



GOVERNMENT
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CANNABIS CRONYISM

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Executive Summary

Cannabis legalization in the United States has come a long way. In 1996, California became the first state to legalize marijuana for medicinal use only. This past November, five more states legalized marijuana, and 47 of the 50 states now allow its recreational or medical use. While governments this Spring were imposing lockdowns and closures of most businesses, churches and schools to combat the COVID-19 epidemic, marijuana dispensaries joined pharmacies and liquor stores as “essential businesses” that must remain open in California.

While he was the first governor to issue a statewide shelter-in-place order, Governor Gavin Newsom of California kept marijuana available. Other states would soon follow: Thirty states in total that issued statewide stay-at-home orders would allow dispensaries of some kind, including recreational, to remain open.¹

While some claim that cannabis dispensaries were truly as important as pharmacies, which also remained open during statewide lockdowns, other factors may have contributed to this decision. Whatever its medicinal and recreational benefits, cannabis has evolved into a nearly \$21 billion industry that lobbies, pressures, and rewards politicians who look out for it.²

In August 2019, the FBI announced it was investigating public corruption in the cannabis industry through pay-to-play bribery schemes. This announcement came at a time when the debate in the United States over the pros and cons of legalizing pot had mostly concluded. Officials in many states have routinely ignored federal laws prohibiting the use of marijuana, effectively giving regulatory authority over marijuana to individual states.

There are now far more states where marijuana is fully legal than where it is illegal. Twelve states have decided through referendum, and two states through legislative action, to legalize recreational use of marijuana. Just three states – Nebraska, Kansas, and Idaho – still prohibit any use of marijuana, while the remaining forty-seven states have opted for legalization in some form.

With this new authority, state officials must now create specific regulations. Where states have approved legal marijuana, politicians must make licensing rules for detailing which businesses may distribute such products, and who may purchase them. As with any new market, laws and regulations inevitably will pick the winners and losers in this emerging industry, whose value may be as high as \$35 billion by 2025.³

As with any economic activity regulated by the government, affected businesses seek an advantage by hiring insiders who have access to those close to the regulatory process. They also make campaign contributions to well-positioned politicians.

And while most cannabis-related regulatory and legislative action is happening at the state level, some national level political figures have leveraged their positions to make money from cannabis legalization.

For example, in 2017, Paul Pelosi Jr., the son of House Speaker Nancy Pelosi, was named Chairman of the Board of Directors of Freedom Leaf, Inc., a consulting firm advising the budding marijuana industry.⁴ The following year, the company entered the CBD distribution business, while Pelosi purchased more than \$100,000 in company stock.⁵

Former Republican Speaker of the House John Boehner, who staunchly opposed legalizing marijuana in Congress, is now bullish on the industry. “This is one of the most exciting opportunities you’ll ever be part of,” he says in a video announcing his new National Institute for Cannabis Investors. “Frankly, we can help you make a potential fortune.”⁶ Boehner stands to earn an estimated \$20 million if his group succeeds in persuading the federal government to legitimize marijuana.⁷

Still, for now, the states are where most of the action on marijuana distribution is found, and where the greatest threat of political corruption exists. The Government Accountability Institute (GAI), whose mission is to expose cronyism, reviewed the process related to legalizing marijuana in seven states. For each state we reviewed, GAI focused on identifying the relationships between policy decisions that benefited advocates of marijuana legalization and the transfer of money and other benefits from marijuana-related businesses and lobbyists to elected officials.

While each state possessed a unique set of circumstances related to legalizing marijuana, our research found striking similarities in how cronyism in these states occurred. For example, in several states, elected officials and government employees made decisions that ultimately benefited them financially. Also, in several instances, campaign contributions were timed around important shifts in policy.

GAI analyzed original documents that included lobbying records, campaign donations, FBI subpoenas, FBI indictments, meeting minutes and videos, and various administrative rulings issued by state officials. GAI also reviewed press accounts of the legalization process. Our research found the following:

- **New York** Governor Andrew Cuomo, who once scorned marijuana as a “gateway” drug, changed his position and supported the full legalization of marijuana after appointing advisors, including his chief of staff, who had a financial interest in legalizing marijuana, and after receiving significant campaign contributions from marijuana-related businesses.
- In **California**, the FBI is investigating Lev Parnas and Igor Fruman over allegations they were conspiring to funnel foreign contributions into political campaigns to influence decisions related to marijuana licensure.
- In **Florida**, Ballard Partners, a Florida-based lobbying firm once called “the most powerful lobbyist in Trump’s Washington” is tied to two separate FBI inquiries connected to Florida’s cannabis industry. The firm was subpoenaed by prosecutors from the Southern District of New York who are investigating the illegal foreign money donor scheme.⁸
- Shortly after her 2018 election as **Florida’s** Agriculture Commissioner, Nikki Fried reported a \$1 million increase in her net wealth, thanks in part to a gift from the CEO of a marijuana company that was awarded a license under a new Florida law who she was romantically involved with.
- In **Illinois**, recently elected Governor J.B. Pritzker pushed quickly for legalizing recreational marijuana use, which benefitted his cousin, Joby Pritzker. Joby Pritzker was credited by advocates of the legislation with helping write the bill. He also had a financial interest in PAX Labs, Inc., which sells cannabis vaporizers. In May 2018, before recreational use was legal, PAX

Labs sold cannabis vaporizers in approximately fifty locations across Illinois through third-party vendors. As of 2020, based on the company's website, that number is now over 120.

- Several **Illinois** elected officials who supported a change in the law that would yield an additional \$100-\$400 million in marijuana sales received approximately \$1 million in campaign contributions from Stephen and Mary Jo Schuler. The Schulers were investors in PharmaCann, one of Illinois largest marijuana businesses. The change to the law was a windfall for PharmaCann and other businesses, by allowing access to medical marijuana for people who had previously been prescribed opioids.
- In **Maryland**, Governor Larry Hogan demanded a state delegate resign over financial ties to a cannabis business that was seeking a license. Our research shows that Governor Hogan had his own connections to cannabis companies seeking licenses in Maryland.
- In **Missouri**, the FBI arrived in Jefferson City just after a medical marijuana law was passed. Agents remained visible throughout the licensing and implementation of the new law under Governor Mike Parson. The FBI was watching a legislator-turned-lobbyist named Steven Tilley. Tilley, who was so well known as the master of legally converting unspent campaign funds to personal benefit that the practice is called the "Tilley Shuffle," was a confidant of Governor Parson, who created and implemented the marijuana licensing process.
- In the state of **Washington**, a judge awarded a resident \$192,000 in restitution after finding the state's licensing board repeatedly violated open meeting laws related to the implementation of cannabis legislation.
- Over the last five years, the FBI was engaged in criminal investigations related to legalizing marijuana in at least four of the seven states we reviewed. These states include **California, Missouri, Florida, and New York**.

The California Story

Sacramento Snapshot

Introduction

California became the first state to legalize medical marijuana in 1996 under the Compassionate Use Act, allowing, “Qualified patients and approved caregivers to possess and cultivate medical cannabis.”⁹

Recreational use was voted in twenty years later (2016) under the Adult Use of Marijuana Act. On January 1, 2018, legal sales of recreational cannabis were open to customers in California.¹⁰

By early 2020, there were more than 7,500 active cannabis licenses in California, including 910 retail dispensaries.¹¹

With about \$3.3 billion in legal cannabis and related products sales in 2019, California’s legal recreational and medicinal cannabis industry is not only “the biggest government-sanctioned market in the nation,” but also the “biggest legal marijuana market in the world,” easily outpacing nations such as Canada, Germany, and the Netherlands.¹²

However, the reach of the unregulated market remains a major concern as estimates have revealed about \$8.7 billion in black market sales. Thus, taking legal and illegal sales into account, the California market sold a whopping \$12.0 billion in cannabis and related products in 2019.¹³

As a result, of this rising demand, individual cannabis permits in the state have sold for as much as \$17 million. While this may seem like a hefty price to pay, and in spite of a federal law that prohibits marijuana-related businesses from gaining access to banking services, there is no shortage of willing investors. Also, the illegal status of marijuana at the federal level has resulted in a “legal limbo,” pitting state versus federal interests. This is not only true in California, but also in other states where marijuana has been legalized.¹⁴ Regardless, evidence suggests that the current California framework allows for increased corruption in a system where “money talks.”

Statewide Cannabis Cronyism: A General Overview

It is no secret that in recent years many former California bureaucrats and regulators “joined or established financial ties with the multibillion-dollar marijuana industry.” The *Los Angeles Times* recently reported that dozens of former government officials have exited the public sector to work for cannabis companies and the lobbying firms representing them, but the actual number is probably much higher.¹⁵

On August 15, 2019, the FBI announced that it was “seeing a public corruption threat emerge in the expanding cannabis industry” from individuals seeking to bribe public officials in exchange for retail cannabis licenses. Notably, part of the problem is rooted in California’s dual regulatory structure, which forces cannabis businesses to comply with state *and* local government requirements. With the approval of state cannabis licenses in the hands of city councils, “a conflicting patchwork of local laws” has emerged. Ultimately, with this type of decentralized permitting, “corruption can span from the highest to the lowest level of public officials.”¹⁶ Since then, California has become a focus in the FBI’s investigation. At issue is whether local officials have abused the cannabis regulatory systems that they helped create.

On June 11, 2020, Calexico City officials David Romero and Bruno Suarez Soto pleaded guilty to accepting cash bribes from an undercover FBI agent who they believed represented cannabis investors seeking to enter the Calexico market. In return, “Romero and Soto guaranteed the rapid issuance of a city permit for the dispensary, and to revoke or hinder other applicants if necessary, to ensure that the bribe payer’s application was successful.”¹⁷

During the last week of October, 2020, an FBI investigation related to the cannabis licensing in the City of Baldwin Park was revealed when officials raided the home of Compton City Councilman Isaac Galvan and the offices of Baldwin Park City Attorney Robert Tafoya. It was reported that several cannabis businesses complained of “questionable business practices, which included paying as much as \$250,000 cash in a brown paper bag to city officials.”¹⁸

Another prominent example of cannabis market abuse has taken place in the state’s capital, Sacramento. As the government hub for the largest state in the nation, the city has become ground zero for public-private interactions between local/state regulators and the industry. Sacramento has even attracted national headlines because of its connection to a scheme that violated federal election laws.

The Rise of the “Cannabis Czar”

One of the key individuals linked to Sacramento’s cannabis licensing scandal is Joe Devlin, an experienced political consultant who helped shape the policies and standards of the local and state cannabis markets and eventually became Sacramento’s first “Cannabis Czar.”

Devlin had previously served as a legislative director in the California State Legislature and as a consultant to the Assembly’s Speaker. When candidate Jay Schenirer ran for Sacramento’s City Council in 2010, he hired Devlin’s private consulting firm, Santillan & Devlin LLC, to run point on the campaign. Schenirer won the election and hired Devlin to be his Chief of Staff, but Devlin kept his consulting practice on active status.¹⁹

Notably, Santillan & Devlin provided consulting services for two important 2016 campaigns while Devlin served as Schenirer’s Chief of Staff. The first of these campaigns was when the

former President of the California Senate, Darrell Steinberg, ran for Mayor of Sacramento. The second was to promote Schenirer's "Measure Y" ballot initiative, which sought a tax increase from 4 to 5 percent on marijuana cultivation and manufacturing businesses to fund city youth services.²⁰

As a result of these campaigns, Devlin's firm was handsomely rewarded with nearly \$50,000 in campaign expenditures from mayoral candidate Steinberg, and at least \$24,000 from Schenirer's Measure Y initiative.²¹

These payments to Devlin's firm (and to Devlin himself) were quite substantial for local elections. They were afforded by campaign budgets significantly enhanced by donations from companies in the local cannabis industry. From 2014 to 2019, these companies donated at least \$225,000 for local elections, and about 90 percent of that amount went to campaigns for Steinberg (over \$60,000), Schenirer (over \$23,000), and Schenirer's Measure Y cannabis tax (over \$116,000).²²

As expected, Steinberg was elected Sacramento's mayor in 2016, which placed a pro-cannabis candidate at the head of City Council. Meanwhile, Schenirer won re-election, but his Measure Y initiative failed to acquire the two-thirds vote that it needed to pass.²³

Then, in 2017, Sacramento's City Council appointed Devlin as Cannabis Czar (officially "Marijuana Policy and Enforcement Manager") in anticipation of the January 2018 launch of legalized recreational cannabis.²⁴

The timing of Devlin's appointment raises the question about whether or not he did favors for the cannabis companies that indirectly paid him through their campaign donations.

For those involved in (or familiar with) Sacramento's cannabis scene, Devlin's promotion came as little surprise. As he would reveal during a panel discussion at the 2018 State of Cannabis Conference, Devlin had worked with Sacramento's City Council to establish the first statewide municipal Office of Cannabis Management, which included the "Cannabis Czar" supervisory post that he created for himself. In that role, Devlin was primarily responsible for:

- Determining the cap on the number of recreational dispensary licenses in Sacramento;
- Establishing the terms for obtaining licenses for cannabis cultivation, distribution, manufacturing, etc.; and
- Deciding who would receive the limited number of available licenses.²⁵

It appears that Devlin's lofty position as Cannabis Czar was not enough. In spring 2018, he requested and received city manager approval to consult for Conaway Ranch, an industrial hemp organization in the region. Several months later, the *Sacramento News & Review* reported that Devlin may have been "looking for greener pastures months before his departure." His request stated that since hemp is not legally the same as cannabis, it would not

violate the city code “nor would it present any potential moral or ethical conflicts with my current duties.”²⁶

As it turns out, Angelo Tsakopoulos, the father of California Lieutenant Governor Eleni Kounalakis, owns most of the ranch and surrounding property. In addition, five days after the approval of Devlin’s consulting assignment, Tsakopoulos’s son registered a company called Nor-Cal Hemp with California’s Secretary of State.²⁷

This is significant because, as stated in his 2019 financial disclosure form, Conaway Ranch and Nor-Cal Hemp paid Devlin at least \$10,000 each by the end of May, which is when he was terminated from his Cannabis Czar post. This occurred even though Nor-Cal Hemp was not a registered company when the city manager gave Devlin permission to work for the ranch as a consultant.²⁸

Sacramento’s Cannabis Cronyism

Like other California cities, the overall success of Sacramento’s retail cannabis market depends upon the efficiency and transparency of local regulation and enforcement. However, local leaders in this capital city have been unable to implement and enforce cannabis regulations that prevent abuse and encourage ownership diversity.

