



**Jared Maloof**  
**CEO, Standard Wellness Company, LLC**  
**Senate Bill 9 Opponent Testimony**  
**Senate General Government Committee**  
**March 7, 2023**

Chairman Rulli, Vice Chairman Schuring, Ranking Member DeMora and members of the Senate General Government Committee, I'd like to start by thanking you for the opportunity to provide opponent testimony on Senate Bill 9 today. My name is Jared Maloof, and I am the CEO of Standard Wellness Holdings, LLC.

Along with our affiliates, we are a multistate operator with licenses in Missouri, Ohio, Utah, and Maryland with pending applications in other states. Ohio is home to us though. It's where we're headquartered, where we won our first licenses and where we hold the distinction of transacting the State of Ohio's first ever legal sale of marijuana. Ynez Henningsen, Ohio's first patient, is air force veteran who suffers from multiple sclerosis and is a former employee of Standard Wellness. We have over 100 Ohio residents who have invested in Standard Wellness and we currently employ almost 200 committed team members.

When we won our first license in Ohio, we knew there would be growing pains associated with building one of the state's most heavily regulated industry from scratch. We committed on day one to work in partnership with regulators and other members of the industry to solve the problems we faced, so that we could serve patients effectively and deliver them the products they needed at affordable prices.

This partnership has proven fruitful in many instances. A couple of examples. When an error in the initial rules prevented industry from providing low THC high CBD medical marijuana products to patients, we successfully worked with regulators to find a solution that could allow immediate access to such products. Similarly, initially the rules did not allow for the sale of carts for vaporization. Today, carts for vaporization represent over 25% of program sales.

Before I address SB 9 specifically, I would like to take a moment to discuss with the committee why our program is falling so far behind other medical programs. Because Standard operates in many states, but has an Ohio first attitude, we are uniquely positioned to discuss what Ohio does well, and where we fall short. Before addressing Ohio's issues, I wanted to draw a contrast between the Ohio and Missouri programs. In two years the Missouri medical program was almost as large as Ohio's with half about half of the residents. That means that on a per capita basis, deep red Missouri's program is twice as robust as Ohio's... and they got there in half of the time. So why is Ohio falling behind:

- 1) Most importantly: Michigan. It should come as no surprise to this body that the same state that boasts a 4-17 record in NCAA Football versus Ohio State since the turn of the century could also produce one of the worst medical marijuana programs in the country, and by extension, the world. Michigan created an environment where licenses to produce marijuana were unlimited. This has resulted in millions of square feet of cannabis production being brought on-line. Production in Michigan has so drastically outpaced demand that once well-intentioned, law-abiding companies have decided to sell their marijuana into the illegal market.

The trouble with Michigan is multifaceted:

- a. Oversupply has led to a flourishing illegal market



- b. This marijuana spills into other states, including Ohio. If you're familiar with the food delivery service Door Dash, you might not be surprised to learn of a service called Dank Dash. It is rumored that many Ohio residents participate in the service where illegal marijuana from Michigan is delivered directly to Ohio residents' homes.
  - c. The drastic oversupply in Michigan has led to unnaturally low prices. We've gone from 300,000 patients to 160,000 patients in Ohio. It is no doubt that a considerable number of those patients have decided to simply avoid the red tape in Ohio and buy their marijuana much cheaper. Michigan's chief regulator is trying to get his hands around the issues up there, but it will take years for them to untangle the damage that they have done.
- 2) Aside from Michigan, illicit marijuana is coming from California, Colorado, Oregon, Oklahoma and other states with lax regulation.
  - 3) Delta 8 is a cannabinoid that is derived from Hemp. This cannabinoid has many of the same psychoactive properties of Delta 9 THC, the compound found in marijuana. From a certain point of view Delta 8 was made legal because of the farm bill which legalized hemp. Many states have taken direct action to regulate the sale and distribution of Delta 8. Ohio has not taken any action and as a result, Delta 8 gummies and other THC infused products can be purchased at liquor stores or gas stations by customers of all ages.
  - 4) There are approximately only 300 doctors who can provide a recommendation for marijuana. This is obviously a bottleneck that needs to be addressed. The Cleveland Clinic and University Hospitals currently prevent their physicians from making a recommendation. Lawmakers and industry professionals alike should reach out to medical institutions to enable more doctors to participate in the program.

