

You're strolling down Mill Avenue when your senses are simultaneously assaulted by several things: an earthy-sweet stench riding the sound waves of a Bob Marley tune, a flashing neon hemp leaf sign, and a dreadlocked dude who suddenly grabs you by the lapel and blurts, "You want legal?"

He drags you into a makeshift clinic where a bored-looking doctor charges you \$150 cash to drone, "What's your ailment?"

"Back pain," you say. "Chronic." The magic word.

He scribbles a recommendation for marijuana and tells you to get your medicine next door at the dispensary, a groovy little joint with the pharmaceutical-sounding name Daddy Fat Sacks. You feel a little awkward as you enter the shop, but you're reassured by the online user review that read, "SUPER friendly staff that was DEFINITELY as HIGH as we were!! Freakin awesome top shelf buds too, LOL."

You walk past giggling sorority girls "medicating" on a bong and flirting with a hulking, tattooed budtender named Bubba Kush, standing next to a sign that reads, Ask about our reefer-al program.

You look at the candy-store-like display of cannabis and place your order with Bubba. "I'll take three ounces of Cat Piss and two of the Martian Mean Green. How's the Bomb Ass Platinum?"

"Name says it all," Bubba says, extracting a kernel of "potcorn" from between his teeth.

This is the vision many people have of the Dazed New World of post-Proposition 203 Arizona. And with good reason: The preceding scenario is exactly what has happened in states such as California under its so-called "medical" marijuana program.

But at the Marijuana Policy Project's forum at the Sheraton Downtown Phoenix in December, industry insiders have a different vision. Here, businessmen and lawyers in charcoal suits, periwinkle oxford shirts and shiny Florsheims talk about compassion for cancer patients and conduct PowerPoint presentations about dispensaries that resemble health clinics. A representative from CannBe, a medical cannabis consulting and franchising company, sets up a panel that reads: "Can your dispensary be a welcome part of your community? It can be."

In November, Arizona became the 15th state to legalize medical marijuana but "the only state that has gone from no medical marijuana to a full statewide system of regulated dispensaries," says Rob Kampia, executive director of the

Marijuana Policy Project. Other states legalized it with few rules and had to rein in the reefer madness with raids and regulations after the industry had already exploded.

“We have a distinct advantage over other states in that the excesses that have happened in other states really only happened in the last year and a half, and we’ve learned from their mistakes,” says Will Humble, director of the Arizona Department of Health Services (ADHS), which released its first draft of rules for the implementation of the Arizona Medical Marijuana Act in December. After public feedback, the rules will be finalized in March.

“What we’re trying to get at in these rules are those key, critical control points that will make this a true medical marijuana program and not turn it into a recreational marijuana program like in those other states,” Humble says.

So let’s take a close look at where other states’ medical marijuana programs went wrong, how Arizona’s unique rules could keep us from Californication, whether loopholes in the law will be the rabbit holes that lead to reefer madness, and how cannabusinesses could usher Arizona into an altered economic state.

Gone to Pot

Arizona is bookended between two cautionary tales: California and Colorado. California became the first state to legalize medical marijuana with the passage of the Compassionate Use Act of 1996, a document so brief it could have been jotted down on a cocktail napkin. Colorado’s medical marijuana law passed in 2000, and though it contained far more regulations, its many shortcomings went unnoticed for years while the specter of federal raids hung over the marijuana industry, keeping it relatively in check.

Then in 2009 the Obama administration announced it would no longer use federal resources to prosecute medical marijuana dispensaries and patients as long as they were in full compliance with their state’s laws. When that happened, people practically burst into the sunshine singing, “This is the dawning of the age of cannabis!”

Within a few months, a rash of dispensaries spread across several states, especially California and Colorado. Los Angeles had an estimated 1,000, outnumbering Starbucks and McDonald’s combined by 2 to 1. In Colorado, patients signed up at a rate of 1,000 per day. They now number about 116,000, according to the state health department.

And those state medical marijuana laws? They started to look as hazy as a cloud of cannabis smoke. California’s law allowed people to obtain marijuana for “cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine,

or any other illness for which marijuana provides relief.” That last clause led to people strolling into clinics claiming chronic back pain and strolling out with chronic. You have menstrual cramps? Anxiety? High heel pain? Rug burn? Toke on a spliff, my friend!