This regulatory failure is partly the result of arbitrary licensing restrictions, which have transformed permits into valuable market commodities where only the wealthy and established players can compete. The following section highlights one of the challenges that the city is currently facing.

The thirty Sacramento medicinal dispensaries with permits prior to the 2018 arrival of legalized recreational cannabis were the only companies allowed to apply for the new recreational permits. This restriction prompted Sacramento City Councilman Larry Carr to ask a question that no one at City Hall could adequately answer: “The 30 dispensaries that we’ve already licensed,” Carr inquired: “Why does it make sense for us to continue to provide them with a monopoly?”²⁹

But rather than addressing the perception that local decisions had, in effect, allowed a small number of players to control the market, Sacramento’s leaders went even further to encourage consolidation. Schenirer crafted a cultivation ordinance that allowed existing dispensary license holders to also apply for cultivation licenses, thereby facilitating a closed-supply circuit for those companies that were already active in the local retail market.³⁰

While Sacramento policy states that a public lottery is to be used to assign or transfer new permits, no such lottery has ever been held, and recreational cannabis permit holders were ‘grandfathered in’ from the previous medicinal system.³¹ With such a low cap on the number of

dispensary licenses, only a handful of players found themselves commanding a significant market share of *both* the medical and recreational retail markets.

In late 2017, Sacramento allocated \$1 million for a two-year pilot program called Cannabis Opportunity, Reinvestment and Equity (CORE) under the oversight of Devlin's Office of Cannabis Management. This program was designed to help develop cannabis businesses and to "ensure economic equity for disenfranchised groups and those negatively impacted by the nation's drug war." CORE claimed that it would decrease permit fees for minority beneficiaries in response to a "critical demand of the black community that saw a disproportionate number of African American men imprisoned nationwide for possessing and selling marijuana."³²

However, while the pilot program was still in effect, Devlin was terminated as Sacramento's Cannabis Czar on May 29, 2019 for undisclosed reasons.³³

It is uncertain how much progress Joe Devlin had made in diversifying the city's cannabis business ownership. One thing is clear: as of October 2019, not a single African American person in Sacramento owned a cannabis dispensary, which is the most lucrative type of business in the industry. Instead, the concentration of wealth in the city's cannabis industry remained in the hands of a select few who "control almost half the city's cannabis storefront shops" and have been allowed to "trade their businesses with ease."³⁴

In summary, the thick web of corporate-political interests present in Sacramento's cannabis industry kept newcomers on the outside looking in, despite Devlin's apparent initiatives toward diversification.

The Devlin-Cargile Connection

One of the most influential Sacramento cannabis market participants is Kimberly Cargile. As a longtime player in the local medical cannabis industry, she managed one of the city's first operating dispensaries in 2007 and began operating her own medical cannabis dispensary, A Therapeutic Alternative, in 2009.³⁵

A spring 2018 interview with Joe Devlin describes his close relationship with Cargile, stating that Devlin has "toured A Therapeutic Alternative and worked with Cargile throughout the years" in the marijuana industry. Devlin commended Cargile's model efforts, saying: "In the case of [Cargile], I think she has a very altruistic approach and holistic approach to cannabis...I have spent time getting to know her and getting to know the industry, and I think the only way to effectively regulate an industry is to put myself in her shoes so that the regulations are meaningful and effective."³⁶

Following Devlin's Cannabis Czar appointment, Cargile received a cannabis cultivation license in September 2017 for one of her other companies, THCA Inc., which filed for the cultivation permit under the project description title, "Ikänik Farms."³⁷ Three months later, Cargile became

the first person to be awarded a recreational cannabis dispensary license by the new Cannabis Czar.³⁸ However, by this time, Cargile had transferred ownership of the permit to a stock corporation that Cargile registered under the fictitious business name A.T.A.C.H.S.³⁹ Joe Devlin was the signatory authorizing the permit on behalf of the City.⁴⁰

By spring 2019, Ikänik Farms “acquired” ownership of THCA Inc. from Cargile and listed it as an asset on a corporate presentation document to the City of Pleasant Hill.⁴¹ Based on the most recent California Secretary of State filing, Ikänik Farms CEO Brian Baca is listed as the president of THCA.⁴²

Five weeks after his termination as Sacramento’s Cannabis Czar, Devlin became vice president of new market development at Ikänik Farms, which offers, “handcrafted cannabis brands.” With its new hire in place, Ikänik Farms not only opened its new administrative office in the capital, but also touted “the regulatory environment that Devlin helped shape in Sacramento as part of its reason for choosing him, including the generation of \$250 million in annual gross sales from the local cannabis economy.”⁴³

At present, Ikänik Farms can be counted among the exclusive companies that have a foothold in Sacramento’s booming cannabis market. Moreover, corporate updates have revealed that the company is in the midst of opening one of California’s few cannabis lounges in late 2020, which would be the “flagship Ikänik Farms dispensary and consumption lounge in Palm Springs.” The property owner for this future lounge is Kathy Vercher, president of Spearmint Rhino Gentlemen’s Club, a leading adult entertainment establishment in the United States.⁴⁴

The Rise of the Sacramento “Pot King”

Notably, Devlin’s time as Sacramento Cannabis Czar coincided with the takeover of the local market by cannabis tycoon Garib Karapetyan and his business associates.

Karapetyan was introduced to the cannabis business by a relative, Joe Karapetyan, who was linked to a cannabis Ponzi scheme in early 2020 and is a co-owner of the Karapetyans’s network of cannabis companies (often referred to as the “Kolas group”).⁴⁵

Dubbed by the local media as Sacramento’s de facto “Pot King,” Karapetyan used the Kolas group to acquire nine of the city’s thirty dispensary licenses by 2019, despite a city cannabis ordinance stating that, “no person who has an ownership interest in a storefront cannabis dispensary shall obtain an ownership interest in any other storefront cannabis dispensary.”⁴⁶ In addition to dispensaries, the Kolas group obtained permits for cultivation, manufacturing, and distribution.⁴⁷

How, exactly, was Karapetyan able to collect a disproportionate number of dispensary permits despite city regulations aimed at preventing this type of consolidation?

In November 2017, Devlin used his position as Cannabis Czar to endorse one of Karapetyan's companies, Capitol Compliance Management (CCM), in the local press.⁴⁸ Sacramento had just completed an audit of its medical cannabis industry that found widespread noncompliance and Devlin's comments were summarized as follows: "Some dispensaries have helped their cause by hiring...a company called Capitol Compliance Management to address operational problems, including those identified in the audit."⁴⁹

However, Devlin failed to mention that Karapetyan owns all nine dispensaries represented by CCM and serves as its CEO, which would have exposed Karapetyan's overconcentration of dispensary licenses.⁵⁰ It is also worth noting that one of Karapetyan's dispensaries, Florin Wellness Center, did not submit a single document requested by the city's auditor, such as the prior year's financial statement, tax return, gross receipts records, membership list, or vendor list.⁵¹

In summary, it appears that Devlin openly approved how Karapetyan's dispensaries addressed operational deficiencies through the latter's own management company while ignoring that:

- Karapetyan is in violation of the city's ordinance aimed at preventing the consolidation of retail cannabis permits; and
- One of Karapetyan's companies refused to comply with the city's audit.

Regardless, the flaws in Sacramento's retail cannabis licensing system have not gone unnoticed by federal and local officials.

Around the time of Devlin's termination, the FBI began investigating whether Sacramento cannabis businesses paid bribes to public officials for dispensary licenses. According to the *Sacramento Bee*, the FBI is likely scrutinizing Karapetyan's Sacramento dispensaries.⁵²

In response, Mayor Steinberg called for another city-wide audit in October 2019, urging city auditor Jorge Oseguera to "take a deep look at our permitting rules and whether they need to be changed to safeguard against over-concentration with one individual or group."⁵³ Several days later, Sacramento councilwoman Angelique Ashby further claimed that "obvious mismanagement has occurred in our permitting process" and several members of the City Council, including Ashby, raised concerns "about the lack of integrity and perceived equity in [their] marijuana permitting system."⁵⁴

Karapetyan's Questionable Associations

Over the years, Garib Karapetyan has been linked to individuals with ties to illegal activities. A couple of noteworthy examples are as follows:

One of Karapetyan's partners, Gevorg Kadzhikyan, was arrested in April 2015 on felony cannabis charges after police raided his Sacramento-area home and a Cloud 9 dispensary that is under the Kolas group's umbrella.⁵⁵

Karapetyan co-owns at least one Sacramento property with attorney Arthur Charchian. Among these is the site where Cloud 9 is located (5711 Florin Perkins Road). Karapetyan and Charchian appear to have used two LLCs to purchase this property, but only Charchian's name appears on the city's cannabis application for that address, thereby concealing Karapetyan's ownership.⁵⁶ In December 2018, Charchian pleaded guilty to "federal charges of using his client trust bank accounts to launder proceeds of a \$14 million tax fraud and identity theft scheme that used false identities and bogus Republic of Armenia passports to obtain tax refunds from the Internal Revenue Service."⁵⁷ At the time of his arrest, Charchian was serving as president of the Southern California Armenian Democrats.⁵⁸

To expand his cannabis empire, Karapetyan partnered with several individuals to obtain permits to buy and sell property. One businessman whose close connection to Karapetyan appears to have avoided scrutiny is Ben Atkins, a former manager and founding board chairman of Trulieve, the largest and most profitable cannabis company in Florida.⁵⁹

According to the *Cannabis Business Times*, Atkins owned eleven California dispensaries prior to his involvement with Trulieve, no small feat given the financial and regulatory barriers to enter the market.⁶⁰ An analysis of two Atkins-owned companies—Golden Health & Wellness, Inc. and Sactown HCP, LLC—reveals how these were used to further the interests of the Kolas group.

Golden Health & Wellness, Inc. (GHW) was founded in 2009 as J Street Wellness before changing its name several years later. According to the *Sacramento Business Journal*, one of Karapetyan's Kolas group partners, Hayk Serobyan, "acquired" GHW from its original owners in open violation of city ordinances prohibiting the transfer of dispensary permits.⁶¹

A review of GHW's corporate filings shows that the company has been suspended by California's Franchise Tax Board (FTB) multiple times. In particular, the original registered agent resigned in April 2014 and the company did not restate its articles of incorporation with the Secretary of State until October 2018.⁶² This time gap was most likely caused by the FTB suspensions, which were triggered by the company's failure to consistently pay state and federal taxes, as indicated by the nearly \$450,000 in state and federal liens brought against the company over the years.⁶³

From November 2015 to April 2016, nine companies in four states that were owned or managed by Atkins began partnering with the Kolas group, including GHW.⁶⁴

In December 2015, Atkins was appointed CEO and CFO of Golden Health & Wellness, and he is also listed as the official applicant when GHW sought to relocate its dispensary to a new location in June 2016⁶⁵. As it turns out, the property at this new site had been purchased four months earlier by another newly created company owned and managed by Atkins, Sactown HCP, LLC.⁶⁶

In fact, Atkins registered Sactown HCP in two states (California and Wyoming) and the company purchased a parcel of land at 1115 Fee Drive, Sacramento, CA, for \$1,620,000. This is the site where GHW relocated its dispensary, a request that the city approved despite appeals from citizens and business owners who warned that GHW had been operating without a license and proper corporate state filings. Then, in September 2017 Atkins granted the parcel's deed to Golden State Capitol Holdings, LLC, a California-based company owned by Garib Karapetyan.⁶⁷

Interestingly, eight of the nine companies that comprise the Kolas group have the same restatement date of October 24, 2018. This appears to be a clear sign that all of these companies were working together to align the proper permits, assets, and properties to operate as a unified enterprise. GHW is one of the companies that was restated that day, which means that Atkins would have been aware of (and would have been working toward) the goals of the Kolas group, thereby implicating him fully in that enterprise.⁶⁸

The evidence shows that Atkins was a crafty operator that registered and handled multiple cannabis entities using multiple names in multiple states, including a company called Marpe Cultivation LLC, which sells its cannabis to BSEEN, LLC, one of Karapetyan's distribution companies.⁶⁹ Atkins was not just merely working with the Karapetyans at one dispensary, but was also actively helping the Kolas group to form a closed-loop local market to enrich the participating companies. Moreover, it appears that Atkins was involved in the administrative operations of the Kolas group as he was preparing the first cannabis company to hit the market in Florida: Trulieve.

Atkins's Disclosure Issues

Despite Atkins's extensive experience in the cannabis industry, there is no indication that Trulieve has ever publicly disclosed any specific information to date regarding Atkins's California cannabis companies. As a result, Trulieve may have intentionally concealed critical information from investors to avoid scrutiny of Atkins's deep connections to the Kolas group and its unlicensed Sacramento cannabis activities. In Trulieve's September 2018 listing statement, several managers included the specific names of the cannabis companies where they had worked (although most had no experience at all). Atkins's profile, however, only states that he has "owned and managed several cannabis facilities in the State of California."⁷⁰

Atkins also made a formal request to Corporation Wiki, a free online platform that lists historical company data, to remove certain business records from public view, per Corporation Wiki's opt-out policy. A comparative analysis of official state filings reveals that the specific company that Atkins removed is the aforementioned Sactown HCP, which Atkins may have used in deceptive ways when filing for Sacramento permits to obfuscate the true property ownership of one of Karapetyan's companies. In summary, Atkins's request to block this information from the public may be strong evidence that he has used this company to engage in questionable activities.⁷¹

Federal Implications of California’s Cannabis Corruption

On October 10, 2019, the Southern District of New York announced that a federal grand jury indictment had been brought against four men—Lev Parnas, Igor Fruman, David Correia, and Andrey Kukushkin. Prosecutors alleged that the men violated federal election law by making plans to funnel donations from a foreign national to state and federal politicians in Nevada and other states. The goal of this foreign national donor scheme was to court the favor of officials who could give the men access to retail cannabis permits.⁷²

One of the indicted men — Andrey Kukushkin — has an extensive history of business ties with Garib Karapetyan, spanning multiple cannabis-related ventures. According to the California Bureau of Cannabis Control, twelve state cannabis licenses “issued to the partnership of Karapetyan and Kukushkin” were under review as of October 2019.⁷³ Since 2013, Kukushkin and Karapetyan have been listed as officers of Sacramento’s Sharp Source dispensary, the company that also operates the local Twelve Hour Care (THC) dispensary owned by Karapetyan.⁷⁴

In October 2020, legal documents from the case revealed that the foreign national bankrolling the scheme was Andrey Muraviev, a Russian businessman who partnered with Karapetyan and Kukushkin in two Sacramento cannabis companies registered in 2016: KKMC Management, LLC and Legacy Botanical Company, LLC.^{75 76}

Oddly enough, on the same day that Legacy Botanical Company was registered—February 16, 2016—Trulieve’s Ben Atkins registered a corporation in California called NV Reno OPTCO I, LLC.⁷⁷ This corporation is a branch of a Nevada company by the same name that lists Karapetyan’s longtime business partner, Grach Serobyen, on its filing.⁷⁸

In April 2016, yet another Kolas group partner, Joe Karapetyan, registered a business in Florida called C2CX6, LLC. Corporate documents reveal that Ben Atkins is the manager of the company and his son, Jordan Atkins, is an authorized member.⁷⁹

The original filing lists Joe Karapetyan’s official address as 24761 US HWY 19 N, Clearwater, FL 33763.⁸⁰ Less than four months later, Trulieve opened its first medical marijuana dispensary in Clearwater at this exact address.⁸¹

Considering Ben Atkins’s longtime business association with the Karapetyans, it would not be surprising that Trulieve might choose to keep these ties hidden from public disclosure. Moreover, the possible ties between Trulieve and the Kolas group could just be the tip of the iceberg as many unanswered questions remain in multiple states, including Florida.

