

OCT 28 2016

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11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 COUNTY OF SAN DIEGO, HALL OF JUSTICE

13 In re Seizure of Wells Fargo Bank Account Nos.) CASE NO. MCR 16-061
14 7476329631 and 6683336868 Held in the Name of)
15 Annette Slatic; Wells Fargo Bank Account No.) **MOTION FOR RETURN OF PROPERTY**
16 6810777356 Held in the Name of Lily Cohen; and) **SUBJECT TO SEIZURE ORDERS 52005**
17 Wells Fargo Bank Account No. 1543530420 Held) **AND 52007; NOTICE OF MOTION;**
18 in the Name of Penny Cohen Pursuant to Seizure) **MEMORANDUM IN SUPPORT**
19 Order 52005) **[Health & Safety Code § 11488.4;**
20 and) **Pen. Code §§ 1538.5, 1539, 1540]**
21)
22) Judge: Hon. Jay M. Bloom
23 In re Seizure of Schools First Federal Credit Union) Department: 33
24 Account No. 169426 Held in the Name of James) Hearing Date: November 14, 2016
25 Slatic Pursuant to Seizure Order 52007) Hearing Time: 9:00 a.m.
26)
27)
28)

21 **TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:**

22 **PLEASE TAKE NOTICE** that on November 14, 2016, at 9:00 a.m., or as soon thereafter as
23 the matter may be heard in Department 33 of the above-entitled court, Movants James Slatic, Annette
24 Slatic, Penny Cohen, and Lily Cohen will seek an order directing the San Diego County District
25 Attorney to return the money seized from them pursuant to the attached Seizure Orders 52005 and
26 52007, which were signed by the Honorable Jay M. Bloom on June 7, 2016.

27 Specifically, Movants will seek the return of:
28

- \$34,175.14, belonging to Annette Slatic, which was seized from her Wells Fargo Bank Account Nos. 7476329631 and 6683336868;
- \$5,616.38, belonging to Lily Cohen, which was seized from her Wells Fargo Bank Account No. 6810777356;
- \$5,643.73, belonging to Penny Cohen, which was seized from her Wells Fargo Bank Account No. 1543530420; and
- \$55,258.60, belonging to James Slatic, which was seized from his Schools First Federal Credit Union Account No. 169426.

Movants have a right to seek the return of their \$100,693.85. Cal. Pen. Code § 1538.5(a)(1); Cal. Health & Safety Code § 11488.4(g)–(h). Their motion must be directed to the judicial officer who signed the warrants, Cal. Pen. Code § 1538.5(b), who must resolve the motion based on live testimony offered at a hearing. *People v. Johnson*, 38 Cal. 4th 717, 733–34 (2006). Movants will offer testimony and documentary evidence demonstrating that the allegations made by Detective Mark Carlson in support of Seizure Orders 52005 and 52007 were insufficient to establish probable cause. *See* Cal. Pen. Code §§ 1538.5(a)(1)(B)(iii); 1539(a)(iii). When probable cause is lacking, as it is here, the Court must order seized property “restored to the person from whom it was taken.” *Id.* § 1540.

The motion is based on this notice, the attached Memorandum of Points and Authorities, the reply in support of the motion, and the testimony, evidence, and arguments offered at the hearing. The motion is being filed within 10 court days of the hearing by agreement of the parties, after the People requested that the original November 22, 2016 hearing date be moved to November 14, 2016.

Dated: October 28, 2016

Respectfully submitted,


Wesley Hottot
Attorney for Movants*

* admitted *pro hac vice*

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1 **MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION**

2 **I. INTRODUCTION**

3 For two years, James Slatik operated a legal medical marijuana business from a commercial
4 building on a busy stretch of Engineer Road. James' business consisted of two limited liability
5 companies, Med-West Distribution and Highland Medical Packaging, which belonged to a legal
6 medical marijuana collective, Pacific Heights Partners. Med-West purchased extracted cannabis oil
7 from other businesses and refined the oil for use in products such as vaporizer pens and topical oils.
8 Highland Medical provided the packaging and administrative support needed for these products.
9 Collective members purchased the products from Med-West and made them available to medical
10 marijuana patients. The business was able to operate in the open for two years because it complied
11 with California's medical marijuana laws, held a business tax certificate from the City of San Diego,
12 and paid tens of thousands of dollars in taxes to the IRS, state, and local authorities.

13 Everything changed on January 28, 2016, when a group of San Diego police and DEA agents
14 carried out an armed raid on Med-West and Highland Medical (collectively "Med-West" below).
15 Without warning, some 30 officers descended on the business, refusing to recognize its legal status,
16 seizing computers, records, equipment, and \$324,979 in business proceeds. Two employees were
17 briefly arrested and Med-West was effectively shut down.

18 But for James and his family, the nightmare truly began five days later, when San Diego police
19 used civil forfeiture to freeze every penny in their personal bank accounts. In an instant, James lost
20 \$55,258 from his personal checking and savings account; his wife, Annette, lost \$34,175; and their
21 teenage daughters—17 year-old Penny and 19 year-old Lily—lost a combined \$11,260 they had set
22 aside for college. The family was left with almost nothing to live on.

23 Nine months later, no family member has been charged with a crime. In fact, no one
24 connected to Med-West has been charged with a crime. Meanwhile, no progress has been made in the
25 civil forfeiture case against Med-West's \$324,979 and no case has even been initiated against the
26 Slatiks' personal money. The family's money is stuck in legal limbo at the mercy of the San Diego
27 District Attorney, who has offered no credible explanation for continuing to hold it.
28

1 The Slatics now move for the return of their money. The Court should grant the motion for
2 one of two reasons: (1) the seizure orders relied on two affidavits from Detective Mark Carlson, which
3 on their face fail to establish probable cause; or (2) additional testimony offered at the hearing will
4 show that Detective Carlson's affidavits omitted key facts and misunderstood others. Indeed,
5 California courts have ordered the return of a drug suspect's money, even when the money was found
6 in close proximity to *illegal* drugs. *See, e.g., People v. \$47,050*, 17 Cal. App. 4th 1319, 1323 (1993).
7 Here, at worst, Detective Carlson's affidavits show that a fraction of James' personal money
8 (\$6,093.54) came from his *legal* marijuana business, while the lion's share of the \$94,600 seized from
9 the Slatics has no connection to drugs of any kind. As the testimony at the hearing will show, Med-
10 West complied with California law; but, in any case, virtually all of the Slatics' money comes from
11 *other* legitimate sources. The seizure of the family's money therefore violates state and federal
12 constitutional standards. As shown below, case law and statutes both show that a family's right to
13 their personal money does not vanish the moment one family member is suspected of a crime.

14 II. STATEMENT OF THE CASE

15 Five days after the raid on Med-West, on February 2, San Diego Police Detective Mark
16 Carlson obtained Search Warrants 51082 and 51083, signed by the Honorable Frederick Maguire,
17 which gave the government access to bank records belonging to the Slatiic family. The warrants also
18 froze the bank accounts at issue in this motion, pending a criminal investigation of James for violating
19 Health and Safety Code Section 11379.6 by using "chemical extraction" to manufacture marijuana.¹
20 *See Exhibit 1 at p. 12 ln. 22–23 & Exhibit 2 at p. 12 ln. 19–21 (cited as "Ex. 1 at 12:22–23" below).*

21 The progress of the District Attorney's investigation has been slow, and on May 10, 2016,
22 James, Annette, and James' mother, Miriam Slatiic, filed a motion for return of property challenging
23 Judge Maguire's freezing orders. When that motion was heard on June 2, the Slatics argued that the
24 Sixth Amendment to the U.S. Constitution protects their right to access their money in order to fund
25 their criminal defense. Judge Maguire denied the motion without prejudice on June 3, except with
26

27 ¹ This law sets out punishments for anyone who illegally "manufactures, compounds, converts, produces, derives, processes,
28 or prepares, either directly or indirectly by chemical extraction or independently by means of chemical synthesis, any
controlled substance," including marijuana. Cal. Health & Safety Code § 11379.6(a).

1 respect to three items that the District Attorney had agreed to return. These items—\$203.02 in Lily’s
2 checking account, \$59.50 in Penny’s checking account, and coins in a safe deposit box belonging to
3 Miriam—were returned some time later. However, all of James and Annette’s accounts remained
4 frozen, as did Lily and Penny’s savings accounts.

5 A few days later, Detective Carlson obtained Seizure Orders 52005 and 52007, which
6 authorized the seizure of all funds remaining in the Slatics’ bank accounts. *See* Exs. 1 & 2. These
7 orders were supported by different affidavits from Detective Carlson and signed, on June 7, by the
8 Honorable Jay M. Bloom. The present motion does not seek to relitigate the Slatics’ challenge to
9 Search Warrants Nos. 51082 and 51083. Rather, the present motion challenges Seizure Orders 52005
10 and 52007, which were only recently made available, and does so on different grounds.

11 At the hearing on their motion, the Slatics’ will demonstrate that Detective Carlson’s affidavits
12 do not establish probable cause to believe either that (1) a crime has been committed; or (2) even if a
13 crime *had* been committed, that the Slatics’ money could possibly be connected to that crime. The
14 Slatics have a statutory right to demonstrate the absence of probable cause. *See* Cal. Pen. Code
15 § 1538.5(a)(1)(B)(iii); Cal. Health & Safety Code § 11488.4. And their motion must be resolved
16 based on live testimony offered at a hearing. *People v. Johnson*, 38 Cal. 4th 717, 733–34 (2006).

17 **III. ARGUMENT**

18 This Court should order the return of the Slatik family’s personal money based on the
19 arguments and evidence presented at the hearing. Below, the Slatics explain the legal standards for
20 probable cause under the California Constitution and U.S. Constitution, and for connecting money to a
21 crime under California statutes. Second, the Slatics show why these standards were not met when
22 Seizure Orders 52005 and 52007 were issued. Finally, the Slatics demonstrate how other evidence,
23 not made available to the Court at the time of the seizure orders, defeats a finding of probable cause.

24 **A. LEGAL STANDARDS**

25 **i. Probable cause requires a “strong suspicion” not “mere suspicion.”**

26 Under Article One, Section 13 of the California Constitution, probable cause means “a state of
27 facts as would lead a man of ordinary caution and prudence to believe and conscientiously entertain a
28

1 strong suspicion of the guilt of the accused.” *People v. Hurtado*, 28 Cal. 4th 1179, 1189 (2002)
2 (quotation marks omitted). Thus, when the government seeks to seize a person’s property pending
3 forfeiture, probable cause “is often defined as a reasonable ground for belief of guilt, less than prima
4 facie proof but more than mere suspicion.” *See People v. \$48,715 U.S. Currency*, 58 Cal. App. 4th
5 1507, 1517 (1997) (quotation marks omitted). This standard turns on the facts and real-world
6 probabilities at play in a particular case. *See id.*

7 California’s probable cause standard is in some ways similar to the standard under the Fourth
8 Amendment. *See id.* (citing *Illinois v. Gates*, 462 U.S. 213, 236 (1983)). In *Gates*, the U.S. Supreme
9 Court held that probable cause is a “practical, non-technical” standard that calls upon the “factual and
10 practical considerations of everyday life on which reasonable and prudent men . . . act.” 462 U.S. at 232
11 (quotation marks omitted). Thus, as in California, probable cause under federal law requires more than
12 “mere suspicion”; it requires a real-world nexus between the property and some illegal activity. *Id.*

13 By statute, a person may move for the return of seized property based on a lack of probable
14 cause. Cal. Pen. Code § 1538.5(a)(1)(B)(iii); Cal. Health & Safety Code § 11488.4(g)–(h). When the
15 movant shows that probable cause is lacking, the seized property must be returned. *See* Cal. Pen. Code
16 § 1540. This Court also has inherent authority to return property, even when it has been lawfully seized.
17 Cal. Pen. Code § 1536; *People v. Superior Court*, 28 Cal. App. 3d 600, 607 (1972).

