

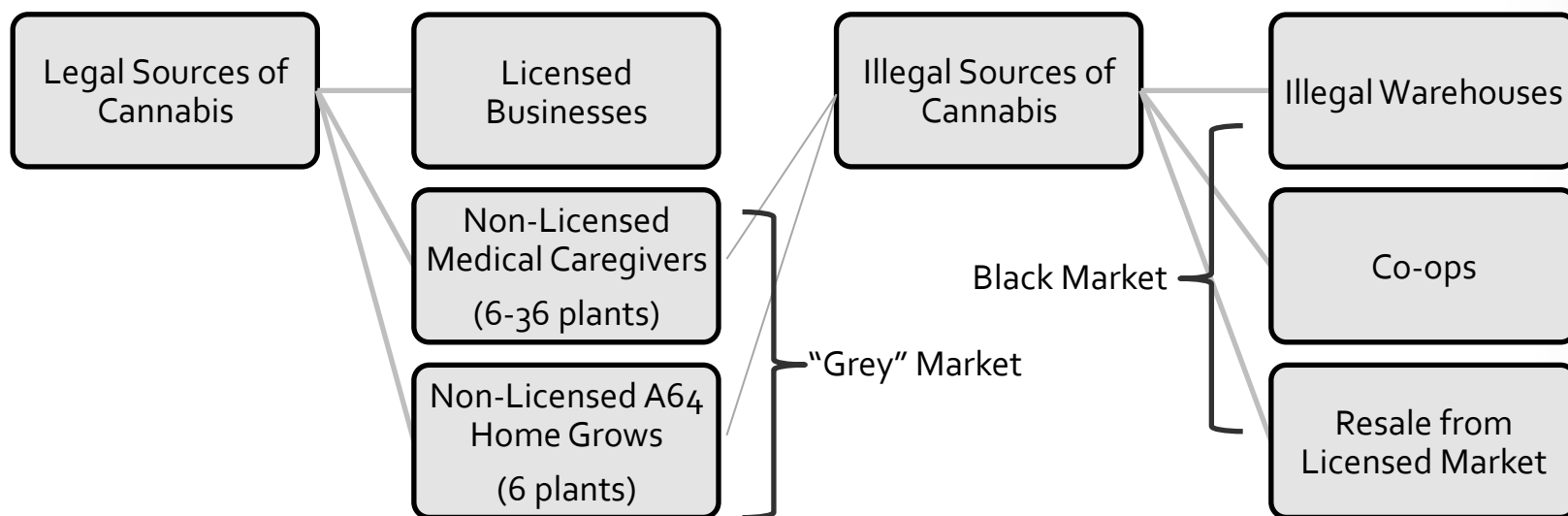
REGULATED CANNABIS vs. UNREGULATED CANNABIS

Industry Impacts

presented by:



SOURCES OF COLORADO CANNABIS



DIFFERENCE BETWEEN LICENSED & UNLICENSED CANNABIS MARKETS



The slide features a dark blue header with the Denver logo on the left and the title 'Denver Marijuana Landscape' on the right. The main content is divided into two columns: 'Licensed' and 'Non-licensed'. The 'Licensed' column lists various facility types and their counts, followed by total license and location counts. The 'Non-licensed' column lists types of unlicensed operations.

