

Future of Livestrong's affiliation with ACC uncertain

By Kathryn Reed

Officials with the American Century Championship golf tournament are saying it's too soon to know if Livestrong will remain the official charity.

The annual celebrity golf tournament at Edgewood Tahoe in Stateline has been affiliated with Livestrong the last seven years.



Livestrong has a strong presence at the annual Lake Tahoe celebrity golf tournament – including on the flag and caddie. Photo/LTN file

While Lance Armstrong has been accused of wrongdoing, the foundation he created in 1996 after surviving testicular cancer is not under scrutiny.

Armstrong played in the Lake Tahoe golf tournament in 2006. The gallery following him rivaled Michael Jordan's.

“Plans have yet to be determined regarding tournament

beneficiaries,” Phil Weidinger, who runs the public relations arm of the tournament, told *Lake Tahoe News*. “As in previous years, an official announcement will be made by American Century Investments in spring.”

Through Livestrong local charities have shared in a pot of cash that some years totaled more than \$100,000.

Livestrong has been printed on the back of caddies’ vest, on the sail of the investment firm’s boat anchored near the 18th hole, on leader boards, as well as there being a tent just for the organization. It has become an integral part of the annual South Shore event.

Tonight the disgraced cyclist’s confession to Oprah Winfrey of using performance-enhancing drugs during his career will play out on television sets around the world.

On Oct. 17 Armstrong resigned as chairman of the board of Livestrong and on Nov. 4 he left the board. He has been banned from cycling for life and stripped of his seven Tour de France titles.

Energy drinks causing people

to frequent emergency rooms

Publisher's note: *"I found a total of three patients in 2012 who had diagnoses containing the words 'energy drink' or 'red bull' or 'caffeine' – the last one was thought to be due to the effects of '5 hour energy'. So not unheard of, but certainly no epidemic here," Warren Withers, medical director for Barton Memorial Hospital Emergency Department, told Lake Tahoe News.*

By Doug Podolsky, Consumer Reports

On these short winter days, some people might find themselves eyeing caffeinated energy drinks for a little boost. But perk up your ears: Emergency room visits for problems related to energy drinks have risen sharply, particularly for people age 40 and older, according to a government study out last week.

The number of ER visits involving energy drinks doubled overall from 10,068 in 2007 to 20,783 in 2011, according to the latest data from the Drug Abuse Warning Network (DAWN) a public health surveillance system that monitors drug-related hospital emergency department visits.

In each year from 2007 to 2011, more males than females went to the ER for energy drink-related care. And there were more patients age 18 to 39 than in other age groups. Notably, the largest increase was seen among people age 40 and older, for whom ER visits jumped 279 percent, from 1,382 in 2007 to 5,233 in 2011.

Fifty-eight percent of the energy drink-related ER visits in 2011 were for adverse events associated with the sole use of energy drinks. The remaining 42 percent involved energy drinks in combination with pharmaceutical drugs such as the central nervous system stimulants Adderall and Ritalin, alcohol, or illicit drugs including marijuana.

“Consumption of energy drinks is a rising public health problem because medical and behavioral consequences can result from excessive caffeine intake,” the report says. “A growing body of scientific evidence documents harmful health effects of energy drinks, particularly for children, adolescents, and young adults.”

Older adults may also be vulnerable to adverse effects associated with energy drinks, the authors indicated, possibly because they take medications or have medical conditions. The findings were published Jan. 10 in the DAWN Report.

In response, the American Beverage Association, a trade association based in Washington, D.C., issued a statement this week pointing out that the report does not provide data on the overall health of the patients, what symptoms brought them to the ER, or their overall caffeine intake.

