



## CASE STUDY

### Background and Mission Local, Regional, and Statewide Benefits, and Barriers to Doing Business

#### Background and Mission:

Aurum Labs was founded in April 2014 by Lucas Mason and Tyler D'Spain. Lucas Mason grew up in Fort Collins and moved to Durango in 2000 to attend Fort Lewis College. Lucas graduated with a Bachelor's Degree in Chemistry in 2005. He returned to Fort Collins to earn a Master's Degree in Analytical Chemistry from Colorado State University, which he completed in 2009. In 2010, Luke and his wife (also an FLC Chemistry graduate) returned to Durango to start a life in the community they fell in love with. Before forming Aurum Labs, Luke began working as an analyst and later became the Lab Lead for ECOS (later named ECOVA) and gained key experience working in a highly regulated, certified testing laboratory setting. Tyler is a true "local" growing up just down the highway in Bayfield. He graduated from Fort Lewis College with a Bachelor's Degree in Chemistry, Magna Cum Laude in 2017. Prior to forming Aurum Labs, Tyler owned and operated Durango Analytical, a mobile cannabis potency testing lab serving local medical marijuana businesses. The experience would later aid in co-founding Aurum Labs, with the passing of retail marijuana in Colorado. John Wade, Aurum's Director of Sales, became the third owner in 2018. John has lived in Durango for 20 years and received a Bachelor's in Chemistry from Fort Lewis College in 2008.

Our position in the regulated marijuana industry is to provide 3<sup>rd</sup> party testing services to cannabis cultivators and producers. We receive our certification to do so by the Marijuana Enforcement Division and Colorado Department of Public Health and the Environment. Testing ensures that products being sold to consumers are compliant with all relevant health and safety criteria (for both medical and recreational marijuana). We are the only Marijuana Testing Facility on the Western Slope capable of providing all mandated testing services (potency, terpene, residual solvent, microbiological, and Pesticide Residue testing). Currently, all the other existing fully certified marijuana laboratories are in Denver.

#### *"Mission Statement:*

*At Aurum Labs, we are committed to bringing professional analytical laboratory services to Colorado's growing cannabis industry. Our laboratory is located in the heart of southwest Colorado, and our roots are deeply tied to our community. Aurum Labs is locally owned and operated, allowing our*

*community to benefit from the success of our business. We want marijuana testing to be as convenient and affordable as possible while providing maximum benefit to our clients, and our community.”*

### **Local, Regional, and Statewide Benefits:**

Aurum Labs has grown each year. Currently, we have 15 employees (12 fulltime) that all serve a vital purpose in fulfilling the company’s role in the regulated marijuana market. In a town that has few opportunities for individuals with advanced/science degrees, we have employed over 12 FLC alumni/graduates (7 currently) in the last three years. We have five salaried employees with an average wage of \$55K/year and 10 hourly employees with an average wage of \$15.50/hr. In addition to offering annual, sick and family medical leave – we provide a minimum of 50% contribution towards employee’s health insurance premiums. This is a benefit we were recently able to provide in December 2017. We believe in providing a fair, livable wage and a good quality of life for our employees, a standard that is difficult to live up to. However, we make many sacrifices to try to retain our highly educated and specialized employees. We also attempt to hire local first. We understand the difficulty in acquiring employment in the area and we only post to local listings rather than national sites to find employees.

In addition to providing jobs to the community, we also provide a public health service locally and across the state. Like an FDA lab, we are testing for microbial and residual solvent contaminants that could make a person sick. These assays must be done in a very regulated and quality-controlled environment due to the harmful organisms used as controls, namely E. coli and Salmonella. Likewise, pesticides are known toxins that have many negative health effects that lead to illness and disease. Currently, pesticide testing is not required by the state. However, we are one of the only labs in the state that can perform this pesticide screening. The state is working very hard to establish required pesticides testing in the next three months, and we hope to benefit from our position as being one of few that can perform this test as well.