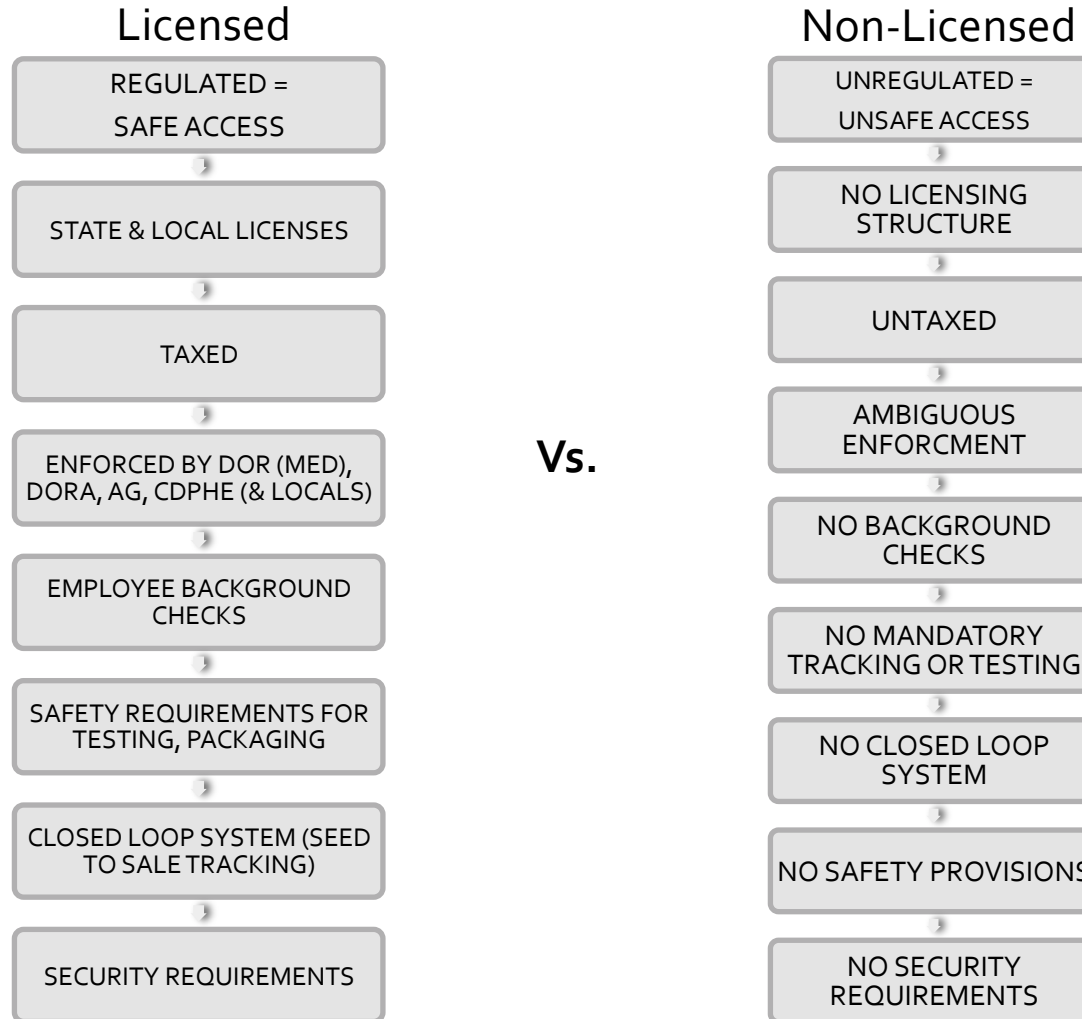
DENVER
THE MILE HIGH CITY

Denver Marijuana Landscape

- **Licensed**
(medical and retail, taxed and regulated)
 - Cultivation Facilities (562)
 - Stores & Centers (351)
 - MIPs (134)
 - Testing Facilities (7)

Total Licenses = 1,054
Locations = 460
- **Non-licensed**
(locations mostly unknown, not supposed to be for profit, not taxed)
 - Medical MJ Collectives
 - Retail MJ Collectives
 - Caregivers
 - Home Grows
 - Illegal Operations

DIFFERENCE BETWEEN LICENSED & NON-LICENSED CANNABIS MARKETS



COLORADO'S REGULATED CANNABIS MODELS

	Medical	Adult Use (Rec)
State (MED) & Local licensing	✓	✓
Taxed & regulated w/ cultivation limits/controls	✓	✓
CDPHE & local Environmental Health oversight	✓	✓
Dept. of Agriculture oversight; pesticide restrictions, OSHA conformance	✓	✓
Owner & Employee background checks	✓	✓
Seed-to-sale product tracking via METRC closed loop system	✓ Vertically integrated	✓
Packaging & labeling requirements; advertising restrictions	✓	✓
Product testing through state-approved labs	Potency	Potency, microbials, residual solvents, homogeneity
ID verifications prior to purchase w/ purchase limits	Colorado medical registry patients	21+
Cannot sell to minors	Exception: Children w/ medical necessity	✓
Cannot consume at Point of Purchase	✓	✓
Permits home cultivation	Caregivers (6+ plants)	Colorado residents 21+ (6 plants)

LICENSED CANNABIS BUSINESSES

LICENSE TYPE	COLORADO ADULT USE	COLORADO MEDICAL	COLORADO TOTAL
MMC/RMC	454	528	982
Cultivation	625	791	1416
MIP	236	254	490
Testing	14	14	28
Total	1329	1587	2916

Source: Colorado Department of Revenue: Marijuana Enforcement Dec. 2016

LICENSE TYPE	DENVER ADULT USE	DENVER MEDICAL	DENVER TOTAL
MMC/RMC	155	197	352
Cultivation	202	395	597
MIP	67	91	158
Testing	7	4	11
Total	431	687	1118

Source: Denver Office Of Marijuana Policy Dec. 2016

38% of total licenses are in Denver

(6)