18 **ii. Seized money must be “directly traceable” to a crime.**

19 California law does not authorize the seizure of all assets belonging to a family based on a drug
20 crime allegedly committed by one family member. Nor does it authorize the seizure of substitute assets
21 up to the value a person may have earned from drug crimes. Cal. Health & Safety Code § 11470(f).
22 Instead, state law authorizes the forfeiture of “proceeds traceable to such an exchange” of an illegal
23 controlled substance. *Id.* Thus, when the government seeks to seize cash, or cash deposits in a bank
24 account, it “must establish some nexus between the seized funds and a narcotics transaction.” *\$47,050*,
25 17 Cal. App. 4th at 1323 (reversing finding of probable cause to seize cash found alongside cocaine and
26 marijuana). “Evidence sufficient to support an inference that seized funds are related to *some* illegal
27 activity does not establish even a prima facie case of probable cause absent the demonstration of some
28

1 link between the cash and a narcotics transaction.” *Id.* (emphasis in original); *see also United States v.*
2 *U.S. Currency, \$30,060.00*, 39 F.3d 1039, 1044 (9th Cir. 1994) (stating that “a mere suspicion of illegal
3 activity is not enough to establish probable cause that the money was connected to drugs”); *United*
4 *States v. \$405,089.23 U.S. Currency*, 122 F.3d 1285, 1290 (9th Cir. 1997) (holding that a police
5 affidavit failed to show probable cause to support the seizure of money deposited in a bank account by
6 convicted drug traffickers using cashier’s checks purchased with cash).

7 In this way, California courts have rejected the idea that “forfeitability spreads like a disease”
8 which infects untainted funds when commingled with tainted funds in a bank account. *People v.*
9 *\$9,632.50 U.S. Currency*, 64 Cal. App. 4th 163, 169 (1998). “[N]othing in the California forfeiture
10 scheme or the cases interpreting it suggests the Legislature intended *untainted* assets (whether belonging
11 to a third person or person involved in drug activity) to be subject to forfeiture simply because they were
12 in proximity with forfeitable assets.” *Id.* at 172 (emphasis in original); *see also United States v. Real*
13 *Property Located 20832 Big Rock Dr.*, 51 F.3d 1402, 1411 (9th Cir. 1995) (stating that “[a]ny interest in
14 property purchased with illegitimate assets is forfeitable, but any interest purchased with legitimate
15 assets, even the legitimate assets of a drug dealer or someone who knows they are doing business with a
16 drug dealer, is not forfeitable because it is not ‘proceeds traceable to’ a drug transaction”).

17 The case of *\$9,632.50* illustrates these principles. There, the People seized and sought the
18 forfeiture of the entire balance of a bank account. The balance of the account came almost entirely from
19 the owner’s legitimate paychecks and tax refund, while he was alleged to have received \$8,000 in drug
20 proceeds. 64 Cal. App. 4th at 168. The Court of Appeals rejected the forfeiture of the bank account
21 balance on the grounds that it “would effectively repeal the statutory requirement of tracing” and is
22 “tantamount to saying that persons accused of dealing drugs should be deprived of the right to own *any*
23 property.” *Id.* at 173–74 (emphasis in original). With the proper probable cause standard in mind, the
24 Slatiks now turn to demonstrating why these standards were not met in this case with respect to their
25 personal money.²

26
27 ² This motion does not challenge the seizure of \$324,979 from Med-West. Civil forfeiture proceedings have already been
28 initiated against the business’s money. *See People v. \$324,979.00 in U.S. Currency*, Civil No. 37-2016-00006961-CU-AF-
CTL in the San Diego County Superior Court. This motion addresses the Slatik family’s personal money, against which the
District Attorney has so far not filed a civil forfeiture case.

1 **B. PROBABLE CAUSE WAS LACKING WHEN THE ORDERS WERE ISSUED.**

2 **i. The allegations do not show probable cause to believe James is guilty.**

3 The allegations made in support of Seizure Orders 52005 and 52007 do not establish probable
4 cause to believe that James Slatic broke the law. For this reason alone, the Court should order the return
5 of the Slatic family's money.

6 The government's allegations rely on one statute—Health and Safety Code Section 11379.6—
7 which prohibits the manufacture of a controlled substance using a process of “chemical extraction.” *See*
8 *Ex. 1* at 12:22–25; *see also n.1 above*. “Chemical extraction” is not defined by statute, but the Attorney
9 General has concluded that it is “the process of removing a particular component of a mixture from
10 others present” and that “[a]n example would be the extraction of resinous THC (tetrahydrocannabinol)
11 or hashish from marijuana.” *Opinion No. 90-807*, 74 Ops. Cal. Atty. Gen. 70, 1991 WL 495454, at *5–
12 6 (May 8, 1991). The statute's purposes also illuminate its meaning. Section 11379.6 was enacted to
13 combat clandestine methamphetamine labs and the “dangers inherent in the chemical production,
14 processing, and preparation of controlled substances.” *Id.* The law was intended to punish only those
15 who manufacture marijuana with dangerous processes “because of the dangers posed to the public from
16 the use of hazardous substances, such as fires, fumes or explosions.” *People v. Bergen*, 166 Cal. App.
17 4th 161, 170 (2008). For this reason, Section 11379.6 applies only to those who manufacture marijuana
18 through dangerous methods of chemical extraction and does not apply to “any number of possible
19 alternative methods for producing concentrated cannabis.” *Id.* at 169.

20 Detective Carlson's affidavits themselves show that Med-West was not engaged in “chemical
21 extraction.” While Carlson characterizes Med-West as “a sophisticated clandestine THC . . . extraction
22 laboratory and distribution center,” *Ex. 1* at 4:7–8 & *Ex. 2* at 3:27 to 4:1, he later hedges, describing the
23 laboratory as “set up for extraction and/or refining of concentrated cannabis oil by the use of solvents
24 such as ethanol or ethyl alcohol.” *Ex. 1* at 5:3–4; *Ex. 2* at 4:23–24. Critically, the equipment that
25 Carlson describes—a rotary evaporator—can only be used for refinement; indeed it is impossible to use
26 a rotary evaporator to extract cannabis oil from raw marijuana, as expert testimony at the hearing will
27 show. This is also made clear on the face of Carlson's allegations:
28

1 The “Rotovaper” (Rotary Evaporator) is a sophisticated laboratory machine used by chemical laboratories
2 for the efficient and gentle removal of solvents from samples by evaporation. The purpose of the rotary
3 evaporator is to remove low boiling organic chemicals, usually solvents, from a mixture of compounds.
The rotary evaporator is the method of choice for solvent removal in the modern organic laboratory. The
solvents (ethanol or ethyl alcohol) are removed by simple distillation.

4 Ex. 1 at 5:4–9; Ex. 2 at 4:24 to 5:2.

5 Nowhere does Carlson explain why he believes the “gentle removal of solvents” from
6 concentrated cannabis is the same thing as “chemical extraction” of “resinous THC . . . or hashish from
7 marijuana,” as prohibited by Section 11379.6. At the same time, Carlson omits key facts: that Med-
8 West was a *legal* medical marijuana operation, permitted under state law to manufacture marijuana,
9 which *never* extracted cannabis oil from raw marijuana; rather all of Med-West’s cannabis was extracted
10 by *other* businesses and then refined and packaged for use in a variety of consumer products. This fact
11 is only underlined by Carlson’s observation that “[s]ome of the concentrated cannabis oil was in a liquid
12 consistency and some was a thicker paste consistency.” Ex. 2 at 4:18–19. Indeed, no raw marijuana or
13 extraction equipment was found at Med-West precisely because Med-West did not perform extraction.

14 Carlson should know the difference between the illegal extraction of cannabis oil from raw
15 marijuana and the “gentle removal of solvents” from already concentrated oil which he found on display
16 at Med-West. He has over 30 years of experience with the San Diego Police Department and is
17 currently assigned to the “Asset Removal Group” of a regional narcotics task force. Ex. 2 at 1:21–27.
18 He has both formal training and real-world experience in “the manner in which controlled substances,
19 including marijuana, are cultivated, packaged, marketed and consumed.” Ex. 2 at 2:8–9. He has been
20 “involved in numerous investigations regarding possession, possession for sales, sales of marijuana and
21 concentrated cannabis” and has been an expert witness in cases involving concentrated cannabis
22 products. Ex. 2 at 3:1–7.

23 Yet, Carlson’s allegations in this case conflate extraction with refinement in a manner
24 inconsistent with Section 11379.6. There are only two published cases involving manufacturing of
25 concentrated cannabis under Section 11379.6, both of which involved non-medical marijuana operations
26 using butane—i.e., lighter fluid—to extract concentrated cannabis from raw marijuana. *Bergen* involved
27 a clandestine concentrated cannabis operation in a residential neighborhood. The operation consisted of
28 jury-rigged PVC pipes filled with raw marijuana through which butane was poured to extract

1 concentrated cannabis. 166 Cal. App. 4th at 165–66. The other case, *People v. Luna*, likewise involved
2 a make-shift butane extraction operation. 170 Cal. App. 4th 535 (2009). Neither case involved a
3 medical marijuana operation.³

4 Med-West did not engage in the chemical extraction of concentrated cannabis with a jury-rigged
5 butane apparatus. As the allegations show, Med-West used professional laboratory equipment to purify
6 and refine concentrated cannabis with ethanol. Far from a clandestine and hazardous lab endangering
7 public safety, Med-West was publically operating a medical marijuana lab using, in Carlson’s words, a
8 “gentle” process that is “the method of choice for solvent removal in the modern organic laboratory.”

9 In sum, the government’s allegations on their face do not include facts that could lead to the
10 necessary “strong suspicion” of James’ guilt. Just the opposite: Detective Carlson’s testimony
11 affirmatively shows that *no* suspicion is warranted because Med-West was not violating any California
12 law. At the very most, the affidavits show “mere suspicion”; and “mere suspicion” never amounts to
13 probable cause. For these reasons, the Court should order the return of the Slatik family’s money based
14 on the deficiencies in the affidavits offered in support of the seizure orders.

15 **ii. The allegations do not show probable cause to believe the family’s personal money is**
16 **connected to a crime.**

17 Even if the Court assumes there is probable cause to believe that James’ business was operating
18 illegally (which, as shown above, there is not), probable cause does not exist to believe that the entire
19 balances of the Slatik family’s accounts are directly traceable to a crime. The mere “inference that
20 seized funds are related to some illegal activity” never constitutes probable cause to believe the funds
21 are traceable drug proceeds. *\$47,050*, 17 Cal. App. 4th at 1323.

22 For example, in *\$47,050*, police executed a warrant to search a home for cocaine. *Id.* at 1321.
23 They found a small amount of cocaine and some marijuana, an electronic scale, two guns, and \$47,050
24 in cash. *Id.* The court acknowledged that the security measures on the property (a fence, guard dogs,

25 ³ Every unpublished decision upholding a conviction for manufacturing concentrated cannabis also involved an unsafe,
26 clandestine butane extraction operation. *People v. Marion*, No. D064513, 2015 WL 757852 (Cal. Ct. App. Feb. 23, 2015),
27 review denied (June 10, 2015); *People v. Keneally*, No. A134886, 2013 WL 2252092 (Cal. Ct. App. May 21, 2013); *People*
28 *v. Schultz*, No. A134582, 2013 WL 2234078 (Cal. Ct. App. May 20, 2013); *People v. Stiggins*, No. F060163, 2011 WL
4542903 (Cal. Ct. App. Oct. 3, 2011); *People v. McPherson*, No. A123947, 2010 WL 2447873 (Cal. Ct. App. June 17, 2010).
In another case, the defendant was accused of combining concentrated cannabis with isopropanol, which was found not to
violate Section 11379.6. *People v. Curtis*, No. C071952, 2014 WL 5281050 (Cal. Ct. App. Oct. 16, 2014).

1 and guns) and the large amount of cash could potentially be connected to illegal drug dealing, but still
2 held that probable cause was lacking to believe that the \$47,050 could be directly traced to a crime. *Id.*
3 The court reasoned that the owner had “offered a well-corroborated explanation as to the *source* of the
4 cash.” *Id.* at 1324 (emphasis in original). And the mere inference that some illegal activity was afoot is
5 always insufficient to create probable cause to believe that seized money can ultimately be forfeited. *Id.*

6 Accordingly, it is insufficient for probable-cause purposes to show that *some* money in a bank
7 account can be connected to a crime, when the rest of the money in the account (much less money in
8 *different* accounts belonging to *different* people) has not been connected to a crime. *See \$9,632.50*, 64
9 Cal. App. 4th at 169. Indeed, the court in *\$9,632.50* squarely rejected the “commingling” theory on
10 which the government’s allegations rely. *Compare \$9,632.50*, 64 Cal. App. 4th at 168–74 (holding that
11 probable cause was lacking to seize more than \$8,000 commingled in a bank account alleged to contain
12 just \$700 in drug proceeds) *with* Ex. 2 at 12:15–18 (alleging that \$149,375 “generated by legitimate non-
13 drug investments” can be seized because it was “comingled” with money allegedly tied to Med-West).
14 The government cannot use civil forfeiture to deny even a *convicted* drug trafficker of his right to own
15 property that is unconnected to his crime. *See 20832 Big Rock Dr.*, 51 F.3d at 1411. Therefore, a family
16 does not lose its right to own *any* property based on allegations that *some* property is connected to a
17 crime. This is particularly true where, as here, *no one has been charged* with, let alone convicted, of a
18 crime. It is particularly true where, as here, the criminal activity in question is no crime at all.

