

Comment Regarding Proposed Temporary Regulations

Anna Thornley
Nevada Department of Taxation
555 E. Washington Ave, Suite 1300
Las Vegas, NV 89101

Dear Anna Thornley,

I'm writing on behalf of Solace Holdings LLLP regarding the recent workshop on the Proposed Temporary Regulation of the Recreational Marijuana Program. During my attendance of the Workshop, I left public comment on Section 12; which proposes the criteria used to determine the "Good Standing" of an existing medical marijuana establishment. My comment was a request for your office to consider extension of the May 31st, 2017 application deadline.

My team and our attorneys have spoken with other attendees regarding the proposed temporary regulations and know that we are not alone in the desire for an extension of the proposed application deadline. There are many other groups with provisional licenses completing construction within a close window of the proposed deadline, and agree that an extension of the deadline to July 31st would provide sufficient time to meet the requirements of "Good Standing" set forth in the proposed temporary regulations.

Personally, our reason for requesting an extension of the proposed application deadline relates to our property in North Las Vegas. Our property is under construction with first phase completion by May 25th for our two (2) license establishment (cultivation & production). Per the proposed regulations, it is implied that licensees who cannot process a transaction on or before May 31st will be unable to meet the tax filing deadline with the Department of Taxation. Per this deadline, those not able to conduct a transaction within the proposed timeline will not be considered in "good standing", will be unable to apply for a temporary adult-use license, and subsequently prevented from applying for distribution licenses.

Many operations (including ours) could have met a 31 May deadline had we not experienced delays that were out of our control. Personally, we have been subject to issues related to wet utilities. Specifically, Clark County's inability to service our sanitary sewage, yet refusal to allow North Las Vegas to provide sewage service. While these challenges were ultimately resolved, the process of navigating the City/County jurisdictional climate resulted in additional costs and irreversible delays to our construction timeline.

In addition to our personal challenges, we believe there are inevitable negative effects without an extension of the cutoff date: the fostering of uncertainty for growing and developing businesses related to the industry, missed opportunities for additional tax revenues, and a lack of supply leading to an influx of illicit operations as demand skyrockets during the first six to nine months of recreational sales.

Doubt within many operations with respect to meeting the May 31st deadline, coupled with the short notice with which the deadline was introduced, creates an uncomfortable economic situation. Hiring plans and construction schedules are being disrupted, and the possibility that policies of the Department of Taxation may

be further changed with the same short notice, may make larger operations (and their investors) wary of continuing development in their respective municipalities. Significant capital investments that many larger operations will make in Nevada may go unrealized. These investments in roadways, utilities, civil improvements, and infrastructure make the Silver State better for every dollar spent. We stand to be a competitive operation with the means to provide (alongside our competition and other industry partners) the best possible service, products, and choices to both MME and Adult-Use consumers. In general, uncertainty in any business environment stifles investment, growth, job creation, revenues to the State of Nevada, and consumer options.

Extension of the May 31st deadline, and allowing current and provisional license holders to continue development on their established schedules, will result in manifold benefits to the state. We can expect better choice for patients and consumers, more licensing fee collections, and greater tax revenues. And, the State and the market will benefit from having enough operators to meet demand as Adult-Use regulations come online.

Colorado's marketplace took a big hit when insufficient supply resulted in price spikes. Illegal actors flooded in to supplement supply within the first year. In an attempt to eliminate illicit supply, legitimate operators suffered when Colorado allowed a huge number of new licenses to be awarded. Inferior operations obtained licenses and inundated the market with low quality and potentially dangerous product, severely damaging the industry. Nevada should make every effort to improve upon the policies of our neighbors and meet demand at the beginning of the Adult-Use regulations to keep out illicit actors and ensure a healthy adult-use marketplace and cultivation economy.

Considering the previous discussion, we would like to respectfully request the following:

1. Extend initial "good standing" measurement for "early" adult-use licensure to 31st July, 2017
2. Allow subsequent rolling monthly good standing measurements that are on par with all others
3. Include applications for distribution licenses in 1. and 2.

1. A medical marijuana establishment that has received a medical marijuana establishment registration certificate and is operating and in good standing, as defined in subsection 4 of this section, under its medical marijuana establishment registration certificate may apply for a marijuana establishment temporary license no later than ~~May 31, 2017.~~ July 31, 2017.

5. As used in this section, a medical marijuana establishment is "operating" if it filed a return and paid the tax imposed by NRS 372A.290 prior to ~~May 31, 2017.~~ July 31st, 2017.

We understand that our requests may present a staffing challenge at the Department. If extra staff are required to assist in processing applications beyond May 31st, the financial burden should be passed along to the applicant operations. We strive to be as helpful and supportive of the Department as possible and appreciate your efforts towards efficiency and fairness. Thank you for taking a few moments of your time to consider our concerns.

Professionally yours,

Malinda Bronwen Nikora
Solace Holdings, LLLP