

GOVERNOR'S TASK FORCE
ON THE IMPLEMENTATION OF BALLOT QUESTION 2:
THE REGULATION AND TAXATION OF MARIJUANA ACT
TRANSPORTATION/ STORAGE/ DISPOSAL WORKING GROUP

MEETING MINUTES

Nevada Department of Taxation
Large Conference Room
1550 College Parkway
Carson City, Nevada

Nevada Department of Taxation
Training Room
2550 Paseo Verde Parkway, Suite 180
Henderson, Nevada

April 12, 2017
12:30 p.m.

Members Present:

Margaret Arquilla
David Witkowski
Tim Conder
Shellie Hughes
Anna Thornley
Tom Robinson, Chair
Dr. DiMuro, Chair
Kurt Brown
Bob Brown
Brett Scolari
Mike Harwell

Members Absent:

Joe Pollock
Nelson Araujo

The meeting was called to order at 12:35 p.m.

I. Public Comment.

Massimo Darrigo, owner of a distribution company. Mr. Darrigo stated he opposes the regulation. We received a letter from the Department of Taxation in November and we started doing our due diligence regarding this industry. We understand that the industry will be regulated like the text in Question 2. There is very little connection with the regulation. This, in Mr. Darrigo's opinion, the level of control in the market is going to be a risk. A few people will control this. This will not give opportunity to the small cultivators. This is not in the interest of the industry. We will never transport more than what is in the document.

Rich Scaglione stated he is confused over why there is a disconnect between the Department of Taxation and the alcohol distributors. We heard through news sources that there were not enough alcohol distributors interested, and now the Department is opening

the distribution to marijuana establishments. Mr. Scaglione asked how this decision is following the voters' wishes to have a third party distribution system. There are more than ten (10) alcohol distributors attempting to get a marijuana distribution license and the Department of Taxation is reporting there is not enough interest. This does not make sense. Why can't there be an appropriate path for alcohol distributors to become licensed.

Amanda Conner of the Law Firm of Conner & Conner. The Initiative Petition that was passed by the voters clearly stated that it was in the discretion of the Department of Taxation to determine if there was a sufficient number of liquor distributors to meet the distribution requirements. It is at the discretion of the Department to determine if there is an insufficient number of liquor distributors, the Department can open up the market, and this is exactly what the Department has done. Ms. Conner commented on the recommendation on distributor licenses submitted by Kurt Brown and Margaret Arquilla. In Ms. Conner's opinion, this recommendation is outside the scope of the working group. The working group is meant to work on the permanent regulations, not the temporary regulations. There are some violations to Initiative Petition 1.

The owner of Azandra Wine and Spirits stated the Department of Taxation has come to the conclusion that there are not enough alcohol distributors interested. I would like to know how they arrived at this conclusion. I do not know what the requirements are. In November I received a letter from the Department asking if we were interested in becoming marijuana distributors. I replied yes, and then I never heard from the Department again. The Department has now opened the licensing to cultivators and retailers. This defeats the purpose of having a wholesaler or distributor. A lot of establishments are both the retailer and the cultivator and they will manipulate the market. The marijuana establishments are making it and selling it.

II. Introductions.

The members introduced themselves.

III. Review and Consideration of Approval of Draft Recommendations from Transportation/Storage/Disposal Working Group.

A. Storage Requirements

Draft recommendation presented by J. Pollock and T. Conder

The working group reviewed the draft recommendation regarding storage requirements.

Brett Scolari stated he does not support licensing marijuana distribution centers. Mr. Scolari does support a temporary storage solution if something unexpected occurs.

The recommendation was amended in section 9, per Brett Scolari's suggestion. This recommendation will be presented to the Task Force on April 14, 2017. There was no opposition.

B. Commercial Transportation and Storage – Operational Requirements

Draft recommendation presented by S. Hughes, K. Brown and T. Conder

The working group reviewed the draft recommendations regarding operational requirements.

The recommendation regarding operational requirements will be submitted, as amended, to the Task Force on April 14, 2017. Shellie Hughes, Tim Conder and Kurt Brown will present this recommendation.

C. Application Process for a Distributor License

Draft recommendation presented by J. Pollock, B. Scolari and K. Brown

Two separate recommendations were submitted for distributor licensing.

Peggy Arquilla reviewed the recommendation drafted by Kurt Brown and Peggy Arquilla regarding distributor licensing.

Anna Thornley mentioned that this working group is to discuss permanent regulations.

Peggy Arquilla agreed to amend the regulation as permanent regulations.

Brett Scolari reviewed the recommendation that he drafted regarding distributor licensing.

Peggy Arquilla stated there are 55 active wholesale liquor licenses in Nevada. Ms. Arquilla has a hard time believing there will not be enough interest.

Tim Conder made a motion that we take a vote as to whether, in the permanent regulation, we open up the licensing applications to everyone that meets the application requirements, not only the liquor wholesalers. Tom Robinson stated this motion as withdrawn.

Dr. DiMuro seconds.

Tom Robinson moved to change the recommendation that the applications be opened to liquor wholesale dealers, if the Department determines there is not enough liquor wholesale dealers, and it is opened to whoever would like to apply, so long as they meet the requirements of 453D. Tom Robinson's motion dies due to no second.

Kurt Brown asked what the process will be to determine if there are enough liquor wholesalers.

Tom Robinson stated this recommendation will not determine the process.

Kurt Brown stated he cannot support this recommendation.

Tim Conder made a motion that we use sections a) b) and c) from Brett Scolari's recommendation, and change section b) to read medical marijuana establishments and marijuana establishments that hold a registration certificate or a temporary MME license.

Shellie Hughes seconds Tim Conder's motion. Kurt Brown and Peggy Arquilla vote - No. Motion carries by majority.

Peggy Arquilla will prepare a decent to the approved motion and will e-mail it to Brett Scolari.

IV. Review of Transportation/ Storage/ Disposal Working Group Topics.

A. Commercial Transportation and Storage

- B. Application Process
- C. Ownership Interest
- D. Local Jurisdiction Involvement
- E. Public Health and Safety
- F. Disposal of MJ, Products, Waste

Dr. DiMuro stated disposal is very well defined in NAC453A.414. Dr. DiMuro will draft a recommendation regarding disposal.

Kurt Brown asked how taxes will be dealt with by the Department when product is destroyed.

Mr. Witkowski shared circumstances when product is destroyed.

Anna Thornley and Shellie Hughes will look into Mr. Brown's taxation question.

Mr. Witkowski and Dr. DiMuro will draft a recommendation with regard to disposal.

- G. Environmental Industry Impacts
- H. Delivery
- I. Distribution Centers
- V. Review and Consideration for Approval of Agenda Items for Next Meeting (for possible action).

Recommendations to the Task Force:

Storage Requirements - J. Pollock and T. Conder

Commercial Transportation and Storage, Operational Requirements - S. Hughes, K. Brown and T. Conder

For review at the next working group meeting:

Application and Process for Distributor Licensing

Disposal – Dr. DiMuro

Tim Conder and Tom Robinson will work on a recommendation regarding local jurisdiction involvement in transportation.

Tim Conder made a motion to approve the items for future meetings. Dr. DiMuro seconds. All in favor. Motion carries.

- VI. Public Comment

Amanda Conner thanked the working group members for offering their time today.

- VII. Adjourned at 2:35 p.m.