

IN THE SUPREME COURT OF THE STATE OF NEVADA

NUVEDA, LLC, A NEVADA LIMITED LIABILITY COMPANY; SHANE M. TERRY, A NEVADA RESIDENT; AND JENNIFER M. GOLDSTEIN, A NEVADA RESIDENT, Appellants,
v.
PEIMAN BADY; AND POUYA MOHAJER, Appellees.

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Supreme Court Case No. 69648
District Court Case No. A-15-728510-B, Department XI (Elizabeth Gonzales)

**JOINT APPENDIX
VOLUME 7**

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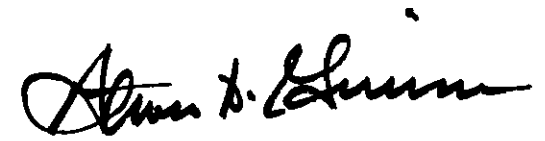
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CLERK OF THE COURT

TRAN

DISTRICT COURT
CLARK COUNTY, NEVADA
* * * * *

NUVEDA LLC, et al.

Plaintiffs

vs.

PEJMAN BADY, et al.

Defendants
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CASE NO. A-728510

DEPT. NO. XI

**Transcript of
Proceedings**

BEFORE THE HONORABLE ELIZABETH GONZALEZ, DISTRICT COURT JUDGE

PRELIMINARY INJUNCTION HEARING - DAY 4

FRIDAY, JANUARY 8, 2016

APPEARANCES:

FOR THE PLAINTIFFS:

ERIKA A. PIKE-TURNER, ESQ.

FOR THE DEFENDANTS:

ALVIN W. MAUPIN, ESQ.
JOHN M. NAYLOR, ESQ.,
VINCENT J. AIELLO III, ESQ.
MATTHEW T. DUSHOFF, ESQ.

COURT RECORDER:

JILL HAWKINS
District Court

TRANSCRIPTION BY:

FLORENCE HOYT
Las Vegas, Nevada 89146

Proceedings recorded by audio-visual recording, transcript
produced by transcription service.

1 LAS VEGAS, NEVADA, FRIDAY, JANUARY 8, 2016, 9:04 A.M.

2 (Court was called to order)

3 THE COURT: How are you this morning? Everybody
4 ready?

5 Next witness.

6 MR. MAUPIN: Brian Padgett.

7 THE COURT: Mr. Padgett, if you'd come on up,
8 please. Are you feeling better today?

9 MR. PADGETT: I'll survive, ma'am. Thank you.

10 BRIAN PADGETT, DEFENDANT MOHAJER'S WITNESS, SWORN

11 THE CLERK: Please state and spell your name for the
12 record.

13 THE WITNESS: Brian Padgett, B-R-I-A-N
14 P-A-D-G-E-T-T.

15 THE COURT: Thank you, sir. And, sir, as all
16 witnesses, even though you are an attorney, there are M&Ms
17 there, and you may take advantage of them if you'd like while
18 you are a witness. There's also water in the pitcher. And if
19 you should need coffee or hot tea, again, the marshal will
20 assist you.

21 THE WITNESS: Thank you, Your Honor.

22 THE COURT: Good morning.

23 DIRECT EXAMINATION

24 BY MR. MAUPIN:

25 Q Mr. Padgett, just some preliminaries. What's your

1 educational background?

2 A College at Gonzaga University four years, three
3 years Seton Hall University School of Law.

4 Q And what is your current occupation?

5 A Attorney and chairman, CEO CW Nevada.

6 Q What's your occupational experience since you got
7 out of law school?

8 A So I clerked for the Honorable Stephen Huffaker, and
9 at that point in time, after about a year and a half, I went
10 out into private practice for -- working for Kermitt Waters,
11 eminent domain firm in 2007. I left Mr. Waters's firm, told
12 all my existing clients at the time, stay where you are,
13 they'll take good care of you. Went out with no clients,
14 because I thought that was the best thing to do. And wouldn't
15 you know it, I got a few clients right away, things got
16 rolling, and from 2007 to present my practice has been pretty
17 good.

18 Q And what's the primary emphasis of your practice?

19 A Eminent domain.

20 Q All right. Now, you mentioned the company CW. What
21 is it?

22 A CW Nevada is a cannabis company. It's vertically
23 integrated. By that I mean it's got cultivation, production,
24 and dispensary licenses in Clark County and in Nye County.

25 Q So was CW one of the first licensees after they

1 opened up medicinal marijuana here in Nevada?

2 A Yes, it was. So typically when the -- the first
3 municipality opened for licensing was Clark County, and at
4 that point in time there were 18 spots open for licensing of
5 dispensaries. And at that point in time we applied, and after
6 a lengthy process it was determined that we were approved a
7 license. But we were the first group approved for a license
8 in Clark County and therefore the first overall statewide to
9 be approved for any type of licensure for cannabis.

10 Q Could you describe the current operations of CW.

11 A The current operations of CW?

12 Q Correct.

13 A Okay. So we have a 30,000-square-foot greenhouse in
14 Nye County. It's the only greenhouse that I'm aware of
15 operational to grow cannabis. It used to grow basil and
16 chives for the Strip. We took out the basil and chives and we
17 put in a different kind of plant. And so it's been growing
18 there ever since. We have a production facility in Highland,
19 which -- at Highland Avenue, which is right behind the old
20 Stardust, cultivation and production. The cultivation
21 facility is almost completed. We're making a couple changes
22 for sanitary protocol that I wanted beefed up, and then that
23 will open and plants will go in. The production facilities
24 are just about to start up, primarily first in Ali Baba, which
25 is our location off of Russell and the 15 that has -- that'll

1 be home to about 12 to 20 different brands that license their
2 IP to us. From there we will use those to crank out a bunch
3 of different branded items for dispensaries, including our
4 own.

