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50
U.S. Attorneys

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Ashley Picillo
knows.*



THE
BALLAD OF
OLD KAI

**SAHAR
AYINEHSAZIAN**
EXPLAINS POST-COLE
BANKING

RAMPING UP
DISTRIBUTION AT
KIVA SALES & SERVICE

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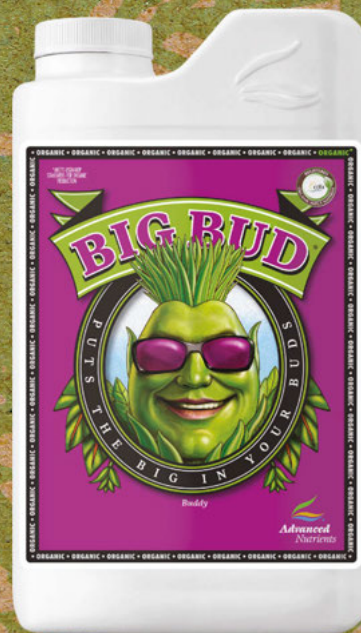


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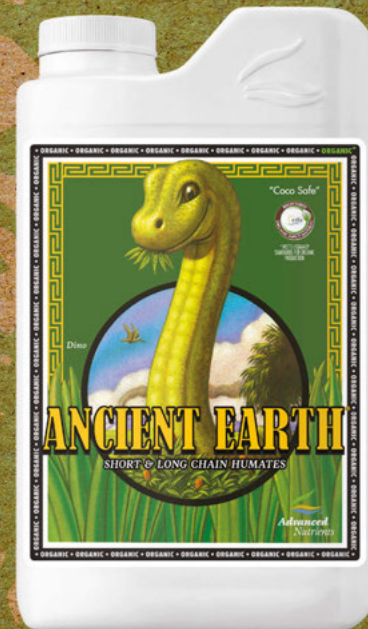


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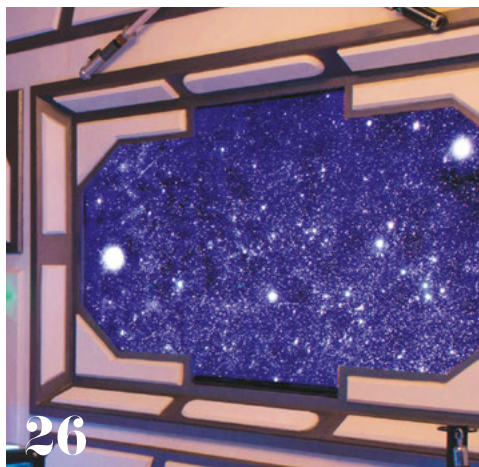
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ENGINES OF COMMERCE

WHILE NOT GENERALLY CONSIDERED THE SEXIEST OF SUBJECTS, distribution is one of the more important activities to watch as California begins its epic experiment in creating and overseeing a regulated commercial marketplace for cannabis. The state is taking a relatively *laissez faire* attitude toward distribution in the sense the holder of a retail, cultivation, or manufacturing license (but not a testing laboratory license) also may apply for a full distribution license (Type 11), or distribution transport license (Type 13). The former allows direct business-to-business distribution to retail stores but also requires the operator to test the products and perform other quality assurance, while the latter permits transportation among licensed cultivators, manufacturers, and distributors, with limited retail delivery from licensed nurseries only.

As with other cannabis licenses, however, the holder of a Type 11 or Type 13 license also must have a local permit that allows the holder to conduct business within a municipality or the unincorporated areas of a county. That deference to local rule is resulting in a patchwork of services, including where distribution hubs may be located. In the case of certain areas of the state (see “The Ballad of Old Kai” in this issue), hostile law enforcement has the potential to curtail, or at least inhibit, distribution altogether, making the pathway to market uncertain for products and brands at the worst possible time.

As the inevitable mess works itself out, consumers and patients will learn the realities of this new marketplace the hard way when the products they have come to like or depend upon no longer are available through legal outlets.

Tom Hymes
Tom@cannmg.com

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CORRECTIONS: On the January 2018 cover, we misspelled Viyda Schatz’s name. We are eternally and profoundly sorry for the error.

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POLL FINDS STRONG SUPPORT FOR MEDICAL MARIJUANA IN SOUTH CAROLINA



MIKE TYSON BUILDING CALIFORNIA CANNABIS RANCH

HARVEST

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GREECE CLOSE TO ALLOWING MEDICAL CANNABIS USE



NEW HAMPSHIRE, VERMONT CONTINUE LEGALIZATION MARCH DESPITE SESSIONS MEMO

COULD COLE MEMO RESCISSION IMPACT 2018 MIDTERMS?



WASHINGTON, D.C.— Bi-partisan congressional and consumer criticism met United States Attorney General Jeff Sessions’s rescission of the so-called Cole Memo in January. The August 2013 memo, written by then-Deputy U.S. Attorney General James M. Cole, directed federal prosecutors to focus on drug-related violence, keeping cannabis out of the hands of minors, and preventing the flow of money to criminal organizations but otherwise leave enforcement to state and local authorities. By rescinding the memo one day after appointing seventeen interim United States Attorneys to positions vacated by mandatory resignations in March, Sessions appeared to greenlight federal prosecution in legal states.

One repercussion Sessions, a longtime critic of legalization, may not have seen coming: voter rebellion. A 2017 poll by CBS News indicated approximately 60 percent of Americans, regardless their political affiliation, support legalizing recreational marijuana, and nearly 90 percent support medicinal cannabis use.

Reaction from Sessions’s former Republican colleagues in Congress—especially those in legal states and those whose seats are vulnerable in November—was swift and stern. Sen. Cory Gardner of Colorado said although he never favored recreational legalization, he stands by the will of Colorado voters. He promised to block confirmation of all judicial nominees until Sessions rescinded his rescission. Sen. Lisa Murkowski of Alaska called the attorney general’s actions “disruptive to state regulatory regimes and regrettable.” Sen. Dean Heller of Nevada “strongly encouraged” Sessions’s Department of Justice to work with congressional delegations from legal states before implementing any changes to the status quo.

Aside from inflaming voters’ sentiments, enforcement action in legal states would have dire consequences for state economies. The legal marijuana industry generated \$6.7 billion in sales during 2017, shoring up state coffers with enormous tax revenue. Coast to coast, 230,000 people work in cannabis-related jobs.



GUNS OR DOSES?

ANNAPOLIS, Md. — Maryland authorities have warned gun dealers they cannot sell weapons to medical marijuana patients because federal law prohibits drug users owning firearms.

Former State Del. Mike Smigiel, a gun rights advocate and sponsor of the state’s cannabis law, called the edict discriminatory.

“You don’t drink when you’re using firearms,” he told the Baltimore Sun. “I don’t know that it’s any different [for cannabis patients].”



LEGAL POT COULD GENERATE MASSIVE TAX REVENUE, NEW JOBS

WASHINGTON, D.C. — Federal legalization of marijuana could result in \$132 billion in new tax revenue and create more than one million new jobs by 2025, according to a recent study by New Frontier Data.

The study's authors estimated approximately 25 percent of sales would remain on the black market, but that number eventually could drop if sales tax rates don't make the price of legal product prohibitive.

"Consumers want to do things legally in general, but they don't want to do it at too much of a price," Beau Whitney, a senior economist at New Frontier Data, said.

KANSAS LAWMAKER STEPS DOWN AFTER RACIST REMARKS ABOUT CANNABIS USERS

TOPEKA, Kans. — A Republican state legislator who is vehemently opposed to cannabis legalization resigned from two legislative committees and apologized after claiming black people are more likely than whites to abuse federally illicit substances because of "their character makeup" and "their genetics."

State Rep. Steve Alford, who is white, made his offensive remarks during a public meeting with about sixty white voters. While explaining the rationale for cannabis's criminalization in the 1930s, he stated, "One of the reasons why—I hate to say it—is the African-Americans, they were basically users and they responded the worst to those drugs. It's because of their character makeup—their genetics and that. And so, basically, what we're trying to do is, we're trying to do a complete reverse of the people not remembering what's happened in the past."

Darrell Pope, president of the NAACP's Hutchinson, Kans., chapter, minced no words in his response: "[Alford] is an idiot, and that shows how oblivious Kansans are to selecting representatives to put someone like that in there to represent them."



Number of Colorado stores licensed to sell adult-use cannabis as of Jan. 2, 2018.
(Source: Colorado Department of Revenue)



of Californians consumed cannabis by inhalation within the past six months, with flower and vaping the most common.
(Source: BDS Analytics)



Oregon state sales tax on adult-use product.
(Source: Oregon Department of Taxation)

SOCIALLY ENGAGED



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237K



@cannabiswithcupcake
32K

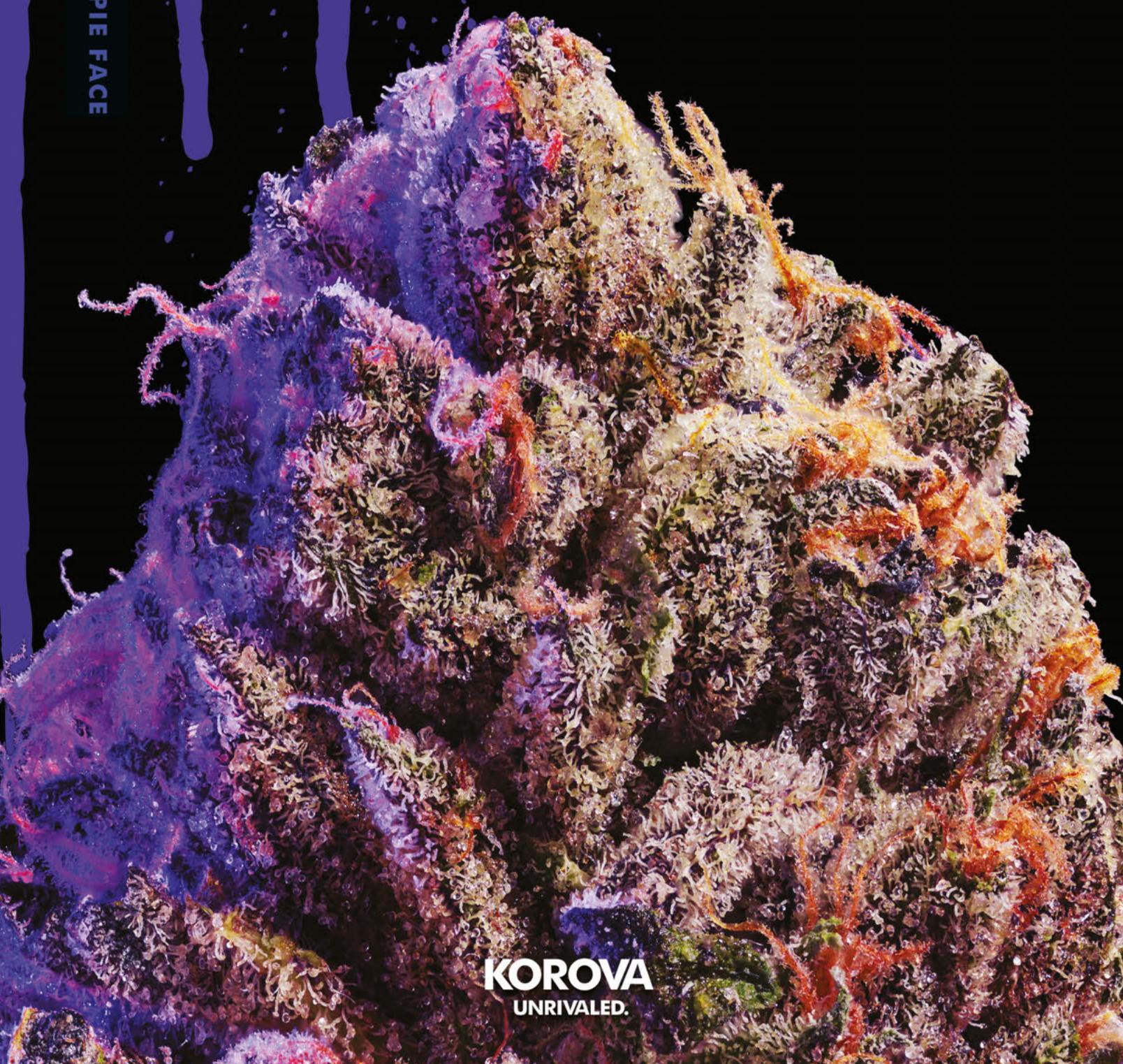


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51K

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PIE FACE



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ILLINOIS GIRL WINS RIGHT TO MEDICATE ON SCHOOL GROUNDS

CHICAGO — An 11-year-old girl has reached an agreement with state and local authorities that will allow her to use medicinal cannabis on Illinois school grounds.

Although medical marijuana is legal in Illinois, use on school property is not. Ashley Surin, who was diagnosed with leukemia at age two and suffers seizures as a side effect of chemotherapy, sued her local school district and the state on grounds the cannabis ban violates the federal Individuals with Disabilities Education Act.

The state’s attorney general and the school district have agreed to allow Surin to receive her medication on campus while the legal issues are ironed out. For now the agreement applies only to Surin, but officials are looking for ways to modify state law so other kids can benefit, as well.



FORMER DEA AGENT: LEGALIZING MARIJUANA IS GOOD FOR ECONOMIC GROWTH

SEATTLE — Legalizing marijuana is a much better plan for the economy than prohibition, according to a former Drug Enforcement Administration agent.

“Regulated cannabis works,” said Patrick Moen, now managing director and general counsel for Seattle-based Privateer Holdings, a firm that invests in marijuana startups. He told CNBC, “We’re taking money away from criminal enterprises. We’re freeing up law enforcement resources, we’re generating tax revenue, and we’re creating jobs. It’s good policy.”

