Adriana Guzman, Chair, and Board Members
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Re: **The Hempire Company LLC (C184, RC184, P120, RP120)**
CCB Agenda item V(C) for March 21, 2024 Agenda

Dear Chair Guzman, Board Members and Executive Director Humm:

I am David Baker, manager of The Hempire Company LLC, and I write today to urge this board to either postpone or deny the approval of the Management Services Agreement (MSA) placed on the board's March 21, 2024, agenda, on the grounds that the agreement is non-functional in that the licenses referenced are suspended, the production and cultivation facilities are essentially shutdown, and there is really no necessity for an MSA. In addition, the MSA does not provide a method for the compensation for the Manager. **Currently, there is a Motion pending before the District Court that states the payment to this Manager for what will likely be a maximum of three months totaling $250,000.00 to $500,000.00, which is to be added under that Motion to any "overbid" amount for purposes of the auction.** There is no specific or quantifiable actions to be taken by a Manager under the MSA at this juncture, and thus if this MSA is approved it will be used to artificially inflate any "overbid" amounts. The MSA is at best a shell of an agreement.

As this Board is aware, the production and cultivation facilities for the above referenced licenses were taken over by the Receiver Kevin Singer in November of 2023, after this board summarily suspended those licenses and subsequently approved of the Receiver's appointment by the District Court. The sole reason for the appointment of the receiver by the District Court was the stated arrears with the NV Chai entity and its promissory note. The ultimate result of this takeover is that all living plants, including the mother plants in the cultivation facility, have died. The facility has no employees, no plants to cultivate, and there remains very little product

for production or sale. In addition, necessary camera installations have been delayed, repairs have not been undertaken, and from my perspective the shuttered facility has languished. In essence, there is nothing currently on site at this particular time to manage under an MSA. As such, the presentation on an MSA at this time is quite premature.

This board must therefore question why is an MSA even needed at this time? The answer is the proposed manager, Qualcan LLC (Qualcan), have not only signed an exclusive MSA, which guarantees Qualcan management fees not less than $250,000.00, secured by all fixtures, furniture and equipment in the facility, ***but have also signed an exclusive Asset Purchase Agreement (APA).***[1]

One must ask why the Receiver and Qualcan signed an ***exclusive*** APA when applicable law requires (as even the receiver concedes in its district court filings) that any sale of the debtor's assets in receivership must be advertised and made available to competing parties (including the debtor's principal)?

I respectfully submit the purpose of the MSA is simply a cynical means to place Qualcan in a position to prevent any other bidder in the receivership from bidding, because the MSA places an additional fee on the facility purchase of not less than $250,000.00, which must be added to the purchase price for every bidder but Qualcan (who would owe the fee to itself). According to the 8Th Judicial District Court filing in case No. A-23-880387-B, the simple approval of this MSA places Qualcan in a position where any other bidder must pay Qualcan's fees of the following:

> ***$185,406.26***, which represents three (3) percent of the base purchase price, plus any reimbursement the court approves to be distributed to [Qualcan] from the sale proceeds for [Qualcan's] expenses and costs incurred under the Management Agreement (the "Break-up Fee"), ***which expenses are estimated to be at least $250,000 but not more than $500,000*** ("Management Expenses").

See "Receiver's Motion for Authorization and Approval to Confirm Asset Purchase Agreement, Subject to An Overbid Hearing", 8th Judicial District Court Case No. No. A-23-880387-B (March 18, 2024) at page 8, paragraph 21, lines14-19 (emphasis added). In essence, the simple imposition of an MSA (to "manage" a shuttered facility with suspended licenses) artificially increases the minimum bid price for the facility in the receivership (by adding the Break-up Fee and Management Expenses to the Bid Price) by a minimum of $435,406.26 and a potential of $935,406.26. Importantly, there is also no Motion before the District Court as to the procedure and timing to be used for this auction/overbid sale. This would control how long the sale will be marketed and the other procedural requirements of the same. Finally, this artificial bid increase is the automatic and inevitable result of this board's approval of the MSA.

