



## Curio Wellness Written Comments SB708 Hearing - Thursday, March 4, 2021

Founded and based in Maryland, [Curio Wellness](#) is a family-owned and operated cGMP certified medical cannabis company and trusted healthcare partner. We're dedicated to increasing the accessibility of high-quality medical cannabis to the growing population of citizens who seek a transformational solution to their health complications. Available in over 80 dispensaries across Maryland, our **patient-centered** and **innovative approach** to medical cannabis has made Curio the market leader in Maryland.

In three and half years, Curio has **created over 200 jobs** offering a [competitive benefits package](#) including comprehensive healthcare, 401k, PTO, and tuition reimbursement, to name a few. As an organization, Curio knows that a **diverse and inclusive workforce** creates an optimum workplace that attracts and retains talented employees and loyal customers. In fact, this commitment to diversity has been **present since inception** with Curio's inaugural leadership team comprising a multi-racial group of men and women. As the company has grown, so has its focus on a diverse team of workers and leaders. **Overall, 40% of the Curio Wellness workforce is female and 51% identifies as Black, Hispanic, Asian or multi-racial. Among management, 38% are female and 44% identify as Black, Hispanic or multi-racial.**

Curio's commitment to diversity and inclusion extends beyond our workforce and into industry action through the creation of a \$30MM [WMBE fund](#) to support women, minority and disabled veteran participation in the cannabis industry. This program provides eligible candidates with **start-up capital** needed to open a Curio Wellness dispensary franchise at **fair market value** and with **verified path to ownership**. The WMBE fund not only seeks to create **generational wealth** among minority entrepreneurs; it also provides a vehicle for under-represented investors to participate in the cannabis industry.

Curio Wellness is dedicated to creating and supporting a medical cannabis program in the State that provides a safe, effective and reliable product for Maryland patients. **As an existing licensee we respectfully offer the following perspective on Senate Bill 708.**

### Regulator and Regulatory Structure

Senate Bill 708 proposes to regulate the adult use industry through the Alcohol and Tobacco Commission (ATC) while maintaining the Maryland Medical Cannabis Commission's (MMCC) oversight of the medical program. **For efficiency and safety reasons, an adult use program should fall under the same regulatory paradigm as the medical cannabis program.** With the exception of adult use specific deviations (e.g., limitations on dosage or the application of taxes), an adult use program should reflect the values and regulations of the medical program (security, seed-to-sale tracking, testing, diversion, labeling, advertising, child-proof packaging, crop protection, etc.). Why would the state allow cultivators and processors in the adult use space to cut corners using a different set of safety protocols

or to answer to a different regulatory body? This point is especially pertinent for dual licensees who should not have to manage two sets of rules. **We ask that this committee strongly consider regulatory uniformity.**

### **Existing Licensees**

We appreciate that Senate Bill 708, like legislation in other states, sees the value in existing Cultivation, Manufacturing, Dispensary and Independent Laboratory licensees having access to an adult use program - further enhancing the State's ability to more efficiently, effectively, and safely stand up a new program with existing licensees currently operating under a strict regulatory structure.

As seen in other states, Senate Bill 708 contemplates a social equity fund to support diverse participation in the industry with this financial vehicle being funded by existing licensees. **However, we respectfully request that this Committee consider the reduction or removal of such fees for existing licensees who have made meaningful investment to address issues surrounding minority participation.**

For example, we have established a \$30MM private equity fund that will provide the necessary capital for up to 50 women, minority or disabled veteran entrepreneurs to open a dispensary franchise. Having those individuals pay exorbitant fees to enter the adult use marketplace only sets them back and undercuts the intent of our initiative (see "280e & Fees" below). Our MBE program aims to address two major issues in the conversation around minority participation: investment opportunity and access to capital. The fund itself has a robust group of minority investors, many of which are local Maryland business leaders.

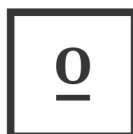
### **280e & Fees**

When establishing licensing fees for existing or new licensees, it is important to understand the punitive role that 280e plays within the tax code. **Due to cannabis' federal illegal status, licenses pay upwards of a 90% effective rate due to their inability to deduct ordinary business expense.** This means that many cannabis companies retain little to no profit relative to their overall revenue. **Until 280e is resolved on the federal and state levels, fees should be attenuated to align with the cash position of licensees.** As the State seeks to be a model of inclusivity in the cannabis industry, understanding 280e and creating non-onerous fee structures will better enable success of diverse participants.

