

**Testimony of Tom Hobson
CEO of WellSpring Fields**

INTERESTED PARTY TESTIMONY
SENATE BILL 261
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Chairman Wilkin, Vice-Chair White, Ranking Member Brown, my name is Tom Hobson and I am the CEO of WellSpring Fields located in Ravenna, Ohio. I appear before you today to testify as an Interested Party to Senate Bill 261.

WellSpring fields is a state licensed level 2 cultivator and processor and a true family owned and operated business. My mother-in-law suffers from acute Rheumatoid arthritis and therefore chronic pain. At the time that Ohio announced the application process, she was going through a particularly bad bout and was put on some fairly strong opioids. Our thought was that medical marijuana might be a good alternative to combat the pain. My daughter had been recruited out of business school to go through an executive training program at a large medical appliance company in Boston. With the application process approaching, she offered to come back to Ohio and join her brother and myself in starting up a company.

I already owned two Ohio companies based in Auburn Ohio, one of which I started with my father back in 1984. This opportunity to start a company with my children as my father had with me, was one I did not want to pass up.

So, I invested approximately \$4 million of my own money with no outside investors. We wanted it to be a true Ohio family company with no outside influence. Even though we applied for a level 2 license, our application scored 3rd overall for both Level 1 and Level 2 categories and we were awarded a provisional license in late fall of 2017. We worked diligently through the winter to be sure we would meet the state deadline of Sept 2018. As it turned out, we were the very first medical marijuana facility to open in the state. We received our operating license on June 28, 2018.

Currently we employ 20 people in our facility and our processed products are in 52 of the 58 dispensaries in the state. We sold our flower regularly, until it became obvious that with the constraint of 3000 square ft of grow, we could not even come close to meeting the demand of the dispensaries we were already in. We were having to ration our customers and we were constantly disappointing them. The processed goods we manufactured are also extremely popular, putting further strain on our supply. Given the small size of our cultivation area and the lack of available trim on the market, there was absolutely no way to continue to sell both flower and our processed products. As a result, we ceased selling flower for about a year, even though we would sell out immediately when we offered it. We have since decided to sell flower once a quarter, so as not to completely lose the market.

Our strains of Grape pie and Trilogy, among other, are unique in the Ohio market. Our line of caramels, chocolate bars, salve, buckeyes, and beverages were formulated by WellSpring Fields and are also unique to the State of Ohio. We have become one of the top selling brands in Ohio because we listen to the patients of Ohio. Patients write and tell us that particular items we make

are the only things that give them relief. For example: we had a man email us who was willing to drive to any location in Ohio in order to get our salve because he found it was the only product that helped to relieve his pain.

While the current program worked out in many respects and has helped many patients in Ohio, it is in desperate need of correction. The changes we that recommend will go a long way towards creating a more workable and fair system. This corrections bill is extremely important to our family, our business, our employees and our community. We would like the opportunity to compete on an even playing field with the Level one cultivators. They currently have a 91% market share because of their increased square footage allotment. The notion that somehow the level ones have taken more risks than the level 2's is, frankly, ridiculous. Most of them brought in large investors outside of Ohio with deep pockets to share the risk. We did it all on our own. This is true for most of the level 2's. 9 of out of the 14 Level 2s are proudly run by local ohio entrepreneurs. I would challenge you to find more than a handful of Level 1's that actually invested or risked as much as we have.

For over 3 years the Level 1's have been controlling the market price and dominating the market with their products as well as benefiting in economies of scale that Level 2 cannot reach. Level 2's pay as much or more than they do for testing and other expenses because we cannot reach economies of scale. For example, when Wellspring Fields gets flower tested we usually can only get a maximum of ten lbs or so per test, because that's all we can reasonably produce of one strain. So we pay \$75 per pound to test while Level 1s get to test the full 15 lbs of flower, for the same cost. They pay about \$50/lb because of their economies of scale. Currently, we have no hope of achieving those same economies.

The current Level 1's and their trade organization, the OMCIA, are opposed to us because they do not want to lose the iron grip they have had on the flower and trim market. When the market first opened, we were at a high price for flower. It was expected that within the first 3 years this price would drop approximately 40-50% . That has not happened and if the current paradigm stays the same, it never will. Make no mistake, the market pricing is controlled by the level one cultivators.

This control not only keeps the flower market at a high price, but it radiates through the processed good market as well. The price of trim (that portion of the plant not sold as flower, but contains the) used in the production of processed goods, was astronomically high because the level ones have dictated the price and held back trim to enforce it. When commerce came out with the criteria for receiving expansion approval, one key provision was that a cultivator had to show that they were not holding more than 50 pounds of flower or trim for more than a year. As a result, the level 1's have released trim they were holding back in order to qualify for expansion. The result was that trim prices plummeted and trim supply became plentiful. I expect that once expansion is granted to the level 1's, they will hold back trim once again in order to maintain control over the market. If you were to allow current level 2 cultivators to expand square footage to 20,000 square ft and give us a pathway to become a level 1, that would add 14 more volume producers of trim and flower. This would enable the stand alone processors to purchase quality trim at a much lower per pound price consistently, which would enable processors to be able to give the patients of Ohio the product that they have found helps their ailments at a lower cost.

In interested party Q&A last week, it was asked why is there a difference between patients who are registered and patients who are active. Mr. Close from the Level 1 trade association, the OMCIA, said that it was mainly do to lack of patient access because of too few dispensaries. While this is true, I would argue that it is also due to the high price to the patient. Allowing the Level 2 cultivators to compete on a more even footing with the larger Level 1's can only result in a fairer market and lower prices for patients. Why do the Level 1's need protecting? Isn't our economy designed to let the market decide who succeeds and who doesn't? The Level 1's don't want to allow us to expand, because they would lose market share or be forced to spend money to change their operations to produce a better product.

We are not asking to get to a Level 1 without paying the requisite fees. All of the Level 2's are willing to pay the appropriate Level 1 fees. No one is asking for a free ride. All we want is to be able to compete evenly and meet the demands for our product in the market. I believe it is time to stop protecting the level 1's oligopoly and their 91% market share. Please take the hand cuffs off us and allow small business in Ohio to compete on a level playing field in this market.

Mr. Chairman, thank you for your work on this issue. I am happy to answer any questions you or members of your committee have of me.