Bottom line: Large amounts of caffeine can cause adverse effects such as insomnia, nervousness, headache, fast heartbeat, and seizures that are severe enough to require emergency care, according to the government’s DAWN report. See our Ratings in Consumer Reports to find the caffeine content of 27 top-selling energy drinks and shots. And read our recent blog about the Food and Drug Administration’s safety review of energy drinks. If you experience adverse events you believe may be related to energy drinks (or other FDA-regulated products) ask your health care provider to report it to the FDA’s MedWatch Adverse Event Reporting Program or report it yourself.

4 file for S. Tahoe council seat; 5th application on its way

Two former councilmembers who left on their own accord, a planning commissioner who has twice run for the council unsuccessfully, and a political newbie/college instructor are vying to be the fifth member of the South Lake Tahoe City Council.



The four are – Kathay Lovell, Bill Crawford, Austin Sass and Scott Valentine.

A fifth candidate has told *Lake Tahoe News* he is definitely going to submit an application – that would be another former councilman, Bruce Grego.

“I assure you I will be filing. There is no question in my mind,” Grego said Jan.16.

Anyone else wanting to be a candidate has seven working days to file for the vacancy created by Claire Fortier’s early departure. Jan. 25 at 5pm is the deadline to apply.

Interviews will be at the Jan. 29 9am council meeting, with swearing in likely that day. If the four electeds can’t decide on a person, there will be an election in June.

– *Lake Tahoe News staff report*

Climate assessment delivers a grim overview

By Neela Banerjee, Los Angeles Times

WASHINGTON – The impacts of climate change driven by human activity are spreading through the United States faster than had been predicted, increasingly threatening infrastructure, water supplies, crops and shorelines, according to a federal advisory committee.

The draft Third National Climate Assessment, issued every four years, delivers a bracing picture of environmental changes and natural disasters that mounting scientific evidence indicates is fostered by climate change: heavier rains in the Northeast, Midwest and Plains that have overwhelmed storm drains and led to flooding and erosion; sea level rise that has battered coastal communities; drought that has turned much of the West into a tinderbox.

“Climate change, once considered an issue for a distant future, has moved firmly into the present,” the report says. “Americans are noticing changes all around them. Summers are longer and hotter, and periods of extreme heat last longer than any living American has ever experienced. Winters are generally shorter and warmer.”

Written by 240 scientists, business leaders and other experts, the draft assessment arrives days after the National Oceanic and Atmospheric Administration issued its annual State of the Climate Report, which noted that 2012 was the hottest year on record. Together, the two major reports and a year of drought, wildfires, floods and freak storms have created for President Obama the chance to take substantial steps on climate change,

environmentalists said.

The report explicitly addresses the most controversial question in the global warming issue, saying that consumption of fossil fuels by humans is the main driver of climate change.

“The findings in the report are a three-alarm fire,” said Rep. Henry A. Waxman, D-Beverly Hills. “Climate change is already causing widespread disruption across the nation. We are in deep trouble if we don’t act forcefully this year.”

But with the White House working on so many economic, foreign and domestic policy fronts, it remains unclear if the president will speak up more on climate, let alone spearhead new initiatives.

The Obama administration has implemented several regulations to curtail emissions of carbon dioxide and other greenhouse gases that scientists say have stoked global warming. But the president seldom speaks of climate change.

The White House declined to comment on the National Climate Assessment report, saying it had not had a chance to review it.

The report, issued by an independent, interagency group operating under the president’s National Science and Technology Council, first came out in 2000 but went on hiatus during the Bush administration. It does not offer policy proposals to reduce greenhouse gas emissions or to help specific communities adapt to climate change. Instead, it details the risks they face.

The Southwest, including California, produces more than half of the country’s “high-value specialty” crops that are heavily dependent on irrigation. But a projected decline in snowpack and stream flow and increased competition for the water could threaten California’s agricultural communities. Higher

temperatures could disrupt regional electricity grids and create public health emergencies in Southwestern cities, where 90% of the region's population lives.

Flooding and sea level rise are already damaging some coastal California communities during storms and high tides, the assessment says, and water would come farther inland as erosion worsens.

