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From: [REDACTED] >
Date: Fri, Nov 19, 2021 at 08:57
Subject: FW: DCC Exit Email
To: [REDACTED] >

[REDACTED]
Special Investigator

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Department of
Cannabis Control
CALIFORNIA

From: [REDACTED]
Sent: Friday, November 19, 2021 8:57 AM
To: Elliott, Nicole@Cannabis <Nicole.Elliott@cannabis.ca.gov>
Subject: DCC Exit Email

Director Elliot,

Hello, I am one of the two original special investigators hired by CalCannabis for Mendocino County in February 2019. I began this role after my return from Afghanistan in 2018, where I served as an Army officer leading 158 soldiers to construct and expand coalition bases throughout the country. I sought this position and a career with this agency because I believed, and still believe, in the future of legal cannabis in California. But today is my last day at the Department of Cannabis Control. Since there is no process in-place to conduct an exit interview, I want to provide my input regarding the events that hastened my departure and I fear create liability for your Department.

I leave this role questioning whether the Compliance program was or is meant to be a functional regulatory body that ensures the safety and legitimacy of the licensed cannabis market in California, or if the accusations that we are a "pay to play" system are accurate. Over 3 years into the Compliance program, staff continue to lack guidance for even the most

basic functions, including the role of the investigator, to some of the most important issues, including referrals for illicit activity or field staff safety. Meanwhile, the licensed industry is left vulnerable to shell companies, money laundering, and other illicit activities. Compliance leadership is fully aware of rampant unfair competition within the legal market, and even justify it with the often-repeated excuse “at least we get the tax dollars.” As a result, field staff face an impossible task attempting to protect consumer health and safety or preserve the integrity of the legal market.

State and county partner agencies are frustrated by years of promises that investigators, acting in the capacity Richard Parrott and Tabatha Chavez call “the civil arm of illicit cannabis enforcement,” will impose six figure fines, revoke licenses, or prevent licensure against any bad actor those agencies partner with us to inspect or search. The reality is quite the opposite. These partner agencies host over 200+ search warrants attended by cannabis investigators annually. Mere weeks after these warrants, cannabis licenses are nevertheless issued to the same operators eradicated in part by DCC investigators and fines are never levied. Although former ties to the illegal market should not necessarily bar someone from the legal industry forever, it wastes department resources and hurts our credibility when recent eradications and current investigation by this very agency do not have any effect on the cannabis licensing process. Law enforcement and other state agencies can see that we are knowingly issuing licenses to the same operators they are eradicating at tax payer expense.

Wasted tax-payer dollars is not limited to just the state and county agencies often impacted through our knowing license issuance to the same operators they are investigating and eradicating. The number of special investigators and supervisors has ballooned to 70 positions within DCC, but consist of only 9 located within the Emerald Triangle, an area representing half of the licensed cannabis businesses in the state. This low number disadvantages many small businesses, often legacy farms in remote areas, who are less likely to receive education or outreach than other parts of the state. In addition to personnel, new vehicles were purchased in 2018, 2019, and 2020, with older purchases languishing in the department’s parking lot for so long that the batteries die. Expensive truck accessories have been installed and then paid to be uninstalled due to incorrect or inadequate initial purchases. Newer versions of bulletproof vests have been ordered to justify sending civilian field staff by themselves to areas with known high crime rates. Funding has even been secured for an upcoming helicopter hoist training.

This seemingly paramilitary force of non-sworn civilian employees, with no duty-related physical fitness requirements to meet the physical demands of body armor and helicopter hoists, attend approximately 200 search warrants annually, where they primarily just help cut down plants. Compliance leadership have improperly attributed seizures of firearms, cash, and cannabis at these warrants to CalCannabis/DCC investigators, when it is in fact our partner agencies performing these duties. Each of these warrants supposedly generates an investigative report to substantiate the heavy fines on unlicensed activities promised to the counties and other state agencies. In addition to 200+ investigative reports from search warrants, over 2,500 enforcement cases are generated by investigators annually, consisting almost entirely of inspection reports, complaints, referrals, and CCTT requests. Of these 2,900+ interactions with the licensed and unlicensed industry each year, 5 or fewer cases generated by investigators result in any legal action, which may simply be fines as low as \$5,000.