5 So we've got -- right now we've got approximately
6 70 people that work for us between the greenhouse,
7 construction of cultivation and production, dispensary. We
8 have our corporate offices at Ali Baba. Ali Baba's about --

9 Let me take a step back. So the greenhouse in Nye
10 is approximately 30,000 square feet, but it sits on 10 acres.
11 And we plan to expand that. The production facility at
12 Tillman is underway, under construction now. We have the
13 facility at Highland, which is two 24,000-square-foot
14 buildings. They're just about to open. Ali Baba itself is
15 42,000 square feet, and we're building that now.

16 So luckily -- I mean, we've staggered all of our
17 buildings so that, you know, when we took on the obligation of
18 NuVeda we're able to make sure that all of them get built
19 timely.

20 Q Is CW a competitor of NuVeda at this point?

21 A You know, I don't look at it that way, in all
22 honesty. Yes, they'd be competing against us in the market,
23 but I kind of look at it like this. We want to be able to
24 service a lot of dispensaries besides our own. And so, you
25 know, I don't look at -- I don't look at other operations as

1 competitors, rather, as prospective partners. But, you know,
2 NuVeda's plan was very similar to ours in some respects, I
3 think. I think the difference was that maybe we were able to
4 execute on the construction end and get rolling, and they
5 haven't been able to do that. So would they be a closer
6 competitor, a competitor to us? Yeah, I would say -- I would
7 say so, yeah.

8 Q But there's an agreement that's been executed
9 between CW and NuVeda through its majority members; is that
10 correct?

11 A Yes, there has.

12 Q What's the date of that agreement?

13 A Well, I'm sorry. Let me apologize in advance. I
14 haven't looked at anything. I've been in bed for the last two
15 days.

16 Q Exhibit 22 in the black notebook.

17 A I want to say the beginning of December. 22?

18 Q 22.

19 A Okay. December 6th.

20 Q So who signed it -- or initialled it?

21 A Well, I signed it, Pej Bady signed it, Pouya Mohajer
22 signed it, and Joe Kennedy signed it. So four of us.

23 Q So under this agreement now you're no longer going
24 to be competitors?

25 A That's correct.

1 Q Now, what is the nature of this agreement? Does it
2 sell -- by shares or by membership interests or assets?

3 A Yeah. It's not -- we don't own any part of NuVeda.
4 It's simply an asset purchase of the licenses where we create
5 a separate company, and that separate company will be CW NV,
6 and that will hold the licenses. But we don't own any part of
7 NuVeda.

8 Q So without NuVeda what is, then, your business plan
9 at CW?

10 A Well, we'll go -- we would go on as we are with --
11 you know, with our single dispensary and our cultivation and
12 production facilities. But one of the things you can probably
13 pick me up on, I don't know, some of the local news or in the
14 newspaper, and one of our big things is the charitable arm.
15 So I'm on record as saying we're the only company that's
16 licensed to grow Charlotte's Web here in the state of Nevada.
17 And so for those who don't know what Charlotte's Web is,
18 that's the plant that is very low in THC that allows --
19 basically stops seizures in children that have Dray's syndrome
20 and other epileptic conditions. So we grow that, and we also
21 just did a deal with an Israeli company called Tekun Olam.
22 And Tekun Olam is -- in Israel you don't have -- cannabis
23 isn't a Schedule 1 controlled substance, so you can do medical
24 research on it. And at that point they've been able to
25 produce some great medical findings on tumors, macular

1 degeneration, arthritis, things like that where you actually
2 have published reports on these particular strains.

3 Well, CW is going to be receiving those strains.
4 And one of the things that we need to is -- so if you assume
5 that, you know, if you want to treat this as it, medicine, you
6 have to assume that there are people that are sick that can't
7 get all over town. So one of our goals is -- in our
8 charitable arm is I want to make it readily available, yet
9 there has to be a chain of custody. And what I mean by that
10 is I want people to come in -- because this is a prevalent
11 problem. I want people to come into a particular store
12 knowing that it's a CW-branded store and know when they're
13 buying Charlotte's Web for their child or they're buying a
14 Tekun Olam strain that's what they're getting. And so by
15 having a location in the City of Las Vegas and a location in
16 the City of North Las Vegas that allows us to complete our
17 goals of being able to be more accessible. Because right now
18 out at Blue Diamond -- we're at Blue Diamond and -- between
19 Arville and Rainbow, right about there. And so the problem
20 with that is it's in the southwest part of town, and so the
21 people in the north side of the valley or the central part of
22 the valley, the east or the west side, you know, if they have
23 to take a bus, as a lot of these patients do, they're going to
24 have to travel a long ways to get down to us. You know, that
25 may be a two-hour trip down and a two-hour trip back. So if

1 we can have some more central locations that we control --
2 because there have been issues with people, you know, talking
3 about, well, I have this strain and I have that strain, and
4 they're representing themselves as having those particular
5 strains. And this is a problem that we've had in other
6 states. Well, all you have to do is you have to just look for
7 the CW brand, okay, the branded dispensary, and you know that
8 if you walk in there we give you a guarantee that's grown by
9 us, produced by us, packaged by us, and sold by us.

10 And, by the way, let me just mention this. We've
11 also given a guarantee that we'll make no money off
12 Charlotte's Web. So what I mean by that is if you come in and
13 you can pay for Charlotte's Web, then you pay for it. If you
14 can't, you get it at cost. If you can't pay for it at cost,
15 then we've brought in Caroline Ciocca, who's the chairman of
16 Make a Wish Southern Nevada. And Caroline makes a
17 determination at that point in time what kind of a subsidy
18 below cost you're going to get. And if it has to be
19 completely free, then that's what it's going to be.

