Disciplinary Settlement”) involving CWNevada in the Marijuana Enforcement Division of the Department of Taxation’s (the “Department”) case number 2020-4 (the “Disciplinary Action”). I firmly believe that the Disciplinary Settlement strikes the proper balance to meet the Department’s interests in regulating Nevada’s cannabis industry and the concerns of the Eighth Judicial District Court of Clark County, Nevada (“District Court”) to provide some compensable remedy to those wronged by the pre-receivership management of CWNevada, including the citizens of Clark County and Nye County, as well as certain businesses and individuals from out-of-state who were excited to venture into Nevada’s new cannabis industry.

The Disciplinary Settlement significantly punishes CWNevada by revoking 6 of its licenses/certificates and imposing civil penalties in the amount of \$1.25 million. The 6 licenses/certificates being revoked can be roughly valued from approximately \$4.5 million to \$6.75 million. It is my understanding that civil penalties in the amount of \$1.25 million would be the highest civil penalties imposed in the history of Nevada’s cannabis industry. CWNevada was already punished by way of the District Court appointing me as the receiver over the company more than one year ago on June 13, 2019. Receivers are typically appointed to take control over distressed and mismanaged companies. The appointment of a receiver “is a harsh and extreme remedy” to be used against a company “sparingly and only when the securing of ultimate justice requires it.”<sup>1</sup>

As a result of my appointment, CWNevada’s pre-receivership management was displaced and I was ordered by the District Court to preserve, and if possible maximize the value of, CWNevada’s assets (the “Receivership Estate”) for the benefit of and distribution to

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<sup>1</sup> See *Reimer v. SCM Corp. of Nevada*, 127 Nev. 1169, 373 P.3d 954 (2011) (quoting *Hines v. Plante*, 99 Nev. 259, 261, 661 P.2d 880, 881–82 (1983)).

CWNebraska's creditors, which include the Department, the Nevada Labor Commissioner, the former employees of CWNebraska and the landlords of CWNebraska's facilities, among others. CWNebraska is being forced to liquidate its assets (including its licenses/certificates) to pay its debt, and will be facing dissolution upon the conclusion of my receivership.

The Disciplinary Settlement will allow CWNebraska to pay its outstanding taxes to the Department in the amount of approximately \$1.5 million, civil penalties to the Department in the amount of \$1.25 million, and unpaid wages to CWNebraska's former employees in the amount of approximately \$300,000. These sums are extremely important to Nevada and its citizens given the State's budget deficits and high unemployment rates. Conversely, if all of CWNebraska's licenses/certificates subject to revocation in the Disciplinary Action are in fact revoked, CWNebraska would lose its most valuable assets and not have sufficient assets to pay its creditors, including the Department and CWNebraska's former employees. CWNebraska's landlords would also be left without payment of back rent and have empty commercial spaces customized for a cannabis business that could be very difficult to fill. It is not only unreasonable to pursue such harsh measures in these difficult times, but it would be completely devoid of compassion for the innocent Nevadans who would be impacted by such measures, and disregard the tremendous efforts by the receivership team to bring CWNebraska into regulatory compliance.

With the assistance of expert consultants, including former Department auditor Sheba Statham, I can proudly state that we have successfully rehabilitated CWNebraska and brought the company back into regulatory compliance except for the tax obligations, which will be paid upon liquidation of CWNebraska's licenses/certificates so long as the Disciplinary Settlement is approved. We also have taken extreme care and safety precautions in reopening CWNebraska's dispensary located on Blue Diamond Road in Las Vegas after it had been close for approximately one year. As an operating and profitable business, this dispensary, now under the management of James Hammer and Kira Hurado, will be even more valuable when sold meaning there will be more money available to pay CWNebraska's creditors.

Even under the most favorable conditions, though, liquidation of CWNebraska's licenses/certificates will never yield sufficient profits to pay all of CWNebraska's debts in full, which exceed at least \$30 million. This means prior management and equity owners of CWNebraska will not profit in any way from the sale of CWNebraska's licenses/certificates. There is also an express provision in the Disciplinary Settlement to prevent such an event from occurring.

Since my appointment as receiver, I have worked closely with the Department and the Attorney General's Office. On the very first day of my appointment, I met with the Department and voluntarily agreed to allow the Department to place a hold on marijuana product and plants in CWNebraska's METRC account so that the Department could properly investigate CWNebraska's pre-receivership conduct and preserve evidence. This administrative hold was extremely beneficial to the Department while economically detrimental to CWNebraska, costing the company millions of more dollars in lost revenue. Despite these economic losses, I have continued to cooperate with the Department and expended significant time, effort, and resources



in an attempt to bring CWNevada back into regulatory compliance through various corrective actions.<sup>2</sup>

The financial condition of CWNevada was precarious upon my appointment. In addition to monetary defaults to every creditor constituency resulting in millions of dollars in creditor claims, there was no money with which to preserve, protect and secure company assets. As a result, I was forced to borrow money through receivership certificate loans in periodic increments at 18% interest to preserve, protect, and secure the assets of CWNevada. The current amount owed to certificate holders in principal is approximately \$6.25 million.<sup>3</sup> CWNevada also incurred, and continues to accrue, interest on certificates, receivership fees, compliance and regulatory consultant fees, management fees, legal fees, and other estate expenses of approximately \$4 million to date. The Disciplinary Settlement provides a balance of punishing pre-receivership misconduct while at the same time providing an opportunity to satisfy administrative expenses of the receivership estate and make a substantial contribution toward creditors' claims.

That is the balanced approach that should be pursued here. In considering the Department's request for permission to proceed with its intended discipline against CWNevada, early on in the receivership case, the District Court offered these sage words as a guiding principle for the Department's discipline:

[T]he potential scorched earth of this if the Department of Taxation does shut down the businesses say it would be contrary to, I think, what we've been trying to do under the law here.

\* \* \*

[T]he Court's ruling should strike a balance between the creditor's rights and the Department of Taxation's regulatory purpose....That's exactly what I'd like to try to do here today.

I have already sought and obtained the District Court's approval of the Disciplinary Settlement on behalf of CWNevada. Only one party to the receivership litigation opposed my motion to approve the Disciplinary Settlement. That party was NuVeda, LLC, which opposed primarily on the grounds that the discipline against CWNevada in the Disciplinary Settlement was too severe and likely would not result in a satisfactory payment to CWNevada's creditors. NuVeda objected to the revocation of any licenses as part of the Disciplinary Settlement. My motion was granted over NuVeda's opposition and the District Court's Order Granting Receiver's Motion to Approve Good Faith Settlement with Department of Taxation on Order Shortening Time was entered on July 10, 2020.

---

<sup>2</sup> Payments to bring CWNevada back into regulatory compliance include more than \$1 million in security expenses; approximately \$100,000 in renewal fees to the Department; approximately \$35,000 to destroy untagged product per Department order; approximately \$64,857 in fees to Nye County; and approximately \$255,880 in fees to Clark County.

<sup>3</sup> This money was used to pay for remedial measures, consultant and management fees, litigation expenses, rent, and operating costs, among other things.

If the Board were to reject the Disciplinary Settlement to seek further revocation of CWNevada's licenses/certificates, it would unnecessarily tip the scale towards the type of scorched earth approach that the District Court warned against and hoped to avoid. In addition, revocation of additional licenses/certificates would not serve any constructive purposes. Additional revocation would only punish the innocent victims of CWNevada's pre-receivership management. It is also important to note that Mr. Brian Padgett, a majority owner and prior manager of CWNevada is the subject of a separate disciplinary action that occurred on June 30, 2020, with the Department's recommended discipline including revocation of his agent card.

Based on the foregoing, I strongly urge you to approve the Disciplinary Settlement. Enclosed herein for the Board's further consideration are statements from the following individuals in support of the Disciplinary Settlement and who previously asked that CWNevada's licenses/certificates not be revoked:

1. Justin Jones, Clark County Commissioner, District F;
2. Tick Segerblom, Clark County Commissioner, District E;
3. Nye County Board of County Commissioners:
  - a. John Koenig, Chairman;
  - b. Debra Strickland, Vice-Chairman;
  - c. Leo Blundo, Commissioner;
  - d. Donna Cox, Commissioner; and
  - e. Lorinda Wichman, Commissioner;
4. Brandon Kanitz, Member and Manager of Thornapple River Capital, LLC; and
5. Former employees of CWNevada:
  - a. Yusaf Abdal-Karim;
  - b. Jason Bolden;
  - c. Courtney Dollarhide;
  - d. Reichen Gihbosson;
  - e. William Giron;
  - f. Marcio Guastavino;
  - g. Keith Hossack;
  - h. Anthony Imbimbo;
  - i. Essence Johnson;
  - j. Megan Keller;
  - k. Richard McKenzie;
  - l. Kai Perry;
  - m. Darrick Ransey;
  - n. Nayeli Rizo;
  - o. Alex Rodriguez;
  - p. Brianne Scofield;
  - q. Jessee Soto;
  - r. Joumy Velilla; and
  - s. Kevin Wickline.

///

Thank you for your consideration of this letter in support of the Disciplinary Settlement.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Detan Y. Melech', with a large, sweeping flourish extending to the right.

Detan Y. Melech  
Court-Appointed Receiver

# STATEMENTS

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1

Justin Jones, Clark County  
Commissioner, District F

JUSTIN C. JONES  
Commissioner



*Board of County Commissioners*

CLARK COUNTY GOVERNMENT CENTER  
500 S GRAND CENTRAL PKY  
BOX 551601  
LAS VEGAS NV 89155-1601  
(702) 455-3500 FAX: (702) 383-6041

Mr. Tyler Klimas, Director  
Marijuana Enforcement Division  
Nevada Department of Taxation  
555 E Washington Ave., Suite 4100  
Las Vegas, NV 89101

**Via U.S. Mail and email ([tklimas@tax.state.nv.us](mailto:tklimas@tax.state.nv.us))**

June 5, 2020

Dear Director Klimas,

I am writing you today to express our support for the work of the Receivership Estate ("Receiver") regarding the CW Nevada marijuana licenses in Clark County, which include the following locations: a Medical/Retail dispensary located in my district at 6540 Blue Diamond Road; Medical/Retail production, cultivation, and distribution located at 4145 West Ali Baba; and a Medical/Retail cultivation located at 3132 and 3152 South Highland Drive.

It is my understanding that the Receiver has worked diligently over the past 12 months to ensure these facilities were brought up to compliance, including the renewal and payment of state and local licensing fees and the payment of back taxes owed. In fact, the Receiver worked closely with the Clark County Business License Department to file all delinquent renewals and remit all delinquent fees to the County in the total amount of \$255,881.44.

Additionally, they have maintained a security presence to secure all marijuana product on site and have submitted plans for both destruction of product and re-opening of the facilities. They have worked in full transparency under court order to assist the Department in their investigation of any wrongdoing by prior management.

I implore you to allow the Receiver and their associated management and compliance teams to resume operations under the court order in order to preserve the licenses and ensure Clark County may benefit from future tax revenues and the good paying jobs these

businesses provide. A decision to revoke these licenses would negatively impact our community and eliminate tens of millions of tax dollars and economic benefits. I firmly believe that the Receivership will return ensure these businesses are managed in a highly compliant and transparent fashion with both state and local regulators and that the public's safety and welfare will be top of mind. Both the employees and the customers of these businesses are my constituents and so I do not take this position lightly.

If you would like to discuss this matter further, I am available to you and your staff.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Justin Jones', written over the word 'Sincerely,'.

Justin Jones  
Clark County Commission District F

2

Tick Segerblom, Clark County  
Commissioner, District E



TICK SEGERBLOM  
Commissioner



*Board of County Commissioners*

CLARK COUNTY GOVERNMENT CENTER  
500 S GRAND CENTRAL PKY  
BOX 551601  
LAS VEGAS NV 89155-1601  
(702) 455-3500 FAX: (702) 383-6041

June 5, 2020

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Marijuana Enforcement Division  
Nevada Department of Taxation  
555 E Washington Ave. Suite 4100  
Las Vegas, NV 89101

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If you would like to discuss this matter further, my office is available to you and your staff.

Sincerely,

A handwritten signature in black ink, appearing to be 'T. Segerblom', written over a faint, larger '2'.

Tick Segerblom  
County Commissioner District E

CC via email:  
Department of Taxation Director Melanie Young  
The Office of Governor Steve Sisolak  
The Office of Attorney General Aaron Ford

3

# Nye County Board of County Commissioners

Pahrump Office  
Nye County Government Center  
2100 E. Walt Williams Drive  
Suite 100  
Pahrump, NV 89048  
Phone (775) 751-7075  
Fax (775) 751-7093



**Board of County  
Commissioners  
Nye County, Nevada**

Tonopah Office  
Nye County Courthouse  
William P. Beko Justice Facility  
PO Box 153  
Tonopah, NV 89049  
Phone (775) 482-8191  
Fax (775) 482-8198

91 7199 9991 7030 0467 0957

November 5, 2019

Nevada Department of Taxation  
Marijuana Enforcement Division  
1550 E. College Parkway, Suite 115  
Carson City, NV 89706

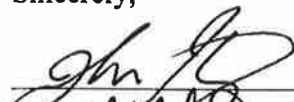
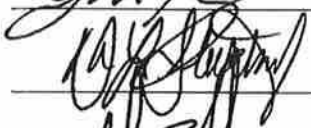
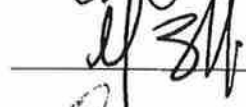
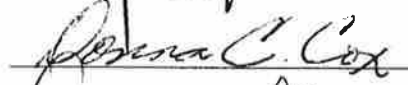
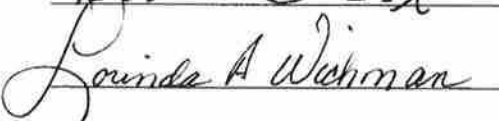
Subject: Marijuana License for CW Nevada

To Whom it May Concern:

As the Nye County Board of Commissioners, we ask that the license in question for CW Nevada be allowed to remain in Nye County. The employment and revenues that this license has produced in the past are significant and vital to a rural community. Employment in a rural community can be hard to come by, and the opportunity for the citizens in Nye to gain the benefits that come from a properly run, compliant establishment are important. We would like to see those revenues and employment opportunities stay in Nye County.

We understand that the Courts have appointed a receiver due to some poor management in charge of the facility. We support affording the receiver the opportunity to get the facility in compliance, eliminating the poor management and keeping the license in Nye County.

Sincerely,

	John Koenig, Chairman
	Debra Strickland, Vice-Chairman
	Leo Blundo, Commissioner
	Donna Cox, Commissioner
	Lorinda Wichman, Commissioner

4

Brandon Kanitz  
Member and Manager of  
Thornapple River Capital, LLC

## **THORNAPPLE RIVER CAPITAL, LLC'S IMPACT STATEMENT**

I, Brandon Kanitz, do hereby voluntarily state under penalty of perjury as follows:

- I am a Member and Manager of Thornapple River Capital, LLC (“Thornapple”),
- I am over the age of 18 years and I am competent to make this declaration. I have personal knowledge of the facts set forth herein.
- I make this Declaration in support of the position of the Receiver for Respondent CWNevada, LLC (“CWNevada”) in connection with the allegations contained in the First Amended Complaint for Disciplinary Action and Notice of Hearing and the administrative hearing to be held before Chief Administrative Law Judge Dena Smith.

Thornapple is an asset management firm based in the Midwest that manages various investment funds that invest in a number of businesses throughout the United States. These funds typically consist of a number of individual investors, who have invested their retirement savings or other hard-earned savings into these funds. Among those funds are Highland Partners NV LLC (“Highland Partners”), MI-CW Holdings and MI-CW Holdings NV Fund 2 LLC (collectively the “MI-CW Funds”). Highland Partners and the MI-CW Funds each made significant loans and other investments in CWNevada, LLC (“CWNevada”) prior to CWNevada entering Receivership.

Highland Partners has spent over \$14.6 million to purchase and improve real property located at 3132 Highland Drive and 3152 Highland Drive in Las Vegas, Nevada (collectively, the “Premises”) for the purpose of leasing the Premises to CWNevada to be used as a marijuana cultivation facility. To that end, Highland and CWNevada entered into a Commercial Lease (the “Lease”) for the Premises on May 24, 2017. Pursuant to the Lease, CWNevada’s rent was to be calculated based upon, among other things, both the cost for Highland to acquire the Premises and the expenditures necessary to improve the Premises to be used as a cultivation facility. In contravention of the Lease’s terms, CWNevada has never paid any rent or other required payments to Highland despite occupying the Premises for approximately three years. This

has had a materially negative financial impact on the numerous individuals and other entities that invested in Highland Partners.

MI-CW Funds are owed over \$8.6 million before any interest and penalties from CWNevada, primarily from the purchase of Series B Preferred Notes, Series A Preferred Notes and a secured line of credit that CWNevada utilized to fund operations and purchase equipment. CWNevada defaulted on these obligations. Again, these defaults and failures to repay has had a materially negative financial impact on the numerous individuals and other entities that invested in MI-CW Funds.

As previously mentioned, Thornapple raises the capital for its funds primarily from individual investors. CWNevada's failure to pay its loan and rent obligations to the MI-CW Funds and Highland Partners have meant that these individuals collectively spent millions of dollars to fund CWNevada's operations and now risk losing all or a significant portion of these investments. Thornapple unfortunately learned too late that CWNevada's prior ownership and management (Brian Padgett) never had any intent of repaying its obligations. To date, I believe Thornapple and its investors have suffered more financial harm from the misdeeds and mismanagement of CWNevada and its principals than any other party.

Following the commencement of the CWNevada Receivership, Thornapple was approached by the CWNevada Receiver about possible funding for the Receivership Estate. The Receiver informed me that the former principals of CWNevada, including Respondent Brian Padgett, had left the company with no operating capital and significant liabilities. The Receiver advised me that he needed capital to correct many of the problems created by the former principals of CWNevada and to protect the assets of CWNevada, including, and most importantly, its Nevada cannabis licenses. Thornapple formed TRC Evolution NV, LLC ("Evolution") to raise funds to support the Receivership of CWNevada and to preserve the assets of CWNevada both for Thornapple and also for the benefit of all creditors. Evolution raised money by issuing notes to third parties and then provided that money to the CWNevada Receivership Estate in exchange for Receiver Certificates issued in favor of Evolution. Highland Partners also funded the Receivership via Receiver Certificates. Evolution, Highland Partners and their affiliates have funded over \$5.3 million to the Receivership Estate of CWNevada since June of 2019.

I am informed and believe that the Receiver has utilized these funds to pay expenses of CWNevada and operate the Receivership Estate, including allowing the Receiver to pay certain past due taxes of CWNevada, to pay license renewal fees, to maintain security over the assets and to implement robust compliance procedures to avoid additional violations of Nevada laws and regulations during the pendency of the Receivership.

I believe revocation of CWNevada's licenses in this disciplinary process would be disastrous not only for Thornapple and its investors, but also for other marijuana establishment operators, the industry as a whole and, ultimately, the State of Nevada. A marijuana establishment that can operate without outside investment is the rare exception. Outside investors such as Thornapple have been willing to lend significant sums to start-up marijuana establishment operations based in large part on the inherent value of the licenses granted to them by the State of Nevada. These investors recognized that the licenses are a privilege and not a right, but they also understood that the State, having granted those licenses, would not seek to revoke them unnecessarily and without due process.

Here, CWNevada's creditors acted to purge it of its entrenched ownership and management who had severely mismanaged the company. They did this by seeking a court-appointed Receiver who would take control of the company and put it back on the right path not only for their sake, but also for the sake of paying all taxes properly owed to the State of Nevada. These creditors, Thornapple included, spent an enormous amount of time and money (in excess of their original loans to CWNevada) to appoint the Receiver and to put CWNevada on the right path. To have the licenses revoked now based on the conduct of Brian Padgett who is no longer in control of anything having to do with CWNevada would be a travesty of justice.

CWNevada's creditors have done everything they could to free CWNevada from Mr. Padgett's bad acts. They did this with the hope and understanding that having been purged of its bad actors, CWNevada's licenses would no longer be at risk of revocation. If CWNevada's licenses are nevertheless revoked, the



clear message that will be sent to potential lenders and investors everywhere is that they should not do business with marijuana operators in Nevada. This would have a deleterious effect not only on the operators who would be without the necessary capital to start and operate their establishments, but also to the citizens of Nevada including those who use medical marijuana as well as the State of Nevada who would lose out on tax dollars. The unnecessary and intentional loss of any further tax dollars in these vulnerable times caused by revocation of CWNevada's licenses should be avoided. Moreover, the ripple effect that this would cause with lenders and investors in other establishments who may pull their funding and/or refuse future funding in Nevada may cause financial difficulties for those establishments that may have to shut down, causing a further loss of tax revenue.

The revocation of CWNevada's licenses will eliminate any chance of recovery for Thornapple and the numerous Thornapple investors, who stand to lose millions of dollars after having done everything in their power to do the right thing and save CWNevada from its prior ownership and management. Thornapple's investors' only hope for recovery now is through the sale of CWNevada's most significant assets – its marijuana licenses.

I declare under penalty of perjury under the law of the State of Nevada that the foregoing is true and correct.

DATED this 31st day of May, 2020.

DocuSigned by:  
By: Brandon Kanitz  
BRANDON KANITZ, manager of Thornapple River Capital, LLC

5  
Former Employees of  
CWNebraska

1  
2 BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
3 DEPARTMENT OF TAXATION  
4 STATE OF NEVADA

5 STATE OF NEVADA, DEPARTMENT OF ) CASE NO.: 2020-4  
6 TAXATION, MARIJUANA )  
7 ENFORCEMENT DIVISION. ) Chapter 7  
8 )  
9 Petitioner ) **DECLARATION OF YUSAF ABDAL-**  
10 vs. ) **KARIM**  
11 )  
12 CWNEVADA, LLC, and BRIAN PADGETT )  
13 )  
14 Respondents. )  
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13 I, YUSAF ABDAL-KARIM, hereby declare

- 14 1. I am a former employee of CW Nevada, LLC. I worked for CW Nevada as an  
15 Inventory Lead.  
16 2. I did not receive payment for wages that I was owed for the period of 2/11/2019 –  
17 02/24/2019. Presently, I am owed approximately \$5,000.  
18 3. My employment was terminated and i never received my final pay check.  
19 4. As a result, i was forced to borrow, in order to pay for my living expenses.  
20 5. Again, i find myself unemployed, as a result of the COVID-19 situation. Those funds  
21 would still be extremely helpful, in my current situation(having been laid off).

22 I declare under penalty of perjury that the foregoing is true and correct, and that this  
23 declaration was executed on the 15<sup>th</sup> day of May, 2020.

24  
25 Yusaf Abdal-karim

26 YUSAF ABDAL-KARIM  
27  
28

1  
2 BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
3 DEPARTMENT OF TAXATION  
4 STATE OF NEVADA

5 STATE OF NEVADA, DEPARTMENT OF  
6 TAXATION, MARIJUANA  
7 ENFORCEMENT DIVISION.

8 Petitioner

9 vs.

10 CWNEVADA, LLC, and BRIAN PADGETT

11 Respondents.

) CASE NO.: 2020-4

) Chapter 7

) **DECLARATION OF JASON BOLDEN**

12  
13 I, JASON BOLDEN, hereby declare

14 1. I am a former employee of CWNEVADA, LLC. I was employed as a Security  
15 Manager.

16 2. I did not receive payment for wages that I was owed for the period of 5/6/2019 –  
17 07/05/2019. Presently, I am owed approximately \$12,000.

18 3. In December 2018, I was promised a lucrative and secure job as a Security Manager  
19 with CW Nevada.

20 4. I moved from my home of 10 years, left my wife and family behind in Florida to take  
21 on this position with CW Nevada.

22 5. In April, it became evident that CW Nevada was having financial issues. My paydays  
23 started to come later and later, weeks apart even, until a month went by without receiving my pay.  
24 By this time my financial stresses had already begun and had become extremely unmanageable.  
25 Upper management assured us that loans were being secured that would bring payroll up to date. I  
26 was asked to hang in there and continue my work. Being loyal and having nowhere else to turn, I  
27 stuck it out.

28 6. By mid-June, when the temporary receiver was put in place, I was asked and expected

1 to continue my work, which ultimately came to an end on July 7th. I stuck it out with this company  
2 with the understanding of the possibilities and opportunities of growth within the cannabis industry.  
3 Since making the move to Las Vegas, I was overworked, underpaid, unappreciated and humiliated.  
4 I've been homeless since I've been in Las Vegas. My only vehicle is in repossession status.

5 7. As a diabetic, I've had difficulty keeping up with my health and medication. At this  
6 point I've considered filing for bankruptcy, but I can't even afford to do that.

7 8. I have been fighting for my wages for over a year. I have no foreseeable way to  
8 recover or get back to my family and home in Florida.

9 9. To add insult to injury, COVID19 has prevented me from working at my current low  
10 waged job. Now almost 7 weeks into lockdown, unemployment has failed to pay me a single dime.

11 10. My only hope at this point is that I receive the wages I am owed from CW Nevada so  
12 that I that I can have some semblance of my life back.

13 11. Debtors did not list any lawsuits or potential claims on their bankruptcy schedules,  
14 nor did they disclose any claims at the 341 (a) meeting of creditors.

15 I declare under penalty of perjury that the foregoing is true and correct, and that this  
16 declaration was executed on the 15<sup>th</sup> day of May, 2020.

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19 JASON BOLDEN  
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1  
2 BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
3 DEPARTMENT OF TAXATION  
4 STATE OF NEVADA

5 STATE OF NEVADA, DEPARTMENT OF ) CASE NO.: 2020-4  
6 TAXATION, MARIJUANA )  
7 ENFORCEMENT DIVISION. ) Chapter 7  
8 )  
9 Petitioner ) **DECLARATION OF COURTNEY**  
10 vs. ) **DOLLARHIDE**  
11 )  
12 CWNEVADA, LLC, and BRIAN PADGETT )  
13 )  
14 Respondents. )  
15 )  
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13 I, COURTNEY DOLLARHIDE, hereby declare

14 1. I am a former employee of CWNEVADA, LLC. I was employed as a Budtender.

15 2. I did not receive payment for wages that I was owed for the period of 5/6/2019 –  
16 05/31/2019. Presently, I am owed approximately \$9,000.

17 3. Last year I had saved money from my income tax to get a car of mine back on the  
18 road. Around March CW Nevada stopped paying us on time so to be safe I used my “car fix” money  
19 to pay my bills.

20 4. My employment ended on May 31 and my father passed away on June 4th.

21 5. I had been promised my final pay for June 2 because I was let go and I would have  
22 made it to Florida on June 3, before he passed away.

23 6. After borrowing from everyone I know, I made it to Florida on June 6. Not only was I  
24 broke but I ended up stranded in North Carolina for three days penniless.


25 7. Due to weather and plane issues, I had to sleep in the airport. It was the worst week  
26 of my life.

27 8. After returning home I had to pawn all my family jewelry to pay people back and to  
28 this day, I am still making payments.

1           9.       I refuse to lose my jewelry and was hoping some day I will get what is owed so I can  
2 own my property again.

3           10.      Finally, with this years' tax refund I was able to repair my car. Until recently, my  
4 boyfriend and I had to ride the bus for the past year.

5           I declare under penalty of perjury that the foregoing is true and correct, and that this  
6 declaration was executed on the 15<sup>th</sup> day of May, 2020.

7   
8  
9 COURTNEY DOLLARHIDE

1  
2 BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
3 DEPARTMENT OF TAXATION  
4 STATE OF NEVADA

5 STATE OF NEVADA, DEPARTMENT OF ) CASE NO.: 2020-4  
6 TAXATION, MARIJUANA )  
7 ENFORCEMENT DIVISION. ) Chapter 7  
8 )  
9 Petitioner ) **DECLARATION OF REICHEN GIHBSSON**  
10 vs. )  
11 )  
12 CWNEVADA, LLC, and BRIAN PADGETT )  
13 )  
14 Respondents. )

15 I, REICHEN GIHBSSON, hereby declare

16 1. I am a former employee of CW Nevada, LLC. I was employed as a Director of  
17 Production.

18 2. I did not receive payment for wages that I was owed for the periods of 2/25/2019 –  
19 3/15/2019. I am owed approximately \$8,000.

20 3. I have learned that me and my fellow employees may no longer be receiving any of  
21 the money due to us depending on the outcome of this matter.

22 4. For me, it's a little over \$8000. This may seem small to some, but for me, it gives me  
23 the chance to be back on my feet and out of debt.

24 5. I had to take out a loan to cover the reimbursement and hours worked I never received  
25 from CW Nevada in order to keep a roof over my head.

26 6. As the year has gone by, life hasn't really given me a break since leaving CW. I've  
27 struggled to find reliable employment, and the COVID-19 pandemic is proving to make all aspects  
28 challenging in ways I never imagined. I'm near losing my house, my car, my savings, and everything  
I've worked hard for.

7. I need to receive the sums that the Receiver agreed that I am owed.

8. I request that you consider the financial impact this claim has had on me and the other  
co-workers when making any determinations regarding CW Nevada.



