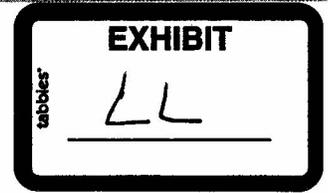


From: Michael Peck [mailto:michael@greenfootsteps.org]
Sent: Friday, April 26, 2013 2:58 PM
To: DCP.MedicalMarijuana
Subject: Comments on the Connecticut Medical Marijuana program.



Hi,

I looked at the medical cannabis trade from entrepreneurs / investors point of view. I came to some rather surprising conclusions that I was not expecting.

The ideas contained herein are my own. I am available for further discussion of the possibilities and hopefully being a disruptive force in the medical cannabis industry.

I can be reached at

michael@greenfootsteps.org

Thank you,

Michael Peck

Introduction - Entrepreneur angle

At first glance, the Connecticut Medical Marijuana Rules and Regulations looks like an entrepreneurs dream, particularly for a grower or dispensary.

The State is governed by law to limit growers to 10 or less. (The whisper numbers are no more than 3) By limiting the number of growers allowed in the market, you are raising the bar to entry for others to very difficult if not impossible.

What problem are we solving?

Providing medicine to the sick where the sick are very sick and would do anything to feel better, including consuming marijuana. This is a rough way of defining the Term “debilitating” and represents those that have a pass from the State of Connecticut to treat their illness.

Is there a market?

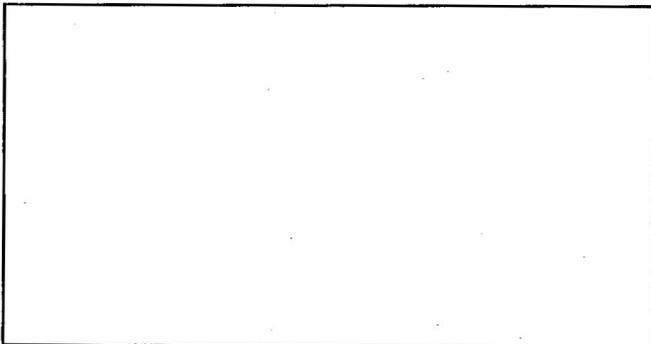
Yes. There are an estimated 7000 to 9000 patients that fit the qualified medical disability. So if a patient consumes on average 2 grams per day, in a 30 day month they would have consumed 60 grams or 2.1 ounces. If 7000 patients consumed 2.1 ounces per month, they would consume 14815 ounces. At \$200 per ounce that’s \$3 million per month, a \$36 million dollar a year industry created by the current Connecticut Medical Marijuana law.

The total cannabis market.

When you look at the total cannabis market in Connecticut we must consider the “legal” market and the “illegal market” more commonly know as the black market.

The total market may be as much as \$1.5 billion annually.

The conclusion here is the \$36 million dollar Connecticut Medical Marijuana market is not significant enough to threaten the established \$1.5B “the black market”.



What is the competition?

The Connecticut Law does not allow other states with medical cannabis laws to participate in the Connecticut Cannabis Trade. All product must be produced and sold in Connecticut. So other states legal trade of cannabis cannot be sold in Connecticut. Therefore the only competition is the black market.

What are the risk?

In the eyes of the DEA, it's against federal law to grow, distribute or sell marijuana. The DEA, like all law enforcement are sworn to an oath to uphold the law, regardless of popular opinion and other circumstances.

Marijuana is currently listed as a schedule 1 narcotic, same as heroin and cocaine. The consequences for participating in getting marijuana to market are harsh.

DEA

The DEA has published its position paper of Marijuana. It's available on the home page of the DEA website. It is not favorable toward states taking the law into their own and making their own rules. In no uncertain terms the DEA's view is that ...

“Department will continue to prosecute people whose claims of compliance with state and local law conceal operations inconsistent with the terms, conditions, or purposes of the law. He also reiterated that the Department of Justice is committed to the enforcement of the Controlled Substances Act in all states and that this guidance does not “legalize” marijuana or provide for legal defense to a violation of federal law.² While some people have interpreted these guidelines to mean that the federal government has relaxed its policy on “medical” marijuana, this in fact is not the case. Investigations and prosecutions of violations of state and federal law will continue. These are the guidelines DEA has and will continue to follow.”

Charlie Lynch story.