19 The government’s allegations rely on a fundamental misunderstanding about the power to seize
20 property under Health and Safety Code Section 11470. First, Detective Carlson’s affidavits do not
21 assert particularized facts connecting all of the seized money to illegal activity. Second, Carlson does
22 not even attempt to connect the family’s money to illegal activity because he relies on the mistaken
23 notion that probable cause can be established as to everything in a bank account by showing probable
24 cause as to a portion of the account. As shown above, that assumption is incorrect as a matter of law.
25 As shown below, Carlson’s affidavits do not allege specific facts sufficient to create probable cause as to
26 *any* of the Slatic family’s money.

1 **a. James' Schools First account**

2 Detective Carlson's affidavit for James Slatic's account relies on two concrete allegations: First,
3 he alleges that 21 cash deposits, which James made over the course of two and a half years, show that all
4 of his cash came from an illegal source. Second, he alleges that because James wrote a single check to
5 Highland Medical, and several to his wife, that he was hiding marijuana proceeds in his family's
6 accounts. Ex. 2 at 10:16–25. However, Carlson's affidavit fails to show any particularized facts that
7 could support the required "strong suspicion" that the funds are themselves drug proceeds directly
8 traceable to a drug crime. The only remotely real-world explanation he provides is that:

9 A large amount of US Currency, \$324,979.00, was seized from the HIGHLAND
10 MEDICAL PACKAGING LLC business during the service of the search warrant on
11 January 28, 2016. This shows the cash nature of the operation and explains the ongoing
12 biweekly or monthly cash deposits into SLATIC's account # 169426.

13 Ex. 2 at 11:13–17.

14 Of course, there is nothing suspicious about depositing cash into a bank account. That is why the
15 government "must establish some nexus between the seized cash and a narcotics transaction." \$47,050,
16 17 Cal. App. 4th at 1323; *see also* \$405,089.23, 122 F.3d at 1290; \$30,060.00, 39 F.3d at 1044. While it
17 is true that James deposited some of his paychecks from Med-West into his personal account in the form
18 of cash, this does not suggest a nexus between the money and an illegal narcotics transaction. Even
19 legal medical marijuana businesses such as Med-West make many (if not all) of their payments in cash
20 simply because banks are reluctant to work with them for fear of federal banking regulations.
21 Importantly, Carlson makes no effort to connect *specific* cash transactions to *specific* illegal narcotics
22 transactions. The testimony at the hearing will make clear that there is no such connection. Regardless,
23 probable cause does not exist to believe that the money in James' account is connected to illegal drugs.⁴

24 But even if the court were somehow to conclude that Med-West was an illegal operation,
25 virtually all of James' money came from *other* legitimate sources. As Detective Carlson acknowledges,
26 shortly before the seizure, James deposited a \$149,375 check "from his ownership in High Quality

27 ⁴ The fact that James wrote a \$25,000 check to Highland Medical, and several checks to his wife, hardly alters the analysis.
28 The government's obligation at this stage is to show probable cause to believe that the money in James' account may be
tainted by showing that the deposits into the account came from an allegedly tainted source. It is hard to see how writing
checks *from* an account could ever taint other money remaining in the account. The most that a check *to* Highland Medical
could show is that James invested in his medical marijuana business—a fact not in dispute. Similarly, writing a check to
one's wife is hardly suspicious and the government has made no effort to show why it is suspicious in this case.

1 Organics.” Ex. 2 at 12:4–6. As will be shown at the hearing, HQO is a culinary spice business with no
2 connection to marijuana. This is entirely consistent with Detective Carlson’s testimony:

3 I do not know the true nature of the business, High Quality Organics, or where SLATIC
4 obtained his finances for his investment into High Quality Organics. Even if the returns
5 of \$149,375.00 were generated by legitimate non-drug investments, these returns have
6 been comingled into account 169426, which contains proceeds from SLATIC’s
HIGHLAND MEDICAL PACKAGING LLC. Therefore, I believe the \$55,228.60
balance qualifies for seizure.

7 Ex. 2 at 12:13–18.

8 Carlson’s affidavit contains no facts connecting HQO to any criminal activity, nor
9 could it. Section 11470(f) does not authorize the forfeiture of commingled funds, only
10 funds directly traceable to a drug crime. To accept the government’s reasoning would be
11 to delete the word “traceable” from Section 11470(f) and would be “tantamount to saying
12 that persons accused of dealing drugs should be deprived of the right to own *any*
13 property.” \$9,632.50, 64 Cal. App. 4th at 174 (emphasis in original). But that is not the
14 law in California and the Court should, therefore, order the return of all of James’ money.

15 **b. Annette’s Wells Fargo accounts**

16 The essence of the government’s theory for seizing Annette’s money is that every dollar James
17 owns is tainted and, therefore, any money that Annette received from James must also be tainted. As
18 shown above, forfeitability is not contagious. Instead, the government must directly connect every
19 dollar of alleged drug proceeds to an actual drug crime. Here, no one accuses Annette of a crime or
20 accuses her of being directly involved with drug trafficking. The government only alleges that Annette
21 is married to James and that, because James transferred \$210,200 to his wife over the course of two
22 years, all of her money is also subject to seizure. *See* Ex. 1 at 9:27 to 10:7. But there is nothing
23 suspicious about a husband transferring money to his wife’s bank account. As the testimony at the
24 hearing will show, the Slatics were working on major home renovations that required large payments to
25 contractors, which Annette made with money provided to her by James. Sharing money in this way is
26 one of the defining features of family life and there is no basis in the law for the government’s idea that
27 a wife loses her right to *all* money from her husband simply because he is *suspected* of a crime.
28

1 Indeed, the government in this case has made no effort to connect the *specific* money in
2 Annette's account to *specific* illegal narcotics transactions. That was the government's burden at the
3 probable-cause stage. Accordingly, the government has provided no constitutionally sufficient reason to
4 continue to hold Annette's money.

5 **c. Penny and Lily's Wells Fargo accounts**

6 The shocking breadth of the government's legal theory is on display with the seizure of Penny
7 and Lily's savings accounts. The allegations in this case include no explanation as to why the money in
8 these accounts is traceable to a specific crime. The government's theory appears to be that the girls'
9 accounts are connected to Med-West because James gave money to Annette and Annette made small,
10 regular deposits into her daughters' accounts.

11 Lily and Penny are the victims of the government's mistaken theory of forfeitability: First, the
12 business and all its funds were infected by baseless criminal allegations, spreading from there to James
13 and his personal funds, on to Annette, and finally ending with Lily and Penny's savings accounts. If the
14 government is correct and probable cause can be established merely by family ties, then anyone who
15 happens to be related to a criminal suspect could have their bank account cleared out at any time. But
16 that is not the law. Because there is no real-world connection between Lily and Penny's savings
17 accounts and James' business, there is no probable cause to seize their accounts.

18 Moreover, Detective Carlson's allegations about the girls' savings accounts are inconsistent. He
19 says that he chose not to seek the seizure of the girls' checking accounts even though they, too, received
20 small, regular deposits from Annette. The affidavit's closing statements about both girls' savings
21 accounts seems to reveal the real motivation for returning the checking accounts—like the checking
22 accounts of most teenagers, they contain little money. Ex. 1 at 11:21–22 (“With a balance of \$59.50 . . .
23 I am not asking to seize [Penny's account]”) & 12:3–13 (“With a balance of \$71.59 . . . I am not asking
24 to seize [Lily's account]”) (emphasis removed). One is left with the impression that while seizing
25 pocket money from teenage girls was not worth the government's time, seizing more than \$11,000 from
26 their savings accounts was. The Court should correct this unconstitutional state of affairs by ordering
27 the return of Penny and Lily's money.
28

1 **C. ADDITIONAL EVIDENCE WILL SHOW THAT PROBABLE CAUSE IS LACKING.**

2 For the reasons discussed above, the government's allegations do not provide the Court with
3 reason to believe the Slatc family's money can be forfeited and the seizure orders were, therefore,
4 constitutionally invalid when they were issued. Additional evidence at the hearing will show that the
5 Court's finding of probable cause was based on key factual omissions and misunderstandings in
6 Detective Carlson's affidavits. To this end, the Slatics will present evidence and testimony
7 demonstrating that: (1) Med-West was operating publically and in compliance with California's medical
8 marijuana laws; (2) James and Annette had a legitimate source (other than Med-West) for every dollar
9 seized from them; and (3) there is no connection between Penny and Lily's money and Med-West.

10 **i. Expert testimony will show that no crime occurred at Med-West.**

11 Even if California's medical marijuana laws did not shield Med-West from criminal liability
12 (and they do), testimony by James and expert testimony by medical marijuana expert Andrew Pham will
13 demonstrate that the refinement processes used at Med-West did not involve the chemical extraction of a
14 controlled substance. James will describe how post-extraction techniques were used by Med-West to
15 thin and refine concentrated cannabis oil that had been purchased from *other* businesses. Pham will
16 describe the difference between the CO2 extraction process used by those *other* businesses and the post-
17 extraction processes of winterization, centrifugation, and refinement used by Med-West.

18 **ii. Testimony will show that James and Annette's money has no connection to a crime.**

19 The Slatics will also present evidence and testimony at the hearing showing "a well-corroborated
20 explanation as to the source of the cash." *\$47,050*, 17 Cal. App. 4th at 1324. In 2011, James sold his
21 ownership interest in High Quality Organics, a Nevada corporation that sells culinary spices, not legal or
22 illegal drugs. Per the terms of the sale agreement, the purchasers would pay James a total of \$1,250,000
23 in annual installments of 10% of the purchase price, plus interest. An HQO representative, Jay Fishman,
24 will testify to this arrangement. He will also testify to the fact that HQO had, at the time of the seizure
25 orders, recently paid James \$149,375, and he will dispel the government's insinuation that HQO was
26 anything other than a legitimate business. *See* Ex. 2 at 12:13–14 ("I do not know the true nature of the
27 business, High Quality Organics . . .").
28

1 James will also testify that prior to receiving his 2016 payment from HQO, the balance in his
2 account was \$6,093.54. Once the \$149,375 payment was added to his account, James used much of the
3 money to make tax and loan payments, as Detective Carlson acknowledges. *See* Ex. 2 at 12:5–9. This
4 activity left a final balance of \$55,228.60 when James’ account was frozen. Therefore, even if the Court
5 were to assume that the entire \$6,093.54 balance prior to the HQO payment is traceable to Med-West,
6 James is still entitled to keep the remaining balance of \$49,135.06. That money came from an
7 indisputably legitimate source other than Med-West. Additionally, James will testify that he wrote large
8 checks to Annette out of his HQO payments in order to cover renovations and other family expenses.

9 Annette will testify regarding the legitimate sources of the money in her Wells Fargo accounts.
10 Carlson’s affidavit makes no reference to the substantial and regular deposits made into Annette’s
11 accounts from indisputably legitimate sources. The most noteworthy of these include child support
12 payments from Annette’s ex-husband and her regular paycheck from the Department of Veterans
13 Affairs. There is no conceivable set of facts under which child support payments from another man or
14 paychecks drawn from the United States Treasury can be traced to James’ alleged crime. That Carlson
15 omitted these facts from his affidavit demonstrates that this case is not about enforcing drug laws or
16 protecting the public; it is an effort to seize everything that can possibly be seized from the Slatik family.

17 **iii. Penny and Lily’s money has no connection to Med-West.**

18 At the hearing, the Slatiks will also demonstrate that the money in Penny and Lily’s accounts
19 comes from legitimate sources with no connection to Med-West. These accounts were used for college
20 savings. Annette regularly deposited some of her paycheck, as well as payments from the girls’
21 biological father, into these accounts. At no point did James deposit any money, much less money
22 related to Med-West, into the girls’ accounts.