The Florida Story

Two Major Players

Florida's entry into the medical marijuana market began in 2014 when then Governor Rick Scott signed legislation approving the use of a non-euphoric strain of marijuana to treat certain medical conditions and cancer. The bill was nicknamed "Charlotte's Web."⁸²

After a failed attempt by advocates to legalize recreational marijuana through a voter referendum in 2014, Governor Scott and the Florida legislature expanded the use of medical marijuana in 2016.⁸³

Later in 2016, a constitutional amendment to legalize full-strength medical cannabis was on the general election ballot. On November 8, 2016, Amendment 2 passed with 71.3 percent support and legalized the use of cannabis with a doctor's recommendation for treatment of various ailments.⁸⁴

The Florida legislation legalizing medical marijuana specified that any horticulture grower that wanted to participate in the cannabis industry had to be in business for at least thirty years, already be growing at least 400,000 plants, and have the financial means to ramp up a new business. The practical effect of these specific regulations was to limit business opportunities to twenty-one of the 7,000 nurseries registered in Florida.⁸⁵

The legislative language limited access and gave a head start to those individuals who had the money and the connections to influence the lawmakers responsible for crafting the implementing language.

In early 2017, seven companies had been licensed by the state of Florida to produce and sell medical marijuana. Critics of the system labeled them cartels. Reports at the time indicated that the seven companies spent \$667,000 on campaign contributions and approximately \$1.5 million for lobbyists to secure the position in the industry.⁸⁶

"The laws on the books today promote a state-sanctioned cartel system that limits competition, inhibits access, and results in higher prices for patients," said Florida State Senator Jeff Brandes.⁸⁷

However, more restrictions meant less competition and more opportunities for investment and millions in profits for the lucky few.

Trulieve and Surterra are two companies that moved aggressively to take full advantage of the "state-sanctioned cartel system" and in the process revealed how government cronyism aided their efforts.

Trulieve

Marijuana Business Dailey wrote in September 2019, that Florida's medical marijuana market was "dominated by one player," Trulieve.⁸⁸

The Tallahassee-based company, with forty-three Florida dispensaries, controlled nearly 49.2 percent of the sales in the non-smokable marijuana market as reported in late 2019. The next closest competitor, Surterra, controls approximately 13.7 percent of the market.⁸⁹

"Kim Rivers, Trulieve CEO, attributed the company's success in part to a 'first-mover advantage.'" In an email to *Marijuana Business Daily*, Rivers wrote, "We have aggressively built out our network of dispensaries from the Panhandle to Key West to be in communities throughout our large and dispersed state."⁹⁰

The "first-mover advantage" was evident in that "Trulieve was the first licensee to have cultivation facilities up and running, first to open a dispensary in the state, first to serve a patient, first to make a home delivery, and first to sell statewide."⁹¹

With the July 26, 2016, opening of the cannabis industry's first Florida dispensary in Tallahassee, Trulieve began its march to dominance. A march navigated by Rivers that would cross the paths of well-connected politicians and lobbyists. These relationships would raise questions about Trulieve's business practices.⁹²

Prior to Trulieve, Kim Rivers, along with James T. Burnette, was involved with several businesses tied to public private partnerships with Tallahassee local government.⁹³

Records show that the public-private partnerships, which began around 2010, relied heavily on political relationships with elected officials and help from high-level staff members in local government. These relationships also involved the flow of money to local campaigns. At one point, a business address tied to Burnette and Rivers were the leading campaign donors to local government officials.⁹⁴

Before Trulieve was created and the legal and regulatory framework for the cannabis industry was ever developed, we will show that Rivers brought together various interests with the goal of seeking a position on the ground floor of an industry that experts estimated in 2016 would be \$1.6 billion by 2020.⁹⁵ These interests came with influence and controversy.

First, there was Florida State Representative Halsey Beshears, a Republican from Monticello, Florida. Newly elected in 2012, his family was the owner of Simpson Nurseries, a large North Florida farm. A report in 2014 by the *Tampa Bay Times* questioned why Beshears voted on the 2014 marijuana bill with his family connections to Simpson Nurseries, a business that would eventually benefit from the legislation.

Halsey's father and nursery owner Fred Beshears told the *Times*, "We're certainly not thinking about it today...I'm very leery about that and anything to do with marijuana."⁹⁶

Halsey Beshears had other connections.

The treasurer for his 2014 campaign was the lobbyist for the Florida Nursery, Growers and Landscape Association.⁹⁷ Beshears' cousin, Adam Hollingsworth, was then-Governor Scott's chief of staff when the 2014 bill was working its way through the Florida legislature. Additionally, Beshears was an old high school friend of James T. Burnette. Campaign donations Burnette made to Beshears' campaign in his run for the Florida House of Representatives in 2012 is evidence of their continued relationship.⁹⁸

Another relationship instrumental to the development of Trulieve was with Ben Atkins and his son Jordan.

Ben Atkins had extensive experience with cannabis companies in California and access to financing resources. In April 2017, Atkins guaranteed a loan of \$4 million to Trulieve Inc. and in November 2017, he became a Board member. Based on a 2017 annual report, Atkins had significant voting power with respect to the company's outstanding shares.⁹⁹

More curious was the position of Jordan Atkins. At the age of twenty-three, Mr. Atkins was listed as a founder, a full-time employee and a Board member in March 2016. He was responsible for managing the daily operations of Trulieve's dispensary system, including Trulieve's home delivery distribution network. He began his career in California where he operated cannabis dispensaries.¹⁰⁰

Beyond these relationships, the Trulieve group—like others in the industry—began to hire powerful lobbyists to navigate the web of connections that comes with a highly regulated industry.

Government records show that effective August 14, 2014, the Hackney and May Nurseries hired powerful Florida Lobbyists Brain Ballard to represent their interests in the Florida Legislature.¹⁰¹

Trulieve's reliance on lobbyists would increase from 2015 to 2018. In 2016, seven lobbyists were registered to represent Trulieve. The number increased to fourteen lobbyists in 2018.¹⁰²

The web of connections behind Trulieve became public in the government filings that were required to get a cannabis company up and running. On June 1, 2015, Kim Rivers sent an inquiry to the Growth Management Director of Tallahassee about the possibility of establishing a medical marijuana dispensary in Tallahassee. The inquiry was sent on-behalf of Inkbridge Inc.¹⁰³

Inkbridge Inc. was a company tied to Burnette and Rivers. The Tallahassee Democrat reported that Burnette "recruited Rivers after she moved back from Atlanta several years ago and partnered on Inkbridge, which they called a 'financial engineering' investment firm.

They also started Imagine Tallahassee, which tried to influence how local sales tax revenue was spent on multi-million dollar infrastructure projects.”¹⁰⁴

Trulieve’s application for a license with the Florida’s Office of Compassionate Use, which was submitted on July 8, 2015, listed Rivers as a board member and lauded her experience with “navigating local regulatory frameworks,” her “real estate development background,” and “legal acumen.”¹⁰⁵

The license application was filed under the name of George Hackney, Inc., doing business as Hackney Nursery. However, joining Hackney in applying for Florida’s Northwest region license was Simpson Nursery and May Nursery.¹⁰⁶

Just over a year after the Beshears family—owners of Simpson Nursery—said they were “leery” about anything to do with marijuana, the family business was seeking a license to sell medical marijuana.¹⁰⁷

On November 23, 2015, the Florida Department of Health approved the Trulieve application. On February 25, 2016, Trulieve was approved to start the cultivation process in its harvested product facility in Quincy, Florida, and was required to begin dispensing within 210 days.¹⁰⁸

These approvals set in motion a race to open dispensaries across the state of Florida for Trulieve and some of their competitors. This required dealing with local government regulations.

At the time, local governments struggled with how to respond to the numerous requests to open dispensaries. Many did so with moratoriums on opening new locations. In some cases, these decisions, which limited competition, favored companies like Trulieve and Surterra.

For example, on December 14, 2016, the City of Tallahassee put in place such a moratorium. Trulieve already had a dispensary in place.¹⁰⁹

The same situation occurred in Clearwater and Tampa. On January 30, 2017, Clearwater imposed a moratorium that would last more than six months. Trulieve had opened their second dispensary there on August 18, 2016.¹¹⁰

In Tampa, Florida, the city voted to implement a moratorium in November 2016, which lasted until August 2017. However, Trulieve had put in their application before the vote and opened their third dispensary on January 26, 2017.¹¹¹

Just as Trulieve began to expand their market share in a favorable regulatory environment, the revelation of two FBI investigations over a two-year period would implicate people with financial ties to Trulieve.

Trulieve and the FBI

On June 13, 2017, an FBI subpoena hit Tallahassee City Hall.¹¹² The subpoena was based, in part, on an undercover operation that included agents posing as medical marijuana entrepreneurs. The subpoena was far reaching and requested public records related to number of business and individuals connected to the Florida cannabis industry and, more specifically, individuals tied to Trulieve.¹¹³

Several businesses tied to J.T. Burnette and Kim Rivers were listed in the subpoena including Inkbridge, the financial engineering company that was listed in one of the first filings in the City of Tallahassee related to Trulieve.

Beginning in December 2018, with a forty-eight-count indictment of Tallahassee City Commissioner Scott Maddox, the federal government began to reveal certain elements of their undercover operation. Caught up in these revelations were businesses and individuals who had relationships with Maddox.¹¹⁴

One of these individuals was Trulieve investor J.T. Burnette. On May 9, 2019, Burnette was indicted by the federal government. The indictment charged that Burnette participated with Maddox in extorting representatives of a company seeking to develop properties in Tallahassee to pay money to Maddox in exchange for Maddox's assistance as a public official. It also "alleged that Burnette arranged the logistics of bribe payments of \$10,000 per month to Maddox."¹¹⁵

In August 2019, Maddox pleaded guilty in U.S. District Court in Tallahassee in a plea agreement with federal prosecutors. A number of charges were dropped in exchange for three guilty pleas related to "honest services wire fraud, honest services mail fraud, and conspiracy to defraud the United States."¹¹⁶

Burnette is scheduled to go to trial in January 2021.¹¹⁷

In addition to this federal investigation, the FBI indictment of a number of business partners conspiring to funnel foreign money to US political campaigns also had several Florida connections. In the California chapter, we detailed the relationship between Trulieve founder Ben Atkins and business partners who were indicted for conspiring to funnel foreign money to US political campaigns.

Les Parnas and Igor Fruman, two of the four defendants charged in the foreign donation indictment also had political and business connections in Florida.

Parnas and Fruman's company, Global Energy Producers, donated \$50,000 to the DeSantis campaign, and Parnas was a part of the host committee for a DeSantis fundraiser in July 2018.¹¹⁸

Also, the prosecutors investigating the foreign donation scheme subpoenaed Ballard Partners, a lobbying firm started in Tallahassee by Republican and Trump confidant and

fundraiser Brian Ballard. Parnas, who met Ballard in 2016, was paid \$45,000 for referring an international client to Ballard Partners. The client was the Turkish government.”¹¹⁹

Another Ballard Partner client during this period was Trulieve.¹²⁰

Surterra

In 2018, a former marijuana lobbyist ran for Florida statewide office and won. Nikki Fried was installed as the Florida Commissioner of Agriculture and Consumer Services in January 2019, becoming the de-facto leader of Florida’s Democratic Party.¹²¹

During the run up to her election, it was revealed that Fried was romantically involved with Jake Bergmann, the CEO of Surterra, a marijuana company that was awarded a license under the new Florida law.¹²² After her election, records would indicate that Fried financially benefited from the relationship when her net worth skyrocketed by \$1,000,000 in one year.¹²³

While Trulieve has become the dominant player in the burgeoning cannabis market in Florida, early on, there was a race developing between Trulieve and Surterra.