The final assessment will be issued in early 2014. Public comment on the draft will be accepted until April 12.

Bear aversion study under way at Lake Tahoe

By Kathryn Reed

Bears are smart animals. They learn where easy food is, but they can also learn they aren't wanted in houses, dumpsters or vehicles.

"The alternative is a lead bullet," Mario Klip, bear biologist with the California Department of Fish and Game, said if bears don't learn their lesson.

Klip is working with his two Karelian bear dogs in the wild on aversion techniques. He believes a nip in a bear's butt by one of the trained dogs is better than any type of bullet fired at a bear.

He likes using what he calls a "hard release" of a bear that has been trapped and then is released. His dogs, Villa and Sasha, chase the bear, nipping at it, barking. The idea is to create an experience the bear doesn't like.

Klip said people need to create a less than welcoming environment for neighborhood bears. The obvious is to not leave trash out for bears to get into.



Mario Klip with the California Department of Fish and Game talks Jan. 12 about bears. Photo/LTN

"You need to make sure the animal knows it's your (house). That you don't want them. You need to make the bear feel uncomfortable," Klip said. "You want to limit the undesirable behavior."

Bears like high caloric foods and ones that smell good. Ice cream, peanut butter and syrup are three of the favorite foods they like to forage for in houses and garbage.

Besides bears' being a nuisance and distributing garbage about, they take the debris into the woods. This can alter the ecosystem a bit because they are dragging food scraps into the woods instead of eating berries or some other natural food source.

However, in Klip's studies he has found bears are not solely reliant on garbage, that their scat shows they are eating food that would be normal in their diet.

Nearly 50 people turned out Jan. 12 to hear Klip talk about the work he is doing in Tahoe with bears. The American Association of University Women sponsored the presentation at

Lake Tahoe Community College.

Klip is using his research at Tahoe on bear aversion techniques to help him obtain a doctorate from UC Berkeley. While other places in the world are using dogs for bear aversion, he is the only in California doing so.

"There is a global phenomenon that people believe wildlife have intrinsic value. You can't kill it just because it annoys you," Klip said.

While the state agency he works for has a rule on the books that a black bear can be killed if it attacks a human, the reality is humans have usually done something to anger the bear. It could be that a bear is in a house, but a person is blocking the exit so the bear takes a swipe. The bear can then be put down. Or it could be a person has food in their tent and a bear goes after it – and inadvertently the person. Again, the bear can pay the ultimate price.

Klip said bears in Lake Tahoe don't stalk people. However, that's not true in other states.

"In more remote areas humans are prey," Klip said, like Alaska. These are places where bears haven't see humans, and therefore see them as a potentially tasty morsel. "Every bear in California has seen a human."

The biologist believes coyotes are more dangerous than bears.

It's estimated between 300 and 500 bears are in the basin.

While hunting bears caused an outcry when Nevada changed its rules a couple years ago, the state allows 10 bears to be killed, while California's total is about 2,000, Klip said. New in California as of Jan. 1 is the ban on using dogs during a hunt to tree a bear.

Vail Resorts lowers profit expectations

By Mark Harden, Denver Business Journal

Vail Resorts Inc. said Tuesday it saw a 4.3 percent rise in lift ticket revenue and a 2 percent gain in total skier visits for the 2012-13 ski season through Sunday from the same period of last year's winter season.

But the ski resort operator also pulled back on its profit guidance for fiscal-year 2013, with CEO Rob Katz citing "the challenging early season."

Broomfield-based Vail Resorts – operator of Heavenly, Northstar, Kirkwood as well as Colorado's Vail, Breckenridge, Beaver Creek and Keystone ski resorts – also posted year-over-year increases in various other revenue streams in a report Tuesday.

It said dining revenue was up 9 percent from a year earlier, retail and rental revenue rose 7.7 percent, and ski school revenue was up 2.9 percent.

