

## SB17-111 Detailed Guide of Bills and Implications

Renze Waddington, owner of the three Epic Remedy locations and The Refinery in Colorado Springs, is fighting Senate Bill 17-111 and many owners are unaware of the implications. If SB17-111 is passed, many well known large conglomerates (with multiple centers grows, and MIPs) will have the ability to circumvent the 70/30 rule by distributing product over their multiple licenses. These big box stores will legally move product through their multiple locations regardless of the licensed center to licensed grow relationship. The revision to the bill specifically provides larger corporations with an advantage that smaller centers will not benefit from in any way. This provision is not supported by our regulatory agency, The Medical Marijuana Enforcement Division, and will require a fiscal note in order to hire MMED staff for monitoring and the revision of METRC.

The issue of Senate Bill 17-111 will go before The Finance Committee on Monday, April 17<sup>th</sup> 2017. Though time is running out, we are still fighting to educate owners and collaborate in opposition against this bill. This document will outline the information regarding the negative impacts of SB17-111 and the loophole created by its addition to the previously passed House Bill 17-1304 (detailed below).

- **CURRENT LAW:** The medical marijuana system is a vertically integrated regulatory scheme, meaning a medical marijuana center must grow the marijuana that it sells. There is one exception to the vertically integrated market: **Currently all medical marijuana centers can sell to or buy from other medical marijuana licensees up to 30% of its inventory.**
- **WHAT BILL: SB17-111 DOES:** The bill **eliminates the statutory limit and requires the limit to be set in rule by the state licensing authority (MMEDD)** as long as it is not set below 30%. The bill states that a medical marijuana center may transfer medical marijuana to another medical marijuana licensee **IF** the licensees have a **common owner without the medical marijuana counting towards the limit set in rule.**
- **WHAT THIS MEANS:** Currently every facility must follow 70/30 regulation.

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- This bill will be passed without an actual regulatory percentage being established. The bill must be passed in order to allocate and approve the funds necessary to hire another Medical Marijuana Enforcement Division agent.
- Operations with multiple licenses will be able to move product through their various locations as needed without following the 70/30 regulation, therefore creating an unfair advantage for conglomerates, as all of the current business structures are built on the 70/30 regardless of tier licensing or number of licenses.
- SB17-111 and the recently passed HB17-1034 together allow facilities to buy/sell/transfer an unregulated/unfair amount of product through their licenses (including MIPs) while centers that don't enjoy common ownership among licenses and those that have only one license will still be held to the 70/30 regulation as per usual.
- The MIP (standalone or interrelated) influx will cause a flood of inexpensively sourced material resulting in over-saturation and destabilization. Meanwhile, those not enjoying an advantage will be forced to compete for market share in a profitless MIP marketplace that is already fighting for patients.
- MMED must modify METRC completely to accommodate this rule. Consequently, a secondary change to the same METRC properties would be necessary in the event of a fair industry-wide 70/30 amendment. Making a secondary change would cost even more money and time.

While The Epic Remedy would benefit from this bill, the loop-hole system creates an unethical climate in the industry. This advantage further empowers vested interests, monopolization, and further conglomeration. The Epic Remedy, The MMED, and the small business community need to come together in restructuring regulations. The 70/30 is merely one example of the efforts to destabilize the market, create an unfair advantage in the industry, and gain disproportionate economic strength by conglomerates.

Mr. Chair Pabon, members of the committee, thank you for the opportunity to present to you today. My name is Renze Waddington I am a small businessman and the owner of The Epic Remedy, my company consists of a medical MIP and three medical dispensary locations in Colorado. I have owned and operated marijuana businesses in Colorado since 2010. I am here in opposition to SB 17-111 because it drastically changes the medical regulatory model.

I believe that changes to the regulatory framework need to be done in a manner that benefits all businesses, large and small, not just the biggest. Essentially, this bill changes the playing field and gives a major unfair advantage to a few conglomerates in the state.

This bill gives them a distinct advantage by removing the vertical integration requirements from the larger businesses and leaving them in place for the small businesses.

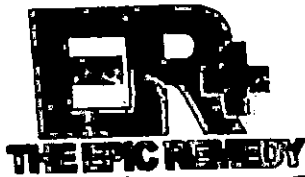
The bill, if adopted will lead to consolidation and make it easier for the conglomerates to continue to consolidate buying up the small businesses leading to less choices for patients and a decrease in quality. I do believe that competition drives quality.

The name of the bill "inventory shortfall" does not fit the bill. The current economic conditions of the medical market are one where prices are continually falling and this contradicts the basic laws of supply and demand. There is no inventory shortage. Would a more fitting title for this bill be "horizontal integration for consolidation"?