1 I declare under penalty of perjury that the foregoing is true and correct, and that this  
2 declaration was executed on the 15<sup>th</sup> day of May, 2020.

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5 REICHEN GIHBSSON  
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BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF	)	CASE NO.: 2020-4
TAXATION, MARIJUANA	)	
ENFORCEMENT DIVISION.	)	Chapter 7
	)	
Petitioner	)	<b>DECLARATION OF WILLIAM GIRON</b>
vs.	)	
	)	
CWNEVADA, LLC, and BRIAN PADGETT	)	
	)	
Respondents.	)	

I, WILLIAM GIRON, hereby declare

1. I am a former employee of CW Nevada, LLC. I was employed as a Shipping Supervisor.

2. I did not receive payment for wages that I was owed for the periods of 1/22/2019 – 4/1/2019. I am owed approximately \$8,400.

3. As a former employee at CW Nevada I still face repercussions of the poor decisions made by Brian Padgett, a year later after leaving.

4. Many of the former employees did not feel they had freedom to leave the company due to it's strict 'Non-compete' contract we signed at the beginning of our employment.

5. Whether this contract was legitimate or not, the fear instilled on the us was real. We were told that we could not leave CW Nevada for employment at any another cannabis-related facility, most of us had left our previous careers in hopes that this would open opportunities for us in the future of this industry, but instead were now faced with closed doors in the upcoming industry.

6. It has been a little over a year since I ended my employment at CW Nevada, but I am still facing the consequences from my time there. The amount of stress and anxiety built up from working without pay there has left mental scars that cannot be undone.

7. Most employees, including myself, were forced to work odd-end jobs for the company, ones that we did not sign up for, in hopes to obtain payment.

1           8.     In my time there I had witnessed several employee pay for basic supplies that should  
2 have been handled by the company (hand soap for bathrooms, sugar for production kitchens, toner  
3 for printers etc.) and I do not believe they were paid in return for these items, I can only imagine  
4 how that debt has affected their lives.

5           9.     At the lowest point of my employment there, I remember working out of the  
6 dispensary 'bud-tending' and working for only tips as CW Nevada could not provide me a paycheck.

7           10.    I had to borrow money from relatives in order to pay past-due bills, even after cutting  
8 out luxuries from my daily life-style.

9           11.    It got to a point where I could no longer afford to work for CW Nevada, the money  
10 gained in tips was no longer enough to cover the money spent in gas-mileage to go to work.

11          12.    To this day, I am still paying back relatives who helped in my time of need, some of  
12 which had also made sacrifices in order to help.

13          13.    The financial burden CW Nevada LLC, placed on it's employees did not end there.  
14 This stress branched out to our families, friends, and loved ones who wanted to help us in our time  
15 of need.

16          14.    I have read the complaints made from the Department of Taxation and can agree that  
17 CW Nevada indeed needs to be disciplined for the alleged infractions, but not at the cost of the  
18 employees. We have already been denied payment before, and many are still facing challenges that  
19 CW Nevada placed on them by failing to pay.

20          15.    Revoking the licenses that could be used to settle the debt will only make matters  
21 worse, it is not punishing CW Nevada for the alleged infractions but instead hurting those who have  
22 been affected by the poor decisions made by the company.

23          16.    CW Nevada/Canopy is no longer in business, to my understanding, and revoking  
24 these licenses will not help the citizens of Nevada nor correct any misconduct that may have taken  
25 place.

26          17.    It will have an impact on those of us who have waited for our story to be told, worked  
27 through terrible conditions, and were denied pay. Selling these licenses as assets to relieve the debt  
28 CW Nevada has put on many of its employees would be justice for us.

1 I declare under penalty of perjury that the foregoing is true and correct, and that this  
2 declaration was executed on the 15<sup>th</sup> day of May, 2020.

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5 WILLIAM GIRON  
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BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF ) CASE NO.: 2020-4  
TAXATION, MARIJUANA )  
ENFORCEMENT DIVISION. ) Chapter 7  
Petitioner ) **DECLARATION OF MARCIO**  
vs. ) **GUASTAVINO**  
CWNEVADA, LLC, and BRIAN PADGETT )  
Respondents. )

I, MARCIO GUASTAVINO, hereby declare

1. I am a former employee of CW Nevada, LLC. I worked for CW Nevada as a Cultivator.
2. I did not receive payment for wages that I was owed for the period of 5/6/2019 – 06/16/2019. Presently, I am owed approximately \$5,000.
3. I'm a Type 1 diabetic. Much of the money I made from this position were used for medical purposes including insulin, medical visits, and supplies (glucometer strips and needles).
4. As a result of not being paid, I have been unable to purchase medication when needed and have skipped doctors' appointments because I was unable to pay the cost of each visit/copy.
5. I would like to receive the amounts I am owed. In light of the current quarantine, these funds will help me survive, reduce my stress, and stop me from having to ration medications when I need them.

I declare under penalty of perjury that the foregoing is true and correct, and that this declaration was executed on the 15<sup>th</sup> day of May, 2020.

  
MARCIO GUASTAVINO

BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF ) CASE NO.: 2020-4  
TAXATION, MARIJUANA )  
ENFORCEMENT DIVISION. ) Chapter 7  
)  
Petitioner ) **DECLARATION OF KEITH HOSSACK**  
vs. )  
)  
CWNEVADA, LLC, and BRIAN PADGETT )  
)  
Respondents. )

I, KEITH HOSSACK, hereby declare

1. I am a former employee of CW Nevada, LLC. I was employed as an Inventory Specialist.
2. I did not receive payment for wages that I was owed for the periods of 4/08/2019 – 5/5/2019. I am owed approximately \$4,900.
3. I was a loyal employee and I stayed through not getting paid repeatedly and after I was promised raise after raise.
4. I didn't want to leave because I enjoyed my coworkers.
5. Not getting paid took a toll on me and my family, the stress, the anger, the lies and broken promises I almost lost my family from this.
6. I have three children and trying to make ends meet while not getting paid was extremely difficult. I had to rely on my fiancé's pay and it was rough.
7. I want justice and to be paid what I am owed. I deserve this because I was a faithful employee.

I declare under penalty of perjury that the foregoing is true and correct, and that this declaration was executed on the 15<sup>th</sup> day of May, 2020.

  
KEITH HOSSACK



RICHARD F. HOLLEY, ESQ.  
Nevada Bar No. 3077  
E-mail: rholley@nevadafirm.com  
JOHN J. SAVAGE, ESQ.  
Nevada Bar No. 011455  
E-mail: JSavage@nevadafirm.com  
HOLLEY DRIGGS  
400 South Fourth Street, Third Floor  
Las Vegas, Nevada 89101  
Telephone: 702/791-0308  
Facsimile: 702/791-1912

*Attorneys for Dotan Y. Melech,  
Receiver for CWNevada, LLC*

**BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA**

STATE OF NEVADA, DEPARTMENT OF  
TAXATION, MARIJUANA ENFORCEMENT  
DIVISION,

Case No.: 2020-04

Petitioner,

v.

CWNEVADA, LLC and BRIAN PADGETT,

Respondents.

**DECLARATION OF ANTHONY W. IMBIMBO, CPA**

I, ANTHONY W. IMBIMBO, CPA, do hereby voluntarily state under penalty of perjury  
as follows:

1. I am over the age of 18 years and I am competent to make this declaration. I have  
personal knowledge of the facts set forth herein.

2. I am a Certified Public Accountant licensed to practice in California.

3. I make this declaration to discuss the impact of not receiving my back pay from  
CWNevada LLC.

4. I was hired by CWNevada in early 2018 as a full-time employee. Up until the end  
of 2018, my payroll was paid timely, sometimes, one to two days late. As of the turn of the new  
year in 2019, the company started paying payroll late on a consistent basis. Most times the payroll

was one week late, sometimes two weeks late. As time wore on into the first quarter, the payroll was being paid sometimes as much as four weeks late. By the end of my tenure working for CWNevada I was owed three paychecks!

5. In mid-June 2019 I learned that the company was unexpectedly closed-down. I was devastated! I have two children to support and I'm a single father. I was counting on the pay that was promised me. In addition to the back wages, I was also promised reimbursement for travel and other business-related expenses for which I am still owed close to \$5,000. As a result of the untimely closure of CWNevada, my credit card debt has sky-rocketed because I incurred CW related expenses and was never reimbursed, and also, the inability to find employment forced me to use my credit cards to pay my day-to-day expenses.

6. Since June 2019, I've had very difficult time finding work and no matter how much I called pleaded, and begged CW Nevada, I was not able to collect my six weeks of pay.

7. Now it's almost a year since I was last paid and I'm owed over \$22,000.

8. The nonpayment of my wages changed many things in my life; my son has had to change schools. My son Marco has a disability, and the tuition fees for the school he was attending was too much to afford. In addition to my son having to change schools, I've had to sell assets to be able afford to pay my bills, I've had to resort to negotiating outstanding debts to lower them or extend the debt and I've also had to lower the support payments that I pay for both my children.

9. Since June 2019 I've not been able to find gainful employment and I've resorted to seeking work as an independent contractor.

10. I beseech you not to punish CWNevada in such a way that their licenses are revoked. I feel confident that if CWNevada's assets can be liquidated to pay its creditors, including restitution for my back wages so I can carry on as a hard-working taxpayer. Once I am made whole, I could afford to possibly develop my business and pursue more gainful employment with the surety that I can survive and pay my bills.

11. The combination of CWNevada going into receivership and now the impact of COVID-19 has put an extreme duress upon my well-being and financial health. At this time, there is no work to be found because of COVID-19, and no opportunity to obtain gainful employment.

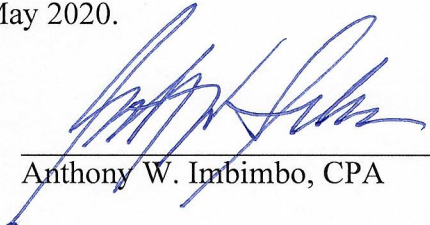


1           12. I am counting on getting my back wages which is due to me. I worked hard for my  
2 money! I was dedicated and loyal; I don't deserve to be mistreated any more than I have already  
3 been. This will be an absolute travesty if I am not paid my wages; this would put me further into  
4 financial ruin. I will likely lose my home, my car, and my son will have to withdraw from college  
5 altogether.

6           13. I hope that you could see in your hearts to allow CW Nevada's receiver to sell the  
7 company's licenses so the receiver can pay CWNevada's creditors as opposed revoking the  
8 licenses. This would be best, not only for the past employees (who are suffering similar  
9 circumstances), but also current/potential employees. I can't stress enough that I would be  
10 negatively affected most likely beyond financial repair if I'm not paid these back wages.

11           I declare under penalty of perjury under the laws of the State of Nevada that the foregoing  
12 is true and correct.

13           EXECUTED this 20<sup>th</sup> day of May 2020.

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17 Anthony W. Imbimbo, CPA  
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1  
2 BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
3 DEPARTMENT OF TAXATION  
4 STATE OF NEVADA

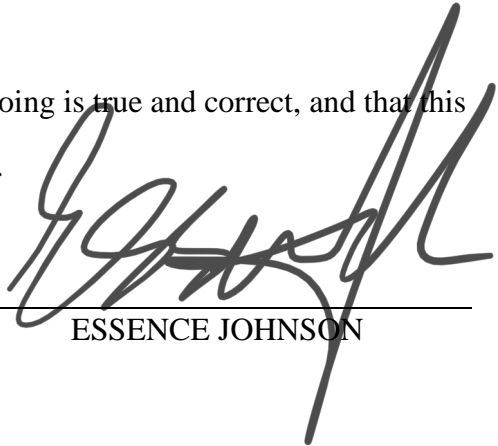
5 STATE OF NEVADA, DEPARTMENT OF ) CASE NO.: 2020-4  
6 TAXATION, MARIJUANA )  
7 ENFORCEMENT DIVISION. ) Chapter 7  
8 )  
9 Petitioner ) **DECLARATION OF ESSENCE JOHNSON**  
10 vs. )  
11 CWNEVADA, LLC, and BRIAN PADGETT )  
12 Respondents. )  
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13 I, ESSENCE JOHNSON, hereby declare

- 14 1. I am a former employee of CW Nevada, LLC. I worked for CW Nevada as a Patient  
15 Consultant.
- 16 2. I did not receive payment for wages that I was owed for the period of 5/6/2019 –  
17 05/19/2019. Presently, I am owed approximately \$2,750.
- 18 3. I had been employed for two years until cessation of the business.
- 19 4. I am a single mother of two and the impact weighed heavily on me and my daughters.  
20 The company put me and my children in a compromising situation of not know if we would be able  
21 to eat, have electricity, or even a roof over our heads.
- 22 5. We were barely making ends meet. I and others stuck with the company because our  
23 boss who we trusted told us that we were going through a hump and we didn't have to worry.
- 24 6. Imagine knowing you have no food in your home. My coworkers and I were scraping  
25 for change to survive.
- 26 7. My mental health took a toll on me and because of the situation this job put me in I  
27 became depressed and I was at the end of my rope.
- 28 8. I am asking for my payment because it is only fair. CW Nevada has put myself and

1 others in serious debt. Receiving the wages that I am owed will not only be justice, but it will allow  
2 me to recover from the damage that has been done.

3 I declare under penalty of perjury that the foregoing is true and correct, and that this  
4 declaration was executed on the 15<sup>th</sup> day of May, 2020.



Handwritten signature of Essence Johnson in black ink, written over a horizontal line.

ESSENCE JOHNSON

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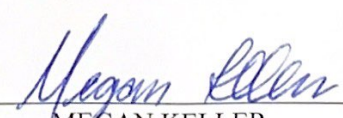
BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF	)	CASE NO.: 2020-4
TAXATION, MARIJUANA	)	
ENFORCEMENT DIVISION.	)	Chapter 7
	)	
Petitioner	)	<b>DECLARATION OF MEGAN KELLER</b>
vs.	)	
	)	
CWNEVADA, LLC, and BRIAN PADGETT	)	
	)	
Respondents.	)	

I, MEGAN KELLER, hereby declare

1. I am a former employee of CW Nevada, LLC. I worked for as an Administrator.
2. I did not receive payment for wages that I was owed for the period of 4/8/2019 – 04/21/2019. Presently, I am owed approximately \$4,400.
3. CW Nevada’s failure to pay my wages negatively affected me financially. I had to use multiple credit cards to pay bills that were intended to be paid by the money I was owed and worked for but was never given.
4. I then had to fight for unemployment due to CW Nevada trying to deny it even though they were well aware I hadn't been paid in weeks and not paid on time for months prior.
5. So I in return had to live off credit cards to pay my bills to keep a roof over my family.
6. If I am not reimbursed with this money, I will still not be able to pay off my credit cards or interest that has built up because of all this and will continue to get further into financial debt.

I declare under penalty of perjury that the foregoing is true and correct, and that this declaration was executed on the 15<sup>th</sup> day of May, 2020.

  
\_\_\_\_\_  
MEGAN KELLER

BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF  
TAXATION, MARIJUANA  
ENFORCEMENT DIVISION.

Petitioner

vs.

CWNEVADA, LLC, and BRIAN PADGETT

Respondents.

CASE NO.: 2020-4

Chapter 7

**DECLARATION OF RICHARD  
McKENZIE**

I, RICHARD MCKENZIE, hereby declare

1. I am a former employee of CW Nevada, LLC. I worked as a Security Officer.

2. I did not receive payment for wages that I was owed for the period of 5/18/2019 – 06/10/2019. Presently, I am owed approximately \$5,200.

3. If any action is taken that prevents me and the other employees from being paid, it will result in a double harm.

4. While working for CW Nevada, I was retired. The income received helped me pay expenditures that Medicare and my retirement did not cover.

5. Not being paid put a huge burden on myself and my wife.

6. To make matters worse, I had to pay taxes on the funds even though I was not paid and did not receive the funds.

7. The only way to get out of the hole and back to normal is to receive the money that CW Nevada owes me.

8. I request that you consider me and the other employees that were not paid and deserve to be paid when considering any action against CW Nevada.



1 I declare under penalty of perjury that the foregoing is true and correct, and that this  
2 declaration was executed on the 15<sup>th</sup> day of May, 2020.

3 Richard McKenzie  
4 RICHARD MCKENZIE  
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BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF  
TAXATION, MARIJUANA  
ENFORCEMENT DIVISION.

Petitioner

vs.

CWNEVADA, LLC, and BRIAN PADGETT

Respondents.

CASE NO.: 2020-4

Chapter 7

**DECLARATION OF KAI PERRY**

I, KAI PERRY, hereby declare

1. I am a former employee of CW Nevada, LLC. I was employed as a Security Guard.
2. I did not receive payment for wages that I was owed for the periods of 4/16/2019 – 6/14/2019. I am owed approximately \$18,000.
3. I work to provide for the needs of my family.
4. Not being paid this long has not only affected me but my whole family.
5. The stress of letting my girlfriend pay and using her savings is just awful.
6. Taking any action that prevents payment to the former employees will result in continuation of and added financial stress.
7. I have asked a friend for a loan to get by hoping that I would receive payment and be capable of paying them back.
8. If the employees are not paid, then additional stress is added not only to myself but my family.

I declare under penalty of perjury that the foregoing is true and correct, and that this declaration was executed on the 15<sup>th</sup> day of May, 2020.

KAI PERRY

BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF	)	CASE NO.: 2020-4
TAXATION, MARIJUANA	)	
ENFORCEMENT DIVISION.	)	Chapter 7
	)	
Petitioner	)	<b>DECLARATION OF DARRICK RANSEY</b>
vs.	)	
	)	
CWNEVADA, LLC, and BRIAN PADGETT	)	
	)	
Respondents.	)	

I, DARRICK RANSEY, hereby declare

1. I am a former employee of CW Nevada, LLC. I worked as an Inventory Technician.

2. I did not receive payment for wages that I was owed for the period of 4/15/2019 – 05/27/2019. Presently, I am owed approximately \$5,200.

3. Not being paid CW has put me in a lot of uncomfortable situations. These include losing my storage unit because I was unable to make the monthly payment. This is particularly difficult because the unit contained sentimental items that I've had since I was a child. I also lost my place and now I am forced to move in with a roommate – which is very uncomfortable.

4. I don't have peace in my life. Not being paid was a complete setback.

5. To make matters worse, the runaround on the whole financial situation is very unfair and I would never wish that on anyone, especially my coworkers that had children.

6. I am aware of several former coworkers that had to move as well.

7. We have all tried to help out each other including paying for each other's breakfasts and lunches at my new work location.

8. I viewed my coworkers as a family. We were all in the same boat.

9. Not knowing when or if we would get paid was very stressful.

10. I need the money that I am owed in order to get back to normal.



1 I declare under penalty of perjury that the foregoing is true and correct, and that this  
2 declaration was executed on the 15<sup>th</sup> day of May 2020.

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DARRICK RANSEY

BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF	)	CASE NO.: 2020-4
TAXATION, MARIJUANA	)	
ENFORCEMENT DIVISION.	)	Chapter 7
	)	
Petitioner	)	<b>DECLARATION OF NAYELI RIZO</b>
vs.	)	
	)	
CWNEVADA, LLC, and BRIAN PADGETT	)	
	)	
Respondents.	)	
	)	
	)	

I, NAYELI RIZO, hereby declare

1. I am a former employee of CW Nevada, LLC. I worked for CW Nevada as a Front Desk Employee.

2. I did not receive payment for wages that I was owed for the period of 3/15/2019 – 04/1/2019. Presently, I am owed approximately \$3,800.

3. I worked for CWNevada from November 2018 till April 2019.

4. CW Nevada not paying us had quite the impact on my mental state and financial state state.

5. As a result of not getting paid, my bills started to pile up and rent was due and late fees kept adding up. This caused me to lose my house and I ended up staying on a friend's couch for months until I was able to get back on my feet.

6. With all of this happening and no unemployment coming in or any money there for I was in a situation that I never expected to find myself in.

7. My credit cards were overdue and are now in collections.

8. This has been stressful for me to even rent a place under my name. At this point I only want what is owed to me so I can be able to pay partial of my credit card debt and pay the

1 people whom helped me during that difficult time in my life.

2 I declare under penalty of perjury that the foregoing is true and correct, and that this  
3 declaration was executed on the 15<sup>th</sup> day of May, 2020.

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6 NAYELIRIZO



BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF	)	CASE NO.: 2020-4
TAXATION, MARIJUANA	)	
ENFORCEMENT DIVISION.	)	Chapter 7
	)	
Petitioner	)	<b>DECLARATION OF ALEX RODRIGUEZ</b>
vs.	)	
	)	
CWNEVADA, LLC, and BRIAN PADGETT	)	
	)	
Respondents.	)	

I, ALEX RODRIGUEZ, hereby declare

1. I am a former employee of CW Nevada, LLC. I was employed as a Production/Extraction Technician.
2. I did not receive payment for wages that I was owed for the periods of 5/6/2019 – 6/12/2019. I am owed approximately \$8,000.
3. The last month and a half I worked for them I was not paid for any of my work, including 248 hours of regular time and 49.5 hours of overtime.
4. During this period, I almost became homeless. I had no money to pay my bills and I had to make the decision every day if I wanted to buy a bus pass to go to work or eat that day.
5. During this time, I was lucky if I was able to eat every other day. Not to mention the stress that this has created and continues to create.
6. Now almost a year later I'm still trying to get my life back to how it was before.
7. If I receive the money that I worked so hard for I will be able to finish paying off the debt it forced me to incur and relieve the stress it continues to cause to me and my former co-workers.



1 I declare under penalty of perjury that the foregoing is true and correct, and that this  
2 declaration was executed on the 15<sup>th</sup> day of May, 2020.

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5 ALEX RODRIGUEZ  
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BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF ) CASE NO.: 2020-4  
TAXATION, MARIJUANA )  
ENFORCEMENT DIVISION. ) Chapter 7  
 )  
Petitioner ) **DECLARATION OF BRIANNE SCOFIELD**  
vs. )  
 )  
CWNEVADA, LLC, and BRIAN PADGETT )  
 )  
Respondents. )

I, BRIANNE SCOFIELD, hereby declare

1. I am a former employee of CW Nevada, LLC. I worked as a Manager.

2. I did not receive payment for wages that I was owed for the period of 2/11/2019 – 02/23/2019. Presently, I am owed approximately \$7,200.

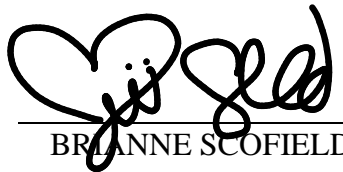
3. I hope the department of taxation will see how many "small" people will be negatively affected if any action is taken that prevents the former employees from getting paid.

4. The entire process has been very stressful. First I was not paid despite working full time. Then the employees waited for months without knowing if and when we would ever get paid.

5. Finally, after submitting a claim to the receiver, we were informed that our claims were accepted. However, now there is doubt whether we will ever receive the sums that are due.

6. Not surprisingly, the lack of payment negatively impacted me in several ways including financially and the stress caused by this situation was immense.

I declare under penalty of perjury that the foregoing is true and correct, and that this declaration was executed on the 15<sup>th</sup> day of May, 2020.

  
BRIANNE SCOFIELD

1  
2 BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
3 DEPARTMENT OF TAXATION  
4 STATE OF NEVADA

5 STATE OF NEVADA, DEPARTMENT OF ) CASE NO.: 2020-4  
6 TAXATION, MARIJUANA )  
7 ENFORCEMENT DIVISION. ) Chapter 7  
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Petitioner

vs.

CWNEVADA, LLC, and BRIAN PADGETT

Respondents.

**DECLARATION OF JESSE SOTO**

I, JESSE SOTO, hereby declare

1. I am a former employee of CW Nevada, LLC. I worked as a Security Guard.

2. I did not receive payment for wages that I was owed for the three pay periods.

Presently, I am owed \$6,350.

3. Without knowing all of what was going on I decided to start saving money from every check to stay on top of their situation but then they decided to not pay us on our scheduled due dates, which made it hard to try and save money.

4. In March of 2019, I got in a car accident and my car was totalled. Due to the financial burden of not being able to save money, I have not been able to get another car. Also, I had to move from the place I was living and move in with my mother because I was not able to pay rent.

5. The money that is owed to us is just what i need to get myself back on track and get myself out of the hole that resulted from not being paid for more than a month and a half.

6. I hope you keep me and the other workers in mind when penalizing CW Nevada.

I declare under penalty of perjury that the foregoing is true and correct, and that this declaration was executed on the 15<sup>th</sup> day of May, 2020.

  
JESSE SOTO

BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF  
TAXATION, MARIJUANA  
ENFORCEMENT DIVISION.

Petitioner

vs.

CWNEVADA, LLC, and BRIAN PADGETT

Respondents.

CASE NO.: 2020-4

Chapter 7

**DECLARATION OF JOUMY VELILLA**  
**(fka JOUMY RODRIGUEZ)**

I, JOUMY VELILLA, hereby declare

1. I am a former employee of CW Nevada, LLC. I was employed as a METRC Administrator.

2. I did not receive payment for wages that I was owed for the periods of 5/6/2019 – 6/12/2019. I am owed \$8,200.

3. Not being paid by CW Nevada has negatively affected my financial situation.

4. If any action is taken against CW Nevada that prevents me and the other employees from receiving payment for the wages we are owed, it will make it much harder to get out of my financial debt and get caught up with bills.

I declare under penalty of perjury that the foregoing is true and correct, and that this declaration was executed on the 15<sup>th</sup> day of May, 2020.

  
JOUMY VELILLA



BEFORE THE CHIEF ADMINISTRATIVE LAW JUDGE  
DEPARTMENT OF TAXATION  
STATE OF NEVADA

STATE OF NEVADA, DEPARTMENT OF TAXATION, MARIJUANA ENFORCEMENT DIVISION.	)	CASE NO.: 2020-4
	)	
	)	Chapter 7
	)	
Petitioner	)	<b>DECLARATION OF KEVIN WICKLINE</b>
vs.	)	
	)	
CWNEVADA, LLC, and BRIAN PADGETT	)	
	)	
Respondents.	)	

I, KEVIN WICKLINE, hereby declare

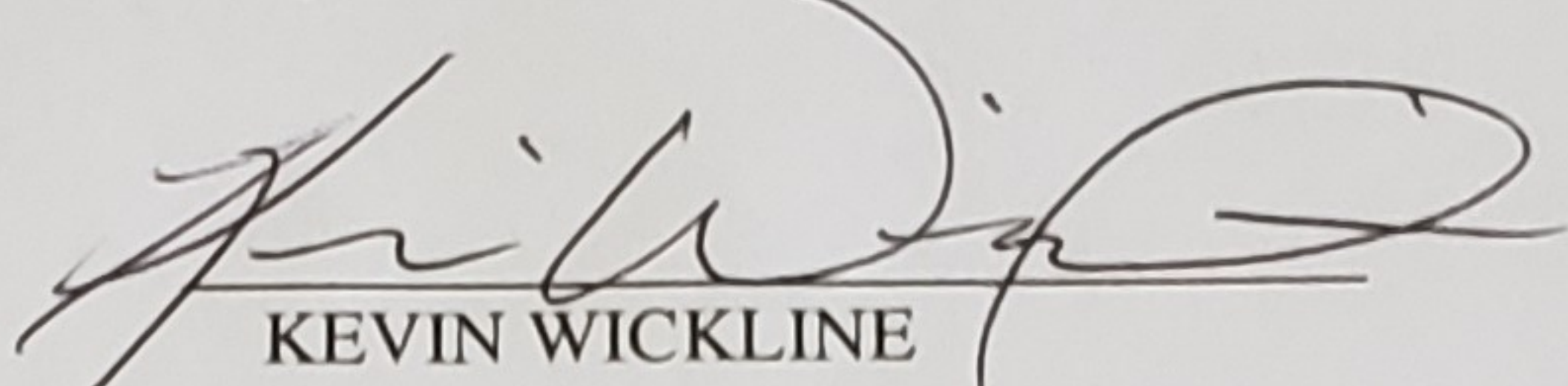
1. I am a former employee of CW Nevada, LLC. I was employed as a Facilities Director.
2. I did not receive payment for wages that I was owed for the periods of 4/22/2019 – 6/2/2019. I am owed approximately \$11,000.
3. This matter has affected me and my family. The first week we were not paid, Brian Padgett stated and promised that all would be paid up in full next week. As this persisted week in and week out with no pay.
4. I believed in the company and trusted that Brian Padgett would make us whole. He even called me into the office for a private promotion and raise which was never received.
5. This has affected me in many ways. I have had to take loans from friends and family to stay current on utilities and rent in order to avoid eviction.
6. I am now in debt due to money owed for paychecks I never received. My credit is in the low 500's due to this situation.
7. This has also affected me emotionally as I believed in what Brian Padgett told me. Needless to say he lied and I have not been paid.
8. My family and I moved to Colorado to better provide for my family. Brian Padgetts actions have hurt me both financially and personally. This is money owed to me as I have put in the



1 hours/work in my claim.

