



**DAVID LAMPACH, CEO, STEEP HILL  
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REFORM - FORUM ON TAXATION AND REGULATION**

**FRESNO, CALIFORNIA**

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Good Morning!

I am honored to be here today -- this hearing is very necessary and long overdue. Long overdue because we've been working in a by-and-large unregulated marketplace for almost 20 years, even though California was once a leader in the cannabis field.

I have been asked to speak to the importance of testing cannabis and specifically how it relates to protecting patients and consumers, the collection of revenue and the supply chain. Fortunately for us in California, there are a few other states -- like CO, WA, and NM (all states where we have labs) which have a few years of experience dealing with these topics, so we have the chance to learn from them what works and what doesn't.

Over the course of the last several years I have had the opportunity to work, both officially and unofficially with several states and local municipalities, and I have occupied a unique position from which to consider some of the challenges states have faced when regulating and implementing cannabis regulations, with a focus on quality assurance.

From my experience, the foundation of a well regulated and consumer oriented cannabis marketplace must include these three principles: "individual responsibility", "transparency", and "accountability".

Individual responsibility is perhaps the most important of these. When regulating an already existing marketplace for the first time, our process should weigh quite heavily the prior actions of the participants during the period where no regulations were in place. In this case, we've had a medical cannabis market in California for almost twenty years. Our spectrum of growers, dispensaries, and processors runs the gamut from idealists who've been fighting for patient's rights and safety long before it was mandated, to the opposite extreme including those who have no concern for the consumer at all. When it comes time to handing out licenses, we must discern between these two elements. We need to determine which industry actors have demonstrated a true commitment to responsibility and safety. Who has been safety testing their products, and for how long, even in the absence of a mandate? Who has honored their community, and who has been adversarial? These questions speak directly to a sense of individual responsibility and must carry significant weight during the application phase where the individuals we choose will set the tone and tenor of the marketplace for years to come.

Additionally, we must also be certain not to make the mistake some states have made, attempting to rebuild the market from the ground up. License availability should not become a competition open to the highest bidder, or the most well-funded. There is a long institutional memory in our cannabis industry that we can't afford to lose, so the selection of licensees should ensure that we don't. This goes not only for cultivators and dispensaries, but also laboratories, who are the guardians of a safe cannabis supply.

The second principle of a well regulated cannabis marketplace is transparency. Consumers, regulators, and taxpayers have a right and will demand to know the entire history of a cannabis product from seed to sale. We need to know who grew it, what's in it, and whether it is free or not from contaminants like mold, pesticides, and residual solvents. Utilizing today's technology, we can easily know the status and position of all products in the supply chain. We should embrace this principle of transparency from the very beginning.

California is a technology leader, so we can easily tap our technical resources to implement high transparency software infrastructure and technology that ultimately makes the market easier to tax and regulate and safer for everyone.

Consider the case of the UC Davis School of Medicine, where several immune compromised patients died recently from fungal pneumonia after they started using medical cannabis. It was unknown whether their medical cannabis use contributed to the cause of death, and due to current federal restrictions, the doctor was unable to drill down further on the matter. However, one of them did recall the location of the dispensary from which the patients were getting their medical cannabis, and as it turned out....sadly.....they were not testing for mold! This may have been a tragedy that could have been avoided and absolutely can be prevented in a regulated market. Transparency is the answer.

Where regulations and transparency are lacking, mystery prevails. And, in this case, tragedy may have followed.

It's ironic, then, and a little surprising, that other states are coming to California and to us for testing technology, when it's not yet even mandated by the state. But they're coming because our technology is so advanced that we can provide regulators with real time data not only for safety purposes but also for revenue collection.

This brings us to the third principle of a well-regulated market, which is "accountability."

Our system must actively identify the bad actors among us, and hold them accountable. As such, our regulations should be tough, and the consequences for ignoring them should be severe. The health of our people is at stake!

I personally have worked in medical states where the regulations in place provided for little or no enforcement or accountability, and as a consequence, the regulations were not taken seriously. So, when we do regulate, we must be sure that people and businesses that cut corners with public safety are tossed out of the system.

Because we are in the business of testing, we already see lots of people who are looking for ways to skirt the system or undermine the important testing process. This is not surprising, as there always seem to be bad actors everywhere looking for short cuts or ways to cut cost. And, even though no system will ever be foolproof, future regulations must include strong disincentives, so that this behavior is kept to a minimum.

Thanks again for the opportunity to speak this morning....very briefly.....on the topic of testing. If we follow the principles of Personal Responsibility, Transparency and Accountability, we will set a solid foundation for the emerging California Cannabis Industry.

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