23 * * *

24 A family does not lose the right to own money based on government’s suspicion that one family
25 member committed a crime. Case law and statutes show that the finding of probable cause in this case
26 was erroneous on the face of Detective Carlson’s affidavits. But even if those affidavits had been
27 sufficient, evidence at the hearing will conclusively establish that probable cause does not exist.
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IV. CONCLUSION

For these reasons, and those offered at the hearing, the Court should grant the Slatiks' motion for return of property and order the District Attorney to return their money within 10 days.

Dated: October 28, 2016

Respectfully submitted,

By:



Wesley Hottot
Attorney for Movants*

* admitted *pro hac vice*

EXHIBIT 1

Motion for Return of Property

"Seizure Warrant No. 52005"

1 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA,

2 COUNTY OF SAN DIEGO

3 SEIZURE ORDER 52005

4 IN RE PROPERTY SUBJECT TO)
5 FORFEITURE PURSUANT TO HEALTH)
6 AND SAFETY CODE SECTION 11470)

ORDER FOR SEIZURE OF
PROPERTY SUBJECT TO
HEALTH AND SAFETY
CODE 11471

6 Property as follows:)
7 All Funds held in **WELLS FARGO BANK**)
8 Accounts **7476329631** and **6683336868**)
9 held in the name of **Annette SLATIC,**)
10 **aka Annette COHEN, WELLS FARGO**)
11 **BANK Account 6810777356** held in the name)
12 of **Annette SLATIC and Lily COHEN,**)
13 **WELLS FARGO BANK Account 1543530420**)
14 held in the name of **Annette SLATIC and**)
15 **Penny COHEN**)

12 Affidavit of Detective Mark Carlson, a Detective with the San Diego Police Department, having been made
13 before me that he has reason to believe the property described above and in the custody as indicated. The
14 balance of funds deposited in accounts **7476329631** and **6683336868**, held at Wells Fargo Bank, held in
15 the name of **Annette SLATIC, aka Annette COHEN**. The balance of funds contained in bank account
16 **6810777356**, held in the name of **Annette SLATIC and Lily COHEN**. The balance of funds
17 contained in bank account **1543530420**, held in the name of **Annette SLATIC and Penny**
18 **COHEN**. These funds were previously frozen by search warrant # 51083 on February 2, 2016. These
19 funds are subject to seizure and forfeiture pursuant to Health and Safety Code Section 11470, it. Seq., in that
20 said property is/was obtained as a result of manufacturing of controlled substances in violation of California
21 Health and Safety Code. I am satisfied that there is probable cause to believe that said property is subject to
22 seizure and forfeiture pursuant to Health and Safety Code Section 11471.

18 IT IS HERBY ORDERED:

19 1. The Affiant, or any peace officer of the State of California, is authorized to take possession of the
20 described property from the Wells Fargo Bank by leaving a copy of this order and a receipt for the property
21 seized, pursuant to California Health and Safety Code section 11488(c), and to hold such property pending
22 state forfeiture proceedings pursuant to the provisions of California Health and Safety Code section 11470, et
23 seq.

21 2. The custodian of the within described property, Wells Fargo Bank, their officers, agents or account
22 representatives, are directed to assist the peace officer executing this order to accomplish the seizure of the
23 property described herein by delivering, not later than the 7th day following the service of this Order,
24 proceeds from Wells Fargo Bank accounts 7476329631 and 6683336868 held at Wells Fargo Bank, held in
25 the name of Annette SLATIC, aka Annette COHEN, Wells Fargo Bank account 6810777356, held in the
26 name of Annette SLATIC and Lily COHEN, Wells Fargo Bank account 1543530420, held in the
27 name of Annette SLATIC and Penny COHEN, in the form of a cashier check or bank draft, payable to
the San Diego District Attorney's Office, subject to the continuing jurisdiction of this Court.

26 Issued this 7th day of June, 2016 at 10⁴⁶ am/pm

Judge of the Superior Court

1 **IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA,**

2 **COUNTY OF SAN DIEGO**

3 **STATE OF CALIFORNIA,)**

AFFIDAVIT FOR SEIZURE ORDER

4 (ss.

5 **COUNTY OF SAN DIEGO)**

No. 52005

6 I, Mark Carlson, do on oath make complaint, say and depose the following on this 7th
7 day of June, 2016: That I have substantial probable cause to believe and I do believe I have cause
8 to search/seize:

9 **LOCATION, PROPERTY, TO BE SEIZED**

10 A. The financial institution, including all record storage areas and records therein
11 assigned to or part of the business known as **WELLS FARGO BANK** located at
12 **9360 Clairemont Mesa Blvd, City of San Diego, California**; the bank is
13 contained in a commercial building having the signs on the property having the
14 words "Wells Fargo Bank" and /or derivations of same;

15 **ITEMS TO BE SEIZED**

16 For the following property, to wit:

- 17 1. All funds contained in bank accounts **number 7476329631**, held in the name of
18 **Annette SLATIC, aka Annette COHEN.**
- 19 2. All funds contained in bank accounts **number 6683336868**, held in the name of
20 **Annette SLATIC, aka Annette COHEN.**
- 21 3. All funds contained in bank account **number 6810777356**, held in the name of
22 **Annette SLATIC and Lily COHEN.**
- 23 4. All funds contained in bank account **number 1543530420**, held in the name of
24 **Annette SLATIC and Penny COHEN.**
- 25
26
27

AFFIANT'S QUALIFICATIONS

I am a peace officer employed by the San Diego Police Department (SDPD) and have been so employed for over 31 years. I am currently assigned to the San Diego Integrated Regional Narcotics Task Force (NTF), which consists of Federal Agents and local peace officers from San Diego County. I am cross-sworn as a Task Force Officer with the United States Drug Enforcement Administration. I have been so assigned since July 2007. My current assignment with-in the Narcotics Task Force is at the Asset Removal Group (ARG) and I have been so assigned since December 2014. While assigned to the Asset Removal Group my primary duties include the seizure of assets through Federal and State Forfeiture processes. These assets include U.S. Currency, Precious Metals, Vehicles and Monies contained with-in Banking/Financial Accounts.

Prior to my current assignment at the San Diego Integrated Regional Narcotics Task Force, I was assigned to the San Diego Police Department Narcotics Section for approximately six years. During my time as a law enforcement officer, I have investigated illicit controlled substance trafficking in San Diego and surrounding areas. I have had formal training and extensive experience in controlled substance investigations, and I am familiar with the manner in which controlled substances, including marijuana, are cultivated, packaged, marketed and consumed. My formal training includes: an 80 hour POST approved narcotics investigators class which includes training in regards to marijuana cultivation (taken 12-14-01); an eight hour class on marijuana cultivation presented through the California Narcotic Officers Association and taught by then Task Force Officer Steve Reed of the San Diego Integrated Regional Narcotics Task Force (taken 5-24-01) as well as a 16 hour class on indoor marijuana cultivation presented through the Western Regional Counter Drug Group and taught by retired Royal Canadian Mounted Police Investigator Les Kjemhus (taken 5-13-04). On November 17, 2006, I completed the 40 hour Clandestine Laboratory Investigation / Safety Certification Program presented by the DEA. I have attended Clandestine Laboratory yearly update / certification training from 2007 to present. On December 11, 2008, I attended an 8 hour course in THC Extraction presented by the California

1 Narcotics Officers Association (CNOA). On April 24, 2009, I attended the 24 hour Summit on the
2 Impact of California's Medical Marijuana Laws presented by the California Department of Justice.
3 On September 17, 2003, I completed a 16 hour Asset Forfeiture and Seizure class presented by the
4 U.S. Drug Enforcement Administration (DEA). On January 29, 2016, I completed a 2 hour State
5 Asset Forfeiture update class presented by the San Diego County District Attorney's Office. On
6 March 8 and 9, 2016, I attended a sixteen hour State Asset Forfeiture Update Class, presented by
7 the District Attorneys Association of California.

8 During my career as a law enforcement officer, I have been involved in numerous
9 investigations regarding possession, possession for sales, sales of marijuana and concentrated
10 cannabis as well as the cultivation of marijuana. While working undercover, I have purchased
11 controlled substances including marijuana on several occasions. During the past Thirteen years I
12 have been involved in the on scene investigation of several indoor and outdoor marijuana grows.

13 On several occasions I have testified in San Diego County Courts as an expert in the
14 cultivation of marijuana and possession for sales of marijuana and concentrated cannabis. I have
15 testified in San Diego County Courts as an expert in Medical Marijuana. I have continued to
16 monitor the prosecution and enforcement efforts regarding marijuana and medical marijuana
17 defense.

18 I have received training in the identification of most types of controlled substances by sight
19 and odor, including marijuana. I have made in excess of 1000 arrests for violations involving such
20 substance. In the course of my career as a law enforcement officer, I have become familiar with
21 the ordinary meaning of controlled substance slang and jargon, and I am familiar with the manners
22 and techniques of cultivators and traffickers in marijuana as practiced locally.

23 While assigned to the SDPD Narcotics Street Team and NTF, I have participated in all
24 types of narcotic investigations ranging from "street level" dealers to major dealers who deal in
25 multi-pound quantities of controlled substances and who derive substantial wealth from their
26 narcotic dealings. From my experience, drug traffickers amass large proceeds from drug
27 trafficking and attempt to legitimize drug proceeds by investing in legitimate businesses. Further,

1 drug traffickers attempt to filter illegal profits through banking systems in a manner designed to
2 disguise the original source of their illegal profits.

3 **PROBABLE CAUSE**

4 On January 28, 2016, San Diego Police Detective Israel Hernandez served State of
5 California Search Warrant # 51009 at a commercial building located at 8210 Engineer Rd., San
6 Diego, CA. Detective Hernandez and the other assisting Officers/Detectives/Agents found this
7 large commercial building to contain a sophisticated clandestine THC (Delta 9
8 Tetrahydrocannabinol) extraction laboratory and distribution center. Specifically
9 Detectives/Agents observed approximately six "Rotovapers" operating, a Centrifuge in operation
10 and a "VWR" ITC Vacuum oven containing a stainless steel pot in operation, offices, a conference
11 room, a call center (multiple desks with phones in one large open room), a retail / display room,
12 and workshop or packaging area. A large wall poster inside the front entry area identified the
13 business as "MED WEST" and listed the organizations website as www.med-west.com.
14 Detectives/Agents found thousands of cartridges for electronic cigarettes or Vaping devices. Due
15 to the volume the exact number of cartridges have not yet been cataloged. Detectives estimate
16 there were in excess of 30,000 concentrated cannabis oil cartridges. These cartridges were
17 packaged and labeled as "Bhang" cannabis oil refill cartridges. Detectives found cannabis oil
18 filled syringes, cannabis infused chocolate bars and other cannabis infused products. Detectives
19 found in excess of 800 cannabis oil infused chocolate bars. Detectives found a large amount of
20 U.S. Currency at desks and inside safes at the location. I responded to 8210 Engineer Road on
21 January 28, 2016, during the service of the search warrant to assist Detective Hernandez with the
22 search and processing of the U.S. Currency. I have processed and seized the \$324,979.00 U.S.
23 Currency recovered from 8210 Engineer Road under State Asset Forfeiture. Detective Hernandez
24 found a large amount of concentrated cannabis or hashish oil. Due to the volume seized, the
25 amount of hashish oil has not yet been cataloged. Some of the concentrated cannabis oil was in a
26 liquid consistency and some was a thicker paste consistency. The Detectives estimated the
27 amount of paste hashish oil to be in excess of three pounds. The Detectives estimate the liquid

1 hashish oil in various stages to be in excess of five gallons. The laboratory room contained
2 several glass chemistry flasks or vessels filled with what appeared to be various forms of
3 concentrated cannabis oil. The laboratory appeared to be set up for extraction of and/or refining of
4 concentrated cannabis oil by the use of solvents such as ethanol or ethyl alcohol. The "Rotovaper"
5 (Rotary Evaporator) is a sophisticated laboratory machine used by chemical laboratories for the
6 efficient and gentle removal of solvents from samples by evaporation. The purpose of the rotary
7 evaporator is to remove low boiling organic chemicals, usually solvents, from a mixture of
8 compounds. The rotary evaporator is the method of choice for solvent removal in the modern
9 organic laboratory. The solvents (ethanol or ethyl alcohol) are removed by simple distillation. The
10 rotary evaporator is designed to be operated under a vacuum while heating the concentrated THC
11 at the same time. The San Diego County Hazardous Materials Team responded to the active
12 laboratory and took measures to ensure the environment was safe for further investigation.
13 Members of the San Diego Police Forensics Laboratory responded and collected samples from the
14 laboratory for later analysis. These laboratory samples have been submitted to the DEA
15 Southwest Lab. Due to a backlog, these laboratory samples are still pending analysis. During the
16 search of 8210 Engineer Rd., Detectives found a document titled, "BHANG with: Midwest
17 Distribution, LLC Standard Operating Procedures MEDICINAL CANNABIS CONCENTRATES
18 (revised 5.15.15) CONFIDENTIAL". This document detailed the procedures for extracting and
19 concentrating cannabis oil.

