

# Cannabis license applicants warned of scam risks

## Consultants pushing contracts that would give them large stake

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With time running out for people previously arrested on drug charges to apply for a cannabis business license from San Diego County, would-be entrepreneurs are confronting a new threat: advisers who promise help navigating the application process in exchange for a huge share of the profits.

A company called Wise Quest Management LLC is promoting its services on social media and other platforms, seeking people who qualify for a cannabis license from San Diego County by having a related arrest prior to 2016 on their record.

“Have you been arrested for any marijuana charge before Nov. 8, 2016?” one of the ads says. “You can now be compensated. Huge cash opportunities. Contact us immediately. Program expires soon.”

But in exchange for guiding applicants through an application process that was specifically designed to be short and succinct, Wise Quest Management includes a multi-page contract that assumes a 49 percent stake in any partnership.

The consultant also requests a “one-time success payment” of \$5,000.

“This success payment will not affect the company’s or qualified partner’s ownership interest in the applicant entity,” the agreement notes.

No contact information for Wise Quest Management LLC or its leadership could be located.

One applicant said he regretted not doing more research before signing the contract.

The arrangement is viewed by the contractor hired by San Diego County to promote

the cannabis social equity program as so lopsided it issued an alert late last month warning people not to sign such an agreement.

The county contractor's warning advises applicants to protect their personal information, and notes that anyone chosen to receive a county cannabis license will get extensive training and plenty of future opportunities to meet investors or potential partners.

"Please help us spread the word about these potential scams," the mass email says. "We look forward to having you apply through our official process and ensuring you receive the support and opportunities you deserve."

San Diego County is accepting applications to its social equity cannabis program through this coming Friday. It will likely be months before licenses for dispensaries and other businesses are awarded.

The notion of helping people who were adversely affected by the longtime criminalization of marijuana has taken root in numerous communities across the country in recent years.

But successfully getting former arrestees and offenders into the cannabis industry has proved challenging due to a number of barriers, including the need for business acumen, startup capital and navigating complex regulations.

The city of San Diego issued a lengthy report in 2022 about the benefits of a social equity cannabis program and early last year got nearly \$900,000 in state grant revenue to help implement it. But the effort stalled as cuts were proposed.

The county Board of Supervisors initiated the cannabis social equity program in 2021 as a way of promoting justice and economic opportunity for people who had previously been arrested or convicted on marijuana violations.

The program was formalized by the Office of Equity and Racial Justice earlier this year.

County officials contracted with the Cannabis Education Project to create and promote the social equity program.

The San Diego organization developed a simple application that seeks little more than a potential licensee's name, age, address and criminal record.

So far, more than 150 people have filed applications to receive one of the pending county cannabis licenses.

Cynara Velazquez, one of the Cannabis Education Project organizers, said people

should avoid signing any contract before they have been licensed by the county and learned more about the industry.

“We are working diligently to alert applicants and would-be applicants about the risk of predatory partnerships such as these,” she said. “We advise applicants against rushing into partnerships with anyone during the application phase.”

While the Board of Supervisors has yet to adopt a cannabis social equity ordinance, plans call for awarding up to 25 licenses, with at least half going to people who were arrested or convicted of drug-related offenses.

The businesses may be storefront dispensaries or they could permit growing, manufacturing or other cannabis-related enterprises.

County officials declined to discuss the mass warning distributed by its contractor. But in written responses to questions about the alert, the county said more than two dozen people had signed the agreements.

“We are aware of the solicitations, and it is not the goal of the program to have contracts in place prior to the program beginning,” county spokesperson Michael Workman said by email.

“We are a year or more away from licensing being available,” he added. “Applicants have the chance to attend workshops, receive one-on-one assistance and have discussions with attorneys and legal professionals prior to licensing.”

Workman declined to say whether the County Counsel’s Office is reviewing the legality of the contracts, but he said they have gotten the attention of a number of county officials.

“Many county departments are looking into this, but (I) cannot comment further on possible next actions,” he wrote.

Wise Quest Management was incorporated in Cheyenne, Wyo., earlier this year, according to public records posted online by the Wyoming secretary of state.

The company’s executives are not identified in the public filings; its registered agent is another company.

San Diego attorney Jessica McElfresh has represented a number of cannabis companies. She said she was not surprised to learn of the lopsided agreements that potential licensees are being asked to sign.

“The alleged path to riches attracts con artists, or people looking to make a quick buck,” she said. “It’s not a problem unique to social equity.”

McElfresh said cannabis entrepreneurs also have difficulty opening bank accounts or getting small-business loans because marijuana remains illegal under federal law and because of the money the industry can generate.

“All of those factors together compound the risk of unsavory practices in cannabis in general, and all cannabis social equity,” she said.

To qualify for a license under the county’s cannabis social equity program, an applicant must have been arrested or convicted of a drug-related crime prior to November 2016.

Anyone interested in applying before the Friday deadline can visit [projectcannabis.org](http://projectcannabis.org) for more information.