20 Q Under the CW deal with NuVeda how does that change
21 your business plan?

22 A Well, it allows us -- well, first of all I believe
23 it makes us the largest cannabis company in the state on
24 license numbers as well as I think square footage on
25 buildings. If not, it's right there. But I'd say it's likely

1 and probable that we're the largest. It allows us to further
2 implement both the -- you know, the retail aspect, as well as
3 grow more cannabis in greenhouse in Nye County. And I think
4 that's important because what we're going to see here is --
5 you know water rights are important, and the ability to grow
6 in a greenhouse allows you to save on power costs. And there
7 are a lot of cost savings there that brings the price of the
8 plant, the production price down. And with those additional
9 licenses we can grow more, which will allow us to pass more
10 cost benefit on to patients.

11 Q Now, in the agreement that has been signed is there
12 a reference in there to what is going to be in the operating
13 agreement with the new company?

14 A I'm sorry. Would you repeat that, please.

15 Q If you look at the first page of 22, maybe the
16 second, it talks about one of the conditions of once this deal
17 goes through there's a new LLC formed that will have an
18 operating agreement that has certain required provisions in
19 it. And if you could read those to the Court at this point.

20 A This is page 2? From paragraph (b) on?

21 MR. MAUPIN: Court's indulgence for a moment,
22 please.

23 THE COURT: Sure.

24 BY MR. MAUPIN:

25 Q It's page 3, paragraph (d). It says, "Immediately

1 after the formation of CW NV --"

2 Which is the new entity; correct?

3 A Correct.

4 Q "-- and the execution of the ledger NuVeda and CW
5 will commence good-faith negotiations and use each of their
6 best efforts to finalize and execute a mutually agreeable
7 operating agreement with terms and provisions customary to an
8 operating agreement of limited liability companies -- of a
9 limited liability company and which will include, without
10 limitation, the following provisions. Unanimous approval of
11 all members for the admission of new members, the sale of
12 substantially all the assets of CW NV, and the dissolution of
13 CW NV."

14 A That's correct.

15 Q "Additionally, restrictions on transfer of
16 membership interests in CW NV, including, without limitation,
17 rights of first refusal to CW NV and the members, but subject
18 to customary permitted transfers." Is that what it says?

19 A That's correct.

20 Q And Romanette (iii), "The approval of a majority of
21 members in CW NV to authorize and effectuate customary major
22 decisions, including, without limitation, mergers,
23 conversions, exchanges, or similar reorganizations that are in
24 the best interests of CW NV." Does it say that?

25 A That is correct.

1 Q And the requirement to provide monthly financial
2 statements to the members of CW NV; correct?

3 A Correct.

4 Q And requirement to obtain and maintain necessary
5 insurance policies, including, without limitation, general
6 liability covering the operations of CW NV.

7 A Correct.

8 Q Now, so there is a structure to -- under this
9 agreement that has to be followed with regard to the new
10 operating agreement; is that correct?

11 A Yeah. We were very careful to put what we thought
12 was a good structure in place that kind of set forth the
13 duties and obligations of both parties.

14 Q All right. Could you outline the actual elements of
15 this asset purchase.

16 A You mean what our --

17 Q What are you buying?

18 A Okay. Well, we're buying the licenses, we're buying
19 what turns out to be 65 percent of the licenses. And I want
20 to make it very clear we're not buying NuVeda. And I
21 understand there's been some question about that. We're not
22 buying NuVeda. This is an asset purchase dealing with the
23 licenses themselves. And so what we've done is we've come
24 about it from a different perspective than the other offers.
25 What we've offered NuVeda is not a loan. There's a big

1 difference between the offers that were out there on the table
2 and what we came in with. And the difference is that
3 everything that we're putting into the company is an
4 investment into the company, into CW NV. It's not a loan.
5 And the difference between -- there's a couple primary
6 differences between the 4Front deal and our deal. But the
7 4Front deal essentially is a loan. Ours isn't.

8 Q That question is not on the floor just yet.

9 A Oh. I'm sorry. Go ahead.

10 So our obligation, if you want to -- was that the
11 question?

12 Q Well, no. My question is simply this. At some
13 point when they're supposed to be operational under this
14 agreement what happens if the income stream is insufficient to
15 meet the contractual requirements?

16 A Well, if there's any shortage in capital, then CW
17 Nevada covers it. I mean, we continue to carry the company,
18 because that's our obligation.

19 Q But is there a provision in here that gives a safe
20 haven for NuVeda in terms of guaranteeing the return on their
21 investment?

22 A Yeah. Okay. A couple of things. We've given them
23 a couple guarantees. When the LOI was originally executed,
24 since that time we had attorneys work on the contract. So my
25 lawyer, Pete Bernhard, who is the chairman of the Gaming

1 Commission, and Joe Mugan from Kolesar & Leatham, put together
2 the purchase agreement. And in the purchase agreement --

3 Q Who did Kolesar & Leatham represent?

4 A NuVeda.

5 Q Okay.

6 A Okay. So --

7 Q So there were lawyers on both sides of this
8 business.

9 A That's correct.

10 Q All right. Go ahead.

11 A Yeah. So at that point in time one of things that
12 we added onto the purchase agreement was that if we don't get
13 these licenses built timely and for whatever reason the State
14 or the municipality that they're located in finds them in
15 default and threatens to pull a license, then they get one of
16 our licenses. That's why we're already under construction and
17 starting. I mean, we don't have a shovel in the dirt yet, but
18 we've got plans. And that's why we've been busting our humps
19 since December 6th to get rolling, because we've given them a
20 guarantee that if they lose a license while they're under our
21 watch, then there'll be no loss for CW Nevada or CW NV, we
22 cover it on our end.