The Tallahassee Democrat reported that “Surterra and Trulieve are miles ahead of the pack” citing the fact that the two companies were “the first to open dispensaries in more than one city with plans to expand statewide.”¹²⁴

Surterra, much like Trulieve, began putting the pieces together early in the process. By 2017, led by Jake Bergmann, a private equity manager from Atlanta, Surterra had opened two dispensaries in Tallahassee and Tampa and had plans to open six more by the end of the year.¹²⁵

In 2015, Surterra teamed up with Homestead, Florida, based Alpha Foliage to win a state medical marijuana license. Like Trulieve, Surterra also used powerful lobbyists to navigate the regulatory framework and new administrative rules.¹²⁶

Their lobbyist team included Ron Book, Michael Corcoran, and the Rubin Group.¹²⁷

Surterra would gain another influential advocate through Jake Bergmann’s relationship with the current Florida Commissioner of Agriculture and Consumer Services, Nikki Fried.¹²⁸

Before Fried was a candidate for the statewide office, she lobbied for the marijuana industry with the Colodny Fass law firm. Later, she did so through her company Igniting Florida.¹²⁹

Fried told Florida Trend that her relationship with Bergmann began in late 2017, early 2018. This was during the same time Fried was contemplating running for a statewide office. Once she settled on entering the race for Florida’s Commissioner of Agriculture, Bergmann

became a big help. Reports indicated that Bergmann contributed \$60,000 to Fried’s political committee during the campaign.¹³⁰

Just before her election victory, Bergmann stepped down as the CEO of Surterra.¹³¹

After Fried was elected, questions about her finances and the relationship with Bergmann continued to surface in media reports. In March 2019, the Miami Herald reported that Fried created a blind trust in January. The only asset in the trust was Ignite Holdings LLC (not related to Igniting Florida), incorporated the same day the blind trust was created. Fried refused to reveal what was inside the asset.¹³²

Later in 2019, a report based on financial disclosure forms filed with the Florida Commission on Ethics revealed that the net worth of Nikki Fried increased by \$1,129,950 in one year— from \$271,613, reported on June 18, 2018, to \$1,401,563, reported on June 24, 2019—a 416 percent increase.¹³³

In a written statement, a Fried spokesperson stated that, “Nikki jointly purchased a home in Tallahassee with her significant other, Jake Bergmann, as well as placed all outstanding receivables from her private consulting firm into a blind trust that she has no direct or indirect control over. Nikki’s cash assets and liabilities – including nearly \$80,000 in student loan debt – have remained virtually unchanged.”¹³⁴

However, Fried did file an amended form, which still left unanswered questions about the sources of her wealth.¹³⁵

Then, in late 2019, she announced her engagement to Jake Bergmann and questions were again raised about conflicts.

The *Sun Sentinel* reported on the engagement and noted that while Bergmann had previously stepped down as CEO of Surterra, he still had an ownership stake in the company.¹³⁶

While Fried’s office does not directly oversee medical marijuana, she has taken steps that increase her influence with the cannabis industry.

She created a medical marijuana advisory committee and appointed a director. Also, her office began writing rules for medical marijuana edibles and in August, 2020 authorized four medical-marijuana companies to begin manufacturing edible products.^{137 138} The companies include Parallel Florida LLC, Curaleaf, VidaCann and Trulieve.¹³⁹

Also, in December, 2020, Fried – via an email - asked her political donors to help her “push for cannabis legalization” and to “increase access to medical marijuana.”¹⁴⁰

With Fried being mentioned as a legitimate gubernatorial candidate in 2022, her relationship with someone tied to the Florida marijuana industry will continue to be newsworthy. Specifically, a run for governor will require Fried to address specific proposals

about the future of recreational use of marijuana in Florida, which could benefit Fried financially.

Also, the upcoming federal trial of James T. Burnette on corruption charges is sure to keep Trulieve, Florida's leading cannabis company, in the news.

The New York Story

Cuomo Changes Position

When Democrat Andrew Cuomo trounced his Republican gubernatorial opponent with nearly two-thirds of the vote in 2010, marijuana barely registered as a campaign issue. Yet almost four years later and close to the end of his first term, Governor Cuomo signed the state legislature's Compassionate Care Act, which created a medical cannabis program in the state in July 2014.¹⁴¹

Cuomo was initially opposed to even medicinal use of the drug. In October 2010, Cuomo spoke against it saying, "The dangers of medical marijuana outweigh the benefits."¹⁴² Even as late as April 2013, Cuomo continued to say, "We're looking at it, but at this point I don't support medical marijuana."¹⁴³

But in January 2014, he dropped his opposition to medical marijuana only, pledging to create a program to allow it in New York with some restrictions.¹⁴⁴

Compassionate Care Act

The Compassionate Care Act assigned the Department of Health the responsibility to award the licenses. Overall, New York had forty-three different applicants vying for a license to partake in the state's medical marijuana program, but the legislation stated that only five companies could be chosen to grow, process, and distribute marijuana in the state.¹⁴⁵

In November 2015, before the program became operational, Cuomo signed a new amendment to the Compassionate Care Act that "expedited access to medical cannabis to critically ill patients ahead of the full opening of registered organizations in 2016."¹⁴⁶

The New York cannabis market started off strong, valued at \$784.7 million in 2014, the first year of medical use legalization.¹⁴⁷ The market saw explosive growth every year and its value more than doubled to \$1.8 billion by 2018.¹⁴⁸ Full legalization for recreational use could add billions more.¹⁴⁹

Recreational Cannabis

Heavily Democratic New York is often very liberal in its policies, and Cuomo's continued opposition to recreational legalization stuck out. The *New York Times* called for legalization in mid-2014 in an editorial called, "Repeal Prohibition, Again," which compared the failure of alcohol prohibition to the state's current ban on marijuana. The editorial said, "It has been more than 40 years since Congress passed the current ban on marijuana, inflicting great harm on society just to prohibit a substance far less dangerous than alcohol" and "the federal government should repeal the ban on marijuana."¹⁵⁰ The editorial advocated the legalization of recreational marijuana, but only for those individuals twenty-one and older.¹⁵¹

Unmoved, Cuomo remained opposed to recreational cannabis. In 2017, he said that he viewed cannabis as a "gateway drug." The governor declared, "Marijuana leads to other drugs and there's a lot of proof that that's true."¹⁵²

It was, therefore, a surprise when almost two years later Governor Cuomo announced his plans for 2019, including his intention to legalize recreational marijuana.¹⁵³

What can account for the sudden change of heart about recreational use of marijuana, which he had so long opposed?

It could have something to do with the total amount of money from the cannabis industry given to Cuomo's campaign and how much money the cannabis industry creates. In January 2019, *The Public* "found that wealthy people and corporations situated to profit from Cuomo's about-face on marijuana have given the governor a combined \$640,874."¹⁵⁴

Earlier this year, Cuomo's office estimated that if New York legalized and taxed cannabis it could bring in \$300 million to the state's coffers.¹⁵⁵ After conducting its own review, *The Journal News/Iohud* revealed in October 2018 that marijuana companies and promoters spent roughly \$3 million lobbying in New York over a five-year period and about \$1 million starting in 2017.¹⁵⁶

Critics have taken notice. Kevin Sabet is president and CEO of an organization called "Smart Approaches to Marijuana" that opposes legalizing recreational marijuana use, but supports scientific research into its medical applications.¹⁵⁷ He believes that "the pot industry sees political giving as the price of doing business" and it is worrying that they could be "manipulating the process with money."¹⁵⁸

MedMen Enterprises

One company standing to benefit from recreational marijuana in New York that donated a substantial amount of money to Cuomo's campaign is MedMen Enterprises Inc.

Adam Bierman and Andrew Modlin founded MedMen in 2010.¹⁵⁹ The company is a well-known retailer in the United States and appeared to be on track to become the "Apple of pot."¹⁶⁰ After starting in California's medical cannabis market, MedMen has expanded their stores into Arizona, Florida, Illinois, Nevada, New York, and will soon be opening one in Massachusetts.¹⁶¹

MedMen dove into the New York medicinal marijuana market in early 2017 by acquiring Bloomfield Industries, one of the five original licensees in the state of New York.¹⁶²

The acquisition offered MedMen a point of entry into a valuable market. In 2018, the company appeared to become more aggressive with their lobbying and donation efforts in New York. MedMen donated \$65,000 to Andrew Cuomo for New York, Inc. Co-founder Andrew Modlin personally contributed \$25,000 for Cuomo's reelection bid.¹⁶³ MedMen also hired lobbyists in all six states where they currently operate or have plans to do so. Specifically, these efforts are aimed at states lacking legal recreational use, winning more licenses for dispensaries, and influencing legislation.¹⁶⁴

According to Politico, "MedMen invested in retail and political muscle in New York in anticipation of recreational pot becoming legal in one of the country's richest consumer markets."¹⁶⁵ Lobbying records from early 2019 show that MedMen was spending \$8,000 per month, "including work on recreational marijuana legislation."¹⁶⁶ MedMen certainly believed the time was on for the "green rush" in New York.

The company's hot start cooled down in late 2018 after class-action lawsuits by employees. Investors also sued and the company's former CFO filed a blockbuster complaint, accusing the founders of, among other things, calling a Los Angeles councilman a "midget negro," and making a political contribution in another person's name to a Nevada politician.¹⁶⁷ MedMen's reputation was severely damaged and, despite the company's denial of all wrongdoing, the company saw nine-figure losses.¹⁶⁸

The Green Lobbying Trail

But MedMen were not alone. Various executives and lobbyists from six of the ten licensed marijuana sellers contributed \$155,510 to Cuomo's reelection campaign between January 2017 and November 2018, according to a newspaper review of state campaign finance records. For example, one of the first donations in January 2017 was among the most significant: \$25,000 from Nicholas Vita, CEO of the dispensary operator Columbia Care Inc.¹⁶⁹

These companies clearly desire to transition from medical marijuana to recreational, but New York has placed a limit on the number of statewide dispensaries. With thirty-seven out of the forty dispensaries allowed to serve the state's population, the medical marijuana program is small compared to other states on a per capita basis.¹⁷⁰ Yet, the potential for market competition in the recreational framework exists, especially for the established dispensary players, who would benefit from their experience and knowledge of the industry.

Cuomo not only received campaign contributions from within the marijuana industry, but campaign support as well.

For his 2018 reelection effort, Cuomo turned to Maggie Moran to be his campaign manager. Moran has a long resume of campaign management for Democratic candidates including running Al Gore's New Jersey campaign in 2000. She previously served on Cuomo's 2010 campaign as a senior advisor.¹⁷¹

Moran took a leave of absence from her current employer, Kivvit, LLC, a public relations firm with ties to the cannabis industry where she was a managing partner.¹⁷² In early 2018, the firm published a report called, "Legalize It: How States Have Dealt With Roadblocks To Cannabis Legalization" and the company announced a partnership with the New Jersey CannaBusiness Association, whose goal is to promote jobs and growth in the state's cannabis industry.¹⁷³ Maggie Moran serves on the board of that organization as a strategic advisor.¹⁷⁴

The report created by Kivvit addresses different policy issues often seen as roadblocks to legalization, and offers solutions for how states should deal with these objections.¹⁷⁵ These include the problems of impaired driving and traffic fatalities, cannabis cultivation with pesticides, preventing use among children by forbidding sales near schools or advertising targeted to children. The report also addressed the potential for increased use of opiates/heroin, what to do about those imprisoned or previously convicted of a cannabis-related crime, and other policy matters.¹⁷⁶ It even highlights some unique policies certain states have implemented for their own recreational marijuana programs.¹⁷⁷

This report came out just a few months before Cuomo appointed Maggie Moran to his reelection campaign. Following that election campaign, Cuomo completely changed his position on cannabis from seeing it as a "gateway drug" to fully supporting recreational marijuana.¹⁷⁸

Maggie Moran was not the only connection between Cuomo and Kivvit. A managing director, Rich Bamberger, was previously Cuomo's communications director before he joined Kivvit in 2012.¹⁷⁹

Even with these forces brought fully to bear, New York's cannabis program remains today at the medicinal level. In June 2019, Governor Cuomo failed in his effort to fully legalize marijuana, signing a bill that further decriminalized marijuana possession.¹⁸⁰

Although New York hit the ground running with its medical marijuana program, even in this progressive state not everyone was on board with legalizing marijuana for recreational use. This included a group of

state senators from Long Island and the Hudson Valley that were opposed to the 2019 push for legalization “on moral grounds.”¹⁸¹

In January of 2020, Cuomo promised recreational legalization as one of his top priorities.¹⁸² He pledged that he was “forming an Office of Cannabis Management to regulate medical, adult-use and hemp programs; ensuring that social equity and social justice needs are met; working in concert with neighboring states; and creating a cannabis and hemp research center at the State University of New York.”¹⁸³

Detailed as they were, those plans have been snuffed out at least for this year. Cuomo acknowledged in March that legalization is “not likely” to happen in 2020 because of the state’s being an epicenter of the coronavirus pandemic.¹⁸⁴ So, legalized recreational marijuana in New York will have to wait at least until next year.

The Illinois Story

The Pritzker Promise

In Illinois, the regulatory treatment of marijuana went from a tightly controlled medical marijuana pilot program in 2013 to recreational legalization in six years. One of Illinois's most prominent families, the Pritzkers, supported the move to recreational use. The issue became the cornerstone of J.B. Pritzker's successful campaign for governor of Illinois in 2018.

After Pritzker was elected governor, his second cousin, Joby Pritzker, was instrumental in advocating for the legislation that would legalize recreational marijuana in Illinois. A move that would financially benefit a Pritzker family investment that was valued at approximately \$1.7 billion in 2019.

This six-year transition was beset with starts and stops. This was due, in part, to the fact that three different governors from two different political parties managed the transition. This included then-Democratic Governor Pat Quinn, who signed the initial legislation into law in 2013. All three had different views on how to regulate marijuana.

The initial medical marijuana law was restrictive, but the legislation still provided significant financial opportunities for those who could secure a license. Subsequent changes to the pilot program greatly benefited those who managed to get to the front of the licensing line.

As in other states that have legalized some form of marijuana, the process in Illinois was tainted by charges of cronyism and conflicts of interest involving cannabis company officials, well-connected insiders, and elected officials. One Illinois candidate for governor said, "The medical marijuana process is straight out of the Rod Blagojevich playbook."¹⁸⁵

An early advocate of the legalization of marijuana was Illinois State Rep. Louis Lang who was labeled as the "go-to lawmaker" for difficult issues. Turns out that the ability to deal with "difficult issues" comes with hefty campaign contributions.¹⁸⁶

There was also a "go-to lobbyist." Nancy Kimme turned a career in state government into a successful career peddling influence among the same people she worked with for twenty-five years.¹⁸⁷ Interestingly, her path would eventually cross with Lou Lang.

Marijuana companies with their eyes on the new market in Illinois sought out well-connected officials-turned-lobbyists, like Lang and Kimme, to help them navigate the restrictive licensing process.

These companies include PharmaCann, a marijuana business that was able to secure licensing for four dispensaries and three cultivation centers. The company, funded by a venture capitalist group, had the help of a powerful Illinois lobbying firm and the benefit of campaign donations.¹⁸⁸

Another was Health Central LLC, who hired former Quinn chief of staff Jack Lavin to lobby for medical marijuana licenses.

