



TESTIMONY BEFORE THE OHIO SENATE GENERAL GOVERNMENT COMMITTEE

OPPOSITION TO SENATE BILL 9

LARRY PEGRAM, OWNER AND CEO, PURE OHIO WELLNESS

MARCH 7, 2023

Good afternoon, Chairman Rulli, Vice Chair Schuring, Ranking Member DeMora, and members of the Senate General Government Committee. Thank you for the opportunity to provide testimony today on Senate Bill 9.

My name is Larry Pegram. I am the owner and CEO of Pure Ohio Wellness in Springfield, Ohio. I am a fourth generation Ohioan. I was born and raised here, and my family and I continue to live in our great state.

Prior to entering the medical cannabis industry, I was a professional motorcycle racer. After a successful racing career, I put my entire life savings into Pure Ohio Wellness based on my belief in our industry and in our products' ability to treat pain as an alternative to opioids.

At the onset of Ohio's medical marijuana program, I applied for a Level 1 cultivator license and was awarded the fifth highest score in the state. I was instructed by my counsel that applying for a Level 2 license would be easier and less risky, but I determined that in great risk is great reward, and going for a Level 1 license application would provide a better outcome for my family. I also applied for and won three dispensary licenses and a processing license. This would not have been a bet most would have taken or expected that I would win, as I was exactly the opposite of most of the applicants. I was not a large multi-state operator, with unlimited funds. I was exactly what the Legislature had hoped for when writing this law, a lifelong Ohioan that wanted to help my fellow citizens.

On many occasions since my initial investment, there were a lot of sleepless nights. If I didn't have the will to never lose and several large limit credit cards, I would be out of business. My initial application alone cost me nearly \$200,000, which was a huge amount of money for me and a huge risk. The excitement of winning an application quickly turned to worry; I had to raise an additional \$5 million to get started. After finding contractors, personnel, and equipment, we opened our cultivation facility in November of 2018. With that never lose attitude that helped me throughout my racing career, we were the first cultivation site to receive inspection from the Department of Commerce.

Over the next four years, I worked without paying myself a cent. Between building the cultivation facility, adding a processing facility, and opening three dispensaries, I have almost \$20 million in debt, all of which is personally guaranteed. If my business fails, I lose everything.

Pure Ohio Wellness opened in a shuttered Anheuser-Busch distribution center in Springfield. That facility at one time hired over 20 local Springfield workers that were displaced when it closed, and now Pure Ohio Wellness employs 150 Ohioans full time.

Senate Bill 9 jeopardizes not only my business and the livelihood of my employees, but also the entire

cannabis industry in Ohio. After five years running Pure Ohio Wellness, I understand the industry in a way none of us did at the onset of the program.

As I said, I have made several costly mistakes figuring out how to produce high quality, consistent, medical cannabis. One of the biggest problems in this industry is the lack of credible people to facilitate the mechanics of growing and processing medical grade cannabis on a large scale. This is something brand new on a large-scale basis, and I made a lot of mistakes listening to people who either thought they were, or at least convinced me they were experts in this field. After 5 years, I have learned there were no experts, but I have learned enough to be able to have a good perspective of what it takes, and what we need in Ohio to grow and sell quality medical cannabis. Don't make the same mistakes I made and listen to people who have a small amount of knowledge of this industry and claim to be, or think they are experts. If these so-called experts have not spent years growing and producing medical cannabis on a large scale, they should not give advice to you on how to write or fix the program.

Under Ohio's current program, the amount of supply with existing licenses can be tripled. I am authorized to produce far more product, but it's not warranted with our current patient numbers and demand. The suggested increases in numbers in Senate Bill 9 will lead to a large oversupply. Oversupply leads to the situation facing Oregon, Michigan, Oklahoma, and other states, where product is being trafficked out of the back door of facilities and onto the illicit market. Likewise, Senate Bill 9's provision allowing each license holder to open two more dispensaries isn't good for the program. Oversaturating the market with dispensaries will not be sustainable, and businesses will be forced to close with only 1,000 patients per location. I would love 2 more dispensaries... my current Pure Ohio Wellness dispensaries are some of the best producing in the State. But my opposition to this provision should tell you how much I believe in not over saturating the market with a dispensary on every corner like Oklahoma, California and many others. Please don't make the mistakes these other states have made.

Ohio's supply has been sufficient and has kept prices relatively low. Pennsylvania, a state much like Ohio, has a medical marijuana program a year ahead of ours. The price per gram in Pennsylvania is \$11.59. By comparison, the price per gram in Ohio is almost half of Pennsylvania's at \$7.00. Numbers from the Ohio Department of Commerce will corroborate that the supply far exceeds the demand. The argument that we need to give out additional licenses to stand alone processors is not backed up by facts. Just Pure Ohio Wellness currently has in the wholesale market hundreds of pounds of trim (what the processors need for their extraction) for as low as \$150 a pound. It would be impossible for any grower to produce at that price. Our price is only that low because trim is a byproduct of the flower we produce. These processors are just trying to get a free cultivation license. That is why two proponents that testified before this committee were employees of the processor pushing this addition to the SB9. The same can be said for the Level 2 cultivators asking for expansion outside the current statute. The Level 2's have not taken on the huge task of going several million dollars in debt to get the state to this point. Many are just large multi-state operators who have bought the smaller level 2 licenses for less money, and now are trying to legislate themselves a level 1 license. This is a huge problem.

Previous testimony has compared our prices to Michigan. This is disingenuous at best, as Michigan is a recreational adult use state with very lax regulations. Pennsylvania or even Illinois (pre rec) would be a better comparison. Pennsylvania has 4 times the patients and sales as Ohio, even with their higher prices of the actual medicine. I believe layered costs for the patient under Ohio's current program are still the driving factor behind price, and there are several contributors, but some are very easy to fix.

Sales tax to the patients should be eliminated immediately; even Senators have stated it is not legal to tax medicine in Ohio.

The \$50 fee to patients yearly for their medical marijuana card should also be identified for what it is: a tax. What other medication in Ohio do you need a special \$50 card to obtain your medication?

Additional costs that get passed onto the patient include:

Testing: I spent over \$850,000 on testing in 2022, approximately \$500,000 in testing costs as well as around \$350,000 in lost product of cannabis that was used for testing. I will let the experts from the testing labs give you the exact details, but I am told the costs are so high because current testing requirements are overbearing and mandate several, unnecessary duplicate tests. The new testing rules in Senate Bill 9 will, according again to the testing lab experts, increase these current costs 3 to 5 times. Please listen to the testing experts on their recommendations. The experts I speak work in the labs currently testing in the state and have been doing this for several years.

Fees: I pay over \$400,000 a year in fees to the dept of commerce and board of Pharmacy.

Currently, we have two state agencies running one medical cannabis program. This inefficient and overly bureaucratic system works to benefit neither the patients nor the industry. Unfortunately, Senate Bill 9's addition of a commission, a commission with lifetime appointments of people that are not directly working in Ohio's program, is only going to compound the problem. Instead, one agency, the Department of Commerce, should take over the program in its entirety.

I've risked my life savings building this business based on the current regulatory structure. Senate Bill 9 upends that structure and puts all our businesses at risk.

Again, I thank you for the opportunity to testify and I now welcome questions from members of the committee.