Moen’s position on legal cannabis has put him in direct opposition to the man who would have been his boss had Moen stayed with the DEA: U.S. Attorney General Jeff Sessions. In January, Sessions rescinded the Cole Memo, thereby potentially reauthorizing federal prosecution of cannabis “crimes” in states where the herb is legal.

“[Sessions’s position is] clearly out of touch with what the American people want,” Moen said.

He also said he believes the cannabis industry remains on solid ground. “We might see a short-term chilling effect on investment and banking,” he said. “But we’re seeing steady and continued growth in terms of access to capital.”



THE CALIFORNIA CONSUMER REVEALED

The Golden State’s consumers are a different breed.

CALIFORNIA CANNABIS consumers make more money than non-consumers (\$95K vs. \$75K) and are more likely to hold advanced degrees (20 percent vs. 12 percent). This is unlike any other legal state’s consumer population.

A majority of adults 21 and older have said they’ve experienced cannabis. Sixty percent of adults have tried the herb in some form, and 25 percent consumed in the past six months.

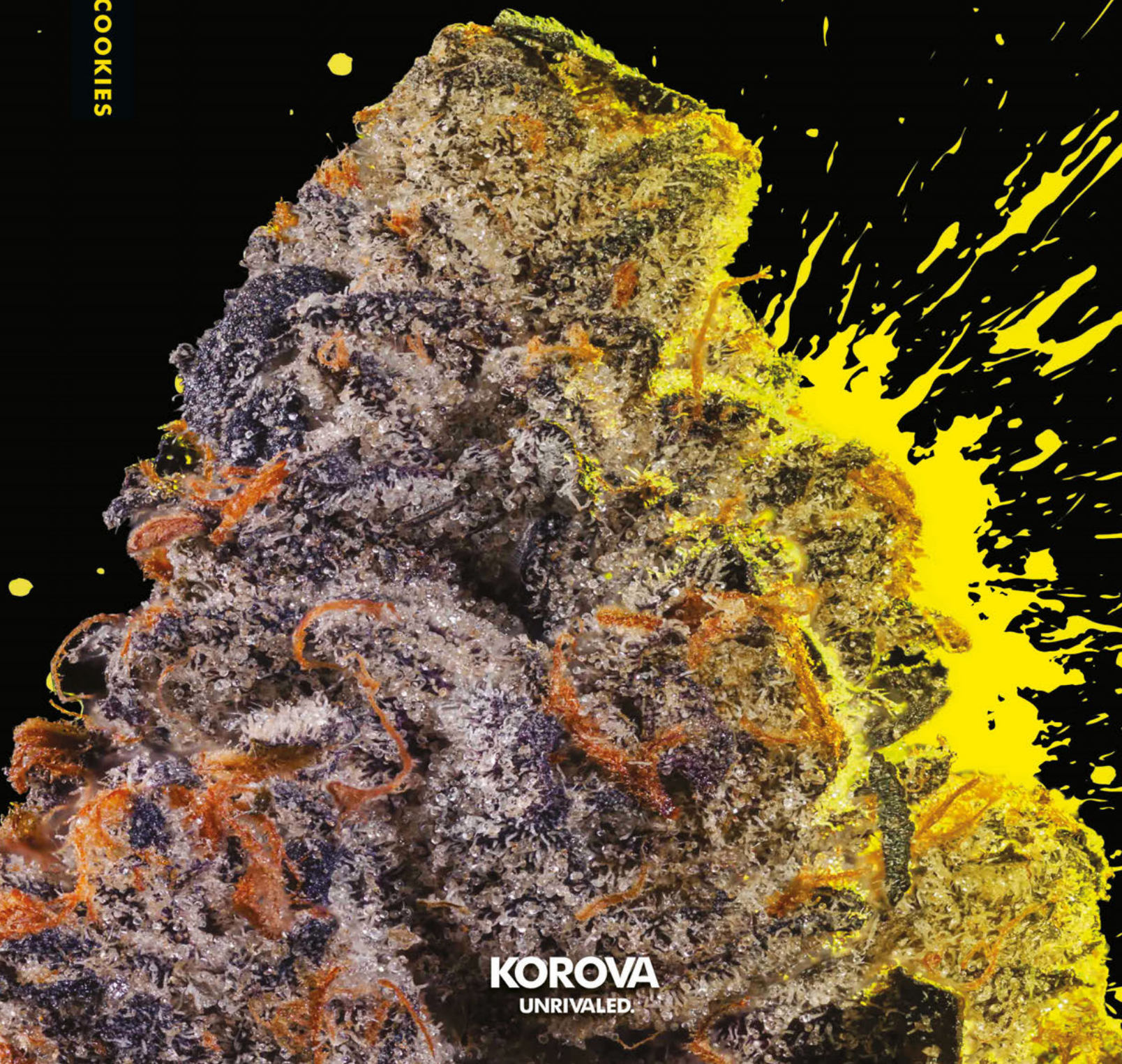
Fewer Californians have partaken in the past six months (23 percent) than Washingtonians (31 percent) or Oregonians (35 percent).

(Source: BDS Analytics)

BECAUSE YOUR BONG



COOKIES



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NATIONAL FLOWER PRICES

Week ending January 12

Price per pound:

\$811 to \$2,281

averaged across all grow types

Median:

\$1,546

Average deal size:

12.9

pounds

AVERAGE IMPLIED FORWARD DEAL SIZE:

monthly delivery

Outdoor:

72lbs

projected for February 2018

Greenhouse:

64lbs

projected for February 2018

Indoor:

46lbs

projected for February 2018

(Source: New Leaf Data Services)

AN ESTIMATED

69,300

Californians spent an estimated \$5.2 million on recreational cannabis January 1, 2018, the first day of legal sales.

(Source: GreenState.com)

The U.S. Marijuana Index

jumped by 50 percent in December 2017. The Canadian Marijuana Index rose 65 percent.

(Source: Green Market Report)

AFTER U.S. ATTORNEY GENERAL

Jeff Sessions rescinded the Cole Memo, the North American Marijuana Index fell from 377 on January 9 to 327 on January 11. The Canadian Marijuana Index fell from 1,096 to 908 and the U.S. Marijuana Index fell from 103 to 100 during the same period.

(Source: Green Market Report)

In 2016,

sales of recreational cannabis in Washington state totaled \$786 million. The state garnered \$189 million in additional tax revenue.

(Source: Washington Department of revenue)

SILICON VALLEY VETERAN MIKE SEASHOLS JOINS GREEN FLOWER



VENTURA, Calif. — Green Flower Media, a company that produces cannabis-related educational materials, tapped former Silicon Valley executive Mike Seashols for its executive chairman. With more than thirty years of experience in the C-suites, Seashols previously served as vice president for sales and marketing at Oracle, CEO for Documentum, president of USoft, chairman and CEO for Evolve, and chairman of NetBase. He founded Versant.

Seashols's son Matt co-founded dosist.

LEARNGREENFLOWER.COM

\$316
million

The federal government's estimated market value, in Canadian dollars, of medical cannabis in Canada in 2017. (Source: Statista)

NEEDS A BUDDY.



THC BOMB



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BELEAVE, SEVEN OAKS SIGN PURCHASE-AND-SUPPLY DEAL

TORONTO— Seven Oaks Cannabis Inc. has signed a provisional purchase-and-supply agreement with biotech company Beleave Inc. that will see the latter provide branded cannabis products at an annual minimum volume of 1.25 million grams of dry flower equivalent.

Completion of the deal hinges on approval of Seven Oaks's retail store chain application now pending before the provincial government of Manitoba, Canada.

SEVEN-OAKS.CA AND BELEAVE.COM

CANNABIS TAX REVENUES

NEVADA is forecast to generate \$120 million in sales tax revenue from recreational cannabis sales during 2017 and 2018. In the eleven months ending September 30, 2017, the state raked in \$6.5 million from recreational application fees and licensing.
Source: Fortune

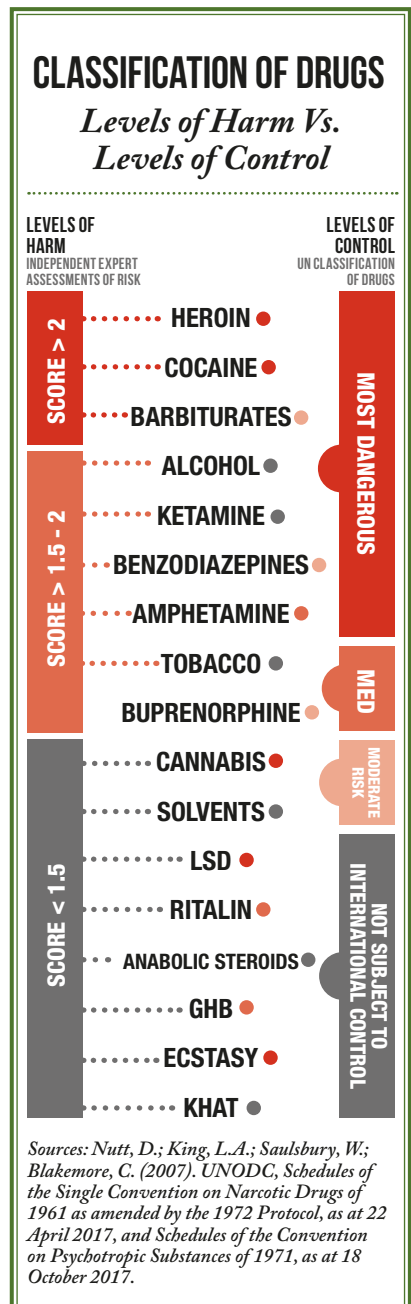
CALIFORNIA is expected to generate \$1 billion annually in tax revenues derived from recreational marijuana sales.
Source: Reuters

FULLY LEGALIZING cannabis in all 50 U.S. states would generate at least \$131 billion in new federal tax revenue and create 782,000 jobs between 2017 and 2025.
Source: New Frontier Data

NEW JERSEY could net \$300 million per year in tax revenue from recreational marijuana sales.
Source: New Jersey Policy Perspective

IN THE FIRST EIGHT MONTHS OF 2017, Colorado tax revenues generated by recreational marijuana sales were up 21 percent over the previous year. Colorado expects to collect well over \$200 million in marijuana taxes during 2017.
Source: Colorado Department of Revenue

RECREATIONAL CANNABIS SALES in Massachusetts could generate between \$44 million and \$82 million in tax revenues during 2018.
Source: Massachusetts Department of Revenue



NUGGETS



1 L'EAGLE SERVICES recently became the first adult-use indoor grow in Colorado to earn Clean Green Certified status. LEAGLEDENVER.COM



2 PUFFCO'S new Peak smart rig offers one-touch, torchless heating and temperature control for the user's choice of concentrates: shatter, crumble, wax, or oil. PUFFCO.COM



3 SIMPLIFYA received \$1 million in funding from Merida, a welcome investment as the compliance-software developer prepares for increased demand in newly legal states. DOSIST.COM



4 MYDX AND HIGSMEN GENETICS partnered to create stable, genetically customized cannabis strains that will target specific effects and expectations. MEETMYDX.COM HIGSMEN.COM

SPRINGBIG TO INTEGRATE WITH MJ FREEWAY'S PLATFORM

BOCA RATON, Fla. — SPRINGBIG, which uses SMS, loyalty marketing, and other tools to encourage repeat business for cannabis retailers, will integrate its marketing engine with MJ Freeway's point-of-sale and compliance platform, allowing retailers that employ MJ Freeway to implement customer loyalty and retention programs.

MJ Freeway's software, consulting, and data solution for cannabis businesses is one of the leaders in the industry, having tracked more than \$30 billion in sales transactions globally.

The integration will collect loyalty program information automatically with customer consent at the same time MJ Freeway's system captures information required when a sale is made. SPRINGBIG's platform will allow participating retailers to communicate with their customers in real-time using simple, self-serve marketing communication tools. SPRINGBIG.COM.



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MARCH 2018 EVENT SCHEDULE

The following is a list of select industry events taking place during March 2018.

CALIFORNIA CANNABIS INDUSTRY ASSOCIATION POLICY CONFERENCE MARCH 20

**SHERATON GRAND, SACRAMENTO,
CALIFORNIA**

A joint effort of the California Cannabis Industry Association (CCIA) and the National Cannabis Industry Association (NCIA), this conference has a strong foundation. Attendees should expect to learn about the biggest issues currently facing the industry.

CACANNABISINDUSTRY.ORG

CANNABIS CULTIVATION CONFERENCE MARCH 12-24

**MARRIOTT CITY CENTER, OAKLAND,
CALIFORNIA**

Designed by cultivators, this event sets out to address the biggest issues growers face. The conference also addresses the newest market demands and trends.

CANNABISCULTIVATIONCONFERENCE.COM

CANNABIS BRANDING AND MARKETING EVENT MARCH 19-21

LOS ANGELES

This event is for those looking to grow their business and to find new ways to distribute their products. Attendees will get the opportunity to interact with and learn from branding and marketing experts.

**INFOCASTINC.COM/EVENT/CANNABIS-
BRANDING-MARKETING**

HIGH TIMES CANNABIS CUP MARCH 1-4

JAMAICA

The Cannabis Cup is known for its competitions, instructional seminars, expositions, celebrity appearances, concerts, and product showcases. Cannabis Cup events have been around for more than thirty years.

CANNABISCUP.COM

CANNABIS WEDDING EXPO MARCH 3

SPORTSMEN'S LODGE, LOS ANGELES

Couples engage with traditional wedding vendors and specialty cannabis brands to learn how to incorporate cannabis into their wedding day. From full-blown bud bars to small nods to cannabis culture, attendees can connect with the vendors they need to make their special day unique.