2 9. I feel it would be an injustice to me to not receive the claim amount as I put in the  
3 work. Thank you for allowing me the opportunity to explain how this has affected my life.

4 I declare under penalty of perjury that the foregoing is true and correct, and that this  
5 declaration was executed on the 15<sup>th</sup> day of May, 2020.

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8 KEVIN WICKLINE  
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**LUH & ASSOCIATES**  
ATTORNEYS AT LAW

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Charlie H. Luh, Esq.\*  
Diane A. Lee, Esq.\*  
D. Jason Ferris, Esq.\*  
David R. Gordon, Esq.^  
Jennifer Leone Ferris, Esq.

Craig D. Slater, Esq.  
Of Counsel

\* Also admitted in California  
^ Also admitted in New York

July 20, 2020

**SENT VIA EMAIL**

Cannabis Compliance Board  
State of Nevada

**PUBLIC COMMENT**

Re: **In re CW Nevada**

To Whom It May Concern,

Please be advised that I represent approximately 60 former employees of CW Nevada. Each of my clients is owed wages from CW from their employment with CW. Many of my clients submitted statements in support of the proposed disciplinary resolution. This is intended to offer support for the proposed resolution.

Most of my clients were working for CW Nevada making somewhere between \$12/hr - \$18hr. Not surprisingly, my clients relied on income from CW Nevada to pay their rent, support their family, pay car payments, and other utilities. CW Nevada's failure to pay my clients the wages due and owing wreaked havoc on my clients. Many of my clients fell behind in their bills and have yet to fully recover from the devastation. To make matters worse, many of my clients continued to work for CW Nevada for several months believing that the only way they would get paid was to continue working.

My clients unequivocally support the proposed resolution because it offers the only chance to recover the wages that my clients are owed. The wages that are owed to my clients relate to hours my clients worked in the spring of 2019. My clients have waited more than a year and it finally appears that they are close to recovering their past due wages. However, this only occurs if the proposed settlement is approved. In light of the foregoing, I request that you approve the proposed settlement so that my clients may recover the wages that they are owed.

Sincerely,

LUH & ASSOCIATES

/s/ Craig D. Slater

Craig D. Slater, Esq.

# Silver State Government Relations



## *Principals*

Will Adler – [will@ssgr.us](mailto:will@ssgr.us)

Sarah Adler – [sarah@ssgr.us](mailto:sarah@ssgr.us)

Ernie Adler – [eealaw@pyramid.net](mailto:eealaw@pyramid.net)

## *Senior Associate*

Alex Tanchek – [alex@ssgr.us](mailto:alex@ssgr.us)

**July 20, 2020**

**To: Chairman and Members of the Cannabis Compliance Board**

**From: Will Adler, Principal, Silver State Government Relations**

### **Representing Scientists for Consumer Safety**

Scientists for Consumer Safety (SCS) is a Nevada association of cannabis laboratories dedicated to the safety of cannabis consumers through the establishment of appropriate, science-based regulations for cannabis laboratories. SCS has been advocating for increased oversight and transparency in the regulation of cannabis laboratories in order to protect the consumer from unsafe marijuana and fraudulently represented products.

### **Comments on the public process:**

It is understandable and appreciated that the CCB does not hold their meetings in a public while the COVID-19 crisis continues. With that in mind, the inability to physically gather in one room does not prevent the inclusion of public, patient and industry voices and adherence to NRS 241.020, the Nevada Open Meeting Law, through telephonic and video conferencing capabilities. The Attorney General's Open Meeting Law manual Section 8.04 states the OML now requires multiple periods of public comment, either before an action items are heard by the public body and later before adjournment, or multiple periods of public comment after discussion of each action item but before action is taken on them. It is not possible to comply with the OML if all comment is required the day before the meeting.

The CCB possesses access to both of these remote participation tools. To continue not to use these capabilities, when almost every other public body has chosen to do so, as the Nevada Legislature demonstrated over the past two weeks, sends the clear message that public participation is not welcome and creates grave concern that input being provided in written form is disregarded. Conversely, the opportunity for the public to participate through public comment creates a climate of transparency and trust, as it provides useful information to this newly created Board regulating a developing industry. I urge the Board to not let a desire to finish the process quickly undermine the public's trust in the CCB's ability to govern Nevada's cannabis industry effectively and with transparency.

# Silver State Government Relations



Respectfully,

Will Adler,  
Executive Director, Scientists for Consumer Safety

## Amber Virkler

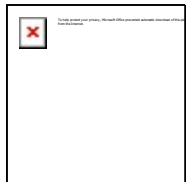
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**From:** Mitchell Stipp <mstipp@stipplaw.com>  
**Sent:** Monday, July 20, 2020 8:59 AM  
**To:** CCB Meetings  
**Subject:** Re: CWNevada  
**Attachments:** Receivers Motion to Enforce Receiverhip Order on OST.pdf; Receivers Motion to Enforce Receiverhip Order on OST.pdf

This email follows up on the email below and should be included as part of the public record.

NuVeda opposes the settlement between CWNevada and the state. However, if CCB approves, then it should be a condition that CWNevada and its receiver shall not be permitted to own or operate any cannabis business except as permitted by the state to liquidate the remaining licenses of CWNevada.

Attached is the motion filed by the receiver for CWNevada. There is a hearing scheduled for July 23, 2020 at 1145am on the receiver's request to re-impose the litigation stay previously lifted by the court. The receiver expressly acknowledges NuVeda's right to object to the settlement before the CCB. If NuVeda understands the settlement with the state accurately, the revocation of certain licenses and the required liquidation of the remainder of CWNevada's licenses was intended to prevent CWNevada, its stakeholders (including Brian Padgett) and the receiver from operating CWNevada's cannabis businesses. However, the settlement does not prevent CWNevada from owning or operating other cannabis businesses. An approval by CCB of any settlement with the state should expressly prohibit CWNevada and its receiver from owning or operating any cannabis business except those under the remaining licenses of CWNevada pending liquidation.



**Mitchell Stipp**

Law Office of Mitchell Stipp  
(O) 702.602.1242 | (M) 702.378.1907 | mstipp@stipplaw.com

**Address:** 1180 N. Town Center Drive, Suite 100  
Las Vegas, Nevada 89144

**Website:** [www.stipplaw.com](http://www.stipplaw.com)

On Thu, Jul 16, 2020 at 3:10 PM Mitchell Stipp <[mstipp@stipplaw.com](mailto:mstipp@stipplaw.com)> wrote:

This email and attachments pertain to Sub-section 1 of Article VII/Section C of the CCB agenda published for the meeting on July 21, 2020.

My firm represents NuVeda, LLC. NuVeda filed a complaint against CWNevada on March 21, 2019 for breach of its joint venture agreements. The matter was stayed after CWNevada filed a chapter 11 bankruptcy petition and a receiver was subsequently appointed after the petition was dismissed. The parties have agreed to lift the stay against litigation.

The receiver through CWNevada seeks enforcement of the joint venture between NuVeda and CWNevada. NuVeda has opposed the settlement with CWNevada because of this effort by the receiver. CWNevada is not capable of curing its defaults and performing in light of the receivership and settlement with the state. NuVeda filed a motion for a preliminary injunction before Department 1 (which would prohibit the consummation of the settlement). For this

reason, the matter before CCB should be continued (at minimum) until after the hearing in Department 1 considers the relief requested by NuVeda. The hearing is on August 13, 2020. If CCB wants to consider the settlement notwithstanding the pending preliminary injunction hearing, NuVeda would ask the matter be removed from the consent agenda (since the settlement is opposed).

If CCB intends to hear the matter as scheduled, NuVeda believes the settlement should be rejected unless the following concerns are addressed:

1. The licenses which are being revoked should be related to the alleged violation asserted by the state in the complaint. CWNevada has offered revocation of licenses which have the least value to the estate. Value to the estate should not be the consideration. The relevant consideration is the conduct of Brian Padgett and his employees and representatives through CWNevada.
2. CWNevada is still owned by Brian Padgett. CWNevada should not be permitted to operate any businesses under any remaining licenses pending their liquidation. The receiver through CWNevada is operating its dispensary at Blue Diamond. The receiver for CWNevada also plans to commence operations at Ali Baba, Highland and Oakridge after approval is received of the settlement from CCB.
3. CWNevada should not be permitted to operate, manage, control or own any businesses which are regulated by CCB.

Overall, the settlement with the state does not accomplish the objectives of holding CWNevada accountable. Mr. Padgett still owns CWNevada. If the settlement is approved by CCB, CWNevada will be permitted still to operate, manage, control or own businesses which are regulated by CCB (whether through its remaining licenses or the licenses of third-parties). It would be problematic for CCB to approve a settlement which allows a receiver to continue owning, operating and receiving the benefit of cannabis licenses.



**Mitchell Stipp**

Law Office of Mitchell Stipp

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**Address:** 1180 N. Town Center Drive, Suite 100  
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**MOT**

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Nevada Bar No. 3077

E-mail: rholley@nevadafirm.com

JOHN J. SAVAGE, ESQ.

Nevada Bar No. 011455

E-mail: JSavage@nevadafirm.com

HOLLEY DRIGGS

400 South Fourth Street, Third Floor

Las Vegas, Nevada 89101

Telephone: 702/791-0308

Facsimile: 702/791-1912

*Attorneys for Dotan Y. Melech, Receiver*

**DISTRICT COURT**

**CLARK COUNTY, NEVADA**

NUVEDA, LLC, a Nevada Limited Liability  
Company; and CWNEVADA LLC, a Nevada  
Limited Liability Company,

Plaintiffs,

v.

4FRONT ADVISORS LLC, foreign limited  
liability company, DOES I through X and ROE  
ENTITIES, II through XX, inclusive,

Defendants.

Case No.: A-17-755479-B

Dept. No.: XI

**HEARING NOT REQUESTED<sup>1</sup>**

Date of Hearing: 07/23/20

Time of Hearing: 11:45a.m.

Hearing to be conducted by Telephone

**RECEIVER'S MOTION TO ENFORCE RECEIVERSHIP ORDER  
ON ORDER SHORTENING TIME**

Dotan Y. Melech, the Court-appointed receiver over CWNevada, LLC (“CWNevada”) in  
this matter (“Receiver”), by and through his undersigned counsel of record, hereby submits this  
Motion to Enforce Receivership Order on Order Shortening Time (“Motion to Enforce”).

This Motion to Enforce is made and based on the papers and pleadings on file herein,  
including the Order Appointing Receiver entered in this case (the “Receivership Action”) on  
July 10, 2019 (the “Receivership Order”); the Declaration of Dotan Y. Melech, which is attached

<sup>1</sup> A hearing is not requested for judicial economy. Department XI is conducting a trial offsite  
beginning on July 13, 2020, from 8:00 a.m. to 5:00 p.m. daily, for 8 to 10 weeks, and has advised  
that all motions during this time will be decided by “Minute Order Decisions” based on the filed  
pleadings.



hereto as **Exhibit “1”** (the “Receiver Declaration”); NuVeda, LLC’s (“NuVeda”) Motion for Preliminary Injunction Preventing the Liquidation of CWNevada Pending Trial (“Motion for Injunction Against Liquidation”) in Eighth Judicial District Court case number A-19-791405-C, which is pending before Department 1 (“NuVeda’s Lawsuit”), which is attached hereto as **Exhibit “2”**; any additional exhibits attached thereto; and any oral argument that may be heard.

Dated this 17th day of June 2020.

**HOLLEY DRIGGS**

/s/ John J. Savage

RICHARD F. HOLLEY, ESQ.

Nevada Bar No. 3077

JOHN J. SAVAGE, ESQ.

Nevada Bar No. 011455

400 South Fourth Street, Third Floor

Las Vegas, Nevada 89101

*Attorneys for Dotan Y. Melech, Receiver*

**DECLARATION OF JOHN J. SAVAGE, ESQ. IN SUPPORT OF  
RECEIVER’S MOTION TO ENFORCE**

I, John J. Savage, Esq., declare as follows:

1. I am a shareholder with the law firm Holley Driggs, counsel for the Receiver in the above-captioned case.

2. I have personal knowledge of the matters set forth herein, with the exception of those stated to be made upon information and belief, and as to those I believe them to be true to the best of my knowledge. If called to do so, I could and would testify competently to the matters set forth herein.

3. I make this declaration in support of the Receiver’s Motion to Enforce.

4. NuVeda filed its Motion for Injunction Against Liquidation in NuVeda’s Lawsuit, which is pending before Department 1.

5. The hearing on NuVeda’s Motion for Injunction Against Liquidation is currently set for August 13, 2020. However, NuVeda’s counsel, Mitchell Stipp, Esq., has advised that an ex parte application has been submitted to Department 1 for an order to shorten the time to hear said motion.

6. On July 15, 2020, the Receiver’s contingency counsel, Joe Coppedge, Esq., filed a motion with this Court that seeks to consolidate NuVeda’s Lawsuit (and two other lawsuits) with this Receivership Action (“Motion to Consolidate”). This Court set the Motion to Consolidate to be heard in chamber on August 7, 2020.

7. However, if the Motion to Consolidate is denied and if Department 1 grants NuVeda’s Motion for Injunction Against Liquidation, this Court would effectively be divested of its exclusive jurisdiction over the Receiver Estate’s assets.

8. NuVeda’s Motion for Injunction Against Liquidation could also negatively impact the Receiver’s settlement with State of Nevada, Department of Taxation, Marijuana Enforcement Division (the “Department”), which will be presented for approval by the Cannabis Compliance Board (the “Board”) at its inaugural meeting on July 21, 2020.

9. I attempted to meet and confer with NuVeda’s counsel, Mitchell Stipp, Esq., before seeking relief from the Court per the Receiver’s Motion to Enforce. However, NuVeda was not willing to withdraw its Motion for Injunction Against Liquidation.

10. While the Receiver understands it is unlikely the Court will be able to consider the instant Motion to Enforce prior to the Board’s meeting on July 21, 2020, judicial economy would be best served if the Motion to Enforce is scheduled at the same time as the Motion to Consolidate, which is scheduled for August 7, 2020 in chambers.

11. It is respectfully submitted that the above and foregoing establishes good cause to grant the Order Shortening Time on the Receiver’s Motion to Enforce.

I declare under penalty of perjury that the foregoing is true and correct.

EXECUTED this 17th day of July 2020.

/s/ John J. Savage  
JOHN J. SAVAGE, ESQ.

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**ORDER SHORTENING TIME**

IT IS HEREBY ORDERED that, upon review of the Receiver's request for an Order Shortening Time and good cause appearing therefor, the **RECEIVER'S MOTION TO ENFORCE RECEIVERSHIP ORDER ON ORDER SHORTENING TIME** shall be heard on the 23rd day of July, 2020, ~~in Chambers~~ at 11:45a.m. by Telephone Conference.

**IT IS SO ORDERED.**

  
DISTRICT COURT JUDGE

Submitted by:

**HOLLEY DRIGGS**

/s/ John J. Savage  
RICHARD F. HOLLEY, ESQ.  
Nevada Bar No. 3077  
JOHN J. SAVAGE, ESQ.  
Nevada Bar No. 011455  
400 South Fourth Street, Third Floor  
Las Vegas, Nevada 89101

*Attorneys for Dotan Y. Melech, Receiver*

**MEMORANDUM OF POINTS AND AUTHORITIES**

**I. INTRODUCTION**

Clearly and unequivocally, this Court has asserted "exclusive jurisdiction" and "exclusive possession of all assets and property owned by, controlled by, or in the name of CWNevada...." See Receivership Order at § 1, 2:9-19. This exclusive jurisdiction expressly refers to all of the licenses/certificates in the name of CWNevada.

Notwithstanding this Court's exclusive jurisdiction over the Receivership Estate's assets, NuVeda, is knowingly and wrongfully attempting to divest this Court of its exclusive jurisdiction by filing its Motion for Injunction Against Liquidation in NuVeda's Lawsuit before

1 Department 1.<sup>2</sup> NuVeda’s Motion for Injunction Against Liquidation seeks an order from  
2 Department 1 “prohibiting the transfer, sale, liquidation or other disposition of the assets of  
3 CWNevada during the pendency of [NuVeda’s Lawsuit].” See Motion for Injunction Against  
4 Liquidation, **Ex. “2”**, at 4:13-14.

5 In addition, NuVeda is asking Department 1 to enjoin the Receiver from fulfilling his duties  
6 under this Court’s Receivership Order, which require the Receiver to, *inter alia*, manage, protect,  
7 sell, and collect revenues of the Receivership Estate “as is most beneficial to CWNevada’s creditors  
8 and as instructed by the Court.” See Receivership Order at § 1, 2:19-25. The Receivership Order  
9 also expressly authorizes the Receiver to “liquidate any and all assets of CWNevada.” See *id.* at  
10 § 6, 4:17-21. Any prohibition against “the transfer, sale, liquidation or other disposition of the  
11 assets of CWNevada” will interfere with the Receiver’s ability to carry out his duties and powers  
12 under the Receivership Order.

13 Allowing NuVeda to usurp this Court’s exclusive jurisdiction over the Receivership  
14 Estate’s assets and enjoin the Receiver from exercising his mandate to liquidate any and all assets  
15 of CWNevada would cut the heart out of the Receivership Order. If NuVeda believes the relief it  
16 is seeking from Department 1 is proper, it should seek such relief from this Court, with notice to  
17 all creditors and parties-in-interest instead of stealthily filing its injunction in another department  
18 without notice to this Court or creditors and parties-in-interest.

19 Therefore, the Receiver is respectfully requesting the Court to enforce the Receivership  
20 Order and issue an order that enjoins NuVeda from pursuing the relief sought in its Motion for  
21 Injunction Against Liquidation from any court other than this Court. In the alternative, and to the  
22 extent necessary, the Receiver would request the Court to issue an order that reimposes a stay  
23 against NuVeda encumbering the Receivership Estate’s assets in any manner whatsoever,  
24

25  
26 <sup>2</sup> Based upon meet and confer efforts, the Receiver is informed and believes that NuVeda filed its  
27 Motion for Injunction Against Liquidation as a pretext to oppose the Receiver’s settlement with  
28 the Department at the Board’s inaugural meeting on July 21, 2020. While NuVeda is certainly  
entitled to present the merits of its opposition to the Board, as it previously presented to this Court,  
it is improper to use its Motion for Injunction Against Liquidation as a mere pretext for its  
opposition to the disciplinary settlement.

including “prohibiting the transfer, sale, liquidation or other disposition of the assets of CWNevada during the pendency of [NuVeda’s Lawsuit].”<sup>3</sup>

## II. SUMMARY OF FACTS

### A. Receivership Order

1. The Receivership Order expressly provides this Court with exclusive jurisdiction over the assets of the Receivership Estate as follows:

This Court hereby asserts **exclusive jurisdiction and takes exclusive possession of all assets** and property owned by, controlled by, or in the name of CWNevada, including all assets, rights, contracts, monies, securities, inventory, real property, personal property, tangible property and intangible property, of whatever kind and description and wherever situated, **including but not limited to the following Nevada marijuana establishment licenses** and the businesses and properties associated therewith: **8926 2643 4085 3963 7228; 0918 7693 7133 1267 8064; 1376 1794 0956 7505 0382; 3908 4961 6157 3630 3651; and 4358 1723 6737 5350 5053**, as well as domain names, website and content, cloud-based storage accounts, all social media accounts and email record hosted by CWNevada and any third parties (all assets are, collectively, the “Receivership Estate”).

*See* Receivership Order at § 1, 2:9-19 (emphasis added).

2. The Receiver is obligated under the Receivership Order to manage, protect, sell, and collect revenues of the Receivership Estate “as is most beneficial to CWNevada's creditors and as instructed by the Court.” *See id.* at § 1, 2:19-25.

3. Except as expressly limited in the Receivership Order, the Receiver has been “granted all powers given to an equity receiver, provided by N.R.S. Chapter 32 and/or common law.” *Id.* at § 32, 17:22-23.

4. The Receiver is expressly authorized to “liquidate any and all assets of CWNevada.” *Id.* at § 6, 4:17-21.

5. CWNevada’s marijuana licenses are again referenced in Section 20 of the Receivership Order, which expressly authorizes the Receiver to “exercise the privileges of any existing license” and “do all things necessary to protect and maintain those licenses” as follows:

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<sup>3</sup> While NuVeda will contend that the litigation stay was lifted to permit it to pursue its current course of action, this is simply not true and completely unsupported by the filings and court order lifting the stay. Moreover, NuVeda counsel never discussed these actions as part of the litigation stay relief with Receiver counsel. The Receiver does not believe that the litigation stay was ever lifted for this purpose and only seeks this alternative relief in the unlikely event it is necessary.

The Receiver and/or Management Agent[s], as appropriate, may apply for, obtain and pay any reasonable fees for any lawful license, permit or other governmental approval relating to the Receivership Estate or the operation thereof; confirm the existence of and, to the extent permitted by law, **exercise the privileges of any existing license**, permit or governmental approval; and **do all things necessary to protect and maintain those licenses**, permits and approvals. No governmental agency or entity may terminate, revoke or fail to renew any licenses, permits, or governmental approvals necessary for the operation of the business of the Receivership Estate or otherwise take any action to require the business of the Receivership Estate to cease or desist as a result of appointment of the Receiver or the carrying out of the duties of the Receiver without prior order of this Court.

*Id.* at § 20, 13:23 – 14:4 (emphasis added).

6. The Receiver may “take all proper actions related to the...securement and protection of the Receivership Estate” and petition the Court “for instructions in connection with [the Receivership Order] and any further orders which this Court may make.” *Id.* at § 9(h), 8:9-15. § 27, 17:1-3.

7. The Receivership Order also imposed a litigation stay that requires parties to file a motion with this Court to lift the stay before pursuing any litigation or other adversarial action brought by or against CWNevada. *Id.* at § 19, 13:4-8.

#### **B. Joint Venture Partnership between CWNevada and NuVeda**

8. The joint venture partnership between CWNevada and NuVeda formed CWNV pursuant to a Membership Interest Purchase Agreement (“MIPA”). *See* Receiver Declaration, **Ex. “1”**, at ¶ 4.

9. The only licenses/certificates that were to be contributed to CWNV as part of the joint venture were licenses/certificates owned by NuVeda’s subsidiaries. *Id.* at ¶ 5.

10. None of CWNevada’s licenses/certificates were part of CWNV. *Id.* at ¶ 6. Moreover, none of the CWNV licenses are the subject of the settlement with the Department. *Id.*

11. CWNevada’s contribution to CWNV was to fund and manage CWNV. *Id.* at ¶ 7.

#### **C. Stipulation to Lift Litigation Stay between CWNevada and NuVeda**

12. The Receiver and NuVeda entered into a stipulation to lift the litigation stay between NuVeda and CWNevada as set forth in the Stipulation and Order Regarding Receiver’s Motion to Engage Contingency Counsel, Competing Motions to Lift the Litigation Stay and

Related Matters (“SAO to Lift Stay”), which was filed on about May 8, 2020. *See* SAO to Lift Stay, on file herein.

13. The terms of the SAO to Lift Stay provided the following:

- a. NuVeda and the Receiver stipulate to the litigation stay being lifted as to the dispute between NuVeda and CWNevada so that the parties and their affiliates may pursue their respective claims against each other. As a result of this agreement, NuVeda and its affiliates shall not be required to submit an objection to the Receiver’s determination disallowing their proof of claim in the amount of \$45M in order to preserve their objection and right to pursue their claims.
- b. NuVeda and the Receiver agree that the Receiver may engage contingency counsel, Joe Coppedge, Esq., of Mushkin & Coppedge, to represent CWNevada, Shane Terry and Phil Ivey in accordance with the terms and conditions set forth in the retainer agreement, conflict waiver and joint representation agreement filed by the Receiver with the court. This agreement shall not be viewed as acknowledgment by NuVeda of the merits of any claims by CWNevada and/or Messrs. Terry and Ivey, which NuVeda expressly denies.
- c. NuVeda and the Receiver agree that the claims by CWNevada against NuVeda shall not be included in any auction or sale of the assets of CWNevada.
- d. The Receiver withdraws its request to compel the disclosure of any transaction documents (to the extent any exist) regarding the alleged sale of NuVeda’s marijuana licenses to any third-party, without prejudice. The Receiver expressly reserves the right to request any and all such documentation at a later date via discovery, subpoena, motions, applications and/or orders of the Court.

*See id.*

14. Nothing in the SAO to Lift Stay states NuVeda may prohibit “the transfer, sale, liquidation or other disposition of the assets of CWNevada.” *See id.* Moreover, neither the Receiver nor his counsel ever had any discussions with NuVeda or its counsel that the scope of the SOA to Lift Stay included NuVeda’s attempts to enjoin “the transfer, sale, liquidation or other dispensation of the assets of CWNevada.” *See* Receiver Declaration, **Ex. “1”**, at ¶ 10. The Receiver would certainly have never agreed to such relief. *Id.*

**D Receiver’s Motion for Further Relief from Litigation Stay**

15. On or about June 5, 2020, the Receiver filed a Motion to Lift the Litigation Stay on Order Shortening Time (“Motion to Further Lift Stay”) through his contingency counsel, which

sought clarification that the SAO to Lift Stay permitted the Receiver to pursue litigation against Clark NMSD, LLC, Clark Natural Medicinal Solutions, LLC, Nye Natural Medicinal Solutions, LLC, BCP 7, LLC, Pejman Bady, Pouya Mohajer, Brian Padgett and potentially others, some of whom may or may not be considered “affiliates” of NuVeda or CWNevada. *See* Motion to Further Lift Stay, on file herein, at 3:1-5.

16. On or about June 9, 2020, NuVeda filed its Response to the Receiver’s Motion to Further Lift Stay (“Response”), wherein NuVeda stated, *inter alia*, that it had “no objection to any clarification by the court that the stay does not apply to these named persons or entities so long as these same persons and entities **may freely assert claims** without further court approval against CWNevada and any and all assets of the receivership estate.” *See* NuVeda’s Response to CWNevada’s Motion to Further Lift Stay, on file herein, at 3:14-17 (emphasis added).

17. NuVeda’s Response did not ask this Court to prohibit “the transfer, sale, liquidation or other disposition of the assets of CWNevada” nor seek permission from this Court to request such relief from Department 1. *See id.*, generally.

18. On or about June 10, 2020, the Court heard oral argument on the Receiver’s Motion to Further Lift Stay and granted the same. *See* Minute Order dated June 10, 2020, on file herein.

19. The Court’s minute order dated June 10, 2020 (“Minute Order”) notes that the Court “understands there may be issues with counter claims that impact the assets of the Estate” and that “[i]f the Receiver believes that any of those are subject to the stay, a motion will have to be filed to impose a stay on those portions of the claims.” *Id.* Remarkably, and without any justification or support, NuVeda apparently misconstrues this language as a license to enjoin the transfer, sale, liquidation or other dispensation of the assets of CWNevada.

#### **E. NuVeda’s Motion for Preliminary Injunction.**

20. On or about July 8, 2020, NuVeda filed its Motion for Injunction Against Liquidation in NuVeda’s Lawsuit. *See* Motion for Injunction Against Liquidation, **Ex. “2”**.

21. NuVeda’s Motion for Injunction Against Liquidation seeks an order from Department 1 “prohibiting the transfer, sale, liquidation or other disposition of the assets of CWNevada during the pendency of [NuVeda’s Lawsuit].” *See id.* at 4:13-14.



22. However, NuVeda's Motion for Injunction Against Liquidation fails to inform Department 1 of the following material facts:

- a. this Court has asserted exclusive jurisdiction over the Receivership Estate's assets;
- b. no motions are pending before this Court seeking approval for the Receiver to liquidate the Receivership Estate's assets;
- c. no sale proceeds from the liquidation of the Receivership Estate's assets would be distributed until the Receiver filed a motion with this Court seeking approval of distribution as part of the Receivership's claim process; and
- d. NuVeda will have an opportunity to object to the distribution process once the Receiver has filed a motion to approve the same.

*See id., generally.*

23. NuVeda's Motion for Injunction Against Liquidation also makes the following material misrepresentations (among others):

- a. CWNevada will face no hardship if Department 1 enjoins the transfer, sale, liquidation or other disposition of the Receivership Estate's assets during the pendency of NuVeda's Lawsuit; and
- b. There can be no joint venture between CWNevada and NuVeda if CWNevada's licenses/certificates are sold and revoked pursuant to the terms of the Receiver's settlement with the Department (the licenses/certificates which are the subject of the settlement with the Department have absolutely no bearing on the joint venture).

*See id.* at 6:10-15.

24. Based upon information, NuVeda has not informed Department 1 that this Court has approved the Receiver's settlement with the Department. *See* Receiver Declaration, **Ex. "1"**, at ¶ 15.

///

///

1           **F.     Receiver’s Settlement with the Department**

2           25.     The Receiver negotiated a settlement with the Department to resolve the  
3     disciplinary action pending against CWNevada before the Department’s Chief Administrative Law  
4     Judge (“ALJ”) in Case No. 2020-04 (the “Disciplinary Action”) as set forth in the Stipulation and  
5     Order for Settlement of Disciplinary Action (“Disciplinary Settlement Agreement”). *See* Receiver  
6     Declaration, **Ex. “1”**, at ¶ 16.

