

Colorado Operator Uncovers Cannabis Laundering Blueprint

Justin Trouard Uncovers a Shocking Cannabis Laundering Scheme in Colorado

When Justin Trouard agreed to examine the financial records of a struggling, licensed Colorado cannabis cultivation company in January, he thought he was simply doing a favor. However, what he uncovered instead was what he describes as “the blueprint for how to launder marijuana” within the state’s regulated cannabis industry.

Trouard, the CEO of Mammoth Farms, a licensed outdoor cannabis cultivator, made this discovery while reviewing the company’s track-and-trace records in Metrc, Colorado’s mandated seed-to-sale compliance software. His investigation revealed a series of transactions that raised significant red flags, prompting legal action against the Colorado Marijuana Enforcement Division (MED).

Suspicious Transactions Suggest Large-Scale Financial Manipulation

While combing through the company’s records, Trouard noticed an unusual pattern. One entry showed a standard purchase of 25 pounds of cannabis flower from an unidentified cultivator for \$16,250—a market-appropriate price in 2025. However, the same entry listed the sale of that flower to another cultivator, intended for distillate extraction, for a mere \$20, effectively recording a loss of \$16,230 on the transaction.

The company’s records from 2024 contained numerous similar transactions. In total, the business reported buying \$3.4 million worth of cannabis flower but reselling it for only \$70,000. Trouard’s Mammoth Farms has since filed a lawsuit against the MED, alleging regulatory negligence.

Data Investigation Leads to Startling Findings on Illegal Practices

Rather than chalking these consistent losses up to poor business decisions, Trouard believes they point to a far more concerning issue: the illegal diversion of legally grown cannabis flower to the illicit market. According to the lawsuit, the company may have replaced its legally documented inventory with unlicensed hemp-derived THC oil, which was then processed into vaporizer cartridges and sold in licensed dispensaries.

This deceptive practice, known as “inversion,” allows illicit cannabis to enter the regulated market—a growing problem within the \$32 billion legal marijuana industry. Trouard’s allegations suggest that despite being reported to the MED through the Metrc platform, these suspicious transactions went unflagged by regulators.

Regulatory Agencies Under Scrutiny as Concerns Grow

Despite the severity of these claims, Colorado’s Marijuana Enforcement Division has remained silent, citing the ongoing lawsuit. Metrc, the Florida-based track-and-trace platform, has not been accused of any wrongdoing and has yet to respond to requests for comment.

Since uncovering the scheme, Trouard has identified similar patterns at another licensed Colorado marijuana company. His findings have sparked questions about the effectiveness of track-and-trace systems and whether state regulatory bodies are adequately monitoring for illicit activity.

Is ‘Inversion’ the Cannabis Industry’s Growing Threat?

For years, regulators and lawmakers have been focused on preventing “diversion”—the illegal sale of legally grown cannabis into the black market. However, licensed operators like Trouard argue that “inversion” is an equally concerning issue, wherein unlicensed cannabis enters the legal supply chain undetected.

The practice is not unique to Colorado. In New York, industry experts have raised similar concerns, with former Cannabis Control Board member Jennifer Gilbert Jenkins calling inversion the marijuana industry’s “dirty secret that everybody is talking about.” Despite growing evidence, the issue has yet to garner significant attention from lawmakers or regulatory agencies.

Potential Tax Evasion Adds Another Layer of Concern

Beyond concerns about illegal cannabis infiltration, Trouard’s findings indicate potential tax evasion on a massive scale. Since Colorado’s 15% excise tax is only applied when cannabis moves from a cultivator to a retailer or manufacturer, businesses exploiting this loophole can significantly underreport taxable revenue.

According to the lawsuit, the licensee in question reduced \$3.4 million in taxable cannabis sales to just \$70,000—potentially costing Colorado over \$500,000 in excise tax revenue. Trouard estimates that if similar schemes are widespread, the state’s total tax losses could exceed \$100 million over time.

While Colorado’s tax revenue from cannabis sales has remained stable despite an overall market slowdown, Trouard’s discoveries suggest that financial manipulation within the industry may be more rampant than previously thought.

As the legal battle unfolds, the revelations from Mammoth Farms’ investigation could have far-reaching implications for the future of cannabis regulation, both in Colorado and nationwide.

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