23 And then on the back side, you know, when you're
24 doing a greenhouse, a greenhouse is a very touchy animal. We
25 will make sure that all licenses are preserved. But then one

1 thing that we're also going to do is we have a guarantee that
2 that greenhouse will be up and running and operational in
3 2016. And if it is -- if it doesn't have a harvest in it and
4 it isn't making money, then until such time as it does we spec
5 out what the cost -- what the revenue should be per square
6 foot, and then we write a check monthly to CW NV as lost
7 profits. And that's unusual, but we did it because we know
8 that we can get it done. So that's why we decided to do what
9 we did. I mean, it's a good-faith -- what I wanted to show to
10 CW NV -- what I want to show NuVeda was just straightforward
11 good faith, that, listen, we'll back up everything that we say
12 we're going to do, okay. If --

13 I understand there's a question of capital and
14 revenue. Listen, I would not have given that guarantee if we
15 can't do what we say we're going to do. And certainly on the
16 licenses. So they will lose no licenses. Number two, if
17 they're not up and running, then we start writing checks. And
18 it's pretty simple to tell if they're making money or not, if
19 they're open or not. And so basically the company gets some
20 good return across the board in 2016. And that's what we
21 want.

22 Q So how does this help the current members of NuVeda?

23 A Well, I think there's -- I think there's a couple
24 things. So the first thing when I look at this -- you know, I
25 was surprised when I saw -- when I saw with Mr. Terry's

1 testimony I think on the first day of his testimony --

2 THE COURT: When you say "saw," you mean the
3 transcript?

4 THE WITNESS: Well, I was here at the beginning and
5 then I came in at the end. But my understanding, Your Honor,
6 was that there was an offer by 4Front. So I looked at it and
7 I analyzed it. But I could tell you I picked off in the first
8 literally 5 seconds the differences between the two. One is a
9 loan, and ours is straight investment money into the company.
10 So for us that is -- we're going to build the tenant
11 improvements, so we're going to fund a hundred percent of the
12 buildout costs. And with two dispensaries -- and this is for
13 the dispensaries -- we're looking at that costing about
14 2.5 million. Now, it could be plus or minus. If it's less,
15 great. But if it's more, that's on our time and our dime.

16 But then you also have to consider operating
17 capital. And when you staff -- when you staff and you -- you
18 know, you've got payroll and so on and so forth, and insurance
19 and healthcare -- and we've provide a good healthcare
20 insurance plan for our employees. We're going to fund the
21 startup capital for that -- for the dispensaries. Even if
22 they don't make any money for a while, that's okay. We're
23 going to fund that. And so we figure that that's a benefit of
24 about a half a million. We'll manage the stores.

25 Now, here's the catch, too. So for any dispensary

1 when you -- when you own a dispensary you have to stock it.
2 And so how are you going to stock it? You have to go and you
3 buy -- you have to buy wholesale goods in order to stock your
4 own dispensary. Now, I can tell you that just about every
5 company here in the state is making very few infused products,
6 your edibles, waxes, shatters, oils, things like that. But
7 there's a huge demand for it. That is really CW's bread and
8 butter. That's what we do. We brought in America's largest
9 and most well-known cannabis brands, edible brands, and we've
10 put them all under one roof. They're licensing, and we're
11 using that licensing to create products like they do in their
12 own particular home states. So we're going to be able to
13 stock their dispensaries at no cost.

14 Now, if you had to -- if you had to stock those
15 dispensaries and looking at the square footage of those
16 particular dispensaries, it's going to cost you about --
17 probably going to cost you somewhere between five and \$750,000
18 per to stock. And then you -- then you, you know, you burn
19 down your inventory and you've got to restock. So we're
20 committed to stocking at no cost for the lifetime of our
21 agreement. So that's a big -- that's a big catch that people
22 don't get. I mean, you can have money to build out your
23 company, but then where's your operating capital and where's
24 your stock capital coming from? You know, I don't -- and I
25 haven't even really -- haven't discussed the 4Front deal yet.

1 But those are all things that we considered in the value of
2 our deal, because we have to have a functioning and ongoing
3 company.

4 The inventory stock alone, I mean, we ballparked it
5 at about 5 million over the lifetime, because eventually the
6 company will make money and it will be self sufficient, so to
7 speak. But in the interim, you know, we're committed to
8 continuing to stock, supply, staff, and maintain that -- those
9 dispensaries at the highest possible -- at the highest
10 possible level.

11 So -- and then not only that, but we'll also
12 integrate into -- the dispensaries into our marketing plan.
13 So currently we've got four billboards coming in from L.A. to
14 Las Vegas. They're not up yet, but they've already been
15 reserved and paid for by us. So as soon as we're ready to go,
16 we can pull the trigger on those billboards.

17 And we also have a Website, and the Website is not
18 operational yet. That's by design. And it won't be open
19 until we -- until we're ready to open our doors. But
20 essentially the Website -- we hired a company that is very --
21 that has a million views in the medical marijuana field, and
22 we asked them to help us create our Website and then create a
23 portal from their site to ours so that we can receive more
24 traffic. Essentially we think it's going to be very good for
25 us. So with the medical -- with the billboards, with the --

1 with the Internet and Website we think that's going to be very
2 powerful. So when you look at that, they're also going to be
3 brought right into our marketing plan and strategy. So you're
4 going to get that right off the bat. And that's -- I mean,
5 the value on that is -- we put at about -- I don't know, I
6 mean, it's going to cost us quite a bit of money. I would say
7 that, you know, they'll get equal time on advertising as we
8 would, because it would really be one brand. So they'd get
9 all those benefits.