Currently businesses that choose to operate multiple dispensaries have to navigate the rules and barriers that a single dispensary owner has to operate by. This bill changes the playing field and gives an unfair advantage to multiple dispensary owners by allowing them to operate by a less restrictive set of rules and removes the barriers of entries the small business owner will still have to operate by.

Members of the committee, while my company The Epic Remedy would benefit from this bill, I believe it creates an unethical and unfair climate in the industry. This bill tilts the playing field to that advantage of the conglomerates and big players and will lead to oligopolies. If we are going to change the regulatory model, it needs to be done in a way that it is beneficial for the whole medical marijuana industry.

I appreciate your time in hearing me today.



3995 N. Academy Blvd. Colorado Springs, CO 80917  
719-434-2040 north@epicremedy.com

April 3, 2017

Honorable Members of the House Finance Committee:

I am a small businessman and the owner of The Epic Remedy, a medical marijuana dispensary with three locations in Colorado Springs. I have owned and operated medical marijuana dispensaries in Colorado since 2010. I am writing to each of you today out of concern over SB17-111, along with dozens of other businesses who join me in expressing their opposition to this bill which threatens the established regulatory system in our state.

Every single one of us who have signed onto this letter, have built our entire operational model on the current 70/30 integration. The proposed changes under this legislation will undermine everything I have worked so hard to build. The integrity of the medical marijuana market will be compromised along with our business infrastructure.

Even the title of the bill is concerning to me ("Medical Marijuana Inventory Shortfall Fixes") as I do not see or believe there is a medical marijuana supply shortage in our proven, patient driven system.

This bill is being pushed almost exclusively by large companies who produce marijuana infused products (MIPs) and their lobbyists. Due to their success in the recreational industry, MIPs have become the fastest growing medical marijuana license type as they attempt to replicate their model in our medical industry.

However, the medical industry is fundamentally different than the recreational industry because we are patient driven, not supply driven. These MIPs are having difficulty replicating their model as successfully, so they created this bill as an attempt to legislate their existence into our medical market.

In our market, a MIP that does not have their own grow must purchase their supply of raw marijuana from a Medical Marijuana Company like mine. The rush of new MIPs into our industry has certainly increased the demand for these transactions, but it has not created the inventory shortfall they are claiming to justify this bill. In other words, **there is no inventory shortfall; there is simply an influx of MIPs.**

Furthermore, patient counts over the past year have decreased by about 12% (107,534 drop to 94,577), leading to a natural decrease in supply due to the decreased demand in our patient driven system. During the same stretch, the number of Medical MIPs licenses have increased around 18% (202 increase to 242).

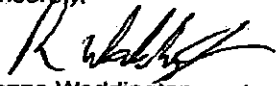
This bill, combined with the recently passed HB17-1034 which creates MIP-to-MIP transfers, creates a loophole that threatens the framework of the Colorado medical marijuana model by allowing for over production and endless wholesale. This would in turn potentially lead to more black-market diversion.

In addition, the fiscal note attached to this bill simply proves that it creates more costs and bigger government at a time when we as a state are desperate to save money and create a balanced budget.


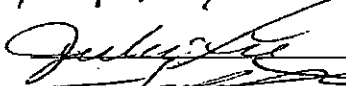
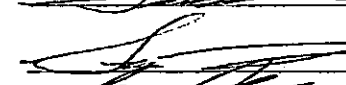
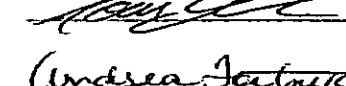
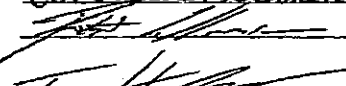


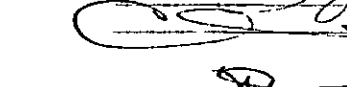
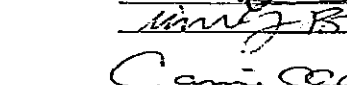
Representatives, the medical marijuana industry is patient driven, not supply driven. This bill ruins the integrity of Colorado's medical cannabis model, creates unwanted loopholes, and harms dozens of small businesses throughout Colorado.