CANNABISWEDDINGEXPO.COM

BOSTON CANNABIS CONVENTION MARCH 24-25

HYNES CONVENTION CENTER, BOSTON

This convention connects businesses, entrepreneurs, investors, educators, patients, advocates, and consumers in the New England area. The event maintains sharp focus on return on investment. The show floor is expected to contain 250 exhibitor booths.

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A man with a beard and sunglasses on his head, wearing a white t-shirt and jeans, is shown from the side, tending to a large cannabis plant in a field. The scene is backlit by a bright sunset, creating a warm, golden glow and lens flare effects. The man's t-shirt has the word "ART" and ".COM" visible on the back. The cannabis plant is tall and dense with green leaves and developing buds.

FASTIDIOUS

Zachary Brown, Founder of Phresh Start Farms, a company that specializes in cultivating clean, pest-free clones in Mendocino County, stands in a field of the company's flowering genetics a week before the Redwood Complex Fire of 2017. Ironically, the brand's logo is a phoenix, which in association with Greek mythology symbolizes rebirth arising from the ashes.

 *Kristen Angelo*



Photos by Anthony Gagliardi

SERVING ILLINOIS WITH COMPLIANCE, COMPASSION, AND KNOWLEDGE

BILL WIOREK has always been a person of service. Before becoming a budtender at Midwest Compassion Center last year, Wiorek was an army paratrooper. But then something unexpected happened: He was diagnosed with multiple sclerosis, which led to a medical discharge. The condition caused paralysis in his right leg, and he wasn't able to do any physical labor. Devastated by the diagnosis, Wiorek began rigorously researching medical marijuana and all its medicinal benefits.

"As a patient, I was able to experience firsthand what the medical program had to offer," he said. "I studied and researched all I could in order to have the best quality of life possible. Now that I am an employee, I still have ongoing training. I take my training and education seriously."

Wiorek's clientele ranges from minors to senior citizens. Although ailments vary, the most common are cancer, MS, Crohn's disease, epilepsy, Parkinson's disease, and post-traumatic stress disorder. He said extensive training and life experiences come in handy.

"How I handle each ailment depends on the patient and what they would like to achieve," he said. "There are certain strains that are designed for each individual ailment. For example, the strain Cronuts was designed specifically for Crohn's disease."

MCC sees between twenty and fifty patients daily. Wiorek said he and the rest of the staff spend anywhere from five minutes to one and a half hours with a patient. He personally tests all products. "I

also stay in constant contact with cultivators in order to stay up on all product options," he noted.

According to online reviews, Midwest Compassion Center, located in the village of Romeoville, Illinois, is known for having well-educated, well-trained, qualified, and attentive budtenders (which the dispensary calls "patient caregivers"). In fact, Wiorek said, patients transferring their business to MCC from other dispensaries have been the key to MCC's success.

He also said Illinois is a tricky state in which to operate a dispensary. "One challenge is that once purchases have been made, that product is not allowed back in the store," Wiorek said. "This is a problem for two reasons: First, [patients] can't return a faulty product, and second, we can't even help troubleshoot that product because it's not allowed back on-premise."

"It would be nice to have a legal lounge to show people how to use various items so they know before they leave the store as opposed to getting home and having to figure it out themselves," he continued. "Troubleshooting over the phone is not always the easiest thing to do."

Perhaps the biggest issue is a source of consternation among cannabis professionals and patients across the United States. "With cannabis still being a Schedule I drug, it is vital to distinguish what is and is not allowed locally and federally," Wiorek said. "If cannabis was legal federally, there wouldn't be nearly as many hoops to jump through in the medical program." —Rob Hill

“How I handle each ailment depends on the patient and what they would like to achieve.”
—Bill Wiorek

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SCI-FI CHIC LANDS IN EUGENE, OREGON

Journey into the world of SpaceBuds the Dispensary, which is on a mission to save the galaxy with top-flight cannabis and out-of-this-world customer service.

SINCE OPENING in the final quarter of 2017, SpaceBuds the Dispensary has attracted the cool and conscious of Eugene, Oregon. Some call them Eugene’s own Jedi; others say they are the “original hippies.” Either way, the group has embraced SpaceBuds the Dispensary with open arms and minds.

The journey begins as consumers emerge from an unassuming house and into the lobby, which is modeled after an Edwardian London back-alley theater replete with a Dr. Who Tardis. Cherry-red movie theater seats dot the space, the walls are exposed brick, and the windows are covered with heavy, red-velvet curtains. A vintage popcorn machine glows in the corner. Employees wear black T-shirts with a yellow SpaceBuds blaze splashed like a movie logo on their chests. They smile a lot. Once checked in, patients enter an out-of-this-world bud room, where they are greeted by a budtender with “intergalactic knowledge.” Each knows the large selection of strains, concentrates, and edibles inside and out, upside and down, almost as though they have been fitted with a brain implant.

Money Games

WHAT I'VE LEARNED ABOUT RETAIL CANNABIS BANKING

CURRENTLY, there are some credit unions that are willing to work with cannabis businesses, but that comes with a premium. Working with cash can become burdensome for start-ups, depending on how bankrolled they are. I am not independently wealthy, so levying premium fees on cash is not very friendly. This also trickles down to the challenge of accepting credit cards. Merely bouncing a credit card transactions off a server in a different state can come back to haunt you.

Given the uncertain nature of the conflict between federal and state legal classification, this becomes a classic Catch-22 situation: Without a bank, it's difficult to take credit cards; without credit cards and banks you are forced to be a cash business. People put two and two together, and that is what makes dispensaries a target for criminals. Lottery ticket sales created a similar problem for liquor stores.

Anti-marijuana campaigns looking for ammunition find it easy to cite crime targeting cash as directly related to the cannabis product, but it's more complex in many cases.

—Michael Green

night creature, robotically monitoring new vendors, compliance issues, and menu maintenance while he gets a new staff, marketing budgets, social media, community events, and more.


"You know what they say," he said. "If you love what you do, you never really work a day in your life."

When he does try to get some sleep, one thing devils him: 26 U.S. Code § 280E, the Internal Revenue Service's ever-present reminder marijuana is still a Schedule I drug.

"And strong sativas tend to keep me from sleeping," he added.

Despite its name, SpaceBuds isn't all about flower. As the dosage issues in Oregon slowly are ironed out, the edibles market is beginning to take off. "As more and more consumers become aware of the variety of ways to consume marijuana, the demand continues," said Green.

How have the city and state responded to SpaceBuds landing in their backyard?

"The state has been wonderful to work and live in, and we are very excited," said Green. "SpaceBuds will do its best to keep Eugene weird and educated when it comes to retail cannabis."  —Rob Hill

Working replica *Star Trek* doors grace the far wall, and dim, backlit control panels add to the atmosphere. The founders had a clear mission: Open a dispensary combining their two greatest passions, cannabis and sci-fi.

"We felt that since science fiction stems from many of the 'what ifs' associated with inventions, ideas, and concerns about the state and direction of our societies and technologies, we'd create an environment that not only paid tribute but also would be a catalyst for herbal knowledge," co-founder Michael Green said.

The design process began with 3D mockups and elaborate blueprints. Green and his partner were determined to build a shop that was different from any other in the crowded Eugene market.

Imagine *Lord of the Rings*, the original *Star Trek*, *2001: A Space Odyssey*, and *Spaceballs* all came together in *Star Wars's* Death Star, complete with a steampunk arsenal and memorabilia from the entertainment industry. Encase all of that inside an inter-dimensional bubble, and you'd have SpaceBuds the Dispensary.

"Some people might think it's overboard," Green said. "But in a world where citizens are having a hard time distinguishing one dispensary from the next, the risk to stand out and follow our passion seems to be paying off so far."

Prior to launching SpaceBuds the Dispensary, Green, 34, owned and operated a medical shop in Los Angeles before moving to Eugene, where he managed a local dispensary. While there, he saw an opportunity not available in L.A., where tax and regulatory structures remain in perpetual flux. Investing in branding and expanding a shop in the City of Angels was a crap shoot, because new ordinances suddenly could turn businesspeople from tax-paying retailers into targets for local law enforcement or the Drug Enforcement Administration. Oregon, on the other hand, provided a clear and comprehensive pathway for current and future operations, so he felt the state was a great place to land the mothership.

"After taking a position of director of operations for a struggling Eugene dispensary that won best dispensary of Eugene in 2016, I decided it was time to open my own place again," said Green. "I spoke with a very close friend who was interested in getting involved because he lost someone close to him at an early age. He believes if marijuana had a been an option, [his friend] may not have died. Together, we knew we had the resources, passion, and experience to bring SpaceBuds the Dispensary to fruition."

Green proudly presides over ten hand-picked staff. He believes in hands-on training and promoting from within. At SpaceBuds, the days blur and whirl by at light speed. Green is an early morning, late



SpaceBuds the Dispensary | 741 Lincoln Street, Eugene, Oregon, 97401 | (541) 505-9834 | @spacebudsdispensary



THE SECRET WEAPON

Ashley Picillo helps cannabis companies create a thriving, legal economy out of a freewheeling black market.

ASHLEY PICILLO is the chief executive officer and founder of Point Seven Group (Point7), a women-owned and -operated boutique cannabis consultancy based in Denver, Colorado, and Sonoma County, California. Founded in the fall of 2013, Point7 supports clients throughout the U.S., and soon internationally, in the pre-licensure processes, building high-performance teams, designing facilities and selecting equipment, as well as with post-operational activities such as developing standard operating procedures and branding and marketing.

The rising firm also is well-positioned to support the full spectrum of companies in the cannabis space, including those just embarking in newly regulated markets as well as established companies. Point7 boasts a team of professionals culled from traditional healthcare, branding and marketing, education, finance, graphic and web design, biochemistry, cultivation, and grant writing. Picillo recently shared her pride in her team and a few secrets to her success.

HOW DID YOU GET INVOLVED WITH THE CANNABIS INDUSTRY, AND HOW WAS POINT7 BROUGHT TO LIFE?

I started eyeing the cannabis industry in the fall of 2013 after moving back to New York following two years of teaching in Hawaii. I was itching to start a company, something I had been dead-set on doing most of my life, but the question remained: what to start and when? As I weighed the options, a strange series of events led me to Denver, where I found myself coordinating several cannabis projects, including the execution of a career fair boasting more than 2,500 attendees and forty cannabis businesses. Meg Sanders, the chief executive officer of Mindful and the event's

premier sponsor, was so pleased with the event that she offered me a position as [Mindful's] director of marketing. I went back to New York to retrieve my belongings, and the rest is history.

Over the next eighteen months, my role grew to include dispensary management, sales, and operations—basically, the most epic cannabis crash course for someone like me. I remember the first time I sat down opposite Ry Prichard, my new colleague. He looked at me like I had six heads as I mapped out my vision with near zero understanding of the plant itself. But together we realized that what I lacked in cannabis knowledge, I made up for in execution—a perfect complement for a cannabis genius like Ry—and within a few weeks he and I were leveraging our respective backgrounds to build and implement operational programs that increased production, yield, quality, and overall sales.

I became obsessed with operations, constantly refining and tinkering with every single process. I'll never forget the week I spent hunkered down in the extraction lab with Kind Bill, the head of extraction. I asked him hundreds of questions about every moving part, person, gauge, knob, and a lot of "whys." I was relentless, and wanted to understand it all from the ground up. Looking back, I know how lucky I am to have had people around me who saw my potential and wanted to help me explore it further. [Those relationships were] my springboard.

Over time, I became as passionate about cannabis education as I was about operational excellence. I didn't start off as a cannabis advocate but became one by connecting with patients, veterans, and far too many people who have faced both racial and social injustices because of our country's dark history related to cannabis. As a former educator, I think it's important that people hear someone like me sharing their honest "how I got into cannabis"

📷 PHOTOGRAPHY BY JAMES BANASIAK

story, because it is relatable to the many people out there who are still misinformed. Helping people find the truth amidst years of propaganda is by far the most rewarding part of the work we do.

POINT7 WORKS WITH A WIDE RANGE OF CLIENTS. HOW DO YOU SUPPORT THEM, AND WHAT SORT OF BUSINESSES DO YOU INTEND TO BRING ON IN THE FUTURE?

Our team and partners are extremely diverse in background and skill set, allowing us to work with a wide range of clients throughout the country. Our client list includes healthcare professionals, horticulturists, pharmacists, formulators, and cannabis pioneers. I'm privileged to have such a strong team: our incredible biochemist, Carolyn Burek, who has designed world-class extraction facilities and product lines; Shawna Weiman and Paulina Miasik, who have developed intricate systems and programs in several of the largest cultivation and extraction environments; Marilyn Seely, a seasoned marketing professional hailing from the complex world of healthcare, who has guided numerous clients through the brand-development process; and Lauren Devine, one of our senior account managers and technical writers, who has a true knack for making sense of state regulations. Collectively, we truly enjoy connecting with people interested in bringing this plant to the forefront of their respective state's legislative agenda and working with clients to bring their ideas to life.

Beyond our core team, we have worked hard to establish a robust network of partnerships with various designers, security and greenhouse specialists, cultivators, and many leading brands. It took a lot of time and hard work to get here and it's been a humbling experience, but I'm confident we've assembled one of the most approachable, powerful, agile teams in the industry.

WHAT MAKES YOU AND POINT7 UNIQUE WITHIN THE INDUSTRY, AND HOW WILL THIS FUEL YOUR 2018 PLANS?

2017 was an interesting year for Point7 in terms of both growth and lessons learned. Revenue-wise, we grew more than tenfold from 2016 to 2017, and we have established equally aggressive growth goals for 2018. To reach these goals, we've dramatically expanded our service offering, adding more comprehensive post-licensure operational support as well as a dedicated marketing division to offer a more complete "one-stop-shop" experience for our clients. In 2017, we moved into nine new markets, bringing our total state count to thirteen.

I attribute our success in 2017 and our "uniqueness" to three things: recruiting and hiring exceptional talent, building and leveraging strategic relationships, and adapting. Constantly adapting.

