

James A. Leventis
Executive Vice President and Chief Compliance Officer
Mother Grows Best, LLC
Interested Party Testimony, Senate Bill 261 (S. Huffman)
House Government Oversight Committee
March 24, 2022

Dear Chairman Wilkin, Vice Chair White, Ranking Member Brown, and members of the House Government Oversight Committee:

My name is James A. Leventis. I am the Executive Vice President and Chief Compliance Officer of Mother Grows Best, LLC, a licensed Level two cultivator and processor of medical marijuana in Canton, Ohio. Thank you for the opportunity to submit written Interested Party testimony on Senate Bill 261 and engage in the legislative process to improve Ohio's medical marijuana program for Ohio's certified patients and caregivers.

Mother Grows Best is heartened by the Committee's willingness to improve Ohio's medical marijuana program. In the last year, the number of patients certified to receive medical marijuana has increased exponentially and medical marijuana sales are expected to double. However, Ohio's medical marijuana program has not kept pace with the increased patient demand. Particularly, medical marijuana cultivators have not been able to expand cultivation spaces at an equivalent rate to patient registration and product need.

We currently employ 48 Ohio residents at our cultivation facility, have collected more than \$400,000 in sales tax for the state of Ohio, paid nearly \$500,000 in taxes and fees to the Ohio and the Medical Marijuana Control Program (MMCP), and have a **\$10 million capital investment**. We want to expand our business even more, but are stymied without statutory reform.

Mother Grows Best in Ohio began like a craft brewery, with the goal to innovate medical marijuana cultivation through the growth and processing of unique medical products which Ohio patients could rely on for their specific medical treatment. Now, patients regularly commend us on our "GPurps" flower strain known for its pain alleviation, as well as our medical marijuana oils, live sugars, and waxes for their symptom relief. *Our products are so popular that sales have increased 100% each quarter of this fiscal year.* Yet our ability to provide patients and caregivers with these trusted medical products will stall without the ability to expand our cultivation space and compete in Ohio's medical marijuana market. The current tiered system stifles innovated products from craft growers like Mother Grows Best.

While Senate Bill 261 allows Level 2 cultivators like Mother Grows Best to expand to up to 20,000 square feet of cultivation space, section 3796.18(E)(1) of the bill leaves expansion to the discretion of the division. (Note, it took 5 years for the Director of Commerce to allow us to expand to 6,000 square feet.) Further the language does not address the ever-widening gap between the cultivator levels, as it allows the Level 1 cultivators to expand to 75,000 square feet. If we and the other Level 2 cultivators are the craft breweries of the medical marijuana market, then Level 1 cultivators

are the corporate breweries whose products have brand name recognition and guaranteed retail shelf space.

Through House Bill 523 enacted in 2016, these Level 1 cultivators are already able to operationalize up to 12 times, or about 800%, more cultivation space, than Level 2 craft cultivators. Senate Bill 261 further increases Level 1 cultivators' cultivation space and market advantage with up to 75,000 square feet of cultivation space. This allows Level 1 cultivators to produce a surplus of product, flood the medical marijuana market, and make it unfeasible for craft cultivators to compete either in price or market share. This lack of competition only harms patients, leaving them paying high prices and without the necessary diversity of products to treat their individual ailments.

Ohio's program is unique, as it is the only state that operates a two-tiered system. The concept was a commendable approach in providing an opportunity for small businesses to enter the market, however, the market demand has outgrown these constraints. Because of these constraints, the Level 2 cultivators will have access to a mere 9% of Ohio's medical marijuana market while Level 1 cultivators will enjoy 91% of the market space. Government controlling production limits is comparable to Government deciding whether Walmart can stay open during a pandemic, and a small business must close because they were not deemed essential. I respectfully ask that you not pick winners and losers in the medical marijuana market, where patients rely on the unique products provided by the small craft growers.

Despite our discomfort with the increasing oligopoly of the medical marijuana market by Level 1 cultivators, we very much understand and appreciate the investment these cultivators made to enter the market. That is why we propose that Level 2 cultivators *who choose* to expand beyond 20,000 square feet of cultivation space (and many may choose not too) submit a one-time application and certificate of operation fee of \$180,000. **Upon expansion, these Level 2 cultivators would then pay the same Certificate of Operation licensure renewal fees as Level 1 cultivators for each subsequent renewal.** Through these modifications, we hope to create a fair, competitive, and freer market where all cultivators can expand in concurrence with patient demand.

Mother Grows Best believes in Ohio's medical marijuana program and its ability to provide patients with affordable, safe, effective treatment options. We sincerely appreciate the MMCP's, as well as Dr. Huffman's, and the legislature's dedication and willingness to collaborate with industry employers. We urge this Committee to adopt our proposed language in a substitute bill, thereby creating a more equitable medical marijuana program that efficiently serves Ohio patients.

Thank you for your consideration of our thoughts and recommendations.

Respectfully submitted,
James A. Leventis
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