10 On cultivation, we're going to build a new
11 greenhouse. Now, I heard talk -- I heard that there was some
12 concern that we're going to build one 25,000-square-foot
13 greenhouse. That's not the case. I'm saying something
14 different. I understand that NuVeda originally wanted to
15 build a 60,000-square-foot greenhouse. That would fail. That
16 would utterly fail. I'm going to tell you why. A greenhouse
17 has a very sensitive ecosystem, and the State lab testing
18 requirements are extremely sensitive. And it takes a long
19 time to dial in the ecosphere of one 25,000-square-foot
20 greenhouse. I've got a 30,000, and let me tell you it's like
21 adjusting a knob here, adjusting a knob there, adjusting this
22 knob, pulling this lever. It is a lot of moving parties.
23 It's a lot different than indoor grow where everything is
24 always -- always the same. But the benefit that we get if
25 we're willing to turn all those dials and pull all of those

1 levers is that there's significant cost savings.

2 And so the plan is, even though I have this
3 greenhouse, the current greenhouse dialed in, then I'd say,
4 well, wait a minute, let's look at the next greenhouse. And
5 just because I have this one dialed in doesn't mean this one's
6 going to be dialed in. It's going to be a different type of
7 greenhouse, and it's going to consider other things that deal
8 with certain types of sanitary protocol that just make it
9 easier, I think, right off the bat to deal with, you know,
10 some of the testing protocols that the State requires. So it
11 would be our want to -- the next greenhouse that will be built
12 will be a CW NV greenhouse, and it's going to have certain
13 features in it that ours doesn't have. And then we're
14 committed to building the next greenhouse as a CW NV
15 greenhouse, and that hopefully will be a little bit better
16 than the second greenhouse. But you want to take it -- you
17 want to take it one at a time. I cannot imagine adjusting the
18 knobs and levers on a 60,000-square-footer, because I honestly
19 don't think you can at this point. And you can say, well,
20 sure you can. I'm the only greenhouse grower of cannabis in
21 the state of Nevada that I'm aware of, and I will tell you
22 I've brought in a bunch of experts, and it's not the easiest
23 thing in the world. I mean, there's a lot of -- there's a lot
24 of push and pull. But you've just got to be sensitive to it.
25 So it's a lot easier to dial in that 25,000 than it is a

1 sixty. So we'll do two of those for CW NV. Also --

2 Q Mr. Padgett, I think we've answered -- you've
3 answered the question, so --

4 A Oh. Okay. Well --

5 Q You have something else you want to add, I take it.

6 A One other piece of value is, and that is that, you
7 know, the clones -- the greenhouse just -- a greenhouse just
8 doesn't mysteriously -- you know, plants don't just
9 mysteriously appear. As a CW NV greenhouse, you know, we will
10 go through all the legal processes to make sure that we can
11 transfer our clones -- clones are snippings of plants that you
12 then pot into soil, and that's what you use to grow your
13 greenhouse harvests. So what we're going to do is we're to
14 provide CW NV with clones. And we'll follow all the State
15 protocol and make sure that we can transfer those over. But
16 at that point in time, you know, the value of those clones is
17 substantial. I mean, you cannot -- you cannot overlook that,
18 because you'd have to buy the clones otherwise.

19 And not only that -- and I'm sorry to belabor the
20 point, but I do want to be clear on this, when you get -- when
21 we're able to transfer plants over we're going to be able to
22 transfer plants over that are more mature than just clones, so
23 it's going to speed up the harvest time. So typically if you
24 were to start from scratch just from clones in a greenhouse,
25 you're looking at about five months. But if we're able to

1 take, you know, more mature plants in 1- to 3-gallon buckets
2 and we're able to put those in that greenhouse, then they're
3 going to be able to, you know, speed that harvest up and cut
4 off about a month, month and a half, if we're lucky.

5 Then there's production. Did you want me to get
6 into that?

7 Q I think it's important that you describe that in
8 terms of how it relates to this agreement.

9 A Okay. So what we found here in Southern Nevada is
10 that, again, most companies really aren't focusing on infused
11 products. And that's what we do. That's our bread and
12 butter. So what we'll do is we're going to be preparing a
13 production facility for NuVeda in Nye that will allow for
14 extraction. And that's basically taking the plant and
15 removing the oil from the plant, and that's typically what you
16 use to create infused products. We'll also be bringing in
17 branded partner IP, licensee IP, and manufacturing edibles out
18 of that particular production facility. So --

19 Q So this -- all of this has to be approved by the
20 State authorities and the local authorities; is that correct?

21 A Yeah. Yes.

22 Q And with your experience in obtaining licenses and
23 clearing other arrangements is this -- is the CW arrangement
24 with NuVeda -- is it consistent, in your view in terms of your
25 experience, with other -- with the other approvals that you've

1 gotten?

2 A Yes, I believe it is. Before we made an offer to
3 NuVeda I asked our attorneys about the viability and any
4 roadblocks that we would have on the way to creating CW NV,
5 and I don't believe that it's anything that which be any type
6 of a barrier or impediment for us going forward. I think
7 we've already done several applications at the State and at
8 the local municipal levels, and I think we've been successful
9 on all of those. So looking at all the things necessary for a
10 transfer, yes, I think we can meet those requirements.

11 Q But just mechanically, if nothing else, what's the
12 process of getting something like this approved?

13 A Well, I think you -- now, the attorneys know better
14 than I do, but essentially you apply for transfer of the
15 license, and then you name the recipient and you give the
16 background on the recipient, and you file that with the State.
17 And then the State makes a determination. And the
18 determination usually doesn't take very long to do that, and
19 sometimes if the State has questions they'll ask questions.
20 But overall, I mean, you know, we passed background checks at
21 the State level, we passed background checks at the County
22 level, and now there's another level, too, you know, that
23 everybody I think kind of forgets about. But I think it's the
24 most onerous, and that's the business licensing level. So
25 they treat us exactly the same as they would treat somebody

1 from Gaming. So if I want to go in for a gaming license, you
2 know, you're going to get a high degree of scrutiny. Well,
3 we're going to get the same thing here with the County. We're
4 going through it now with the County and the City, and so far
5 so good.

