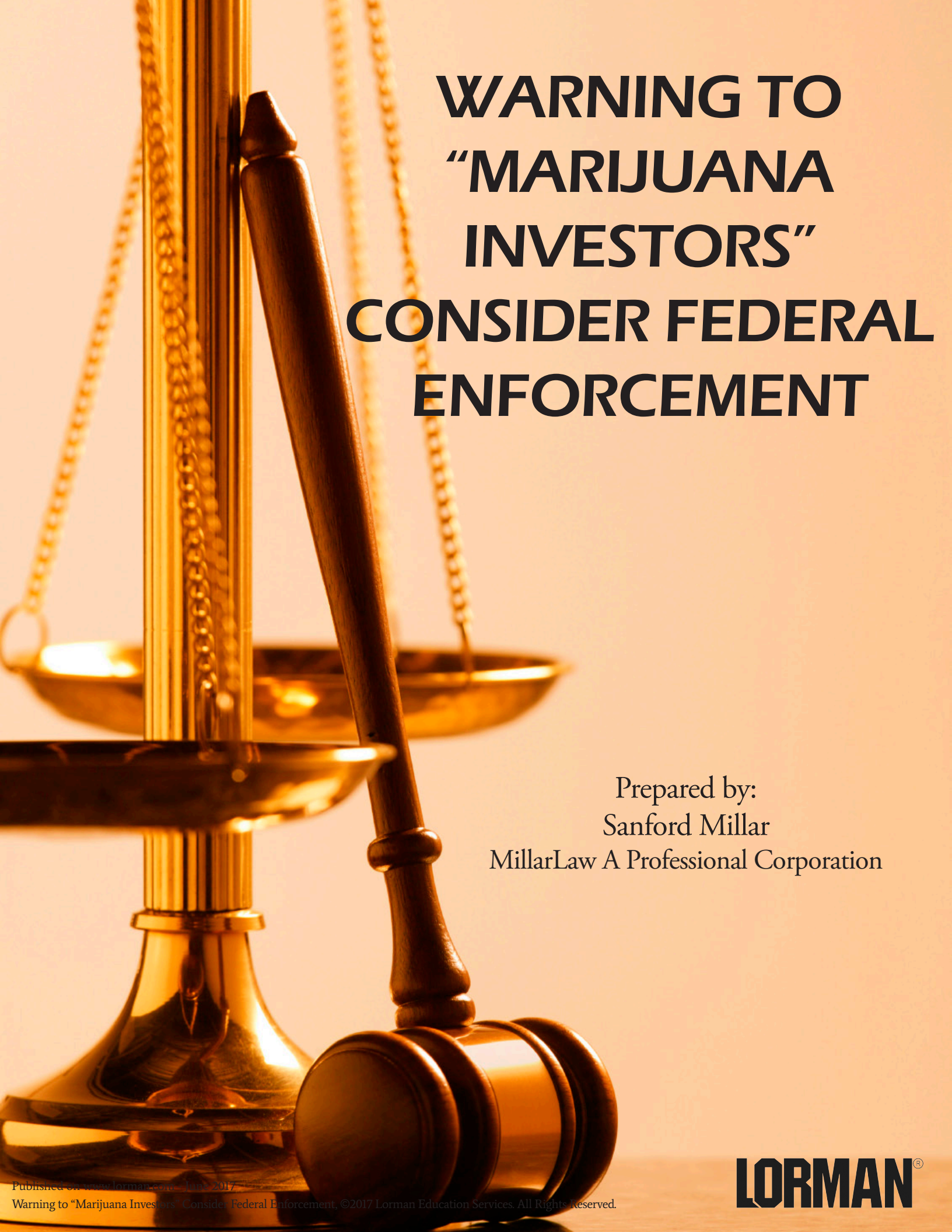

WARNING TO "MARIJUANA INVESTORS" CONSIDER FEDERAL ENFORCEMENT

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Warning to “Marijuana Investors” Consider Federal Enforcement

By Sanford Millar of MillarLaw A Professional Corporation – 11/20/16

The Controlled Substances Act (“CSA”) lists Marijuana (cannabis) as a Schedule 1 drug. That means “the drug or substance has no currently accepted medical use in treatment in the United States. Efforts to reclassify marijuana have recently failed. The enforcement of the CSA has been guided by the 2013 “Cole” Memo issued by the Department of Justice (“DOJ”). The DOJ has deferred prosecution in states where Marijuana has been legalized. However, the Cole Memo is merely guidance and is not binding on the new Attorney General. The Cole Memo specifically provides:

“As with the Department’s previous statements on this subject, this memorandum is intended solely as a guide to the exercise of investigative and prosecutorial discretion. This memorandum does not alter in any way the Department’s authority to enforce federal law, including federal laws relating to marijuana, regardless of state law. Neither the guidance herein nor any state or local law provides a legal defense to a violation of federal law, including any civil or criminal violation of the CSA. Even in jurisdictions with strong and effective regulatory systems, evidence that particular conduct threatens federal priorities will subject that person or entity to federal enforcement action, based on the circumstances. This memorandum is not intended to, does not, and may not be relied upon to create any rights, substantive or procedural, enforceable at law by any party in any matter civil or criminal. It applies prospectively to the exercise of

prosecutorial discretion in future cases and does not provide defendants or subjects of enforcement action with a basis for reconsideration of any pending civil action or criminal prosecution. Finally, nothing herein precludes investigation or prosecution, even in the absence of any one of the factors listed above, in particular circumstances where investigation and prosecution otherwise serves an important federal interest

Assuming that he is confirmed, Attorney General designate Sessions can change the position of the DOJ immediately. What does that mean to potential “green rush” investors.

The likely avenues of attack if the DOJ decides to prosecute are as follows. First, direct enforcement against cultivators and dispensaries, under the CSA for unlawful production sale and distribution. Second, under Internal Revenue Code for tax evasion and other tax crimes. And, third, under the Bank Secrecy Act for Money Laundering. This triple threat presents a difficult “due diligence” process for potential investors.

Investors and landlords need to proceeds cautiously and not assume that state law will protect them from federal prosecution. For those investors who are extracting a “risk” based premium on their investment they should make sure that the cultivator or dispensary operator is in full compliance with state law and all tax laws. The wise investor will retain counsel to analyze the compliance status and decline investment in businesses that have poor books and records and lax tax history. The fundamental issue will be how to verify revenue and expense in an industry where the cultivator or dispensary operator cannot open a bank account and, therefore, operate on a

“cash” basis. The opportunity for incomplete and inaccurate records and non-comliance with tax laws is profound. Skilled counsel can provide an evaluation to investors under the Attorney-client Privilege and the Work Product Doctrine as part of thier “due diligience” to help determine the tax and BSA risks of an investment in a “green rush” business. The ultimate investment decision must be made by the investor and will be subject to the risk of federal enforcement action.