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## Ohio marijuana company Standard Wellness cultivates growth in burgeoning industry

JEREMY NOBILE





Jeremy Nobile

Standard Wellness CEO Jared Maloof examines plants at the company's Level I cultivation facility in Gibsonburg.

Not only is Cleveland-founded [Standard Wellness Co.](#) cultivating, processing and selling weed, it's growing nearly as fast as one.

Despite the overhang of federal prohibition, there already are several large cannabis companies with multibillion-dollar market caps and operations in several North American markets and, in some cases, other countries. That includes major players such as Canopy Growth Corp., Tilray and Cronos Group Inc. These corporations have been continually gaining scale and market share in past years, branching into multiple states during an already decade-old "green rush" as they slowly open up to medical and recreational marijuana programs.

They may veer in different directions, but all are guided by the same north star: securing

a foothold in a nascent marijuana industry conservatively projected to **top \$43.5 billion** in legal U.S. sales by 2025 — even without nationwide legalization.

In Ohio, dozens of cannabis companies have sprouted since the 2016 passage of House Bill 523 that established this state's medical marijuana program.



But with a vertically integrated business in its home state, blossoming facilities in Utah and Missouri and soon-to-be Maryland — not to mention other markets that could come online, including possibly Georgia and New Jersey, where the company is fighting for licenses in court — Standard stands out today as the largest multistate operator (MSO) headquartered in Ohio.

"What's the master plan? That's very difficult to answer, because we have a lot of different stakeholders. We have patients, regulators, equity holders and lenders, all of whom have different priorities," said Standard Wellness CEO Jared Maloof. "But I can say our company is focused on building out a quality network for cannabis operations in states with attractive fundamentals in order to deliver the highest value for patients and shareholders."

But isn't it weird building up a large enterprise that operates in a quasi-legal industry?

"The way I like to describe it is federal illegality is simultaneously our biggest strength and biggest weakness," Maloof said. "It's a weakness in that banking, taxes, just about everything we do is harder. However, it already serves as a barrier to entry for publicly traded companies on the NYSE or NASDAQ. That means we have a unique opportunity to build scale at a time when Big Pharma, tobacco and alcohol industries, for example,

cannot."



Contributed photo

An outdoor harvest by Standard Wellness in Utah in late 2021. Utah is one of the additional markets outside Ohio in which the budding multi-state operator is establishing itself.

## What is Standard Wellness?

In Ohio, Standard runs a Level I cultivation and processing facility in the rural village of Gibsonburg on the outskirts of Sandusky. Its dispensary arm, branded as [The Forest](#), includes locations in Sandusky and Springfield.

In 2019, the company became the state's first vertically integrated marijuana company as all these elements came online.

Since then, Standard has won licenses to grow and process in Utah — where it's working out of temporary grow pods while a permanent facility is built — and Kansas City, Missouri, where another facility is under construction. Another grow license in Maryland was won April 1 by the company following a court battle over how its application was

scored. This allows Standard to begin work on a facility expected to open there next year.

With its conservative leanings, Gibsonburg may have seemed like an unlikely home for Standard.



However, its mayor, Steve Fought, courted Standard to come to town when the company was looking for a home for its grow house as he looked to bring new business to the village.

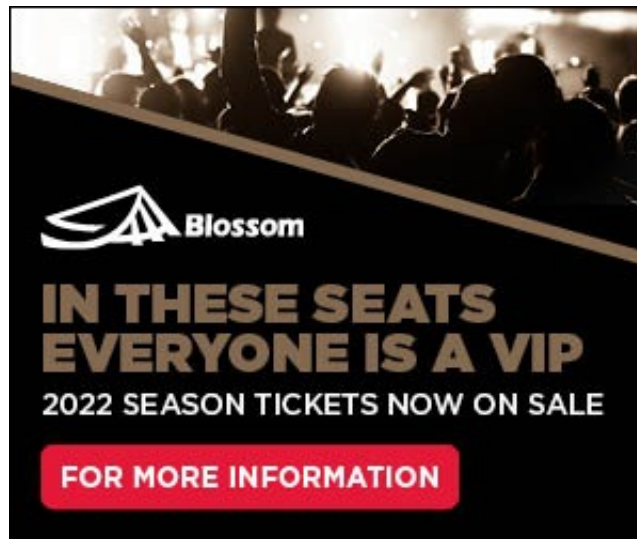
While Standard's corporate offices are now in Tremont, its cultivation facility employs about 85 people, which will be about the norm for others in the Standard network.