Cathy Jordan story

Risk vs Reward

What's the risk? Quick math - \$25k application fee + \$75K _____ fee + 2M bond + \$700K in infrastructure and operating capital = \$2.8M

So we ask ourselves is the risk worth the reward? The answer is no. Why?

1. All it takes is for one rogue person, be the sheriff, a police officer or just a concerned citizen, to collect some data that you are indeed growing, distributing and selling, all legal under state law, and the DEA would be sworn to oath to arrest the individuals involved.

It often results in confiscation of all material things that could have been gained from illegal activities plus all inventories of product, cash, a big fine, and prison sentence. Those arrested often file for bankruptcy. The punishment is harsh even if you avoid prison.

2. Money Laundering

Because the DEA views is that any financial gain produced from the cultivation, distribution or selling is for an illegal activity and therefore falls under the definition of money laundering. Any bank accounts are often seized.

3. Can't legally use the banking system.

Since the banks are all controlled by the feds, they have to follow federal law. Therefore they are not allowed to "traffic" in ill-gotten gains through the sales of medical cannabis.

Conclusion

Investors and entrepreneurs have to ask a hard question. Is it worth loosing \$3million and a chance of going to prison for a slice of a \$36 million dollar market?

What motivates the DEA?

When you look at all the DEA arrest, - some metric – is for cultivating, distributing or selling cannabis. This represents requiring xx agents to pursue cannabis growers, distributers and sellers. It also represents a large haul in terms of confiscated property and cash during a DEA bust. So in way, the war on drugs supports the DEA's justification of at least a portion of their agents.

The DEA is also sworn to uphold the laws as they are currently written, not as popular opinion would have interpret them. They need the laws to be black and white, and quite frankly we need laws that are black and white so there is no gray area when it comes to enforcement.

So what motivates the DEA? The DEA is motivated by three things. 1. The cash and property confiscation from marijuana bust. 2. The power and size of the organization they justify. 3. The moral obligation to uphold the law as currently written.

The conclusion is that the DEA is a real threat that will shut you down, take your assets and ruin your life. No investor in his right mind would throw \$3M for this kind of risk at a \$36M market.

Out of the box thinking....

To figure out a solution around the DEA required some deep thought. How can the effect of the DEA be minimized? Is there anyone with immunity with respect to the DEA, or at least minimal exposure?

Who is that? Possibly the state government? Since the government is not an individual but rather a government entity, it would be awful hard to put a government in jail. The DEA can arrest those involved in growing selling and distributing cannabis. So who has immunity or near immunity from prosecution?

As it turns out, there is a group of individuals that may have what amounts to near immunity from the DEA. They work for nearly free already live in a place with maximum security technology.

Our state prison system.

Prisoners serving life sentences for the non-violent production and distribution of cannabis would be the most immune to DEA prosecution. What would be the point of arresting someone already in prison? Surely the DEA would cave to public pressure and not waste the taxpayer's dollar to go after inmates already in prison.

Under this model the state retains all profits associated with the medical cannabis trade. It employees a medical cannabis production and distribution all system run entirely by inmates.

The prisons would also serve as dispensaries. Qualified patients could pick up prescriptions at the prisons or choose homes delivery through secure delivery or a courier / delivery company. The entire "illegal" portion of the medical cannabis trade would happen within the confines of the prison, run entirely by prisoners, and at least some what immune from prostitution.

It's a win-win-win

The Patients

First of all the patients who need medical marijuana will be able to get consistent supply free from harmful pesticides, fungicides, etc. as close to organically grown as possible.

The State

The state reaps the maximum financial benefits by being the only profiteer in the Connecticut marijuana trade capturing all of the \$36M in revenue available under the current law. With a simple manufacturer-distributor all under one roof, the opportunities exist to create an extremely streamlined highly efficient engine for manufacturing medical marijuana and all it's derivatives thereby leaving the mass of the revenue as profit to the state. By controlling it at the head end, it is easy to regulate, study, and benefit from the market at any time. Once you give up production, it will be extremely difficult to get it back.

The Citizens

The citizens do not have to have it in their backyard no more than a prison is in their backyards. Of the many criticisms about the sale of MM is that no one wants it in their backyard. Under this plan, the production and distribution would be solely an enterprise of the prisoners.

Today the “state legal” cannabis trade is limited to approximately \$36M, the laws will become favorable toward recreational legalization of all cannabis products. When this happens, the state will be well positioned to reap the benefits of up to \$1.5B to be used toward deficit reduction.