Questions about Point7's future always make me laugh a little bit. Those who know me can attest to the fact that I always have a plan. Personal life, professional life—doesn't matter. Having a plan is in my blood. I think my greatest strength is identifying where we need to go as a company and backwards-planning to the present, so I can outline every step needed to get there. Conversely, cannabis has forced me to get comfortable trashing the plan and pivoting to a stronger one.

Adaptability is key for any startup, but it is, in my opinion, the most important trait for a company that wants to be in cannabis for the long haul. In a world where regulations can change overnight, there is zero room for ego. You have to be willing to reexamine your vision and your ideas, poke holes in them, and admit when they are weak. While the exercise can be challenging, I can promise you'll end up with a far better roadmap for your company if you're willing to rip your own ideas apart and start over, as maddening as that can be sometimes.

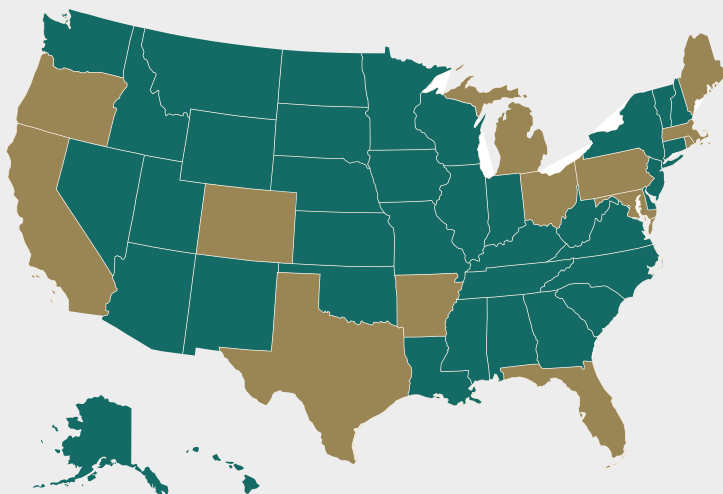
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take the time to understand and appreciate California's unique history, culture, and values as we embark on more work in the state. I know Point7 has a lot to contribute, given our team's collective experience navigating regulated marketplaces, but we have just as much to learn.

I'm eager to connect with brands that see that two-way-street the same way I do. I want Point7 to give back to the communities where we live and work while paying homage to the many people who pushed the industry to where it is now. To that end, I'm excited to share that Point7 has partnered with two NorCal-based, established companies—Emerald Cup and Old Kai Logistics—to organize a fundraiser to benefit members of the community criminalized for cultivating or possessing this medicine. We haven't set the date yet, so stay tuned for ticketing, venue, and sponsorship/in-kind donation information on our website, on OldKai.com, and on TheEmeraldCup.com. Or, email me at ashley@pointsevengroup.com.

HOW DO YOU SEE YOURSELF EXPANDING IN THE FUTURE? MULTIPLE OFFICES? NATIONAL BRAND? EXPAND INTO OWNERSHIP?

I am so excited about the future of Point7. In January we expanded into NorCal and will be building out a greater team there to better support our California clientele. Beyond that, we will continue working alongside our existing clients while laying the foundation for expansion into new markets. I'm eyeing Canada, Germany, and Colombia at the moment, fingers crossed. Our marketing services division, most notably the packaging and labeling arm, is starting to take off in alignment with the new regulations in California, and for our clients recently licensed, I'd suspect we will have our work cut out for us helping to get these sites online within each state's mandated timeline. 2018 is off to an exciting start.

I'm also in the process of launching two new endeavors. I can't spill the beans yet, but I can tell you the first will create waves within the cannabis products arena, specifically for the female consumer. After working in so many different cannabis markets, our team recognized a growing need for female-focused products and thought, "Who better to address this need than a team of women who know how to operate, brand, and formulate?" It was off to the races from there, and I'm excited about releasing a formal update soon.

The second concept came about after a longtime friend and colleague, Sohum Shah, and I started examining public markets and the overlap with cannabis—specifically, how cannabis businesses are evaluated, where opportunities lie operationally, and how to better bridge access to capital. With so many cannabis companies conducting their own

WHAT CHALLENGES MAY CALIFORNIA FACE AS IT TRANSITIONS INTO A REGULATED MARKETPLACE?

Despite their extensive history, I think California cannabis companies will struggle to adjust to the regulatory changes and steep compliance learning curve in the same way Colorado did. Most stand to learn a lot from the people and businesses who navigated regulations in other markets. While California pioneered so much of this and will continue to be at the heart of the industry, in many ways it trails behind Colorado and Washington in the area of compliance.

That said, companies like mine specializing in compliance have the ability to guide many brands through the process if we approach California with a great deal of humility and the willingness to learn. It is important to me as a business owner that we



ADAPTABILITY IS KEY FOR ANY STARTUP, BUT IT IS THE MOST IMPORTANT TRAIT FOR A COMPANY THAT WANTS TO BE IN CANNABIS FOR THE LONG HAUL.

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I WANT POINT7 TO GIVE BACK TO THE COMMUNITIES WHERE WE LIVE AND WORK WHILE PAYING HOMAGE TO THE MANY PEOPLE WHO PUSHED THE INDUSTRY TO WHERE IT IS NOW.

2016, I became more aware of women's work within the industry and, as a result, decided to pitch SXSW a panel called "Breaking the Grass Ceiling" to share some of these stories. I was wildly surprised to learn the panel was accepted and would be one of the first cannabis panels to take the main stage at SXSW.

Around this time, our SXSW contact person shared that, as a speaker, I could "put a book in the SXSW bookstore... if I had ever authored a book." I called my colleague and lifetime friend, Lauren, and asked her to be brutally honest: "Can we write, publish, *and* print this book in forty-five days before the cut-off?" She paused and then said, "Yes. We need to start today." We started scheduling the twenty-one interviews that day. Challenge accepted.

I've been asked why this borderline-crazy effort was so important to me. In truth, I simply believed these stories needed to be shared—most notably those presented by women who had been unfortunately ousted from the very companies they started, a disturbing trend I was not expecting to hear so much about at the outset of the project. Far too many women were sharing the same troubling story: The industry is shifting away from diversity and inclusion and toward a more traditional industry makeup of predominantly white men. I remember asking myself, and the women we interviewed, "How do we preserve the diverse makeup of this industry as it continues to grow?" As an extension of that, [I also asked,] "How do we create an industry without a 'ceiling' for both women and people of color?" I don't have the answers, but I know it is a question all of us have an obligation to discuss, given the pioneering role women and minorities played during the earliest days.

We need to take action in day-to-day operational practices. Hiring personnel soon? Start by establishing a candidate pool composed of women and people of color. Engaging a contractor or consultant? Seek out veterans, women, minorities, and other diverse groups whenever possible. Acknowledging the extra effort often required of diverse audiences to have a "seat" at that same table as a non-minority business owner is an important first step in preserving the diverse culture our industry is built upon.

As for women and their ongoing role, don't ever forget: This entire industry exists because of the female!  —Tom Hymes



valuations, and even more investors in the dark about the types of opportunities that exist, we began developing a model that aims to solve these challenges. Our hope is that we can support the most viable cannabis businesses while encouraging greater participation among investors. While [U.S. Attorney General Jeff] Sessions's announcement [rescinding the Cole Memo] created unrest for cannabis investors nationwide, I firmly believe the window for investors is now and the perceived risk, relative to the actual risk, is completely misaligned.

YOU AUTHORED *BREAKING THE GRASS CEILING: WOMEN, WEED, AND BUSINESS*, A COLLECTION OF BIOGRAPHICAL STORIES ABOUT WOMEN IN THE CANNABIS INDUSTRY. WHAT ABOUT THE SUBJECT INTRIGUED YOU? IS THERE SOMETHING SPECIAL ABOUT WOMEN IN CANNABIS?

I didn't intend to build a completely women-run business when I started Point7. That happened organically, which, to me, illustrates how *critical* women are to the fabric of this industry. Throughout



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SWEET DELIVERY

KIVA Sales & Service, or KSS, is the California distribution arm of the popular confectionery brand.

COMPANIES that can't get their products to market and connect with consumers are not part of the supply chain that powers the engines of revenue. Distribution is just as important as quality or dedication to craft when it comes to building a robust brand.

KIVA Confections was early into the about-to-boom cannabis industry with a high-quality product in an age-old combination that's hard to beat: cannabis and chocolate. For edibles connoisseurs, few pairings are more delicious. With a line of chocolate bars in eight tasty-sounding flavors, each containing THC and CBD in various formulations, in addition to infused chocolate-covered espresso beans called Terra Bites, infused Petra mints, and microdose-sized portions of the most popular products, KIVA has its branding, packaging, and product lineup down tight. In the process of developing and marketing those products, the company realized it had gained access to a big network of retail vendors.

"In the early years, when KIVA Confections had to get our products to market, we just loaded our car and made the delivery," said Head of Sales Charlie Cangiolosi at KIVA Sales & Service, or KSS, the company's new distribution arm. "As the business expanded, we opened additional distribution centers to better service the state. In the past year, we realized we had organically built an extensive network that could help other brands gain access to the marketplace."



With an established network of more than 1,000 vendors in California, the next-step expansion was a no-brainer for KIVA. The company's edibles division employs a team of nearly 100 employees. The edibles products are available in California, Arizona, Nevada, and Illinois, indicating a potential roadmap for expansion into states outside California as legalization widens and licensing regulations allow.

"We are open to all opportunities that will help us bring KIVA to a broader audience. Those opportunities can present themselves in different ways," Cangioli said. "Our main goal is to continue enhancing our portfolio to better power our retailers' menus."

Currently, the company has three distribution centers in California that allow KSS to cover the entire state easily and minimize or eliminate delivery delays. With state recreational sales gradually rolling out, Cangioli said it's hard to judge the full impact on supply and demand, but there have been spikes in locations where recreational cannabis already is on the market.



THE MOST IMPORTANT THING TO BE AWARE OF IS THAT THERE ARE MANY, MANY USERS WHO ARE DEPENDENT ON OUR PRODUCTS AS MEDICINE. WE NEED TO MAKE SURE THEY STILL HAVE ACCESS, SO THEY ARE NOT FORCED INTO THE BLACK MARKET.

—Charlie Cangioli, head of sales, KIVA Sales & Service

"The areas where rec sales started on January 1 have seen great sales and interest. Their increased business is representative of the sales spikes seen in other states when they started with recreational sales," he said. "It's still early in the process, but we expect things to ramp up quickly as everyone moves into the regulated market."

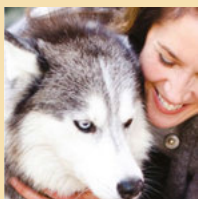
"The transition is going to be bumpy for awhile," he continued. "The state and local governments are working really hard to get businesses transitioned, but everyone is behind. The most important thing to be aware of is that there are many, many users who are dependent on our products as medicine. We need to make sure they still have access, so they are not forced into the black market."

KIVA's dedication to patient wellness is evidenced by triple testing of all the company's edibles, starting with raw materials, then extracted oils, and finally, finished product. According to the corporate website, "standards [in California] are in accordance with [current good manufacturing



Partnered Up

KIVA Sales & Service is distributing a small group of cannabis companies to provide one-stop shopping for more than 1,000 California cannabis retailers. According to the distribution partners listed here, so far, so good. They said KSS gives them easier access to a big market and brings wider recognition. [FACEBOOK.COM/KIVASALES](https://www.facebook.com/kivasales)



HOLISTIC HOUND, based in Berkeley, distributes its pet wellness line through KSS. “As a manufacturer and distributor of the highest quality cannabis products, we were thrilled to ink this deal with KIVA,” said founder Heidi Hill. “They have been an excellent partner in helping us spread the word about the benefits of CBD products for the health of dogs and cats, especially within the dispensary community.” [HOLISTICHOUND.COM](https://www.holisticheound.com)



HUMBOLDT APOTHECARY's tinctures require a little extra customer education. “KIVA has done a great job of educating patients about the benefits of using our cannabis tinctures,” co-owner Gillian Levy said. “They have a really dynamic, smart team of individuals who represent KIVA's distribution partners and are dedicated to serving patients and dispensaries in a very personal, friendly way.” [HUMBOLDT-APOTHECARY.COM](https://www.humboldt-apothecary.com)



KIKOKO infused teas takes being a teetotaler to a whole new dimension. “Forging our distribution partnership with KIVA Sales & Service allows Kikoko to focus on product development, manufacturing, and brand experience,” said Chief Development Sorceress Chelsey McKrill. “By becoming part of KSS's portfolio, Kikoko not only gains access to new customers, but also to a wonderful community and source of knowledge.” [KIKOKO.COM](https://www.kikoko.com)



NATIV, born in Venice, California, currently offers four products through KSS, including PAX Era Pods, pre-rolls, and bubble hash. “KIVA Distribution has allowed us to expand our brand throughout the state without having to sacrifice any of our focus on crafting artisanal, high-end cannabis products,” Director of Operations Matt Yeager said. “It has been a real pleasure to work closely with their incredible team.” [NATIVBORN.COM](https://www.nativborn.com)



For **PRISM** founder Lindsey Kirk, partnership with KSS to distribute pre-rolls is an all-in-the-family affair. “I worked for KIVA as a brand ambassador for three years before and while I created PRISM, so our stories are very well connected,” she said. “Charlie Cangioli, who used to be my boss, jokes that I used to work for KIVA but now they work for me. I really wouldn't have it any other way.” [PRISMBLENDS.COM](https://www.prismblends.com)



MONK cannabis-infused botanical beverages bring an adult choice to buyers. “KIVA has been great to work with, and being able to rely on their distribution infrastructure will allow us to continue to focus on what we love most: building a portfolio of beautiful products,” MONK said. [THC.MONKPROVISIONS.COM](https://www.thc.monkprovisions.com)

IT'S STILL EARLY IN THE PROCESS, BUT WE EXPECT THINGS TO RAMP UP QUICKLY AS EVERYONE MOVES INTO THE REGULATED MARKET.