Simply put, there is nothing here for Qualcan to "manage", but the approval of the MSA allows Qualcan a quarter to half million dollar advantage over any other potential bidder, despite

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[1] See "Notice of management Services Agreement, Subject to Approval of Cannabis Compliance Board", 8th Judicial District Court Case No. A-23-880387-B (March 12, 2024) and "Receiver's Motion for Authorization and Approval to Confirm Asset Purchase Agreement, Subject to An Overbid Hearing", 8th Judicial District Court Case No. No. A-23-880387-B (March 18, 2024).

the MSA obligating Qualcan to do nothing. Indeed, the list of "services" Qualcan is obligated to provide is not even attached to the MSA presented to the Board for agenda item V(C), nor has it been provided to the Judge in the receivership court case. Nevertheless, Section 4 of the MSA clearly indicates that there is no maximum fee amount agreed upon and that fees are not capped.

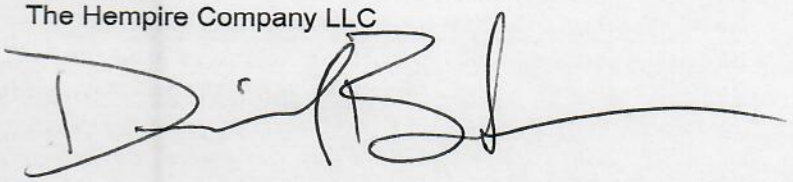
I respectfully remind the board that, as the principal of the licensee The Hempire Company LLC, I retain a legal right to pay off the creditor who petitioned for the Receivership. See NRS 32.345(4)(a). This board's approval of the MSA, for Qualcan to do essentially nothing, adds anywhere from a half million to nearly one million dollars to that tab.

Thus, it is clear that this MSA (along with the exclusive APA) is nothing but a cynical ploy to exclude other bidders, including me, from Qualcan's purchase of the facility and licenses in receivership, by artificially placing an unearned premium of at least a half million dollars that every other bidder, except Qualcan, will be required to pay. Qualcan is required to do nothing under the MSA, since the facility is shuttered, has no employees, has no live plants, and effectively has no inventory or products to process. Yet, instantly, Qualcan can pillage the facility of its equipment and other "FF&E."

I urge the Board to consider the effect of its approval of the receiver's MSA with Qualcan. **This MSA has more than an economic effect upon me, it has a chilling effect on the efficient and economical sale of the business should I not be able to retire the offending Note of NV Chai before the sale.** The MSA is not needed at this time, and has been presented to the board simply to guarantee Qualcan exclusivity to purchase The Hempire Company facility, equipment and licenses out of the receivership, because the fees guaranteed to Qualcan by the MSA and APA makes and bid uneconomic for any other bidder.

Respectfully submitted,

David Baker
Manager
The Hempire Company LLC



From: Angel piza
To: CCB Meetings
Subject: 3/21/2024-meeting public comment
Date: Thursday, March 21, 2024 10:47:46 AM

Abad A. Piza

- The behavior by the board of making it increasingly difficult to join meetings on zoom in order to make public comments highlighted by your giggling at the beginning to this very meeting is disgusting

- Raise patient plant growing limits your forcing patients to consume rope since limits have been changed from 12 to 6 when. We requested 20+ per patient by doing so your forcing patients to break the law because they are doing what's necessary for their finances and their health… also since limits have been lowered in my close community I've seen 3 people have their cancer come back all 3 have passed because they attempted to lower the amount of consumption in order to appease the law not only that but due to the financial burden of lowering plant levels 2 have had several breathing issues which resulted in the death of one and hospitalization of the other which is leading me to believe in order to survive we must disobey….

- We requested an investigation into the nepotism that took place here with the ceic and board specifically Chandler cooks when will this 3rd party investigation take place