

NMG OHIO, LLC
6420 Sunset Corporate Drive
Las Vegas, Nevada 89120
(702) 769-2725

VIA FEDEX & EMAIL

September 24, 2019

Jennifer Sachs
Ohio Department of Commerce
Medical Marijuana Control Program
77 S. High Street, 23rd Floor
Columbus, Ohio 43215

Re: NMG Ohio, LLC's Change in Location Request

Dear Ms. Sachs:

NMG Ohio, LLC (hereinafter "NMG") respectfully requests permission to change its processor facility location from 1710 Sawmill Parkway, Huron, Ohio ("Huron property") to 719 Sugar Lane, Elyria, Ohio ("Elyria property"). NMG is currently negotiating a Letter of Intent to Lease with the Elyria property owner and met with city officials to ensure they approve of the proposed location. After officials reviewed the proposal, the City of Elyria proposed amending its ordinance to allow medical marijuana facility use in light-industrial zones, which is due for a final public hearing on October 7, 2019. Enclosed please find a survey map of the area, a draft of the Elyria property Letter of Intent to Lease, and the City of Elyria proposal to amend its existing ordinance and permit medical marijuana facilities to operate in light-industrial zones.

BACKGROUND

In November 2017, NMG began negotiating a lease agreement with the Huron property owner to operate a medical marijuana processor facility. NMG negotiated the lease in good faith, and on December 13, 2017 both parties executed a Letter of Intent to Lease, which included an option to purchase the property. The property owner also signed an attestation approving the use of the property as a medical marijuana facility.

On December 15, 2017, NMG submitted its Processor Application to the Ohio Department of Commerce, Medical Marijuana Control Program, which included the Letter of Intent to Lease and attestation signed by the Huron property owner. On September 17, 2018, the State of Ohio awarded NMG a provisional Processor's License to begin construction at the Huron property and obtain a certificate of operation by March 17, 2019.

NMG expended significant resources and funds on the planning and construction of the Huron property. In October of 2018, NMG engaged a general contractor and began planning construction. The construction plan included an extensive building and land renovation, as originally agreed to with the Huron property owner. After receiving permits, NMG began construction in January of 2019. NMG hired local employees and began engaging several vendors to prepare its processor facility. While completing the build-out in February, 2019, NMG was notified by the Huron property owner that he was withdrawing from the lease/option to purchase agreement, removing NMG's options to purchase and own the property.

When the property owner withdrew from the agreement, NMG was left with two options: continue spending significant resources and funds to build a facility it would not own or secure a new

property. Without an option to purchase the property, however, NMG would have been adding significant value to a property it does not own, thus adversely affecting its cash flow. After failing to come to a new agreement with the Huron property owner, NMG ceased construction in February of 2019. On March 4, 2019, the Huron property owner filed a lawsuit in Erie County Court seeking a judgment to declare the Letter of Intent to Lease and option to purchase the property null and void. NMG opposed the filing.

To avoid a lengthy litigation, NMG and the Huron property owner began negotiating a resolution. After months of mediation, on September 11, 2019 both parties executed a confidential settlement agreement that relieved NMG of any claims and liabilities regarding the Huron property. Upon execution of the settlement agreement, NMG immediately secured a Letter of Intent to Lease with the owner of the Elyria property.

ELYRIA PROPERTY

The Elyria property is located at 719 Sugar Lane, zoned for light-industrial use.¹ The proposed property sits next-door to NMG's operational retail dispensary, Clubhouse Dispensary, located at 709 Sugar Lane. No park, school, or church is located within 1,000 feet of both properties, and Sugar Lane is not a main street. Directly west of the Elyria property is a company that manufactures automotive machinery, and beyond that is farm land. The closest point east is Highway 20, which serves as an additional buffer between the property and sensitive use areas. To the north is NMG's dispensary, and just south of the proposed location is an autobody shop. *See Survey.*

The Elyria property contains a storage warehouse and an office building, which is ideal for use as a processor facility. There is significant space in the interior to build storage, kitchen, production, and packaging rooms, and enough open space to install state-of-the-art air filtration systems and production equipment. There are a limited number of exterior windows and ample space for parking. After inspecting the building, NMG is fully confident that it can design site, floor, and security plans and construct a compliant processor facility at the proposed location.

RELOCATING TO ELYRIA IS IN THE PUBLIC'S INTEREST

Granting NMG's request for location change will relieve some of the public burdens posed by non-operational facilities. Non-operational facilities bring little economic benefit and reduce the amount of medical marijuana available to patients in the State of Ohio. By approving this relocation request, NMG will be equipped to hire local candidates, engage local vendors, and provide high-quality marijuana products to dispensaries throughout the State of Ohio.