The company reports about 135 employees today between all operations, with more to be added as its other facilities come online.

"They brought jobs and employ local folks in town," Fought said. "Our economy has grown because of them, and it's just been great."

The few people who didn't like the idea of a marijuana company coming to Gibsonburg were caught up in common stigmas.

"They thought we'd have all these potheads in town, that crime rates would go up. But then we explained what this really was, what it was about and what (marijuana) can do for people," Fought said. "And people started to change their minds."



Standard is now the second-largest company in the village of approximately 2,500 people. It's also just the second business to plant a flag in the Clearview Industrial Park, which had just one tenant for the last couple of decades.

Fought said Standard has brought the village new tax revenue and is a major charitable contributor. Its donations have helped fund annual festivals and bring back events like parades and fireworks that couldn't be afforded in the past.

"If you told me when I ran for election that one of the first major things I'd do was bring economic improvement from a medical marijuana facility, I'd have said, 'Yeah, right. Not likely,'" Fought said. "It's atypical for this town. But we have fully embraced it. I'm very glad they returned my cold call and gave us a chance."



Contributed photo

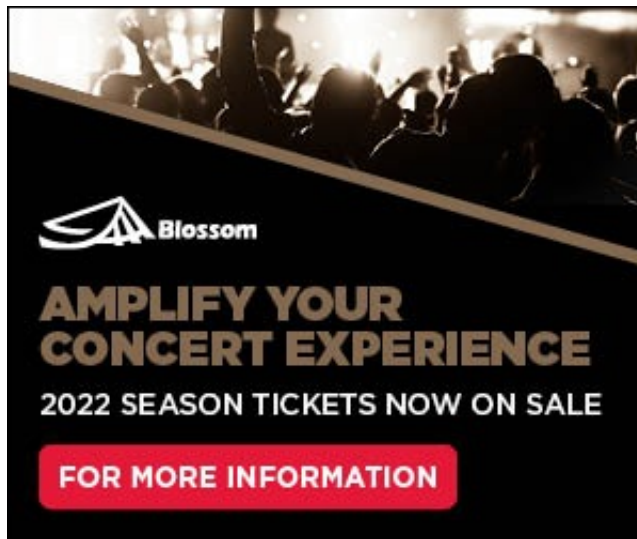
Employees at Standard Wellness trim and shuck harvested marijuana plants.

## How it got started

Coming from a finance background that began professionally at KPMG, Maloof became involved with Standard through a connection with longtime friend and Walter | Haverfield attorney Kevin Murphy, who has been ingrained in the marijuana industry for 15 years.

Prior to Standard, Maloof was chief financial officer for Mayfield Heights recycling business PSC Metals. He was a director of corporate finance for Beachwood's Aleris Corp. before that.

Murphy was involved in an initiative in Ohio aimed at legalizing medical marijuana (Ohioans for Medical Marijuana) and would come to help aspiring marijuana businesses apply for medical licenses as they became available.



As it became apparent then-Gov. John Kasich would sign HB 523 in 2016, a group of investors began considering ways to bring a marijuana company to fruition.

Those efforts coalesced with Standard. Standard applied for cultivation and processing licenses in Ohio in 2017. The company teamed with a group known at the time as Denver Relief, which featured experts who had helped Chicago's Cresco Labs win their licenses. (Maloof credits Denver Relief with helping Standard win licenses in other states as well.)