6 Q Now, just going to the 4Front letter of intent
7 briefly, does that letter of intent address the continued
8 presence in NuVeda of Doctors Bady and Mohajer?

9 A I don't believe it does.

10 Q Under that arrangement are there some sort of
11 federal income tax issues that may create certain
12 disadvantages with that arrangement?

13 A So I read the Jaccarino letter. That was a letter
14 from Mr. Terry's -- one of Mr. Terry's attorneys to Mr. Bady.

15 Q Just for clarification, she testified that she was
16 an attorney for NuVeda.

17 THE COURT: I don't think Ms. Jaccarino came in.

18 THE WITNESS: Yeah. That was Pantea --

19 BY MR. MAUPIN:

20 Q I'm sorry. You're right. You're not. I got it
21 mixed up with Ms. Stevenson.

22 A Okay. It's confusing. There was kind of a
23 revolving door of attorneys. I don't know where Pantea woman
24 -- I don't know where the Pantea woman stopped and the
25 Jaccarino lady started. But somewhere along the line there

1 was a letter from a Jaccarino that said, well, we think you've
2 done all of these things, and apparently they just decided
3 summarily to vote them out. Before that happened I took the
4 letter to Pete, and we talked at length about all of the
5 issues. And believe me, we did a lot of due diligence on this
6 before we got down to a purchase agreement. And you know
7 what, to tell you the truth, what we came to was I have no
8 reservations whatsoever about doing this deal, because I don't
9 find any of those allegations to be at all credible.

10 Q Did Dr. Bady do due diligence on this purchase?

11 A Yeah, he did. Actually, he did a lot.

12 Q Did Dr. Mohajer do -- was he involved in that
13 process?

14 A To a lesser degree. I know that he relies --
15 because his clinic runs long hours, I know that he relies more
16 on Dr. Bady to do a lot of the legwork. So Dr. Bady did a lot
17 of the legwork. He visited all of our sites, he looked at our
18 business plan, which is about 60 pages, he looked at our pro
19 formas, he looked at our cash burns, he looked at where we
20 stood currently versus -- well, at that time versus where we
21 projected we would be. He looked at our -- he looked at our
22 personal financials, because he wanted to make sure that we
23 had the cash necessary to do what -- you know, what we said we
24 could do. So, yeah, he did quite a bit. And it was -- it
25 wasn't just like a, okay, looks good to me; it was a, did a

1 good job. I mean, listen when you're going to marry your
2 company to somebody else and you're going to take -- you're
3 going to take a leap of faith, you want to know that you've
4 got the best possible chance to make it work. And that's why
5 I think that he really -- you know, he spent a lot of time
6 with us, going everything, looking at everything.

7 Q Did he have his own lawyer look at it?

8 A Yeah. It was Joe Mugan, yes.

9 And, by the way, you know, Pete Bernhard --

10 Q Joe Mugan is with Kolesar & Leatham?

11 A That's correct.

12 Q All right.

13 A So Pete and Joe spent a lot of time going back and
14 forth putting that agreement together. And I know that Dr.
15 Bady had done quite a bit on his own, as well, to feel
16 comfortable.

17 Q Can you go back to Exhibit 22 in the black binder.

18 A Okay.

19 Q And if you go to Exhibit 2 that's -- it's titled
20 "Debt."

21 THE COURT: So the last page?

22 MR. MAUPIN: Yes, ma'am. Sorry. Yes, Your Honor.

23 THE WITNESS: Can I make a quick statement?

24 BY MR. MAUPIN:

25 Q There's no question pending.

1 A Okay.

2 Q All right.

3 THE COURT: He can't remember if he's a judge or a
4 lawyer half the time, so, you know --

5 MR. MAUPIN: I've slipped a lot since then.

6 THE WITNESS: Your Honor, I keep wanting to say
7 "Your Honor," but then I've got to check myself.

8 BY MR. MAUPIN:

9 Q All right. If you'll look at this schedule, some of
10 it was prepared by NuVeda, and some of it was prepared by
11 either you or someone working for you; is that correct?

12 A Yeah. The purchase agreement --

13 Q Well, just -- I just want to --

14 A That's correct.

15 Q Over to the category "Total to be Paid" was supplied
16 to this schedule by NuVeda; correct?

17 A Correct.

18 Q And then on the right you have "CW Notes." And
19 that's the part that was incorporated in this exhibit from
20 your end?

21 A Correct.

22 Q It mentions on the second line the loan to -- from
23 Mehjed Golpa of \$600,000 and the NuVeda note says, "Need to
24 pay." Your notes say, "Personal loan to Pej. Why wasn't this
25 a NuVeda loan? How was the money used?" What is that

1 question about?

2 A Well, the whole discussion about outstanding company
3 debts, you've always got to look at that, you know, obviously
4 anytime you're looking to make an acquisition, you know, what
5 are the obligations that you may be taking on. So over
6 probably a three-day period, you know, we got a hold of their
7 outstanding debts, and we started making these notes.

8 But this isn't the only page, by the way. There was
9 a second page on this.

10 THE COURT: Where is it?

11 THE WITNESS: Well, it wasn't part of this
12 agreement, ma'am.

13 THE COURT: Oh. Okay.

14 THE WITNESS: And the reason for that is --

15 THE COURT: Keep going, please, Mr. Maupin, while I
16 clean up the spilled coffee.

17 (Pause in the proceedings)

18 BY MR. MAUPIN:

19 Q So at some point you were negotiating the question
20 of what debts were going to be assumed in this arrangement;
21 correct?