7           26.     Under the terms of the Disciplinary Settlement, *inter alia*, CWNevada’s most  
8     valuable 8 licenses/certificates will be preserved while its 6 least valuable licenses/certificates will  
9     be revoked. CWNevada will also be required to pay civil penalties in the amount of \$1,250,000.00.  
10    *Id.* at ¶ 17.

11          27.     The Receiver will also be required to use his best efforts to sell CWNevada’s 8  
12    unrevoked licenses/certificates within six (6) months of the Effective Date of the Disciplinary  
13    Settlement. *Id.* at ¶ 18.

14          28.     The licenses/certificate at issue in the Disciplinary Settlement Agreement have  
15    absolutely nothing to do with the joint venture between CWNevada and NuVeda. *Id.* at ¶ 19.

16          29.     The Effective Date of the Disciplinary Settlement is the date it is ordered by the  
17    Board. *Id.* at ¶ 20.

18          30.     The Disciplinary Settlement Agreement requires the approval of this Court and the  
19    Board. *Id.* at ¶ 21.

20          31.     On or about July 10, 2020, this Court entered its Order Granting Receiver’s Motion  
21    to Approve Good Faith Settlement with Department of Taxation on Order Shortening Time. *Id.*  
22    at ¶ 22.

23          32.     The Board is scheduled to consider the Disciplinary Settlement Agreement for  
24    approval at its initial meeting on July 21, 2020. *Id.* at ¶ 23.

25           **III.    LEGAL ARGUMENT**

26           **A.     The Receivership Order Must be Enforced**

27           “Nevada's courts are constitutionally authorized to issue all writs “proper and necessary to  
28    the complete exercise of their jurisdiction.” *Jordan v. State ex rel. Dep't of Motor Vehicles & Pub.*

1 *Safety*, 121 Nev. 44, 59, 110 P.3d 30, 41 (2005) (abrogated on other grounds by *Buzz Stew, LLC*  
2 *v. City of N. Las Vegas*, 124 Nev. 224, 181 P.3d 670 (2008)) (quoting Nev. Const. art. 6, § 6(1)).  
3 “Nevada courts also possess inherent powers of equity and of control over the exercise of their  
4 jurisdiction.” *Id.* (citing *Matter of Hartford Textile Corp.*, 681 F.2d 895, 897 (2d Cir.1982) (“The  
5 equity power of a court to give injunctive relief against vexatious litigation is an ancient one ....”)).

6 The inherent powers of Nevada’s courts also include the power to enforce their orders,  
7 prevent injustice, and preserve the integrity of the judicial process. *See Halverson v. Hardcastle*,  
8 123 Nev. 245, 261–62, 163 P.3d 428, 440 (2007) (citing *Matter of Water Rights of Humboldt*  
9 *River*, 118 Nev. 901, 906, 59 P.3d 1226, 1229 (2002); *Young v. Johnny Ribeiro Building*, 106 Nev.  
10 88, 92, 787 P.2d 777, 779 (1990) (cautioning litigants and attorneys that district courts have  
11 inherent equitable powers to dismiss an action for litigation abuses); *Maldonado v. Ford Motor*  
12 *Co.*, 476 Mich. 372, 719 N.W.2d 809, 818 (2006) (noting that the court's authority to impose  
13 sanctions “is rooted in a court's fundamental interest in protecting its own integrity and that of the  
14 judicial process” (quoting *Cummings v. Wayne County*, 210 Mich.App. 249, 533 N.W.2d 13, 14  
15 (1995)); *Kabase v. District Court*, 96 Nev. 471, 472, 611 P.2d 194, 195 (1980); *In re Credit*  
16 *Acceptance Corp.*, 273 Mich.App. 594, 733 N.W.2d 65, 70 (2007) (recognizing that a court may  
17 exercise its inherent power to protect its fundamental interest in its own integrity and that of the  
18 judicial process (citing *Maldonado*, 719 N.W.2d at 818)); *Jordan v. State, Dep't of Motor Vehicles*,  
19 121 Nev. 44, 59, 59 n. 23, 110 P.3d 30, 41, 42 n. 23 (2005) (recognizing that Nevada courts  
20 “possess inherent powers of equity and of control over the exercise of their jurisdiction” and citing  
21 *De Long v. Hennessey*, 912 F.2d 1144 (9th Cir.1990) (recognizing that federal courts have inherent  
22 power to regulate abusive litigation); *Chambers v. NASCO, Inc.*, 501 U.S. 32, 43–46, 111 S.Ct.  
23 2123, 115 L.Ed.2d 27 (1991) (discussing the ‘control necessarily vested in courts’ to “police”  
24 themselves and administer the judicial process in an orderly and effective manner (quoting *Link v.*  
25 *Wabash R. Co.*, 370 U.S. 626, 630–31, 82 S.Ct. 1386, 8 L.Ed.2d 734 (1962))); *Bd. of Com'rs, Weld*  
26 *Co. v. 19th Jud. Dist.*, 895 P.2d 545, 547–48 (Colo.1995) (noting that a court's inherent powers  
27 consist of those “reasonably required” to efficiently perform judicial functions, protect its dignity,  
28

1 independence, and integrity, and to make effective its lawful actions (quoting *Pena v. District*  
2 *Court of Second Jud. Dist.*, 681 P.2d 953, 956 (Colo.1984))).

3 In the Receivership Action, this Court should enforce the Receivership Order to prevent  
4 injustice and preserve the integrity of the judicial process. NuVeda has elevated its previous pledge  
5 to oppose every motion the Receiver files until the Receiver agrees to settle with NuVeda. Now,  
6 NuVeda has knowingly and wrongfully attempted to divest this Court of its exclusive jurisdiction  
7 over the Receivership Estate's assets, without notifying this Court of its intentions and efforts to  
8 do so. And it appears to have done so merely as a pretext to oppose the Disciplinary Settlement  
9 Agreement at the Board's inaugural meeting on July 21, 2020.<sup>4</sup>

10 This Court has clearly and unequivocally asserted "**exclusive jurisdiction and take[n]**  
11 **exclusive possession of all assets** and property owned by, controlled by, or in the name of  
12 CWNevada." See Receivership Order at § 1, 2:9-11 (emphasis added). This exclusive jurisdiction  
13 and possession expressly include the licenses/certificates that are the subject of the Disciplinary  
14 Settlement Agreement. The orders lifting the litigation stay between NuVeda and CWNevada did  
15 not waive or release this Court's exclusive jurisdiction over the Receivership Estate's assets. The  
16  
17

---

18 <sup>4</sup> Courts have the inherent equitable power to issue sanctions for abusive litigation practices even  
19 if litigation abuses are not specifically proscribed by statute. *Young v. Johnny Ribeiro Bldg., Inc.*,  
20 106 Nev. 88, 787 P.2d 777 (1990) ("Litigants and attorneys alike should be aware that these powers  
21 may permit sanctions for discovery and other litigation abuses not specifically proscribed by  
22 statute"). The Nevada Supreme Court will not reverse a district court's "broad discretion in  
23 imposing sanctions" absent an abuse of discretion. *State, Dep't of Indus. Relations v. Albanese*,  
24 112 Nev. 851, 856, 919 P.2d 1067, 1070 (1996) (citing *Young*, 106 Nev. at 92, 787 P.2d at 779).

25 Rule 11 also allows the Court "[o]n its own" to "order an attorney, law firm, or party to show cause  
26 why conduct specifically described in the order has not violated Rule 11(b)." See NRCP 11(c)(3);  
27 see also *Barber v. Miller*, 146 F.3d 707, 711 (9th Cir. 1998) ("the 'safe harbor' provision [of  
28 Rule 11] applies only to sanctions imposed upon motion of a party") (citations omitted).

Under this Court's local rule 7.60(b), "any and all" reasonable sanctions may be imposed upon an  
attorney or party when the attorney or party does any of the following without "just cause":

- (1) Presents to the court a motion or an opposition to a motion which is obviously  
frivolous, unnecessary or unwarranted.
- (2) Fails to prepare for a presentation.
- (3) So multiplies the proceedings in a case as to increase costs unreasonably and  
vexatiously.
- (4) Fails or refuses to comply with these rules.
- (5) Fails or refuses to comply with any order of a judge of the court.

litigation stay was only lifted to adjudicate the parties' claims. Distribution of funds, if any, will still be made through the claims process in this Receivership Action.<sup>5</sup>

Allowing NuVeda to usurp this Court's exclusive jurisdiction over the Receivership Estate's assets would cut out the heart of the Receivership Order. The very purpose of the Receiver's equitable appointment would also be undermined if the Receiver were enjoined from exercising the duties and powers bestowed upon him by this Court through the Receivership Order. If NuVeda believes the relief it is seeking from Department 1 is proper, it should seek such relief from this Court.

Therefore, the Receiver respectfully requests that this Court enforce the Receivership Order and issue an order that enjoins NuVeda from pursuing the relief sought in its Motion for Injunction Against Liquidation from any court other than this Court.

**B. Alternatively, the Court Should Reimpose the Stay Against NuVeda Encumbering Assets of the Receivership Estate**

The Receiver's duties under the Receivership Order include protecting the Receivership Estate for the benefit of CWNevada's creditors. *See* Receivership Order at § 1, 2:21-24. The Receiver may petition the Court "for instructions in connection with [the Receivership Order] and any further orders which this Court may make." *Id.* at § 27, 17:1-3.

In the unlikely event the Court concludes that the stipulated order lifting the litigation stay permitted and authorized NuVeda to divest this Court of its exclusive jurisdiction and possession of Receivership Estate assets and enjoin the "the transfer, sale, liquidation or other dispensation of the assets of CWNevada," the Receiver respectfully requests the Court to reimpose a stay against NuVeda encumbering the Receivership Estate's assets in any manner whatsoever to protect the assets for the benefit of all of CWNevada's creditors. NuVeda's Motion for Injunction Against Liquidation has the potential to disrupt the Board's approval of the Disciplinary Settlement Agreement and/or interfere with the Receiver's ability to comply with the terms of the Disciplinary

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<sup>5</sup> NuVeda's Motion for Injunction Against Liquidation is consequently not ripe, as the Receiver has not yet requested to liquidate CWNevada's assets or distribute proceeds. NuVeda will have an opportunity to oppose the Receiver's efforts to liquidate CWNevada's assets and distribute proceeds before this Court when the Receiver files motions to approve liquidation and distribution.

1 Settlement Agreement. Either such outcome would harm CWNevada's creditors by subjecting  
2 additional licenses/certificates to revocation. The Receiver could also be forced to pass on  
3 favorable offers to purchase CWNevada's licenses if liquidation is enjoined until CWNevada's  
4 litigation with NuVeda is resolved. The Receivership Estate could also exhaust its available  
5 funding before CWNevada's litigation with NuVeda is resolved, which would require the Receiver  
6 to borrow additional funds that would otherwise be unnecessary and/or terminate the Receivership  
7 if additional funding could not be obtained.

8 The Court's June 10, 2020 Minute Order regarding the Receiver's Motion to Further Lift  
9 Stay enables the Receiver to continue to protect Receivership Estate's assets. The Receiver  
10 believes that NuVeda is attempting to pursue CWNevada's assets and requests the Court impose  
11 a stay against such action. Accordingly, as alternative relief, the Receiver requests the Court to  
12 reimpose a stay against NuVeda's encumbering the Receivership Estate's assets.

#### 13 IV. CONCLUSION

14 Based on the foregoing, the Receiver respectfully requests the Court to grant the Receiver's  
15 Motion to Enforce and issue an order that enjoins NuVeda from pursuing the relief sought in its  
16 Motion for Injunction Against Liquidation from any court other than this Court, or in the  
17 alternative, an order that reimposes a stay against NuVeda's encumbering the Receivership  
18 Estate's assets.

19 Dated this 17th day of July 2020.

20 **HOLLEY DRIGGS**

21 /s/ John J. Savage

22 RICHARD F. HOLLEY, ESQ.

23 Nevada Bar No. 3077

24 JOHN J. SAVAGE, ESQ.

25 Nevada Bar No. 011455

26 400 South Fourth Street, Third Floor

27 Las Vegas, Nevada 89101

28 *Attorneys for Dotan Y. Melech, Receiver*

# **EXHIBIT “1”**

**DECL**  
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*Attorneys for Dotan Y. Melech, Receiver*

**DISTRICT COURT**  
**CLARK COUNTY, NEVADA**

NUVEDA, LLC, a Nevada Limited Liability  
 Company; and CWNEVADA LLC, a Nevada  
 Limited Liability Company,

Plaintiffs,

v.

4FRONT ADVISORS LLC, foreign limited  
 liability company, DOES I through X and ROE  
 ENTITIES, II through XX, inclusive,

Defendants.

Case No.: A-17-755479-B  
 Dept. No.: XI

**DECLARATION OF DOTAN Y. MELECH**

I, Dotan Y. Melech, do hereby voluntarily state under penalty of perjury as follows:

1. I am the Court-appointed receiver over CWNevada, LLC (“CWNevada”) in this matter, NUVEDA, LLC and CWNEVADA, LLC v. 4FRONT ADVISORS LLC, Eighth Judicial District Court, Clark County, Nevada, Case No. A-17-755479-C (the “Receivership Action”).

2. I am over the age of 18 years and I am competent to make this declaration. I have personal knowledge of the facts set forth herein.

3. I make this Declaration in support of the Receiver’s Motion to Enforce Receivership Order on Order Shortening Time (“Motion to Enforce”).

///



**A. Joint Venture Partnership between CWNevada and NuVeda**

4. The joint venture partnership between CWNevada and NuVeda, LLC ("NuVeda") formed CWNV, LLC ("CWNV") pursuant to a Membership Interest Purchase Agreement ("MIPA").

5. The only licenses/certificates that were to be contributed to CWNV as part of the joint venture were licenses/certificates owned by NuVeda's subsidiaries.

6. None of CWNevada's licenses/certificates were part of CWNV. Moreover, none of the CWNV licenses are the subject of the settlement with the State of Nevada, Department of Taxation, Marijuana Enforcement Division (the "Department").

7. CWNevada's contribution to CWNV was to fund and manage CWNV.

**B. Stipulation to Lift Litigation Stay between CWNevada and NuVeda**

8. NuVeda and I entered into a stipulation to lift the litigation stay between NuVeda and CWNevada as set forth in the Stipulation and Order Regarding Receiver's Motion to Engage Contingency Counsel, Competing Motions to Lift the Litigation Stay and Related Matters ("SAO to Lift Stay"), which was filed on about May 8, 2020.

9. The terms of the SAO to Lift Stay provided the following:

- a. NuVeda and the Receiver stipulate to the litigation stay being lifted as to the dispute between NuVeda and CWNevada so that the parties and their affiliates may pursue their respective claims against each other. As a result of this agreement, NuVeda and its affiliates shall not be required to submit an objection to the Receiver's determination disallowing their proof of claim in the amount of \$45M in order to preserve their objection and right to pursue their claims.
- b. NuVeda and the Receiver agree that the Receiver may engage contingency counsel, Joe Coppedge, Esq., of Mushkin & Coppedge, to represent CWNevada, Shane Terry and Phil Ivey in accordance with the terms and conditions set forth in the retainer agreement, conflict waiver and joint representation agreement filed by the Receiver with the court. This agreement shall not be viewed as acknowledgment by NuVeda of the merits of any claims by CWNevada and/or Messrs. Terry and Ivey, which NuVeda expressly denies.
- c. NuVeda and the Receiver agree that the claims by CWNevada against NuVeda shall not be included in any auction or sale of the assets of CWNevada.

- d. The Receiver withdraws its request to compel the disclosure of any transaction documents (to the extent any exist) regarding the alleged sale of NuVeda's marijuana licenses to any third-party, without prejudice. The Receiver expressly reserves the right to request any and all such documentation at a later date via discovery, subpoena, motions, applications and/or orders of the Court.

10. Nothing in the SAO to Lift Stay states NuVeda may prohibit "the transfer, sale, liquidation or other disposition of the assets of CWNevada." Moreover, neither I nor my counsel ever had any discussions with NuVeda or its counsel that the scope of the SOA to Lift Stay included NuVeda's attempts to enjoin "the transfer, sale, liquidation or other dispensation of the assets of CWNevada." I would certainly have never agreed to such relief.

**C. NuVeda's Motion for Preliminary Injunction.**

11. On or about July 8, 2020, Motion for Preliminary Injunction Preventing the Liquidation of CWNevada Pending Trial ("Motion for Injunction Against Liquidation") in Eighth Judicial District Court case number A-19-791405-C, which is pending before Department 1 ("NuVeda's Lawsuit").

12. NuVeda's Motion for Injunction Against Liquidation seeks an order from Department 1 "prohibiting the transfer, sale, liquidation or other disposition of the assets of CWNevada during the pendency of [NuVeda's Lawsuit]."

13. However, NuVeda's Motion for Injunction Against Liquidation fails to inform Department 1 of the following material facts:

- a. this Court has asserted exclusive jurisdiction over the Receivership Estate's assets;
- b. no motions are pending before this Court seeking approval for me to liquidate the Receivership Estate's assets;
- c. no sale proceeds from the liquidation of the Receivership Estate's assets would be distributed until I filed a motion with this Court seeking approval of distribution as part of the Receivership's claim process; and
- d. NuVeda will have an opportunity to object to the distribution process once I file a motion to approve the same.

14. NuVeda's Motion for Injunction Against Liquidation also makes the following material misrepresentations (among others):

- a. CWNevada will face no hardship if Department 1 enjoins the transfer, sale, liquidation or other disposition of the Receivership Estate's assets during the pendency of NuVeda's Lawsuit; and
- b. There can be no joint venture between CWNevada and NuVeda if CWNevada's licenses/certificates are sold and revoked pursuant to the terms of the Receiver's settlement with the Department (the licenses/certificates which are the subject of the settlement with the Department have absolutely no bearing on the joint venture).

15. Based upon information, NuVeda has not informed Department 1 that this Court has approved my settlement with the Department.

**D. Receiver's Settlement with the Department**

16. I negotiated a settlement with the Department to resolve the disciplinary action pending against CWNevada before the Department's Chief Administrative Law Judge ("ALJ") in Case No. 2020-04 (the "Disciplinary Action") as set forth in the Stipulation and Order for Settlement of Disciplinary Action ("Disciplinary Settlement Agreement").

17. Under the terms of the Disciplinary Settlement, *inter alia*, CWNevada's most valuable 8 licenses/certificates will be preserved while its 6 least valuable licenses/certificates will be revoked. CWNevada will also be required to pay civil penalties in the amount of \$1,250,000.00.

18. I will also be required to use my best efforts to sell CWNevada's 8 unrevoked licenses/certificates within six (6) months of the Effective Date of the Disciplinary Settlement.

19. The licenses/certificate at issue in the Disciplinary Settlement Agreement have absolutely nothing to do with the joint venture between CWNevada and NuVeda.

20. The Effective Date of the Disciplinary Settlement is the date it is ordered by the Board.

21. The Disciplinary Settlement Agreement requires the approval of this Court and the Board.

22. On or about July 10, 2020, this Court entered its Order Granting Receiver's Motion to Approve Good Faith Settlement with Department of Taxation on Order Shortening Time.

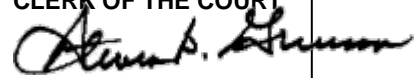
23. The Board is scheduled to consider the Disciplinary Settlement Agreement for approval at its initial meeting on July 21, 2020.

I declare under penalty of perjury under the laws of the State of Nevada that the foregoing is true and correct.

DATED this 17th day of July 2020.

  
 DOTAN Y. MELECH

# **EXHIBIT “2”**



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*Attorneys for NuVeda, LLC, Clark NMSD, LLC,  
and Nye Natural Medicinal Solutions, LLC*

**IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**  
**IN AND FOR THE COUNTY OF CLARK**

NUVEDA, LLC, a Nevada limited liability company; CLARK NMSD, LLC, a Nevada limited liability company; and NYE NATURAL MEDICINAL SOLUTIONS, LLC, a Nevada limited liability company

Plaintiffs,

v.

CWNEVADA, LLC, a Nevada limited liability company; CWNV, LLC, a Nevada limited liability company; BRIAN C. PADGETT, a Nevada resident; DOES I to X, inclusive; and ROES I to X, inclusive,

Defendants.

Case No.: A-19-791405-C

Dept. No.: 1

**MOTION FOR PRELIMINARY  
INJUNCTION PREVENTING THE  
LIQUIDATION OF CWNEVADA  
PENDING TRIAL**

**REQUEST FOR HEARING**

Plaintiffs NUVEDA, LLC, a Nevada limited liability company, CLARK NMSD, LLC, a Nevada limited liability company, and NYE NATURAL MEDICINAL SOLUTIONS, LLC, a Nevada

1 limited liability company, by and through their co-counsel of record, Mitchell Stipp, Esq., of the Law  
2 Office of Mitchell Stipp, hereby files the above-referenced motion.

3 This motion is based on the papers and pleadings before the court, the memorandum of points  
4 and authorities that follows, the exhibits filed separately and incorporated herein by this reference, and  
5 the argument of counsel at the hearing.

6  
7 DATED this 8th day of July, 2020.

8  
9 **LAW OFFICE OF MITCHELL STIPP**

10  
11 /s/ Mitchell Stipp, Esq.  
12 MITCHELL STIPP, ESQ.  
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20  
21  
22  
23  
24  
25  
26  
27  
28

1  
2 **MEMORANDUM OF POINTS AND AUTHORITIES**

3 **I.**

4 **STATEMENT OF FACTS AND PROCEDURAL HISTORY**

5  
6 Throughout 2015, the Plaintiffs sought an infusion of capital to assist with their business  
7 operations. On November 17, 2015, CWNevada, LLC, a Nevada limited liability company  
8 (“CWNevada”), provided a Letter of Intent setting forth the general terms and conditions of a proposed  
9 joint venture between CWNevada, and the Plaintiffs. On December 6, 2015, Plaintiffs and CWNevada  
10 executed a Membership Interest Purchase Agreement (“MIPA”) formally memorializing the parties’  
11 obligations as initially provided in the Letter of Intent. See MIPA included as part of **Exhibit 1** (proof  
12 of claim). The MIPA expressly provides that CWNevada was to “commence funding, and paying for,  
13 one hundred percent (100%) of: (i) all necessary tenant improvements, furniture, fixtures, equipment,  
14 and fees and expenses relating thereto, for the development of the facilities on the [Clark NMSD and  
15 Nye Natural] properties, and all matters relating [to a scheduled attached to the MIPA]; (ii) all fees and  
16 expenses to effectuate the transfer and obtain transfer approvals; and (iii) sufficient working capital for  
17 the operation of the businesses of [Clark NMSD and Nye Natural].

18 The MIPA further expressly provided that CWNevada was to pay or reimburse Plaintiffs for  
19 certain costs and expenses incurred after execution of the agreement and that, upon execution of the  
20 MIPA, CWNevada would develop, manage, operate, and promote the facilities and were charged with  
21 the duties to protect the Plaintiffs’ licenses and maximize profits and the overall value and goodwill of  
22 the Clark NMSD and Nye Natural facilities.

23 Through an amendment added to the MIPA, cultivation and production operations were to “be  
24 up and running by the end of December 2016.” The same amendment expressly states that if the  
25 cultivation and productions operations were not up and running in earnest by the end of 2016,  
26 CWNevada shall provide lost profits based on the number of months the facilities are late in opening  
27 and based on the profits those facilities actually make for that same number of months upon opening.  
28



1 From the onset of CWNevada's management of Plaintiffs' dispensaries, CWNevada collected all  
2 revenues generated and have not made any disbursements to the Plaintiffs.

3 A receiver (the "Receiver") was appointed over CWNevada and its assets. See **Exhibit 2**. The  
4 parties have stipulated to resolve their dispute before this court (now Department 1). See **Exhibits 3**  
5 (stipulation to lift litigation stay) and **4** (order approving claim process). The Receiver also filed a  
6 subsequent motion to lift the stay on litigation to allow CWNevada, Shane Terry and Phil Ivey<sup>1</sup> to  
7 pursue litigation against related parties of Plaintiffs. The court granted this request but ruled based on  
8 NuVeda's opposition that the stay was also lifted to allow parties to pursue CWNevada and its assets  
9 subject to the Receiver's right to seek re-application of the stay. See **Exhibit 5**.

10 The Receiver has sought to liquidate CWNevada through settlement reached with the Nevada  
11 Department of Taxation which will leave CWNevada without any ability to perform under the MIPA  
12 or satisfy any judgments received by the Plaintiffs in this case. See **Exhibits 6** and **7**. Therefore,  
13 Plaintiffs seek an order from this court prohibiting the transfer, sale, liquidation or other disposition of  
14 the assets of CWNevada during the pendency of this case.

## 15 II.

### 16 LEGAL ARGUMENT AND ANALYSIS

#### 17 A. Preliminary Injunction Standard

18 Preliminary injunctions are sanctioned to accomplish the restoration of the status quo pending  
19 the resolution of the underlying dispute on the merits. Leonard v. Stoebling, 102 Nev. 543, 782 P.2d  
20 1358 (1986). A preliminary injunction to preserve the status quo is normally available upon a showing  
21 that the party seeking it enjoys a reasonable probability of success on the merits and that the conduct,  
22 if allowed to continue, will result in irreparable harm for which compensable damages are an  
23 inadequate remedy. Pickett v. Comanche Construction Co., 108 Nev. 422, 836 P.2d 42 (1992); Dixon  
24 v. Thatcher, 103 Nev. 414, 742 P.2d 1029 (1987).

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26  
27 <sup>1</sup> Messrs. Terry and Ivey do not have legitimate claims. These claims have been initiated in Department 13 (Judge  
28 Denton). See Complaint filed in Case No. A-20-817363-B. Mr. Terry sold his claims to BCP 7 Holdings, LLC, which is  
controlled by Brian Padgett. Mr. Padgett through his entity dismissed the claims with prejudice. Mr. Ivey never funded  
the \$1.9M line of credit for his interests, and Mr. Terry agreed to resolve any disputes with Mr. Ivey through the  
conveyance of his interests. These matters are discussed and briefed in **Exhibit 8**.

1 NRS 33.010 outlines the basic considerations involved in deciding whether to grant injunctive  
2 relief. The statute provides:

3 An injunction may be granted in the following cases:

- 4 1. When it shall appear by the complaint that the plaintiff is entitled to the relief  
5 demanded, and such relief or any part thereof consists in restraining the  
6 commission or continuance of the act complained of, either for a limited period  
7 or perpetually.
- 8 2. When it shall appear by the complaint or affidavit that the commission or  
9 continuance of some act, during the litigation, would produce great or  
10 irreparable injury to the plaintiff.
- 11 3. When it shall appear, during the litigation, that the defendant is doing or  
12 threatens, or is about to do, or is procuring or suffering to be done, some act in  
13 violation of the plaintiff's rights respecting the subject of the action, intending  
14 to render the judgment ineffectual.

15 Here, all three subsections of NRS 33.010 are applicable. Plaintiffs are entitled to the relief  
16 requested as they will suffer great or irreparable injury if injunctive relief is not ordered. As set forth  
17 in greater detail below, Plaintiffs' have no adequate remedy at law.

18 **1. Failure to Issue a Preliminary Injunction Will Result in Irreparable Harm**

19 As early as 1865, the Nevada Supreme Court recognized the utility of preliminary injunctions  
20 in cases where there is a "threatened injury." Champion v. Sessions, 1 Nev. 478 (1865). While it is  
21 true that a party with an adequate remedy at law cannot face an "irreparable injury" (see e.g., Number  
22 One Rent-A-Car v. Ramada Inns, Inc., 94 Nev. 779, 587 P.2d 1329 (1978)), the Nevada Supreme Court  
23 has held that were the adequacy of a remedy at law is unclear, injunctive relief should be granted.  
24 Ripps v. City of Las Vegas, 72 Nev. 135, 297 P.2d 258 (1956). Further, the existence of a remedy at  
25 law will not preclude an injunction where the equitable remedy is "far superior" to the legal remedy.  
26 Nevada Escrow Services v. Crockett, 91 Nev. 201, 209, 533 P.2d 471, 478 (1975).

27 Here, Plaintiffs will incur immediate and irreparable harm if CWNevada is not enjoined from  
28 disposing of the assets of CWNevada. The proposed settlement with the Nevada Department of  
Taxation (the "State") and subsequent sale of the remaining assets of CWNevada will leave no money  
for CWNevada to perform under the MIPA (or satisfy any judgments by Plaintiffs against CWNevada)  
after paying administrative costs, receiver certificates, and other credit claims approved by the  
Receiver. See **Exhibits 6 and 7**.

1           **2.       Review of the Relative Interest of the Parties Favors Injunctive Relief**

2           It has been acknowledged by the Nevada Supreme Court that probably the most important  
3 consideration of a trial court in deciding whether to issue an injunction is that of the interests of the  
4 parties – how much damage will the party seeking an injunction really suffer if restraint is denied  
5 versus the hardship to the non-moving party if the injunction is granted. Home Finance Co. v. Balcom,  
6 61 Nev. 301, 127 P.2d 389 (1942); Ottenheimer v. Real Estate Division, 91 Nev. 338, 535 P.2d 1284  
7 (1975).