Around this time, Erik Vaughn was named Standard's first CEO. But the industry is not for everyone. Vaughn ended up leaving Standard following concerns with the regulatory environment in Ohio.

Meanwhile, Maloof's brother, Brad, owner of Amware Distribution Warehouses M&M LLC in Brook Park, was another member of a group of investors looking to establish Standard.

When Vaughn departed, Jared Maloof was asked to step in as CEO.

"I'm a huge believer in medical cannabis," Maloof said. "This country has spent 100 years and \$1 trillion on a war against a plant. And I'm happy to say the plant is going to win the war."



But Maloof and his fellow stakeholders also saw an opportunity to break in at the early stages of this burgeoning new marijuana industry.

"I had been in metals for 10 years at the time," Maloof said. "I figured if I was going to leave the metals space, I wanted to be in a business that has actual margins and that provides some cushion against fluctuations."

A combination of seeing that business potential, embracing the increasingly documented benefits of medical marijuana and believing in businesspeople behind Standard is what convinced the company's first investors to sign on.

Of course, Standard's licenses in other states — such as the [recently won cultivation and processing license](#) in Maryland that features a Black and Latino majority owner, Christina Betancourt Johnson — are secured with local equity partners. The company has an estimated 215 investors today, which is not uncommon for a growing MSO. That group of equity partners will expand further as other new markets are sought out.

And in addition to Murphy and the Maloofs, Standard's board of directors includes recognized Cleveland executives such as Sherwin-Williams retired CFO Sean Hennessy and Marc's owner/CEO Marc Glassman.

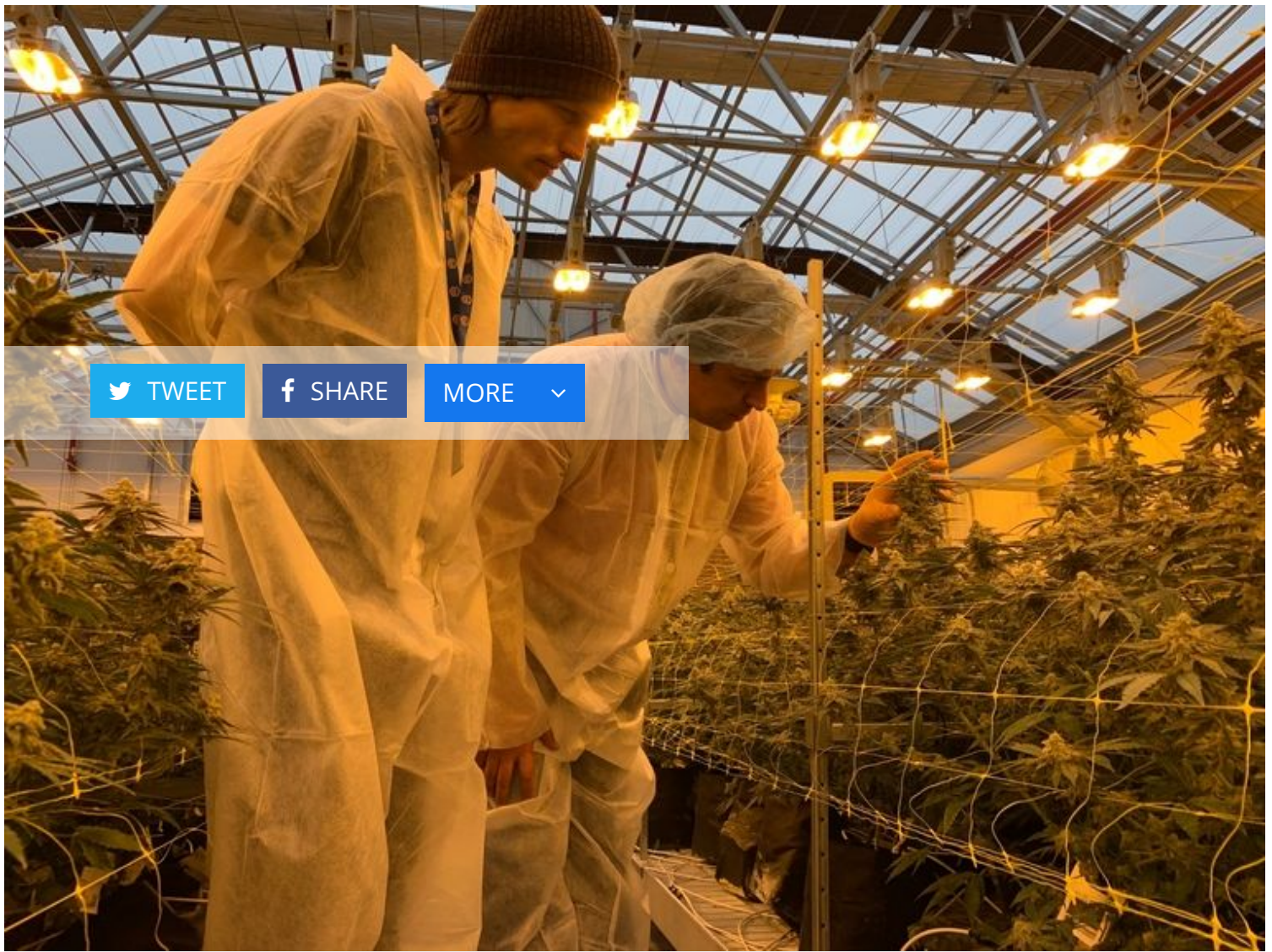
Those early investors in Standard, though, include Gregg Wasilko, a longtime real estate agent and owner of Wasilko Group in Rocky River. He and a series of other initial investors pitched in \$100,000 each to provide Standard's first capital.