22 A Correct.

23 Q And by the way, in the due process interchanges how
24 many hours did you spend with Dr. Bady or his lawyers?

25 THE COURT: Due diligence?

1 MR. MAUPIN: Yes.

2 THE COURT: Okay. You said due process.

3 MR. MAUPIN: It's on my mind.

4 BY MR. MAUPIN:

5 Q Due diligence.

6 A Days. I mean, I couldn't -- I couldn't tell you as
7 I sit here. More than three, that's for sure. I mean, it
8 took -- the purchase agreement took, I don't know -- seems
9 like a month, but it wasn't. It was more like a week. But it
10 was like, okay, look, let's get this done because we've got a
11 timeline ticking on buildout, if it's going to get done, let's
12 get it done, if it's not going to get done, then we're going
13 to move on and do something else.

14 So when we came to this it was originally two pages,
15 because they had specked out all of their debt, okay. Some of
16 it was personal debt. So this is just page 1 or page 2 of a
17 two-page debt -- outstanding debt. What we did was we said,
18 we'll pay 1.5 million on this. It doesn't have anything to do
19 with the Golpa loan, okay, as I heard that there was an issue
20 on that. Doesn't have anything to do with Golpa, because it's
21 a personal loan. And you'll see it says "To Pej." There was
22 a question on that. This is a \$2.2 million, something like
23 that, total balance. Of that we're paying 1.5. The only
24 reason that Golpa got here was on accident, because what we
25 did was -- there were two pages. We got rid of the first page

1 because we weren't going to be -- we weren't assuming anything
2 on page 1. We kept page 2. Probably should have struck the
3 Golpa, but our obligation is 1.5. And that's what we're
4 covering. And it will not cover any Golpa loan, because --

5 THE COURT: This is -- sorry. Keep going.

6 THE WITNESS: Yes, ma'am. No.

7 THE COURT: No. Finish, please.

8 THE WITNESS: I said so that's not part of the
9 company's debt, we don't touch anything that isn't company
10 debt, because we've got to make sure that -- we've got a boat,
11 right, and we fill in the holes in the boat. If we don't fill
12 in all the holes in the boat, then it's not going to float.

13 BY MR. MAUPIN:

14 Q So this agreement does not include a significant
15 benefit in the amount of \$600,000 to Dr. Bady?

16 A It was not contemplated, no.

17 MR. MAUPIN: Okay. I think the Court has a
18 question.

19 THE COURT: Okay. So this is the second page of a
20 document that you were given and worked off of as part of the
21 due diligence?

22 THE WITNESS: Yes, ma'am. We looked at --

23 THE COURT: Okay.

24 THE WITNESS: We looked at two pages. We struck one
25 page, came down to this last page, obviously struck the Golpa,

1 and outside of that agreed to satisfy the outstanding debts.

2 THE COURT: Thank you.

3 BY MR. MAUPIN:

4 Q At the bottom of the list from NuVeda the total
5 amount of debt was somewhere -- it's 2.1 million and some
6 change.

7 A Correct.

8 Q Just as a matter of simple arithmetic, if you
9 subtract 600,000 from 2.1 million what's the number?

10 A 1.5 million.

11 Q And that's the amount of debt that you're covering
12 under this agreement; correct?

13 A That's correct.

14 THE COURT: So does that mean the Gregory Daniel
15 loan, the 188,000, was part of what was anticipated to be
16 covered?

17 THE WITNESS: Yes, it was.

18 THE COURT: Okay. Thank you.

19 BY MR. MAUPIN:

20 Q All right. Going back to these new products, the
21 Charlotte's Web product and the product from Israel, do you
22 have exclusive rights to market those products here in Nevada?

23 A Yes, we do. Charlotte's Web for the first time in
24 the state of Nevada, and Tekun Olam for the first time in
25 America.

1 Q Are you aware of the status of the 4Front deal at
2 this point?

3 A Yes, I am.

4 Q And what is it?

5 A What's that?

6 Q What's the status?

7 A Well, I understand they have an LOI. And, you know,
8 when I looked at -- when I looked at them I noticed that none
9 of the LOIs were signed. If I was -- if I was the seller, I
10 would have a lot of problems with the offer.

11 Q And what is the pitfalls of the 4Front offer once
12 it's -- once it's funded?

13 A Okay. So I think we've got really savvy number
14 crunchers at my office, and we hired them because they can --
15 you know, they're very -- they're very sharp people, and we go
16 through and we kick ideas around, and it's been very helpful.
17 And so what we did is we looked at the 4Front deal, and I
18 looked at -- I guess we look at them together, because
19 originally there was just one deal for the cultivation, and
20 then Mr. Terry came in, I understand, on the first day of this
21 hearing and held up a 4Front deal for cultivation and
22 production, too.

23 MS. PIKE-TURNER: Objection. That misstates prior
24 testimony.

25 THE COURT: Overruled.

1 THE WITNESS: Okay. So he -- so he had mentioned
2 that there was another offer, and we actually got that offer
3 later that day. So the problem here is that the deal is it's
4 a loan, okay. There's a big difference between a loan and an
5 investment in the company, which CW Nevada is doing. So the
6 deal structure is a combination of debt and equity. So the
7 debt portion is a combined 10.3 million interest-only loan at
8 and what would be a blended rate of about 11 percent, okay,
9 from 4Front that's due and payable at the end of year four,
10 okay. Interest over the four-year period totals \$4.52
11 million. So there's another \$4.52 million that they're going
12 to owe in interest only at the end of four years, so that the
13 total payments made to 4Front on the loans is \$14.82 million.
14 That's a lot -- that's double the -- or that's 50 percent more
15 than the loan they're actually taking out.

16 And the debt -- now, here's the other kicker. The
17 debt portion calls for an 85 percent pre cash flow sweep until
18 the loan has been fully repaid.

19 BY MR. MAUPIN:

20 Q Sweep of what?

21 A Well, so if you have free cash, rather than being
22 able to spend that money on, you know, your advertising, your
23 branding, your marketing, promotionals, creating things like
24 loss leaders to bring people into stores, that money has to go
25 out the door to pay the interest on the loan.

