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ALLISON KEREK

# DOPE WITHOUT BORDERS

BIG WEED IS COMING—UNLESS SALEM ERECTS A FENCE AT THE STATE LINE.

BY AARON MESH amesh@wweek.com

Meghan and Matt Walstatter often argue about who should cash in on legal weed in Oregon.

The Walstatters run Pure Green Gardens, a Portland medical-marijuana grow with a dispensary in the Hollywood neighborhood. The couple wants to start growing and selling recreational dope when sales become legal next year.

Matt thinks out-of-state investors should be allowed to come in and grab a share of the business. Meghan thinks they should be kept out.

“Right now,” she says, “there is this sweet little window in time where it can be from Oregon, for Oregon, by Oregon.”

The debate over who gets to sell pot in Oregon is about to heat up—with millions of dollars at stake and well-funded lobbyists seeking to protect the edge outside investors now have.

Measure 91, approved by voters in November, put no restrictions on outsiders getting into the legal marijuana business. Two other states that passed similar measures, Colorado and Washington, both set residency requirements for people to grow, sell or invest in dope.

That makes Oregon alluring for companies hoping to build multistate marijuana empires.

Local growers fear large, out-of-state weed companies could open factory farms and chain stores, pulling a Walmart by scaling their businesses so large that small growers can't compete.

Some lawmakers are drafting legislation to put a four-year residency requirement on people entering Oregon's legal marijuana business. (Washington's is one year.)

“Why would we cater to outside influence and money trying to horn in on what Oregonians are already doing?” says Sen. Floyd Prozanski (D-Eugene).

Backers of the law as approved by voters say restrictions could cripple local growers' ability to find capital. “It would starve the market,” says Matt Goldberg, a Lake Oswego lawyer advising marijuana businesses. “I don't see how we can be a model for recreational cannabis if the marketplace is going to be restrained in that way.”

Last week, the Oregon Liquor Control Commission—which is preparing to regulate recreational pot—called residency requirements “a policy issue with implications for public safety and economic security.” Anthony Johnson, the chief petitioner on Measure 91, has told legal pot's backers to expect some residency restrictions.

That's not stopping deep-pocketed investors from shopping in Oregon.

On March 9, a commercial real-estate investment broker with the Portland firm Melvin Mark sent an email to multiple growers on behalf of “a handful of large global investment funds” seeking to buy weed properties. “My clients are very well-funded,” broker Greg Martin wrote, “and are willing to pay a premium for dispensary and cultivation sites all over the state.”

The biggest potential investor in Oregon weed is Privateer Holdings, a Seattle equity firm that has raised \$82 million—much of it from PayPal co-founder Peter Thiel. The company runs the dispensary review website Leafly, and last year announced the launch of Marley Natural, a brand of Bob Marley-themed Jamaican pot.

Privateer has hired the Portland lobbying firm Gallatin Public Affairs (whose clients have included tech companies Uber and Oracle) and the law firm Tonkon Torp.

Privateer is hoping lawmakers will craft rules that allow it “to help Oregon establish a legitimate, professional industry that eliminates the illicit market,” says spokesman Zack Hutson. “We believe that a residency requirement would actually be counterproductive to achieving those goals.”

Matt Walstatter says blocking out-of-state investment would leave Oregon growers less able to compete when weed sales become legal in other states. “If we don't allow ourselves the ability to scale up,” he says, “we're just delaying the nightmare scenario—a big boom and bust.”

Meghan Walstatter—whose Pure Green dispensary currently has nine employees—would like some investment. But she says it's more important to protect local majority ownership of weed businesses.

“We don't need people coming in from other states,” she says, “thinking they can do this better than us.” **WU**

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