8           Here, the balancing of interests clearly and unequivocally favors Plaintiffs. If CWNevada is  
9 permitted to liquidate and leave CWNevada with no ability to perform under the MIPA or satisfy any  
10 judgment, then Plaintiffs will have no recourse against CWNevada. Conversely, CWNevada will face  
11 no hardship if this court grants injunctive relief. The Receiver is in the process of negotiating joint  
12 ventures for CWNevada’s facilities pending the liquidation of its assets. The Receiver has the ability  
13 to borrow money through receivership certificates. The Receiver can complete the disciplinary process  
14 with the State and may be able to retain all CWNevada’s licenses. Without these assets, there is no  
15 joint venture with Plaintiffs.

16           **3.       Plaintiff is Likely to Succeed on the Merits, Thus, Injunctive Relief is**  
17           **Appropriate**

18           A preliminary injunction is available upon a showing that the party seeking the injunctive relief  
19 enjoys a “reasonable probability” of success on the merits. Christensen v. Chromalloy American Corp.,  
20 99 Nev. 34, 656 P.2d 844 (1983); Republic Entertainment, Inc. v. Clark County Liquor & Gaming  
21 Licensing Board, 99 Nev. 811, 672 P.2d 634 (1983); Number One Rent-A-Car v. Ramada Inns, Inc.,  
22 94 Nev. 779, 587 P.2d 1329 (1978); Dixon vs. Thatcher, 103 Nev. 414, 742 P.2d 1029 (1987).

23           In the present matter, Plaintiffs are asserting causes of action against CWNevada, CWNV, and  
24 Brian Padgett for breach of contract and breach of the implied covenant of good faith and fair dealing  
25 related to the MIPA, and unjust enrichment plead in the alternative. Examination of the factual events  
26 asserted in the Complaint clearly provides that Plaintiffs are likely to succeed on the aforementioned  
27 causes of action.  
28

1 The MIPA expressly provides that CWNevada was to “commence funding, and paying for, one  
2 hundred percent (100%) of: (i) all necessary tenant improvements, furniture, fixtures, equipment, and  
3 fees and expenses relating thereto, for the development of the facilities on the [Clark NMSD and Nye  
4 Natural] properties, and all matters relating [to a scheduled attached to the MIPA]; (ii) all fees and  
5 expenses to effectuate the transfer and obtain transfer approvals; and (iii) sufficient working capital for  
6 the operation of the businesses of [Clark NMSD and Nye Natural]. In addition, that CWNV and  
7 CWNevada would develop, manage, operate, and promote the facilities and were charged with the  
8 duties to protect the Plaintiffs’ licenses and maximize profits and the overall value and goodwill of the  
9 Clark NMSD and Nye Natural facilities.

10 Since execution of the MIPA and CWNevada’s management of the dispensaries and other  
11 facilities, there has hardly been a “maximization of profits and the overall value and goodwill” of the  
12 facilities. The Plaintiffs have received zero disbursements from the dispensaries operated by  
13 CWNevada. CWNevada also failed to build-out a cultivation facility in Nye County. Conversely,  
14 CWNevada has realized all revenues and have failed to provide transparency and information to the  
15 Plaintiffs as required by the MIPA. As such, the Plaintiffs are likely to succeed on the merits of their  
16 litigation.

17 In sum, Plaintiffs satisfy the three (3) requirements necessary for injunction relief – failure to  
18 issue injunctive relief will result in irreparable harm, review of the relative interests of the parties favors  
19 the issuance of injunctive relief, and that Plaintiffs are likely to succeed on the merits of the allegations  
20 at trial. Accordingly, this court should grant Plaintiffs’ motion for preliminary injunction.

21 **B. The Court Should Order Plaintiff Post a Minimal Bond to Effectuate Injunctive Relief**

22 Pursuant to Nev.R.Civ.P. 65(c), a bond is required to protect a party that is wrongfully enjoined.  
23 Plaintiffs request this court order the posting of a minimal bond to effectuate injunctive relief.

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1 DATED this 9th day of July, 2020.

2 **LAW OFFICE OF MITCHELL STIPP**

3  
4 /s/ Mitchell Stipp, Esq.

5 MITCHELL STIPP, ESQ.

6 Nevada Bar No. 7531

7 LAW OFFICE OF MITCHELL STIPP

8 1180 N. Town Center Drive, Suite 100

9 Las Vegas, Nevada 89144

10 Telephone: 702.602.1242

11 mstipp@stipplaw.com

12 *Attorneys for Plaintiffs*

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**DECLARATION OF PEJMAN BADY**

14 The undersigned, Dr. Pejman Bady, authorized agent for Plaintiffs, certifies to the court as  
15 follows:

16 1. I am an authorized agent of Plaintiffs in the above referenced case.

17  
18 2. I submit the above-titled declaration in support of Plaintiffs' motion for a preliminary  
19 injunction, which has been filed concurrently herewith. I have personal knowledge of the facts contained  
20 therein unless otherwise qualified by my information and belief or such knowledge is based on the record  
21 in this case, and I am competent to testify thereto, and such facts are true and accurate to the best of my  
22 knowledge and belief.

23 Dated this 8th day of July, 2020.

24  
25 /s/ Pejman Bady

26 Dr. Pejman Bady, Authorized Agent for Plaintiffs

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I am an employee of Holley Driggs and that on the 17th day of July 2020, and pursuant to NRCP 5(b) and NEFCR 9, I caused to be served electronically using the Court's electronic filing system (EFS) the foregoing RECEIVER'S MOTION TO ENFORCE RECEIVERSHIP ORDER ON ORDER SHORTENING TIME to all registered users on the above-captioned case in the Eighth Judicial District Court Electronic Filing System.

Parties:

NuVeda LLC - Plaintiff  
 4Front Advisors LLC - Defendant  
 CWNevada LLC - Plaintiff  
 CIMA Group LLC - Other  
 Highland Partners NV LLC - Intervenor  
 MI-CW Holdings Fund 2 LLC - Intervenor  
 MI-CW Holdings LLC - Intervenor  
 Green Pastures Fund, LLC Series 1 (CWNevada, LLC) - Intervenor  
 Jakal Investments, LLC - Intervenor  
 Green Pastures Group, LLC - Intervenor  
 Jonathan S. Fenn Revocable Trust - Intervenor  
 Growth Opportunities, LLC - Intervenor  
 CIMA Group LLC - Intervenor  
 Timothy Smits Van Oyen - Intervenor  
 Dotan Y Melech - Receiver  
 Nevada Department of Taxation - Other  
 Brian C Padgett - Intervenor  
 Renaissance Blue Diamond, LLC - Other  
 Stalking Horse Bidder TRC - Evolution NV, LLC - Other  
 G3 Labs, LLC - Other  
 Rad Source Technologies - Other  
 Fortress Oakridge, LLC - Other  
 Kirby C. Gruchow, Jr. -  
 Ace Legal Corp. -

/s/ Olivia Swibies  
 Employee of Holley Driggs

**MOT**

RICHARD F. HOLLEY, ESQ.

Nevada Bar No. 3077

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JOHN J. SAVAGE, ESQ.

Nevada Bar No. 011455

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HOLLEY DRIGGS

400 South Fourth Street, Third Floor

Las Vegas, Nevada 89101

Telephone: 702/791-0308

Facsimile: 702/791-1912

*Attorneys for Dotan Y. Melech, Receiver*

**DISTRICT COURT**

**CLARK COUNTY, NEVADA**

NUVEDA, LLC, a Nevada Limited Liability  
Company; and CWNEVADA LLC, a Nevada  
Limited Liability Company,

Plaintiffs,

v.

4FRONT ADVISORS LLC, foreign limited  
liability company, DOES I through X and ROE  
ENTITIES, II through XX, inclusive,

Defendants.

Case No.: A-17-755479-B

Dept. No.: XI

**HEARING NOT REQUESTED<sup>1</sup>**

Date of Hearing: 07/23/20

Time of Hearing: 11:45a.m.

Hearing to be conducted by Telephone

**RECEIVER'S MOTION TO ENFORCE RECEIVERSHIP ORDER  
ON ORDER SHORTENING TIME**

Dotan Y. Melech, the Court-appointed receiver over CWNevada, LLC (“CWNevada”) in  
this matter (“Receiver”), by and through his undersigned counsel of record, hereby submits this  
Motion to Enforce Receivership Order on Order Shortening Time (“Motion to Enforce”).

This Motion to Enforce is made and based on the papers and pleadings on file herein,  
including the Order Appointing Receiver entered in this case (the “Receivership Action”) on  
July 10, 2019 (the “Receivership Order”); the Declaration of Dotan Y. Melech, which is attached

<sup>1</sup> A hearing is not requested for judicial economy. Department XI is conducting a trial offsite  
beginning on July 13, 2020, from 8:00 a.m. to 5:00 p.m. daily, for 8 to 10 weeks, and has advised  
that all motions during this time will be decided by “Minute Order Decisions” based on the filed  
pleadings.

hereto as **Exhibit “1”** (the “Receiver Declaration”); NuVeda, LLC’s (“NuVeda”) Motion for Preliminary Injunction Preventing the Liquidation of CWNevada Pending Trial (“Motion for Injunction Against Liquidation”) in Eighth Judicial District Court case number A-19-791405-C, which is pending before Department 1 (“NuVeda’s Lawsuit”), which is attached hereto as **Exhibit “2”**; any additional exhibits attached thereto; and any oral argument that may be heard.

Dated this 17th day of June 2020.

**HOLLEY DRIGGS**

/s/ John J. Savage

RICHARD F. HOLLEY, ESQ.

Nevada Bar No. 3077

JOHN J. SAVAGE, ESQ.

Nevada Bar No. 011455

400 South Fourth Street, Third Floor

Las Vegas, Nevada 89101

*Attorneys for Dotan Y. Melech, Receiver*

**DECLARATION OF JOHN J. SAVAGE, ESQ. IN SUPPORT OF  
RECEIVER’S MOTION TO ENFORCE**

I, John J. Savage, Esq., declare as follows:

1. I am a shareholder with the law firm Holley Driggs, counsel for the Receiver in the above-captioned case.

2. I have personal knowledge of the matters set forth herein, with the exception of those stated to be made upon information and belief, and as to those I believe them to be true to the best of my knowledge. If called to do so, I could and would testify competently to the matters set forth herein.

3. I make this declaration in support of the Receiver’s Motion to Enforce.

4. NuVeda filed its Motion for Injunction Against Liquidation in NuVeda’s Lawsuit, which is pending before Department 1.

5. The hearing on NuVeda’s Motion for Injunction Against Liquidation is currently set for August 13, 2020. However, NuVeda’s counsel, Mitchell Stipp, Esq., has advised that an ex parte application has been submitted to Department 1 for an order to shorten the time to hear said motion.



6. On July 15, 2020, the Receiver’s contingency counsel, Joe Coppedge, Esq., filed a motion with this Court that seeks to consolidate NuVeda’s Lawsuit (and two other lawsuits) with this Receivership Action (“Motion to Consolidate”). This Court set the Motion to Consolidate to be heard in chamber on August 7, 2020.

7. However, if the Motion to Consolidate is denied and if Department 1 grants NuVeda’s Motion for Injunction Against Liquidation, this Court would effectively be divested of its exclusive jurisdiction over the Receiver Estate’s assets.

8. NuVeda’s Motion for Injunction Against Liquidation could also negatively impact the Receiver’s settlement with State of Nevada, Department of Taxation, Marijuana Enforcement Division (the “Department”), which will be presented for approval by the Cannabis Compliance Board (the “Board”) at its inaugural meeting on July 21, 2020.

9. I attempted to meet and confer with NuVeda’s counsel, Mitchell Stipp, Esq., before seeking relief from the Court per the Receiver’s Motion to Enforce. However, NuVeda was not willing to withdraw its Motion for Injunction Against Liquidation.

10. While the Receiver understands it is unlikely the Court will be able to consider the instant Motion to Enforce prior to the Board’s meeting on July 21, 2020, judicial economy would be best served if the Motion to Enforce is scheduled at the same time as the Motion to Consolidate, which is scheduled for August 7, 2020 in chambers.

11. It is respectfully submitted that the above and foregoing establishes good cause to grant the Order Shortening Time on the Receiver’s Motion to Enforce.

I declare under penalty of perjury that the foregoing is true and correct.

EXECUTED this 17th day of July 2020.

/s/ John J. Savage  
JOHN J. SAVAGE, ESQ.

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**ORDER SHORTENING TIME**

IT IS HEREBY ORDERED that, upon review of the Receiver's request for an Order Shortening Time and good cause appearing therefor, the **RECEIVER'S MOTION TO ENFORCE RECEIVERSHIP ORDER ON ORDER SHORTENING TIME** shall be heard on the 23rd day of July, 2020, ~~in Chambers~~ at 11:45a.m. by Telephone Conference.

**IT IS SO ORDERED.**

  
DISTRICT COURT JUDGE

Submitted by:

**HOLLEY DRIGGS**

/s/ John J. Savage  
RICHARD F. HOLLEY, ESQ.  
Nevada Bar No. 3077  
JOHN J. SAVAGE, ESQ.  
Nevada Bar No. 011455  
400 South Fourth Street, Third Floor  
Las Vegas, Nevada 89101

*Attorneys for Dotan Y. Melech, Receiver*

**MEMORANDUM OF POINTS AND AUTHORITIES**

**I. INTRODUCTION**

Clearly and unequivocally, this Court has asserted "exclusive jurisdiction" and "exclusive possession of all assets and property owned by, controlled by, or in the name of CWNevada...." See Receivership Order at § 1, 2:9-19. This exclusive jurisdiction expressly refers to all of the licenses/certificates in the name of CWNevada.

Notwithstanding this Court's exclusive jurisdiction over the Receivership Estate's assets, NuVeda, is knowingly and wrongfully attempting to divest this Court of its exclusive jurisdiction by filing its Motion for Injunction Against Liquidation in NuVeda's Lawsuit before

1 Department 1.<sup>2</sup> NuVeda’s Motion for Injunction Against Liquidation seeks an order from  
2 Department 1 “prohibiting the transfer, sale, liquidation or other disposition of the assets of  
3 CWNevada during the pendency of [NuVeda’s Lawsuit].” See Motion for Injunction Against  
4 Liquidation, **Ex. “2”**, at 4:13-14.

5 In addition, NuVeda is asking Department 1 to enjoin the Receiver from fulfilling his duties  
6 under this Court’s Receivership Order, which require the Receiver to, *inter alia*, manage, protect,  
7 sell, and collect revenues of the Receivership Estate “as is most beneficial to CWNevada’s creditors  
8 and as instructed by the Court.” See Receivership Order at § 1, 2:19-25. The Receivership Order  
9 also expressly authorizes the Receiver to “liquidate any and all assets of CWNevada.” See *id.* at  
10 § 6, 4:17-21. Any prohibition against “the transfer, sale, liquidation or other disposition of the  
11 assets of CWNevada” will interfere with the Receiver’s ability to carry out his duties and powers  
12 under the Receivership Order.

13 Allowing NuVeda to usurp this Court’s exclusive jurisdiction over the Receivership  
14 Estate’s assets and enjoin the Receiver from exercising his mandate to liquidate any and all assets  
15 of CWNevada would cut the heart out of the Receivership Order. If NuVeda believes the relief it  
16 is seeking from Department 1 is proper, it should seek such relief from this Court, with notice to  
17 all creditors and parties-in-interest instead of stealthily filing its injunction in another department  
18 without notice to this Court or creditors and parties-in-interest.

19 Therefore, the Receiver is respectfully requesting the Court to enforce the Receivership  
20 Order and issue an order that enjoins NuVeda from pursuing the relief sought in its Motion for  
21 Injunction Against Liquidation from any court other than this Court. In the alternative, and to the  
22 extent necessary, the Receiver would request the Court to issue an order that reimposes a stay  
23 against NuVeda encumbering the Receivership Estate’s assets in any manner whatsoever,  
24

25  
26 <sup>2</sup> Based upon meet and confer efforts, the Receiver is informed and believes that NuVeda filed its  
27 Motion for Injunction Against Liquidation as a pretext to oppose the Receiver’s settlement with  
28 the Department at the Board’s inaugural meeting on July 21, 2020. While NuVeda is certainly  
entitled to present the merits of its opposition to the Board, as it previously presented to this Court,  
it is improper to use its Motion for Injunction Against Liquidation as a mere pretext for its  
opposition to the disciplinary settlement.

including “prohibiting the transfer, sale, liquidation or other disposition of the assets of CWNevada during the pendency of [NuVeda’s Lawsuit].”<sup>3</sup>

## II. SUMMARY OF FACTS

### A. Receivership Order

1. The Receivership Order expressly provides this Court with exclusive jurisdiction over the assets of the Receivership Estate as follows:

This Court hereby asserts **exclusive jurisdiction and takes exclusive possession of all assets** and property owned by, controlled by, or in the name of CWNevada, including all assets, rights, contracts, monies, securities, inventory, real property, personal property, tangible property and intangible property, of whatever kind and description and wherever situated, **including but not limited to the following Nevada marijuana establishment licenses** and the businesses and properties associated therewith: **8926 2643 4085 3963 7228; 0918 7693 7133 1267 8064; 1376 1794 0956 7505 0382; 3908 4961 6157 3630 3651; and 4358 1723 6737 5350 5053**, as well as domain names, website and content, cloud-based storage accounts, all social media accounts and email record hosted by CWNevada and any third parties (all assets are, collectively, the “Receivership Estate”).

*See* Receivership Order at § 1, 2:9-19 (emphasis added).

2. The Receiver is obligated under the Receivership Order to manage, protect, sell, and collect revenues of the Receivership Estate “as is most beneficial to CWNevada's creditors and as instructed by the Court.” *See id.* at § 1, 2:19-25.

3. Except as expressly limited in the Receivership Order, the Receiver has been “granted all powers given to an equity receiver, provided by N.R.S. Chapter 32 and/or common law.” *Id.* at § 32, 17:22-23.

4. The Receiver is expressly authorized to “liquidate any and all assets of CWNevada.” *Id.* at § 6, 4:17-21.

5. CWNevada’s marijuana licenses are again referenced in Section 20 of the Receivership Order, which expressly authorizes the Receiver to “exercise the privileges of any existing license” and “do all things necessary to protect and maintain those licenses” as follows:

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<sup>3</sup> While NuVeda will contend that the litigation stay was lifted to permit it to pursue its current course of action, this is simply not true and completely unsupported by the filings and court order lifting the stay. Moreover, NuVeda counsel never discussed these actions as part of the litigation stay relief with Receiver counsel. The Receiver does not believe that the litigation stay was ever lifted for this purpose and only seeks this alternative relief in the unlikely event it is necessary.

The Receiver and/or Management Agent[s], as appropriate, may apply for, obtain and pay any reasonable fees for any lawful license, permit or other governmental approval relating to the Receivership Estate or the operation thereof; confirm the existence of and, to the extent permitted by law, **exercise the privileges of any existing license**, permit or governmental approval; and **do all things necessary to protect and maintain those licenses**, permits and approvals. No governmental agency or entity may terminate, revoke or fail to renew any licenses, permits, or governmental approvals necessary for the operation of the business of the Receivership Estate or otherwise take any action to require the business of the Receivership Estate to cease or desist as a result of appointment of the Receiver or the carrying out of the duties of the Receiver without prior order of this Court.

*Id.* at § 20, 13:23 – 14:4 (emphasis added).

6. The Receiver may “take all proper actions related to the...securement and protection of the Receivership Estate” and petition the Court “for instructions in connection with [the Receivership Order] and any further orders which this Court may make.” *Id.* at § 9(h), 8:9-15. § 27, 17:1-3.

7. The Receivership Order also imposed a litigation stay that requires parties to file a motion with this Court to lift the stay before pursuing any litigation or other adversarial action brought by or against CWNevada. *Id.* at § 19, 13:4-8.

#### **B. Joint Venture Partnership between CWNevada and NuVeda**

8. The joint venture partnership between CWNevada and NuVeda formed CWNV pursuant to a Membership Interest Purchase Agreement (“MIPA”). *See* Receiver Declaration, **Ex. “1”**, at ¶ 4.

9. The only licenses/certificates that were to be contributed to CWNV as part of the joint venture were licenses/certificates owned by NuVeda’s subsidiaries. *Id.* at ¶ 5.

10. None of CWNevada’s licenses/certificates were part of CWNV. *Id.* at ¶ 6. Moreover, none of the CWNV licenses are the subject of the settlement with the Department. *Id.*

11. CWNevada’s contribution to CWNV was to fund and manage CWNV. *Id.* at ¶ 7.

#### **C. Stipulation to Lift Litigation Stay between CWNevada and NuVeda**

12. The Receiver and NuVeda entered into a stipulation to lift the litigation stay between NuVeda and CWNevada as set forth in the Stipulation and Order Regarding Receiver’s Motion to Engage Contingency Counsel, Competing Motions to Lift the Litigation Stay and

Related Matters (“SAO to Lift Stay”), which was filed on about May 8, 2020. *See* SAO to Lift Stay, on file herein.

13. The terms of the SAO to Lift Stay provided the following:

- a. NuVeda and the Receiver stipulate to the litigation stay being lifted as to the dispute between NuVeda and CWNevada so that the parties and their affiliates may pursue their respective claims against each other. As a result of this agreement, NuVeda and its affiliates shall not be required to submit an objection to the Receiver’s determination disallowing their proof of claim in the amount of \$45M in order to preserve their objection and right to pursue their claims.
- b. NuVeda and the Receiver agree that the Receiver may engage contingency counsel, Joe Coppedge, Esq., of Mushkin & Coppedge, to represent CWNevada, Shane Terry and Phil Ivey in accordance with the terms and conditions set forth in the retainer agreement, conflict waiver and joint representation agreement filed by the Receiver with the court. This agreement shall not be viewed as acknowledgment by NuVeda of the merits of any claims by CWNevada and/or Messrs. Terry and Ivey, which NuVeda expressly denies.
- c. NuVeda and the Receiver agree that the claims by CWNevada against NuVeda shall not be included in any auction or sale of the assets of CWNevada.
- d. The Receiver withdraws its request to compel the disclosure of any transaction documents (to the extent any exist) regarding the alleged sale of NuVeda’s marijuana licenses to any third-party, without prejudice. The Receiver expressly reserves the right to request any and all such documentation at a later date via discovery, subpoena, motions, applications and/or orders of the Court.

*See id.*

14. Nothing in the SAO to Lift Stay states NuVeda may prohibit “the transfer, sale, liquidation or other disposition of the assets of CWNevada.” *See id.* Moreover, neither the Receiver nor his counsel ever had any discussions with NuVeda or its counsel that the scope of the SOA to Lift Stay included NuVeda’s attempts to enjoin “the transfer, sale, liquidation or other dispensation of the assets of CWNevada.” *See* Receiver Declaration, **Ex. “1”**, at ¶ 10. The Receiver would certainly have never agreed to such relief. *Id.*

**D Receiver’s Motion for Further Relief from Litigation Stay**

15. On or about June 5, 2020, the Receiver filed a Motion to Lift the Litigation Stay on Order Shortening Time (“Motion to Further Lift Stay”) through his contingency counsel, which

sought clarification that the SAO to Lift Stay permitted the Receiver to pursue litigation against Clark NMSD, LLC, Clark Natural Medicinal Solutions, LLC, Nye Natural Medicinal Solutions, LLC, BCP 7, LLC, Pejman Bady, Pouya Mohajer, Brian Padgett and potentially others, some of whom may or may not be considered “affiliates” of NuVeda or CWNevada. *See* Motion to Further Lift Stay, on file herein, at 3:1-5.

16. On or about June 9, 2020, NuVeda filed its Response to the Receiver’s Motion to Further Lift Stay (“Response”), wherein NuVeda stated, *inter alia*, that it had “no objection to any clarification by the court that the stay does not apply to these named persons or entities so long as these same persons and entities **may freely assert claims** without further court approval against CWNevada and any and all assets of the receivership estate.” *See* NuVeda’s Response to CWNevada’s Motion to Further Lift Stay, on file herein, at 3:14-17 (emphasis added).

17. NuVeda’s Response did not ask this Court to prohibit “the transfer, sale, liquidation or other disposition of the assets of CWNevada” nor seek permission from this Court to request such relief from Department 1. *See id.*, generally.

18. On or about June 10, 2020, the Court heard oral argument on the Receiver’s Motion to Further Lift Stay and granted the same. *See* Minute Order dated June 10, 2020, on file herein.

19. The Court’s minute order dated June 10, 2020 (“Minute Order”) notes that the Court “understands there may be issues with counter claims that impact the assets of the Estate” and that “[i]f the Receiver believes that any of those are subject to the stay, a motion will have to be filed to impose a stay on those portions of the claims.” *Id.* Remarkably, and without any justification or support, NuVeda apparently misconstrues this language as a license to enjoin the transfer, sale, liquidation or other dispensation of the assets of CWNevada.

#### **E. NuVeda’s Motion for Preliminary Injunction.**

20. On or about July 8, 2020, NuVeda filed its Motion for Injunction Against Liquidation in NuVeda’s Lawsuit. *See* Motion for Injunction Against Liquidation, **Ex. “2”**.

21. NuVeda’s Motion for Injunction Against Liquidation seeks an order from Department 1 “prohibiting the transfer, sale, liquidation or other disposition of the assets of CWNevada during the pendency of [NuVeda’s Lawsuit].” *See id.* at 4:13-14.

22. However, NuVeda's Motion for Injunction Against Liquidation fails to inform Department 1 of the following material facts:

- a. this Court has asserted exclusive jurisdiction over the Receivership Estate's assets;
- b. no motions are pending before this Court seeking approval for the Receiver to liquidate the Receivership Estate's assets;
- c. no sale proceeds from the liquidation of the Receivership Estate's assets would be distributed until the Receiver filed a motion with this Court seeking approval of distribution as part of the Receivership's claim process; and
- d. NuVeda will have an opportunity to object to the distribution process once the Receiver has filed a motion to approve the same.

*See id., generally.*

23. NuVeda's Motion for Injunction Against Liquidation also makes the following material misrepresentations (among others):

- a. CWNevada will face no hardship if Department 1 enjoins the transfer, sale, liquidation or other disposition of the Receivership Estate's assets during the pendency of NuVeda's Lawsuit; and
- b. There can be no joint venture between CWNevada and NuVeda if CWNevada's licenses/certificates are sold and revoked pursuant to the terms of the Receiver's settlement with the Department (the licenses/certificates which are the subject of the settlement with the Department have absolutely no bearing on the joint venture).

*See id.* at 6:10-15.

24. Based upon information, NuVeda has not informed Department 1 that this Court has approved the Receiver's settlement with the Department. *See* Receiver Declaration, **Ex. "1"**, at ¶ 15.

///

///



**F. Receiver's Settlement with the Department**

25. The Receiver negotiated a settlement with the Department to resolve the disciplinary action pending against CWNevada before the Department's Chief Administrative Law Judge ("ALJ") in Case No. 2020-04 (the "Disciplinary Action") as set forth in the Stipulation and Order for Settlement of Disciplinary Action ("Disciplinary Settlement Agreement"). *See* Receiver Declaration, **Ex. "1"**, at ¶ 16.

26. Under the terms of the Disciplinary Settlement, *inter alia*, CWNevada's most valuable 8 licenses/certificates will be preserved while its 6 least valuable licenses/certificates will be revoked. CWNevada will also be required to pay civil penalties in the amount of \$1,250,000.00. *Id.* at ¶ 17.

27. The Receiver will also be required to use his best efforts to sell CWNevada's 8 unrevoked licenses/certificates within six (6) months of the Effective Date of the Disciplinary Settlement. *Id.* at ¶ 18.

28. The licenses/certificate at issue in the Disciplinary Settlement Agreement have absolutely nothing to do with the joint venture between CWNevada and NuVeda. *Id.* at ¶ 19.

29. The Effective Date of the Disciplinary Settlement is the date it is ordered by the Board. *Id.* at ¶ 20.

30. The Disciplinary Settlement Agreement requires the approval of this Court and the Board. *Id.* at ¶ 21.

31. On or about July 10, 2020, this Court entered its Order Granting Receiver's Motion to Approve Good Faith Settlement with Department of Taxation on Order Shortening Time. *Id.* at ¶ 22.

32. The Board is scheduled to consider the Disciplinary Settlement Agreement for approval at its initial meeting on July 21, 2020. *Id.* at ¶ 23.

