

**Testimony of Tom Hobson
CEO of Wellspring Fields**

INTERESTED PARTY TESTIMONY
SENATE BILL 261
November 30, 2021

Chairman Rulli, Vice-Chairman Lang, Ranking Member Sykes, and members of the Senate Small Business and Economic Opportunity Committee, 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. My mother-in-law suffers from acute Rheumatoid arthritis. 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 \$3-4 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 about 20 people in our facility and our processed products are 52 of the 58 dispensaries in the state. We used to sell our flower regularly, but 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 were 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. Patients write and tell us that particular items we make are the only things that give them relief.

For example, a mother of a child that has turrets syndrome contacted her local dispensary asking if they would keep a stock of our caramels as they were the only thing she found her child would take that alleviated the symptoms of her disease.

This corrections bill is extremely important to our family, our business, our employees and our community. I believe putting us and the other level 2's on a more even playing field with the level one cultivators by granting us the same cultivation square footage, would greatly benefit the patients of Ohio. 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. I would challenge you to find more than a handful of Level 1's that actually invested or risked as much as we have.

Why is a bad thing to let Level 2's compete on even footing with the Level 1's? It 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 current bill expansion to 20,000 sq ft for level 2's is better, but it still restricts competition. It still protects the level 1's and gives them the lions share of the market. How is that in keeping with the spirit of open competition?

A good analogy would be if the government allowed large chain grocery stores like Giant Eagle, Walmart and Meijer's to each have 25 stores in Ohio, but the Rulli Brothers grocery stores are restricted to 3. The current regulations penalizes true small businesses and ensures that only the big players, mostly with out of state owners, can succeed. And by the way, there are 14 Level 2's in Ohio, only 4 have controlling interest outside the state. All of the others are true small Ohio businesses.

As far as operating costs go, other than the license fee, we pay as much or more than they do for testing and other expenses. 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 Level 1's had over 3 years of controlling the market price and dominating the market with their product. In the process, it's been the patients who have truly suffered. 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 containing the) used in the production of processed goods, has been astronomically high because

the level ones have dictated the price and held back trim to enforce it. If the Level 2's are granted the same status as the level 1's, that would add 14 more volume producers of trim. This would enable the stand alone cultivators to purchase trim at a much lower per pound price. This would eliminate the need to hand out cultivation licenses to stand alone processors **who were not found to be qualified to be cultivators when they applied.**

If you were to allow current level 2 cultivators to expand to the same square footage by eliminating all levels, prices in Ohio would drop to where they should be and patients would benefit.

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.