



Curio Wellness Written Comments HB32 Hearing - Tuesday, February 16, 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 House Bill 32.**

Regulator

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. 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 House Bill 32, 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 stand up a new program.

As seen in other states, House Bill 32 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 & Location

In the current draft, House Bill 32 creates an adult use program with unlimited grower and processor licenses and puts a cap on the number of dispensaries. We believe these positions may limit the success of an adult use program for all participants.

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.

Additionally, an unlimited license model does not consider supply-demand dynamics and typically leads to a gross oversupply in the market which commoditizes cannabis creating a deeply discounted product such that licensees struggle to make a profit and repay investors. When there is oversupply, there is a direct increase in proliferation of the black market. One of the worst examples of this is the state of Oregon.

One enhancement the adult use program can address is geographic diversity of licensees. **With the exception of dispensaries that require statewide coverage, cultivation and processing facilities**

should be geographically agnostic. Certainly, with respect to a grow, a license should not be tied to a single location. For example, if a licensee wants to both in and outdoors, the location should be a business decision, where outdoor and indoor can each be situation in the most economically advantageous location in the state. This leads to a lower cost of production which means more accessible pricing on the retail end as well as job creation that is geographically diverse aligning workforce expertise with business needs.

Finally, with respect to existing medical licensees, approval to the adult use program should not be tethered to their existing medical footprint. The proposed bill creates an expectation that an existing medical licensee must utilize their current footprint for adult use. Any such requirement will 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). The preservation of the medical market is a stated tenant of the bill and such a regulation would undermine this initiative.

Existing Medical Program

House Bill 32 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 and worse of all becomes Oregon 2.O.

Taxation

House Bill 32 contemplates a 43% tax rate (20% excise tax; 20% sales and use tax; 3% local sales tax) this is far too high and will directly lead to proliferation of 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 Delegate Lewis's efforts to make this possible.

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