But despite year-over-year revenue increases that were boosted by generous snow over the holidays, results were hampered by weaker snow through mid-December, "when conditions at our Colorado resorts were very poor and highly unusual," Katz said.

The company said it now projects fiscal-year 2013 net income of \$38.9 million to \$48.9 million, down from the \$50 million to \$60 million it projected in September.

Vail Resorts' fiscal year runs through July 31.

The revenue numbers for the 2011-12 season were adjusted to include revenue from Kirkwood resort, which Vail Resorts acquired in April 2012.

The comparisons cover seven ski areas, but do not include two recently acquired "urban" ski resorts, Afton Alps in Minnesota and Mount Brighton in Michigan, the company said.

In other news, Vail Resorts said Tuesday it is adding Bruce Sewell, senior vice president and general counsel of Apple Inc., to its board. Sewell is a former professional ski patroller.

**Brown presses for
efficiencies at California's**

universities

By David Siders, Sacramento Bee

Gov. Jerry Brown, who paid relatively little attention to the University of California for the first two years of his term, started showing up for board meetings late last year, urging spending reductions as part of a “new paradigm” in higher education.

“We are going to have to restrain this system in many, many of its elements,” Brown said in November, “and this will come with great resistance.”

If his intentions were not entirely clear, they became so Thursday, when Brown released his annual budget plan. He chastised the UC and California State University systems for years of cost increases and rising tuition. Though he proposed additional funding of \$250 million next year for each system, the amount fell short of what they requested.

“The phrase is, ‘Deploy your teaching resources more effectively,’” Brown said.

The Democratic governor said he will attend meetings of the UC and CSU governing boards this month to press for improved graduation rates and operational efficiencies, including online education.

“Oh to be a fly on the wall,” Assemblywoman Kristin Olsen, R-Modesto, said on Twitter, anticipating “sparks.”

Brown acknowledged meetings with UC officials last year “didn’t turn out to be as productive as I would like,” but he said discussions are still “embryonic.”

“We haven’t totally clarified ... what’s at stake here or what has to be done, so I want to move diplomatically but carefully,” he said.

Brown said he will be “listening a lot, meeting behind the scenes and figuring out, can we turn down this relentless increase in spending that is so much higher than the normal cost of living.”

In his budget proposal, Brown said that while “other public agencies were retrenching, UC expenditures increased by 15 percent and CSU expenditures increased by 3 percent” since 2007. He lamented that only 16 percent of CSU students complete degrees within four years and 60 percent of students do so at UC.

“The rising cost of higher education not only threatens affordability, it also threatens the quality of California’s system of higher education as it relies on a model that is not sustainable,” Brown said in his budget plan.

It is unclear how receptive UC regents will be to Brown’s involvement in their affairs. The university system is administered independently by the regents and subject to only limited legislative oversight.

“You can’t, and we wouldn’t want to, impose some sort of mandates on them,” the state Department of Finance’s Nick Schweizer told reporters in a conference call after the budget’s release. “But at the same time we do want to move them in a better direction as to where things have been going.”

Patrick Lenz, UC’s vice president for budget and capital resources, said in a prepared statement that the university had absorbed nearly \$1 billion in state funding cuts during the past five years and that Brown’s budget proposal is a “very positive step forward in a process that will unfold over the next several months.”

Lenz said UC has already enacted significant spending cuts and blamed “the state’s recent disinvestment in higher education” for forcing tuition increases. He said UC shares Brown’s

interest in avoiding tuition hikes.

"In the end, however," Lenz added, "the university must always work to assure that its fundamental attribute remains intact, and that is the quality of education, research, health care and public service that the state has come to expect from its university."

While UC officials had raised the possibility of tuition increases despite passage of Proposition 30, Brown's November tax initiative, a UC administrator said Friday that the governor's budget plan appears to provide sufficient revenue to avoid them.