**III. LEGAL ARGUMENT**

**A. The Receivership Order Must be Enforced**

"Nevada's courts are constitutionally authorized to issue all writs "proper and necessary to the complete exercise of their jurisdiction." *Jordan v. State ex rel. Dep't of Motor Vehicles & Pub.*

1 *Safety*, 121 Nev. 44, 59, 110 P.3d 30, 41 (2005) (abrogated on other grounds by *Buzz Stew, LLC*  
2 *v. City of N. Las Vegas*, 124 Nev. 224, 181 P.3d 670 (2008)) (quoting Nev. Const. art. 6, § 6(1)).  
3 “Nevada courts also possess inherent powers of equity and of control over the exercise of their  
4 jurisdiction.” *Id.* (citing *Matter of Hartford Textile Corp.*, 681 F.2d 895, 897 (2d Cir.1982) (“The  
5 equity power of a court to give injunctive relief against vexatious litigation is an ancient one ....”)).

6 The inherent powers of Nevada’s courts also include the power to enforce their orders,  
7 prevent injustice, and preserve the integrity of the judicial process. *See Halverson v. Hardcastle*,  
8 123 Nev. 245, 261–62, 163 P.3d 428, 440 (2007) (citing *Matter of Water Rights of Humboldt*  
9 *River*, 118 Nev. 901, 906, 59 P.3d 1226, 1229 (2002); *Young v. Johnny Ribeiro Building*, 106 Nev.  
10 88, 92, 787 P.2d 777, 779 (1990) (cautioning litigants and attorneys that district courts have  
11 inherent equitable powers to dismiss an action for litigation abuses); *Maldonado v. Ford Motor*  
12 *Co.*, 476 Mich. 372, 719 N.W.2d 809, 818 (2006) (noting that the court's authority to impose  
13 sanctions “is rooted in a court's fundamental interest in protecting its own integrity and that of the  
14 judicial process” (quoting *Cummings v. Wayne County*, 210 Mich.App. 249, 533 N.W.2d 13, 14  
15 (1995)); *Kabase v. District Court*, 96 Nev. 471, 472, 611 P.2d 194, 195 (1980); *In re Credit*  
16 *Acceptance Corp.*, 273 Mich.App. 594, 733 N.W.2d 65, 70 (2007) (recognizing that a court may  
17 exercise its inherent power to protect its fundamental interest in its own integrity and that of the  
18 judicial process (citing *Maldonado*, 719 N.W.2d at 818)); *Jordan v. State, Dep't of Motor Vehicles*,  
19 121 Nev. 44, 59, 59 n. 23, 110 P.3d 30, 41, 42 n. 23 (2005) (recognizing that Nevada courts  
20 “possess inherent powers of equity and of control over the exercise of their jurisdiction” and citing  
21 *De Long v. Hennessey*, 912 F.2d 1144 (9th Cir.1990) (recognizing that federal courts have inherent  
22 power to regulate abusive litigation); *Chambers v. NASCO, Inc.*, 501 U.S. 32, 43–46, 111 S.Ct.  
23 2123, 115 L.Ed.2d 27 (1991) (discussing the ‘control necessarily vested in courts’ to “police”  
24 themselves and administer the judicial process in an orderly and effective manner (quoting *Link v.*  
25 *Wabash R. Co.*, 370 U.S. 626, 630–31, 82 S.Ct. 1386, 8 L.Ed.2d 734 (1962))); *Bd. of Com'rs, Weld*  
26 *Co. v. 19th Jud. Dist.*, 895 P.2d 545, 547–48 (Colo.1995) (noting that a court's inherent powers  
27 consist of those “reasonably required” to efficiently perform judicial functions, protect its dignity,  
28

1 independence, and integrity, and to make effective its lawful actions (quoting *Pena v. District*  
2 *Court of Second Jud. Dist.*, 681 P.2d 953, 956 (Colo.1984))).

3 In the Receivership Action, this Court should enforce the Receivership Order to prevent  
4 injustice and preserve the integrity of the judicial process. NuVeda has elevated its previous pledge  
5 to oppose every motion the Receiver files until the Receiver agrees to settle with NuVeda. Now,  
6 NuVeda has knowingly and wrongfully attempted to divest this Court of its exclusive jurisdiction  
7 over the Receivership Estate's assets, without notifying this Court of its intentions and efforts to  
8 do so. And it appears to have done so merely as a pretext to oppose the Disciplinary Settlement  
9 Agreement at the Board's inaugural meeting on July 21, 2020.<sup>4</sup>

10 This Court has clearly and unequivocally asserted "**exclusive jurisdiction and take[n]**  
11 **exclusive possession of all assets** and property owned by, controlled by, or in the name of  
12 CWNevada." See Receivership Order at § 1, 2:9-11 (emphasis added). This exclusive jurisdiction  
13 and possession expressly include the licenses/certificates that are the subject of the Disciplinary  
14 Settlement Agreement. The orders lifting the litigation stay between NuVeda and CWNevada did  
15 not waive or release this Court's exclusive jurisdiction over the Receivership Estate's assets. The  
16  
17

---

18 <sup>4</sup> Courts have the inherent equitable power to issue sanctions for abusive litigation practices even  
19 if litigation abuses are not specifically proscribed by statute. *Young v. Johnny Ribeiro Bldg., Inc.*,  
20 106 Nev. 88, 787 P.2d 777 (1990) ("Litigants and attorneys alike should be aware that these powers  
21 may permit sanctions for discovery and other litigation abuses not specifically proscribed by  
22 statute"). The Nevada Supreme Court will not reverse a district court's "broad discretion in  
23 imposing sanctions" absent an abuse of discretion. *State, Dep't of Indus. Relations v. Albanese*,  
24 112 Nev. 851, 856, 919 P.2d 1067, 1070 (1996) (citing *Young*, 106 Nev. at 92, 787 P.2d at 779).

25 Rule 11 also allows the Court "[o]n its own" to "order an attorney, law firm, or party to show cause  
26 why conduct specifically described in the order has not violated Rule 11(b)." See NRCP 11(c)(3);  
27 see also *Barber v. Miller*, 146 F.3d 707, 711 (9th Cir. 1998) ("the 'safe harbor' provision [of  
28 Rule 11] applies only to sanctions imposed upon motion of a party") (citations omitted).

Under this Court's local rule 7.60(b), "any and all" reasonable sanctions may be imposed upon an  
attorney or party when the attorney or party does any of the following without "just cause":

- (1) Presents to the court a motion or an opposition to a motion which is obviously  
frivolous, unnecessary or unwarranted.
- (2) Fails to prepare for a presentation.
- (3) So multiplies the proceedings in a case as to increase costs unreasonably and  
vexatiously.
- (4) Fails or refuses to comply with these rules.
- (5) Fails or refuses to comply with any order of a judge of the court.

1 litigation stay was only lifted to adjudicate the parties' claims. Distribution of funds, if any, will  
2 still be made through the claims process in this Receivership Action.<sup>5</sup>

3 Allowing NuVeda to usurp this Court's exclusive jurisdiction over the Receivership  
4 Estate's assets would cut out the heart of the Receivership Order. The very purpose of the  
5 Receiver's equitable appointment would also be undermined if the Receiver were enjoined from  
6 exercising the duties and powers bestowed upon him by this Court through the Receivership Order.  
7 If NuVeda believes the relief it is seeking from Department 1 is proper, it should seek such relief  
8 from this Court.

9 Therefore, the Receiver respectfully requests that this Court enforce the Receivership  
10 Order and issue an order that enjoins NuVeda from pursuing the relief sought in its Motion for  
11 Injunction Against Liquidation from any court other than this Court.

12 **B. Alternatively, the Court Should Reimpose the Stay Against NuVeda**  
13 **Encumbering Assets of the Receivership Estate**

14 The Receiver's duties under the Receivership Order include protecting the Receivership  
15 Estate for the benefit of CWNevada's creditors. *See* Receivership Order at § 1, 2:21-24. The  
16 Receiver may petition the Court "for instructions in connection with [the Receivership Order] and  
17 any further orders which this Court may make." *Id.* at § 27, 17:1-3.

18 In the unlikely event the Court concludes that the stipulated order lifting the litigation stay  
19 permitted and authorized NuVeda to divest this Court of its exclusive jurisdiction and possession  
20 of Receivership Estate assets and enjoin the "the transfer, sale, liquidation or other dispensation of  
21 the assets of CWNevada," the Receiver respectfully requests the Court to reimpose a stay against  
22 NuVeda encumbering the Receivership Estate's assets in any manner whatsoever to protect the  
23 assets for the benefit of all of CWNevada's creditors. NuVeda's Motion for Injunction Against  
24 Liquidation has the potential to disrupt the Board's approval of the Disciplinary Settlement  
25 Agreement and/or interfere with the Receiver's ability to comply with the terms of the Disciplinary

26 \_\_\_\_\_  
27 <sup>5</sup> NuVeda's Motion for Injunction Against Liquidation is consequently not ripe, as the Receiver  
28 has not yet requested to liquidate CWNevada's assets or distribute proceeds. NuVeda will have  
an opportunity to oppose the Receiver's efforts to liquidate CWNevada's assets and distribute  
proceeds before this Court when the Receiver files motions to approve liquidation and distribution.

1 Settlement Agreement. Either such outcome would harm CWNevada's creditors by subjecting  
2 additional licenses/certificates to revocation. The Receiver could also be forced to pass on  
3 favorable offers to purchase CWNevada's licenses if liquidation is enjoined until CWNevada's  
4 litigation with NuVeda is resolved. The Receivership Estate could also exhaust its available  
5 funding before CWNevada's litigation with NuVeda is resolved, which would require the Receiver  
6 to borrow additional funds that would otherwise be unnecessary and/or terminate the Receivership  
7 if additional funding could not be obtained.

8 The Court's June 10, 2020 Minute Order regarding the Receiver's Motion to Further Lift  
9 Stay enables the Receiver to continue to protect Receivership Estate's assets. The Receiver  
10 believes that NuVeda is attempting to pursue CWNevada's assets and requests the Court impose  
11 a stay against such action. Accordingly, as alternative relief, the Receiver requests the Court to  
12 reimpose a stay against NuVeda's encumbering the Receivership Estate's assets.

#### 13 IV. CONCLUSION

14 Based on the foregoing, the Receiver respectfully requests the Court to grant the Receiver's  
15 Motion to Enforce and issue an order that enjoins NuVeda from pursuing the relief sought in its  
16 Motion for Injunction Against Liquidation from any court other than this Court, or in the  
17 alternative, an order that reimposes a stay against NuVeda's encumbering the Receivership  
18 Estate's assets.

19 Dated this 17th day of July 2020.

20 **HOLLEY DRIGGS**

21 /s/ John J. Savage

22 RICHARD F. HOLLEY, ESQ.

23 Nevada Bar No. 3077

24 JOHN J. SAVAGE, ESQ.

25 Nevada Bar No. 011455

26 400 South Fourth Street, Third Floor

27 Las Vegas, Nevada 89101

28 *Attorneys for Dotan Y. Melech, Receiver*

# **EXHIBIT “1”**

**DECL**  
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*Attorneys for Dotan Y. Melech, Receiver*

**DISTRICT COURT**  
**CLARK COUNTY, NEVADA**

NUVEDA, LLC, a Nevada Limited Liability  
 Company; and CWNEVADA LLC, a Nevada  
 Limited Liability Company,

Plaintiffs,

v.

4FRONT ADVISORS LLC, foreign limited  
 liability company, DOES I through X and ROE  
 ENTITIES, II through XX, inclusive,

Defendants.

Case No.: A-17-755479-B  
 Dept. No.: XI

**DECLARATION OF DOTAN Y. MELECH**

I, Dotan Y. Melech, do hereby voluntarily state under penalty of perjury as follows:

1. I am the Court-appointed receiver over CWNevada, LLC (“CWNevada”) in this matter, NUVEDA, LLC and CWNEVADA, LLC v. 4FRONT ADVISORS LLC, Eighth Judicial District Court, Clark County, Nevada, Case No. A-17-755479-C (the “Receivership Action”).

2. I am over the age of 18 years and I am competent to make this declaration. I have personal knowledge of the facts set forth herein.

3. I make this Declaration in support of the Receiver’s Motion to Enforce Receivership Order on Order Shortening Time (“Motion to Enforce”).

///

**A. Joint Venture Partnership between CWNevada and NuVeda**

4. The joint venture partnership between CWNevada and NuVeda, LLC ("NuVeda") formed CWNV, LLC ("CWNV") pursuant to a Membership Interest Purchase Agreement ("MIPA").

5. The only licenses/certificates that were to be contributed to CWNV as part of the joint venture were licenses/certificates owned by NuVeda's subsidiaries.

6. None of CWNevada's licenses/certificates were part of CWNV. Moreover, none of the CWNV licenses are the subject of the settlement with the State of Nevada, Department of Taxation, Marijuana Enforcement Division (the "Department").

7. CWNevada's contribution to CWNV was to fund and manage CWNV.

**B. Stipulation to Lift Litigation Stay between CWNevada and NuVeda**

8. NuVeda and I entered into a stipulation to lift the litigation stay between NuVeda and CWNevada as set forth in the Stipulation and Order Regarding Receiver's Motion to Engage Contingency Counsel, Competing Motions to Lift the Litigation Stay and Related Matters ("SAO to Lift Stay"), which was filed on about May 8, 2020.

9. The terms of the SAO to Lift Stay provided the following:

a. NuVeda and the Receiver stipulate to the litigation stay being lifted as to the dispute between NuVeda and CWNevada so that the parties and their affiliates may pursue their respective claims against each other. As a result of this agreement, NuVeda and its affiliates shall not be required to submit an objection to the Receiver's determination disallowing their proof of claim in the amount of \$45M in order to preserve their objection and right to pursue their claims.

b. NuVeda and the Receiver agree that the Receiver may engage contingency counsel, Joe Coppedge, Esq., of Mushkin & Coppedge, to represent CWNevada, Shane Terry and Phil Ivey in accordance with the terms and conditions set forth in the retainer agreement, conflict waiver and joint representation agreement filed by the Receiver with the court. This agreement shall not be viewed as acknowledgment by NuVeda of the merits of any claims by CWNevada and/or Messrs. Terry and Ivey, which NuVeda expressly denies.

c. NuVeda and the Receiver agree that the claims by CWNevada against NuVeda shall not be included in any auction or sale of the assets of CWNevada.



- d. The Receiver withdraws its request to compel the disclosure of any transaction documents (to the extent any exist) regarding the alleged sale of NuVeda's marijuana licenses to any third-party, without prejudice. The Receiver expressly reserves the right to request any and all such documentation at a later date via discovery, subpoena, motions, applications and/or orders of the Court.

10. Nothing in the SAO to Lift Stay states NuVeda may prohibit "the transfer, sale, liquidation or other disposition of the assets of CWNevada." Moreover, neither I nor my counsel ever had any discussions with NuVeda or its counsel that the scope of the SOA to Lift Stay included NuVeda's attempts to enjoin "the transfer, sale, liquidation or other dispensation of the assets of CWNevada." I would certainly have never agreed to such relief.

**C. NuVeda's Motion for Preliminary Injunction.**

11. On or about July 8, 2020, Motion for Preliminary Injunction Preventing the Liquidation of CWNevada Pending Trial ("Motion for Injunction Against Liquidation") in Eighth Judicial District Court case number A-19-791405-C, which is pending before Department 1 ("NuVeda's Lawsuit").

12. NuVeda's Motion for Injunction Against Liquidation seeks an order from Department 1 "prohibiting the transfer, sale, liquidation or other disposition of the assets of CWNevada during the pendency of [NuVeda's Lawsuit]."

13. However, NuVeda's Motion for Injunction Against Liquidation fails to inform Department 1 of the following material facts:

- a. this Court has asserted exclusive jurisdiction over the Receivership Estate's assets;
- b. no motions are pending before this Court seeking approval for me to liquidate the Receivership Estate's assets;
- c. no sale proceeds from the liquidation of the Receivership Estate's assets would be distributed until I filed a motion with this Court seeking approval of distribution as part of the Receivership's claim process; and
- d. NuVeda will have an opportunity to object to the distribution process once I file a motion to approve the same.

14. NuVeda's Motion for Injunction Against Liquidation also makes the following material misrepresentations (among others):

- a. CWNevada will face no hardship if Department 1 enjoins the transfer, sale, liquidation or other disposition of the Receivership Estate's assets during the pendency of NuVeda's Lawsuit; and
- b. There can be no joint venture between CWNevada and NuVeda if CWNevada's licenses/certificates are sold and revoked pursuant to the terms of the Receiver's settlement with the Department (the licenses/certificates which are the subject of the settlement with the Department have absolutely no bearing on the joint venture).

15. Based upon information, NuVeda has not informed Department 1 that this Court has approved my settlement with the Department.

**D. Receiver's Settlement with the Department**

16. I negotiated a settlement with the Department to resolve the disciplinary action pending against CWNevada before the Department's Chief Administrative Law Judge ("ALJ") in Case No. 2020-04 (the "Disciplinary Action") as set forth in the Stipulation and Order for Settlement of Disciplinary Action ("Disciplinary Settlement Agreement").

17. Under the terms of the Disciplinary Settlement, *inter alia*, CWNevada's most valuable 8 licenses/certificates will be preserved while its 6 least valuable licenses/certificates will be revoked. CWNevada will also be required to pay civil penalties in the amount of \$1,250,000.00.

18. I will also be required to use my best efforts to sell CWNevada's 8 unrevoked licenses/certificates within six (6) months of the Effective Date of the Disciplinary Settlement.

19. The licenses/certificate at issue in the Disciplinary Settlement Agreement have absolutely nothing to do with the joint venture between CWNevada and NuVeda.

20. The Effective Date of the Disciplinary Settlement is the date it is ordered by the Board.

21. The Disciplinary Settlement Agreement requires the approval of this Court and the Board.

22. On or about July 10, 2020, this Court entered its Order Granting Receiver's Motion to Approve Good Faith Settlement with Department of Taxation on Order Shortening Time.

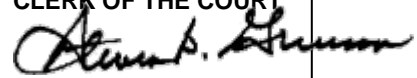
23. The Board is scheduled to consider the Disciplinary Settlement Agreement for approval at its initial meeting on July 21, 2020.

I declare under penalty of perjury under the laws of the State of Nevada that the foregoing is true and correct.

DATED this 17th day of July 2020.

  
 DOTAN Y. MELECH

# **EXHIBIT “2”**



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*Attorneys for NuVeda, LLC, Clark NMSD, LLC,  
and Nye Natural Medicinal Solutions, LLC*

**IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**  
**IN AND FOR THE COUNTY OF CLARK**

NUVEDA, LLC, a Nevada limited liability company; CLARK NMSD, LLC, a Nevada limited liability company; and NYE NATURAL MEDICINAL SOLUTIONS, LLC, a Nevada limited liability company

Plaintiffs,

v.

CWNEVADA, LLC, a Nevada limited liability company; CWNV, LLC, a Nevada limited liability company; BRIAN C. PADGETT, a Nevada resident; DOES I to X, inclusive; and ROES I to X, inclusive,

Defendants.

Case No.: A-19-791405-C

Dept. No.: 1

**MOTION FOR PRELIMINARY  
INJUNCTION PREVENTING THE  
LIQUIDATION OF CWNEVADA  
PENDING TRIAL**

**REQUEST FOR HEARING**

Plaintiffs NUVEDA, LLC, a Nevada limited liability company, CLARK NMSD, LLC, a Nevada limited liability company, and NYE NATURAL MEDICINAL SOLUTIONS, LLC, a Nevada

1 limited liability company, by and through their co-counsel of record, Mitchell Stipp, Esq., of the Law  
2 Office of Mitchell Stipp, hereby files the above-referenced motion.

3 This motion is based on the papers and pleadings before the court, the memorandum of points  
4 and authorities that follows, the exhibits filed separately and incorporated herein by this reference, and  
5 the argument of counsel at the hearing.

6  
7 DATED this 8th day of July, 2020.

8  
9 **LAW OFFICE OF MITCHELL STIPP**

10  
11 /s/ Mitchell Stipp, Esq.  
12 MITCHELL STIPP, ESQ.  
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20  
21  
22  
23  
24  
25  
26  
27  
28

1  
2 **MEMORANDUM OF POINTS AND AUTHORITIES**

3 **I.**

4 **STATEMENT OF FACTS AND PROCEDURAL HISTORY**

5  
6 Throughout 2015, the Plaintiffs sought an infusion of capital to assist with their business  
7 operations. On November 17, 2015, CWNevada, LLC, a Nevada limited liability company  
8 (“CWNevada”), provided a Letter of Intent setting forth the general terms and conditions of a proposed  
9 joint venture between CWNevada, and the Plaintiffs. On December 6, 2015, Plaintiffs and CWNevada  
10 executed a Membership Interest Purchase Agreement (“MIPA”) formally memorializing the parties’  
11 obligations as initially provided in the Letter of Intent. See MIPA included as part of **Exhibit 1** (proof  
12 of claim). The MIPA expressly provides that CWNevada was to “commence funding, and paying for,  
13 one hundred percent (100%) of: (i) all necessary tenant improvements, furniture, fixtures, equipment,  
14 and fees and expenses relating thereto, for the development of the facilities on the [Clark NMSD and  
15 Nye Natural] properties, and all matters relating [to a scheduled attached to the MIPA]; (ii) all fees and  
16 expenses to effectuate the transfer and obtain transfer approvals; and (iii) sufficient working capital for  
17 the operation of the businesses of [Clark NMSD and Nye Natural].

18 The MIPA further expressly provided that CWNevada was to pay or reimburse Plaintiffs for  
19 certain costs and expenses incurred after execution of the agreement and that, upon execution of the  
20 MIPA, CWNevada would develop, manage, operate, and promote the facilities and were charged with  
21 the duties to protect the Plaintiffs’ licenses and maximize profits and the overall value and goodwill of  
22 the Clark NMSD and Nye Natural facilities.

23 Through an amendment added to the MIPA, cultivation and production operations were to “be  
24 up and running by the end of December 2016.” The same amendment expressly states that if the  
25 cultivation and productions operations were not up and running in earnest by the end of 2016,  
26 CWNevada shall provide lost profits based on the number of months the facilities are late in opening  
27 and based on the profits those facilities actually make for that same number of months upon opening.  
28

1 From the onset of CWNevada's management of Plaintiffs' dispensaries, CWNevada collected all  
2 revenues generated and have not made any disbursements to the Plaintiffs.

3 A receiver (the "Receiver") was appointed over CWNevada and its assets. See **Exhibit 2**. The  
4 parties have stipulated to resolve their dispute before this court (now Department 1). See **Exhibits 3**  
5 (stipulation to lift litigation stay) and **4** (order approving claim process). The Receiver also filed a  
6 subsequent motion to lift the stay on litigation to allow CWNevada, Shane Terry and Phil Ivey<sup>1</sup> to  
7 pursue litigation against related parties of Plaintiffs. The court granted this request but ruled based on  
8 NuVeda's opposition that the stay was also lifted to allow parties to pursue CWNevada and its assets  
9 subject to the Receiver's right to seek re-application of the stay. See **Exhibit 5**.

10 The Receiver has sought to liquidate CWNevada through settlement reached with the Nevada  
11 Department of Taxation which will leave CWNevada without any ability to perform under the MIPA  
12 or satisfy any judgments received by the Plaintiffs in this case. See **Exhibits 6** and **7**. Therefore,  
13 Plaintiffs seek an order from this court prohibiting the transfer, sale, liquidation or other disposition of  
14 the assets of CWNevada during the pendency of this case.

## 15 II.

### 16 LEGAL ARGUMENT AND ANALYSIS

#### 17 A. Preliminary Injunction Standard

18 Preliminary injunctions are sanctioned to accomplish the restoration of the status quo pending  
19 the resolution of the underlying dispute on the merits. Leonard v. Stoebling, 102 Nev. 543, 782 P.2d  
20 1358 (1986). A preliminary injunction to preserve the status quo is normally available upon a showing  
21 that the party seeking it enjoys a reasonable probability of success on the merits and that the conduct,  
22 if allowed to continue, will result in irreparable harm for which compensable damages are an  
23 inadequate remedy. Pickett v. Comanche Construction Co., 108 Nev. 422, 836 P.2d 42 (1992); Dixon  
24 v. Thatcher, 103 Nev. 414, 742 P.2d 1029 (1987).

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25  
26  
27 <sup>1</sup> Messrs. Terry and Ivey do not have legitimate claims. These claims have been initiated in Department 13 (Judge  
28 Denton). See Complaint filed in Case No. A-20-817363-B. Mr. Terry sold his claims to BCP 7 Holdings, LLC, which is  
controlled by Brian Padgett. Mr. Padgett through his entity dismissed the claims with prejudice. Mr. Ivey never funded  
the \$1.9M line of credit for his interests, and Mr. Terry agreed to resolve any disputes with Mr. Ivey through the  
conveyance of his interests. These matters are discussed and briefed in **Exhibit 8**.



1 NRS 33.010 outlines the basic considerations involved in deciding whether to grant injunctive  
2 relief. The statute provides:

3 An injunction may be granted in the following cases:

- 4 1. When it shall appear by the complaint that the plaintiff is entitled to the relief  
5 demanded, and such relief or any part thereof consists in restraining the  
6 commission or continuance of the act complained of, either for a limited period  
7 or perpetually.
- 8 2. When it shall appear by the complaint or affidavit that the commission or  
9 continuance of some act, during the litigation, would produce great or  
10 irreparable injury to the plaintiff.
- 11 3. When it shall appear, during the litigation, that the defendant is doing or  
12 threatens, or is about to do, or is procuring or suffering to be done, some act in  
13 violation of the plaintiff's rights respecting the subject of the action, intending  
14 to render the judgment ineffectual.

15 Here, all three subsections of NRS 33.010 are applicable. Plaintiffs are entitled to the relief  
16 requested as they will suffer great or irreparable injury if injunctive relief is not ordered. As set forth  
17 in greater detail below, Plaintiffs' have no adequate remedy at law.

18 **1. Failure to Issue a Preliminary Injunction Will Result in Irreparable Harm**

19 As early as 1865, the Nevada Supreme Court recognized the utility of preliminary injunctions  
20 in cases where there is a "threatened injury." Champion v. Sessions, 1 Nev. 478 (1865). While it is  
21 true that a party with an adequate remedy at law cannot face an "irreparable injury" (see e.g., Number  
22 One Rent-A-Car v. Ramada Inns, Inc., 94 Nev. 779, 587 P.2d 1329 (1978)), the Nevada Supreme Court  
23 has held that were the adequacy of a remedy at law is unclear, injunctive relief should be granted.  
24 Ripps v. City of Las Vegas, 72 Nev. 135, 297 P.2d 258 (1956). Further, the existence of a remedy at  
25 law will not preclude an injunction where the equitable remedy is "far superior" to the legal remedy.  
26 Nevada Escrow Services v. Crockett, 91 Nev. 201, 209, 533 P.2d 471, 478 (1975).

27 Here, Plaintiffs will incur immediate and irreparable harm if CWNevada is not enjoined from  
28 disposing of the assets of CWNevada. The proposed settlement with the Nevada Department of  
Taxation (the "State") and subsequent sale of the remaining assets of CWNevada will leave no money  
for CWNevada to perform under the MIPA (or satisfy any judgments by Plaintiffs against CWNevada)  
after paying administrative costs, receiver certificates, and other credit claims approved by the  
Receiver. See **Exhibits 6 and 7**.

1           **2.       Review of the Relative Interest of the Parties Favors Injunctive Relief**

2           It has been acknowledged by the Nevada Supreme Court that probably the most important  
3 consideration of a trial court in deciding whether to issue an injunction is that of the interests of the  
4 parties – how much damage will the party seeking an injunction really suffer if restraint is denied  
5 versus the hardship to the non-moving party if the injunction is granted. Home Finance Co. v. Balcom,  
6 61 Nev. 301, 127 P.2d 389 (1942); Ottenheimer v. Real Estate Division, 91 Nev. 338, 535 P.2d 1284  
7 (1975).

8           Here, the balancing of interests clearly and unequivocally favors Plaintiffs. If CWNevada is  
9 permitted to liquidate and leave CWNevada with no ability to perform under the MIPA or satisfy any  
10 judgment, then Plaintiffs will have no recourse against CWNevada. Conversely, CWNevada will face  
11 no hardship if this court grants injunctive relief. The Receiver is in the process of negotiating joint  
12 ventures for CWNevada’s facilities pending the liquidation of its assets. The Receiver has the ability  
13 to borrow money through receivership certificates. The Receiver can complete the disciplinary process  
14 with the State and may be able to retain all CWNevada’s licenses. Without these assets, there is no  
15 joint venture with Plaintiffs.

16           **3.       Plaintiff is Likely to Succeed on the Merits, Thus, Injunctive Relief is**  
17           **Appropriate**

18           A preliminary injunction is available upon a showing that the party seeking the injunctive relief  
19 enjoys a “reasonable probability” of success on the merits. Christensen v. Chromalloy American Corp.,  
20 99 Nev. 34, 656 P.2d 844 (1983); Republic Entertainment, Inc. v. Clark County Liquor & Gaming  
21 Licensing Board, 99 Nev. 811, 672 P.2d 634 (1983); Number One Rent-A-Car v. Ramada Inns, Inc.,  
22 94 Nev. 779, 587 P.2d 1329 (1978); Dixon vs. Thatcher, 103 Nev. 414, 742 P.2d 1029 (1987).

