

Konrad Jackson

From: Jay Oku <jay@fivepawns.com>
Sent: Wednesday, March 02, 2016 2:18 PM
To: House Labor and Commerce
Subject: Testimony to Oppose HB 304

March 2, 2016

Good afternoon Mr. Chairman and Committee Members,

The Company I represent is Five Pawns and my name is Jay Oku VP Sales & Marketing. I am writing in opposition of HB 304.

I would like to share a little about our company and the potential probable implications of HB 304 as it is written.

Who is Five Pawns?

- California based e-liquid manufacturer
- Currently employs 42 people
- We sell our products in over a dozen retail locations in AK, 1,400 retail locations throughout all 50 states and export our products to an additional 1,000+ locations throughout 50 countries
- We Manufacture in a state-of-the-art ISO 8 cleanroom facility and have implemented quality systems to insure consistency, traceability, and accountability for all our products
- to ISO 9001 and GMP standards
- Met with the FDA earlier this year to help better educate them on the industry's efforts in keeping this product in the hands of legal age consumers and to legitimize the industry in the eyes of our political and community leaders
- the FDA is working on releasing deeming regs right now, each state that is imposing new laws may have to redo everything, the UK is moving forward with their Tobacco Product Directive saying E-Cigs are 95% safer than Cigarettes and they published their findings in medical journals.

Probable Implications of Alaska Bill HB 304 as written poses to eliminate millions of dollars in State, and Local tax revenue.

- The proposed tax levies would threaten all revenue through the state due to an exodus to online sales. This will devastate AK small businesses and the proposed HB 304 tax levies will minimize and potentially eliminate the potential for State, and Local governments to generate tax revenues from these products by forcing consumers to purchase online
- HB 304 will create a black market, non-taxable, prohibition-like landscape which will ultimately put consumers at far greater risk
- HB 304 would ultimately just harm local businesses and availability to Alaskans while supporting Big Tobacco's less effective electronic cigarettes - who have little interest in getting people to move off cigarettes
- HB 304 Threatens local business and consumer choice and will push consumers to inferiorly manufactured products due to budgetary constraints
- Our 30ml bottles retail from \$27.50 - \$37.50. With HB 304 the retail price would jump \$55 and \$75 with the proposed tax hike. We entered this space to provide a harm reduction tool that would cost less than a typical cigarette habit
- According to many analysts, electronic cigarette sales are expected to grow to over \$50 billion by 2025
- The Electronic Cigarette Industry has created tens of thousands of jobs over the past 5 years despite the sluggish job recovery since our latest economic downturn and over 80% of cigarette smokers have yet to adopt vaping so there is tremendous growth potential
- HB 304 Threatens hundreds if not thousands of jobs
- Furthermore this technology has the potential to eliminate Unnecessary Healthcare Costs
- According to The Campaign for Tobacco-Free Kids the US spends approximately \$170 billion in tobacco related healthcare costs per year
- Public Health England's recent published study states electronic cigarettes are estimated to be 95% less harmful than smoking
- This would save Medicare, Medicaid, Health Care Providers, and individuals billions of dollars in unnecessary healthcare costs annually
- This could also save millions of lives for future generations to come

We want to thank you for taking the time to read our presentation of the detrimental fiscal impact the proposed bill will have on the electronic cigarette industry and the AK small business owners and their families. Let AK maintain its reputation of being progressive and forward thinking with putting its people's health and business interests first.

Respectfully,

Jay Oku

Five Pawns, Inc.

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