

DEA Raids, Indictments of Medical Marijuana Operators in Southern California

Cal NORML Release, July 17, 2007

The DEA announced several indictments of medical cannabis operators in Southern California today. All involved outstanding cases against dispensaries that had been previously raided or warned. None involved facilities to whose landlords the [DEA had sent warning letters](#) earlier last week.

Indicted were operators of: (1) Central Coast Compassionate Caregivers in Morro Bay, which had been raided last March; (2) Compassionate Caregivers, once the largest chain of dispensaries in California, closed by federal action in 2005-6 (one former CC employee was also arrested for having opened a new facility); (3) Healing Nations Collective in Corona, which had been fighting efforts by local authorities to close it, and (4) Nature's Medicinal in Bakersfield, a popular, high-traffic facility that was raided in May. None of the arrestees had been targets of the LA DEA's recent [landlord warning letter](#), nor were any forfeiture actions announced against landlords of the arrestees.

One twist was that the charges named a doctor, who allegedly wrote recommendations for the Morro Bay store's patrons. Significantly, the doctor was said to have received a finder's fee for referrals, which would exempt him from the federal Conant injunction that protects doctors so long as they don't help patients procure cannabis illegally.

The Morro Bay dispensary was alleged to have sold cannabis to minors; however, sources close to the case say all customers were either over 18 or accompanied by parents.

The Bakersfield dispensary was charged with making millions of dollars; however, the club was paying taxes and operating in accordance with local regulations.

The DEA's announcements were obviously timed to "send a message" along with its recent landlord warning letters. However, there was little new in the operation. All involved parties who had been the object of longstanding complaints from law enforcement officials. There is no indication that federal officials are about to launch a massive wave of forfeitures at present. No forfeitures were announced against landlords of the operators arrested today.

- D. Gieringer, Cal NORML

DEA Press Release - July 17, 2007. Contact: SA Sarah Pullen Public Information Officer Number: 213-621-6827

Local Marijuana Dispensary Operators Indicted on Drug Trafficking Charges

JUL 17 --(LOS ANGELES) The Drug Enforcement Administration (DEA) along with the United States Attorney's Office of the Central District of California, the Internal Revenue Service - Criminal Investigation, the San Luis Obispo Sheriff's Department, the Corona Police Department and the Los Angeles Police Department announced today the indictments of owners and operators of four marijuana dispensaries in Morro Bay, Corona, and two in West Hollywood. These individuals have been indicted on federal criminal charges alleging that they conspired to distribute and distributed large quantities of marijuana, including to minors, for significant profits. Also indicted is a medical doctor who wrote marijuana recommendations for payment including recommendations for minors with no medical examinations.

"The marijuana traffickers arrested today claimed to sell the drug for medicinal value, but it's clear that marijuana's financial value was their true motivation," said Timothy J. Landrum, Special Agent in Charge of the DEA in Los Angeles. "These dispensary operators are no different than any other drug trafficker: they prey on people in our communities to make a profit. DEA and our law enforcement counterparts will not turn a blind eye to flagrant disregard of our nation's essential drug laws—laws designed to protect our citizens, communities, and children."

In 1996, voters in California adopted Proposition 215, which authorizes the distribution of marijuana for medical reasons under certain circumstances. Under federal law, however, distribution of marijuana for any purpose is illegal.

In Morro Bay, Charles C. Lynch was the owner and operator of the "Central Coast Compassionate Caregivers" marijuana store. The indictment against Lynch alleges that he and his employees sold more than \$2.1 million in marijuana at the store in a one-year time period. The indictment further charges, during the same one-year time period, that Lynch and his employees sold marijuana to 281 minors. Also charged in the indictment is Dr. Armand T. Tollette, Jr. for writing marijuana recommendations for patrons of the Morro Bay marijuana store. The indictment alleges that Tollette wrote recommendations for minors, failed to conduct physical examinations before writing recommendations, and paid "finder's fees" in marijuana for client referrals.

"This operation was nothing more than a super-sized retail drug-dealing center working under the cloak and smoke of prop 215," said Steve Bolts, Undersheriff, San Luis Obispo Sheriff's Department. "There was no care, treatment or compassion shown to our operatives during any of our undercover buys, and marijuana was sold to our agents for 2 to 3 times the cost on the streets".

In a separate indictment, Larry R. Kristich and James Carberry have been indicted for operating a chain of marijuana stores in seven different cities in California. The stores, located in Oakland, San Francisco, San Leandro, Ukiah, Bakersfield, San Diego and West Hollywood, did business under the name "Compassionate Caregivers." The indictment alleges that sales of marijuana and THC laced products at the stores totaled more than \$95 million, and that Kristich used profits from marijuana sales to purchase expensive automobiles and real estate in Costa Rica. The indictment charges that, with a business associate, James L. Ealy, Kristich set-up non-drug related businesses to launder the profits of the marijuana stores.

James Carberry was an employee of Kristich and the manager of a marijuana store in West Hollywood known as "Yellow House." The indictment alleges that Yellow House had an ATM machine and credit card readers in the store to facilitate purchases. In a single month at Yellow House, it is alleged that more than \$1.7 million in marijuana and THC laced products were sold.