Finally, there was Revolution Enterprises—a company that relied on extensive Chicago connections to position the company to seize on the expanding Illinois market.

Lobbyists and the marijuana industry spent years operating under restrictive regulations, but in 2017, a move began to legalize recreational marijuana. Politicians and industry executives scrambled to take advantage of the potential political and financial opportunities.

No one capitalized on the situation more than did gubernatorial candidate J.B. Pritzker. Pritzker promised to quickly to legalize recreational marijuana and to release those who were incarcerated for minor violations of previous laws. Pritzker won the election and kept both promises.

Before any marijuana could be sold legally in Illinois, someone had to implement the legislation that was passed in 2013.

Licenses Issued Amid Charges of Corruption

On August 1, 2013, Illinois Governor Pat Quinn signed the Compassionate Use Medical Cannabis Act. The bill allowed prescriptions “up to 2.5 ounces of marijuana over a two-week period” for patients who were suffering from forty-two specific symptoms.¹⁸⁹

But advocates for medical marijuana would find out that Governor Quinn was in no hurry to implement the law. (In fact, after eventually losing his bid for re-election in 2014, Quinn left office in 2015 without issuing any licenses.) In addition, to the amazement of marijuana advocates, he made the law more restrictive by requiring more extensive background checks.¹⁹⁰

The chief sponsor of the bill, Illinois State Rep. Lou Lang told The Huffington Post, “I think the governor made a serious and grievous mistake today.”¹⁹¹

During that campaign, gubernatorial candidate and eventual winner, Bruce Rauner, raised serious questions about the marijuana licensing process. He stated that the “new law could give (then-) Democratic Gov. Pat Quinn the ability to dole out licenses for pot sellers and marijuana growers to companies with political connections.”¹⁹²

Rauner said the process was “rigged” and compared the cronyism to the pay-to-play politics practiced by disgraced former Illinois Governor Rod Blagojevich.¹⁹³

In lodging these charges, Rauner cited the actions of Quinn’s former chief of staff Jack Lavin who resigned in September 2013 and opened a lobbying firm. Lavin, who was a state government employee for a number of years and had worked for former Gov. Blagojevich, started his lobbying career in February 2014 and began representing a company seeking to get in the marijuana business.¹⁹⁴

In April 2015, Lavin’s lobbying efforts paid off. After initially having their application “on hold for further review,” the company represented by Lavin, HealthCentral LLC, received dispensary licenses in at least two Illinois districts.¹⁹⁵

Rauner also criticized former Governor Quinn after taking office.

“Let’s talk about this medical marijuana mess that Governor Quinn created, then ran away from,” Rauner said in January 2015. “Apparently he made arbitrary decisions about disqualifying people, and who could play and who could not, different from what the legislation authorized, and the law required.”¹⁹⁶

However, marijuana advocates' fears that Rauner would be an obstacle to implementing the pilot program were laid to rest when, in February 2015, Rauner issued over fifty licenses for dispensaries and eighteen licenses to grow marijuana.¹⁹⁷

Governor Rauner said, "Quinn left the state in legal jeopardy, prompting him to issue the licenses immediately."¹⁹⁸

The list of companies provided a road map to the behind-the-scenes deal making between lawmakers, lobbyists, and marijuana entrepreneurs.

The Go-To Lawmaker

Illinois state legislator Lou Lang, who had the reputation of taking on tough issues, first introduced legislation to legalize medical marijuana in 2009. Four years later, Lang sponsored a bill that proposed to create a four-year pilot program that was signed into law by then-Governor Pat Quinn.¹⁹⁹

The bill prohibited individuals from growing marijuana and limited use to people who had a doctor's prescription for certain medical conditions.²⁰⁰ Lang's legislation had the support of over two hundred doctors.²⁰¹

While Lang touted the health benefits of medical marijuana, his advocacy for legalizing it was also lucrative for his political fundraising.

A government watchdog group reported in 2015 "Lang's campaign fund collected about \$50,000 in donations flowing from would-be pot growers and sellers, lobbyists who counted them as clients and other interested parties since 2009."²⁰²

These donors included Sanford Stein, a Chicago attorney who represented several medical marijuana companies. He donated \$13,850 to Lang between 2009 and 2015. One of Stein's clients, In Grown Farms, received a cultivation license in 2015.²⁰³

Another donor was attorney Samuel Borek, a Lang friend from college, who had donated \$15,430 to Lang since 1995. A Borek client, Alternative Treatments Ltd., received a license to operate a dispensary.²⁰⁴

Influential lobbyist group ThomsonWeir, LLC, who listed the Chicago Cubs as clients, also donated to Lang. Former ThomsonWeir client PharmaCann at one time held the most licenses in Illinois and would go on to be one of the most successful marijuana start-ups in the state.²⁰⁵

For Lang, playing the leading role in advancing medical marijuana legislation in Illinois would be one of his crowning achievements as an elected official, but it also appears to have benefited him professionally.²⁰⁶

After thirty-two years as a legislator, Lang resigned abruptly just before being sworn in to a new term and took up employment with one of the most powerful lobbyists in Illinois, Nancy Kimme. Kimme had her own history with marijuana businesses seeking licenses in Illinois.²⁰⁷

The Go-To Lobbyist

A number of marijuana businesses hired Nancy Kimme to advocate for their interests. It is not hard to understand why.

Kimme, who had developed powerful connections during her twenty-five-year career with Illinois state government, formally became a lobbyist in February 2015.²⁰⁸

One political insider wrote, “She should do more than quite well. She’s one of those people who knows everybody and everything and has been indispensable to Team Rauner. They’ll be lining up around the block to give her contracts.”²⁰⁹

But her access to decision-makers began before she filed paperwork to become a lobbyist.

Playing an important role in Rauner’s successful campaign for governor gave Kimme a front row seat to the transition of power in Springfield. Kimme was appointed to Rauner’s transition team in November 2014.²¹⁰ Between November 2014 and February 2015, Kimme had access to Governor Rauner at the time when he was wrestling with how to implement the marijuana pilot program.

After Rauner announced the issuance of the first round of marijuana licenses, Illinois lobbying records show that three marijuana businesses hired Kimme on the same day, March 28, 2015. These businesses included Cresco Labs and Illinois Grown Medicine. Both companies had received licenses.

Illinois Grown Medicine was partly owned by lobbyist Paul Rosenfeld, a friend of former Illinois Governor Rod Blagojevich.²¹¹

A third company using Kimme’s services, Custom Strains, which was owned by a Chicago strip club owner, had their application put on hold. However, the company was issued a marijuana license in 2016.²¹²

Kimme was not shy about showing her access to Rauner. “‘She represented herself as the go-to lobbyist in this new administration,’ a source who collaborated with Kimme on securing a state contract for a client said. ‘Nancy made it clear to us that she was talking with (Rauner’s) staff daily.’”²¹³

Kimme had access to Rauner, as did others in her orbit. “One of Kimme’s three lobbying firms, Advantage Government Strategies, was formed in partnership with Sarah Clamp, Rauner’s former political director.”²¹⁴

How successful was Kimme?

A report indicated that since 2015, “29 of Kimme’s clients have received 2,878 state contracts worth nearly \$17 billion, in part to her efforts, according to state budget and lobbyist registration records.”²¹⁵

Well-Timed Donations

Some marijuana companies had more resources and better connections than others did. One of those companies was PharmaCann, LLC. As mentioned earlier, PharmaCann teamed up with influential lobbyists during the licensing process and ended up with more licenses than anyone else. This initial success was parlayed into future profits.

Teddy Scott, who holds a Ph.D. in molecular biophysics and worked as an intellectual property attorney, started PharmaCann. Prominent investors in PharmaCann included philanthropist Stephen and Mary Jo Schuler.²¹⁶ Both Scott and the Schulers lived in Oak Park Illinois.

In addition to being philanthropists, the Schulers were very active in Illinois political circles, making hundreds of thousands of dollars in campaign donations to many candidates. Illinois campaign records show that since 2001, the Schuler's donated \$1.09 million to political candidates and committees. Almost \$1 million or 86 percent of these donations happened in 2017 or after.²¹⁷

The restrictive nature of the Illinois pilot program was a limiting factor in how much money companies like PharmaCann could make. But a move to expand the number of people who could purchase medical marijuana got underway in 2017.

On October 27, 2017, Illinois State Senator Don Harmon announced his plans to introduce a measure that would allow people prescribed opioids for a medical condition to apply for a temporary medical cannabis card instead.²¹⁸ This approach was "expected to attract tens of thousands of new patients and generate hundreds of millions in additional sales."²¹⁹

Beginning in 2017, campaign records show that Schuler's donations flowed to candidates that were in a position to influence the opioid bill.

Senator Don Harmon, who lived in Oak Park, Illinois, had long been the beneficiary of the Schulers' political donations. From 2001 to 2016, Harmon received \$32,420 in campaign donations from the Schulers.²²⁰

However, the Schulers' donations to Harmon would increase substantially during the period from September 2017 to December 2019—to \$125,600.²²¹

Other Senate sponsors of the opioid bill also raked in donations.

Illinois State Senator Dan Biss, who announced his Illinois gubernatorial campaign on March 20, 2018, received \$305,000 in campaign donations from the Schulers within a four-week period beginning on February 14, 2018.²²²

Biss was added as a sponsor to the opioid bill on February 20, 2018.²²³

Illinois State Senator Kwame Raoul, who launched his campaign for Attorney General of Illinois in September 2017, received a \$75,000 donation from Stephen Schuler on February 26, 2018. Raoul signed on as a "Chief Co-Sponsor" of the opioid bill on February 7, 2018. He received another \$75,000 on September 4, 2018.²²⁴

The donations by the Schulers during this two-year period paralleled donations made by PharmaCann LLC. From July 2017 to December 2019, PharmaCann donated \$47,000 to politicians' campaigns in Illinois. PharmaCann donated \$16,000 to Senator Don Harmon and \$3,500 to the President of the Illinois Senate, John Cullerton.²²⁵

On August 28, 2018, the bill was signed into law.²²⁶ On January 21, 2019, the Marijuana Business Daily reported that "allowing medical cannabis as an alternative to opioids in Illinois could yield \$100 million-\$400 million in additional sales from tens of thousands of new patients."²²⁷

The Pritzker Promise

The marijuana landscape in Illinois was about to change.

Once billed as having one of the most restrictive laws related to marijuana use in the United States, Illinois would become one of the first states to legalize recreational marijuana use through legislation instead of voter referendum.²²⁸

How did this happen?

When J.B. Pritzker decided to run for Illinois governor, he made his position on marijuana clear. He said, “We need to act. Let’s legalize marijuana. Let’s regulate it to make it safe. Let’s tax it. Let’s reinvest in the hardest hit communities.”²²⁹

Pritzker, a billionaire, went on to win his self-funded gubernatorial campaign and he began to lay the groundwork to fulfill his campaign promise.²³⁰ Before his victory, a different Pritzker was involved with the legislative process that would ultimately produce the bill the newly elected governor would sign.

The Marijuana Policy Project (MPP), a leading cannabis policy reform group, was “credited by the sponsors of the Illinois legislation as having helped write the bill.” Joby Pritzker, a second cousin to J.B. Pritzker, was a board member of the group.²³¹

Joby Pritzker also had financial ties to businesses that profit from marijuana sales. Pritzker was an investor in MJ Freeway, a cannabis industry software company, PAX labs, a cannabis vaporizer company, and Arcview, a cannabis investment company run by one of his fellow MPP board members.²³²

The MPP was also a part of a group of political donors that made \$13,000 in contributions to state Rep. Kelly Cassidy of Chicago, a co-sponsor of the legalization bill.²³³

After his victory, Gov-elect Pritzker created and made appointments to transition committees. These appointments included people with ties to the industry. Pritzker appointed Mark de Souza, the CEO of Revolution Enterprises, to the transition committee that would advise him on agricultural issues.²³⁴

Pritzker also created the Cannabis Legalization Subcommittee—the group charged with providing implementation recommendations related to legalizing cannabis.²³⁵

Pritzker appointed Charles Bachtell, co-founder and CEO of Cresco Labs, which was a national marijuana company with a significant presence in Illinois.²³⁶ An Illinois business publication listed Cresco Labs as one of the five companies that “stands to profit under a pro pot governor.”²³⁷ Bachtell, at the time of the appointment, was also an adjunct professor at the Northwestern University Pritzker School of Law teaching classes related to the “emerging cannabis industry.”²³⁸

Joby Pritzker and the MPP board met with the Cannabis Legalization Subcommittee to discuss the legalization legislation.²³⁹ Shortly thereafter, Gov. Pritzker signed the recreational use legislation into law on June 25, 2019.²⁴⁰

The marijuana legalization law included an expungement process aimed at addressing damage done to minority communities. At the end of 2019, Governor Pritzker granted approximately 11,000 pardons for people convicted of possessing less than 30g of marijuana. Officials said that eventually more than

116,000 people convicted of marijuana possession in Illinois could be eligible for a pardon under the new law.²⁴¹

The Marijuana Business Daily projected that marijuana sales under the new law, which would begin on January 1, 2020, could generate up to \$2.5 billion a year.²⁴² A Pritzker family company was poised to share in this financial windfall.

Through Tao Capital, Joby Pritzker and two other Pritzker family members owned a stake in PAX Labs, which was valued at \$1.7 billion. PAX Labs manufactures vaporizers with a mission to provide a safe way to consume cannabis.²⁴³

Two months ahead of the vote to legalize marijuana in Illinois, PAX Labs raised \$420 million from global investors. At the time, a spokesperson for the company indicated the value of PAX Labs was \$1.7 billion.²⁴⁴

How did the legalization of marijuana in Illinois financially benefit PAX Labs?

In May 2018, PAX Labs sold cannabis vaporizers in approximately fifty locations across Illinois through third party vendors.²⁴⁵ In 2020, based on the company's website, that number is now over one-hundred and twenty.²⁴⁶

Others would also benefit from the groundbreaking legislation.

In July 2019, shortly after Governor Pritzker signed the bill, Kelly Cassidy's spouse Candace Gingrich—a long-time LGBTQ activist and half-sister of Newt Gingrich—was appointed to run Revolution Florida. Revolution Florida is a sister company of the Illinois-based Revolution Enterprises.²⁴⁷

"Revolution is fortunate and excited to have Candace join our team," said Revolution CEO Mark de Souza.²⁴⁸

However, the appointment was not without controversy.