20 Detective Hernandez arrested two individuals found inside 8210 Engineer Road when the
21 search warrant was served, Patric McDONALD and Daniel GREGG. Both declined to make a
22 statement as to the operation with-out an attorney and therefore were not interviewed.
23 McDONALD and GREGG were booked into San Diego County Jail on January 28, 2016, for
24 Possession of Marijuana for Sale per 11359 H&S and Manufacturing of a Controlled Substance
25 (Concentrated Cannabis Extraction) per 11379.6 H&S.

26 While assisting in the search of 8210 Engineer Road I reviewed some of the documents
27 found by the Officers/Detectives. In one of the offices were several items with the name of James

1 SLATIC. It appeared that this was the office of James SLATIC. Several of the documents in
2 SLATICS office showed financial information which included the names of several financial
3 institutions including: BBVA COMPAS BANK, SCHOOLS FIRST FCU, U.S. BANK and
4 NORTH ISLAND CREDIT UNION. Several of these documents showed records of deposit and
5 partial account numbers. Some of the documents had the name of James SLATIC or organization
6 names including HIGHLAND MEDICAL LLC and MEDWEST. Additional documents were
7 found in one of the offices which adjoined a small kitchen. One document from this office
8 showed total receipts for HIGHLAND MEDICAL PACKAGING LLC, from JP MORGAN
9 CHASE bank, account # 000000239330072, from May 31, 2014 to June 30, 2014, totaling
10 \$177,771.68. A transaction receipt (sequence # 1363183) from SCHOOLS FIRST FCU, found at
11 8210 Engineer Road, showed a deposit by James S. SLATIC into an investment checking account
12 for \$151,375.00 on January 5, 2016. In a front office I reviewed a document titled, "Pacific
13 Heights Partners Inc, A/R Aging Summary, as of January 14, 2016". This document appeared to
14 be a list of thirteen marijuana stores and their purchases over the past 90 days. The total of the
15 listed purchases appeared to be \$814,978.33.

16 Financial information obtained from law enforcement sources indicates James SLATIC's
17 wife, Annette SLATIC, banks at WELLS FARGO BANK. Sources also indicate SLATIC has
18 conducted financial transactions with or held accounts at COMPAS BANK, NORTH ISLAND
19 CREDIT UNION, JP MORGAN CHASE BANK and U.S. BANK.

20 On January 29, 2016, I went online and reviewed the MED-WEST.com Website. From
21 my review I found MED-WEST described themselves "As a wholesale distributor of CO2
22 extracted medical marijuana products we work strictly with mutual benefit non-profit
23 organizations – we do not offer our products directly to patients." The Website further stated in
24 part, "our team of specialists carefully select only the finest in raw organic botanical ingredients
25 while utilizing state of the art extraction and refinement techniques to produce the highest quality
26 in cannabis concentrates." Under the products portion of the Website MED-WEST shows images
27 and describes cannabis oil vaporizing cartridges, cannabis chocolate bars and other cannabis oil

1 infused products with the "BHANG" logo. These cannabis oil products were similar to those
2 found during the search of 8210 Engineer Road on January 28, 2016.

3 On January 29, 2016, I went Online and conducted GOOGLE and other searches for James
4 SLATIC. On the site corporationwiki.com, I found James SLATIC listed as the President of
5 PACIFIC HEIGHTS PARTNERS INC in San Diego. Other companies listed for James SLATIC
6 were NEVADA HIGHLAND LLC, MED-WEST DISTRIBUTION LLC, HIGHLAND
7 MEDICAL PACKAGING LLC, Nh WASHOE PROCESSING LLC and Nh WASHOE
8 CULTIVATION LLC.

9 Based on this investigation, state search warrant number 51081 was obtained on February
10 2, 2016, signed by the Honorable Judge F. Maguire. On February 2, 2016, I served Superior Court
11 of California Search Warrant and Freeze Order # 51083 on the North Island Credit Union in San
12 Diego, CA. Based upon the loan document and financial files received from North Island Credit
13 Union, pursuant to State Search Warrant # 51081, I found the following. James SLATIC is the
14 100% owner of Highland Medical Packaging LLC business and conducted commercial banking at
15 North Island Credit Union. This banking consisted of a commercial checking account # 17944972
16 and a commercial real estate loan for \$1,740,000.00 during 2014 through 2016 in accounts #
17 17868304 and 17953451. SLATIC utilized account 1794972 to deposit large amounts of U.S.
18 Currency, deposit checks from customers, pay suppliers, pay employees, pay himself and pay rent
19 for the building his business, Highland Medical Packaging LLC, occupied at 8210 Engineer
20 Rd./4653 Mercury Street. SLATIC paid rent to a company named 4653 Mercury Street LLC.
21 This company, 4653 Mercury Street LLC, is owned by SLATIC (Highland Medical Packaging) at
22 33% and Ronald REYNOLDS (RM-USE LLC) at 67%. At some point, (12-16-14) REYNOLDS
23 may have sold 10% of his holdings to Kamad PRABAKER (documents indicate sale to
24 PRABAKER may not have completed). REYNOLDS has a company, RM-USE LLC, and uses
25 North Island Credit Union account # 117872020 under RM-USE LLC to receive rent payments
26 from Highland Medical Packaging LLC and to pay the \$1,740,000.00 real estate loan he shares
27 with Highland Medical Packaging LLC (SLATIC). REYNOLDS also uses account # 17872020 to

1 pay owner distributions to himself and to SLATIC. Cancelled checks from SLATIC's account #
2 1794972 show SLATIC was likely paying sources of concentrated cannabis oil products, i.e.
3 BHANG CHOCOLATE COMPANY which is a producer of cannabis oil chocolates, gums and
4 other THC products. The deposited checks show SLATIC was likely receiving payment for the
5 cannabis oil products his company produces and resells from organizations including Berkeley
6 Patients Group, Inc, Santa Cruz Collective and Norcal Green Inc. The cancelled payroll checks
7 show Daniel GREGG and Patric D. McDonald to be employees of Highland Medical Packaging
8 LLC. Monthly payments of \$750.00 to Miriam SLATIC shows her involvement with Highland
9 Medical Packaging LLC. Based upon the records reviewed, it is believed Miriam SLATIC is the
10 mother of James S. SLATIC. SLATIC was also depositing thousands of dollars in cash each
11 month. These cash deposits originating from the cannabis concentration operation, is supported by
12 the \$324,979.00 in U.S. Currency recovered from 8210 Engineer Rd./4653 Mercury Street on
13 January 28, 2016. Based upon the investigation thus far, I have observed that James SLATIC is
14 operating under several companies to accomplish his hashish oil extraction and production of
15 cannabis concentrate products and the distribution of these products. SLATIC is using his MED-
16 WEST LLC as the front company for distribution and his HIGHLAND MEDICAL PACKAGING
17 LLC to house MED-WEST products, extract concentrated cannabis oil and carry on the business
18 of procuring supplies and receiving payment. I noted the monthly loan payment for 4653 Mercury
19 Street is \$8,946.02. The lease however is \$31,000.00 per month with an annual increase of 4%
20 with a 10 year term. North Island's due diligence for reviewing the loan to SLATIC and
21 REYNOLDS included a San Diego Industrial Market Snapshot for First Quarter 2014, which
22 listed \$.80 per square foot as the current rental rate. The lease agreement for 4653 Mercury Street
23 shows this property to be 14,045 square feet. This rental rate would equate to monthly lease of
24 \$11,236.00. The lease of \$31,000.00 is an inflated lease, 2.75 times greater than the market at the
25 time. SLATIC and REYNOLDS are funneling funds from SLATICS Highland Medical
26 Packaging LLC business, through rent payments, into 4653 Mercury Street LLC. SLATIC and
27 REYNOLDS are using 4653 Mercury Street LLC to repay their commercial loan with monthly

1 payments of \$8,946.02, pay some maintenance costs and distributing the bulk of the funds back
2 to themselves in monthly payments. An example is account # 17872020 check # 93, dated 9-3-14,
3 payable to Ron Reynolds for \$14,776.00, with note: Sept. 2014 Mercury St Owner Distribution.
4 Another example is check # 90, dated 8-7-14, payable to Highland Medical Packaging LLC
5 (SLATIC) for \$6,946.81, with note: August 2014 Distribution. REYNOLDS and SLATIC are
6 utilizing account # 17872020 to take in the inflated rent payments from HIGHLAND MEDICAL
7 PACKAGING LLC and then distribute the funds back to REYNOLDS and SLATIC in monthly
8 payments out of account #17872020. Account # 17872020 showed a current balance as of 1-31-
9 2016 of \$35,081.64.6.

10 Based on this investigation, state search warrant number 51083 was obtained on February
11 2, 2016, signed by the Honorable Judge F. Maguire. On February 2, 2016, I served Superior Court
12 of California Search Warrant and Freeze Order # 51083 on the Wells Fargo Bank in San Diego,
13 CA. Based upon the documents provided by Wells Fargo Bank pursuant to State Search Warrant
14 # 51083, I found the following.

15 While reviewing Annette SLATIC's, account # 6683336868, found in provided records
16 under "DEPOSITS W OFFSETS ACCOUNT LAST FOUR 6868", I noted Annette SLATIC
17 deposited a check for \$30,000.00 at a Wells Fargo ATM on 1-31-16. This check for \$30,000.00
18 was from HIGHLAND MEDICAL PAC, as BBVA COMPASS cashiers check # 501682735,
19 dated 1-28-16. The February 2016 account statement for account # 6683336868, showed the
20 check deposit for \$30,000.00 and one withdrawal for Amazon Marketplace of \$30.43 with a
21 final balance for account # 6683336868 of \$33,118.01. In a further review of Annette SLATIC's
22 account # 6683336868 deposits, I noted four additional check deposits of checks written by James
23 SLATIC from his Schools First account # 169426, from 5-13-15 to 10-9-15, to Annette SLATIC
24 for an additional \$126,000.00. (Check #5077, 5-13-15, \$25,000.00; Check #5078, 5-17-15,
25 \$40,000.00; Check # 5102, 8-1-15, \$49,000.00 and Check # 5108, 10-9-15, 12,000.00). Annette
26 SLATIC also deposited check # 139, from James SLATIC's PACIFIC MARINE Credit Union, for
27 \$4,200.00, dated 11-30-15. This shows Annette SLATIC to have received \$160,200.00 from

1 James SLATIC/HIGHLAND MEDICAL PACKAGING LLC during 2015 and 2016, which
2 Annette SLATIC deposited into her WELLS FARGO account # 6683336868.

3 I noted Annette SLATIC had deposited a check for \$50,000.00, written by James SLATIC
4 on 5-7-14, into her Wells Fargo account # 7476329631. James SLATIC had written the check
5 from his Schools First FCU checking account #400169426707, check # 5049. This was found in
6 provided records under "DEPOSITS W OFFSETS ACCOUNT LAST FOUR 9631". Account #
7 7476329631 shows a last balance as of 12-31-2015 of \$1,016.13.