TOTAL MARIJUANA TAXES, LICENSES, FEES

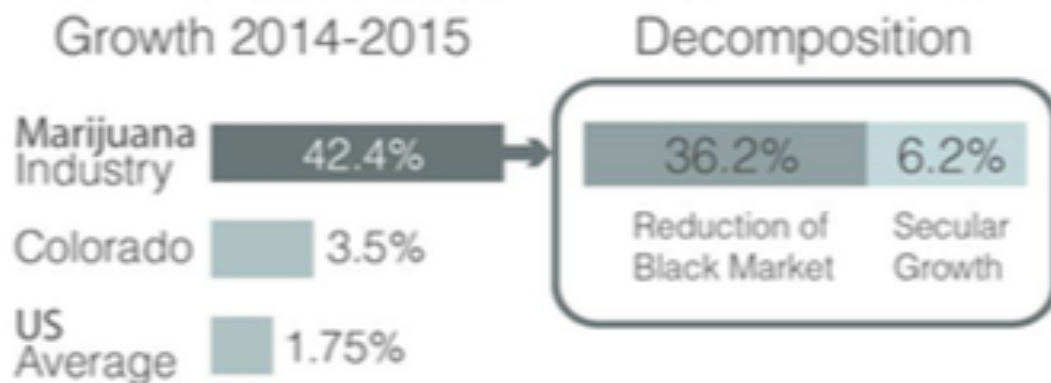
Taxes	YTD 9/2016	% Chg
Sales Tax Transfer to MJ Tax Cash Fund (2.9%)	\$13,691,227	35%
Medical	\$4,428,430	
Retail	\$9,262,797	
Retail Marijuana Sales Tax (10%)	\$32,754,968	73%
Local Gov't Distribution (15% of total)	\$4,915,469	
Marijuana Tax Cash Fund Transfer (85% of total)	\$27,854,227	
Collections Not Yet Allocated	(\$14,729)	
Retail Marijuana Excise Tax (15%)	\$22,394,694	117.1%
Public School Capital Construction Assistance Fund Transfer	\$22,527,144	
Collections Not Yet Allocated	(\$132,450)	
TOTAL MJ TAX TRANSFERS & DISTRIBUTIONS	\$68,840,888	75.3%
LICENSES AND FEES	\$3,970,022	-17.8%
TAXES, LICENSES AND FEES TOTALS	\$72,810,911	65.3%

(7)

INDUSTRY GROWTH: CAUSE AND EFFECT

Marijuana Policy Group:

“It would be easy to confuse the rapid growth in marijuana *sales* with an inherent growth in marijuana *demand*. But that is not the case. Legal marijuana sales are increasing due to a supply shift — away from gray and black market suppliers, toward licensed suppliers.”



INDUSTRY GROWTH: CAUSE AND EFFECT

2014 Supply Modality Total		
	Metric Tons	Share
Medical Retail	55	42%
Recreational Retail	22	17%
Caregivers	33.68	26%
Home Growers	<u>12.14</u>	<u>9%</u>
Total	122.82	94%
<hr/>		
Demand	130.3	
Black Market	[7.48] (residual - 6%)	

Marijuana Policy Group

“In 2014, approximately 59% of total Colorado demand was supplied by the regulated market.

The remaining 41% was split between unregulated home grows, grey market and black market supply.

By 2020, the Colorado market will be fully saturated, and will grow moderately at 2-3.1%/yr.”

BLACK MARKET SUPPLY CAN EASILY BE REPLACED BY THE LICENSED & REGULATED CULTIVATORS

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The estimated black market supply of cannabis to the CO market was **7.48** metric tons in 2014.

In the month of Dec. 2014, if medical cannabis cultivators had grown at their licensed capacity, they could have produced approx. **46.9** metric tons, far exceeding the black market gap.

MED 2014 Data: Medical Plants (51% of capacity)	
Dec. 2014 Avg. Medical Plants Grown	302,793
Dec. 2014 Avg. Medical Plants Allowed	616,575
Dec. 2014 Difference to Capacity	313,782
Projected Yield (@.33 lb/plant)	46.9 metric tons

Source: Marijuana Enforcement Division 2015 Annual Update
 Source: Marijuana Policy Group Impact of Marijuana on Colorado Oct. 2016

COLORADO'S CANNABIS INDUSTRY HAS SUPPORTED & PROMOTED SENSIBLE REGULATIONS FOR CONSUMER SAFETY



- Multiple ID verification at dispensaries
- Child resistant packaging
- Active THC serving size
- “Good to Know” campaign
- “Don’t Drive High” campaign
- Responsible consumption guides free of charge
- Responsible Vendor self-regulation

