

From the Atlanta Business Chronicle:

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New company hopes to shape medical marijuana in Georgia

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A new Atlanta company is positioning itself to be a leader in Georgia's medical marijuana industry, before the industry even takes root.

Surterra Holdings Inc. is focused on the legalization of cannabis-based medicines and plans to help create a business infrastructure which will allow the production, distribution and sale of medical marijuana products in Georgia.



"We are trying to be very proactive in the early stages of helping make sure the legalization makes sense from a business standpoint," said Jake Bergmann, founder and CEO of Surterra. "By helping on the front side, we hope businesses that want to be involved in the industry would come to us because through our expertise and capital we can help them get set up and running."

Bergmann expects some form of a medical marijuana bill will pass during the 2015 Georgia **General Assembly**. He estimates it will cost between \$60

million and \$70 million to build out the industry's infrastructure.

Wes VanDyk, chief operating officer at Surterra, said the two spent a lot of time looking at different regulatory models in Colorado, California and other states that have legalized medical cannabis.

"We've done everything we can to research and develop a system that would make sense in southern states as we see this legalization process move across the country from a medicinal standpoint," VanDyk said. "We did a lot of boots-on-the-ground research in some of the more developed markets and looked at the existing political and business environments to identify viable companies to invest in or learn from as we saw the trend moving across the country from west to east."

Bergmann and VanDyk met Rep. Allen Peake, R-Macon, just before the first meeting of Georgia's medical cannabis study committee, which was created after last year's medical marijuana bill died in the General Assembly. That bill would have legalized use of certain kinds of marijuana, specifically cannabis oil, for children with seizures.

Peake on Nov. 17 prefiled a new proposed law, House Bill 1, which has been dubbed "The Haleigh's Hope Act." (To read it, visit <http://bizj.us/1710it>) It would grant Georgia families the right to use cannabis oil to treat certain seizure disorders in both children and adults.

Peake said Surterra appears to be very well funded and to have a very workable business model.

"They have provided some really good input on how to set up the business model and what works and what does not work in a potential piece of legislation," Peake said of Bergmann and VanDyk. "That's crucial and it's vitally important that we draft a bill that works in the real world. Because if all of a sudden we draft a bill, like Florida, where the rules and regulations become so burdensome and cumbersome that it's impossible to get the business off the ground and running so that citizens can have access to what

the legislation intended, then we've failed."

Peake said there will be a limited number of medical cannabis licenses and a high bar will be set for potential licensees.

"Not just anybody can come off the street and all of a sudden grow marijuana," Peake said. "They're going to have a viable business model with a high standard of character and a business plan that is proven to be able to work."

Peake said he is looking at allotting five or six licenses for medical marijuana.

"Maybe that's five or six vertically integrated [businesses], or one or two that are vertically integrated with two or three growers, two or three processors and two or three distributors," Peake said. "We're trying to keep it small so there's not a burden on law enforcement to oversee it and provide security that's needed, and so there's not a big burden on the state bureaucracy to oversee the licensing process and the enforcement of the licensing process."

Christian Sederberg, a partner at the Denver-based law firm Vicente Sederberg LLC, which does marijuana work around the county, said Georgia could play an important role in the national medical marijuana movement because the proposed bill allows for higher amounts of the psychoactive drug THC. Marijuana contains another chemical known as cannabidiol, or CBD, which has additional medical effects

"This is a very tight and regulated system that is being proposed," Sederberg said. "It is a very patient-focused system and it addresses one of the big concerns in an interesting and new way, which is the 1:1 THC to CBD ratio as being a limit for THC."

According to a study conducted by Ethan Russo and published by an academic publishing company that publishes medical and scientific literature, Elsevier, the combination of THC and CBD increases clinical efficacy while reducing adverse events.

"The [Georgia] system is different in that it allows higher levels of THC than the CBD-only or very-low-THC type of bills, but it limits the upside of the amount of THC and really focuses more on medical products for patients," Sederberg said.

The General Assembly will convene on Jan. 12.

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