Though medical marijuana laws are designed to help patients with serious illnesses such as cancer or AIDS, in Colorado, health department records showed that just 2 percent of medical marijuana cardholders had cancer, 1 percent had HIV or AIDS, and 94 percent claimed severe pain. This might have seemed more legitimate if three out of four of them weren’t men in their 20s and 30s, no doubt in agony after wiping out on “that smokin’ half-pipe at Breckenridge, dude!”

Because neither California nor Colorado’s law put regulations on the doctor-patient relationship, a few doctors took advantage of the system, setting up clinics specializing in charging \$150 to \$200 for a perfunctory exam and a virtually guaranteed medical marijuana card. In Colorado, 15 doctors issued almost 75 percent of the state’s recommendations, according to that state’s health department.

One doctor near Boulder, Colorado, put in just three days a week at the Relaxed Clarity dispensary and raked in more than \$1 million in a single year, The New York Times reported. Montana had cannabis caravans traveling around the state doing cursory exams and doling out recommendations as casually as Mardi Gras beads.

So is Arizona cruising headlong into a statewide Cheech and Chong convention? Not really. Let’s replay the first scene, taking into account the 80-some pages of regulations in Arizona’s current medical marijuana law.

A Decent Proposal

You’re not strolling down Mill Avenue and getting a cash-only quickie exam from a quack. In accordance with the rules, you’re making an appointment with either:

A) a doctor you’ve seen at least four times and for at least a year for your debilitating medical condition; or

B) a new doctor who assumes primary care of your debilitating medical condition.

As required by law, the doctor conducts a thorough exam and looks at your medical history, confirming you have one of Prop 203’s strictly defined maladies that qualify you for a medical marijuana card. These include cancer, glaucoma, HIV, AIDS, Hepatitis C, amyotrophic lateral sclerosis, Crohn’s disease and other chronic, debilitating conditions.

As in other states, there is a clause in the law that allows for severe pain, but it's phrased in such a way – “a chronic or debilitating disease or medical condition or the treatment for a chronic or debilitating disease or medical condition that causes severe and chronic pain” – that precludes your doctor from allowing headaches to qualify. Nevertheless, the law is vague enough to lead to potential abuse.

The doctor writes a recommendation for marijuana – not a prescription, because those must be federally approved and marijuana is still federally illegal, even if permitted by the state. She advises you on the use of marijuana and signs a statement that she plans to continue to assess your health and cannabis use during the course of the ongoing physician-patient relationship.

“What I see as the most important part of this draft rule is the definition of the physician-patient relationship,” Humble says. “We've got, I think, the best definition in the whole country.”

Even so, option B does present a possible loophole: We could potentially still see physicians who specialize in giving medical marijuana recommendations but who remain in compliance with the law by conducting comprehensive exams and promising that they plan to see patients again for reevaluation. But, of course, no one can force patients to go to the doctor.

Should this happen, notes Dr. Laura Nelson, ADHS's chief medical officer, there are checks and balances in place. “With the IT systems that are being built, we would have the capability to identify any outliers in terms of recommending physicians,” she says. “And if we became concerned about that, we could pass that information on to a medical board for their review and consideration.”

Next, you and your doctor fill out the health department's forms, including a pledge that you won't divert marijuana to anyone who isn't allowed to possess it. You send the forms to ADHS for review, and within 10 days, it issues your card.

But you still won't go to Daddy Fat Sacks on Mill Avenue, because in Arizona, only 124 dispensary licenses will be permitted statewide (or one for every 10 pharmacies), and ADHS expects to receive 5,000 applications. The tough competition will likely weed out applicants who want to set up a pot shop in a place where most of the walk-by traffic is still taking their laundry home to mom.

As Humble says, “An applicant that demonstrates they are in the business of wellness as part of a true medical marijuana dispensary will be in a better position to be a successful applicant than someone who says, ‘We're just going to roll marijuana out the door.’”

So you drive up to a tasteful place called Tempe Health Clinic, which offers no clues it sells marijuana other than its clever acronym (THC is the active chemical in marijuana). Inside, it resembles the retail section of a spa. Shelves of naturopathic medicine and hemp clothing line the pastel walls. Cannabis-infused edibles fill a glass display case. A budtender helps an older man choose between strains of marijuana stored in jars like oolong in a teashop. A masseuse leads a woman to a private room, where once a week the nonprofit dispensary provides free massage, chiropractics and acupuncture – a practice it emulates from the popular Harborside Health Center dispensary in Oakland, California.