Debra D. King, Special Agent in Charge, Internal Revenue Service - Criminal Investigation's Los Angeles Field Office, stated: "IRS Criminal Investigation plays a unique role in federal law enforcement's war on drugs. Our agents target the profit and financial gains of narcotics traffickers, essentially following the money, to disrupt and dismantle these organizations and enhance criminal prosecutions and asset forfeitures. The results of today's enforcement operations, including the execution of arrest and search warrants, sends a clear message that selling drugs, and laundering the profits earned from those drug sales, will lead to prison."


In a separate indictment, John C. Moreaux, a former "Compassionate Caregivers" employee, was indicted for operating a second marijuana store in West Hollywood. In the indictment, Moreaux is alleged to have possessed a shotgun inside the West Hollywood marijuana store. The indictment further alleges that Moreaux has a prior felony conviction, and therefore cannot lawfully possess any firearms.

A fourth indictment charges Ronald B. Naulls, who operated the "Healing Nations Collective" marijuana store in a shopping center in Corona. The marijuana store opened in June 2006. In a nine-month time period, the store conducted sales of more than \$1.2 million.

Under federal law, conspiracy to distribute marijuana carries a sentence of up to 40 years in prison, while a violation of the money-laundering statute carries a sentence of up to 20 years in prison.

An indictment contains allegations that a defendant has committed a crime. Every defendant is presumed to be innocent until proven guilty in court.

The following individuals were arrested earlier today: Ronald B. Naulls, of Corona; Charles C. Lynch of Arroyo Grande; Armond Tennyson Tollette, Jr. of Culver City; John C. Moreaux of Valencia ; James L. Ealy of Tujunga.

The cases were investigated by the Drug Enforcement Administration, the Internal Revenue Service  Criminal Investigation, the Los Angeles Police Department, the City of Corona Police Department and the San Luis Obispo Sheriff's Department.

CONTACT:

Assistant United States Attorney David Kowal (213) 894-5136 (Morro Bay dispensary)

Assistant United States Attorney Shannon Ryan (213) 894-4586 ("Compassionate Caregivers" dispensaries)

Assistant United States Attorney Robert Stacy (951) 276-6221 (Corona dispensary)

Timothy J. Landrum, Drug Enforcement Administration Special Agent in Charge, Los Angeles Division has provided audio comments on this operation. The audio can be accessed by doing the following: Dial 1-888-557-6494, and then dial mailbox number 701 or 702. Listen and record.

Digital photos can be viewed on www.dea.gov. Photos are also available upon request.

<http://www.dea.gov/pubs/states/newsrel/la071707.html>

DEA PRESS RELEASE (2) July 17, 2007 Contact: Joycelyn Barnes Number: 415-436-786

Round Two: Second Search Warrant Served at Bakersfield Marijuana Distribution Center

Marijuana, Guns, and US Currency Seized; 5 Arrested

JUL 17 -- (Bakersfield, CA)- Drug Enforcement Administration (DEA) Assistant Special Agent in Charge Gordon Taylor announces today the culmination of a federal investigation into Natures Medicinal Cooperative, a marijuana distribution center, located at 323 Roberts Lane, Bakersfield. Earlier this morning law enforcement served three federal search warrants and five federal arrest warrants at locations related to the investigation. All search and arrest warrants were served without incident. As a result of today's searches agents seized over 87 pounds of processed marijuana, 35 marijuana plants, a small amount of marijuana laced baked goods, one Smith & Wesson .40 caliber semi-automatic handgun, and one loaded 12 gauge shotgun. Additionally, \$20,000 was seized from bank accounts related to the marijuana distribution center and \$15,036 cash was seized from the residence of David Chavez Sr.

DEA Special Agent Gordon Taylor stated, "The nature of this criminal enterprise was to make money - to the tune of over \$9.6 million dollars in just nine months. That's \$50 for every minute their illegal operation was open for business." Taylor added, "This case should send a message to those who falsely believe they can circumvent federal drug laws."

This 18-month investigation was led by the DEA Bakersfield Resident Office, in coordination with the United States Attorney's Office in the Eastern District of California, Bakersfield Police Department, Kern County Sheriff's Office and Central Valley High Intensity Drug Trafficking Area (HIDTA).

On May 1, 2007, agents served search warrants at Natures Medicinal Cooperative (NMC) and the residence of David Chavez Sr., and his son, David Chavez Jr., the owners of NMC. As a result of those search warrants law enforcement seized approximately 155 lbs of processed marijuana and marijuana tainted food products and approximately \$55,000 cash was seized from the business, residence, and bank accounts. Record seized from the business indicated approximately 1,500 pounds of marijuana was purchased by NMC between December 2005 and April 2006. Receipts from NMC indicated gross sales amounts in excess of \$9.6 million during a nine month period.

In addition to the search at NMC today, law enforcement conducted searches at the residence adjacent to NMC at 321 Roberts Lane and Chavez's residence located at 229 Montavo Drive, Bakersfield. Five individuals were arrested in relation to the investigation, which include two owners and three employees of NMC. The following persons were arrested today for conspiracy to distribute marijuana and will appear before a US Magistrate in Bakersfield tomorrow:

1. David Chavez, Sr., 48, of Bakersfield, CA 2. David Chavez, Jr., 28, of Bakersfield, CA 3. John Wyatt, 28, of Bakersfield, CA 4. John Shanks, 59, of Bakersfield, CA 5. Jennifer Brown, 34, of Bakersfield, CA

This case is being prosecuted by the United States Attorney's Office in the Eastern District of California in Fresno, CA. All defendants are presumed innocent until and unless proven otherwise.

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