—Charlie Cangioli, head of sales, KIVA Sales & Service

practices] established by the FDA for the manufacturing, packaging, and distribution of over-the-counter (OTC) drugs.”

Similar standards and practices are important in the company's selection process when partnering with brands for distribution. “Our product portfolio is aligned with current patient trends, so our brands cover a variety of categories, including KIVA Confections, Kikoko, Keef Cola, Holistic Hounds, Humboldt Apothecary, MONK, Nativ, Prism, and Pure Ratios,” Cangioli said. “KSS is interested in brands that are focused on quality and consistency that complement and fill our portfolio of brands. We are not interested in just any and all brands, but rather in brands that will help our retailers build assortments that best serve their customers.”

Cangioli also said KSS hasn't decided whether it will start making the rounds at trade shows, exhibiting and promoting on behalf of KIVA and its distribution partners. Attending an exhausting schedule of shows throughout legal states could be an expensive, but necessary, strategy as industry brands jockey for position in front of new consumers, vendors, and markets. In the meantime, in the hustle and bustle of rapidly expanding medical and recreational legalization, KSS is creating a hub where its products will be available.

“It helps our retailers by minimizing the number of vendors they have to deal with,” Cangioli said. “Now they can have one meeting with our rep versus having nine meetings with each brand.” ^{ms}

—Joanne Cachapero

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THE LUCKY BOX EXPERIENCE

The monthly subscription service curates an ever-expanding selection of goods..

HOW DO CUSTOMERS pick from a plethora of products that grows almost daily? Cannabis retailers are just getting a handle on branding and merchandising, so imagine what customers must experience as they attempt to surf the merchandise tsunami.

One word that surfaces from the marketing frenzy: curating. An emerging business model, curating helps customers sort through the sea of products, many of which consumers never imagined existed, doing so in a way that makes customers feel comfortable, safe, and maybe even delighted.

That's the idea behind subscription service Lucky Box Club. Once a month, members receive a box of curated cannabis products based on their membership profile and level. Two levels, Classic and Executive, are priced at \$150 and \$250, respectively. Recipients receive a product assortment worth up to 30 percent in savings, plus other promotions.

"Members select their preferences only, not their products," said Lucky Box Club co-owner Eliza Maroney. We curate and hand-fill each box based on a member's preferences. Members never know exactly what products will be in their box.

"We also include art prints, educational pamphlets, music downloads, accessories, and promotional deals. Our goal is to provide members with an awesome cannabis experience."

Based in Sacramento, California, Lucky Box Club currently serves areas within 100 miles of San Francisco, Sacramento, and San Jose, with their own delivery drivers. They have plans

for expansion into Southern California during 2018.

Currently, Maroney said, Lucky Box members are diverse. "We've had retirees order THC body butter for tennis elbow, working mothers order vape carts for discreet vaping, and mixed-martial-arts fighters order CBD tinctures for muscle recovery," she said. "It's split 60:40, women to men, mainly over the age of 30. Members include connoisseurs who order products they can't get at their local dispensaries, as well as new cannabis users who aren't interested in going to a dispensary for whatever reason."

Maroney's business model serves to address what might be called the "quiet" demographic—those consumers who don't feel comfortable visiting a dispensary and who also seek expert recommendations. And, really, who doesn't love to open a box and find a pleasant surprise? Ask Amazon about that strategy.

"Retirees, teachers, parents, professionals, and others who don't want to be seen at a dispensary and prefer discreet delivery make up much of our membership," Maroney commented.

So, what are Lucky Box Club members buying?

"Chateau Cannabis Company is definitely a favorite. It's a sweet-smelling pineapple hash plant strain that comes in a nitrogen-sealed can that helps preserve the smell, taste, and quality of the flowers until opened," Maroney said. "Suicide Girls' ZERO cartridge is another hit. It's a sativa-dominant hybrid vape cartridge infused with THC-V, which acts as an appetite suppressant. Some ladies (and health-conscious gents) are loving these. Medicine Box is our most popular edible. It's a low-dose lemon blueberry white chocolate truffle."

As far as Lucky Box members' other preferences, microdosing is hot right now, according to Maroney. The product criteria considered by the Lucky Box team has other elements that help identify products that will resonate with their members. As the members learn and identify their personal preferences, the data they provide informs Maroney's decisions on buying.

“Microdosing is certainly the way to go for many of our cannabis members. We’re always on the hunt for new, innovative, beautiful, quality products,” she explained. “Low-dose edibles are always at the top of list. It’s exciting to find a product that contains 3mg to 5 mg THC per piece. Our goal is to find the least amount necessary for the desired effect.

“We look at four main things when assessing new products: quality; the story; branding, packaging, and design; and innovation, originality, and uniqueness,” Maroney added.

Regarding quality, Maroney said a high THC or CBD percentage doesn’t necessarily mean a great product. “We want our members to know their medicine is safe for consumption and up to the highest production standards in the industry,” she said. “Product safety, thoughtful dosage, accurate lab testing, organic and Clean Green practices, and excellence in cultivation, production, and manufacturing processes are all things we look for in our brands.”

She also takes into account the story behind the product. Who makes it, and how was it made? “Small, craft, artisanal, and family farmers and manufacturers with a unique, amazing, or quality story behind their products are our main inspiration,” she said. “Each box sold helps support one or more small California businesses, and we love to share that ‘beyond-the-box’ story with our members. Our goal is to bring awareness of amazing new products to our members while helping smaller producers reach new customers.”

Branding, packaging, and design encompass a number of issues. Is the product packaged safely? How does it look and feel? What is the user experience? How is the brand representing cannabis?

Is it professional, thoughtful, beautiful, appealing, etc.? “Does it aesthetically feel like it relates to LBC and our alliance brands? These are a few of the questions we ask when looking at new brands and products,” Maroney said.

She said she and her team also “look for innovative, unique, and new products. From THC-infused, chocolate-covered espresso beans to sublingual tinctures to CBD bath bombs to the latest flower genetics, we seek out the latest and greatest for our members.”

So far all is going well, Maroney said. Lucky Box Club joins a growing market for concierge or curated subscription businesses that incorporate online convenience with super-high-end customer service. Increasingly, traditional shopping is forced to compete with the joy of touchscreen convenience. Meal delivery services like Blue Apron and Freshly, fashion subscriptions like Stitch Fix and Trunk Club, the Dollar Shave Club, and other subscription services all aim to provide convenience and value to customers who consider traditional shopping an inconvenient time-suck. Increasingly, robust sales are about hitting the target when it comes to the new-customer experience, whether the experience is out of the box or down at the local brick-and-mortar.

Regardless who they are or from where they come, everyone loves a deal.

For California cannabis businesses interested in working with Lucky Box Club, Maroney said, “Contact us at info@luckyboxclub.com or send us a vendor inquiry through our contact page.”

—Joanne Cachapero
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THE BALLAD OF OLD KAI

*The licensed distributor just wanted to make its mark on California's new legal market.
One illegal seizure later, and Old Kai is a cannabis cause célèbre.*

BY TOM HYMES

FBYTHEWILDWEST we mean a state of lawlessness, then Mendocino County could be regarded as a Wild West revival of sorts...except in this case, the lawbreakers appear to be the very institutions tasked with upholding the law. The situation is unsettling not only for the people at the center of the current controversy, but also for local governmental institutions and the nationwide cannabis community. The debacle already has begun to overshadow the cannabis application process in Mendocino County and has the potential to derail the process altogether, crippling the county's participation in California's regulated commercial cannabis economy and costing the region its future.

The drama began December 22 on Highway 101 in Ukiah when a California Highway Patrol officer stopped a truck legally operated by employees of Old Kai Distribution. The Old Kai desperados were transporting almost a ton of cannabis trim grown by local farmers to be used in manufacturing cannabis oil for vape pens sold in the Southern California market. Because of the amount of cannabis in the truck, members of the Mendocino Major Crimes Task Force and the Mendocino County Sheriff's Department were called to the scene. Officers arrested the two employees and seized the vehicle and the cannabis, even though the employees had in their possession a county-issued business license and documentation for their medical marijuana collective.

What followed only served to compound the original error of treating the transportation of cannabis as a crime. The seized cannabis was destroyed, and a subsequent raid was conducted by the Mendocino County sheriff on Old Kai's distribution facility in Ukiah, using as a pretext the dubious rationale of an alleged probation violation by one of the company principles, Lucas Seymour. These seemingly extrajudicial acts further inflamed the

Mendocino grower community and will almost certainly result in litigation that not only challenges the legitimacy of the citations, the arrests, the seizure, the destruction of property, and the subsequent raid, but also calls into question the motives and legitimacy of Mendocino County law enforcement agencies.

"This has turned into a hot potato for them," Old Kai's attorney, Joe Rogoway, said January 12, shortly after the sheriff's destruction of the cannabis had been confirmed. "I think they realize they made a huge mistake, that they never should have issued citations to the drivers or seized the vehicle, and they definitely should not have destroyed the cannabis. There has been a real lack of agencies taking responsibility for this, and everyone seems to be pointing the finger at someone else."

In the immediate aftermath of the arrests, as the media began questioning why employees of a legal business were busted, law enforcement scrambled for answers. "Let's say they went through and got all the documentation, and it's 100-percent legal. [Transporting is] still illegal, because it's before January 1, 2018," Officer Jake Slates, a spokesman for the CHP's Ukiah office, told the *Santa Rosa Press Democrat*, adding there was no lawful avenue to transport commercial marijuana until 2018.

That explanation didn't wash with Rogoway. "The only rationale law enforcement could use in this matter is that it took place before the first of the year, but that's what us lawyers call a specious argument, because it's not the actual state of the law," he explained, extremely unamused. "If you look at the Mendocino County ordinance, the very first provision [section 6.36.010] states that getting a facility license permits distribution. It is what allowed that activity there, and there was nothing further needed. We've had members of the county administration say this, we've now had members of the Mendocino County Board of Supervisors say this,



WE SAW
THAT IF THESE
CULTIVATORS...
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THIS COMMUNITY
WE CARE SO MUCH
ABOUT REALLY
COULD FADE AWAY.
— Old Kai co-founder
Lucas Seymour

and we've also had members of the Bureau of Cannabis Control say there was nothing further needed, that this is what [Old Kai] needed to have to operate, and that it was legally sufficient.

"So, even though law enforcement tries to hang their hat on the fact that this is the first of the year, and that therefore they have some justification for acting the way they did, that is not at all the state of the law," Rogoway continued. "It's unequivocal, and that's where we are now, dealing with the destruction of the cannabis and an egregious violation of the sanctity of the facility itself. We are essentially dealing with law enforcement agencies that, for whatever reasons, are not willing to hold themselves accountable and take responsibility for what they've done."

The series of events sounds like the recipe for a huge lawsuit, or lawsuits. "That is something we are considering right now," said Rogoway. "The property was still owned by the farmers [at the time of the seizure]. Old Kai did not own it, which means the farmers are the ones bearing the loss, and they will have the most to gain from litigation because they are the ones who would be looking forward to those compensatory damages."

But litigation may be just the beginning. "I think people in local government who are resistant to the laws of their government either need to wake up and get on board with the law as it exists or no longer be in local government," said Rogoway. "That is especially true if they are members of law enforcement."

OLD KAI

Named for the Boontling term for coyote, Old Kai Distribution was founded by local growers Lucas Seymour and Matthew Mandelker in 2015 to serve the NorCal region with a sense of purpose the region needed and deserved. "We saw that if these cultivators, especially from the Emerald Triangle, want to survive, there are going to have to be people who step up, get coordinated, and make things happen, or else this community we care so much about really could fade away," said Seymour. There are, he added, "incredibly special cultivators and manufacturers in Mendocino County that the public doesn't know about because they're not really out of the shadows yet. They are a very special type of people doing very special things, and they might go away or disappear altogether if we don't embrace them."

With the launch of Old Kai, Seymour and Mandelker moved out of cultivation altogether and spent the next few years meeting people and making themselves better known. "We also did a lot of [research and development] in the beginning to understand what was

needed and what it takes to create relationships with retail partners," said Seymour.

In time, they refined their business model. "One of the things we learned early on was that focusing on whole flower was not a place to be because of the margins, the inconsistency of the product, and because at that time all flower was anonymous, just a bag of cannabis," Seymour said. "It's hard to build a company name or reputation on an anonymous product. So, we identified then that what we should be doing is finding retail-ready, branded products that have a name, take those to market, and once we have shown the dispensaries that we can do the logistics and that we are reliable and professional, and once we create that name and reputation, then we can bring in the flower behind it as another product."

That is why the seized cannabis was not whole flower, but mostly trim. "We are working mostly now with growers for their raw material—the trim and small, reject, and even moldy buds that can be used safely in manufacturing," said Seymour. "It's allowed us to create relationships and more trust with more cultivators."

But any sense of trust that Old Kai and other members of the cannabis community may have had in the state's system for licensing and regulation was ruptured in the aftermath of the December 22 incident, which could not have come at a worse time. "We had such grand plans for January, and instead we feel like we're spending all our time protecting ourselves," said Seymour.

The sense of vulnerability is not unwarranted. Like a horror movie, every day has brought a new challenge for Old Kai, a reality underscored by Rogoway, who said the justification for the raid was just as bogus as the retroactive justification for the citations and seizure.

"[Law enforcement] gave [Seymour's] status of being on probation as their justification to search the Old Kai facility, which is a bizarre type of justification to have," noted Rogoway. "If someone is on probation, their home, person, and vehicle are typically what is subject to search. Their person means physically on their person, and then by extension, in the immediate area that is under their custody or control. But the task force used [the search clause] of his probation as the justification for their search not just of the business, but of the individual areas where their employees worked, in their desk drawers and cubicles. They used that probation search clause to justify all of it, which I don't think is appropriate at all."