"When you add everything up, I think our initial reaction is that we can manage without a tuition increase for '13-'14," said Daniel Dooley, senior vice president of external relations at UC. "We're pretty excited about what he's proposed."

In a prepared statement, CSU Chancellor Timothy White said Brown's proposal "heads us in the right direction." However, he said the college system still faces "many fiscal challenges."

At the Capitol, Brown was widely praised by lawmakers for the additional college funding he proposed.

"I think it's a good signal from the governor that he wants to be supportive, and I hope that, in turn, our CSU system and our UC system see it that way, and there's better interactions and better rapport," said Assemblywoman Nancy Skinner, D-Berkeley.

"If I were a UC administrator, I would take that proposed budget as ... an olive branch, a sign that the governor values the role of higher education in California and wants to work with the UC system to make it better."

Raquel Morales, president of the UC Student Association, said Brown's funding proposal is "the bare minimum that we expected" and that UC remains underfunded.

"We don't know what's going to happen, we don't know how the UC's going to react," she said, describing students as "stuck in the middle, I guess you could say, between Governor Brown's proposal and the Board of Regents."

Brown, who sits on the UC board but rarely participated in meetings until November, argued that month for expanded online course offerings, saying regents must "get more grounded" in their approach. He proposes to provide \$10 million each to the UC and CSU systems to expand the number of courses available online.

UC administrators said in a report ahead of the board meeting this week that UC offers online courses, including some for credit, and that online education is "currently the subject of much debate – and excitement – about its use in undergraduate and graduate degree programs."

Faculty members have raised concerns about the effect of online education on academic quality and on their institutions' reputations, while proponents have accused UC of moving too slowly to expand offerings.

"No one's really ever called them out on that, so I think the governor's going to make a huge, huge impact," said Dean Florez, a former Democratic state senator and president of the 20 Million Minds Foundation, a promoter of online education. "I think the governor is really kind of pushing in a way the institutions haven't been pushed before."

Brown also proposes in his budget to cap the number of credits students can accrue at subsidized, in-state prices – initially limiting most students to 150 percent of what is necessary to complete most degrees.

The proposal, which would affect far more students in the CSU system than at UC, is similar to a plan mulled by CSU officials last year.

Trustees put off a discussion about the issue in November, at Brown's request. At the time, the governor said he understood it was an effort to "manage our resources very carefully" and that he wanted to "take a look at that."

"We all will," Brown said, "and I want to participate."

Lobbyists ready for Nevada legislative session

By Anne Knowles, Northern Nevada Business Weekly

In three weeks the 77th Regular Session of the Nevada Legislature begins and the state capital will once again host a swarm of lawmakers, citizens, reporters and, maybe most of all, lobbyists.

About 250 lobbyists have already registered for the session, and about half of them were in the legislative building in Carson City last week for a now mandatory two-hour training class which covers everything from ethics to fire exits to filing required monthly expense reports on time.

But all of them were already busy meeting with clients, legislators and one another to prepare for the upcoming session and continue work they've been doing since the last time the Legislature convened. The spotlight may be on every other year for a few months, but lobbying is a year-round,

full-time profession.

"The session is the high-profile, high-activity period of time," says Nicole Willis-Grimes, director of public affairs with the Ferraro Group in Reno, which represents Saint Mary's Regional Medical Center, Dacole Company and Las Vegas Limousines among other businesses. "But in the interim there is a lot of regulatory work. We're hired for the relationship we have with people and for ongoing monitoring."

That includes representing clients' interest as bills passed during session are forged into regulations as well as tracking candidates, both to advise larger clients on whom to support during election campaigns and for building rapport with individuals those clients may need in the future.

"I spend time meeting new candidates who may not even become a legislator," says Jeanette Belz of J.K. Belz & Associates Inc. in Reno, which represents Liberty Mutual Insurance Group, Nevada Academy of Ophthalmology and Nevada Psychiatric Association among others. "I don't know if they'll be elected or who they might affect, whether they'll benefit one client or another."