Taken together, patients have choice. They can go to Michigan, they can have Michigan marijuana brought to Ohio, they can participate in an illegal market that is extremely robust, they can purchase delta 8 from a gas station, or, on the other hand they can 1) get referred to one of 300 doctors in a state of 11 and a half million residents, 2) go through an arduous administrative process to get an appointment, 3) demonstrate they have one of the few qualifying conditions, 4) Pay a \$50 state fee and several hundred dollars to that doctor, and 5) drive in some cases over an hour to the nearest of 60 dispensaries, all to pay nearly double what they would pay in Michigan or from the illegal market. Given this as a backdrop, is it any wonder why Ohio lost half of its patients?

These are the real problems with the industry, not some perceived lack of supply.

So that is a bit of what is challenging Ohio's program specifically. Now let's look at SB 9 and peel back the onion on what this legislation would and wouldn't do.

One of the great things that SB9 does is to centralize the administration of the program under one regulatory body. One of our biggest problems has been the challenging environment created by splitting responsibility for the program across three separate agencies with differing governing philosophies. Tasks as trivial as naming a new product can become multiweek affairs as regulators apply different standards in an effort to enforce the same rules. This can cause months-long delays in bringing new products to market, leaving patients waiting in limbo. SB 9's provisions to consolidate regulatory authority within the Ohio Department of Commerce are essential to streamlining the regulatory environment of the program, while maintaining patient safety.

SB 9 contains many other provisions Standard Wellness supports wholeheartedly, including adding additional product types, protecting a patient's right to explore alternative medical treatments and efforts



to address social equity. Common to each of these provisions is that they are focused on correcting a problem negatively impacting patients.

However, while we believe that the Department of Commerce would be great stewards of the medical marijuana program, the Medical Marijuana Oversight Commission does not serve patient interests. One of our chief problems as an industry is the multiple layers of bureaucracy that must be navigated. I think that many of the members of this committee believe that government is not the answer to *all of* our problems. Let's not add more government where it is not necessary. The Department of Commerce has demonstrated that they can do an excellent job of managing this program.

The following parties have endorsed a program led by the Department of Commerce

**Legislative Branch:** SB 261 called for Commerce to manage the program.

**Executive Branch:** Governor DeWine's budget allocates funds and creates the Division of Marijuana Control giving Commerce complete regulatory control over the program

**Private Sector:** It is my impression from being a leader in this industry for over 5 years, that all operators would like to see this industry managed by a pro-business executive branch body.

We are not sure where the idea that a commission of thirteen lifetime appointees came from, but I can tell you from experience that asking the Department of Commerce to report to a Board is an idea so bad, that if there were a Smithsonian of bad ideas, this Commission could be featured prominently or perhaps given its own wing near such other ideas as the Ford Edsel and New Coke. One of the flaws to reporting to a board is because staff is not empowered to respond timely to an ever-changing industry. When issues arise and a board must be consulted, nothing is approved for a month, two, or three. Commerce can get assemble all necessary decision-making parties in more nimble way. Give the Department of Commerce the freedom to run this program the way that they run so many other programs. They will not let you down.

The Medical Marijuana Oversight Commission isn't the only idea in SB 9 to dislike.

The cultivator square footage provision, stand-alone processor cultivation licenses, and the dispensary handouts are not in the best interest of the program.

Currently, cultivator square footage limits are set in rule by the program's regulators and are subject to expansion as market demands require. The provisions of last year's bill, SB 261, limited the ability of regulators to respond to market demands and singled out Level 2 cultivators for an expansion of their potential facility size from 9,000 square feet to 20,000 square feet while providing them with preference when the state chooses to issue additional Level 1 cultivation licenses. Additionally, the legislation intended to provide cultivation licenses to stand-alone processors. We opposed that component of SB 261 because we believed it to be a government handout and potentially violative of the Uniformity Clause of Ohio's constitution.

In response to that criticism, SB 9 now increases cultivation square feet for Level 1 licenses as well as provides dispensaries to various license holders. These dispensaries that will be given out could be valued worth over \$100 million dollars. What this body is hearing today, from the business leaders, is that we don't want those expansions because of the catastrophic damage that this bill would do to an already struggling marketplace.