Rogoway said he has been waiting to see if local law enforcement would make a correction, but so far that hasn't happened. "I'm hopeful they will come to their senses and do the right thing, but then they do another

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HISTORICALLY, WHEN WE'RE TALKING ABOUT MENDOCINO, HUMBOLDT, AND THE EMERALD TRIANGLE, WE'RE TALKING ABOUT PEOPLE WHO GREW UP IN FEAR OF THEIR FAMILY PROPERTY BEING RAIDED AND THEIR PARENTS BEING TAKEN AWAY IN HANDCUFFS, OR THEIR GRANDPARENTS. THE BOTTOM LINE IS THAT NORTH OF SANTA ROSA, PEOPLE JUST DON'T TRUST THE GOVERNMENT.

— Joe Rogoway,
counsel for Old Kai

bad thing,” said Rogoway. “Two wrongs don’t make a right. They’ve got to solve their initial mistake of citing the driver and passenger, destroying the property, and then raiding the facility. They’re just digging themselves a bigger hole by following up their illegal citation and destruction of the cannabis with this unconscionable search of a business that they’re using the most frivolous and weak legal arguments to justify.”

NOTHING NEW

Rogoway gets upset about what he has seen in the aftermath of the Old Kai traffic stop because he knows how serious the fallout can be for people who can afford it the least. “This is precisely what people up here use as justification for not participating in the new regulated, legal market,” he said, pointing out the cruel irony of the situation. “This is the outcome people would be looking at if you did none of the work to be compliant. For example, if someone just wanted to stuff 1,800 pounds of weed into a car and drive down the road with it and they didn’t have any license from the county at all, and they hadn’t been working towards compliance and had a legal business set up, but were driving with almost a ton of weed, they would be looking at the exact same outcome: being arrested for misdemeanor possession for sale and transportation, and having everything seized and destroyed, and then having the site where they were storing all the cannabis raided. That is the worst-case scenario, the one everyone is concerned about.

“So, if that is the worst-case scenario for someone who doesn’t comply,” he added, “how can you persuade someone to come out of the shadows to join the newly regulated market if the exact same thing happens to someone who does have a license and a legal business?”

There are larger issues at play, too, according to Rogoway. “This is not a problem that was just created, but a symptom of a larger level of dysfunction that is pervasive in Mendocino County,” he said.

Rogoway began his career in the public defender’s office in Mendocino County, where he handled all the cannabis cases. “That is where I started, and it made me acutely aware of the challenges of the community and of how people view their interface with the government when it comes to cannabis,” he said. “Historically, when we’re talking about Mendocino, Humboldt, and the Emerald Triangle, we’re talking about people who grew up in fear of their family property being raided and their parents being taken away in handcuffs, or their grandparents. The bottom line is that north of Santa Rosa, people just don’t trust the government. It’s something that is just universally true across political affiliations.”

The origins of the mistrust lie partially in the remoteness of a region forgotten by the rest of the state. “The thing to keep in mind is that on the North Coast in the Emerald Triangle, there is no other opportunity for people,” noted Rogoway. “North of Rohnert Park in Santa Rosa, there is one university, Humboldt State. In other words, you can drive almost twelve hours up to the Oregon border and there is one opportunity for higher education. Now think about that in the context of Southern California, where you can’t throw a rock without hitting a university.”

The result, he said, is “a different type of playing field in terms of academic and professional opportunities. Logging has been dead for forty years; so has fishing. The only source of meaningful opportunity, not just for individuals and families but for the region, is cannabis.”

LEGACY

“One of the challenges we have in regulating cannabis is finding a way to have people be able to trust the government,” said Rogoway, whose firm, Santa Rosa-based Rogoway Law Group, offers regulatory compliance services to cannabis businesses seeking to go legit. It isn’t always an easy sell. There is nothing abstract about the paranoia that grips so many people from the NorCal cannabis community. “It’s a tangible and heartbreaking family dynamic; a cultural legacy that is real,” he said.

But fear of law enforcement is not the only reason why many cultivators in the region have their doubts about the legal market. “What we have in the counterbalance to these regulations is a deep fear about what is going to happen to people economically,” Rogoway explained. “Over the past couple of years, everyone has felt like the market is going to change, and now they’re watching prices plummet. What it has meant to them is they feel they need to grow more cannabis. If they’re getting \$500 for a pound they used to get \$1,000 for, now they grow twice as much. The problem with that is all they’re doing is increasing the supply, making it that much more likely that prices will drop even more. That’s the platform.

“Then, when we have this situation arise with Mendocino County law enforcement establishment not respecting the law, not respecting the will of the voters, not respecting the act of the board of supervisors, and not respecting duly enacted ordinances— When we have that, what we’re doing is undermining the economic fabric of these communities in a very real and visceral way,” he added, clearly angry. “It’s an affront not just to a way of life, but to the hope for the future these people have.”

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— Old Kai co-founder Matthew Mandelker

PERSONAL ANIMUS

Why would law enforcement agencies compound mistakes so recklessly and with so little ostensible support from civilian leadership in the county? Rogoway said the answer is a stone's throw away. "With Old Kai, there are now elements of personal animus, where [Mendocino County District Attorney David Eyster] is the instigator, the flamethrower in all this, and the one who gave the directive to burn the legal cannabis that came from permitted farms to a licensed facility. He gave the order to burn it. What that means is he now has that liability, because the statutory provision that allows for the destruction of evidence does not permit [destruction] unless it is allowed by the county, and the county does not limit the amount of cannabis a distributor can have. There was no legal justification for the destruction of the cannabis.

"That's part of it," continued Rogoway, ticking off the infractions. "Then, when the task force effectuated their raid on the facility, what they told Old Kai is they were there because David Eyster told them to go there. It's not a situation where we have law enforcement looking at the evidence and following the trail to investigate a crime. What we have is law enforcement basically doing the personal bidding of an elected official who made a terrible mistake and seems to be compounding that mistake with other mistakes."

THE BOARD

At a January 9 meeting of the Mendocino County Board of Supervisors, the Old Kai seizure was brought up by members of the industry who had traveled to Ukiah to express their concern about the long-term impact it could have on the region. "This is a serious issue that has potential to affect a number of farmers and...the regulated market moving forward," said Casey O'Neill, vice chairman of development for the California Growers Association.

In response, members of the board steadfastly claimed they have no operational oversight over local law enforcement, but a few of them were clearly concerned about law enforcement's apparent refusal, witting or otherwise, to recognize the county's authority to sanction economic activity by local businesses.

Regarding the incident, Supervisor John McCowen pointedly remarked that "although it was dismissively said 'they merely had a business license,' the business license was final authorization by Mendocino County to transport the materials."

Another Supervisor, Dan Gjerde, suggested inviting law enforcement officials from the involved

agencies to attend a future meeting, commenting, "I've heard rumors that maybe some members of these organizations are not in support of either the state laws and/or the county's ordinance. If that's the case, I'd like us to invite them to advise us on what portions of those ordinances they are not in support of, because they have been silent up until now. Yet, if they are going to be implementing those ordinances in a way that's in contradiction of those ordinances, I think we all ought to know that." The idea was seconded by supervisors McCowen and Georgeanne Crosky, but was not immediately approved as an actionable item.

"I will take it upon myself as chair to further explore this and see if we can bring something back... where law enforcement does address the board," said Supervisor Dan Hamburg, who serves as the board's chairman. "It would seem to be to everyone's benefit, and certainly the public's benefit, to know what the expectations are and to know whether there are things in our ordinances...that [law enforcement feels] are unenforceable for whatever reason, or that they would like to see changed. We can look into it."

DAY BY DAY, HOUR BY HOUR

Back on the ground, the Old Kai story had taken on a life of its own, with new "developments" updating the situation on a daily, almost hourly, basis. The news was not always good for Old Kai, whose strategic planning now had to consider any number of scenarios, including the potential for additional raids and seizures by law enforcement determined to see its interpretation of the law through to the end.

"We are afraid about a raid on our facility," said Seymour. "We have a responsibility to protect our partners' products."

More seizures certainly would imperil the business, an unthinkable situation for Seymour and Mandelker, both of whom passed Live Scan background checks as required prior to being permitted in the first place.

"We were the first distribution license issued by the county," noted Mandelker. "Taking us off the chess board essentially shuts the industry down locally until someone else gets their license."

It's particularly frustrating for Seymour, who is open about his 2015 infraction. "I'm comfortable saying I have a misdemeanor on my record for possession, stemming from the grayness of the market that existed at that time," he said. "I'm on probation for it. Many in the cannabis industry understand where I am and have experienced the same issue. It's something I'm very passionate about, ensuring that people who have certain types of infractions on their record are not

excluded from this industry.”

That sense of commonality is what bolsters the men during these uncertain times. “I went through this before, is something we keep hearing from people reaching out to help us,” said Mandelker.

“Our investors are more invested than they have ever been,” added Seymour. “We are very lucky that our investors, our employees, and our relationships are all sticking by us. The outpouring of support from the cannabis industry has been incredible, including from competitors who are reaching out and helping us. We’re all in this together. The biggest silver lining in all of this has been the support from our peers.”

As for why any of this is relevant to people outside the NorCal region, Rogoway, a fierce activist in his own right, has a ready answer. “This is a statewide system; that is the relevance,” he said. “When people in West Hollywood, San Diego, or Santa Ana go into their dispensaries to get vape pens or cartridges, what is inside that pen or cartridge may have come from the same cultivator that just had their products seized and unlawfully destroyed in Mendocino County. And that is something that is going to continue, because the way the market is shaping out is that a lot of the materials going into oils and vaporizer pens is coming from sun-grown, outdoor cannabis, not indoor cannabis, and those outdoor farms are largely in Northern California.

“So, for people who want to be able to buy good, clean, tested, and affordable concentrates at their dispensary, they need to support

the Northern California grower,” he added. “Otherwise, all they’re going to have is the highly inflated, warehouse-grown cannabis from places coming online in either the high desert or Los Angeles, and that’s going to be totally inadequate to meet their needs. There is not enough cannabis generated by those facilities to meet the needs of millions of consumers in Southern California.

“As with all things,” he concluded, “consumers rely on farmers for what they consume.”

POSTSCRIPT

On January 14, Seymour released the following resignation letter: “It is clear that my probation status...is hindering my ability to work within the industry I love. While I work to rectify these personal legal issues, I leave the company in the very capable hands of my partner and co-founder, Matthew Mandelker, and the rest of our exceptional management team.

“Old Kai has an incredible team of employees, as well as incredible cultivation, manufacturing, and retail partners. I have no doubt that each member of our team, along with our partners, will continue to thrive in 2018 and beyond... Old Kai is also committed to working with cultivators who were adversely affected with the seizure of their licensed cannabis material in December... details will follow on the Old Kai website. Thank you for your ongoing support. Lucas Seymour.” 

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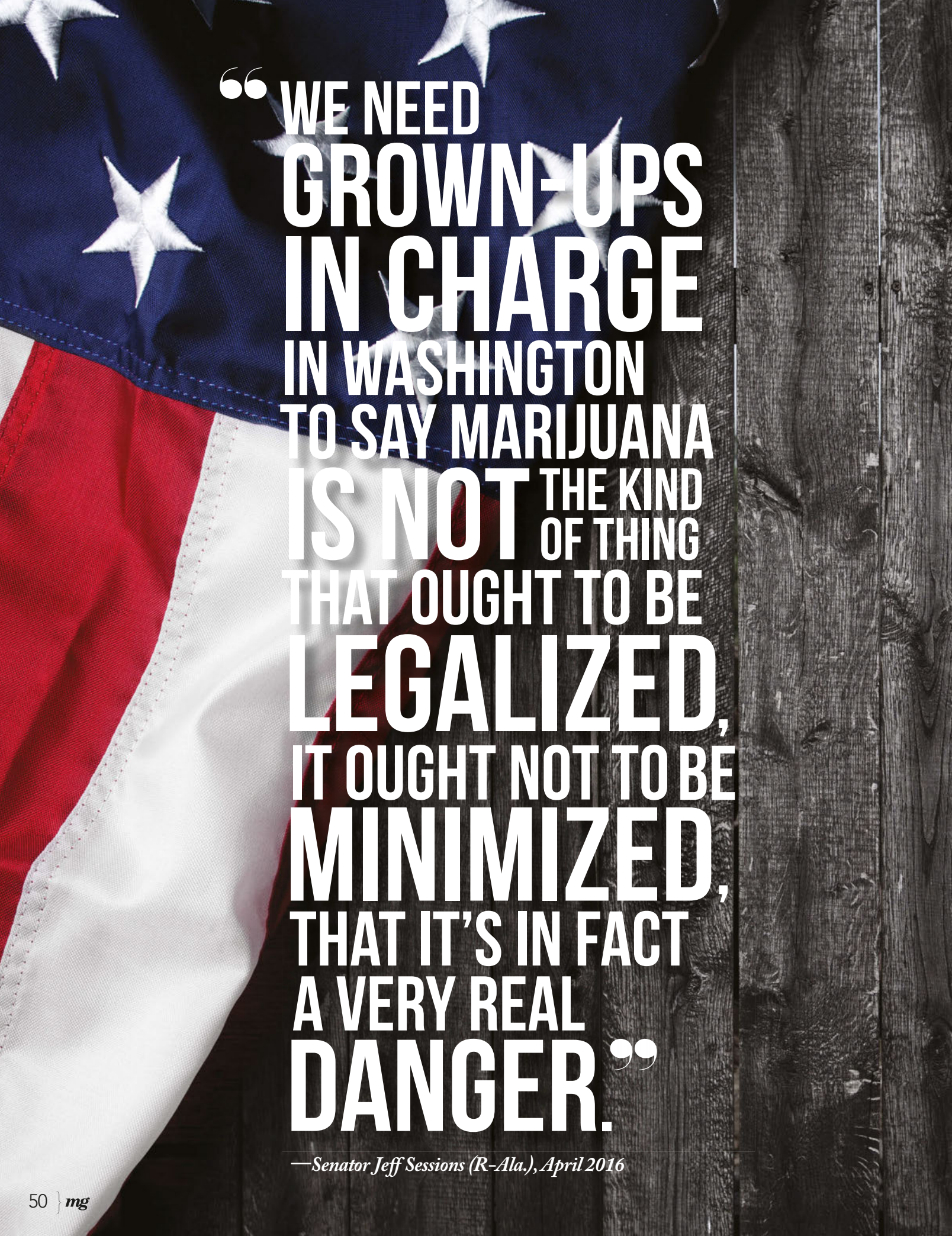
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The background of the page is a close-up of an American flag on the left side, showing the blue field with white stars and the red and white stripes. The right side of the page is a dark, textured wooden surface. The text is overlaid on this background in a bold, white, sans-serif font. The quote is enclosed in large opening and closing quotation marks.