23           In the present matter, Plaintiffs are asserting causes of action against CWNevada, CWNV, and  
24 Brian Padgett for breach of contract and breach of the implied covenant of good faith and fair dealing  
25 related to the MIPA, and unjust enrichment plead in the alternative. Examination of the factual events  
26 asserted in the Complaint clearly provides that Plaintiffs are likely to succeed on the aforementioned  
27 causes of action.  
28

1 The MIPA expressly provides that CWNevada was to “commence funding, and paying for, one  
2 hundred percent (100%) of: (i) all necessary tenant improvements, furniture, fixtures, equipment, and  
3 fees and expenses relating thereto, for the development of the facilities on the [Clark NMSD and Nye  
4 Natural] properties, and all matters relating [to a scheduled attached to the MIPA]; (ii) all fees and  
5 expenses to effectuate the transfer and obtain transfer approvals; and (iii) sufficient working capital for  
6 the operation of the businesses of [Clark NMSD and Nye Natural]. In addition, that CWNV and  
7 CWNevada would develop, manage, operate, and promote the facilities and were charged with the  
8 duties to protect the Plaintiffs’ licenses and maximize profits and the overall value and goodwill of the  
9 Clark NMSD and Nye Natural facilities.

10 Since execution of the MIPA and CWNevada’s management of the dispensaries and other  
11 facilities, there has hardly been a “maximization of profits and the overall value and goodwill” of the  
12 facilities. The Plaintiffs have received zero disbursements from the dispensaries operated by  
13 CWNevada. CWNevada also failed to build-out a cultivation facility in Nye County. Conversely,  
14 CWNevada has realized all revenues and have failed to provide transparency and information to the  
15 Plaintiffs as required by the MIPA. As such, the Plaintiffs are likely to succeed on the merits of their  
16 litigation.

17 In sum, Plaintiffs satisfy the three (3) requirements necessary for injunction relief – failure to  
18 issue injunctive relief will result in irreparable harm, review of the relative interests of the parties favors  
19 the issuance of injunctive relief, and that Plaintiffs are likely to succeed on the merits of the allegations  
20 at trial. Accordingly, this court should grant Plaintiffs’ motion for preliminary injunction.

21 **B. The Court Should Order Plaintiff Post a Minimal Bond to Effectuate Injunctive Relief**

22 Pursuant to Nev.R.Civ.P. 65(c), a bond is required to protect a party that is wrongfully enjoined.  
23 Plaintiffs request this court order the posting of a minimal bond to effectuate injunctive relief.

24 ///

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27 ///

28 ///

1 DATED this 9th day of July, 2020.

2 **LAW OFFICE OF MITCHELL STIPP**

3  
4 /s/ Mitchell Stipp, Esq.

5 MITCHELL STIPP, ESQ.

6 Nevada Bar No. 7531

7 LAW OFFICE OF MITCHELL STIPP

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9 Las Vegas, Nevada 89144

10 Telephone: 702.602.1242

11 mstipp@stipplaw.com

12 *Attorneys for Plaintiffs*

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**DECLARATION OF PEJMAN BADY**

14 The undersigned, Dr. Pejman Bady, authorized agent for Plaintiffs, certifies to the court as  
15 follows:

16 1. I am an authorized agent of Plaintiffs in the above referenced case.

17  
18 2. I submit the above-titled declaration in support of Plaintiffs' motion for a preliminary  
19 injunction, which has been filed concurrently herewith. I have personal knowledge of the facts contained  
20 therein unless otherwise qualified by my information and belief or such knowledge is based on the record  
21 in this case, and I am competent to testify thereto, and such facts are true and accurate to the best of my  
22 knowledge and belief.

23 Dated this 8th day of July, 2020.

24  
25 /s/ Pejman Bady

26 Dr. Pejman Bady, Authorized Agent for Plaintiffs

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I am an employee of Holley Driggs and that on the 17th day of July 2020, and pursuant to NRCP 5(b) and NEFCR 9, I caused to be served electronically using the Court's electronic filing system (EFS) the foregoing RECEIVER'S MOTION TO ENFORCE RECEIVERSHIP ORDER ON ORDER SHORTENING TIME to all registered users on the above-captioned case in the Eighth Judicial District Court Electronic Filing System.

Parties:

NuVeda LLC - Plaintiff  
 4Front Advisors LLC - Defendant  
 CWNevada LLC - Plaintiff  
 CIMA Group LLC - Other  
 Highland Partners NV LLC - Intervenor  
 MI-CW Holdings Fund 2 LLC - Intervenor  
 MI-CW Holdings LLC - Intervenor  
 Green Pastures Fund, LLC Series 1 (CWNevada, LLC) - Intervenor  
 Jakal Investments, LLC - Intervenor  
 Green Pastures Group, LLC - Intervenor  
 Jonathan S. Fenn Revocable Trust - Intervenor  
 Growth Opportunities, LLC - Intervenor  
 CIMA Group LLC - Intervenor  
 Timothy Smits Van Oyen - Intervenor  
 Dotan Y Melech - Receiver  
 Nevada Department of Taxation - Other  
 Brian C Padgett - Intervenor  
 Renaissance Blue Diamond, LLC - Other  
 Stalking Horse Bidder TRC - Evolution NV, LLC - Other  
 G3 Labs, LLC - Other  
 Rad Source Technologies - Other  
 Fortress Oakridge, LLC - Other  
 Kirby C. Gruchow, Jr. -  
 Ace Legal Corp. -

/s/ Olivia Swibies  
 Employee of Holley Driggs

# Silver State Government Relations



## Principals

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## Senior Associate

Alex Tanchek – [alex@ssgr.us](mailto:alex@ssgr.us); 775.636.1

July 21, 2020

Honorable Michael L. Douglas, Chairman, Cannabis Compliance Board

Dear Sir:

I am reaching out to you on behalf of N2 Packaging LLC (N2 Packaging), a cannabis packaging company that already operates in over 20 different state cannabis markets. N2 Packaging had previously entered the Nevada marketplace but was unable to continue its operations as there needed to be some additional clarity provided to the Marijuana Enforcement Division (MED) about N2 Packaging and their process. Specifically, the MED expressed concern over N2 Packaging's process and how its reduced oxygen packaging environment might interact with cannabis and cannabis products. Additional conversations were undertaken with MED, now the Cannabis Compliance Board (CCB, the Board).

N2 Packaging wishes to work in Nevada, but is currently unable to as Nevada is now requiring a HACCP plan for oxygen depleted packaging but does not allow for a third party group to submit a plan. This is all the more distressing as the ingredients being processed by N2 Packaging, dry cannabis products, should qualify for the exclusions from the definition of 'potentially hazardous cannabis product and ingredients' presented in 1.155 subsection 3. Therefore it should not be necessary for a company to have to submit a HACCP plan when they are using a reduced oxygen processing method to package cultivated marijuana products. N2 Packaging agrees that cannabis production products, especially those using food additives and ingredients, may need HACCP plans but it would be unnecessary in cases where a dried cultivated products are packaged in a reduced oxygen environment.

N2 Packaging had presented this argument and accompanying scientific studies to the CCB but **has yet to hear any reasoning for HACCP plans when packaging cultivated products.** Nevada does not currently accept water activity scores, thereby not allowing a packager to prove that a potential for contamination does not exist. If HACCP plans must be used in Nevada please also allow for companies to submit water activity scores and other currently unreported metrics to the staff of the CCB to allow companies to prove their ability to opt out of the now required HACCP plan.

Respectfully,

Will Adler

Principal of Silver State Government Relations  
on behalf of Scott Martin, CEO, N2 Packaging Systems, LLC



Director Tyler Klimas  
Executive Director  
Cannabis Compliance Board  
555 E. Washington Avenue, Suite 5100  
Las Vegas, NV 89101

July 13, 2020

**Subject:** Comments in Response to Final Proposed NCCR

Dear Director Klimas and Members of the Cannabis Compliance Board,

Thank you for continuing to review comments relating to the Nevada Cannabis Compliance Regulations (“NCCR”) submitted by the cannabis industry and stakeholders. The Nevada Dispensary Association (“NDA”) recognizes the efforts the Cannabis Compliance Board (“CCB”) has made to consider industry comments and concerns and address such. One particularly complex issue that NDA and members have previously raised, and now ask for further consideration, is how to vet owners with less than five (5) percent interest.

NDA members that have expressed concern with vetting of owners with less than five (5) percent are not requesting less oversight of their companies than authorized in Assembly Bill (“AB533”). Rather, NDA members are requesting rules that provide a clear path for compliance. As such, please consider the following comments and suggestions.

#### **PRIVATELY HELD COMPANIES**

The proposed revised changes in NCCR 5.112 and 5.125 apply to publicly traded companies. However, the underlying reasons for the changes to these sections also concern some privately held companies as some are partly owned by private equity firms that may have hundreds of owners with small percentages of ownership interest. Please extend the new language that recognizes the infeasibility of requiring agent cards and approval of transfers for owners with less than five (5) percent on a rolling basis to privately held companies.

#### **WAIVERS**

Please allow the subject licensed cannabis establishment to apply for waivers under NCCR 5.112 and 5.125 on behalf of owners with less than five (5) percent interest. Please state that the cannabis establishment must make a “reasonable effort” to provide the identification and address of each



owner, rather than requiring the identification and address of all such owners, which would be unreasonably impractical and even impossible in some situations.

Please provide the Board authority to grant the approval on a continuous or indefinite basis as the Board has authority under the proposed NCCR to withdraw this approval. Alternatively, please specify that the CCB's approval of a waiver is valid for at least one (1) year unless a different time period is specified. Alternatively, Please specify that the waiver submitted by the cannabis establishment extends to their owners with less than five (5) percent interest and those individuals are not required to submit their own waiver.

#### **DISCLOSURE AND TIME PERIOD FOR COMPLIANCE**

Please specify a time period in which a cannabis establishment must disclose and update its ownership in order to determine when it must apply for approvals of transfers and agent cards (or waivers) for owners with less than five (5) percent interest.

NDA urges the CCB impose an annual requirement, or longer period (possibly at the same time a renewal application is due), for cannabis establishments to disclose or update their ownership. At that time, the establishment should apply for a waiver of approval of any transfers by owners with less than five (5) percent interest and apply for a waiver of the requirement to obtain agent cards for owners with less than five (5) percent interest. Again, this is only feasible if the burden on the cannabis establishment is to provide identification and addresses of owners with less than five (5) percent interest *to the extent reasonably practical*.

As you are aware, current ownership approvals are tied to officers and board members for publicly traded companies. Please specify whether requirements for disclosure and agent cards will extend beyond officers and board members going forward and how and when owners with more than five (5) percent interest must be disclosed if the CCB is indeed expanding the scope of disclosure.

Thank you very much for your time and consideration of NDA and cannabis industry comments.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Riana Durrett", with a stylized flourish at the end.

Riana Durrett, Esq.



Two (2) comments based on the text posted as of July 18, 2020

#1

**11.040.9.** A testing facility ...(a) Notify the appropriate Board Agent in writing within 24 hours.

Please modify the text to:

*(a) Notify the appropriate Board Agent in writing within 2 business days.*

Justification:

As currently written, the regulation, in effect, demands testing facilities to operate 24/7. The 2 business days reporting period allows time for verification and still serves the desired purpose of immediate notification.

#2

11.070(1)(d) The cannabis testing facility shall ensure the seed-to-sale identification tag is affixed to the sample package. The batch, lot or production run number and the weight or quantity of the sample shall be documented on the sample package and on the chain of custody.

Please modify the text to:

*(d)... The ~~batch, lot or production run number, and the~~ weight or quantity of the sample shall be documented on the sample package and on the chain of custody.*

Justification:

The information of batch, lot, or production number is embedded in the seed-to-sale identification tag and the tag is already affixed to the sample package. Additionally, the sample package (bag) has limited (often insufficient) space for writing after the seed-to-sale identification tag and security tape being affixed to it.

## Amber Virkler

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**From:** Mona Lisa <monalisaloveslife@gmail.com>  
**Sent:** Monday, July 20, 2020 3:51 PM  
**To:** CCB Meetings  
**Cc:** CCB Regulations  
**Subject:** Public Comment For Meeting on 7-21-20

**To: Nevada's Cannabis Compliance Board**  
**From: Mona Lisa Samuelson**  
**Re: Medical Cannabis Patients STILL Desperately Require Legislative Help**

As the voice of medical cannabis patients in Nevada, I've taken every opportunity to appeal to the various regulators and our legislators in order to create a better understanding for our poorest and most vulnerable consumers. But every plea for help continues to go ignored because the Nevada Dispensary Association is (quote) "unwilling to work on anything that may affect the current profit margins of our clientele" (unquote), and that means medical cannabis patients **STILL** remain at **SERIOUS RISK** as far as our consumer safety is concerned. Furthermore, **PATIENTS STILL DO NOT HAVE ACCESS TO ANY OF THE BASIC CANNABIS PRODUCTS MEDICINAL USE REQUIRES** nor do we have **ANY** regulations that would allow the sick and injured to commercially obtain the live plants (and seeds) they desperately need in order to get better.

Without mincing words I want to make it clear that both the Department of Public & Behavioral Health as well as Nevada's Tax Department have been given the directive to allow the marijuana industry carte blanc in regulating itself. That forced our state's suffering medical patients to have to beg for legislative protection because **NEVADA'S REGULATORY POLICY FOR CANNABIS TESTING STANDARDS HAS ALSO COMPLETELY FAILED US**. As you know, NCR 67B.786 has yet to be published and patients suspect it means that it's not being procedurally implemented yet, either. Patients have had to lobby for themselves all these years because the industry (from the beginning) has been given **ALL** the legislative power to set things up and they've done so entirely to the detriment of Nevada's most vulnerable medical patients, period end of story!

Are we now to believe there will come **ANY** fundamental change with the introduction of Nevada's Compliance Board? The answer to that is quite **OBVIOUSLY NO** because the same old political games are **STILL** being employed. That's right, I'm referring to Senator Harris' written testimony to the CCB's last workshop, in which she submitted input on behalf of the Nevada Dispensary Association. The fact a seated Senator has been encouraged by the industry lobbyists to open her own "boutique legal firm" to proudly advertise her company's unique ability in (quote) "getting results for our clients before executive agencies and licensing bodies" (unquote), definitely speaks to **EVERYTHING** that's gone wrong for the medical cannabis patients in Nevada. Political collusion between lawyers acting on behalf of well-monied (and mostly out-of-state) investors has already cost the honest citizens of Nevada far more than they'll ever be able to comprehend but when our regulators blatantly ignore **ALL** legal responsibility to consumer safety in favor of these big business dealings, it should be duly noted on public record for everyone to see!

So while Nevada's court system is being forced to hash out what is being called by the media "World War Weed", know that concerned citizens are also watching to see how the Board is going to handle the damage caused by the criminal activities carried out by CW Nevada for all these years, as well. We want you to understand that as this body wades through the mess caused by exclusively serving the Nevada Dispensary

Association, our state's vulnerable medical patients are STILL seeking legislative protection. Because suffering for the greed of privileged politicians who are only interested in accepting industry's funding, is a brutal way for honest, suffering MEDICAL PATIENTS to die. Nevada's vulnerable and dying cannabis patients have been begging our legislators and regulators to quit cutting our throats at every opportunity and instead, please work to support the cannabis patients in Nevada before it's too late!

## Amber Virkler

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**From:** Jon Marshall <jon@deeprootsharvest.com>  
**Sent:** Monday, July 20, 2020 5:31 PM  
**To:** CCB Meetings  
**Subject:** Public Comment on Propsed Change to Regulation 13.020 (4) & (5)

To whom it may concern:

Proposed change to Regulation 13.020 (4) & (5) looks to extend a distributors possession time from 24-48hrs.

**Proposed change to Regulation 13.020 (4) & (5)**

13.020(4). If a cannabis distributor determines the final delivery destination will exceed 100 miles and it is unreasonable to deliver the cannabis or cannabis product within one trip, the product may be stored for no more than 48 hours. All cannabis or cannabis product stored at a licensed cannabis distributor must be documented in the seed-to-sale tracking system.

13.020(5). A cannabis distributor shall not store cannabis or cannabis products for more than 48 hours without written consent from the appropriate Board Agent.

Previously, under the adopted regs R092-17, a distributor could hold product for up to 72hrs.

**LCB File No. R092-17 Sec.218 (original adopted regs (R092-17))**1. Each marijuana distributor shall maintain a storage area for a marijuana and marijuana products which includes at least one area which is temperature controlled. The area which is temperature controlled shall be maintained in a commercial food grade unit which is kept at a temperature of less than 41°F (5°C) while storing potentially hazardous marijuana products.  
2. The storage area for marijuana and marijuana products maintained pursuant to subsection 1 must be a separate, enclosed, locked facility. Products unrelated to the business of the marijuana distributor, including, without limitation, products containing alcohol, must not be stored with marijuana or marijuana products. Within the storage area, marijuana or marijuana products may only be stored in a secure, locked device, cabinet, room or motor vehicle within the storage area which is protected by a lock or locking mechanism that meets at least the security rating established by Underwriters Laboratories for key locks.  
3. If a marijuana distributor experiences an unusual or extraordinary circumstance beyond its control as part of its normal business operations in providing transportation of marijuana or marijuana products and the marijuana distributor determines that it is necessary to use its storage area for the temporary storage of marijuana or marijuana products, the marijuana distributor shall submit to the Department a notice of temporary storage of marijuana or marijuana products.  
4. A marijuana distributor shall not store marijuana or marijuana products for more than 3 days without written consent from the Department.  
5. A marijuana distributor shall verify the inventory of a motor vehicle after the inventory is off-loaded into storage and before the inventory is on-loaded onto a motor vehicle from storage.  
6. A marijuana distributor shall make its premises, including, without limitation, its storage area, available to the

I would like to propose that the CCB sticks to the 72hr possession time period.

For those of us transporting product to remote locations from Vegas (Wendover, Ely, Reno, Carson City, etc) it is nearly impossible to make the trip and distribute product in such a short amount of time and we request that the original 72hr limitation remain in place.

For example,

Monday Product Pickup from numerous vendors in Vegas. Return to Hub with partial load evening storage.  
Tuesday Product Pickup from numerous vendors in Vegas. Return to Hub with partial load evening storage.  
Wednesday, travel to Reno/Carson City/Wendover/Ely with full load (Monday and Tuesday Pickups). Store in Remote hub for evening upon arrival.  
Thursday, deliver to numerous Dispensaries within that jurisdiction.

We would like to propose something like the following

*The department shall confirm that a notice of temporary storage under NAC 453D.868(3) is only required when a distributor may unilaterally use its storage area for the temporary storage of marijuana or marijuana products for up to 3 days, and that the marijuana distributor only needs to submit a notice of temporary storage when it plans to use its storage area for the temporary storage of marijuana or marijuana products for more than 3 days.*

Thank you for your consideration,

Regards,

Jonathan Marshall

**Jon Marshall | [coo](#)**

195 WILLIS CARRIER CANYON

MESQUITE, NV 89034

M:406.570.6748

[DeepRootsHarvest.com](http://DeepRootsHarvest.com)

## Amber Virkler

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**From:** Jon Marshall <jon@deeprootsharvest.com>  
**Sent:** Monday, July 20, 2020 5:43 PM  
**To:** CCB Meetings  
**Subject:** Clarification of Packaging and Label Requirements for Production

**To whom it may concern:**

**Proposed change to 12.035 Cannabis product manufacturing facility: Required labeling of cannabis products before sale to retail store.**

We've been in discussion with the department about what has to be on physical packaging vs on the label affixed to packaged.

The majority of products sold in dispensary's are sold in generic containers. (I.e glass jars, white plastic tubs, black tubes, opaque plastic bags, plastic boxes.) It is nearly impossible to print directly onto these packaging types.

We are requesting that the CCB allow manufacturers to put all pertinent information, including warnings, license info, net weights, potency, etc on labeling affixed to packaging, rather than on the packaging itself.

There seems to be some confusion on this point, as several of our recent packaging submittals have been rejected for not having direct print on our box/bag/tube/tub, however 90% of the product in our store has all of this information on labels affixed to packaging, not directly on the packaging itself.

Thank you for your consideration,

Regards,

Jonathan Marshall

**Jon Marshall | COO**  
195 WILLIS CARRIER CANYON  
MESQUITE, NV 89034  
M:406.570.6748  
[DeepRootsHarvest.com](http://DeepRootsHarvest.com)

**Amber Virkler**

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**From:** Omar Aly <omar.aly.pharmd@gmail.com>  
**Sent:** Monday, July 20, 2020 6:09 PM  
**To:** CCB Meetings  
**Subject:** Comments/Question for the CCB meeting

More licenses=More Dispensaries=More Weed being grown=Cheaper prices for everyone=volume revenue=tax income=better outcome for Nevada

It should matter who you know in order to get a license, we need to freely license anybody like Oregon or Colorado. Allow the free market to decide price and who survives. This is kinda like how this capitalism thing is supposed to work.

It appears the dispensaries want to operate full cartel style and sued the State when the legally mandated license expansion period came up. They don't seem to want competition and we still don't have license expansion yet. Claiming the process was "unfair" and "rigged" so they could delay competition and keep up the price gouging.

Nice try on trying to blame the tourists for this problem, the dispensaries only have themselves to blame. And when the tourists dried up due to Covid no locals ran down to buy their fungal/mold failed product because locals already know who grows mold and who is worth the money.

I guess my question is when will licensing be freely available to the public and not purely based on nepotism? The laws need change!

Dr. O



**Joshua J. Hicks, Partner**

[jhicks@mcdonaldcarano.com](mailto:jhicks@mcdonaldcarano.com)

**Laura R. Jacobsen, Partner**

[ljacobsen@mcdonaldcarano.com](mailto:ljacobsen@mcdonaldcarano.com)

**Reply to: Reno**

July 20, 2020

**Via E-mail**

Cannabis Compliance Board  
1550 College Parkway, Suite 115  
Carson City, Nevada 89706  
Grant Sawyer Office Building, Suite 4100  
555 E. Washington Avenue  
Las Vegas, Nevada 89101  
[regulations@ccb.nv.gov](mailto:regulations@ccb.nv.gov)

**Re: Proposed Regulations of the Cannabis Compliance Board**

To the Honorable Chair Douglas and Director Klimas:

We write now to submit additional written comments with respect to the proposed Nevada Cannabis Compliance Regulations (“NCCR”) published by Cannabis Compliance Board (the “CCB” or “Board”) in advance of the July 21, 2020 CCB Public Hearing for Consideration of the Adoption of Permanent Regulations of the Nevada Cannabis Compliance Board. These comments are submitted with a reservation of rights to submit further, additional, or different comments with respect to the proposed or adopted NCCR. We welcome the opportunity to provide further information or clarification that the Board may request.

**NCCR 4.140 Declaratory orders and advisory opinions.** We are grateful that the Board has proposed this regulation providing an avenue for licensees to seek a declaratory ruling or an advisory opinion. Per the regulation, declaratory orders are reserved for “when the ruling would be significant to the regulation of cannabis” and may involve the Board’s construction of “statute or regulation . . . .” NCCR 4.140(2). Consistence with the importance of any such ruling, the Board is empowered to set the matter for a hearing and/or solicit additional briefing prior to issuing its ruling. NCCR 4.140(7)(b), (c), (d).

But contrary to the importance of any such ruling that may affect the entire industry, the petitioner is prohibited from obtaining judicial review of any declaratory order. NCCR 4.140(8). Respectfully, industry-wide issues that involve the construction of regulations, statutes, and Nevada policy, are precisely those issues that are most deserving of judicial review. Otherwise,

the only option for any licensee to obtain judicial review of a legitimate disagreement regarding the interpretation of a regulation is to violate the regulation and undertake a disciplinary proceeding, which provides for eventual judicial review of a Board decision., as interpreted by the Board's advisory opinion, and proceed through a disciplinary proceeding for which a petition for judicial review may follow. *See* NRS 678A.610. While the declaratory order procedure could circumvent such disciplinary issues, that purpose is frustrated where judicial review is not permitted. While we appreciate the Board's desire to serve as the final arbiter with respect to Nevada cannabis law, we note that the Board's interpretation of NRS Chapters 678A through NRS 678D and the NCCR would likely be entitled to "great deference" under Nevada law. *See State Div. of Ins. v. State Farm Mut. Aut. Ins. Co.*, 116 Nev. 290, 293, 995 P.2d 482, 485 (2000). In light of the deference the Board would enjoy in a court proceeding, we respectfully request that the Board consider allowing declaratory orders of industry-wide importance to be submitted for a court's review.

Similarly, we respectfully request that the Court consider adopting a procedure pursuant to which its declaratory orders may be published. The Board has the opportunity to develop a body of cannabis law and the industry would only stand to gain from a body of precedent and consistency in application. This procedure already exists in other arenas of Nevada administrative law. For example, NAC 368A.405 provides that the Nevada Gaming Control Board may publish its live entertainment tax advisory opinions. *See* NAC 368A.405(5). Creation of a robust body of law is arguably more important in this industry than in any other due to its novelty, its inherent conflict with federal law, and because there is no other jurisdiction provides even persuasive, let alone binding, precedent. Published opinions would further the Board's goal of making the Nevada a leader in the cannabis industry and regulation.

**NCCR 6.087(2)(b), (4).** We appreciate the Board requiring those who work in the industry and handle cannabis to possess valid agent cards. However, as written, this provision reaches an entire host of individuals that may or may not ever enter a cannabis establishment or handle cannabis. For example, this provision would require any person who provides services, such as an accountant, a custodian, or an attorney, to procure an agent card prior to providing those services to a cannabis establishment. We emphasize that some of these individuals who contract to provide services to a cannabis establishment may do so without ever entering the establish. For that reason, we respectfully request that the Board narrow or strike this provision such that not every person who enters into a contract with a cannabis establishment to provide services to that cannabis establishment be required to register as an agent and obtain an agent card.

With respect to subpart (4), we respectfully request that this provision specify an appropriate email address to which an establishment may remit written notice of a change in status. This will aid the industry in complying with notice requirements.

**NCCR 6.085(1)(a), (6), (7).** Please consider exempting cannabis testing facilities, which are materially different from every other type of cannabis establish with respect to their operations as well as the amount of product or cash they may have on premises, from some of the requirements of this proposed regulation. Specifically, with respect to subpart (1)(a), please consider allowing testing facilities to have more than one entrance. In addition, please consider exempting testing facilities from employing a security manager or director and/or the specific training requirements as set forth in subparts (6) and (7).

**NCCR 11.010(2).** We believe this subpart (and its predecessor, NAC 453A.650(2)), sets forth adequate qualifications for a scientific director of a cannabis testing facility, striking the appropriate balance between academic achievement and real-world laboratory experience. Limiting the pool of potential scientific directors to only those individuals who have obtained a doctorate degree may render it impossibly difficult to obtain and qualify an appropriate number of laboratories in the State of Nevada and will work at cross-purposes with other goals to limit monopoly and promote diversity within the industry.

We respectfully request that the educational requirements for scientific directors of testing facilities be extended to those Board agents and/or third parties who may audit, monitor, inspect, or impose discipline based upon the scientific work of testing facilities and their directors. This will aid in uniform application of scientific requirements across the industry.

**NCCR 11.025(1).** This regulation requires testing facilities to obtain accreditation pursuant to standard ISO/IEC 17025 of the International Organization for Standardization by an impartial organization that operates in conformity therewith and is a signatory to the Mutual Recognition Arrangement of the International Laboratory Accreditation Cooperation. We respectfully request that the Board consider imposing similar accreditation standards upon those Board Agents and authorized third parties who may be called upon to evaluate, interpret, auditor, monitor, inspect, or impose discipline based upon the scientific work of testing facilities be similarly accredited. We request that individuals authorized to audit, inspect, and investigate the scientific work of testing facilities be required, by regulation, to obtain and maintain certification in such standards as ISO 19011:2018, Guidelines for auditing managements systems. Such a requirement is consistent with the Board's adoption by reference of certain publications, including the Standard ISO/IEC 17025. *See* NCCR 11.025(8). It is also consistent with the requirement that proficiency testing providers operate an ISO certified program. *See* NCCR 1.185. The regulatory scheme recognizes the importance of certification for testing facilities and proficiency testing providers. Under these circumstances, it is appropriate for those who evaluate the scientific work of these entities to obtain similar credentials.

**NCCR 11.025(3), (5).** We request clarification that the cost of third-party inspection and/or monitoring shall be not be borne by the testing facility.

**NCCR 11.040(8).** This provisions predecessor, NAC 453A.660, defined successful participation by a testing facility in proficiency testing to include: (1) positive identification of 80% of the target analytes; and (2) achieving results that are within the limits of the acceptance range established by the proficiency testing provider. *See* NAC 453A.660(8), (12). A prior version of NCCR 11.040 adjusted that definition to require positive identification of 100% of analytes and eliminates the provision for meeting the requirements of the testing provider. While the ability to retest somewhat remedies the issue, it is nearly statistically impossible for a laboratory to achieve 100% identification of all analytes every time. Some amount of error is inherent to all scientific testing. While the term “100%” has been eliminated, the latest draft requires “an acceptable score for each and every target analyte.” In addition, as 11.040 eliminates the option to meet the testing provider’s requirements in order to achieve a successful result, we request that the Board considering re-setting a passing test to 80 or 90%, in lieu of 100% or “each and every.”

