



Entrepreneurs get high on possible Florida medical marijuana legalization

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The UpTake: Medical marijuana isn't legal in Florida. But it is on the ballot, and Ken Kavanaugh is ready. His back problems led him to use pot, and now he wants to sell it legally in Florida through his startup Marijuana Pharmacy LLC. He's not alone among Florida entrepreneurs readying themselves for the possibility of medical legalization in the Sunshine State.

Ken Kavanaugh was on a 34-foot, 750-horsepower fishing boat in 2005 on a calm day, working as a producer on a big game saltwater fishing show that filmed in Fort Lauderdale, when he broke his back.

The boat captain was paying attention to the boat gauges and doing 65 miles per hour when they crossed a yacht wake.

“I was tossed up about four feet in the air, and slammed down on the deck on my tail bone,” Kavanaugh said. “I crushed my T12 vertebrae. My trauma team compared the impact to jumping off a house roof and landing on my butt on concrete.”

That was nine surgeries ago, and while Kavanaugh can walk, his body never fully healed. He uses prescription medication for chronic pain, but when he's having a really bad day for pain, he takes a few puffs of marijuana to reduce inflammation and help with pain.

But this isn't the story of Ken Kavanaugh, medical marijuana advocate. This is the story of Ken Kavanaugh, the medical marijuana entrepreneur.

Jumping on the weed wagon

On Feb. 14, Kavanaugh and his wife, **Cindy**, formed **Marijuana Pharmacy LLC**, based in Apopka, Florida. The bank accounts are set up. The tax identifiers are set up. The business plan is being written.

And Kavanaugh is not alone. There are a handful of companies forming in Central Florida right now, prepping for a November vote to legalize medical marijuana in the Sunshine State.

Florida is the new California, and could, on a long enough timeline, become the new Colorado. And now is the time for entrepreneurs, investors and “Green Rush” prospectors to set up shop.

“It’s not a get-rich-quick scheme,” Kavanaugh said. “There has to be a level of patience involved. But nobody ever got rich sitting on their butts. They’re calling it the Green Rush. And for good reason.”

The big green market

So just how big is the market for medical marijuana?

Nationwide, legal medical marijuana represents a \$1.53 billion market, according to Arcview Market Research, and it’s projected to swell to a \$10.2 billion market in five years. So far, 20 states and Washington, D.C., have legalized it, and another 15 now are considering legislation to do so, including the Sunshine State. Only two states — Colorado and Washington — allow recreational marijuana use.

For now, the potential size of the Florida medical marijuana market is nearly impossible to gauge until a law is passed and regulations are written.

However, **Jeffrey Miron**, an economist with the Cato Institute and Harvard, said nationwide, Americans spent \$18.15 billion on marijuana — that’s both illegal, recreational marijuana and medical marijuana — in 2008. Localizing those figures with Florida’s population, and adjusting for inflation, the total market would be valued at \$1.26 billion. Metro Orlando’s portion of that would be \$140.1 million.

Taylor West, deputy director of the National Cannabis Industry Association, said the industry group estimates Florida’s medical marijuana market at \$785 million, with an estimated 260,000 patients. Orlando’s share would be \$89.1 million, with 29,518 potential patients.

“Job creation estimates are a little harder to make, but for comparison, Colorado created 5,000-10,000 jobs, and its pre-adult-use market was less than half the size of what we estimate Florida’s could be,” West said.

Miron, though, cautioned that estimates on market value should be scrutinized carefully. That’s because job creation and economic impact largely come from taking something that was illegal and legalizing it — it’s a lot of shifting, not necessarily creating.

Still, there would be job creation, he said, and state tax revenue.

“There’s been a lot of discussion that these changes are going to be huge boons to the economy because people who are advocating for the change want to sell it in a way that’s more palatable with soccer moms,” Miron said.

“But if you’re honest, the people who are going to benefit are people who want to use marijuana. You’ll see measured employment increase, GDP will go up, you’ll see tax revenue go up. They’re icing on the cake, though.”

The ground floor of a big market

The stars seem to be aligning.

Even high-profile doctors like CNN’s Dr. **Sanjay Gupta** are changing their minds on the efficacy of medical marijuana. There’s also a growing social movement that marijuana should be decriminalized and classified at the same level as alcohol and tobacco, not heroin. And there’s a growing economic argument for legalization, to create jobs and tax revenue by decriminalizing an unregulated, shadow segment of the economy.

Politically, marijuana legalization is favored by 64 percent-70 percent of Floridians, according to reports from the *Tampa Bay Times*.

Greg Pflug, owner of Geneva, Florida-based Adventures in Florida LLC, formed Orlando Medical Marijuana LLC because he sees an opening in a potentially massive industry.

“We’re looking at any opening we can get into on the ground floor.”

Pflug said he has five friends looking at possible medical marijuana companies, as well.

And in Brevard County, 52-year-old **Chip Griffin** formed **Medical Marijuana of Brevard LLC** on Feb. 10. Griffin, a retired military vet and city of Cocoa employee, said he’s been toying with the idea of starting a business for a while.

“My mother died of cancer and it’s something I wish was around for her,” said Griffin. “It’s something I think would have helped her.”

A cottage industry, for now

However, **Jerald Bovino**, vice president with Green Zipp.com, a medical marijuana consulting firm in California, said no state has legalized recreational marijuana before medical marijuana. In short, it’s a cottage industry now.

“A lot of people think we’re a couple of years away from blowing the doors off this thing,” Bovino said. “[Medical marijuana] is the first step. It’s how you wade into the kitty pool.

“It’s a litmus test to see if there’s demand. Everyone’s looking at Colorado as a leader. And they’re managing [recreational marijuana] quite well.”

Pot investors wanted

On the other side of Florida, **Jeremy Bufford**, the founder of Crowdsmart Inc. (which does business as Medical Marijuana Tampa) is looking at expanding his medical marijuana school and dispensary business into Orlando in the coming months. The school teaches people how to start and run a medical marijuana firm.

Bufford wants to raise \$10 million in a 506(c) fund raise, a new securities offering that can be advertised but is still restricted to accredited investors.

“Orlando is definitely on our radar screen, and we want to get over there as soon as possible,” Bufford said.

Voters, it’s up to you

How will this all turn out?

We’ll find out after the medical marijuana issue goes before Florida voters on the November ballot.

Meanwhile, see Page 6 for interviews with experts on what to do — and not to do — if you’re considering starting a medical marijuana company.