**“ WE NEED
GROWN-UPS
IN CHARGE
IN WASHINGTON
TO SAY MARIJUANA
IS NOT THE KIND
OF THING
THAT OUGHT TO BE
LEGALIZED,
IT OUGHT NOT TO BE
MINIMIZED,
THAT IT’S IN FACT
A VERY REAL
DANGER.”**

—*Senator Jeff Sessions (R-Ala.), April 2016*

CAVEAT CANNABIS

With the U.S. attorney general on a personal crusade and a slew of handpicked federal prosecutors on his payroll, does the cannabis industry have cause to be concerned?

BY KATHEE BREWER



When the United States Senate anointed one of its own—Alabama Republican Jeff Sessions—attorney general in February 2017, the legal cannabis industry barely batted an eye. Although Sessions is an outspoken opponent of legalization (he infamously said “good people don’t smoke marijuana”), the industry rested secure in the belief the so-called Cole Memo would protect businesses and consumers. Written in 2013 by then-Deputy U.S. Attorney General James M. Cole, the memorandum directed federal prosecutors to leave enforcement of cannabis laws to local authorities in states that had legalized medical sale and use. Cole set out a few exceptions, including distribution to minors, diversion of funds to criminal organizations, and drug-related violence, but the primary message was “hands off.”

IN MAY 2017, just three months after his swearing-in as the nation’s top cop, Sessions personally asked congressional leaders to rescind the 2014 Rohrabacher-Farr (now known as Rohrabacher-Blumenauer) amendment specifically so the Department of Justice could prosecute sellers and users of medical cannabis. The amendment, attached to an omnibus spending bill, bars the DOJ from using federal funds to prevent states “from implementing their own state laws that authorize the use, distribution, possession, or cultivation of medical marijuana.”

Congress rebuffed the attorney general’s request, so Sessions did what any red-blooded ultra-conservative politician would do: He doubled down, invoking the power of his office in the service of a personal vendetta. Perhaps triggered by California rolling out adult use January 1, 2018, Sessions rescinded the Cole Memo on January 4. In what has come to be known as the Sessions Memo, the attorney general opined that by passing the Controlled Substances Act of 1970, Congress determined

“marijuana is a dangerous drug, and marijuana activity is a serious crime.

“In deciding which marijuana activities to prosecute... prosecutors should follow the well-established principles that govern all federal prosecutions,” the memo continued. “These principles require federal prosecutors... to weigh all relevant considerations, including *federal law enforcement priorities set by the Attorney General...*” [Emphasis *mg*’s.]

Appointing seventeen interim U.S. attorneys the day before he dropped the memo lent additional gravitas to Sessions’s edict. So, the cannabis industry began to wonder... After as long as two decades of adhering to rigorous state regulations, paying taxes and licensing fees, and proving they could be good citizens, would cannabis businesses face federal prosecution again? Would law enforcement, under the direction of an anti-legalization zealot, pursue criminal charges against people earnestly obeying state laws they had every right to believe were fair, just, and voter-approved?

Were the feds coming to take our pot?



FOR THE DEFENSE

In the immediate aftermath of the Sessions Memo’s release, the cannabis community reacted with varying degrees of nervousness and rancor. The initial shock dissipated quickly as elected officials in legal states rushed to assure their constituents the feds would not be allowed to simply waltz in and shut down an industry that annually contributes hundreds of millions of dollars to state tax coffers. Many politicians reacted with outrage, like U.S. Representative Diana DeGette (D-Colo.), who said, “This step could drag us back to the days of raids on legal dispensaries and people living in fear of being jailed for using the medical marijuana they need. It could create a chilling effect on an industry that employs thousands of people in Colorado alone, where sales now top \$1 billion per year. The federal government shouldn’t take punitive steps that undermine the will of our citizens expressed at the state level.”

Oregon Senator Earl Blumenauer, a Democrat and co-sponsor of the Rohrabacher-Blumenauer amendment, phrased his objection using somewhat less polite terms. “Going against the majority of Americans—including a majority of Republican voters—who want the federal government to stay out of the way is perhaps one of the stupidest decisions the attorney general has made,” he said. “One wonders if [President Donald] Trump was consulted—it is Jeff Sessions, after all—because this would violate [Trump’s] campaign promise not to interfere with state marijuana laws. It’s time for anyone who cares about this issue to mobilize and push back strongly against this decision.”

Even members of Sessions’s own political party reacted with fury. Senator Rand Paul (R-Ky.) said he continues to believe cannabis legalization is “a states’ rights issue.” Colorado Republican Senator Cory Gardner, no fan of legalization himself, said he will uphold the will of voters and threatened to put a hold on hearings for nominations to fill DOJ vacancies until Sessions reverses his decision. Representative Dana Rohrabacher (R-Calif.), said Sessions’s memo likely would precipitate unwelcome consequences. “By attacking the will of the American people, who overwhelmingly favor marijuana legalization, Jeff Sessions has shown a preference for allowing all commerce in marijuana to take place in the black market, which will inevitably bring the spike in violence he mistakenly attributes to marijuana itself,” Rohrabacher said.

Regardless how they phrased their responses,

many—perhaps most—elected officials agreed the attorney general is tilting at windmills. No matter how eager he may be to pick the low-hanging fruit of a once-underground culture that’s now out in the open, he faces a Sisyphean task: According to a late-2017 Gallup poll, 64 percent of Americans, regardless of political affiliation, support marijuana legalization.

Congress has taken note. Last year, a bipartisan group of federal legislators launched the Congressional Cannabis Caucus, a group dedicated to protecting and promoting the legal weed community. In addition, at least twenty-five cannabis-related bills had been introduced by mid-January.

FOR THE PROSECUTION

Whatever politicians, businesses, and consumers may believe about cannabis’s federal status as an illicit drug, Deputy U.S. Attorney General Rod Rosenstein made clear the DOJ’s position in a January speech in Florida. “The facts are that the United States Congress has decreed marijuana is unlawful throughout these United States of America, every one of these fifty states,” he told the Forum Club in Palm Beach. “And no state or local government has the authority to overrule federal law... The thing the attorney general’s done—and while it’s consistent with his view and mine that it’s bad as a moral matter, bad as a practical matter to use marijuana—the issue here is that it’s simply illegal to do it. What the attorney general has done is simply to say the Department of Justice has full discretion to enforce the law. It doesn’t say which cases we’re going to prosecute. It says we’re going to treat marijuana just like every other substance...”

“The policy doesn’t dictate that our U.S. attorneys are going to go out and prosecute people for using marijuana,” he continued. “[O]ur U.S. attorneys are free to prosecute violations of the law involving marijuana just like all other substances. And what they’re going to do is what they do in all cases: evaluate the facts and circumstances and decide whether a particular case warrants prosecution.”

So, who are these prosecutors, and where do they stand on enforcing federal cannabis law? There are forty-nine appointed, acting, or interim U.S. attorneys in the thirty legal states and the District of Columbia. Some of them have made no public statement since receiving the Sessions Memo, and most of the ones who’ve spoken on the record appear to have been intentionally vague. Colorado’s U.S. attorney said his office will “focus on the greatest safety threats,” as it does with every other crime.

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(It's worth noting the potential for robbery of cash-only businesses could be considered a public safety threat.) The Massachusetts U.S. attorney said he could not “provide assurances that certain categories of participants in the state-level cannabis trade will be immune from federal prosecution.”

Here's what all of them—acting, interim, and permanent—have indicated.



ALASKA

Bryan D. Schroder: “The highest priorities of the U.S. Attorney’s Office in Alaska are consistent with those of the Justice Department nationally: combating violent crime, including as it stems from the scourge of drug trafficking... We will continue to focus on cases that meet those priorities.”



ARKANSAS

J. Cody Hiland, Eastern District: “We are a nation of laws and not men. I took an oath to uphold the Constitution and the laws of the United States, and that is what this office has done and will continue to do throughout my term as U.S. Attorney. To that end, we will continue to exercise our prosecutorial discretion and evaluate criminal cases on an individual basis as it relates to the law and the facts as presented.”

Duane A. “Dak” Kees, Western District: Kees took office January 5. At press time, he had issued no public statement regarding marijuana enforcement.



ARIZONA

Elizabeth A. Strange (acting): Strange has issued no public statement about enforcement.



CALIFORNIA

Nicola T. Hanna, Central District (Sessions interim appointee): Hanna has issued no public statement.

McGregor W. Scott, Eastern District: Scott has issued no public statement, but it's worth noting that when he served as the USA in the same district as a George W. Bush appointee, he was known as a

hardcore drug warrior. Scott's office prosecuted a number of legal dispensary operators, in one case obtaining twenty- and twenty-two-year sentences against two Modesto dispensary owners. Then-President Barack Obama granted one of the men clemency in 2017.

Alex G. Tse, Northern District (acting): Tse has issued no public statement.

Adam L. Braverman, Southern District: “The cultivation, distribution, and possession of marijuana has long been and remains a violation of federal law. We will continue to utilize long-established prosecutorial priorities to carry out our mission to combat violent crime, disrupt and dismantle transnational criminal organizations, and stem the rising tide of the drug crisis.”



COLORADO

Robert C. Troyer: “The United States Attorney’s Office in Colorado... [focuses] in particular on identifying and prosecuting those who create the greatest safety threats to our communities around the state. We will, consistent with the attorney general’s latest guidance, continue to take this approach in all of our work with our law enforcement partners throughout Colorado.”



CONNECTICUT

John H. Durham: “Federal laws are properly enacted, modified, and repealed by Congress, not the Department of Justice. The U.S. Attorney’s Office in Connecticut will continue to prosecute violations of federal law consistent with priorities established by the Justice Department and our office.”



DELAWARE

David Weiss (acting): “The U.S. Attorney’s Office for the District of Delaware will utilize the long-established prosecutorial principles to carry out the shared commitment with the Justice Department to combat violent crime and the scourge of drug offenses plaguing our community.”



DISTRICT OF COLUMBIA

Jessie K. Liu: “The U.S. Attorney’s Office for the District of Columbia is committed to reducing violent crime and dismantling criminal gangs and large-scale drug distribution networks that pose a threat to public safety. In accordance with the attorney general’s memo, we will utilize long-established principles of prosecutorial discretion in pursuing cases and fulfilling that commitment,” according to spokesman William Miller.



FLORIDA

Maria Chapa Lopez, Middle District (Sessions interim appointee): Lopez has issued no public statement.

Christopher P. Canova, Northern District: Canova has issued no public statement.

Benjamin G. Greenberg, Southern District: Greenberg has issued no public statement.



HAWAII

Kenji M. Price (Sessions interim appointee): Price has issued no public statement.



ILLINOIS

John E. Childress, Central District: “For citizens of central Illinois, the Justice Department memo...on marijuana enforcement does not change long-established prosecutorial principles to enforce federal law. The U.S. Attorney’s Office will continue to work together with our law enforcement partners to promote the safety and interests of our local communities.”

John R. Lausch Jr., Northern District: Lausch has issued no public statement.

Donald S. Boyce Jr., Southern District: Boyce has issued no public statement.



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LOUISIANA

Duane A. Evans, Eastern District (Sessions interim appointee): Evans has issued no public statement.

Corey R. Amundson, Middle District (acting): “Since our approach is consistent with the attorney general’s announcement, we do not anticipate a significant change in the federal enforcement of marijuana activities in this district.”

Alexander C. Van Hook, Western District (Sessions interim appointee): Van Hook has issued no public statement.



MAINE

Halsey B. Frank: “As the chief federal law enforcement officer in this district, my job is to enforce federal law, not countermand it. While I have some discretion in how my office does so in any particular case...I do not have the authority to categorically declare that my office will not prosecute a class of crime or persons... With respect to the prosecution of drug offenses, this office has prioritized the prosecution of cases involving the trafficking of opiates, cocaine, crack, and similar hard drugs. We have also prosecuted large-scale marijuana distribution organizations and did so even while operating under the recently rescinded DOJ guidance. Prosecution of drug possession cases has not been a priority.”



MARYLAND

Stephen Schenning (acting): Schenning has issued no public statement.



MASSACHUSETTS

Andrew E. Lelling: “I cannot...provide assurances that certain categories of participants in the state-level marijuana trade will be immune from federal prosecution... This is a straightforward rule of law issue. Congress has unambiguously made it a federal crime to cultivate, distribute and/or possess marijuana. As a law enforcement officer in the executive branch, it is my sworn responsibility

to enforce that law... To do that, however, I must proceed on a case-by-case basis, assessing each matter according to those principles and deciding whether to use limited federal resources to pursue it... The kind of categorical relief sought by those engaged in state-level marijuana legalization efforts can only come from the legislative process.”