Representative Cassidy, who co-sponsored the marijuana bill, stated that she does not believe her spouse accepting the position is a conflict of interest, and that she "sought an ethics opinion and got it cleared" by the House ethics officer.²⁴⁹ In addition, Gingrich would "not have a financial or voting interest in any Illinois-based business license that might be issued to Revolution under the new law for two years."²⁵⁰

In October 2019, Mark de Souza, CEO of Revolution Enterprises, joined the Board of Directors of MPP, the same group that, with help from Joby Pritzker, took credit for helping legalize recreational marijuana in Illinois.²⁵¹

Missouri

The Ringleaders

On November 6, 2018, Missouri voters overwhelmingly passed Amendment 2, which legalized a medical marijuana program.²⁵² Five months later, in March 2019, the FBI questioned Missouri officials about the new program. Officials from Gov. Mike Parson's administration said that the FBI wanted to discuss the process of awarding "licenses to grow, manufacture and sell medical marijuana products."²⁵³

A medical marijuana advocate who spoke with the FBI reported months later that the federal officials were looking for "ringleaders" in her city related to the implementation of Missouri's recently passed medical marijuana law.²⁵⁴

In 2019, the Missouri Department of Health and Senior Services (MDHSS) announced that it had received over two-thousand applications from businesses seeking facility licenses and collected more than \$13 million in application fees. Beginning in December 2019, the MDHSS issued sixty marijuana-growing licenses, eighty-six marijuana infused products licenses and 192 licenses for medical marijuana dispensary facilities.²⁵⁵

In early 2020, FBI agents descended upon Jefferson City to interview lawmakers and lobbyists about Steven Tilley's relationship with medical marijuana companies and Missouri governor Mike Parson. Tilley, the former Speaker of the House who had become a successful, yet controversial lobbyist, had added a number of marijuana related clients since Parson became governor. Tilley, like others, was looking to take advantage of the financial opportunities that would follow the legalization of marijuana in Missouri.²⁵⁶

It was estimated that the Missouri medical marijuana market could eventually reach annual sales of \$300 million.²⁵⁷ Mayor Brian Treece of Columbia, Missouri, while debating the local laws that would regulate the medical marijuana industry in his town, commented in August 2019 that this "is like a modern-day gold rush."²⁵⁸

However, before money would flow from the sales of marijuana under Missouri's new law, money flowed in and out of the campaign coffers of powerful politicians and lobbyist bank accounts. And the licensing process would be the focus of a Missouri government oversight investigation, numerous appeals by companies that were denied licenses, and FBI inquiries.

At the center of this controversy was Missouri Governor Mike Parson and his relationship with Steven Tilley.

A New Governor

Mike Parson was sworn in as Governor of Missouri on June 1, 2018, after the resignation of Eric Greitens.²⁵⁹ Parson was in position to become governor because of a decision he made two years earlier when he opted not to run for the state's highest office and instead chose to run for lieutenant governor. He was elected on November 8, 2016.²⁶⁰

Parson's state political career began when he was elected to the Missouri House of Representatives in 2004, where he served until 2010. He was then elected to the Missouri Senate and served from 2011 through 2017.²⁶¹

The sudden resignation of Greitens, viewed as an outsider by many, provided new opportunities for the well-connected political class in Jefferson City. Parson was described as the "consummate insider" and as someone who would be a friend to lobbyists.²⁶²

How friendly would Parson be to lobbyists?

Bubs Hohulin, a former Missouri state representative whose relationship with Parson had become strained, criticized his former boss on Facebook in 2016.

"I witnessed him agreeing to propose legislation on behalf of lobbyists who had contributed to his campaign without having any idea what the legislation actually did," wrote Hohulin.²⁶³

Hohulin's assessment came four years after Parson was caught up in a highly controversial set of transactions with a state representative turned lobbyist named Steven Tilley. It was so controversial it was given a name, the "Tilley Shuffle."²⁶⁴

The Tilley Shuffle, which was legal at the time, allowed Tilley to resign from the Missouri House of Representatives in 2012 and to immediately become a lobbyist. Tilley devised a scheme that would convert approximately \$1.1 million in unspent campaign funds into income routed to him and his family. He did this by donating money to politicians who would then hire campaign consulting firms controlled by Tilley or his family.²⁶⁵

His first consulting client after leaving elected office was Mike Parson.

Campaign finance records show that four days after Tilley left office, Parson spent \$10,000 in 2012 with Tilley's company and during the same year received \$10,000 in contributions from Tilley.²⁶⁶

Over a four-year period, Parson received \$68,000 in campaign donations from Tilley and paid \$185,000 in to consulting companies controlled by Tilley and his family. When questioned about the relationship, Parson said, "It was strictly a business decision for me."²⁶⁷

Just months after being sworn-in as governor in June 2018, Parson would face another important "business decision." On November 7, 2018, Missouri voters approved the ballot measure to legalize medical marijuana. The amendment listed specific conditions such as cancer, epilepsy, glaucoma, and others that would meet the threshold for medical marijuana treatment. The amendment also allowed for doctors and patients to petition the state for exceptions.²⁶⁸

The vote meant Gov. Parson would have the responsibility of setting up the process that would regulate the medical marijuana industry in Missouri by making appointments to the Missouri Department of Health. Along with these responsibilities came an opportunity for Parson to include friends in this potentially lucrative process. Friends he had developed during his fourteen-year political career.

In December 2018, it was announced that Lyndall Fraker would head up a new division with the Missouri Department of Health and Senior Services (MDHSS). As the Director of Medical Marijuana, Fraker and his team would be responsible for handling regulations and developing the process that award licenses.²⁶⁹

At first glance, Fraker's professional background would not seem to be a good fit. Fraker was a Walmart manager for 17 years and had experience as a building contractor and a real estate developer. Due to the lack of a medical background, there was a failed attempt by a Missouri House member to require that a pharmacist hold the position, which would remove Fraker from the job.²⁷⁰

However, a closer look at Fraker's time as an elected official reveals political ties that might indicate why Parson selected him for this powerful position.

Fraker was elected to the Missouri House of Representatives in 2010 and served until 2018 when term limits ended his career.²⁷¹ In 2010, Fraker was part of an election that helped turn Missouri into a "dark red state."²⁷² It turns out the Republican political operatives involved with 2010 election were some of the same people involved with the selection of Fraker to be the Director of Medical Marijuana.

Robert Knodell spent four years as Executive Director of the House Republican Campaign Committee during the time Republicans made historic gains in the State House, including Fraker's election.²⁷³

According to Fraker, it was Knodell, now a top aide for Governor Parson, who, along with MDHSS Director Dr. Randall Williams, had contacted him about the medical marijuana job in 2018.²⁷⁴

In addition, Steven Tilley appears to have been an integral part of the 2010 election success along with Knodell. Tilley, who was Missouri House member at the time and a part of the Republican leadership, was given credit, along with Knodell, for the successful election of Republicans to the Missouri House during this time.²⁷⁵

After 2010, Tilley and Knodell continued to work together. For example, in 2013 they were part of a team that helped Missouri Senate candidate Casey Guernsey raise money for his campaign.²⁷⁶

In addition to Fraker's connections with Tilley and Knodell, Fraker, as a member of Missouri House, would have undoubtedly had a relationship with Parson, who was a Missouri House member when Fraker joined in 2010 and still likely when Parson was a Senator from 2011 to 2017.

With Fraker's appointment, he would become the point person for determining the rules and procedures for marijuana licensing. Those with access to Fraker, like Steven Tilley, would benefit.

Tilley Adds Dozens of Marijuana Clients

Just months before the appointment of Fraker to the medical marijuana position, Parson appointed Aaron Willard, previously Tilley's Chief of Staff, as his Chief of Staff. Tilley sought the appointment of Willard.²⁷⁷

Tilley's connections to the governor's office soon began to payoff.

Records indicate his client list grew substantially after Parson became governor on June 1, 2018. Prior to June 1, 2018, Missouri lobbying records show Tilley had twenty-two clients. After June 1, 2018, and before the end of 2018 he added twenty-four clients. From January through June the next year, Tilley added another thirty clients.

This means that during the year after his friend became governor, Tilley's lobbying clients more than tripled, from twenty-two clients to seventy-six clients.²⁷⁸

It appears that during this time, Tilley was not the only one interested in the money potentially generated by the new medical marijuana laws.

A visit by the FBI to Jefferson City in March of 2019 was not public until the summer. In July 2019, details about the visit indicated that FBI met with Lyndall Fraker, the newly appointed Director of Medical Marijuana. Fraker described the visit as “friendly.”²⁷⁹

The agents told officials that legalizing marijuana “can involve large sums of money, and when there are large sums of money we tend to pay attention.”²⁸⁰

That meeting with Fraker came during the same month that MDHSS issued a Request for Proposal (RFP) in search for vendors who could provide information technology solutions for the Medical Marijuana Program. The technology solution tracked patient registries, facility applications, and near real-time information on patient purchases and company inventory.²⁸¹

Twenty companies submitted proposals and Lakeland, Florida-based Metrc was awarded a five-year, \$5 million contract in April 2019.²⁸² However, one of the losing bidders, BioTrackTHC filed an appeal on April 18, 2019.

Missouri lobbying records show that BioTrackTHC hired Tilley on January 16, 2019, as part of their efforts to win the contract.²⁸³ After the appeal was filed in April, Tilley held a fundraiser to benefit Parson.²⁸⁴ A copy of invitation indicated Tilley was seeking donations ranging from \$2,600 to \$25,000.

However, the appeal of the decision by BioTrackTHC was denied on May 20, 2019.²⁸⁵ The fundraiser went on as planned and BioTrackTHC ended their lobbying relationship with Tilley on July 1, 2019.²⁸⁶

Tilley’s growth in clients also included many marijuana related businesses seeking cultivation and dispensary licenses. These businesses began coming on board with Tilley in November 2018 and would all be added by the middle of 2019. Included in the group of Tilley marijuana clients was the Missouri Medical Cannabis Trade Association which represented a number of businesses seeking licenses.²⁸⁷

The award of the licenses was scheduled to be announced starting in late 2019.²⁸⁸ It was reported in September 2019, that Tilley was significantly invested in Parson’s bid for re-election in 2020. An analysis of campaign donations to that point indicated that Tilley was responsible for approximately 25 percent of the money raised for Parson’s 2020 campaign. Tilley reportedly had “considerable sway” with the Parson administration through staffers with previous Tilley connections.²⁸⁹

In November 2019, ahead of the license awards, a federal grand jury, requested that the Missouri Department of Health and Senior Services turn over all records related to medical marijuana license applications connected to four individuals. The names of the individuals were kept confidential.²⁹⁰

The licenses for testing, cultivation, and dispensing marijuana were awarded during a two-month period beginning in December 2019 and ending in January 2020.²⁹¹ At least two Tilley clients were among the eighty-six manufacturing licenses awarded. These clients were Beleaf and Bootheel CannaCare.²⁹² But one of Tilley’s major marijuana clients, the Missouri Medical Cannabis Trade Association (MoCannTrade), scored big.²⁹³ The industry group was tied to approximately two dozen businesses that each won five or more of licenses.²⁹⁴

How influential was Tilley over the process?

On January 23, 2020, the Missouri Department of Health and Senior Services (MDHSS) began the “process of the issuing a total of 192 licenses for medical marijuana dispensary facilities.”²⁹⁵ On Friday, January 24, 2020, DHSS provided a list of those companies awarded and those denied licenses.²⁹⁶

On that same day, Missouri lobbyists records show that Beleaf Company hired Steven Tilley. Beleaf had been awarded marijuana licenses in some jurisdictions, but denied in others.

On February 21, 2020, BeLeaf filed an appeal with the DHSS and reached a settlement on April 14, 2020.²⁹⁷ As of May 20, 2020, Beleaf was still a Tilley client.²⁹⁸

BeLeaf would not be the only appeal.

As of March 2020, approximately 850 companies that had been denied licenses had filed appeals with Missouri Department of Health and Senior Services. These appeals came after a government oversight committee in the Missouri House began investigating the licensing process.²⁹⁹

In June 2020, amid the appeals and investigations, public records revealed that Steven Tilley had advocated on behalf of his marijuana clients by going directly to the head of the licensing program, Lyndall Fraker via hundreds of emails. And Tilley received prompt responses.³⁰⁰

As of July, reports indicate that FBI is still investigating the Missouri marijuana program and the actions of Steven Tilley.³⁰¹ And in December, 2020, Lyndall Fraker testified under oath that a grand jury subpoena his office received in 2019 was related to a federal investigation.³⁰²

The Maryland Story

Delegate Faces Ethics Charges

What do you get when you combine the “godfather of weed,” a state legislator, and a former executive of a “development empire?” In Maryland, you get a license to sell marijuana.

Advocates in Maryland had been pushing for some form of marijuana legalization for decades. Their goal was realized when legislation was passed to establish a state-regulated medical marijuana program. Then-Governor Martin O'Malley signed the legislation in May 2013.³⁰³

In 2016, the Maryland Medical Cannabis Commission awarded fifteen preliminary licenses to grow marijuana and fifteen licenses to process the marijuana "into pills, oils and other medical products." Almost 150 grower applications and 124 processor applications were submitted.³⁰⁴

The selection process was designed to be unbiased. Applications had the involved individuals' names redacted and were ranked by outside evaluators.³⁰⁵ However, before the program could get off the ground, a troubling connection between an elected official and a cannabis company, called Doctor's Orders, was revealed.

Reporting indicated that a politician named Dan Morhaim, the Maryland legislature's top sponsor of the medical marijuana legislation, was hired by Doctor's Orders as clinical director for an affiliated dispensary. The conflict would result in an ethics investigation and Morhaim would eventually retire from politics.³⁰⁶

Further research would reveal more connections between this company and powerful political players in Maryland. But Doctor's Orders was not the only one. Other companies were also successful in securing political access ahead of their applications for cannabis licenses in Maryland.

For example, Curio Wellness, which was financed by major political donors, recruited a former state trooper as part of the management team. It turns out that the state trooper had personal and professional ties to Governor Larry Hogan's administration and the Maryland Medical Cannabis Commission.

Another company, ForwardGro, had a CEO that fostered a political relationship with Governor Hogan during a critical time in Hogan's political career.