Our clients are not just in the local Durango area. We serve the entire western slope as well as the front range. Our clients encompass the entire state: Mancos, Telluride, Grand Junction, Carbondale, Aspen, Silverthorne, Leadville, Denver, Salida, Colorado Springs, Pueblo, Trinidad, San Pablo, Alamosa, Villa Grove, Center, and Pagosa Springs, just to name a few. Out of necessity, we have built a courier side arm to our business that runs 5 sample pick up routes a week. We fill a major vacuum in the state and especially our region as far as providing a means for test samples to get to a testing laboratory.

Since day one we have worked hard to develop open and honest relationships with our local and state regulators, including the Marijuana Enforcement Division and the Colorado Department of Public Health and the Environment. We are a member of the CL Council which is a consortium of other state certified cannabis labs that work together to create recommendations to the state regulators with the goal of increased public safety. We also attend national conferences, webinars, and state-wide meetings to stay on the cutting edge of technology and the issues facing our industry.

### **The Barrier to Doing Business:**

Over the last four years, Aurum Labs has faced a number of barriers and challenges that had to be confronted to maintain success. Aurum was the first lab to work with the City of Durango to allow Marijuana Testing Facilities within the city limits adding time and cost to the bottom line.

Also, there is an extremely high overhead to run such a highly regulated, quality control laboratory. Analytical Instrument leases and employee compensation make up a major portion of those costs, with the license application and renewal fees close behind. Currently, we must have a Medical and Retail License from the State, each approximately \$1,800/each, as well as renew our occupational licenses annually, another \$1,500. This is a total cost of \$5,100 just to acquire state licenses. On top of those permitting processes and fees, we need a Medical and Retail license from the City of Durango, each \$8,000 for a total of \$16,000 just to operate our business in Durango. That is over \$20,000 in license fees alone, an issue we have not seen in any other industry as most business licenses are often under \$500.

The geographical challenges of being in Durango forced us to develop an entire department that consists of a logistics coordinator and 3-4 drivers operating our two company-owned vehicles - another expense created out of necessity to operate out of this region. This has created a means for us to do business with clients as far away as Trinidad and Denver. More importantly, if this transport service did not exist, all producers in this county and surrounding area would be required to figure out how to transport test samples to Denver labs in a market where logistical infrastructure is lacking.

Certification is not an easy task to achieve and maintain. All our methods are audited yearly by a 3<sup>rd</sup> party, the Colorado Department of Public Health and the Environment. For each of our four methods, a yearly 2-day audit is required. This is also a costly expense, approximately \$9,000 a year, that we must fund.

Competition between laboratories has also been extremely aggressive, resulting in cost-cutting and poor business practices being implemented in an attempt to grab market share. Aurum Labs is proud to stand on our integrity and commitment to excellence, customer service, accuracy, and innovation. Even as we continue to pay off our initial capital investments and loans and remain licensed and certified, it is still challenging to retain staff by being able to offer market-competitive compensation.

Aurum Labs is Colorado's trusted resource for cannabis testing. We are constantly working to legitimize the cannabis industry and to prove that it is a viable, meaningful, and needed commodity. We hope to continue to improve the public opinion of cannabis use that more research will be done to fully utilize this amazing plant. Colorado is in a great position to be a trailblazer in this emerging industry, and the first step is to support their local innovators, entrepreneurs, and leaders that are stepping up to take on the challenges to create a booming industry that will ultimately improve our economy and communities.

Aurum Labs is one example of a cannabis-related business that plays a crucial health and safety role in the industry, and, who, if permitting costs continue to increase, may have to consider leaving the area in search of a more competitive business environment. Other businesses have expressed this same concern at both the city and county level and are looking at relocating their businesses due to excessive permitting costs. In addition, the loss of Aurum Labs to the region could result in cannabis companies going to Denver labs for particular types of testing that are not currently available in Durango or on the western slope. Aurum Labs would like to see fair permitting processes and fees at the city and county level that support a growing industry and keeps money recirculating locally.