

Jill Lamoureux
Founder/Member/CEO, Pure OH LLC
Interested Party Testimony, Senate Bill 261 (S. Huffman)
Senate Small Business and Economic Development Committee
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Chairman Rulli, Vice Chair Lang, Ranking Member Sykes, and members of the Senate Small Business and Economic Development Committee.

It is truly a unique situation for a new industry to create so many exciting entrepreneurial and career opportunities for Ohioans while also providing real alternative healthcare options for its residents. My name is Jill Lamoureux and as one of the founders of a Level 2 cultivator and processor, I appreciate your attention to my written Interested Party testimony on Senate Bill 261.

I am the CEO, a founder, and minority member of Pure OH LLC. I am an Ohio native from Cleveland Heights with family members still residing all along the lakeshore from Cleveland to Madison. Our facility was built in East Palestine in Columbiana County. The greenfield project brought millions in taxable real estate to the county. We have hired and trained 10 residents to-date for new careers with good pay and robust benefits. We also provide temporary work to an additional half dozen area residents.

While I am a State licensed owner-operator here in Ohio, I am also a policy expert who has worked on cannabis regulations throughout the U.S., Puerto Rico, Virgin Islands, and Canada for over a decade. After attending graduate school in Colorado and spending ten years in toll road administration and municipal finance, I was honored by the Governor in 2009 and asked to participate in drafting the first ever bill and set of regulations enacted to oversee the manufacture and distribution of medical cannabis.

Due to my husband's experience as a registered medical patient and caregiver and my work in government, I quickly became deeply involved in policy and licensing work throughout the country. Since then, I have advised several governments in both paid and voluntary roles including Washington, Florida, the Commonwealths of Puerto Rico and Jamaica, and Health Canada. In fact, as a consultant with BOTEC Analysis Corp., I participated in a bid to and interview with the State to assist in the drafting of Ohio's program. Unfortunately, we were not selected, but that permitted me to successfully apply for a Level 2 and processing license with a group of financiers.

As a five-year old program, Ohio's system is long overdue for corrective actions. Of course, no program of this size and scope will ever be "finished;" it will forever require regulatory changes and legislative fixes. While Pure OH supports the majority of S.B. 261; our owners and employees and most Level 2 cultivators have a single issue for which our survival depends on which is not addressed in S.B. 261. In fact, larger operators have already been successful in quashing the language we requested in prior drafts of this bill; therefore, we cannot fully support the bill as currently written.

Ohio was the first state to develop the Level 1 and Level 2 cultivator concept. Other states do have production limits ("tiers"), but the gap between the tiers is not so vast and operators can generally move their production limits up and up down based on both their individual micro-economic issues

and overall macro-level market supply and demand constraints. Our main issue, the Levels, is the perfect example of good legislative intent that simply fails in practice and needs to be corrected.

In Ohio, Level 1 operators pay a license fee of \$200,000 per year and may cultivate up to 50,000 square feet per year while Level 2 operators pay \$20,000 per year and may cultivate up to 6,000 square feet per year. Using a very basic and generalized industry benchmark¹ for illustration: at an average wholesale price per pound of \$2,000, a Level 1 licensee producing 20,000 pounds per year can gross \$40,000,000 while a Level 2 licensee limited to 2,400 pounds annually would gross \$4,800,000.

So, Level 1 operators currently have a minimum of a \$35,000,000 revenue advantage over Level 2 operators. In exchange, Level 2 operators only benefit is a \$180,000 discount on licensing.

Level 1 cultivators also benefit from operational economies of scale which leave the Level 2 cultivators unable to compete on any level – not operationally and especially not for limited capital resources. We cannot raise money like the large Level 1 companies (many of whom are owned or controlled by public company board rooms in Toronto, not Columbus). Level 2 operators cannot thrive or grow. It is a question whether we can even survive. We simply cannot bear the basic cost of meeting Ohio’s strict regulatory requirements without more revenue

As a former member of the Ohio Medical Cannabis Industry Association, I am extremely disappointed by portions of Mr. Rayburn’s testimony, and I quote,

“Unfortunately, many publicly traded national operators applied for or have acquired these smaller Ohio licenses. Today, they are advocating for a disproportionate expansion that essentially cuts Ohio-based small businesses out of the industry while undercutting the businesses that have taken the most risk. This carve-out for one license class over all others takes a bill that was originally envisioned to equally improve the entire industry and starts to pick winners and losers.

Mr. Chairman and members of the committee, that section of the bill also gives future preference to Level 2 Cultivators when the Department issues additional Level 1 licenses. Such preference would eliminate competition in the program from new businesses and social equity applicants.”

The assertions that paying a higher license fee is equivalent to taking a "higher risk" and that “many” Level 2 operators are larger companies in disguise is ridiculous. We do not understand why Level 1 operators want to cut out Level 2 operators from future growth as well. Why shouldn’t existing, compliant businesses get an option to change license classes when the State allows for additional growth?

It is true that 3 or 4 of the Level 2 licensees are larger companies seeking entrance to a highly restricted market through a smaller license class. However, the vast majority are small businesses with private owners who worked extremely hard to pull together hundreds of thousands of dollars just to apply, raise additional millions to build out our existing operations, and who just want to

¹ https://lcb.wa.gov/publications/Marijuana/BOTEC%20reports/5a_Cannabis_Yields-Final.pdf

survive and grow. The Level 2 cultivators are in desperate need of legislative assistance to do so. We will continue, and are encouraged by, conversations with the bill sponsor. We greatly appreciate him, this Committee and other Members of the Senate who have pledged to help us correct this flaw in the two-level cultivation system.

We respectfully and urgently request this Committee adopt our proposed language in a substitute bill, thereby creating the business infrastructure that will work for all existing license holders which will also, *and most importantly*, expand access and reduce prices for patients across Ohio.

Respectfully submitted,
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