Doctor's Orders

It is never good when a governor calls for the removal of a legislator. But that is what happened with Maryland Delegate Dan Morhaim.

An ethics investigation found that Morhaim had financial ties to a cannabis company seeking to obtain a license while serving “as a chief architect of Maryland's medical marijuana industry.” The Joint Committee on Legislative Ethics found Morhaim's conduct was "improper because his actions were contrary to the principles of ethical standards."³⁰⁷

Morhaim defended himself by arguing he had no inside knowledge or influence that gave the company he was affiliated with a leg up. But the findings fueled outrage from officials who had been involved with implementing laws and regulations to facilitate the development of the industry in Maryland.

Chief among those were Maryland Governor Larry Hogan.

Hogan said, "There's no question in my mind that what was done was completely unethical and...somebody [who] has such complete disregard for the ethics laws of Maryland should be removed from office rather than slapped on the wrist."³⁰⁸

At least one official with the Maryland Medical Cannabis Commission charged that Morhaim was actively involved with influencing the process.

Chris Charles, a member of the Maryland Medical Cannabis Commission, in a letter to commission members dated March 16, 2015, wrote that "Morhaim is legislating out many of the regulations we worked hard to put into place for patient safety." Charles added, "He is also influencing the Executive Committee to take out of the regs things he doesn't like."³⁰⁹

Delegate Cheryl Glenn, a Baltimore Democrat, who was instrumental in legalizing and fostering growth in the medical marijuana industry, did not pull any punches when commenting on Morhaim's actions.

Glenn said, "He didn't do anything wrong? Oh, please. It's incredulous that all he's getting is a slap on the wrist. ... He definitely has used the power of his position as a legislator. Would Doctor's Orders have been interested in forming a financial relationship with him if he wasn't a lawmaker?"³¹⁰

And just who is Doctor's Orders?

A review of the Doctor's Orders application submitted to the Maryland Medical Cannabis Commission reveals a team of individuals that possess the financial resources, political muscle, and cannabis industry expertise required to navigate the regulatory and private sector challenges facing these start-up companies. An investor and CEO of Doctor's Orders, Glenn Weinberg, is a former executive from the Cordish Companies where he was a prominent developer. Cordish Companies is a Baltimore based multi-billion dollar real estate development and entertainment conglomerate founded in 1910. The company owns and operates casinos in Maryland.³¹¹

The well-connected Weinberg is still listed on the company's website with a bio that states he is "retired from Cordish in 2006, and is currently pursuing multiple personal business ventures."³¹²

Another prominent Doctor's Order's investor was venture capitalist Herbert P. Wilkins Jr. He was the son of Herb Wilkins Sr., an investor in Black Entertainment Television (BET) and Radio One.

Mr. Wilkins is a partner with the Baltimore-based Syncom Venture Partners. According to his bio, he has also "participated in the investment and development of companies across a wide range of segments of the Media and Communication Industry." He served on the board of directors of the Network for Teaching Entrepreneurship (NFTE) in Baltimore, and currently "serves on the board of directors of a number of Syncom-portfolio companies including IVT, Si-TV, and TMX Interactive."³¹³

Complementing the Maryland expertise was the involvement of investors Brian Vicente and Christian Sederberg. Sederberg, labeled the "godfather of weed" by a Colorado newspaper, started with Vicente what Rolling Stone magazine called "the country's first powerhouse marijuana law firm."³¹⁴

According to reports, he and Vicente “were on the weed bandwagon before Colorado legalized recreational marijuana sales in 2012. Vicente-Sederberg opened as a marijuana legal practice in 2010. Now they’re recognized as industry leaders in business and regulatory affairs for the cannabis industry, from real estate and private equity to trade groups and local advocacy.”³¹⁵

Enter Maryland Delegate Don Morhaim.

Morhaim, who was advocating for the legalization of medical marijuana years before his tangled relationship with Doctors Order’s, stated in 2013, “if Maryland does not broaden its position on medical marijuana, residents suffering from severe cases of cerebral palsy, multiple sclerosis and other chronic illnesses may choose to seek treatment elsewhere.”³¹⁶

Despite his altruistic motives, the fallout from Morhaim’s involvement with Doctors Orders was severe. In 2017, House Speaker Michael E. Busch removed him from a health policy committee post that Morhaim held for fourteen years.³¹⁷ Then the Maryland House of Delegates voted 138-0 to reprimand Morhaim “for using his position to advocate for changes in the state’s medical marijuana program.”³¹⁸

Even one the Doctors Order’s officials turned on Morhaim. Jeff Black, who was listed in the original application for a license, stated “He assured us everything was legit. It turns out everything wasn’t completely legit.”³¹⁹

In early 2018, Morhaim announced he would not run for re-election. The 70-year-old lawmaker, who was first elected to Maryland House of Delegates in 1994, chose to retire and end his political career.³²⁰

Curio Wellness

While Maryland Governor Larry Hogan was critical of Maryland Delegate Don Morhaim’s ethical lapses regarding Doctor’s Orders, it appears Hogan had issues of his own with cannabis companies seeking licenses. These issues begin with Curio Wellness.

A review of the Curio Wellness application submitted to the Maryland Medical Cannabis Commission shows Doug DeLeaver listed as an agent/processor as of November 2, 2015.³²¹ Specifically, DeLeaver, who had forty years of law enforcement experience, was listed as a part of the management team as the director of security.³²²

Was it his security credentials or his political connections to Governor Larry Hogan that provided the most value to Curio Wellness?

DeLeaver was appointed to Governor Hogan’s transition team in November 2014, before appearing on the Curio Wellness application. In April 2015, DeLeaver was appointed by the Hogan administration to a newly created \$107,429 a year position with the Maryland Transit Administration.”³²³

In addition to his own connections to Governor Hogan, DeLeaver’s family members also had easy access to Hogan. His daughter, Shareese N. DeLeaver Churchill, is listed as a Press Secretary in the governor’s administration.³²⁴ Her husband, Ellington Churchill, also had a job in the Hogan administration.

In July 2016, Governor Hogan selected Churchill to be the Secretary of the Department of General Services. The position was responsible for managing a budget of \$100 million and 600 employees.³²⁵

DeLeaver also had ties to the Executive Director of the Maryland Medical Cannabis Commission, Patrick Jameson, with whom he had worked as a state trooper.³²⁶

Governor Hogan appointed Jameson to that position in April 2016. The *Washington Post* reported that the “appointment comes at a critical time for the Medical Cannabis Commission, which is managing a deluge of applications from businesses seeking licenses to grow, process and sell medical marijuana.”³²⁷

Beyond the political connections of DeLeaver, the Curio Wellness team included a wealthy, high-profile investor.

The main force behind Curio Wellness is Michael Bronfein, who raised \$30 million for the company. He is described as a “healthcare entrepreneur” and is involved with Baltimore’s Horseshoe Casino. He is also a Democratic donor who has close ties with former President Bill Clinton and other national Democratic candidates. He was campaign finance chair for Kathleen Kennedy Townsend, the 2002 Democratic Maryland gubernatorial nominee.³²⁸

ForwardGro

Another well-connected company that received a license from the Maryland Medical Cannabis Commission was ForwardGro.

ForwardGro is led by successful businessman Gary Mangum.³²⁹ Mangum is President and CEO of Bell Nursery USA. Bell is a wholesale plant grower and distributor with headquarters in Elkridge, Maryland, just outside of Baltimore. The company has offices and greenhouses in six states and ships tens of millions of plants annually—sold exclusively through the Home Depot.³³⁰

It also turns out that Mangum has close ties to Governor Larry Hogan and the Maryland Republican party.

The ForwardGro group includes Mike McCarthy, Mangum’s former business partner at Bell, and former Anne Arundel County sheriff George Johnson who was a former Democratic candidate for county executive.

Before submitting the ForwardGro application to the Maryland Medical Cannabis Commission, media reports and campaign records show that Mangum cultivated a close political relationship with Larry Hogan.

“Executives of ForwardGro have given more than \$195,000 in political donations in recent years, with Mangum personally giving three-fourths of that sum since 2007.”³³¹

Campaign donation records show that in April 2014, Gary Mangum and his wife Sonia donated \$5,000 to Hogan’s Change Maryland committee that eventually helped finance Hogan’s successful campaign for governor.³³²

In May 2014, Mangum was named Republican of the Year at the Reagan Day Dinner in Queen Anne’s County, outside of Baltimore.³³³ An appointment to Governor-Elect Hogan’s transition team in December 2014 followed that honor and the donations earlier that year.³³⁴

The campaign money from Mangum continued to flow after Hogan's election. Records show that in June 2015, Gary Mangum donated \$6,000 to "Larry Hogan for Governor." This was followed by a \$6,000 donation by Mangum's wife in October.³³⁵

Mangum's efforts to help Hogan were not limited to financial resources.

While the ForwardGro application, which was filed in November 2015, was under consideration by the Maryland Medical Cannabis Commission, Mangum continued to offer his help to Hogan and Maryland Republicans.

Ahead of the 2018 elections, Hogan, who was not up for election until 2020, began to campaign in non-traditional Republican areas in Baltimore in an attempt to increase his appeal to suburban voters. In 2016, Hogan helped secure various resources to help the struggling Martin Luther King Jr. Recreation Center in the Baltimore neighborhood of Franklin Square. And Gary Mangum was there to help.³³⁶

ForwardGro was awarded the first license to grow marijuana in Maryland in May 2017.³³⁷ And in May 2018, Mangum donated \$20,000 to the Maryland Republican Governor's Association at a time when their efforts were focused on the re-election of Governor Larry Hogan.³³⁸

The Washington State Story

The Cannabis Cops

Where other states have experienced problems from influence peddling by politicians, commercial interests and lobbyists, Washington State's history with legalization of marijuana primarily involves regulatory power struggles. Unlike other states that approved very limited, tightly controlled licensing of cannabis for medical and later recreational uses, Washington opened its doors widely at first, and dealt with the regulatory issues later.

The story begins in 1998 when Evergreen State voters approved Initiative 692 and became one of the first in the nation to enter the medical marijuana industry.³³⁹ In those early days, there was "no consideration given to licensing or zoning," which led to a thriving medical cannabis industry with almost no structure.³⁴⁰ Even the initiative's main sponsor, Sen. Jeanne Kohl-Welles, admitted the law had problems that would need to be fixed.³⁴¹

Over the years, legislators in the state proposed and adopted piecemeal measures to improve its marijuana laws as the industry continued to expand, moving from personal grows and collective gardens to retail medical dispensaries. Growth peaked in 2015, with at least 1,100 such dispensaries, before falling to a total of 565 licensed locations in 2020, of which 278 were medically endorsed stores (163 active and 115 inactive).³⁴²

The biggest change would come thirteen years after medical use legalization, in 2011 when citizens petitioned the state legislature to allow limited use of recreational marijuana for adults 21 and over. After the legislature took no action, Initiative 502 (I-502) was automatically placed on the November 2012 ballot. It passed with nearly 56 percent of the vote.³⁴³

Enforcing this new law became the responsibility of the Washington State Liquor Control Board (WSLCB), a regulatory agency created in 1933 to enforce liquor laws after the end of Prohibition. WSLCB's regulatory powers were extended to include cannabis.³⁴⁴ The agency was renamed the "Washington State Liquor and Cannabis Board," (keeping the same acronym) and it began to oversee the licensing and regulation of marijuana production, processing, and sales.³⁴⁵

The WSLCB and the state's governor took the lead in asking then-Attorney General Eric Holder for guidance on marijuana enforcement matters.³⁴⁶ The "Cole Memo," written by Deputy U.S. Attorney General James Cole in August 2013, was sent to all U.S. Attorneys and focused on marijuana enforcement guidelines, urging states and local governments to implement "strong and effective regulatory and enforcement systems" regarding cannabis.³⁴⁷

Just weeks later, the Association of Washington Cities (AWC), a nonprofit that represents Washington's cities and towns, met behind closed doors with the LCB and many other "partners," including the Criminal Justice Training Commission (CJTC), the Washington Association of Sheriffs & Policy Chiefs, and several other agencies that were receiving federal grant money.³⁴⁸

Two state residents, John Worthington and Arthur West, took the LCB to court in separate filings over breaking open meeting laws, specifically citing the board's meetings with AWC in 2013.³⁴⁹

The three-member LCB board had traveled around Washington to hold public hearings, but would use the trips to meet privately with "local police, officials and prevention groups."³⁵⁰ In his suit, Worthington argued that these groups, all federal grant recipients, were enabled by the LCB to use federal grant funding for lobbying purposes.³⁵¹ An investigation found that the board broke the state's open public meetings law seventeen times, and the board agreed to pay \$192,000 to settle the West suit in late 2014.³⁵²

As the LCB was increasing its reach, it was also being watched closely by some members of the legislature prior to the implementation of I-502. In mid-2013, Senator Kohl-Welles wrote to her colleagues about the LCB's future involvement under the new framework and was "concerned that we would be handing over too much of our responsibility to a regulatory agency."³⁵³

According to the cannabis industry, the LCB has infringed on patients' rights, used extremely tough enforcement, and conducted arbitrary and unfair licensing practices. They have faced countless lawsuits and complaints, and the LCB's "toxic culture" has been cited by Washington lawmakers as a serious concern.³⁵⁴

Patients' Rights Concerns

By early 2015, there were public concerns about how the legislature would act regarding the new framework addressing medical and recreational use. The governor signed the Cannabis Patient Protection Act the same year. The act overhauled the medical cannabis industry in Washington, merging the nearly twenty-year-old medical industry with the new recreational industry, all under the stricter rules required by I-502.³⁵⁵

Proponents of I-502 insisted that medical cannabis patients would not have their rights affected by the merger, up until it passed. Ironically, the Cannabis Patient Protection Act did not do what its name indicated, as patients were virtually stripped of their rights.³⁵⁶

The medical cannabis market was "a perceived threat to the state's expected tax revenues from I-502," but combining the two industries under one system would mitigate this threat.³⁵⁷ With the 25 percent imposed excise tax, the first fiscal year post-recreational legalization alone brought in \$65.71 million to the state's coffers (from July 1, 2014 to June 30, 2015).³⁵⁸

State revenues from the marijuana excise tax easily outpaced initial projections, growing six-fold to a whopping \$395.5 million in 2019.³⁵⁹