If this were simply an expensive example of leadership over-promising and under-delivering, I wouldn’t be elevating this to your level. But these initial missteps snowball to the point that your field staff witness diversion of licensed cannabis to the illegal market and inversion of unlicensed cannabis into our regulated market on a daily basis with no ability to address it. When Compliance leadership insists again that this is acceptable because the state collects tax revenue, it truly seems as if they have forgotten that unlicensed cannabis cultivation is still a crime in California. If a private company was knowingly profiting from businesses involved in illegal activity, would the state of California consider that to be legal?

Beyond passive acceptance, from June 2020 to February 2021, CalCannabis had a so called “no source” program. This was a program by which field staff were directed to manually enable user permissions within the CCTT system so that licensees could enter anything they wanted for legal sale without a licensed, legal, traceable source for the product sold. A conservative estimate presented to Richard Parrott and Tabatha Chavez in February 2021 valued the unlicensed cannabis entered into the CCTT system during 8 months of the “no source” program at approximately \$90 million. More recently, myself and other investigators were informed that a “no source approval” had been granted “due to the recall [election].” We were told that this return to the sale of unlicensed cannabis within the CCTT system could be expanded even further during the recall election as well.

A troubling alternative to requesting “no source approval” is the ability to “buy the CCTT system in order to break it.” I personally led the investigation, wrote an extensive investigative report, as well as gave Compliance leadership powerpoint briefings on 2 companies using nursery licenses to falsify CCTT records for 75,977 plants that were grown illegally and then inverted into the CCTT system via falsified CCTT transfers after obtaining state licenses. An application site for 1 of these companies contained 20 tons of unlicensed cannabis. Despite the egregious and overwhelming evidence against these companies, the location eradicated by law enforcement received state licenses weeks later. No citation or any license action has ever been taken against the companies that falsified CCTT records in order to invert 75,977 unlicensed cannabis plants into the legal market.

But it isn't the bad actors that have driven me from this agency, it's the good ones. The savvy businesses of all sizes trying to find their way in the burgeoning legal marketplace. What do we say to licensees struggling amidst a market flooded with product when we have passively and actively allowed unlicensed cannabis to compete with them? Considering this competition and how unlikely it is that even the worst businesses will face any compliance action, is it a bad business decision to follow our regulations in the current market? As investment and shareholders grow, isn't DCC concerned that we will be sued by either the companies themselves or their investors for forcing them to compete with the illicit market within the CCTT system itself? When I heard about the current lawsuit we face regarding “burner distros” my first thought was that the plaintiff couldn't imagine the true scale of the competition they face from the illicit market within California's licensed cannabis industry.

By no means do I think that our regulations are perfect. California and the US face years of developing a legal cannabis market. In fact, if you want to know more about how imperfect the current regulations are, you should ask more of the field staff. But the current Compliance branch strategy expects individual field staff to sign off on “exceptions” to our own regulations. It sends us on search warrants one week but expects us to go back with a clipboard in hand, and soon a bulletproof vest under our polo shirts the next, and coach these same bad actors to achieve success in legal cannabis. There is ample opportunity for management to aggregate data, study trends, and make recommendations to change regulations, rather than expect field staff to turn a blind eye.

I really loved my job. I got to spend time in beautiful locations with passionate businessowners growing the best cannabis in the world. I was a part of an expert team of only 4 investigators in the Emerald Triangle that oversaw the transition to the CCTT system and the first harvest season and sales within the CCTT system. I was always passionate about going the extra mile because I felt like it made a real difference for the futures of these businesses, and I was lucky enough to have fellow investigators, my direct supervisor, and environmental scientists who were equally as skilled and passionate. I am simply unable to continue to risk my integrity or potential liability to passively and actively allow unfair competition by the unlicensed industry within the very market in which it is our job to uphold the laws and instill integrity. I hope you can see that my interests lie in the health, safety, and fairness of the legal cannabis market. If you have questions or would like more detail regarding the situations I have mentioned here, my contact information can be found in my signature block below. Thank you for your time considering my thoughts and experiences within your department today.

Sincerely,

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[REDACTED]
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