**NCCR 11.050(5).** This provision appropriately places the onus upon the submitting establishment with respect to the timing of harvesting and further processing. Please clarify that a testing facility may rely upon the representation of the submitting facility that the cannabis has been provided within 2 hours of harvest and has not undergone any further processing before being weighed.

**NCCR 11.075.** We support the re-testing procedure set forth in this regulation, which has a proven track record under NAC 453A.672. It strikes the appropriate balance between ensuring that cannabis and cannabis products are safe for consumption while also ensuring that an entire lot of product is not destroyed unless and until a failed test is confirmed.

Thank you for your time and your consideration.

Sincerely,



Laura R. Jacobsen

## Amber Virkler

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**From:** dwalsh@walshcih.com  
**Sent:** Tuesday, July 21, 2020 10:09 AM  
**To:** CCB Meetings  
**Subject:** FW: Final Proposed Regulations for Adoption  
**Attachments:** Cannabis Compliance Comments 6-13-20.pdf

I see by reading the Final Proposed Regulations that my comment was mostly ignored (see attached). It was read into the record during the June 18 workshop, but I didn't see it in the list of comments that came out after that. I guess you put "clearly" in front of "detectable" in Section 8.015(3)(b). That does nothing to change the fact that the part of the regulation that addresses odor remains subjective and open to interpretation and potential disagreements over what the regulation means. One person's "strong odor" and "clearly detectable" can be very different from another's. When asked in the future why the odor portion of the Nevada regulations (except the City of Las Vegas) is so hard to enforce, I will say "I told them they needed to make it objective with a measurable criteria, but they didn't listen. They didn't seem to care about the odor issue".

**Dale Walsh, MS, CIH, CSP, CEM, LEED-AP**  
President and Certified Industrial Hygienist  
WALSH CERTIFIED CONSULTANTS, INC.

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More Info – Search Web with Dale Walsh CIH

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**From:** Medical Marijuana <[MEDICALMARIJUANA@LISTSERV.STATE.NV.US](mailto:MEDICALMARIJUANA@LISTSERV.STATE.NV.US)> **On Behalf Of** Nevada Cannabis Compliance Board  
**Sent:** Friday, July 3, 2020 11:26 AM  
**To:** [MEDICALMARIJUANA@LISTSERV.STATE.NV.US](mailto:MEDICALMARIJUANA@LISTSERV.STATE.NV.US)  
**Subject:** Final Proposed Regulations for Adoption

Please see the attached final Proposed Regulations of the Nevada Cannabis Compliance Board set for Consideration and Adoption on July 21, 2020.

These regulations can also be found posted on the Department of Taxation's website [here](#) as well as on the CCB's website [here](#).

Thank you.

To unsubscribe from the MEDICALMARIJUANA list, click the following link:  
[?TICKET=NzM3NjM5IGR3YWxzZEBXQUxTSENJSC5DT00gTUVEsUNBTE1BUkKVUFOQfkyMMYH6RAb&c=SIGNOFF](mailto:?TICKET=NzM3NjM5IGR3YWxzZEBXQUxTSENJSC5DT00gTUVEsUNBTE1BUkKVUFOQfkyMMYH6RAb&c=SIGNOFF)



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# *Walsh Certified Consultants, Inc.*

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June 13, 2020

State of Nevada  
Cannabis Compliance Board  
1550 College Parkway, Suite 115  
Carson City, Nevada 89706  
[regulations@ccb.nv.gov](mailto:regulations@ccb.nv.gov)

Subject: **Public Comment**

Proposed Regulations 1-15  
Regulation 1 ("Odor" Definition Between 1.130 and 1.135) and  
Regulation 8 (8.015(3)(b) Clarification of "strong odor")

To Whom It May Concern:

In accordance with Cannabis Compliance Board Regulatory Workshop Agenda dated June 12, 2020 Walsh Certified Consultants, Inc. (WCCI) presents this Public Comment on the subject Proposed Regulations. This comment refers to the paragraph at 8.015(3)(b) which states:

***8.015 Restrictions on access to facility and persons authorized on premises; location of cannabis growing at facility. 3. Each cannabis cultivation facility shall ensure that any cannabis growing at the cannabis cultivation facility: (b) Unless the cannabis cultivation facility cultivates cannabis outdoors, does not emit a strong odor that is detectable from outside the cannabis cultivation facility.***

The term "odor" or "strong odor" is not defined in Regulation 1. Since these terms are very subjective the enforcement of 8.015(3)(b) would be based on opinion and not objective facts. To address this issue the City of Las Vegas "Odor Standard and Testing Protocol for Measuring Exterior Odors at Medical Marijuana Cultivation and/or Production Facilities" (enclosed) was written. It is required for Cannabis Cultivation and Production facilities under the City of Las Vegas Ordinance 9.40.040 - Medical marijuana odor nuisances.





WCCI recommends that a definition of odor be placed in Regulation 1 to clarify and assist in the enforcement of 8.015(3)(b). The following would be appropriate:

**1.132 “Odor” defined.** *“Odor” means volatilized chemical compounds that are generally found in low concentrations that humans can perceive by their sense of smell. A “strong odor” as it relates to volatile chemical compounds associated with Cannabis means detectable terpenes as identified outside a Cannabis Cultivation or Production facility using the City of Las Vegas “Odor Standard and Testing Protocol for Measuring Exterior Odors at Medical Marijuana Cultivation and/or Production Facilities”.*

Thank you for considering this Public Comment. Should you have any questions or comments regarding this letter, please do not hesitate to call.

At Your Service,  
WALSH CERTIFIED CONSULTANTS, INC.

Dale W. Walsh, CIH, CSP, CEM  
President



## **ODOR STANDARD AND TESTING PROTOCOL FOR MEASURING EXTERIOR ODORS AT MEDICAL MARIJUANA CULTIVATION AND/OR PRODUCTION FACILITIES**

The following odor standard and test protocol apply to new medical marijuana cultivation and/or production facilities and investigation of odor complaints involving existing medical marijuana cultivation and production facilities.

### **Test Standard and Procedures**

The existence of a detectable odor as identified in Las Vegas Municipal Code 6.95.130 (A) will be determined by finding concentrations of medical cannabis terpenes (MCTs) above the following method's detection limits at the exterior property lines of cultivation and/or production facilities. The method shall include the following:

1. List of MCTs to be assessed: (-)-alpha-Bisabolol (23089-26-1); Camphene (79-92-5); delta-3-Carene (13466-78-9); beta-Caryophyllene (87-44-5); Geraniol (106-24-1); (-)-Guaial (489-86-1); alpha-Humulene (6753-98-6); psopropyltoluene (pcymene) (99-87-6); (-)-Isopulegol (89-79-2); d-Limonene (5989-27-5); Linalool (78-70-6); beta-Myrcene (123-35-3); Nerolidol (7212-44-4); Ocimene (13877-91-3); alpha-Pinene (80-56-8); (-)-beta-Pinene (18172-67-3); alpha-Terpinene (99-86-5); gamma-Terpinene (99-85-4); Terpinolene (586-62-9).
2. Method detection limit for MCTs: The method used must have a detection limit (reporting limit) of 1.0 microgram or less with at least 1,440 liters of air collected on the media.
3. Method flow rate and sampling time: The flow rate must be 1.0 liter per minute +10% provided by a constant flow pump. The flow rate must be measured using a primary calibrator at least before and after sampling with the results averaged to determine the overall flow rate. The sampling time must be at least 24 hours where the combination of flow rate and sampling time result in the collection of at least 1,440 liters of air.
4. Timing of sampling: Samples taken pursuant to this protocol shall be taken at the time that medical marijuana cultivation and/or and production facilities are at full production levels. In order to assist such facilities to commence operations to achieve full production levels, the Building & Safety Department will grant conditional temporary occupancy approvals for such facilities for a maximum period of 180 days.

5. Number of samples per set, number of sets, and time separating sets:
- a. New cultivation and/or production facilities: Two sample sets are required to be collected at each exterior perimeter property line (i.e., approximately the middle of each compass point location surrounding the building or four locations), as practical. A site plan showing the locations from which samples are to be collected shall be submitted to the Building & Safety Department for review prior to the commencement of sampling. The sample sets shall be separated in time by at least 24 hours. This will result in a minimum of eight samples per property (as practical) submitted using chain-of-custody procedures to the laboratory. A field blank sample may also be submitted for quality assurance to help assure that any MCTs detected on the sample set(s) are not due to media contamination or other sampling methodology issues not related to actual airborne levels of MCTs.
  - b. Odor complaints regarding existing cultivation and/or production facilities:  
Two sample sets are required to be collected at the exterior perimeter property line of the cultivation/production facility bordering the property from which the odor complaint was submitted, as practical. A site plan showing the location(s) from which samples are to be collected shall be submitted to the Building & Safety Department for review prior to the commencement of sampling. The sample sets shall be separated in time by at least 24 hours. This will result in a minimum of two samples per odor complaint submitted using chain-of-custody procedures to the laboratory. A field blank sample may also be submitted for quality assurance to help assure that any MCTs detected on the sample set(s) are not due to media contamination or other sampling methodology issues not related to actual airborne levels of MCTs.
6. Location of sample sets: The sampler(s) shall be located as much downwind of the cultivation facility as can be determined and is present at the time of the start of sampling. The sampler shall be located between 3 and 6 feet above the ground with the collection tube pointed downward and toward the cultivation facility with no obstructions in front of it.
7. Method collection media: The collection media shall consist of an OSHA Versatile Sampler (OVS) containing XAD-2 (or similar such as Tenax) and a quartz filter (or similar such as glass fiber) (SKC Model 226-58 or similar such as 226-56). If an alternative media is used it must meet the requirements specified elsewhere in this method.



8. Analytical procedures: Extract the front and back sections of the media separately using methylene chloride. Each section shall be run separately on a 5972 series gas chromatograph/mass spectrometer (GC/MS) (or similar) using a DB-5MS UI column (or similar). Using a standard pre-made mix purchased from Restek (or similar) for the list of MCTs, each sorbent section shall be screened and then quantified for each compound of interest. For quality control a Quality Control (QC), Quality Control Duplicate (QD) and laboratory blank sample shall be run for each MCT to check method accuracy and precision. Final results are to be reported as a sum of the front and the back section of each sample.
9. Qualifications of sampling professional providing method and laboratory qualifications: The sampling professional shall be a Certified Industrial Hygienist (CIH) in good standing with the American Board of Industrial Hygiene. The laboratory shall be accredited by the American Industrial Hygiene Association (AIHA) under their Industrial Hygiene Laboratory Accreditation Program (IHLAP) and have the analytical equipment and materials described in 8.
10. Report of sampling professionals: The sampling professional shall submit a written report to the Building & Safety Department containing the following information:
  - a. A description of the sampling procedures utilized including any deviations from this protocol or the sample location site plan submitted to the Building & Safety Department and justification for such deviations;
  - b. Laboratory analytical reports;
  - c. An affirmative statement from the sampling professional that based upon the sampling procedures and laboratory analytical reports, the subject cultivation and/or production facility was found to be in compliance with the odor standard specified in this "Odor Standard and Testing Protocol for Measuring Exterior Odors at Medical Marijuana Cultivation and/or Production Facilities" (i.e., no detectable MCTs).
10. Final Occupancy Approval for Cultivation and/or Production Facilities: Final occupancy approval of medical marijuana cultivation and/or production facilities shall not be granted until such time as the Building & Safety has reviewed and accepted the report of the sampling professional required in paragraph 10 of this protocol. The review may include the City's third party Certified Industrial Hygienist (at the City's discretion.)
12. Responsibility for Cost of Sampling, Laboratory Testing and City Third-Party Consulting Review:
  - a. New cultivation and/or production facilities: For new cultivation and/or production facilities, all costs of sampling, laboratory testing, the

sampling professional, and the City's Certified Industrial Hygienist shall be paid by the owner(s) of the facility. Reimbursement of the cost of the City's Certified Industrial Hygienist for review (if required at City's discretion) of the sampling professional's report as required by this protocol shall be made to the City prior to the issuance of final occupancy approval for new cultivation and/or production facilities.

- b. Responsibility for cost of investigating medical marijuana cultivation and/or production facility odor complaints: Where the City has incurred sampling, laboratory tests and third-party consultant investigation and analysis costs in investigating nuisance complaints regarding odors emanating from medical marijuana cultivation and/or production facilities and no violation of the City's medical marijuana odor control regulations has been found, those costs shall be borne by the City. Where a violation of the City's medical marijuana odor control regulations has been found, those cost shall be borne by the owner(s) of the subject medical marijuana cultivation and/or production facility and/or the owner(s) of property where such facilities are located. These costs are in addition to any other costs, fees and penalties applicable to such violations as may be assessed by the Code Enforcement Division of the City of Las Vegas Planning Department.

## Amber Virkler

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**From:** Jennifer Gallerani <Jennifer.G@myblackbird.com>  
**Sent:** Tuesday, July 21, 2020 10:10 AM  
**To:** CCB Meetings  
**Subject:** Re: Proposed State Of Nevada Regulations of the CCB - CROOKED WINE (DBA BLACKBIRD) COMMENTS

Hello CCB Board Members,

Will you be issuing a formal response to comments submitted on Proposed State Of Nevada Regulations?

Is there a formal CCB Board member nomination process? We have submitted an industry expert nomination to the "regulation" CCB email but received no response or read receipt confirmation.

Thank you,  
Jennifer

On Tue, Jun 9, 2020 at 11:26 AM Jennifer Gallerani <[Jennifer.G@myblackbird.com](mailto:Jennifer.G@myblackbird.com)> wrote:

Dear CCB Members,

Thank you for the opportunity to review and provide comment on the proposed State of Nevada Regulations for cannabis. Crooked Wine (DBA Blackbird Logistics) holds two distribution licenses in Nevada, in the cities of Reno and Las Vegas.

We believe we are one of many operators in the state that can assist the CCB in an advisory capacity, and ensure that the regulations implemented this year are reflective of the operational workflows in the cannabis industry. In other states, we are working equally as hard to establish state-industry working groups, as we have witnessed premature roll-out, and then redaction, of state administrative cannabis procedures/bulletins that were not compatible with the current operational landscape. We welcome the opportunity to work with the CCB on a continuing basis to provide input on regulations from an operational perspective, and how proposed regulations and procedures may cause secondary impacts to efficient workflows.

The enclosed letter and comment summary identifies the sections of the proposed regulations that we feel garner the need for more discussion and revision.

Sincerely,

**Crooked Wine (DBA Blackbird Logistics)**

Tim Conder, CEO

[tim@myblackbird.com](mailto:tim@myblackbird.com)

316 California #30, Reno, NV 89509

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**Director of Compliance**

*Keep it moving.*

650.515.1381

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## Amber Virkler

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**From:** Jennifer Gallerani <Jennifer.G@myblackbird.com>  
**Sent:** Tuesday, July 21, 2020 9:03 AM  
**To:** CCB Regulations  
**Subject:** Re: Nomination for Industry Representative - Tim Conder

Hello CCB Board members,

Was this nomination received/reviewed? If there is a formal process please let us know.

Thank you,  
Jennifer

On Thu, Jun 18, 2020 at 10:07 AM Jennifer Gallerani <[Jennifer.G@myblackbird.com](mailto:Jennifer.G@myblackbird.com)> wrote:

Dear CCB Members,

Please consider this email my formal nomination of Tim Conder, CEO of Crooked Wines (DBA Blackbird Logistics), for a position with CCB as an Industry Representative. Blackbird Logistics holds two distribution licenses in Nevada, in the cities of Reno and Las Vegas. Tim has led Blackbird Logistics from its inception, navigating an ever changing regulatory landscape. Blackbird Logistics has established itself as a compliant, "do-good" cannabis distributor that handles nearly 90% of Nevada's movement of cannabis goods. Selecting Tim as an Industry Representative would provide the CCB with insight on the real-world implications of regulatory adoption and track-and-trace procedure updates. Tim's leadership role also extends beyond the state of Nevada, with distribution services in the State of California, and other plant-touching businesses throughout the county. His understanding of how other regulatory models have affected the cannabis industries in other states would be of great value to the CCB members.

Please let me know if there is a form or other format in which we can nominate Tim Conder as an Industry Representative to the CCB.

Thank you,  
Jennifer Gallerani

--

**Director of Compliance**

*Keep it moving.*

650.515.1381

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**Director of Compliance**

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July 20, 2020

Honorable Michael Douglas, Chair  
Nevada Cannabis Compliance Board  
555 E. Washington Ave. Ste. 4100  
Las Vegas, NV 89155

RE: Proposed Regulations of the Cannabis Compliance Board

Dear Chair Douglas:

Please accept this correspondence on behalf of RAD Source Technologies ("RAD") in response to the recent addition of Cannabis Compliance Board ("CCB") Regulation 12.065 to the proposed draft regulations.

**RAD Source Technologies**

For over twenty years RAD has been the industry leader in manufacturing renewable, non-isotope, ionizing radiation products utilized in various applications worldwide. Specific to the cannabis industry, RAD is the developer of the RS 420 Line of X-ray Irradiators, which are safe, well studied and widely used in decontaminating marijuana. The RS 420 Line of equipment also operates within parameters prescribed by the FDA to treat food products and is a safe alternative to gamma source irradiators.

**Procedural History**

Relative to the subject regulation, on or about May 29, 2020 the CCB published the initial (draft) regulations pertaining to Nevada's cannabis industry. Included in the notice was a request that interested parties submit comments to the proposed regulations on or before June 9, 2020. CCB Regulation 12.065 was not included in the initial (draft) regulations.

On June 18, 2020, a regulatory workshop was held whereby the proposed regulations were submitted to members of the CCB in anticipation of the initiation of the CCB's oversight effective July 1, 2020. Included in the meeting notice were the proposed draft regulations, comments submitted on



Page 2

or before June 9, 2020 and public comments submitted pursuant to Nevada Revised Statute (“NRS”) Chapter 241 – **Meetings of Local and State Agencies**. CCB Regulation 12.065 was not in the draft (regulations) attached to the June 18, 2020 Notice of Regulatory Workshop.

Thereafter on or about July 3, 2020, the CCB published the further revised “final Proposed Regulations of the Nevada Cannabis Compliance Board set for Consideration and Adoption on July 21, 2020,” which now includes proposed CCB Regulation 12.065. This being an entirely new regulation, not subject to prior review, comment and/or input, RAD respectfully request that adoption be tabled pending further clarification of the regulatory intent and corresponding nexus to NRS Chapters 678A-D. Notice and hearing requirements are not mere technicalities but instead they are essential to the adoption of valid rules and regulations. *State Farm v. State, Comm’r of Ins.*, 114 Nev. 535, 958 P.2d 733, 738 (1998).

## **Regulation 12: Packaging and Labeling of Cannabis Products**

### Proposed Regulation 12.065 – Cannabis treated with radiation.

*If any cannabis or cannabis product has been treated with radiation at any time, any and all packaging of the irradiated cannabis or cannabis product must include labeling that contains the following statement: “WARNING: This product contains ingredients that have been treated with irradiation” in bold lettering, along with the Radura symbol as used by the US Food and Drug Administration.*

Nevada defines a regulation as an “agency rule, standard, directive or statement of general applicability which effectuates or interprets law or policy, or describes the organization, procedure, or practice requirements of an agency.” NRS 233B.038 (emphasis added). Although exempt from NRS 233B, CCB maintains the obligation of ensuring that the applicability and purpose of a regulation relates (in some way) to the governing statutes and that it be of general applicability. As drafted proposed Regulation 12.065 fails to meet either standard.

The statutory requirements specific to labeling cannabis and cannabis products are primarily contained in NRS 678B.520 and 678D.420. Neither statute requires or even discusses the necessity of labeling in the manner suggested in CCB Regulation 12.065 primarily because the warning isn’t used in the cannabis industry but instead is applicable to food and food products as overseen by the U.S. Food and Drug Administration. As the CCB is aware, a Nevada court will not hesitate to declare a regulation invalid when it exceeds the statutory authority of the agency. *State, Div. of Insurance v. State Farm*, 116 Nev. 290, 995 P.2d 482, 485 (2000); *Clark Co. Social Service Dep’t v. Newkirk*, 106 Nev. 177, 179, 789 P.2d 227, 228 (1990); *Roberts v. State*, 104 Nev. 33, 37, 752 P.2d 221, 223 (1988).

Moreover, the proposed language is overly broad and inaccurately infers a public safety concern with products treated by irradiation. However, it’s been proven that irradiation is beneficial in preventing foodborne illnesses, preservation, control of insects, delay of sprouting and ripening and sterilization that may be present in untreated products for human consumption; whereas, radioactive isotopes (gamma sources) pose an environmental and security risk.



Page 3

The regulation is also not of general applicability but instead specifically targets RAD and its cannabis customers in Nevada. If the regulatory intent is to alert consumers about the products used by cultivators to ensure public safety then the language must be expanded to include the use of: ozone, ultra-violet lights, gamma sources, Radio Frequency ("RF") Radiation, electromagnetic energy waves, and RF photons. Accordingly, in order for CCB Regulation 12.065 to meet the "general applicability" requirement it must apply equally.

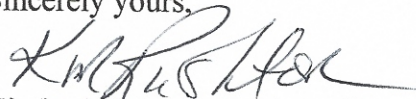
For the reasons articulated herein RAD respectfully requests that proposed Regulation 12.065 be withdrawn from consideration by the CCB until said concerns have been addressed. At a minimum, RAD requests that the proposed language be modified to remove the term "WARNING" as there is no evidence that irradiation is unsafe. Additionally, to avoid confusion and ensure general applicability RAD recommends that the regulation specifically describe the multiple ways in which cannabis or a cannabis product may be "treated with radiation."

#### **Conclusion**

In conclusion, my clients and I would like to thank the CCB for your consideration of the comments set forth herein. RAD welcomes the opportunity to have further discussions with the CCB about the RS 420 Line, which is used in many state regulated cannabis markets nationwide. Furthermore, its X-ray irradiation technology is accepted by the American Red Cross, Mayo Clinic and the FDA's National Center for Toxicological Research, as well as by medical facilities and universities worldwide. Without question, ensuring consumer safety is RAD's top priority.

Should the CCB have any questions or require further information / documentation regarding RAD and / or the RS 420 Line, please do not hesitate to contact me.

Sincerely yours,



Kimberly Maxson Rushton, Esq.

cc: T. Klimas, Ex Director  
W. Hartman, RAD  
G. Terry, RAD

# Silver State Government Relations



## Principals

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**July 20, 2020**

**To: Chairman and Members of the Cannabis Compliance Board**

**From: Will Adler, Principal, Silver State Government Relations**

**Representing Scientists for Consumer Safety**

Scientists for Consumer Safety (SCS) is a Nevada association of cannabis laboratories dedicated to the safety of cannabis consumers through the establishment of appropriate, science-based regulations for cannabis laboratories. SCS has been advocating for increased oversight and transparency in the regulation of cannabis laboratories in order to protect the consumer from unsafe marijuana and fraudulently represented products.

Please accept the following summary of the detailed comments that were submitted on June 9, 2020 and again at the June 18<sup>th</sup> meeting at which the regulations were presented. SCS is again recommending changes to Sections 4, 6 and 11 of the NCCR regulations.

## **Section 11. – Cannabis Testing Laboratories**

### **Publication of seed-to-sale tracking data**

Change "may" to "shall" regarding posting Metrc data and COA's in NCCR 11.070(13).

**11.070(13):** The Board *shall* publish, *in digital format compatible with statistical analysis*, on their website all Certificates of Analysis issued to them *in the preceding month on the first of each month*.

### **Retesting**

It is the opinion of SCS that no retest ever invalidates a previously failed quality assurance test and that all tests results are valid even if retested differently. Regulation 11.075 should be rewritten to include a new sub section 7:

The cannabis testing facility selected to perform the retest, shall contact the cannabis cultivation or production facility to arrange the collection of a new sample for testing. Upon arrival at the cultivation or production facility, the cannabis testing facility selected to perform the retest will be shown into the facility and escorted to the lot or batch that they are retesting. The cannabis testing facility selected to perform the retest will sample from the previously failed lot using their full sampling and homogeneity protocols. The cannabis testing facility selected to perform the retest will collect the new sample prior to obtaining the previously retained sample on site. The initially retained sample and the newly collected sample will be packaged in unique packaging and identified respectively. The cannabis testing facility selected to perform the retest will then



test the previously retained and the newly collected sample using its standard testing protocols. The Board will consider the average score from each test performed to determine whether the sample will be declared safe for sale. If the average score of the three tests performed is below the limit for the quality assurance test previously failed, the test will then be declared safe and safe for sale.

### **Proficiency testing (NCCR 11.040(8))**

Successful participation includes an acceptable score for 85% of analyte that the cannabis testing facility reports to include quantitative results when applicable. An acceptable score of 75% or greater but less than 85% will require corrective action but not a full retesting of the lab's proficiency.

### **Random Laboratory Assurance Checks (RLAC)**

11.085 as presented should be replaced in its entirety with regulations that create a functional system of Random Laboratory Assurance Checks (RLAC). A functional RLAC shall randomly audit every cannabis lab in the state four times per year. The Board shall send agents to each laboratory, unannounced. Those agents will select at least 5 retained samples of products already submitted to the seed to sale tracking system with final Certificates of Analysis (COA). With the board investigators present, the cannabis laboratory will run a retest, including all quality assurance and cannabinoid tests, on the board's selected retained samples of a product.

The results of the retest must have 80% of the retests producing results within 20% of the original test result. All quality assurance test results shall be the same as originally submitted on the COA. Any laboratory that fails the RLAC audit shall be classified as having submitted intentionally false statements. Two failed RLACs within 24 months shall qualify as a Category 1 violation and may be accompanied by the revocation of the laboratory's license.

## **Section 4. – Disciplinary and Other Proceedings Before the Board**

### **Criminality: Past disciplinary actions need to be maintained.**

4.010 Applicability. NCCR 4 shall apply to disciplinary proceedings governed by NRS 678A.500 to 678A.640. Unless otherwise ordered by the Chair, this regulation shall apply to all such proceedings that are pending on the effective date of this regulation. All previously accrued penalties (Category I-V) assigned by the Marijuana Enforcement Division will remain with the license the violation was assigned to and will be regarded as a previous penalty if any subsequent violations occur in the next three years.

# Silver State Government Relations



## **Section 6. – Production and Distribution of Cannabis**

### **Security measures (NCCR 6.085(6) & (7))**

This section of the regulations should be modified to exclude laboratories to reflect the reality that laboratories do not have the same risks as the rest of the cannabis market. Laboratories are not targeted for robberies as they carry very small amounts of marijuana product and rarely have any cash on site.

In addition, laboratories should be exempt from all additional security requirements in reference to security managers and on-site security personnel.

Respectfully,

Will Adler,

Executive Director, Scientists for Consumer Safety



## Amber Virkler

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**From:** Cristalli, Michael <mcristalli@ClarkHill.com>  
**Sent:** Friday, July 3, 2020 12:31 PM  
**To:** CCB Regulations  
**Subject:** Publicly traded vs Public companies

Dear Cannabis Compliance Board,

5.112 addresses publicly traded companies but there is a distinction between publicly traded companies and public companies. Any offering over 500 is a public offering. For example Regulation D, Regulation A 1 and 2 offerings. The provision should cover all public companies not just publicly traded companies.

**Michael Cristalli**

Member

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**Amber Virkler**

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**From:** Jesse Chatsworth <jechatsworth@gmail.com>  
**Sent:** Thursday, July 9, 2020 10:12 AM  
**To:** CCB Regulations  
**Subject:** Draft Final CCB Regulations comments

To whom it might concern,

The Final CCB Regulation as of July 1st is a well-rounded document. However, an overall observation needs to be addressed.

The regulations address in great detail the qualifications, responsibilities, policies, procedures, and conduct requirements directed toward current and prospective licensees. Conspicuously absent are provisions for pertinent qualifications and conduct protocols for "Board Agents" who are given such power to perform audits, inspections and investigations. Disciplinary action is entirely within their control. That is a tremendous amount of latitude for "Board Agents" to have.

It is public knowledge that licensees and prospective licensees have in the past experienced unjustifiable applications of regulations by State personnel. The CCB regulations, by omission of controls for those enforcing requirements, leave open the possibility for continued such practices.

CCB regulations impose national and international standards of operation on licensees. Board Agents should also be required to utilize such standards for their operations. Auditors, inspectors and investigators should be certified to such standards as ISO 19011:2018 and ANSI N45.2.23, and use standardized protocols to ensure objective and professional performance of such activities. Otherwise, there is no transparency or credibility for enforcement activities, especially if Board Agents' decisions contradict the ISO standards the licensee has been required to be accredited to.

Best regards,

A concerned citizen.