That's why, in part, most lobbyists work on monthly retainer rather than billable hours, with expenses calculated in, and often sign one- to two-year all-inclusive contracts that usually turn into long-term relationships.

Each contract is unique and retainers vary depending on the amount of a work a client requires, including the most difficult task, what lobbyists uniformly call "heavy lifting."

"Getting legislation passed is heavy lifting," says Lesley Pittman, president of Sierra Strategies in Reno, which represents Station Casinos Inc., Reno Diagnostic Centers, United Way of Southern Nevada and others. "It is much harder to get something passed than to kill it, especially if it is controversial or goes against public opinion."

But even just keeping tabs on a few bills or issues can quickly turn into a time-consuming headache.

“Right now there are 883 bill draft requests and 1,500 bills on average in each session,” says Chris Ferrari, president of Ferrari Public Affairs, a Reno firm that works with ValueOptions, Corrections Corporation of America and Alliance Trust Co. among others. “A bill that could start out as innocuous could become a problem for someone as amended.” Clients are found in a number of ways, say lobbyists. Starting out, lobbyists use their lobbying skills to develop a clientele.

“I came to Nevada in 1995 to work as the president of the hospital association, and I worked for a lobbyist for two years before starting out on my own,” says Belz. “I had no clients so I started by going to every meeting I could think of and making sure people knew I was available. I was at an interim committee meeting on electrical deregulation and met someone sitting in the audience. That’s how I got my first contract.”

Large, well-established firms such as the Ferraro Group, run by longtime lobbyists Greg Ferraro and Bob Ostrovsky, and R&R Partners, headed by well-known Nevada lobbyist Billy Vassiliadis, need no introduction. Many lobbyists find clients through referrals from other lobbyists who are approached by a potential client whose interests are in conflict with a business or group they already represent.

“When you get to be the size of our company, you run into conflicts a lot,” says Mike Draper, director of government and public affairs in Nevada with R&R Partners, which has offices in Washington, D.C., Denver, Los Angeles and elsewhere as well as Reno and Las Vegas. “If a client is in an industry we already represent, either we don’t take that client or we go to our existing client and see if we can work together.”

Working together to build consensus is a key part of the job, say lobbyists.

“Depending on the issue or the industry, we work hard to find other businesses or industries that have same concern and we form coalitions,” says Misty Grinner, senior public affairs with The Ferraro Group. Coalition-building may be easier in Nevada, where a relatively small group of lobbyists, both paid and unpaid, know one another and have ready access to members of the citizen legislature. But that presents problems, too, especially with the turnover necessitated by term limits.

“These are average Joes, from all walks of life, and it’s unfair to expect them to be experts on all sorts of policies and issues,” says Draper. “Lobbying has become ability to disseminate info to legislators. Lobbying has evolved and some of the stereotypes of the business are not nearly as accurate as they used to be.”

“Lobbying or lobbyist is a dirty word, but the absolute most important piece of lobbying is your credibility,” says Draper. “Credibility is your most important asset.”

Man accused of killing mama bear goes to court

By Los Angeles Times

A Northern California man is facing charges for allegedly shooting a mother bear whose cubs he later tried to sell at a gas station last summer, authorities say.

Chris Puett said he shot the mother of the two bears, a brother and sister, who are now sleeping through their first winter at Lake Tahoe Wildlife Care.

"I was defending my life. I don't feel that there should be penalties for defending my life," Puett said in a TV interview.

While there are strict rules against poaching bears, and killing a bear with cubs, those rules don't apply when the bear is charging or threatening a human life, and that's what Puett claims happened.

Back when he shot the mother last summer, he said he killed her. And he collected her cubs in a cage, he said, until he could find someone to take the place of their mother.

He was found last June trying to sell the two baby black bears at a gas station in North San Juan, 75 miles northeast of Sacramento, telling California Department of Fish and Game wardens he was "just trying to find them a good home."