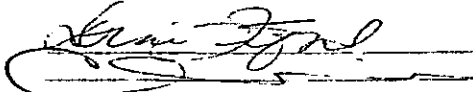

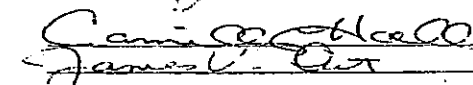
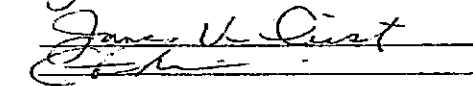
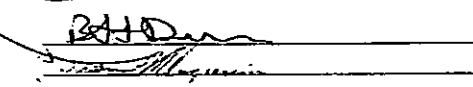
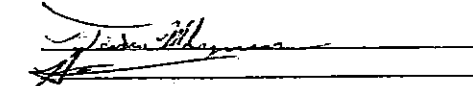



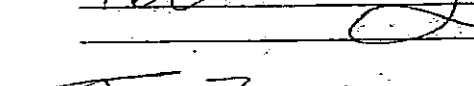
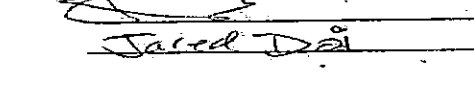

I ask that you please consider the concerns of existing medical marijuana businesses and our patients, and vote NO on SB17-111.


Sincerely,

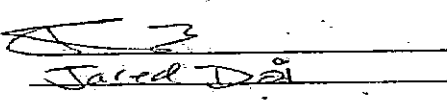
  
Renze Waddington 402-01095  
Owner  
The Epic Remedy 402-01111  
402-00383

Other local, Colorado Springs medical cannabis small business join in opposition to this bill:

	<u>Emerald City Wellness</u> 402-00766
	<u>Herb's Place</u> 402-00676
	<u>Herb's Place</u> 402-00696
	<u>W/P Nation</u> 402-01057
	<u>New Hydrant</u> 402-00778
	<u>Wellness Centers</u> 402-00573
	<u>Treehouse MMC</u> 402-00349
	<u>Cannabis Connection</u> 402-01018
	<u>Grant Pharms</u> 402-01153

	<u>Biomedis</u> 402-00988
	<u>Three Rivers</u> 720-2009248 402-01005
	<u>HIP-LOC</u> 719 635 1888 402-00103
	<u>Canna Caregivers</u> 402-00297
	<u>Triumph Health</u> 404-00099 402-00252
	<u>The Hemp Center CS</u> 402-00597
	<u>The Hemp Center Littleton</u> 402-00602
	<u>Hemp Haven Consulting</u> 402-01097
	<u>Marimeds</u> 402-00069
	<u>Indispensary</u> 402-00549
	<u>Indispensary</u> 402-00548
	<u>H: M</u> 402-01002
	<u>WPT</u> 402-00102
	<u>Bring the Wellness Center LLC</u> 402-00102

 402-01019  
FRANKS FARM

 402-00086  
CBS Colorado Springs LLC

# Marijuana Plant Quick Facts

## Medical Industry

- Licensees cultivated an average of 51% of the number of plants they were authorized to grow

## Retail Industry

- There was a 58% increase in the average number of Retail plants cultivated from January to December of 2015

## Combined

- A combined average of 597,415 plants were cultivated each month in 2015. In 2014, the combined average was 438,612 plants cultivated per month - a 36% increase in 2015

**Table 4A: 2015 Month-End Average of Plants Cultivated within the Medical Marijuana Industry**

	January	February	March	April	May	June	July	August	September	October	November	December
Average Authorized Medical Plants	621,120	621,339	619,194	617,645	611,474	615,347	625,270	629,441	629,358	623,518	608,180	599,336
Average Cultivated Medical Plants	304,149	313,218	318,680	316,247	310,070	302,089	300,050	301,012	309,120	325,675	328,752	327,960
Percentage of Authorized Growth Capacity	49%	50%	51%	51%	51%	49%	48%	48%	49%	52%	54%	55%

**Table 4B: 2014 Month-End Average of Plants Cultivated within the Medical Marijuana Industry**

	January	February	March	April	May	June	July	August	September	October	November	December
Average Authorized Medical Plants	550,187	602,830	636,429	653,019	648,380	649,256	657,985	660,733	648,493	624,034	618,582	616,575
Average Cultivated Medical Plants	194,476	318,694	319,889	311,250	309,580	311,723	313,643	305,870	305,039	300,809	296,277	302,793
Percentage of Authorized Growth Capacity	35%	53%	50%	48%	48%	48%	48%	46%	47%	48%	48%	49%



July 22, 2016

**RE: Native Roots Acquisitions**

To Whom It May Concern:

Native Roots is the largest dispensary operator in Colorado, with 16 stores open as of this letter, and at least six more slated to open by year end. We are actively seeking expansion opportunities through acquisition.

If you own a medical, recreational or dual dispensary and would consider selling, please contact me directly. We are discrete, well capitalized, and can move quickly. Thank you for your consideration - I look forward to hearing from you.

Sincerely,

Steven Sendor  
Director of Acquisitions  
Native Roots Dispensary  
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steven.sendor@nativerootsdispensary.com