



Joint Committee on Implementing Measure 91

Written Testimony for Beau R Whitney, Greenpoint Oregon, Inc.

May 20, 2015

Honorable Members of the Committee.

My name is Beau Whitney. I am the Chief Operating Officer at Greenpoint Oregon, Inc. I am also an economist, an economics instructor at the university level and I have previously submitted testimony to the Secretary of State's office regarding the tax revenue forecast associated with Measure 91.

Green Point Oregon, is an Oregon based, vertically integrated Medical Cannabis Company that serves the medical community and provides patients with high quality, high value user experiences.

As an industry leader committed to transparency and controls, Greenpoint dedicated to partnering with industry leaders, communities and regulators. Greenpoint is a solutions provider that leverages a strong management team and advanced research techniques to introduce innovative products and services into the cannabis marketplace.

My objective of this written testimony is to provide inputs on three main topics: How a point of sales tax of help will facilitate conversion from black market to open market while maintaining initial tax revenue estimates; Why Oregon cannabis businesses should not have ownership restrictions on out of state investment, and to provide an outline of how recreational sales in medical dispensaries can easily be implemented.

I truly appreciate the support and consideration the committee is providing to the Medical and Adult use Cannabis industry. It is an exciting time in the development of this new industry and it is critical that industry experts, consumer safety organizations, regulators and legislators all work together to establish a solid foundation for the success of this industry moving forward.

One critical item that can have a major influence on the industry is taxation. If a tax is too high, then there will be less incentive for the consumer to convert over from the black market to the regulated (open) market. In the current weight based tax structure, the cannabis is taxed in such a way that it creates a price floor and restricts the fundamental economic laws of supply and demand from working. As such, this creates barriers for the consumer to convert from the black market to the open, regulated market. A simple point of sales tax would allow the markets to function freely and allow for movement in price.

In an economic analysis that I have submitted separately, I have proposed a point of sale tax of 12.5% - 17.5%. These rates are supported by data. I have conducted empirical studies that have demonstrated

that demand is highly elastic, meaning that demand is very sensitive to price. By adjusting the tax rates and structure, the Legislature will also meet its objective of minimizing the influence of the black market. Oregon can learn from the mistakes made in both Colorado and Washington where taxes were too high and as a result, conversion away from the black market suffered.

Another avenue to reduce leakage of supply into the black market is by allowing for recreational sales of both flowers and Co2 cartridge and ePen sales in medical dispensaries. This will allow for the seed to sale tracking of a large portion of the recreational adult use supply, and will immediately result in the generation of tax revenues for Oregon. Greenpoint Oregon strongly supports amendments that will include Co2 based oils along with flower sales in medical dispensaries.

One of the perceived challenges of enabling recreational adult use sales in medical dispensaries is how to differentiate recreational customers from medical ones. Greenpoint Oregon has been working with other dispensaries that also have strong ties with a major seed to sale point of sale software company. There is already a solution in place to track these sales and to report tax revenues owed to the state on a daily basis. I would be more than happy to coordinate a demonstration of such technology for this committee. The industry is a lot farther along this path than most realize. Many dispensary owners are ready for the demand and are positioned to support it.

As the Oregon cannabis industry growth begins to scale, businesses will need more capital to sustain the growth trajectory. Greenpoint Oregon supports a policy that allows for growth rather than proposals that will restrict sourcing investment capital from out of state. There is simply not enough capital in this state, from people who are comfortable investing in this space, therefore any restrictions on outside investment will only hurt the industry as a whole and limit growth.

By having a point of sale based tax structure that allows the market to adjust for price, there will be a greater motivation by consumers to convert from black market to the regulated market and a greater opportunity for Oregon to maximize tax revenues. Allowing recreational sales in medical dispensaries as soon as possible will immediately benefit the state in the form of tax revenues, but will also allow the OLCC to obtain valuable insights and sales data during the administrative rule making process. Minimizing the restrictions for investment into this industry will allow more jobs to be created and will create a healthy business environment for the cannabis industry. These recommendations not only support the Oregon Cannabis industry, but also support the objectives of this committee.

Thank you.

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