8 I found Annette SLATIC to have a Wells Fargo safe deposit box at the Costa Verde Center
9 branch of Wells Fargo located at 8401 Genesee Ave., San Diego, CA, box # CAWBA35075-208.
10 Records show Annette SLATIC opened the box on 3-11-13 and accessed the box five subsequent
11 times. The last access was on 5-7-14. I obtained the safe deposit key from the SLATICS through
12 their attorney via Deputy District Attorney Jorge Del Portillo. The attorney for the SLATICS
13 stated the safe deposit box contains a coin collection which James SLATIC received from his
14 deceased father, James SLATIC Sr. The attorney stated James SLATIC's mother, Miriam
15 SLATIC would attest to this. On 4-7-16, attorney Jessica C. McElfresh, Emailed a statement from
16 Miriam SLATIC which stated her husband James SLATIC senior, purchased the gold and silver
17 coins in 1999. On April 7, 2016, SA Randy Hester and I went to the Costa Verde Center branch of
18 Wells Fargo located at 8401 Genesee Ave., San Diego, CA. As ordered in search warrant #51083,
19 I conducted a search of safe deposit box # CAWBA35075-208. I found safe deposit box #
20 CAWBA35075-208 to contain a collection of US gold and silver coins. I conducted a cursory
21 inspection of the coins and left all contents in the safe deposit box as found. Wells Fargo Branch
22 Manager Aizell Tolentino inventoried the contents of the safe deposit box as containing: 38 x
23 \$20.00 bill US Currency (\$760.00); 11 one ounce gold American Eagle \$50.00 coins dated 1999;
24 10 quarter ounce gold American Eagle coins dated 1999; 10 half ounce gold American Eagle coins
25 dated 1999; 20 fifty-cent silver coins dated 1961-63; 13 Morgan US Silver Dollars. The gold
26 American Eagles and Silver fifty-cent pieces were in EASTERN NUMISMATICS INC. coin
27 sleeves. All of the safe deposit box contents were placed back inside the safe deposit box and it

1 was secured. On April 18, 2016, I contacted Jonathan PERELLA of EASTERN NUMISMATICS
2 INC. (800-835-0008). PERELLA confirmed that Jim SLATIC made three orders for
3 gold American Eagles, silver fifty-cent pieces and Morgan US silver dollars in 1999. Based upon
4 my conversation with PERELLA, it appears Miriam SLATIC was truthful in her statement and the
5 gold and silver coin contents of Annette SLATIC's safe deposit box were purchased by her
6 husband's father, James SLATIC senior, in 1999. I am therefore not asking to seize the contents
7 of safe deposit box # CAWBA35075-208.

8 I found Annette SLATIC had a joint account with Penny COHEN, account # 1543530420.
9 Account # 1543530420 opened 4-1-2013 with a \$140.00 deposit. Regular deposits were made
10 into this account through 4-22-2015. All of the deposits into account 1543530420 appear to have
11 come from Annette SLATIC. Most of the deposits were transferred directly from Annette
12 SLATIC's Well Fargo Bank account # 6683336868. The last balance for account # 1543530420
13 as of 1-31-2016 was \$5,643.54.

14 I found Annette SLATIC had a second joint account with Penny COHEN; account #
15 2284111636. Account # 2284111636 opened 4-1-2013 with a \$100.00 deposit. Regular deposits
16 and withdrawals were made into this account. All of the deposits into account 2284111636 appear
17 to have come from Annette SLATIC with the exception of nine deposits totaling \$1,526.07. Some
18 of the deposits were transferred directly from Annette SLATIC's Well Fargo Bank account #
19 6683336868. Typically Annette SLATIC deposited \$40.00 to \$100.00 monthly, skipping some
20 months, into account # 2284111636. The last balance for account # 2284111636 as of 1-31-2016
21 was \$59.50. With a balance of \$59.50 and the consideration of deposits not identified as coming
22 from Annette SLATIC, I am not asking to seize account # 2284111636.

23 I found Annette SLATIC had a joint account with Lily COHEN, account # 6810777356.
24 Account # 6810777356 opened 5-27-2011 with a \$30.00 deposit. Regular deposits were made
25 into this account through 1-31-2016. All of the deposits into account 6810777356 appear to have
26 come from Annette SLATIC with one exception. A deposit and with-drawl of \$20,000.00 was
27 made to account 6810777356 on 5-6-2014. The \$20,000.00 was transferred to Annette SLATIC's

1 Well Fargo Bank Account # 7476329631. The last balance for account # 6810777356 as of 12-
2 31-2016 was \$5,616.15.

3 I found Annette SLATIC had a joint account with Lily COHEN, account # 7091508494.
4 Account # 7091508494 opened 5-27-2011 with a \$200.00 deposit. Regular deposits were made
5 into this account through 1-31-2016. Regular monthly deposits into account 7091508494 appear
6 to have come from Annette SLATIC. Typically Annette SLATIC would deposit about \$140.00
7 monthly into account 7091508494. There were other deposits including payroll checks to Lily
8 Cohen from GEPETTOS (typically \$500.00 to \$600.00 monthly starting 8-5-2014), returns from
9 various businesses and check or cash deposits. The last balance for account # 7091508494 as of
10 1-31-2016 was \$71.59. Though Annette SLATIC regularly deposited money into account #
11 7091508494 (typically \$40.00 to \$140.00 monthly), Lily Cohen regularly deposited paychecks
12 and other monies. With a balance of \$71.59 and the consideration of Lily Cohen's deposits, I am
13 not asking to seize account # 7091508494.

14 Based upon my review of Wells Fargo documents and documents provided by Schools
15 First and North Island Credit Union, James SLATIC has transferred significant funds from his
16 concentrated cannabis extraction business (Highland Medical Packaging LLC) to his wife Annette
17 SLATIC, who in turn has deposited some of these funds, at least \$210,200.00 (\$160,200.00 into
18 account # 6683336868 and \$50,000.00 account # 7476329631), into her Wells Fargo
19 accounts. Annette SLATIC transferred some of her funds into her Wells Fargo Bank joint
20 accounts with Penny COHEN and Lily COHEN, accounts 7091508494, 6810777356, 1543530420
21 and 2284111636.

22 Charges of Manufacturing of a Controlled Substance (Concentrated Cannabis Extraction)
23 per 11379.6 H&S. are pending filing by the San Diego District Attorney against James SLATIC,
24 Daniel GREGG and Patric McDONALD.

25 On May 10, 2016, Attorney Jessica McELFRESH representing James SLATIC, Annette
26 SLATIC and Miriam SLATIC filed a motion in the Superior Court of California for the County of
27 San Diego, for the return of the Slatic family's accounts at Schools First FCU and Wells Fargo

1 Bank which were frozen by search warrant/freeze orders number 51082 and 51083, claiming the
2 assets in these accounts are not the "fruits of" any illicit conduct. On June 2, 2016, the Honorable
3 Judge Maguire heard and denied the motion by Attorney Jessica McELFRESH. Based upon the
4 information contained in this affidavit I believe the assets in the accounts listed for seizure in this
5 order, some of which may include the Slatic family's accounts at Schools First FCU and Wells
6 Fargo Bank, originate from James SLATIC's concentrated cannabis extraction and distribution
7 organization and are subject to seizure.

8 Based upon this investigation as detailed in this affidavit, I request the forfeiture of all
9 funds in Wells Fargo Bank account numbers 6683336868, 7476329631, 6810777356 and
10 1543530420 as proceeds from drug transactions per Health and Safety Code 11470 et. al.

11 This affidavit has been reviewed for legal sufficiency by Deputy District Attorney Michael
12 Running.

13 //

14 //

15 Given under my hand and dated this day of June 7th, 2016.

16 
17 Detective Mark Carlson

18 Subscribed and sworn to before me
19 this 7th day of June, 2016, at 10:40 a.m./p.m.

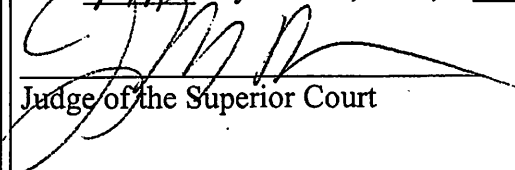
20 
21 Judge of the Superior Court
22
23
24
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27

EXHIBIT 2

Motion for Return of Property

"Seizure Warrant No. 52007"

1 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA,

2 COUNTY OF SAN DIEGO

3 SEIZURE ORDER 52007

4 IN RE PROPERTY SUBJECT TO)
5 FORFEITURE PURSUANT TO HEALTH)
6 AND SAFETY CODE SECTION 11470)

ORDER FOR SEIZURE OF
PROPERTY SUBJECT TO
HEALTH AND SAFETY CODE 11471

7 Property as follows:)
8 All Funds held in **Schools First Federal**)
9 **Credit Union**)
10 **Account 169426**)
11 **held in the name of James SLATIC**)

12 Affidavit of Detective Mark Carlson, a Detective with the San Diego Police Department, having been made
13 before me that he has reason to believe the property described above and in the custody as indicated.

14 The balance of funds deposited in account **169426** held at Schools First Federal Credit Union, held in the
15 name of **James SLATIC**. These funds were previously frozen by search warrant # 51082 on February 3,
16 2016. These funds are subject to seizure and forfeiture pursuant to Health and Safety Code Section 11470, it.
17 Seq., in that said property is/was obtained as a result of manufacturing of controlled substances in violation
18 of California Health and Safety Code. I am satisfied that there is probable cause to believe that said property
19 is subject to seizure and forfeiture pursuant to Health and Safety Code Section 11471.

20 **IT IS HERBY ORDERED:**

21 1. The Affiant, or any peace officer of the State of California, is authorized to take possession of the
22 described property from the Schools First CU by leaving a copy of this order and a receipt for the property
23 seized, pursuant to California Health and Safety Code section 11488(c), and to hold such property pending
24 state forfeiture proceedings pursuant to the provisions of California Health and Safety Code section 11470, et
25 seq.

26 2. The custodian of the within described property, Schools First Federal Credit Union, their officers,
27 agents or account representatives, are directed to assist the peace officer executing this order to accomplish
the seizure of the property described herein by delivering, not later than the 7th day following the service of
this Order, proceeds from Schools First Federal Credit Union account 169426, held at Schools First Federal
Credit Union, held in the name of James SLATIC, in the form of a cashier check or bank draft, payable to the
San Diego District Attorney's Office, subject to the continuing jurisdiction of this Court.

Issued this 27th day of June, 2016 at 1030 am/pm


Judge of the Superior Court

1 **IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA,**

2 **COUNTY OF SAN DIEGO**

3 **STATE OF CALIFORNIA,)**

AFFIDAVIT FOR SEIZURE ORDER

4 (ss.

5 **COUNTY OF SAN DIEGO)**

No. 52007

6 I, Mark Carlson, do on oath make complaint, say and depose the following on this 24TH
7 day of June, 2016: That I have substantial probable cause to believe and I do believe I have cause
8 to search/seize:

9 **LOCATION, PROPERTY, TO BE SEIZED**

10 A. The financial institution, including all record storage areas and records therein
11 assigned to or part of the business known as **SCHOOLS FIRST FEDERAL**
12 **CREDIT UNION** located at **40428 Murrieta Hot Springs Road Suite # 101,**
13 **City of Murrieta, California;** the bank is contained in a commercial building
14 having the signs on the property having the words "Schools First FCU" and /or
15 derivations of same;

16 **ITEMS TO BE SEIZED**

17 For the following property, to wit:

- 18 1. All funds contained in bank account **number 169426**, held in the name of **James**
19 **SLATIC.**

20 **AFFIANT'S QUALIFICATIONS**

21 I am a peace officer employed by the San Diego Police Department (SDPD) and have been
22 so employed for over 31 years. I am currently assigned to the San Diego Integrated Regional
23 Narcotics Task Force (NTF), which consists of Federal Agents and local peace officers from San
24 Diego County. I am cross-sworn as a Task Force Officer with the United States Drug
25 Enforcement Administration. I have been so assigned since July 2007. My current assignment
26 with-in the Narcotics Task Force is at the Asset Removal Group (ARG) and I have been so
27 assigned since December 2014. While assigned to the Asset Removal Group my primary duties

1 include the seizure of assets through Federal and State Forfeiture processes. These assets include
2 U.S. Currency, Precious Metals, Vehicles and Monies contained with-in Banking/Financial
3 Accounts.

