EXHIBIT 3
DATE 3-16-15
SB 48

SB 48 – Electronic Reporting of Pseudoephedrine

From the Department of Justice

Pseudoephedrine is a critical ingredient necessary to manufacture methamphetamine (meth). It is obtained primarily through the purchase of common cold medications which contain pseudoephedrine. A major component of any meth operation is a steady flow of pseudoephedrine (PSE). There is an approximately 1:1 ratio regarding how much methamphetamine can be produced from how much pseudoephedrine is used in the process. The more pseudoephedrine available, the more methamphetamine is manufactured. Therefore those individuals involved in the illegal manufacture of meth seek out and obtain huge quantities of these products.

To combat this, the state of Montana passed legislation in 2005, which restricted the sales of these products. In 2006, the federal government did the same with the Combat Methamphetamine Epidemic Act. These laws limited access to these products to legitimate user amounts (9 grams in a 30-day period in Montana statute), required retailers of these products to obtain ID from the purchaser and maintain that information for access to law enforcement if requested. Those products were also removed from the retailer's shelves and secured, making them available only through access by authorized retail employees.

However, the records that are required to be maintained by these retailers are for the most part maintained "in store" and are accessible only to law enforcement that must physically contact each retailer and review the records. These records are not linked to any one central database, nor are they accessible online.

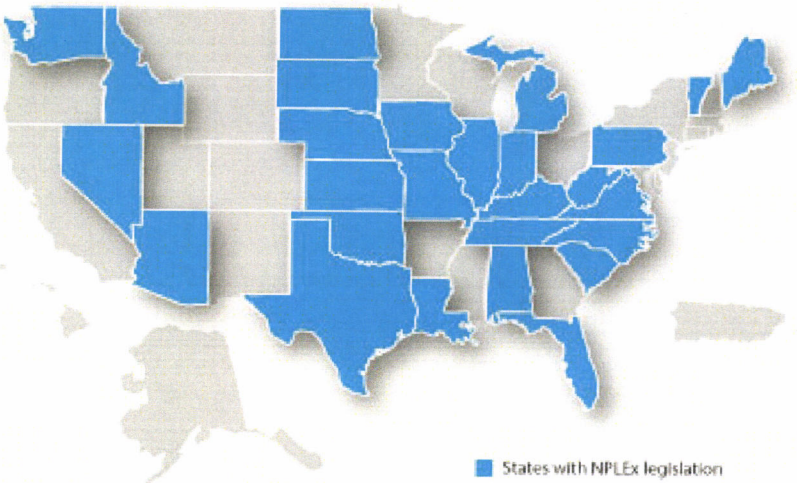
Meth manufacturers have identified this "loophole" in the system and realized they could simply go to multiple stores and obtain their legal limit of the product (9 grams) from each store. This process is known as "smurfing." After a "smurfing" trip by a group of individuals travelling throughout Montana and visiting multiple stores, they could end up with multiple pounds of the products and manufacture that into multiple pounds of methamphetamine.

There is a computer system/tool, known as NPLEx (National Precursor Log Exchange - http://www.nplexservice.com/faq.html), that incorporates each store's pseudoephedrine sales records into one secure database and in many instances do that in "real time", and actually block multiple sales. So if an individual purchases their legal amount of these medications in one store and that information is entered into this system, that information would be collected and relayed to all other retail locations in Montana selling these products. When that same individual attempts a second "illegal" purchase at another store, the system will identify the person as having already purchased their legal amount, and will block all additional sales to that individual.

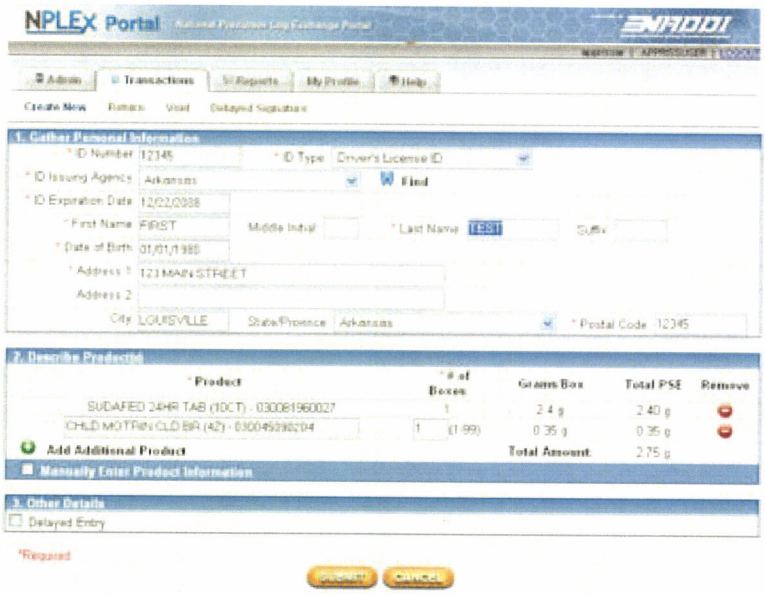
This tool is provided and maintained at no cost to law enforcement, retailers and customers. It is web based so that any retailer who has access to the internet has simple access to the system for the data entry. It is entirely web-based with no servers, software, or hardware. Law enforcement and retailers need only a computer with Internet access.

NPLEx is provided free of charge on a permanent basis to state governments that pass appropriate legislation and regulations. This includes implementation to all retailers, access to law enforcement, full 24/7 technical support, training for retailers and law enforcement, and maintenance and upgrades. The proposed statute is not written specifically for this software system. It is the most common system operating through the country, but nothing in this bill will mandate the use of this specific vendor.

Approximately 27 other states including several neighboring states have this system in place and those systems would link to Montana's. This would be very helpful in areas such as northeastern Montana (Bakken oil field) where illegal drug activity often crosses back and forth between Montana and North Dakota. Western Montana is another region where it is common for "smurfers" to shop in Montana, Idaho, and eastern Washington.



The customer information that is collected at these sales is already mandated by existing Montana statutes (50-32-502 MCA) which specifies that the customer: *"...produce a driver's license or other form of photo identification and sign a record of sale or acquisition that includes the date of the transaction, the name of the person purchasing or acquiring the ephedrine or pseudoephedrine, and the number of grams of the product, mixture, or preparation purchased or acquired;.."* That is the only information that is collected and maintained in this database. None of this collected data is classified as protected or confidential health information. The data is not subject to the same level of security and confidentiality such as HIPAA, which governs actual personal medical health information.



This database and records are maintained on a secure server by NPLEx. Access to this database is restricted to law enforcement, pharmacies and retailers, who have been verified as legitimate through a vetting process.