MICHIGAN

Matthew Schneider, Eastern District (Sessions interim appointee): Schneider told the *Detroit News* his office “will review marijuana cases in terms of where those cases fit within our priorities and our limited federal resources. In every criminal case, we will rely upon the Justice Department’s long-established principles of federal prosecution, as all U.S. attorneys have done since 1980.”

Andrew B. Birge, Western District: Birge has issued no public statement.



MINNESOTA

Gregory G. Brooker (Sessions interim appointee): Brooker has issued no public statement.



MONTANA

Kurt G. Alme: Alme said his office will focus “in particular on identifying and prosecuting those who create the greatest safety threats to our citizens and communities. Consistent with the attorney general’s latest guidance, we will continue to take this approach in all of our work with our law enforcement partners throughout Montana.”



NEW HAMPSHIRE

John J. Farley (acting): “In making prosecution decisions, we will consider all applicable federal laws and will evaluate all relevant considerations, including the department’s law-enforcement priorities, the seriousness of the crime, the deterrent effect of the prosecution, and the impact of the particular crime on the community.” (Source: *New Hampshire Union Leader*.)

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NEW JERSEY

Craig Carpenito (Sessions interim appointee): Carpenito has issued no public statement.



NEW MEXICO

James D. Tierney (acting): Tierney has issued no public statement.



NEW YORK

Richard Donoghue, Eastern District (Sessions interim appointee): Donoghue has issued no public statement.

Grant C. Jaquith, Northern District (Sessions interim appointee): Jaquith has issued no public statement.

Geoffrey Berman, Southern District (Sessions interim appointee): Berman has issued no public statement.

James P. Kennedy, Western District: Kennedy has issued no public statement.



NEVADA

Dayle Elieson (Sessions interim appointee): Elieson has issued no public statement.



NORTH DAKOTA

Christopher C. Myers: "I can't speculate on what might happen down the road, because we don't have any certainty as to how the state is going to set up and implement [the pending medical] program." (Source: *West Fargo Pioneer*.)



OHIO

Justin E. Herdman, Northern District: "We're going to still continue to be in a position to prosecute those cases, and marijuana's still illegal under federal law just like it was last week..." (Source: *Cleveland.com*.)

Benjamin C. Glassman, Southern District: "Congress made marijuana illegal under the Controlled Substances Act. That was true under Deputy Attorney General Cole's 2013 memorandum on marijuana enforcement, and it's just as true under (Sessions's) memorandum today."



OREGON

Billy J. Williams: "We will continue working with our federal, state, local and tribal law enforcement partners to pursue shared public safety objectives, with an emphasis on stemming the overproduction of marijuana and the diversion of marijuana out of state, dismantling criminal organizations, and thwarting violent crime in our communities." In an op-ed published January 12 in *The Oregonian*, Williams additionally noted, "I have significant concerns about the state's current regulatory framework and the resources allocated to policing marijuana in Oregon."



PENNSYLVANIA

Louis D. Lappen, Eastern District: Lappen has issued no public statement.

David J. Freed, Middle District: "Having been involved as a state prosecutor in the drafting of [Pennsylvania's medical cannabis] legislation, I believe there are sufficient safeguards in the law to ensure the products will be used as intended under the supervision of medical professionals. While I cannot state that there will never be an issue in this area meriting federal involvement, my office has no intention of disrupting Pennsylvania's medical marijuana program or related financial transactions."

Scott W. Brady, Western District: "This office will continue to deploy all prosecutorial tools at our disposal to protect the citizens of western Pennsylvania from those individuals and criminal organizations which traffic in all illegal controlled substances, including marijuana."



RHODE ISLAND

Stephen G. Dambruch (Sessions interim appointee): Dambruch has issued no public statement.



VERMONT

Christina E. Nolan: “We’re going to use the principles we’ve long used in all drug cases to prioritize our finite resources.” (Source: *Burlington Free Press*.)



WASHINGTON

Annette L. Hayes, Western District: “[W]e have investigated and prosecuted, over many years, cases involving organized crime, violent and gun threats, and financial crimes related to marijuana. We will continue to do so to ensure—consistent with the most recent guidance from the department—that our enforcement efforts with our federal, state, local, and tribal partners focus on those who pose the greatest safety risk to the people and communities we serve.”

Joseph H. Harrington, Eastern District (Sessions’s interim appointee): “This United States Attorney’s Office will continue to ensure, consistent with the most recent guidance from the Department of Justice, that its enforcement efforts with our federal, state, local, and tribal law enforcement partners focus on those

who pose the greatest safety risk to the communities in Eastern Washington, by disrupting criminal organizations, tackling the growing drug crisis, thwarting violent crime, and corralling white-collar fraudsters in this district.”



WEST VIRGINIA

William J. Powell, Northern District: “West Virginia remains first in the nation in overdose deaths per capita. We are working hand in hand with our task forces, other law enforcement agencies, and county prosecutor partners to prosecute those who are delivering poison to our communities and committing violent crimes. The attorney general has entrusted me to deploy our resources and prioritize our work in a manner to best accomplish these goals. I will honor that trust by always doing what is best for this district.”


Michael B. Stuart, Southern District: While noting his office will pursue “vigorous and aggressive enforcement of federal law, especially in the area of drugs,” Stuart said “I will comply with all congressional mandates” and take “no extraordinary action” as long as dispensaries and other cannabis businesses operating under state law also operate “within the constraints and guidance” of the Rohrabacher-Blumenauer amendment. (Source: *Charleston Gazette-Mail*.) 



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CURBING CANNABIS CASH IN A POST-COLE-MEMO CLIMATE

BY SAHAR AYINEHSAZIAN, ASSOCIATE AT VICENTE SEDERBERG'S CALIFORNIA PRACTICE GROUP

ON JANUARY 1, 2018, California's cannabis industry celebrated the start of adult-use cannabis sales under rigorous regulations modeled largely after Deputy Attorney General James M. Cole's August 29, 2013, "Guidance Regarding Marijuana Enforcement" memorandum and its February 14, 2014, progeny, "Guidance Regarding Marijuana Related Financial Crimes." Three days later, on January 4, U.S. Attorney General Jeff Sessions circulated a short memorandum (the "Sessions Memo") rescinding the Cole memos alongside other documents that encapsulate the federal government's states'-rights-conscious policy on cannabis.

Like the Cole memos, the Sessions Memo directs federal prosecutors contemplating cannabis cases to "weigh all relevant considerations, including federal law enforcement priorities...the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of the particular crimes on the community." Far from a nationwide "crackdown," the Sessions Memo leaves the fate of the cannabis industry in the hands of individual U.S. Attorneys, many of whom have made it clear they will continue to treat state-legal cannabis businesses as they did under the Cole memos. Thus, when it comes to cannabis banking—one of the most important aspects of the cannabis industry—Sessions's January 4 rescission may not be the fatal blow many fear.

FEDERAL CANNABIS POLICIES

The Cole memos summarize the considerations the Department of Justice has long used when prosecuting cannabis-related activities. They also reiterate state-legal cannabis sales which exclude illegal activities and keep cannabis away from minors and cartels are a very low priority for the DOJ. These enforcement priorities also influenced the United States Department of the Treasury's Financial Crimes Enforcement Network's February 14, 2014, memorandum titled "BSA Expectations Regarding Marijuana-Related Businesses" (the "FinCEN Guidance").

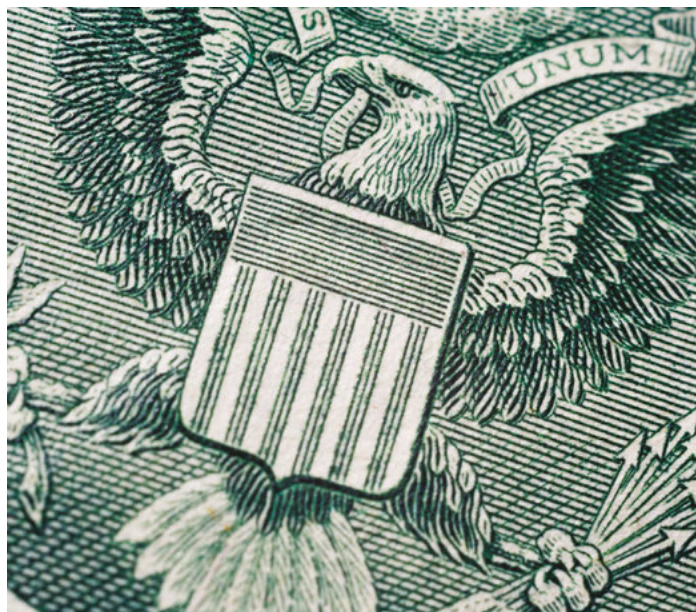
The FinCEN Guidance is widely viewed as the foundation of cannabis banking. Despite the Cole memos' rescission, the Treasury Department has given no indication it will rescind the FinCEN Guidance. By detailing the reporting and due diligence procedures financial institutions should undertake in onboarding and maintaining cannabis business clients, the FinCEN Guidance "clarifies how financial institutions can provide services to marijuana-related businesses consistent with their [Bank Secrecy Act] obligations." The guidance individually lists the Cole memos' enforcement priorities and expands upon them to guide financial institutions in collecting the information necessary to ensure they serve only compliant cannabis businesses. The FinCEN Guidance goes on to list the "red flags" a financial institution should consider when performing due diligence on its existing cannabis business clients to ensure all cannabis-related deposits entering the institution originate from lawful investments or state-legal cannabis sales. Though the FinCEN Guidance and the Cole memos were drafted to work in tandem, the FinCEN Guidance always has been a comprehensive standalone document containing recommendations that continue to prove extremely effective, as illustrated by the growing number of financial institutions successfully—and profitably—serving state-legal cannabis businesses.

WHAT NOW?

Compliant state-legal cannabis businesses and the financial institutions that serve them are a low priority for the DOJ. The DOJ has never prosecuted a financial institution for serving a state-legal cannabis business pursuant to the FinCEN Guidance.

As countless violent robberies have illustrated, unbanked cannabis cash threatens public safety. Providing cannabis businesses access to financial services increases public safety by reducing cannabis cash and the resulting violent crimes. Curbing cannabis cash also brings desperately needed transparency to the cannabis industry by allowing cannabis businesses to function normally and pay their taxes electronically, rather than in person with huge and unsafe bundles of legal tender.

Financial institutions that serve cannabis businesses also give Treasury insight into the cannabis industry through the cannabis-specific reports required by the FinCEN Guidance. According to FinCEN's March 2017 statistics, more than 400 banks currently serve cannabis businesses, providing Treasury with vital information that will disappear if cannabis banking ceases. Prosecuting these

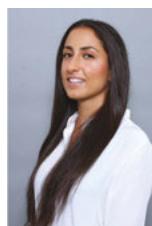


financial institutions, whose services heavily reduce cannabis cash and greatly increase public safety in the twenty-nine states that have legalized medical or adult-use cannabis, will not shut down the cannabis industry, which flourished long before the Cole memos. Consequently, it is wholly contrary to the best interest of the DOJ and Treasury to stifle the cannabis industry's access to financial services.

FINAL THOUGHTS

While the Cole memos' rescission undoubtedly will have an initially chilling effect on cannabis banking by creating limited short-term uncertainty for financial institutions, it is highly unlikely cannabis banking will stop altogether. In fact, if, in an effort to preserve cannabis banking, Treasury reaffirms the FinCEN Guidance or Congress takes action to foster widespread cannabis banking, the Sessions Memo may lead to positive developments for cannabis banking.

It is now more important than ever before for cannabis businesses to focus heavily on transparency and compliance in order to obtain and maintain business bank accounts. Specifically, cannabis businesses should ensure they properly maintain all required licenses and deposit only into their business bank accounts money that can be traced back to a legitimate investment in the business or the state-legal sale of cannabis. ¹⁰⁹



SAHAR AYINEHSAZIAN is an associate at Vicente Sederberg's California Practice Group, where she specializes in cannabis banking, licensing, and regulatory compliance. Vicente Sederberg is one of the leading cannabis law firms in the U.S., with offices in Denver, Boston, Los Angeles, Las Vegas, and Washington D.C.

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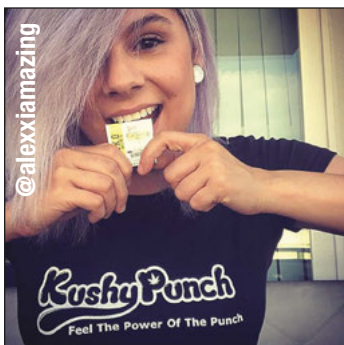
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"**Mary Jane's Medicinals** (MaryJanesMedicinals.com) is my favorite. Their use of the plant coupled with other holistic properties like peppermint, lavender, and other essential oils creates a beautiful product that is part of my daily beauty regimen."

VAPE

"I like the **PAX JUUL** (PaxVapor.com). Their oil comes from locally sourced extraction companies. Also the mechanics and dosing are super accurate and it is very chic looking. The **Hmbldt** (HumboldtVapeTech.com) pen is fantastic, too. I really like what they are doing dosing-wise."

CBD

"All **Papa & Barkley** (PapaAndBarkley.com) products. Their ratios of CBD to THC are really great and very effective."

FLOWER

"I am loving what **Canndescent** (Canndescent.com) is doing in California with their effects-based architecture."

DISPENSARY

"I'm impressed with **Caliva** (GoCaliva.com) in San Jose, California. The in-store experience and budtender knowledge are unmatched."

BRAND

"**kushmoji** (kushmoji.io). It's an entire cannabis-branded emoji library. There are a ton of brands within the library that educate and market to cannabis consumers. They just launched on Android."

CANNABRAND is a five-year-old cannabis marketing agency serving clients from coast to coast in the United States and in Canada. The company also offers business development and supply chain management.

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