

Interested Party Testimony – Senate Bill 261

Fire Rock, Ltd.

Pete Pantelides, CEO

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- Chairman Wilkin, Vice-Chair White, Ranking Member Brown, members of the House Government Oversight Committee, my name is Peter Pantelides and I am the CEO of Fire Rock Ltd, a Level 2 cultivation facility in Akron, Ohio. I am also CEO of Fire Rock Processing Ltd, a processing facility in Columbus, Ohio. I appear before you today to testify as an Interested Party to Senate Bill 261.
- **Who We Are**

Fire Rock is a small family business, co-owned by myself, my brother, and one of our childhood friends, and we employ 10 hard working individuals, some of whom we've known for decades. Fire Rock started in California as my brother and I wanted to get into this new legal industry. As Ohio natives, we were thrilled when Ohio established a medical marijuana program and were able to come back to our home and use our expertise to create high quality products for the patients here. If you ask any dispensary that carries our product, you will hear that we produce some of the best medical cannabis in the market today. Our application received the highest score out of the Level 2 applicants, and the second highest score overall out of all applicants. I'm pointing these things out not to brag, but to highlight that great scores and excellent operators don't need to come from huge corporate backers.
- **Why a Fair Market is Important**

With lots of dedication and hard work, we've been fortunate to produce highly effective products that are well received by Ohio patients. As a Level 2 cultivator, we are unfortunately limited by government regulation. As a result of this arbitrary government interference in the market, we are limited in the number of patients we can help due to severe supply limitations. The medical marijuana program was created to allow patients, working with their doctors, to utilize the benefits of medical cannabis in treating their ailments. We are happy that SB 261 is addressing some of its pain points. We believe in the medical benefits of cannabis. The doctors that prescribe it do too. Hundreds of thousands of Ohioans rely on it. We also believe that businesses in the state, regardless of their industry, should be able to expand (hire more people, invest in their operations) based on the market. Keeping level 2 cultivators hamstrung by a government-created oligopoly of mostly out-of-state, multi-state corporations who do not have a leadership presence in Ohio does absolutely nothing to help your constituents who are patients and users of this program—it helps Level 1 cultivators maintain their tight grip over the market. These are the same folks, by the way, that are trying to ram an adult use initiative down the throats of this legislature.

- **Let's Talk About Risk**

There is a lot of discussion about Level 1 operators putting in more capital and resources to establish themselves and taking the risk to build a larger operation. This is a true statement. Level 1 operators likely spend 8x what a Level 2 operator spent to get a facility up and running, which is commensurate with the size of their operation. In fact, this is the only difference between Level 1 and Level 2 cultivators, it was literally a check box on the application. All the qualitative scoring was identical. Further, I think the argument of allowing Level 1 cultivators to maintain a cultivation area dominance so they can recoup their investment is misguided. On the contrary, I believe that having an operational level 1 facility in Ohio has allowed the Level 1 cultivators to disproportionately take advantage of the supply limitations in Ohio and has allowed them to recoup their capital expenditures more aggressively. I believe Level 1 cultivators have their lead already and will maintain it if they stay good operators. My ask is that my business be treated like any other business in this state—let me grow (or not grow) my business as the market dictates. There is no risk of oversaturating the market. Supply is tightly regulated. It would be inaccurate to say that because overall medical cannabis inventories seem plentiful, then supply must be sufficient. Consider an analogy where Advil and Benedryl are being arbitrarily limited by government oversight. Consider an analogy where Advil and Benedryl are being arbitrarily limited by government oversight. Overall, it may seem you have sufficient supply of overall medication, but what if demand by patients is more for Advil than it is for Benedryl? Suddenly your oversupply has become a deficiency problem. No operator wants to expend resources to cultivate more marijuana than what they can sell. Would Ford build 1,000,000 cars if they knew they could only sell 50,000? No, because it's costly and they would go bankrupt. It makes zero business sense to cultivate and process more product than what we can sell. Bottom line: If a producer is unable to meet the patient demand for their product, they should be permitted to expand to meet that demand.

- **Stand Alone Processing Provision**

Finally, I'd like to address the provision in this bill that addresses stand alone processor cultivation licenses. As introduced, it would allow an operational stand-alone processor to obtain a cultivation license if they previously applied for and were denied a cultivation license. I find fault with this for a few reasons. First, if you didn't meet the qualifications to obtain a cultivation license in the first place, then you shouldn't get one. Second, if licenses ARE going to be awarded to stand alone processors, then all stand alone processors should get them. My request would be to either eliminate this provision or grant this extra cultivation square footage to all stand-alone processors that are operational by the future date when this bill becomes law and not an arbitrary date in the past. Because this provision seemingly was set forth to help alleviate the strain of procuring biomass, it would be more reasonable to provide the same benefit for all operators that are in this position and not just a select few.

- Thank you for your consideration. **I would be happy to answer any questions.**