You pick up several educational brochures about medical marijuana prepared by the dispensary’s medical director, because Arizona is the only state to require each dispensary to employ or contract a licensed physician to provide medical oversight. “For example,” Nelson explains, “if someone walks in to pick up their supply, and they are clearly impaired, perhaps they are becoming psychotic or confused because of side effects, that dispensary agent can contact the medical director and say, ‘I’m concerned about giving additional marijuana to this person. How do I get this patient back in touch with their recommending physician for reevaluation?’”

You walk up to the counter, where no one is medicating, because public medical marijuana smoking is forbidden under Arizona’s law. You place your order with the pleasant-looking budtender, who asks for your medical marijuana card. (In California and Colorado, there’s such a backlog that many dispensaries don’t require a card; they just call Dr. Reefer at Grateful Meds to confirm his recommendation.)

She double-checks the photo on the card and types the card’s unique 20-digit code into the computer, which hooks up to ADHS’s system. She verifies that your card is valid and that you haven’t purchased more than the legally permitted 2.5 ounces of marijuana every two weeks.

Which brings us to the biggest potential loophole of all.

An average joint uses about half a gram of marijuana, so 2.5 ounces translates to 140 joints every two weeks, or 10 joints per day. (By the way, Californians are permitted 8 ounces at any given time. However, if 452 joints-worth of pot isn’t quite taking the edge off, a doctor can recommend “an amount of marijuana consistent with the patient’s needs.”) Prop 203 allows this amount because many patients choose to consume marijuana in edibles such as brownies, which use much more marijuana than joints.

But with 5 ounces of marijuana allowed per month, it could be tempting for cardholders to share or sell the pot.

“If there’s going to be a place for abuse, this is where it’s going to be,” says Allan Sobol, founder of Marijuana Marketing Strategies LLC. “Once that little old lady gets her marijuana, and she bakes a couple cookies and starts passing it out to her friends and neighbors as a joke, and they say, ‘Wow, that’s good shit!’, all of a sudden she says, ‘You know, I could make some money doing this.’ And you know she’s gonna find the money to buy those 5 ounces, and she’s gonna have a damn bake sale at the school. I’m not saying it should happen. But it’s probably going to happen.”

If medical marijuana cardholders did this, they would be subject to federal prosecution. But it would be nearly impossible for law enforcement authorities to find out.

“To be honest with you, I would just not want to take that risk, because the penalty is pretty severe,” counters Joe Yuhas, a representative of the Arizona Medical Marijuana Policy Project. “The initiative is very strict when it comes to diversion: It’s jail.”

Still, federal laws aren’t currently stopping the Americans who, according to Harvard economist Jeffrey Miron, spend about \$25 billion a year on pot. Which is why amid all the talk about codes of conduct and compassion, so many people are thinking about cold, hard cash.

Pot of Gold

In a cramped classroom at the back of “Arizona’s first medical marijuana dispensary,” a store in a Glendale strip mall that dispenses only information, about 35 students attend Marijuana University.

“This is a new billion-dollar industry coming to Arizona,” says instructor and founder Allan Sobol. “Look at the horizon. There’s a giant tsunami headed straight this way. There’s going to be tremendous opportunities for everybody to make a lot of money.”

One student is Dean, an entrepreneur who came from Dallas to learn about starting an Arizona dispensary. Why? He grins and points to the sign on the wall behind him that reads:

“One hundred twenty-four dispensaries is your best friend,” Sobol says. “If you happen to be lucky enough to get one of those licenses, you are a multimillionaire. Period. It’s almost a monopoly.”

The fact that Prop 203 requires dispensaries to be nonprofits doesn’t seem to discourage these budding entrepreneurs. Sobol tells them that a small nonprofit

can pay its CEO \$200,000 a year (which isn't multimillions, but nevermind) and gives them tips on creative – yet legal – accounting.

What does discourage some students are the startup costs – \$150,000 for a dispensary and \$300,000 to \$400,000 for a growing operation, Sobol says. But, he notes, there are other opportunities.

In fact, peripheral businesses may provide the biggest boost to Arizona's pot-economy. A few people in the industry are fond of quoting Mark Twain: "When everyone is looking for gold, it's a good time to be in the pick and shovel business."