4 Prior to my current assignment at the San Diego Integrated Regional Narcotics Task Force,
5 I was assigned to the San Diego Police Department Narcotics Section for approximately six years.
6 During my time as a law enforcement officer, I have investigated illicit controlled substance
7 trafficking in San Diego and surrounding areas. I have had formal training and extensive
8 experience in controlled substance investigations, and I am familiar with the manner in which
9 controlled substances, including marijuana, are cultivated, packaged, marketed and consumed.
10 My formal training includes: an 80 hour POST approved narcotics investigators class which
11 includes training in regards to marijuana cultivation (taken 12-14-01); an eight hour class on
12 marijuana cultivation presented through the California Narcotic Officers Association and taught
13 by then Task Force Officer Steve Reed of the San Diego Integrated Regional Narcotics Task Force
14 (taken 5-24-01) as well as a 16 hour class on indoor marijuana cultivation presented through the
15 Western Regional Counter Drug Group and taught by retired Royal Canadian Mounted Police
16 Investigator Les Kjemhus (taken 5-13-04). On November 17, 2006, I completed the 40 hour
17 Clandestine Laboratory Investigation / Safety Certification Program presented by the DEA. I have
18 attended Clandestine Laboratory yearly update / certification training from 2007 to present. On
19 December 11, 2008, I attended an 8 hour course in THC Extraction presented by the California
20 Narcotics Officers Association (CNOA). On April 24, 2009, I attended the 24 hour Summit on the
21 Impact of California's Medical Marijuana Laws presented by the California Department of Justice.
22 On September 17, 2003, I completed a 16 hour Asset Forfeiture and Seizure class presented by the
23 U.S. Drug Enforcement Administration (DEA). On January 29, 2016, I completed a 2 hour State
24 Asset Forfeiture update class presented by the San Diego County District Attorney's Office. On
25 March 8 and 9, 2016, I attended a sixteen hour State Asset Forfeiture Update Class, presented by
26 the District Attorneys Association of California.
27

1 During my career as a law enforcement officer, I have been involved in numerous
2 investigations regarding possession, possession for sales, sales of marijuana and concentrated
3 cannabis as well as the cultivation of marijuana. While working undercover, I have purchased
4 controlled substances including marijuana on several occasions. During the past Thirteen years I
5 have been involved in the on scene investigation of several indoor and outdoor marijuana grows.

6 On several occasions I have testified in San Diego County Courts as an expert in the
7 cultivation of marijuana and possession for sales of marijuana and concentrated cannabis. I have
8 testified in San Diego County Courts as an expert in Medical Marijuana. I have continued to
9 monitor the prosecution and enforcement efforts regarding marijuana and medical marijuana
10 defense.

11 I have received training in the identification of most types of controlled substances by sight
12 and odor, including marijuana. I have made in excess of 1000 arrests for violations involving such
13 substance. In the course of my career as a law enforcement officer, I have become familiar with
14 the ordinary meaning of controlled substance slang and jargon, and I am familiar with the manners
15 and techniques of cultivators and traffickers in marijuana as practiced locally.

16 While assigned to the SDPD Narcotics Street Team and NTF, I have participated in all
17 types of narcotic investigations ranging from "street level" dealers to major dealers who deal in
18 multi-pound quantities of controlled substances and who derive substantial wealth from their
19 narcotic dealings. From my experience, drug traffickers amass large proceeds from drug
20 trafficking and attempt to legitimize drug proceeds by investing in legitimate businesses. Further,
21 drug traffickers attempt to filter illegal profits through banking systems in a manner designed to
22 disguise the original source of their illegal profits.

23 PROBABLE CAUSE

24 On January 28, 2016, San Diego Police Detective Israel Hernandez served State of
25 California Search Warrant # 51009 at a commercial building located at 8210 Engineer Rd., San
26 Diego, CA. Detective Hernandez and the other assisting Officers/Detectives/Agents found this
27 large commercial building to contain a sophisticated clandestine THC (Delta 9

1 Tetrahydrocannabinol) extraction laboratory and distribution center. Specifically
2 Detectives/Agents observed approximately six "Rotovapers" operating, a Centrifuge in operation
3 and a "VWR" ITC Vacuum oven containing a stainless steel pot in operation, offices, a conference
4 room, a call center (multiple desks with phones in one large open room), a retail / display room,
5 and workshop or packaging area. A large wall poster inside the front entry area identified the
6 business as "MED WEST" and listed the organizations website as www.med-west.com.
7 Detectives/Agents found thousands of cartridges for electronic cigarettes or Vaping devices. Due
8 to the volume the exact number of cartridges have not yet been cataloged. Detectives estimate
9 there were in excess of 30,000 concentrated cannabis oil cartridges. These cartridges were
10 packaged and labeled as "Bhang" cannabis oil refill cartridges. Detectives found cannabis oil
11 filled syringes, cannabis infused chocolate bars and other cannabis infused products. Detectives
12 found in excess of 800 cannabis oil infused chocolate bars. Detectives found a large amount of
13 U.S. Currency at desks and inside safes at the location. I responded to 8210 Engineer Road on
14 January 28, 2016, during the service of the search warrant to assist Detective Hernandez with the
15 search and processing of the U.S. Currency. I have processed and seized the \$324,979.00 U.S.
16 Currency recovered from 8210 Engineer Road under State Asset Forfeiture. Detective Hernandez
17 found a large amount of concentrated cannabis or hashish oil. Due to the volume seized, the
18 amount of hashish oil has not yet been cataloged. Some of the concentrated cannabis oil was in a
19 liquid consistency and some was a thicker paste consistency. The Detectives estimated the
20 amount of paste hashish oil to be in excess of three pounds. The Detectives estimate the liquid
21 hashish oil in various stages to be in excess of five gallons. The laboratory room contained
22 several glass chemistry flasks or vessels filled with what appeared to be various forms of
23 concentrated cannabis oil. The laboratory appeared to be set up for extraction of and/or refining of
24 concentrated cannabis oil by the use of solvents such as ethanol or ethyl alcohol. The "Rotovaper"
25 (Rotary Evaporator) is a sophisticated laboratory machine used by chemical laboratories for the
26 efficient and gentle removal of solvents from samples by evaporation. The purpose of the rotary
27 evaporator is to remove low boiling organic chemicals, usually solvents, from a mixture of

1 compounds. The rotary evaporator is the method of choice for solvent removal in the modern
2 organic laboratory. The solvents (ethanol or ethyl alcohol) are removed by simple distillation. The
3 rotary evaporator is designed to be operated under a vacuum while heating the concentrated THC
4 at the same time. The San Diego County Hazardous Materials Team responded to the active
5 laboratory and took measures to ensure the environment was safe for further investigation.
6 Members of the San Diego Police Forensics Laboratory responded and collected samples from the
7 laboratory for later analysis. These laboratory samples have been submitted to the DEA
8 Southwest Lab. Due to a backlog, these laboratory samples are still pending analysis. During the
9 search of 8210 Engineer Rd., Detectives found a document titled, "BHANG with: Medwest
10 Distribution, LLC Standard Operating Procedures MEDICINAL CANNABIS CONCENTRATES
11 (revised 5.15.15) CONFIDENTIAL". This document detailed the procedures for extracting and
12 concentrating cannabis oil.

13 Detective Hernandez arrested two individuals found inside 8210 Engineer Road when the
14 search warrant was served, Patric McDONALD and Daniel GREGG. Both declined to make a
15 statement as to the operation with-out an attorney and therefore were not interviewed.
16 McDONALD and GREGG were booked into San Diego County Jail on January 28, 2016, for
17 Possession of Marijuana for Sale per 11359 H&S and Manufacturing of a Controlled Substance
18 (Concentrated Cannabis Extraction) per 11379.6 H&S.

19 While assisting in the search of 8210 Engineer Road I reviewed some of the documents
20 found by the Officers/Detectives. In one of the offices were several items with the name of James
21 SLATIC. It appeared that this was the office of James SLATIC. Several of the documents in
22 SLATICS office showed financial information which included the names of several financial
23 institutions including: BBVA COMPAS BANK, SCHOOLS FIRST FCU, U.S. BANK and
24 NORTH ISLAND CREDIT UNION. Several of these documents showed records of deposit and
25 partial account numbers. Some of the documents had the name of James SLATIC or organization
26 names including HIGHLAND MEDICAL LLC and MEDWEST. Additional documents were
27 found in one of the offices which adjoined a small kitchen. One document from this office

1 showed total receipts for HIGHLAND MEDICAL PACKAGING LLC, from JP MORGAN
2 CHASE bank, account # 000000239330072, from May 31, 2014 to June 30, 2014, totaling
3 \$177,771.68. A transaction receipt (sequence # 1363183) from SCHOOLS FIRST FCU, found at
4 8210 Engineer Road, showed a deposit by James S. SLATIC into an investment checking account
5 for \$151,375.00 on January 5, 2016. In a front office I reviewed a document titled, "Pacific
6 Heights Partners Inc, A/R Aging Summary, as of January 14, 2016". This document appeared to
7 be a list of thirteen marijuana stores and their purchases over the past 90 days. The total of the
8 listed purchases appeared to be \$814,978.33.

9 Financial information obtained from law enforcement sources indicates James SLATIC's
10 wife, Annette SLATIC, banks at WELLS FARGO BANK. Sources also indicate SLATIC has
11 conducted financial transactions with or held accounts at COMPAS BANK, NORTH ISLAND
12 CREDIT UNION, JP MORGAN CHASE BANK and U.S. BANK.

13 On January 29, 2016, I went Online and reviewed the MED-WEST.com Website. From
14 my review I found MED-WEST described themselves "As a wholesale distributor of CO2
15 extracted medical marijuana products we work strictly with mutual benefit non-profit
16 organizations – we do not offer our products directly to patients." The Website further stated in
17 part, "our team of specialists carefully select only the finest in raw organic botanical ingredients
18 while utilizing state of the art extraction and refinement techniques to produce the highest quality
19 in cannabis concentrates." Under the products portion of the Website MED-WEST shows images
20 and describes cannabis oil vaporizing cartridges, cannabis chocolate bars and other cannabis oil
21 infused products with the "BHANG" logo. These cannabis oil products were similar to those
22 found during the search of 8210 Engineer Road on January 28, 2016.

23 On January 29, 2016, I went Online and conducted GOOGLE and other searches for James
24 SLATIC. On the site corporationwiki.com, I found James SLATIC listed as the President of
25 PACIFIC HEIGHTS PARTNERS INC in San Diego. Other companies listed for James SLATIC
26 were NEVADA HIGHLAND LLC, MED-WEST DISTRIBUTION LLC, HIGHLAND
27

1 MEDICAL PACKAGING LLC, Nh WASHOE PROCESSING LLC and Nh WASHOE
2 CULTIVATION LLC.

3 Based on this investigation, state search warrant number 51081 was obtained on February
4 2, 2016, signed by the Honorable Judge F. Maguire. On February 2, 2016, I served Superior Court
5 of California Search Warrant and Freeze Order # 51083 on the North Island Credit Union in San
6 Diego, CA. Based upon the loan document and financial files received from North Island Credit
7 Union, pursuant to State Search Warrant # 51081, I found the following. James SLATIC is the
8 100% owner of Highland Medical Packaging LLC business and conducted commercial banking at
9 North Island Credit Union. This banking consisted of a commercial checking account # 17944972
10 and a commercial real estate loan for \$1,740,000.00 during 2014 through 2016 in accounts #
11 17868304 and 17953451. SLATIC utilized account 1794972 to deposit large amounts of U.S.
12 Currency, deposit checks from customers, pay suppliers, pay employees, pay himself and pay rent
13 for the building his business, Highland Medical Packaging LLC, occupied at 8210 Engineer
14 Rd./4653 Mercury Street. SLATIC paid rent to a company named 4653 Mercury Street LLC.
15 This company, 4653 Mercury Street LLC, is owned by SLATIC (Highland Medical Packaging) at
16 33% and Ronald REYNOLDS (RM-USE LLC) at 67%. At some point, (12-16-14) REYNOLDS
17 may have sold 10% of his holdings to Kamad PRABAKER (documents indicate sale to
18 PRABAKER may not have completed). REYNOLDS has a company, RM-USE LLC, and uses
19 North Island Credit Union account # 117872020 under RM-USE LLC to receive rent payments
20 from Highland Medical Packaging LLC and to pay the \$1,740,000.00 real estate loan he shares
21 with Highland Medical Packaging LLC (SLATIC). REYNOLDS also uses account # 17872020 to
22 pay owner distributions to himself and to SLATIC. Cancelled checks from SLATIC's account #
23 1794972 show SLATIC was likely paying sources of concentrated cannabis oil products, i.e.
24 BHANG CHOCOLATE COMPANY which is a distributor and/or producer of cannabis oil
25 chocolates, gums and other THC products. The deposited checks show SLATIC was likely
26 receiving payment for the cannabis oil products his company produces and resells from
27 organizations including Berkeley Patients Group, Inc, Santa Cruz Collective and Norcal Green

