Chairman Rulli, Members of the committee, thank you for having me. My name is Daniel Kessler, I am the Co-Founder and CEO of Riviera Creek, a Level 1 Cultivator and Processor, based in Youngstown, OH. My family has been an employer in Northeast Ohio for a hundred years in multiple industries. Riviera Creek is also a member of the OMCIA, which is the industry trade organization in the state, I am also a member of this association's board.

I am here in support of Senate Bill 261.

The original bill that created the medical marijuana program in Ohio has many positives attributes. Like anything in life that is completely new, it is ready for a few minor updates. We, as an industry, know how much work the legislature put into the original bill, and the 130k active patients in Ohio give thanks for those efforts.

This current corrections bill has many positive aspects, and by and large the industry is supportive of it, as it will reduce some of the redundant oversite and bureaucracy which will help make the industry more efficient. The Department of Commerce is very measured in its approach, looking at real data to make informed decisions. Senate Bill 261 moves more control to Commerce to help streamline the program. I should point out, there is one section of the SB 261, that although seems to provide controls, it actually handcuffs Commerce on a few decisions, and would be one area I think might need to be edited.

As you know, there is seemingly some disagreement over the overall intention of the bill, which as I mentioned, is designed to remedy a few snags in an otherwise good program. I would rather not use this time to explain all of the risks I have taken personally as a lifelong Ohioan to build my company and contribute to the startup of this program. My risks and sacrifices are really irrelevant as they are not what SB 261 is designed to address. One thing this bill was never originally intended to do is increase the size or footprint of the industry. The cultivation footprint in Ohio, is closely monitored by Commerce, who does a terrific job monitoring a number of key data points including, industry inventory levels, patient count and overall supply and demand.

Supply is currently satisfactory, evidenced by the following quick study, which by the way, also helps to answer the Committee Chairman's question during one of the prior hearings:

A rough study of the Supply and Demand of Cannabis in the state:

- Currently 15 operational Level 1's. Once built to the 25,000 feet each should be able to comfortably produce 5,000lbs of flower annually. Because not all of the Level 1s are totally built out, for this example, I will consider half are only producing half of their expected annual volume.
- Each level 2 facility should be able to produce 600lbs annually.
- Putting this together:
    - 8*5,000=40,000lbs plus 7*2,500=17,500lbs = 57,500lbs LV1
    - 12*600 = 7,200lbs LV2
    - **Combining the LV 1&2s, the industry can very comfortably produce 65,000lbs of flower per year for the entire current program**

The current market consumes approximately 48,000lbs per year. So just to clarify, the current market is able to produce 65,000lbs and the current market is only able to consume 48,000lbs.

Further, after Commerce looked at the current supply and demand and weighed the forecast of the additional dispensaries that will be on-stream in 2023, they decided to essentially double the footprint of all cultivators including Level 2s. That doubling will result in the potential capacity of more than 215,000lbs. My main point here, is on the supply and demand question, Commerce has now approved more than 4x times the current demand worth of supply. So to reiterate, Senate Bill 261 should remain as a means to help make some minor fixes, but certainly not to add cultivation capacity.

I'd like to mention a quick note about another state where the oversite was left unchecked, there are many studies and much mainstream media coverage of Oregon's cannabis industry. Although it is an adult use market, there are good lessons to be learned. Oregon, had an unlimited number of cultivators, who had trouble selling everything they produced. Because of that, they lobbied the state to open more dispensaries to the point that there were more Cannabis dispensaries in the state than the number of McDonalds and Starbucks combined. This created two problems, over supply leading to business failures and over abundant inventories which had to be destroyed or ended up being sold to the black market. The entire Oregon situation is a perfect example of what we do not want to do here in Ohio.

I'd like to provide a quick example of an industry that recognizes the need to balance supply with demand. That is the automotive industry.

The car brands spend a considerable amount of time evaluating market data in order to determine an appropriate number of certified dealers. These companies create a balanced amount of competition as to not lower the quality or standards of their brands. They do not arbitrarily award dealerships to a company just because they sell used cars. They use data and internal thresholds to determine the right number and company that best represent their brand. The Medical Marijuana Industry in Ohio gets the same type of monitoring by the Department of Commerce. As a brand-new industry, it needs the same type of careful evaluation as to not create terrible market imbalances leading to similar quandaries in states like Oregon.

I would like to address a topic that is frequently discussed, Ohio pricing. It is very easy for the critics of the Ohio program to create a false narrative. When comparing pricing to other markets, an apples to apples approach must be used. Comparing one of the safest and most stringent medical programs in the nation to a recreational, adult-use market like Michigan, which has 10-times the testing threshold levels that we have here in Ohio, is not on par. If you use a comparison to other medical markets like CT, MD or PA you will find that our pricing is at the same level or lower than those states were at the same timing of their programs. Additionally, pricing in Ohio comes down each quarter and that trend will continue every quarter for the foreseeable future.

There was one other question asked by a Committee member from a prior hearing, that I don’t feel received a great answer to.

With regard to Social Equity licenses. The program was designed to have a carve-out for a certain amount of social equity licenses.

Through the courts, this was deemed unconstitutional, based on a "lack of evidence or data". Senate Bill 261 includes a study which once completed will provide a level of evidence or data which will allow for these additional licenses to become constitutional. It will be a terrific step forward and help move the industry in Ohio to be more culturally balanced.

With that, I will be happy to answer any questions. Thank you for your time today.