As a point of reference, Standard Wellness spent almost a half a million dollars in the RFA II lottery on 14 applications. We were fortunate to win one. Many were not so fortunate. Now SB 9 would give



dispensaries away just for a Company participating in the program. Our government should not be in the business of picking winners and losers.

Standard Wellness opposed SB 261 when it was intended to be a handout to level 2 licensees and stand-alone processors. Standard Wellness opposes SB 9 when we have been included in the handout. No handouts.

Turning back to the market for a moment, the State of Ohio's medical marijuana program is in a **very** dangerous state of oversupply. Standard Wellness alone holds several thousand pounds of inventory that is approaching expiration. We have hundreds of pounds of top shelf fresh frozen marijuana in inventory available for sale to stand-alone processors. Stand-alone processors can currently buy both cured and frozen material for significantly below the cost of production. The supposition that stand-alone processors cannot acquire high quality product is simply a false narrative. I can't say for sure, but I estimate that there are probably 50,000 pounds of marijuana sitting at cultivators and processors in vaults across this state. Across the entire state of Ohio, dispensaries sell about 5,000 pounds per month. At this rate, if all cultivators halted production, it would take **nearly a year** to run out of supply.

You have heard from the OMCI, that if this bill passes, the total square feet would increase from 460,000 today to 4.1 million square feet. To put that into perspective, this bill increases supply by 10x to a market that already needs to curtail production.

On the topic of production curtailment, in January of this year, Standard Wellness idled approximately 3,000 square feet of grow space, and this morning we have made the decision to idle 3,000 more square feet. We do not take these decisions lightly. It has been one of the more difficult choices that we have made since we started. It will result in job losses. It will result in lower revenue, but it is the right business decision.

In many states where there is an overproduction of supply, and businesses struggle, operators are faced with difficult choices. Some make good decisions and take capacity off line. Others make bad decisions and decide to sell into the illegal market. We have seen several times that otherwise good people who have never broken a law in their lives are deciding in droves to sell legally produced marijuana into the illegal market. They do this because they would rather risk a slap on the wrist than lose everything, they have spent a decade creating. Make no mistake, those operators should suffer consequences for this decision. However, based on the way things are going, it does not appear that they will be made to be accountable for their illegal activity. I ask each Senator on this Committee: Is **this** the future that you want for Ohio?

SB 9 has the potential to be transformational for Ohio's medical marijuana program by finally solving the systemic issues neither regulators nor industry can solve on their own. So, rather than sitting here listening to me complain to the problems, how about I offer some solutions to help Ohio get out of the mess that we are in.

Some of the things that we should focus on are as follows:

- Eliminate fees for patients to obtain medical cards. The program has a rumored large financial surplus. Further taxing patients is counterproductive. The price of marijuana is already quite low as compared to other medical programs at \$3,400 per pound. That price could be as much as \$600 per pound lower if the government would return that surplus to the businesses who have built that war chest. "Ronald Reagan once said Government always finds a need for whatever money it gets." Maybe just this once, a surplus should be shared by the taxpayers.



- Change the annual physician visit to once every three years versus the current annual renewal process.
- Put a stop to hemp derived Delta 8 and other related cannabinoid sales in the state. It is quite surprising that neither the legislative branch nor the executive branch have taken action here. The status quo is that children can purchase THC at their local gas station and parents across this state have no idea that it is happening.
- Incentivize municipalities to allow dispensaries. While adding 71 new dispensaries in RFA II will increase access, those new dispensaries are not geographically diverse from the dispensaries awarded in RFA I.
- End the unconstitutional sales tax on medical marijuana.
- Encourage the existing regulatory bodies to make updates to the rules. Despite several well-intentioned rounds of draft rules and public comments, neither Pharmacy nor Commerce have made updates to the rules.

I want to thank this body for the work they have already put into SB 9 and I urge the committee to focus its efforts on the patients of Ohio as you continue working on this important corrections bill.

Thank you for your time. I am available to answer questions.

Jared Maloof  
CEO & Co-Founder  
Standard Wellness Holdings, LLC