The reason, he said, was because he had shot and killed their mother on his property a few days before.

"He told us he had shot the mother bear in self-defense and the mother bear ran off, leaving the cubs behind," department spokesman Patrick Foy said at the time.

Puett said in an interview this week with KTXL-TV in Sacramento that the cub's mother was after some dog food when the two came face-to-face. But now he's saying he didn't kill her. He says he aimed the gun to the side when he fired so he only injured her.

The Department of Fish and Game isn't buying it, Puett said.

"They think my whole story is a bunch of bear poo," he said.

Even though no one's ever found the mother bear's body, Puett

says he's facing some pretty stiff penalties for what he did that day. He goes to court Wednesday in Nevada County to face the bear-killing charges.

"I do not want to forfeit my gun. I do not want to take a hunter safety course, because I wasn't hunting. And the fine is a fine," he said.

Wildlife officials say the two bears will be transferred within the next month, while they are in hibernation, to a den in the wild in or around the Tahoe National Forest.

In California, it's U.S. vs. state over marijuana

By Adam Nagourney, New York Times

STOCKTON – Matthew R. Davies graduated from college with a master's degree in business and a taste for enterprise, working in real estate, restaurants and mobile home parks before seizing on what he saw as uncharted territory with a vast potential for profits – medical marijuana.

Federal agents raided two of Davies's dispensaries and this warehouse, where 2,000 marijuana plants were grown, in 2011.

He brought graduate-level business skills to a world decidedly operating in the shadows. He hired accountants, compliance lawyers, managers, a staff of 75 and a payroll firm. He paid California sales tax and filed for state and local business permits.

But in a case that highlights the growing clash between the federal government and those states that have legalized

marijuana for medical or recreational use, the United States Justice Department indicted Davies six months ago on charges of cultivating marijuana, after raiding two dispensaries and a warehouse filled with nearly 2,000 marijuana plants.

The United States attorney for the Eastern District of California, Benjamin B. Wagner, a 2009 Obama appointee, wants Davies to agree to a plea that includes a mandatory minimum of five years in prison, calling the case a straightforward prosecution of "one of the most significant commercial marijuana traffickers to be prosecuted in this district."

At the center of this federal-state collision is a round-faced 34-year-old father of two young girls. Displaying a sheaf of legal documents, Davies, who has no criminal record, insisted in an interview that he had meticulously followed California law in setting up a business in 2009 that generated \$8 million in annual revenues. By all appearances, Davies' dispensaries operated as openly as the local Krispy Kreme, albeit on decidedly more tremulous legal ground.

"To be looking at 15 years of our life, you couldn't pay me enough to give that up," Davies said at the dining room table in his two-story home along the San Joaquin River Delta, referring to the amount of time he could potentially serve in prison. "If I had believed for a minute this would happen, I would never have gotten into this.

"We thought, this is an industry in its infancy, it's a heavy cash business, it's basically being used by people who use it to cloak illegal activity. Nobody was doing it the right way. We thought we could make a model of how this should be done."

His lawyers appealed this month to Attorney General Eric H. Holder Jr. to halt what they suggested was a prosecution at odds with Justice Department policies to avoid prosecutions of medical marijuana users and with President Obama's statement that the government has "bigger fish to fry" than recreational

marijuana users.

“Does this mean that the federal government will be prosecuting individuals throughout California, Washington, Colorado and elsewhere who comply with state law permitting marijuana use, or is the Davies case merely a rogue prosecutor out of step with administration and department policy?” asked Elliot R. Peters, one of his lawyers.

“This is not a case of an illicit drug ring under the guise of medical marijuana,” Peters wrote. “Here, marijuana was provided to qualified adult patients with a medical recommendation from a licensed physician. Records were kept, proceeds were tracked, payroll and sales taxes were duly paid.”

Holder’s aides declined to comment, referring a reporter to a letter from Wagner to Davies’s lawyers in which he disputed the depiction of the defendant as anything other than a major-league drug trafficker.