### **Licensing: Number, Size, Ownership**

In addition to the current medical licensees, the current draft of Senate Bill 708 creates an adult use program with 40 new grower licenses, unlimited processor licenses and 47 dispensary licenses. While the bill has the noble intent of promoting a diverse industry, the bill as drafted creates issues for existing licensees and conflicts with current statute governing medical program (e.g., restrictions on capacity and transfer and sets new employment standards to name a few).

**For example, limiting total production for a licensee ignores the exorbitant cost of capital and a longer window to return on investment that comes with growing and manufacturing.** With the current federal/state conflict, cannabis entrepreneurs only have access to capital thru private investment. Investors place their money in scalable businesses that provide favorable returns. Placing limits on the capacity of a cannabis facility diminishes the attractiveness of the investment and ultimately, will lead to investment in larger capacity license holders than those relegated to restrictive smaller capacity licenses.



## Restricting Location and Dual Licensing

Senate Bill 708 creates an expectation that an existing medical licensee must utilize their current footprint if they intend to participate in an adult use program (p. 50 lines 28-31). Curio opposes any requirement tethering the location of adult use to an existing medical licensee's cultivation or processing location.

Requiring adult use cultivation and processing to take place at the same location as medical cultivation and processing: (1) may negatively impact the existing medical program (forcing some licensees to choose whether to stay in the medical program or abandon it once entering the adult use space if it is more profitable); (2) unfairly harms those existing medical licensees located in certain areas of the state that are more landlocked than others; (3) causes concerns with program overlap and (4) unnecessarily restricts business decisions that could have a beneficial impact on the program and state.

**With the exception of dispensaries -- that require statewide coverage and have territorial market considerations -- cultivation and processing facilities should be geographically agnostic and not tethered to a single location** (this is especially true for medical licensees). Certainly, with respect to a grow (particularly if total canopy is capped), tying a cultivation to a single location (which in effect may force them to pick between indoor or outdoor cultivation) does not benefit the industry or overarching state interests. In that situation, the cultivator should be allowed to locate in the most economically advantageous location in the state. Ultimately, by allowing cultivators and processors more flexibility to spread their operations out, businesses will reduce the cost of production, promote more accessible pricing and foster job creation that is diverse both socially and geographically.

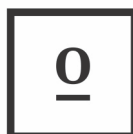
## Existing Medical Program

Senate Bill 708 advocates for the continuation of the current medical program by existing licensees and we applaud this measure. However, there is a lack of clarity on how the program and its patients will be protected and preserved. **As you will find in many adult use states, product availability often has dosage and/or delivery constraints.** For example, in Colorado's adult use market you may only possess or use one ounce of flower and for manufactured products the limit is eight grams total of concentrate and edibles containing no more than 800mg per package.

It can be argued that medical conversion to adult use is analogous to a prescription drug versus over-the-counter medication and regulations should follow accordingly. Allowing medical market to retain higher potency products and diverse delivery methods to support patient needs. **Any effect of the adult use program that makes manufacturing, processing and dispensing medical cannabis less attractive will undoubtedly undermine access and increase expense for medical patients. Keeping patients incentivized to enroll in the program should be of paramount importance and consideration!**

Moreover, while we believe the provision to suspend a licensee for "increasing prices or reducing product availability" seeks to protect the medical program and patient access, it is broad, vague and does not account for market dynamics. **A better approach to protecting patients and the integrity of the medical program may be to consider a penalty for existing licensees who are awarded adult use licensing only to leave medical behind to the detriment of patients and licensees committed to medical program. Meaning if a dual licensee abandons medical, should they have to relinquish their adult use license?**

In considering adult use, the State must seek to find more ways to incentivize the existing medical market. Otherwise, Maryland will fail to be any better than other states that blindly converted to adult use, or worse of all becomes Oregon 2.0.



## Taxation

Senate Bill 708 contemplates a scale up of excise tax from 10% to 20% (over five years) and the potential for a local sales tax of up to 3% on adult use cannabis products. Most notably, Curio supports the provision of the bill which requires the collection of all taxes to take place at the point of sale to the consumer. In addition to generating revenue to the state, any tax rates imposed on adult use cannabis products must also factor in the impact on preserving the medical market (ensuring patients remain incentivized to continue enrolling in the program) and preventing the proliferation of product on the black market.

## Conclusion

If Maryland decides to adopt an adult use system, Curio Wellness would like to lend its experience as industry leader in the medical market to help develop a diverse, successful and economically viable program. We appreciate Senator Feldman's efforts to make this possible.

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