



SMALL BUSINESS AND
ECONOMIC OPPURTUNITY
COMMITTEE

Witness Form

Today's Date 12/7/21

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Organization Representing: Klutch Cannabis

Testifying on Bill Number: SB 261

Testimony: Verbal Written Both

Testifying As: Proponent Opponent Interested Party

Are you a Registered Lobbyist? Yes No

Special Requests: None

Ohio Senate Small Business and Economic Opportunity Committee
Interested Party Testimony of Adam Thomarios for Senate Bill 261
December 8, 2021

Charmain Rulli, Vice Chairman Land, Ranking Member Sykes and members of this committee I want to thank you for the opportunity to provide testimony on Senate Bill 261.

My name is Adam Thomarios 100% owner & operator of Klutch Cannabis in Akron, a Level 1 Cultivator and processor. I was born and raised in Akron, I am proud to say I was a graduate of The Ohio State University with a bachelor's degree in Political Science. During my college career I worked as a senate page, so I truly appreciate being heard in this setting. After a short stint of working overseas I came back to Ohio to work alongside my father in our family business. Being third generation, I always wanted to be sure I wasn't the one to screw it up as the proverbial saying goes. THOMARIOS construction was started by my grandfather an immigrant from Greece that served in the US army. The company has gone through ups and downs as any business does. I worked my way up through the ranks from being a painter in the field to becoming Vice President. I will always remember painting a specific wall in the food court at Polaris Mall here in Columbus in 2011 when I heard about the first plane hitting the world trade center. I am sure all of you here remember the moment when you heard about the events of 9/11...Working for the family business as a Certified Coatings inspector I have been fortunate to have worked with our crews on the first safety related work of a newly built nuclear facility in the United States in over 30 years located just outside of Augusta Georgia. I interfaced with the NRC daily and signed off on in place work and compliance documents that if falsified I would have been imprisoned.

Moving forward to today I was fortunate enough to have been awarded a Level 1 Cultivation and Processor license from The Department of Commerce in 2017. Klutch currently has close to 120 Ohioans working for the company. We offer a robust healthcare plan, as well as a company match 401k retirement package after 6 months of service.

I took on a great deal of risk entering into this industry both personally and professionally. First off I left my family business for this venture. I invested close to my life savings during the application process. Others I had heard spent hundreds of thousands of dollars even over a million dollars on their applications with the majority being unsuccessful. 12 out of 108 applicants were awarded Level 1 Licenses. 12 out of 73 applicants were awarded Level 2 licenses respectively. Since that time I have invested and borrowed close to 20 million dollars from friends family and private groups. I am no where near paying off my debts. I would argue that since a Level 2 cultivator is approximately 1/8 of the size of a Level 1, a Level 2 cultivators has taken much less risk then the level 1 cultivators basically 1/8th less risk. Less risk during the application period and much less financial risk to build out and start up the business. Since the Ohio program has been slower to start than some other medical states in the first couple years, that risk has been compounded. I would also argue that most all Level 2's are already out of debt from their initial investment based on the strength of the last year of the program and from their words, "we are selling out of our products".

Now the current program has 21 Level 1 Licenses and 14 Level 2 licenses. That is effectively 60% more cultivation space than what was figured and allotted during inception of the program. Recently the

department of Commerce has allowed for every cultivator that qualifies to double their grow space. Assuming all qualify that is over 3 times the cultivation space from what was allotted during inception. IN addition, this bill would add an additional 25% more cultivation space on top of that. Based on today's demand, we already have over 5 1/2 times the supply need of cultivation space in the marketplace, with the current addition from Commerce we are looking at over 11 times the supply needed prior to this bill on today's demand. This bill would add an additional escalation of around 13 ½ times the square footage to meet today's current demand.

- I would like to quote an article that was just written just two weeks ago in New Cannabis Ventures with CEO Gary Santo of Tilt Holdings, a publicly traded company in Canada with a stand-alone processor license operating here in Ohio. He comments on Ohio and is quoted as saying:

“While the path to adult use in Ohio is not as clear as it is in Pennsylvania, the availability of product SKUs and form factors is a little more open, according to Santo. TILT is looking ahead to activating more brands in this market. The company does not have cultivation, but biomass is plentiful, according to Santo.”

<https://www.newcannabisventures.com/tilt-holdings-brings-western-cannabis-brands-to-eastern-markets-with-proven-b2b-model/>

This proves what I have mentioned above. Processors are able to get biomass to make products, there are dozens if not a hundred plus types of products on each dispensary menu currently. You do not hear stories of dispensaries running out of products to serve patients. What you do hear is that prices are too high from patients. I would like to point out that dispensaries set the retail pricing, the wholesalers do not. For instance, Klutch sold a product to a dispensary where we found out they were marking up our product close to 200% and when we called to let them know we did not support their pricing structure they said they would change it, and they never did. We no longer sell to that store. The thought of adding more cultivation space will bring down pricing is not necessarily 100% accurate in this market.

The additional 25+% of added cultivation space in this bill appears that this would be gearing the program towards supplying an Adult Use market not that one of a medical market.

The Department of Commerce has acted as a neutral regulating authority that is in tune with daily supply and demand numbers of the program, they have done a good job and have reacted appropriately to market conditions and future forecasts as they see fit. I would respectfully request that the committee strike the language as it pertains to both the stand alone processor provision as well as the cultivation expansion provision and leave both up to commerce in the administrative code in order to have the flexibility to react to market conditions. Thank you again for listening and I would open it up to any questions you may have.

Sincerely,
Adam Thomarios
Founder CEO Klutch Cannabis