“Mr. Davies was not a seriously ill user of marijuana nor was he a medical caregiver – he was the major player in a very significant commercial operation that sought to make large profits from the cultivation and sale of marijuana,” the letter said. Wagner said that prosecuting such people “remains a core priority of the department.”

The case illustrates the struggle states and the federal government are now facing as they seek to deal with the changing contours of marijuana laws and public attitudes toward the drug. Colorado and Washington legalized marijuana for recreational use last year, and are among the 18 states, and the District of Columbia, that currently allow its medical use.

Two of Davies’s co-defendants are pleading guilty, agreeing to five-year minimum terms, to avoid stiffer sentences. Davies, while saying he did not “want to be a martyr,” decided to

challenge the indictment with a combination of legal and public-relations measures, setting up a Web site devoted to his case and hiring Chris Lehan, a hard-hitting political consultant and former senior aide in Bill Clinton's White House.

Among Davies's advocates here in California are Paul I. Bonell, who was the president of the Premier Credit Union for 21 years before Davies hired him in early 2011 to oversee his businesses' fiscal controls. After the businesses were raided in October that year, Bonell took a position as the head of the Lodi Boys and Girls Club.

"I had some reservations going in," he said of Davies's enterprise. "But the industry was exploding. Matt wanted to have internal controls in place. And we thought: This was a legitimate business. If the State of California deems it legitimate, we want to be the best at it."

Davies's accountant, David M. Silva, said he set up spreadsheets to keep track of inventories, revenues and expenses. "I've been a C.P.A. for 30 years," Silva said. "What I saw was a guy who was trying to run an operation in an up-and-up way."

The federal authorities said they stumbled across the operation after two men were spotted apparently breaking into Davies's 30,000-square-foot Stockton warehouse. The police said they smelled marijuana plants. Federal agents conducted a raid and confiscated 1,962 plants and 200 pounds of marijuana.

Davies, who is free on \$100,000 bail, greeted visitors to his gated home by asking them to speak softly while walking through the entryway so as not to awaken his sleeping infant. He called out to his wife when asked when he was indicted: "Hey, Molly – we were indicted on your birthday, right? July 18."

Davies referred to marijuana as "medicine," and himself as a

turnaround expert.

"We were basically pharmacists for medical marijuana – everything was in full compliance with state law," he said. "We paid our employees. We paid overtime. We had people going for unemployment if we fired them."

"Why are they coming after me?" he asked. "If they have such a problem with California, why can't they sue California?"

Stephanie Horton, 25, who went to work for Davies after going to one of his dispensaries to obtain medical marijuana to help her deal with ovarian and cervical cancer, said she was devastated by the arrest of employers she described as among the best she had ever had – not to mention the loss of her job.

"I'd go back and work there in a heartbeat," Horton said. "I totally trusted them. We're not criminals. I've never been arrested my whole life. I need that medication, and so do a whole lot of people."

But federal prosecutors offered a much less sympathetic view of Davies. The authorities shut down the warehouse and two dispensaries but said that Davies had ties to a total of seven dispensaries in the region, which they said yielded \$500,000 in annual profits. Davies's lawyers disputed those assertions.

"Mr. Davies is being prosecuted for serious felony offenses," Wagner wrote to Davies's lawyers. "I understand he is facing unpleasant alternatives. Neither a meeting with me nor seeking a review in Washington will change that reality."

This is as much a legal clash as a cultural clash. Recreational marijuana use is common across this state, and without the legal stigma attached to it in much of the country. The federal government is viewed as a distant force.

"It's mind-boggling that there were hundreds of attorneys

advising their clients that it was O.K. to do this, only to be bushwhacked by a federal system that most people in California are not even paying attention to," said William J. Portanova, a former federal drug prosecutor and a lawyer for one of Davies's co-defendants. "It's tragic."