The City of Elyria welcomes NMG to relocate its processor facility, due to its reputation as having the best record for compliance and security in the State of Ohio. NMG has experience operating in Elyria and formed a good relationship with city officials and the surrounding community. After NMG presented its proposal to city officials, the city proposed amending its ordinance to include conditional permitted use for medical marijuana facilities in light industrial zones. *See Amended Ordinance.* Not only is the city accustomed to working with NMG, but the owner of the Elyria property is familiar with NMG and welcomes it as a tenant. The same company that owns the

¹ The City of Elyria recently proposed amending its ordinance to allow medical marijuana facilities to operate in a light-industrial zone (L-I). *See Amended Ordinance.*

building to NMG's dispensary also owns the Elyria property. After meeting with the owner and presenting its proposal, NMG and the property owner began negotiating a Letter of Intent to Lease the Elyria property, contingent on approval from the State of Ohio. *See Draft Letter of Intent.*

Corporate synergy is an economic benefit for the State of Ohio and the City of Elyria. By operating two adjacent medical marijuana facilities, not only will it provide heightened security, but NMG will reduce operational costs which translates into more research, patient education, and community contributions (at least \$25,000 or 4% of net revenue, whichever is greater, up to \$100,000 per year). NMG was successful in recruiting local candidates for its dispensary in Elyria, and expects the same when recruiting for its processor facility. Through years of experience identifying, designing, building, and operating highly successful and compliant medical marijuana facilities, NMG is very aware of the benefits of operating two medical marijuana facilities in close proximity.

CHANGE IN LOCATION IS PERMITTED UNDER OHIO REVISED CODE

Rule 3796:3-1-08 specifically permits a processor to request a change in location and submit it in writing to the Department. There is no rule that prohibits a provisional licensee from requesting a change in location. So long as the request and documentation meets the Department guidelines, rule 3796:3-1-08 authorizes the Department to grant change in location requests. Not only can the Department approve change in location requests, but Ohio recently passed a rule that authorizes the Director to “grant variances from rules promulgated in accordance with Chapter 3796 of the Revised Code,” should it be necessary. 3796:5-6-04.

UNREASONABLE AND UNECESSARILY BURDENSOME

NMG was notified of its provisional license on September 17, 2018, giving it until March 17, 2019 to obtain a certificate of operation. When the owner withdrew from the lease agreement, NMG immediately stopped construction. It would have been unreasonable and unnecessarily burdensome for NMG to continue spending significant funds and resources on the Huron property, when it lost its right to purchase and own the property. Had construction continued, NMG would have negatively affected its cash flow by investing in a property it would not own.

NMG needed time to resolve and rectify the dispute with the owner of the Huron property. After extensive negotiations, including a formal mediation, the parties eventually settled the dispute in September of 2019. It would have been unreasonable and unnecessarily burdensome to secure another property while litigation was ongoing, since NMG was uncertain about how the dispute would resolve or how much it would cost. It would have been unfair to the State of Ohio, its patients, and NMG to request a change in location and develop a new facility while it maintained liabilities that could have potentially affected new operations. Even if NMG had secured a new property before the dispute settled, it would have been unreasonable and unnecessarily burdensome to find a property, execute an agreement, request relocation, complete construction, and request and obtain a certificate of operation within one (1) month of dissolving its relationship with the owner of the Huron property. Now that litigation is settled, NMG secured a new property and is ready to move forward and develop its new facility.

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CONCLUSION

Ohio Administrative Code 3796:3-1-08 permits a processor to request a change in location. In the event it is required, rule 3796:5-6-04 gives authority to the Director to grant a variance. It is in the public's interest to grant NMG's relocation request, and there is no rule that prohibits a processor provisional licensee from seeking a change in location. It would have been unreasonable and unnecessarily burdensome for NMG to continue developing the Huron property or securing and developing a new property while it was still in litigation. Now that NMG settled the dispute and is close to securing a lease, NMG is ready to relocate and begin developing its new processor facility. As such, NMG respectfully requests a change in location from 1710 Sawmill Parkway, Huron, Ohio to 719 Sugar Lane, Elyria, Ohio.

If you have any questions, concerns, or requests, please do not hesitate to contact me directly.

Sincerely,

Robert Hasman
Chief Executive Officer
NMG Ohio, LLC
(702) 769-2725

Enclosures: (3)