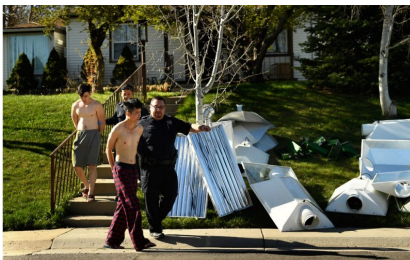


COLORADO'S CANNABIS INDUSTRY DOES NOT SUPPORT UNDERAGED/ILLEGAL SALES



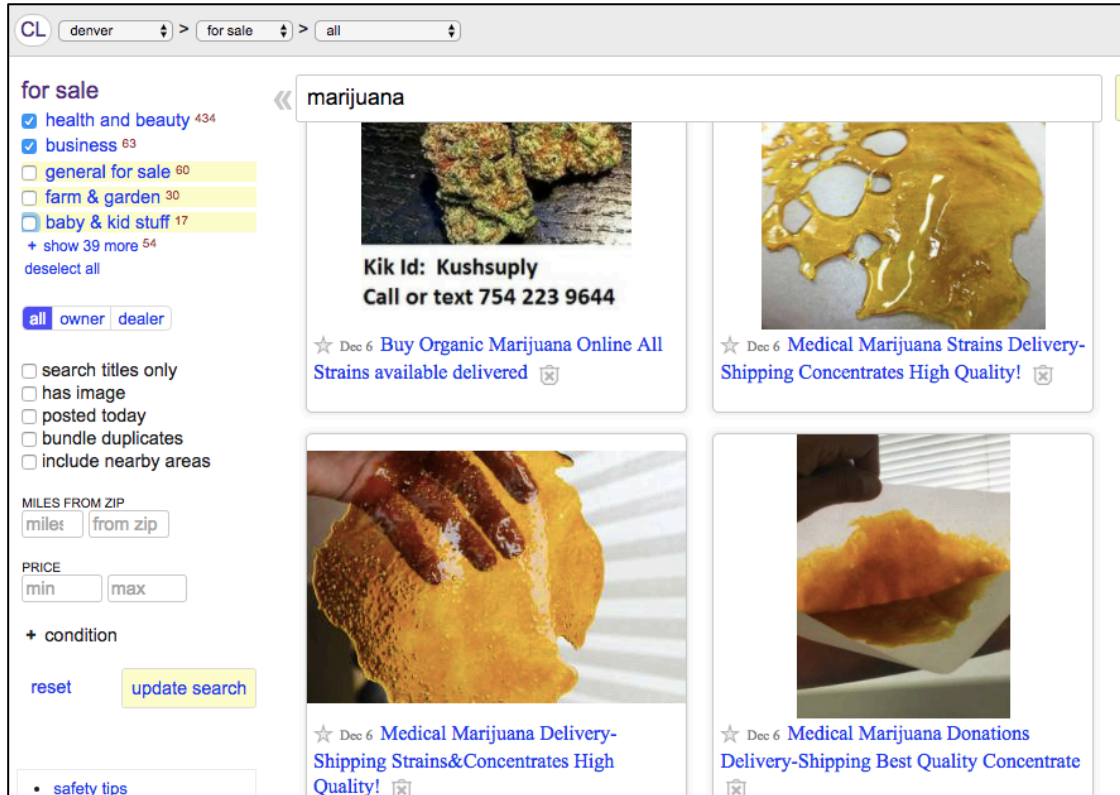
- The industry supports the continued use of underage compliance checks conducted by MED & law enforcement.
 - 2015 citations for underage cannabis sales: **7**
- vs.
- YTD citations for underage alcohol sales: **99** (liquor stores only)

ILLEGAL ABUSES HARM LEGITIMATE CAREGIVERS & COLORADO'S LEGAL CANNABIS MODEL



- Caregivers are an important part of Colorado's program.
- Criminals are utilizing loopholes in A20 & A64 to abuse the intent of the law.
- These loopholes have created what the DEA calls "The New Meth Houses" in an unclassified June 2016 report re: unregulated grows in Colorado.
- The public does not always differentiate between these illegal abuses and the regulated market.

ILLEGAL ONLINE SALES ARE UNTAXED, UNREGULATED, AND UNSAFE



Source: Craigslist/Denver

Illegal sales are rampant and easy to access through traditional online channels like Craigslist.

Search Date: 12/7/16

Denver: 665 hits

CO Springs: 6 hits

Pueblo: 83 hits

REAL SOLUTIONS & A COLLABORATIVE APPROACH

- Explore hard count limits to dismantle grows that violate the intent of A20 & A64
- Work towards transparency for unregulated grows
- Provide more resources to enable enforcement
- Work with other industries to create “watch” programs
- Expand educational campaigns (“Good to Know”) with industry participation & free materials
- Maintain dialogue about research, tax reform, and safe access of cannabis (PTSD)



THANK YOU.

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