The intent of I-502 was to steer this new revenue towards basic health services, prevention and treatment programs, research, and education. The initiative also allowed the LCB to review established tax levels and make recommendations to the legislature when it believed the level should be adjusted.³⁶⁰

Starting in 2015, the tax rate for adult-use cannabis increased to 37 percent. Overall, Washington State has collected over \$720 million from retail cannabis sales through the end of 2018, and over \$1.3 billion in income and license fees (including penalties) through fiscal year 2018-2019.³⁶¹

Early in the implementation of I-502, legislators, advocacy groups, and constituents (particularly medical patients) were concerned with what would happen to the industry because of the new law. If the medical market remained as wide open as it was, it could be problematic for the recreational industry.³⁶² At the same time, some patients and medical marijuana advocates expressed serious concerns that the merger into the “highly regulated recreational system” would cut medical dispensaries by more than half, limiting their access to (originally tax free) medical cannabis.³⁶³

In 2013, the hybrid system limited adults to a single ounce of recreational cannabis, while the medical system initially had allowed patients to possess a pound and a half.³⁶⁴ The state created a “voluntary” registry with an incentive: patients who signed up were able to possess more medical cannabis.³⁶⁵ Prior to this, Washington State was the only state without a patient database, so no one knew how large the industry had become.³⁶⁶ Estimates for medical marijuana users in the state ranged from 100,000–400,000.³⁶⁷

Patients who registered received higher tax breaks and possession limits, and could now legally hold up to three ounces and six plants, instead of the previous pound-and-a-half. Those who did not register would be permitted the same single ounce of marijuana as other adults 21 and older, and allowed to cultivate up to four plants. This significant limit meant that those previously allowed to hold 20 ounces and 15 plants would now be seen as committing a felony.³⁶⁸ The law provided them no protection from arrest, but did allow them to use their previous medical use condition as a defense at trial.³⁶⁹

There have been issues with the traceability system ever since, from the data breaches that leaked confidential patient information in 2016 to the temporary halted access in 2019.³⁷⁰ As of early 2020, these issues have cost the state nearly \$2 million in payments to the company running the database, MJ Freeway.³⁷¹

There was at least one federal lawsuit over patients’ rights concerns. A doctor and his patient sued over concerns that Cannabis Patient Protection Act would tamper with the ability for the doctor to prescribe and, subsequently, for the patient to receive his medical cannabis when it was needed.³⁷² Rallies and demonstrations occurred in opposition to the bill, led by patients and advocacy groups. Petitions were created (preceding and following the bill’s passage) by patients who felt that their rights were violated, but these efforts were unsuccessful.³⁷³

Tough Enforcement: The Liquor and Cannabis Board and Their “Cop” Authority

When the LCB was created in 1933, the duty to enforce state liquor laws was placed on “peace officers” via the Washington State Liquor Act.³⁷⁴ In 1939, the Intoxicating Liquors Act gave authority to “liquor enforcement officers” to serve and execute warrants and to make warrantless arrests when they observed a violation. These officers, as opposed to standard peace officers, had limited jurisdiction to enforce only violations of “the penal laws of this state relating to the manufacture, importation, transportation, possession, distribution and sale of liquor.”³⁷⁵

The need for better enforcement rules has been a concern since at least the mid-2000s. At the time, a governor-appointed Citizens Review Panel found that the training received by liquor enforcement officers was insufficient. The LCB was training enforcement officers at a mere 220 hours, while the state training standard for regular law enforcement officers is 720 hours. The panel proposed that the LCB provide liquor enforcement officers with the standard 720-hour officer training in Washington State.³⁷⁶

The LCB started a limited training called Basic Law Enforcement Academy – Limited Authority. This curriculum included basic law enforcement training and specialized knowledge and skills training based on the job duties unique to the LCB’s officers.³⁷⁷ The limited-authority training meant that officers could not transfer to other law enforcement jobs, since they would not have full enforcement credentials.³⁷⁸

The adoption of this “limited-authority” training only created more confusion. Liquor enforcement officers continued to operate under false direction that they were authorized to carry guns and issue warrants like regular police. These officers also adopted uniforms and jumpsuits that said “police,” installed red and blue police lights in vehicles, and worked side by side with general authority agencies.³⁷⁹

Throughout the 2010s, the LCB continued to push for greater authority, especially to address the problem of black markets.³⁸⁰ A 2013 bill would have added LCB to the formal list of Washington law enforcement agencies, and defined its officers as “criminal justice personnel” and “law enforcement personnel.” After that bill failed, another bill considered in the following year would have allowed LCB officers who did not complete BLEA academy training to take an “equivalency course” in order to receive full peace officer certification. That bill also failed.³⁸¹ More efforts followed – and failed – until 2017.³⁸²

In that year, the LCB decided to do it on its own, without the legislature’s approval. In late 2017, the LCB created its own policy certifying liquor control officers as “peace officers,” giving them full policing authority separate from the penal system in Washington.³⁸³

To do this, the LCB relied on documents drafted by a third party called LEXIPOL, which creates policy manuals for law enforcement agencies nationwide.³⁸⁴ By implementing its own policies surrounding enforcement, LCB raised citizen concerns that its officers now appear to have the same authority as regular police. More specifically, this means expanded power to enforce crimes not within the specific scope of enforcing liquor, tobacco, or cannabis laws and regulations.³⁸⁵

Since then, the agency has conducted criminal investigations and served warrants. Judges who sign these warrants are under the mistaken impression that the LCB’s officers have the legal authority to enforce laws, since they act like typical police. This issue is controversial because the LCB is a regulatory agency that has not been granted legal policing authority.³⁸⁶

However, in 2017, an armored car deployed in the small town of Blaine near the Canadian border drew a lot of attention in Washington State. Officers from the Blaine Police Department, the county’s Special Weapons and Tactics (SWAT) team, and WSLCB officers executed a search warrant obtained by the LCB. They confiscated a mere ten plants.³⁸⁷

In late 2019, a cannabis bus was raided by the LCB. LCB officers operating undercover requested a place to smoke marijuana, then revealed they were LCB officers, and proceeded to arrest the organizers.

According to the bus owner, the marijuana seized was within the legal limit, and the vehicle was on private property out of public view.³⁸⁸

In December 2019, an independent review of WSLCB's activities was completed by Hillard Heintze, an Illinois-based consulting company, at the request of the LCB itself.³⁸⁹ The firm found that current policies "reflect law enforcement strategies, rather than those specifically developed for regulatory agencies." The review found several inconsistencies in practices within the agency, a lack of transparency towards licensees, chain-of-command issues, and an overall need for a cultural change.³⁹⁰

Licensees interviewed for the review perceived some officers as anti-cannabis. Many resented the "tactical-style uniform" that the officers wear, believing SWAT officers "were raiding their business." Licensees reported they feared reporting any mistreatment by LCB, concerned that officers would target their businesses and issue violations in retaliation. Business owners said that while some officers are helpful, others take a strong enforcement approach, writing up "even the smallest violations."³⁹¹

The Hillard Heintze report included 18 recommendations, primarily focused on resolving the "enforcement philosophy" the LCB has so adamantly maintained.³⁹² The report emphasized what has been true since the agency's inception – the LCB is a *limited* law enforcement agency, and its officers are "not recognized as fully commissioned police officers in the State of Washington."³⁹³

In response to the report, LCB leadership suggested a new approach: that the LCB gradually reduce the number of officers allowed to carry firearms to 50 percent. The current plan is to create a new group within the Cannabis Enforcement/Education Unit that would "consist of unarmed, non-commissioned employees whose key objective will be to educate and work collaboratively with licensees to achieve compliance."³⁹⁴ Again, the LCB chose an approach that allowed it to maintain its heavy-handed enforcement strategies, weapons and tactical uniforms included.

Arbitrary and Unfair Licensing Practices

The legislation passed in April 2015 gave the board authority to license new stores in the recreational industry. Priority for licensing was to be given to established medical players that were seen as "good actors." Several longtime medical marijuana retailers that were denied recreational licenses sued the LCB in early 2016. These retailers argued they all had a good track record of obeying rules and paying taxes, but claimed regulators were instead giving priority to brand new applicants.³⁹⁵

Seattle dispensary owner John Davis was one such plaintiff. He sued the LCB for implementing an "unfair and sloppy transition process" from the state's original medical-only industry. While Davis was one of the first to submit his application for a recreational license, he received no response because, it turned out, because his email contact address had been entered into the system incorrectly. Unfortunately, by the time the error was corrected, the 21 additional licenses allotted under the law for Seattle had all been awarded.³⁹⁶

Ty Camp, the owner of Sifton-based cannabis farm Sunshine Farms, has been in a legal dispute with the LCB for several years.³⁹⁷ In 2017, an LCB officer wrote a report suggesting that Camp was connected with drug cartels, involved in money laundering, and had made fraudulent bank deposits. Camp sued, saying the LCB gave him no chance to tell his side, but nevertheless agreed to pay a \$125,000 settlement to

“resolve violations of misrepresentation of fact, failure to provide records and not having his landlord on the license.”³⁹⁸

The three-member board rejected this settlement offer, taking it to trial which Camp’s attorney says, “will cost more than \$150,000 and could result in the loss of his grower’s license.”³⁹⁹ The LCB officer’s allegations also cost his wife her job. She was fired from her position as assistant VP and financial center manager at Bank of America because of the money-laundering accusations against her husband.⁴⁰⁰ Camp made three settlement offers, all of which were rejected by the LCB’s board.⁴⁰¹ Following a trial that was held at the end of June 2020, three years after the initial alleged violations, a superior court judge granted Mr. Camp his stay. His dispensary is now allowed to operate.⁴⁰²

Uncle Ike’s Pot Shop

On September 23, 2014, the LCB issued a recreational marijuana license to Uncle Ike’s Pot Shop (Uncle Ike’s). On September 30, Uncle Ike’s opened for business in Seattle’s Central District and became the city’s second “official” pot shop. Uncle Ike’s is owned by Ian Eisenberg, who would become locally known as “the king of pot” when Uncle Ike’s eventually grew into the second most profitable shop in the state.⁴⁰³

But, on October 23, Mt. Calvary Christian Center and other parties filed suit against the LCB and Uncle Ike’s.⁴⁰⁴

The church’s lawsuit alleged that because of its close proximity to Joshua Generation Teen Center, a small public park, and to Mt. Calvary’s church building, the LCB should not have granted a license to Uncle Ike’s. The shop was a mere three feet from the church and across the street from the Teen Center. The lawsuit also claims that neither the LCB nor the city informed anyone in the community of Uncle Ike’s application for a license, as required by state law. Because of this, the parties claimed that they were denied due process of law to voice their objection to the license.⁴⁰⁵

On October 30, it was revealed that the LCB had sent a letter to the Mayor’s office three months earlier, fulfilling its legal requirements. The Mayor’s office, however, failed to respond within the required 20-day window. It appears that this was the reason why the community was not informed and caught off-guard. Therefore, the application process moved along unimpeded.⁴⁰⁶ Mt. Calvary’s pastor, Reggie Witherspoon, is a highly respected and active member of the community. He founded youth outreach programs and served as a chaplain for the Seattle Fire Department. Despite his accomplishments and investments in his community, the city, the state, and the LCB disregarded his concerns about Uncle Ike’s potential negative impact on a community with a rough history of drug violence and abuse.⁴⁰⁷

Nevertheless, Mt. Calvary and the other parties quietly dropped their lawsuit in May 2015.⁴⁰⁸

Uncle Ike’s has remained a sore subject between the Central District community and Eisenberg and the state’s gentrification efforts. Local activists have protested the shop’s location and charged that a well-off white business owner was profiting from “the exact same thing that many poor people of color are still in jail for.” Black Lives Matter protesters have stopped at the shop on multiple occasions, objecting to the sale of legal marijuana in a place black men were commonly arrested when marijuana sales were

still illegal. They also petitioned then-Mayor Ed Murray, the Washington State House Representatives, and even Washington Governor Jay Inslee, but to no avail.⁴⁰⁹ Years of gentrification have even forced Mt. Calvary, the iconic church that has served as a staple of the Central District community for decades, to put itself up for sale in April 2019.⁴¹⁰

Discrimination Lawsuit

In March of this year, members of a group called Black Excellence in Cannabis filed a lawsuit claiming that the state is benefiting from licensing procedures at the expense of the African American community.⁴¹¹ The group points to Cloud 9, a dispensary whose Priority 1 ranking was reassessed to Priority 3 in 2016 for “inaccurate reporting and insufficient payments,” according to the LCB.⁴¹² After this reassessment, which occurred outside of the two-week window following the initial assessment, Cloud 9 was denied the ability to appeal, leading to their disqualification from proper recognition.⁴¹³

Under the policy at the time, LCB could only consider Cloud 9’s application based on evidence from the Department of Revenue, to confirm the applicant was up to date on all applicable taxes and fees. LCB did not have the authority to judge Cloud 9’s application requiring evidence from the Department of Labor and Industries and the Employment Security Department, yet the LCB moved forward anyway. The rule change requiring those new standards was unenforceable at the time and was not in effect before June 18, 2016.⁴¹⁴

However, at least one other business that applied for licensing in the same time period was approved as Priority 1 using the same licensing qualifications. The difference: that businesses was owned by a white applicant. One member of Black Excellence in Cannabis complained, “The most disturbing and frustrating thing is that after denying our applications the WSLCB approved a white woman from Peter’s Medical Marijuana Collective Garden for a license, with the exact same paperwork.”⁴¹⁵

Practices like these may have contributed to a lack of diversity in the state’s cannabis industry and a perception that Washington has not tried to address it.⁴¹⁶ But, as it turns out, Washington’s legislature just created the state’s first-ever social equity program for cannabis, signed into law by Governor Jay Inslee in March of this year.⁴¹⁷

According to recent numbers provided by the LCB, 1 percent of marijuana producers and processors in Washington identify as Black, compared with a 4 percent statewide population. The board’s numbers also suggest that only 3 percent of licenses in the state belong to primarily black-owned companies, although Black Excellence in Cannabis suggests the numbers could be outdated and even lower.⁴¹⁸

Moreover, LCB’s defenders responded that dispensary owners who were previously involved in the illicit cannabis industry were “being treated with suspicion and as criminals.” Coupled with the Cloud 9 lawsuit, it appears that the LCB is being compelled to address issues surrounding discrimination.⁴¹⁹

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