Bakeries are one of the most shovel-ready businesses. In other states, edibles have proven to be highly popular among patients who choose to consume rather than smoke cannabis, and Arizona's draft rules are currently friendly to freelance foodies. The rules permit a dispensary agent to take marijuana to a restaurant, bakery or commercial kitchen, infuse it into edibles (with or without the help of a pot pastry chef), and take them back to the dispensary. So, counter-culture cooks, learn to make cannabutter and THC tinctures, and a world of cannabis comestibles will open up: bud brownies, space cake, grass-hopper cookies, ganjelato, potcorn and soda pot.

Another growth industry is, well, the growth industry. To prevent Mexican drug cartels from infiltrating the program, the current draft of Arizona's law requires each dispensary to grow at least 70 percent of its cannabis. It can obtain the remaining 30 percent or less by buying it from other dispensaries or getting it from patients (who can't be paid for it). And because each growing operation must be located in a secure, locked facility, huge warehouses full of high-tech hydroponics systems will be the order of the day.

Rumor has it that weGrow, a marijuana hydroponics mega-store in Oakland, California, that some have dubbed Home De-Pot, will expand to Arizona. The store offers growing systems from your basic \$1,000 setup for personal use to 53-foot semi-trailers outfitted with lights, ebb and flow systems, and cloning and mothering systems for \$70,000, plus upgrades such as security and monitoring. And should you want to keep an eye on your plants' growth and alter the pH of your water while you lounge on the beach in Cabo, there's an app for that. You can even control your security system from your iPhone.

All the dispensaries and growing operations will require a range of security options from safes to cameras to guards. Sobol says Glendale-based Special Security Force is already designing a special package for dispensary owners.

In addition, a few educational and marketing companies could soon compete with Sobol. By press time, the California-based Cannabis Career Institute will have started conducting educational seminars in Phoenix, Tucson and Flagstaff. Jason Medar, a California dispensary owner, plans to start the Arizona Association of Dispensaries, offering legal and marketing advice.

Other cannabisbusinesspeople are getting creative. Dr. Bruce Bedrick, CEO and founder of Phoenix-based Kind Clinics, has developed high-tech marijuana vending machines he plans to install in dispensaries. Two medical marijuana magazines – The Green Leaf and Haze Nation – will be hitting stands soon.

A student in Sobol's class was inspired by the possibility of a renewable, solar-based energy business for pot growers after Sobol mentioned that a growing facility in Colorado had an electric bill of \$28,000 a month.

The Marijuana Policy Project's Rob Kampia tossed out this idea at the Phoenix forum: "Dispensaries are having trouble opening up bank accounts.... I think there's possibly a lot of money to be made starting up a medical marijuana credit union."

But lest anyone think that cannabis is going to become Arizona's sixth C, here's the latest information from ADHS: Humble says the original estimate that Arizona would have 100,000 medical marijuana cardholders was based on Colorado's statistics. But after further investigation, they found that most of those were recreational users who wouldn't qualify under Arizona's law. Now, Humble says, "I expect to keep the numbers down to the 10,000 to 20,000 range."

Humble says the cost of starting up the program, including labor and creating the IT systems, will run about \$1 million. But they expect to pay that back through the \$5,000 nonrefundable dispensary license application fees (if they get the expected 5,000 applications, that's \$25 million), the annual \$1,000 dispensary license renewal fee, and cardholder fees (\$150 per person every year).

"We expect this program to pay for itself," Humble says. "[But] bottom line is, I don't think we're ever going to make any money on this program because we intend to hold the number of qualified patient cardholders to those people who truly need medical marijuana."

The real multimillion-dollar question is whether – and how much – medical marijuana will be taxed. In March 2010, the Arizona Senate passed a bill to tax medical marijuana at the state sales tax rate plus a \$20-per-ounce luxury tax. But the House never acted, and as of press time, the issue remained undecided.

By next fall, dispensaries will be licensed, patients registered, the first crop of marijuana harvested, and we'll begin to see how the program rolls out. Clearly, the health department and the authors of Prop 203 are making a strong effort to create a well-regulated medical marijuana program in Arizona.

But it remains to be seen whether a state so cash-strapped it can't keep highway rest stops open or retain ownership of its Capitol building will be able to enforce the law.

"This program is ours to lose," Sobol cautions. "It'll only take two years and the state Legislature can put another initiative on the ballot. If we allow abuses, Jan Brewer's gonna say, 'You see, Arizona. This is turning into another Southern California. We've got to stop this.'"

And everything could go up in smoke.