1 Inc. The cancelled payroll checks show Daniel GREGG and Patric D. McDonald to be
2 employees of Highland Medical Packaging LLC. Monthly payments of \$750.00 to Miriam
3 SLATIC shows her involvement with Highland Medical Packaging LLC. Based upon the records
4 reviewed, it is believed Miriam SLATIC is the mother of James S. SLATIC. SLATIC was
5 also depositing thousands of dollars in cash each month. These cash deposits originating from the
6 cannabis concentration operation, is supported by the \$324,979.00 in U.S. Currency recovered
7 from 8210 Engineer Rd./4653 Mercury Street on January 28, 2016. Based upon the investigation
8 thus far, I have observed that James SLATIC is operating under several companies to accomplish
9 his hashish oil extraction and production of cannabis concentrate products and the distribution of
10 these products. SLATIC is using his MED-WEST LLC as the front company for distribution and
11 his HIGHLAND MEDICAL PACKAGING LLC to house MED-WEST products, extract
12 concentrated cannabis oil and carry on the business of procuring supplies and receiving payment.
13 I noted the monthly loan payment for 4653 Mercury Street is \$8,946.02. The lease however is
14 \$31,000.00 per month with an annual increase of 4% with a 10 year term. North Island's due
15 diligence for reviewing the loan to SLATIC and REYNOLDS included a San Diego Industrial
16 Market Snapshot for First Quarter 2014, which listed \$.80 per square foot as the current rental
17 rate. The lease agreement for 4653 Mercury Street shows this property to be 14,045 square feet.
18 This rental rate would equate to monthly lease of \$11,236.00. The lease of \$31,000.00 is an
19 inflated lease, 2.75 times greater than the market at the time. SLATIC and REYNOLDS are
20 funneling funds from SLATICS Highland Medical Packaging LLC business, through rent
21 payments, into 4653 Mercury Street LLC. SLATIC and REYNOLDS are using 4653 Mercury
22 Street LLC to repay their commercial loan with monthly payments of \$8,946.02, pay some
23 maintenance costs and distributing the bulk of the funds back to themselves in monthly payments.
24 An example is account # 17872020 check # 93, dated 9-3-14, payable to Ron Reynolds for
25 \$14,776.00, with note: Sept. 2014 Mercury St Owner Distribution. Another example is check # 90,
26 dated 8-7-14, payable to Highland Medical Packaging LLC (SLATIC) for \$6,946.81, with note:
27 August 2014 Distribution. REYNOLDS and SLATIC are utilizing account # 17872020 to take in

1 the inflated rent payments from HIGHLAND MEDICAL PACKAGING LLC and then distribute
2 the funds back to REYNOLDS and SLATIC in monthly payments out of account #17872020.
3 Account # 17872020 showed a current balance as of 1-31-2016 of \$35,081.64.6.

4 Based on this investigation, state search warrant number 51083 was obtained on February
5 2, 2016, signed by the Honorable Judge F. Maguire. On February 2, 2016, I served Superior Court
6 of California Search Warrant and Freeze Order # 51083 on the Wells Fargo Bank in San Diego,
7 CA. Based upon the documents provided by Wells Fargo Bank pursuant to State Search Warrant
8 # 51083, I found the following.

9 While reviewing Annette SLATIC's, account # 6683336868, found in provided records
10 under "DEPOSITS W OFFSETS ACCOUNT LAST FOUR 6868", I noted Annette SLATIC
11 deposited a check for \$30,000.00 at a Wells Fargo ATM on 1-31-16. This check for \$30,000.00
12 was from HIGHLAND MEDICAL PAC, as BBVA COMPASS cashier's check # 501682735,
13 dated 1-28-16. The February 2016 account statement for account # 6683336868, showed the
14 check deposit for \$30,000.00 and one withdrawal for Amazon Marketplace of \$30.43 with a
15 final balance for account # 6683336868 of \$33,118.01. In a further review of Annette SLATIC's
16 account # 6683336868 deposits, I noted four additional check deposits of checks written by James
17 SLATIC from his Schools First account # 400169426707, from 5-13-15 to 10-9-15, to Annette
18 SLATIC for an additional \$126,000.00. (Check #5077, 5-13-15, \$25,000.00; Check #5078, 5-17-
19 15, \$40,000.00; Check # 5102, 8-1-15, \$49,000.00 and Check # 5108, 10-9-15, 12,000.00).
20 Annette SLATIC also deposited check # 139, from James SLATIC's PACIFIC MARINE Credit
21 Union, for \$4,200.00, dated 11-30-15. This shows Annette SLATIC to have received \$160,200.00
22 from James SLATIC/HIGHLAND MEDICAL PACKAGING LLC during 2015 and 2016, which
23 Annette SLATIC deposited into her WELLS FARGO account # 6683336868.

24 I noted Annette SLATIC had deposited a check for \$50,000.00, written by James SLATIC
25 on 5-7-14, into her Wells Fargo account # 7476329631. James SLATIC had written the check
26 from his Schools First FCU checking account #169426, check # 5049. This was found in
27

1 provided records under "DEPOSITS W OFFSETS ACCOUNT LAST FOUR 9631". Account #
2 7476329631 shows a last balance as of 12-31-2015 of \$1,016.13.

3 Based on this investigation, state search warrant number 51082 was obtained on February
4 2, 2016, signed by the Honorable Judge F. Maguire. On February 3, 2016, I served Superior Court
5 of California Search Warrant and Freeze Order # 51082 on the Schools First FCU in San Diego,
6 CA. Based upon the documents provided by Schools First FCU pursuant to State Search Warrant
7 # 51082, I found the following.

8 From my review of the documents provided by Schools First FCU, I noted the following.
9 James SLATIC had accounts in his name at Schools First FCU. The records showed James
10 SLATIC to have account # 169426 from 2-1-2009 to 1-31-16 with the account subdivided into
11 four checking and savings type accounts. As of 1-31-2016, the total account balance for account
12 169426 was \$55,228.60. I noted five checks written by James SLATIC from his Schools First
13 account # 169426, from 5-17-14 to 10-9-15, to his wife, Annette SLATIC, for a total of
14 \$176,000.00 (Check # 5049, 5-7-14, \$50,000.00; Check #5077, 5-13-5, \$25,000.00; Check #5078,
15 5-17-15, \$40,000.00; Check # 5102, 8-1-15, \$49,000.00 and Check # 5108, 10-9-15, 12,000.00).
16 James SLATIC wrote check # 5097, dated 4-14-15, from his Schools First account # 169426, for
17 \$25,000.00 to Highland Medical. I reviewed the deposits records for James SLATIC's account #
18 169426 and found the following. SLATIC deposited into his Schools First account # 169426
19 checks from Highland Medical Packaging LLC payable to James SLATIC from three different
20 banks. The payments from HIGHLAND MEDICAL PACKAGING LLC totaled \$58,000.00.
21 These checks are noted as: City National Bank, Acct. # 122016066, Check # 1082, dated 5-24-13,
22 \$2,500.00; Bank of America, Acct. # 121000358, Check # 1004, dated 7-23-13, \$15,000.00; Bank
23 of America, Acct. # 121000358, Check # 1022, dated 9-12-13, \$12,000.00; North Island Credit
24 Union, Acct. # 322281468, dated 12-09-14, \$25,000.00 and North Island Credit Union, Acct. #
25 322281468, Check # 1094, dated 7-8-15, \$3,500.00. Cash deposits to James SLATIC's Schools
26 First account # 169426 totaled \$78,626.00 from 5-28-13 to 1-5-16. The cash deposits were as
27 follows:

1 Date of Deposit Cash Deposited

2	5-28-13	\$5,000.00
3	7-17-13	\$4,000.00
4	8-14-13	\$5,000.00
5	8-27-13	\$6,000.00
6	9-9-13	\$2,465.00
7	7-20-13 ?	\$1,160.00
8	4-28-14	\$3,600.00
9	5-8-14	\$4,300.00
10	5-30-14	\$1,800.00
11	10-15-14	\$5,170.00
12	11-20-14	\$5,350.00
13	12-09-14	\$2,200.00
14	5-13-15	\$5,340.00
15	7-8-15	\$5,000.00
16	7-27-15	\$2,425.00
17	9-16-15	\$4,660.00
18	10-05-15	\$ 760.00
19	11-04-15	\$3,035.00
20	11-17-15	\$4,260.00
21	12-15-15	\$5,101.00
22	1-5-16	\$2,000.00

23 Total: \$78,626.00

24 A large amount of US Currency, \$324,979.00, was seized from the HIGHLAND
25 MEDICAL PACKAGING LLC business during the service of the search warrant on January 28,
26 2016. This shows the cash nature of the operation and explains the ongoing biweekly or monthly
27 cash deposits into SLATIC's account # 169426.

Based upon my review of Schools First FCU documents and documents provided by Wells
 Fargo Bank and North Island Credit Union, James SLATIC has transferred significant funds from
 his concentrated cannabis extraction business (Highland Medical Packaging LLC) to his wife
 Annette SLATIC, who in turn has deposited some of these funds, at least \$210,200.00, into her
 Wells Fargo accounts. Funds in James SLATIC's Schools First account 169426 were generated
 from his concentrated cannabis extraction business, Highland Medical Packaging LLC, based
 upon: the \$58,000.00 in checks from Highland Medical Packaging LLC payable to James SLATIC
 and deposited into SLATIC's Schools First FCU account 169426; \$78,626.00 in cash deposits
 into SLATIC's Schools First FCU account 169426 since 5-28-2013; large payments to Annette

1 SLATIC totaling \$210,200.00 and check from James SLATIC made payable to Highland Medical.

2 SLATIC's Schools First account #169426 had a balance of \$55,228.60 on 1-31-16.

3 Based upon the above information, James SLATIC's Schools First accounts are tied to his
4 concentrated cannabis extraction business, Highland Medical Packaging LLC. James SLATIC has
5 a deposit into his account #169426 in January 2016 of \$149,375.00, from his ownership in High
6 Quality Organics. After January payments to the Internal Revenue Service of \$40,000.00 (likely
7 to cover the taxes on the \$149,375.00 income from High Quality Organics), a CAPITOL ONE
8 payment of \$50,000.00, a loan payment of \$1,306.65 and other miscellaneous payments the
9 account had an ending balance of \$55,228.60 on 1-31-16. Even though James SLATIC had a
10 recent large deposit from income outside of his HIGHLAND MEDICAL PACKAGING LLC
11 operation (\$149,375.00 from High Quality Organics), James SLATIC has deposited \$58,000.00
12 into account # 169426 from checks written to him from HIGHLAND MEDICAL PACKAGING
13 LLC and made \$78,626.00 in cash deposits into account # 169426. I do not know the true nature
14 of the business, High Quality Organics, or where SLATIC obtained his finances for his investment
15 into High Quality Organics. Even if the returns of \$149,375.00 were generated by legitimate non-
16 drug investments, these returns have been comingled into account 169426, which contains
17 proceeds from SLATIC's HIGHLAND MEDICAL PACKAGING LLC. Therefore, I believe the
18 \$55,228.60 balance qualifies for seizure.

19 Charges of Manufacturing of a Controlled Substance (Concentrated Cannabis Extraction)
20 per 11379.6 H&S. are pending filing by the San Diego District Attorney against James SLATIC,
21 Daniel GREGG and Patric McDONALD.

22 On May 10, 2016, Attorney Jessica McELFRESH representing James SLATIC, Annette
23 SLATIC and Miriam SLATIC filed a motion in the Superior Court of California for the County of
24 San Diego, for the return of the Slatic family's accounts at Schools First FCU and Wells Fargo
25 Bank which were frozen by search warrant/freeze orders number 51082 and 51083, claiming the
26 assets in these accounts are not the "fruits of" any illicit conduct. On June 2, 2016, the Honorable
27 Judge Maguire heard and denied the motion by Attorney Jessica McELFRESH. Based upon the

1 information contained in this affidavit I believe the assets in the accounts listed for seizure in this
2 order, some of which may include the Slatic family's accounts at Schools First FCU and Wells
3 Fargo Bank, originate from James SLATIC's concentrated cannabis extraction and distribution
4 organization and are subject to seizure.

5 Based upon this investigation as detailed in this affidavit, I request the forfeiture of all
6 funds in Schools First Federal Credit Union account number 169426 as proceeds from drug
7 transactions per Health and Safety Code 11470 et. al.

8 This affidavit has been reviewed for legal sufficiency by Deputy District Attorney Michael
9 Running.

10 //

11 //

12 Given under my hand and dated this day of June 7th, 2016.

13 
14 Detective Mark Carlson

15 Subscribed and sworn to before me
16 this 7th day of June, 2016, at 10:30 a.m./p.m.

17 
18 Judge of the Superior Court