

Eight of 16 people indicted in Colorado marijuana trafficking operation listed as having state pot licenses

Michael Alan Stonehouse, the alleged ringleader, is listed as having an active “key” license

By Jesse Paul

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Eight of the 16 people indicted on charges they ran a massive illicit marijuana operation that sold and shipped weed out of state are listed in Colorado records as having active or expired licenses to work in the legal pot business.

Michael Alan Stonehouse, the alleged ringleader, has an active “key” license — for operating a marijuana business — that is valid until November 2018, Marijuana Enforcement Division records show. That’s despite a past felony conviction and state rules that bar people “not of good moral character” from getting licenses.

His brother, Theodore Stonehouse, who also was indicted, is listed as having the same type of license, which also doesn’t expire until November 2018, according to a MED database.

In fact, as 53-year-old Michael Stonehouse appeared in court Thursday, his attorney, Christopher Decker, said the Castle Rock man has invested in legal cannabis operations and acts as a consultant for the marijuana industry in Colorado. Decker also said some of the pot seized in raids targeting the alleged illicit operation was produced legally.

“My client has significant and legitimate ties to the lawful marijuana industry,” Decker told The Denver Post on Friday. “This is not someone who was trying to keep a low profile in the marijuana industry.”

Prosecutors have hinted there might have been a legal marijuana nexus in the case and that those involved possibly used the guise of legitimate weed to hide their activities. But at a news conference earlier this month, 18th Judicial District Attorney George Brauchler, whose office is prosecuting the case, declined to definitively say.

“There’s information that we’re still chasing down on aspects of this case that will reveal whether or not any of these individuals have been issued MED licenses,” he told reporters. “That is still being looked at.”

Asked about how authorities knew the marijuana was not being legally grown, Brauchler added: “Let’s just say, hypothetically, someone has an MED license. That, in and of itself, comes with

that a bunch of regulations about reporting your grows, how much you produced, all these of other things that we have no evidence took place. We also know that the way they conducted business was consistent with defeating the regulator framework that Colorado has established for the cultivation and distribution of marijuana.

“You don’t get to put hundreds of pounds of marijuana in duffel bags and run them over state lines.”

The 18th Judicial District Attorney’s Office on Friday declined to comment for this story.

Colorado Department of Revenue, under which the Marijuana Enforcement Division is housed, says it was involved in the investigation into the alleged ring and is “conducting a regulatory and administrative investigation.” The agency did not elaborate.

“While this does remain an open and ongoing investigation, MED’s priority is public safety and will take appropriate administrative actions, and impose appropriate administrative sanctions as determined by the state licensing authority,” the division said in a statement Friday.

One of the people indicted, Rudy Saenz, is listed in MED records as having an associated key license — a direct owner in a marijuana business — that expired in September 2014.

MED spokesman Robert Goulding said Saenz and his business, Absolute Manitou Wellness LLC, were assessed a fine in September 2014 for \$30,000. Goulding didn’t say what the fine stemmed from.

Saenz’s attorney declined to comment Friday.

The others listed in the indictment who are listed as having active or expired marijuana business licenses with the state have not faced fines, according to MED.

Authorities say the alleged pot ring, over about three years, used houses and properties in places such as Colorado Springs, Castle Rock, Elbert County and Denver to cultivate cannabis and then make high-dollar deals to sell it in Illinois, Arkansas, Minnesota and Missouri. Prosecutors say they were cultivating hundreds of pounds of marijuana each month.

An investigation into the ring, the indictment shows, began in August, after investigators searched an Elizabeth property. They found more than 2,500 pounds of marijuana, which officials estimate was worth about \$5 million.

Goulding said the criminal history of an applicant seeking to be licensed by MED must generally indicate that he or she is of “good moral character” as defined in the agency’s medical and retail marijuana rules. That means an applicant can’t have a controlled substance felony conviction in the 10 years before the application date or have other felony convictions that have not been fully discharged for five years immediately preceding the application.

Michael Stonehouse served four years of a 12-year sentence in state prison for a forgery and theft conviction after being charged with involvement in an identity theft ring in 1999.

A MED spokesman said the agency does not comment on specific cases and so couldn't discuss how Michael Stonehouse got his license.

“Through statute, the Colorado legislature provided specific disqualifying criteria for who cannot receive a license to own a business or work in the marijuana industry,” MED said in a statement. “MED addressed those criteria in regulations. The ‘good moral character’ clause allows MED to evaluate other circumstances not specifically outlined by the legislature that may otherwise be disqualifying to receive a license.”

The agency added: “However, MED must evaluate all of the circumstances of an individual’s application and background check when making this decision.”