Wasilko, a self-described conservative, said he "wrestled with the moral conflict of more drugs in society." But he acknowledges that he didn't truly understand marijuana before. Research eventually changed his mind. He said he now buys into the potential good marijuana could have for people and views this business endeavor as one way to support that.

"It's not some dark science anymore," Wasilko said. "It's a legitimate medical treatment for many qualifying conditions."

Even his perspective on recreational marijuana has changed, as he backs the idea of a regulated, adult-use market — which could certainly of course be a boon for companies like Standard that are establishing themselves in this industry before federal legalization comes to pass.



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Jeremy Nobile

Standard Wellness director of cultivation Luca Boldrini and CEO Jared Maloof inspect plants at the company's Gibsonburg cultivation facility.

## What lies ahead

It has been a blistering fast few years for Standard. Since 2017, the company has evolved from an idea with no money behind it to a growing MSO valued at \$175.8 million, according to figures from Maloof, which he notes do not reflect the full value of the assets that have yet to come online or be fully operational.

The company's strategy has been to go after pieces of limited-license markets in medical states, which are likely to turn into adult-use markets in the future, whether that's through state or federal legislation. Standard is not immediately looking for other states to add to its footprint, but it's keeping its options open. If limited licenses were to become available in markets like Texas, Tennessee or Wisconsin, Standard might vie for

licenses there, Maloof said.

Whether Standard would acquire other companies is to be determined. With financing being hard to come by in the marijuana space, and expensive where available, capital is not exactly readily available for deals.



On the other side, however, selling to a larger company that wants what Standard is working to build could be in the offing. That's the sort of liquidity event that could be big for shareholders, especially if companies like Philip Morris International or Procter & Gamble turn to marijuana post federal legalization.

But Standard is playing the long game. Something like that would be years down the line. Maloof said he's most focused on fortifying what has been developed so far.

"The Ohio market continues to grow. And I'm very optimistic about the states we are in," Maloof said. "They're all limited licenses and none have flipped to rec at this point."

"A lot will change over time," Murphy said. "You just need to hold on and be prepared, because it's going to be a wild ride. And where it ends up is anyone's guess."



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