

NEWS

Cannabis landlord targeted in raid claims to be victim of political witch hunt by city of San Bernardino

Police found \$200,000 in cash and thousands of opioids stashed in Stephanie Smith's house, but she has explanations



Stephanie Smith is the self-proclaimed largest cannabis landlord in California and has become a major advocate for the industry. (Staff photo by Jennifer Cappuccio Maher, The Sun/SCNG)

By **JOE NELSON** | jnelson@scng.com and **BRIAN WHITEHEAD** |

They found heaps of cash, \$200,000 in all, concealed everywhere — in a green metal ammunition box hidden under a step, stuffed inside a paint can, in a shoe box, and in a Dodgers duffel bag crammed into a propane BBQ grill.

During the Feb. 20 raid at the Pacific Palisades home of Stephanie Smith, California's self-touting "cannabis landlord," San Bernardino police also seized, from what her attorney said was an old "dusty box under a dusty table in a cluttered garage," a stash of assorted, prescription medications, including 750 hydrocodone pills and 250 Xanax pills.

Officers also carted away a box of 2-by-3-inch plastic zip baggies, according to a returned search warrant filed in San Bernardino Superior Court.

Police considered the evidence sufficient to pin a drug possession for sales case on Smith, a 44-year-old mother of five, wealthy real estate investor and staunch advocate for legal commercial cannabis. Los Angeles County prosecutors charged Smith on Feb. 22 with one felony count of possession for sale of a controlled substance.

Smith will next appear in Airport Superior Court in Los Angeles on April 25 for a pretrial hearing.

Smith's defense attorney, Mark Werksman, insists the case is bogus.

"There is no evidence that she knowingly possessed or intended to sell any drugs of any kind, and any suggestion that she did is preposterous and absurd," said Werksman, a former federal and L.A. County prosecutor who represents high-profile defendants.

He said the pills and plastic baggies were surplus items from a former medical business Smith and her husband ran a decade ago that performed liposuction. The box of pills, Werksman said, had never been moved from the box they sat in for 10 years, let alone sold.

"She's a very successful property owner, and the idea that she was peddling pills is absurd," Werksman said of Smith.

'Witch hunt alleged'

While law enforcement officials believe Smith is a big fish in illegal drug manufacturing and distribution, Smith claims she is the victim of a political witch hunt, at least in San Bernardino, where she was a supporter of John Valdivia's campaign for mayor over incumbent Carey Davis and has long supported commercial cannabis operations in the city and elsewhere.

On Feb. 25 — five days after her arrest and four days after the San Bernardino City Council [rejected her application](#) for a commercial cannabis business license, ranking her company, Washington LLC, at the bottom of the list of applicants — Smith [sued the city](#), alleging corrupt practices involving a “pay-for-play” scheme.

“We believe the current police action is simply a political attack based on the fact that Ms. Smith was willing to stand up to the city and an attempt to block her from participating in the civil corruption lawsuit against the city,” said Ben Eilenberg, the attorney representing Smith in her lawsuit against the city alleging corruption.

San Bernardino Police Department spokeswoman Sadie Albers declined to comment Thursday, citing the pending litigation.

Pay to play?

Davis, who [lost the mayor's race to Valdivia in November](#), categorically denied any pay-for-play allegations in a telephone interview Thursday.

“There was no scheme that I was ever involved in related to pay for play,” he said. “My position, as clearly stated multiple times, is I’m not an advocate for the marijuana industry and ... I’ve taken a lot of flak from the marijuana industry for that stance.”

Smith alleges in her lawsuit that eight of the 16 businesses didn’t qualify for licenses because they were in violation of the city code or General Plan, yet they were allowed to continue through the application process and granted licenses anyway, while other, more qualified applicants ranked low on the list without any specific rhyme or reason.

On Feb. 27, a judge granted [a temporary restraining order halting the licensing process](#) for seven of those businesses in question: Organtix Orchards, AM-PM Management, Orange Show Cultivators, Nibble This LLC (two separate locations), Blunt Brothers and Accessible Options. (The eighth company named in

Not a drug dealer

A police report filed in Smith's criminal case in L.A. County states that hydrocodone, an addictive opiate painkiller, has a street value \$5 to \$10 per pill, and 750 of the pills were found in plastic pill containers.

"If you just do a little bit of math, \$200,000 in cash was found, and the police are claiming the hydrocodone pills sell for \$5 on the street. That means if the money came from the drugs, she would have had to have sold 40,000 pills. They found 750," Werksman said.

"(Police) said they surveilled the house for 10 days. In 10 days they did not see a single person come to the house to buy pills."

He said the cash found stashed throughout Smith's home overlooking the Pacific came from the rent she collected from her commercial cannabis tenants.

"It's a cash business. This is how the lawful marijuana business is conducted," Werksman said. "They pay their property taxes in cash, they pay their bills in cash. This was all cash from her lawfully licensed marijuana business tenants."

While police claim the stash of plastic baggies found in Smith's home were the kind street dealers use, Werksman disputed that notion. He said they were also among the old medical supplies Smith and her husband used at their former clinic to dispense medication.

As to why Smith was stashing all the cash at her home and concealing it in various places rather than depositing it into a bank, Eilenberg said, "This is simply an unfortunate effect of the federal banking laws not yet catching up to California's legalization of commercial cannabis."

When asked if that could get Smith in trouble with the IRS, Eilenberg said, "No. She reports all of her income on her taxes."

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Cannabis landlord targeted in raid claims to be victim of political witch hunt by city of San Bernardino – San Bernardino Sun and the cities of Colton, Highland and Grand Terrace. He has covered San Bernardino County since 2009. Nelson is a graduate of California State University Fullerton. In 2014, he completed a fellowship at Loyola Law School's Journalist Law School program.

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Brian Whitehead

Brian Whitehead covers San Bernardino for The Sun. Bred in Grand Terrace, he graduated from Riverside Notre Dame High and Cal State Fullerton. For seven years, he covered high school and college sports for The Orange County Register. Before landing at The Sun, he was the city beat reporter for Buena Park, Fullerton and La Palma.

[Follow Brian Whitehead @bwhitehead3](#)