1 The other -- the other issue is that it says that
2 they get -- now, for a loan they're going to get 40 percent
3 and 48 percent, respectively, of cultivation and dispensary
4 holding company's stock. But in the event of a default the
5 deal is secured by first priority liens on all assets of the
6 holding company and its subsidiaries, including the licenses.
7 Big issue there.

8 So the problem here -- let's start at the very
9 beginning. Let's start with the timeline, okay. So when I
10 looked at that deal -- I don't need to read it; I mean, I use
11 this as notes. But when you look at the timeline of the deal
12 it says -- there's no set time for due diligence. I did due
13 diligence. There's no set time for due diligence in this
14 LOIs. And first of all, it's an LOI. It's nonbinding. It's
15 not a purchase agreement. It's not signed. There's no
16 definitive time for due diligence. And then they also note in
17 the cultivation and production aspect that they can take up to
18 90 days to fund. Okay. But when does that start? That's a
19 very interesting -- I mean, if they say they've got the money,
20 okay. I mean, I think anybody bets -- if you're going to ride
21 a particular horse, you'd better make sure that it's got all
22 of its hay and oats. So if they say that, you know, the
23 money's there, okay, the money's there. But I think at the
24 end of the day you've got to look at, well, when does it get
25 paid out, when does it start running. And requiring the

1 company to pay back \$14.82 in four years is not practical,
2 because I don't think under their plan building out -- you're
3 not going to make a dime in year one. You're going to be
4 building and trying to open your doors, and it's going to take
5 them a year. So if it takes them a year, then all of a sudden
6 this 14.82 is backloaded into three years.

7 Now let's talk about the market real quick. The
8 market has been slower than everybody anticipated to blossom.
9 And then everybody's counting on rec, okay, recreational
10 coming online. I hope it happens. That's great. But Sheldon
11 Adelson bought the R-J. That's a problem. Sheldon Adelson is
12 extremely adverse to marijuana becoming recreational. So the
13 idea that recreational --

14 Q Mr. Padgett, I'd like to stop you at this point. He
15 bought the newspaper, but he holds no public office, and he
16 has no public power. So if that's a concern for the -- in
17 terms of future investment by people in your industry, then
18 you can go ahead and answer the question. But if it's not,
19 then we need to move on.

20 A Yeah. I think it is a concern only in that if
21 recreational is not approved on the next initiative ballot
22 next year, then at that point in time there won't be as many
23 customers as people are projecting. Which means if there are
24 not as many customers as people are projecting and you have a
25 \$14.82 million loan and you don't make any money in year one

1 because you're building and then you've got years two, three,
2 and four to pay it back, you know what happens? You don't pay
3 it back. And then you know what happens? They've attached --
4 in this offer they've attached all the licenses. So then they
5 go from a 40 and 48 percent prospective owner to hundred
6 percent owner, and the owners of NuVeda are going to be shown
7 the door, because that's what it calls for.

8 So, Mr. Maupin, all I'm trying to do is say when you
9 have -- it's veritable axe hanging over your head. And here's
10 a good analogy, if I may. With this deal they're basically
11 saying you've got to get from Las Vegas to L.A. and you've got
12 a small gas tank and you don't have enough gas to get there so
13 are you going to go in a pickup or are you going to go in a
14 Rolls Royce. It doesn't really matter. You're going to be by
15 the side of the road, out of gas, hitchhiking on your way to
16 L.A. because you won't have enough to get there.

17 (Pause in the proceedings)

18 BY MR. MAUPIN:

19 Q So if under the -- under the agreement with -- or
20 the LOI with 4Front is there any other problems, for example,
21 if it goes through -- does NuVeda lose certain tax advantages
22 with this?

23 A Well --

24 Q If it does.

25 A Well, right away in year one if -- I mean, we're

1 obligated under our agreement with NuVeda to open the first
2 dispensary I think on April 16. So at that point in time
3 we'll completely stock it and staff it, and by putting in some
4 cultivation -- before we build out the full greenhouse we'll
5 have some cultivation which we'll be able to then utilize and
6 kind of help them stock their stores, along with our edibles,
7 and they should be able to realize some tax savings at the
8 cultivation and production level on the way to dispensary in
9 year one.

10 Q How long -- if they signed the LOI today, the 4Front
11 LOI, how long would it take them, in your opinion, to get
12 operational? There's a due diligence period with that, isn't
13 there?

14 A Yeah. I mean, that's -- okay. Good point. It's
15 totally undetermined. They say they need 90 days to finance.
16 Okay. Great. I get that. So take your 90 days out. But
17 even let's say if it were 30 days, you still have to start all
18 the buildout, and then where's your money to stock the
19 dispensaries and when are you going to actually start building
20 the greenhouse and the production facility? I think it takes
21 them -- I don't think they make the municipal deadlines.
22 Because we started right on December 7th, I want to say, with
23 our architects. We hired KGA Architecture, Sundance Builders
24 to get moving right away. Trinity Contractors. So we've got
25 about a -- we'll have about a good two months' leg up. I

1 don't think they're going to make the municipal deadlines.

2 So the State has deadlines that they said, well, you
3 can -- as long as we see substantial compliance, you know,
4 with your ability to build out, you're good. That's the new
5 State requirement, substantial compliance by I think May 3rd.
6 But the municipalities haven't changed their deadlines, which
7 are still that May 3rd deadline. They haven't rolled them --
8 they haven't rolled them forward, they haven't changed them at
9 all, they haven't pushed them back that I'm aware of. So
10 you're going to need to get them open.

11 But it's not just the municipal deadlines and State
12 deadlines, it's also the speed to market, the time to market.
13 The market's show right now, but I will tell you it is going
14 to pick up. And the faster we get to market, the more market
15 share we can grab. The slower we are to market, the more
16 we're going to have to fight to get to the counter, and it's
17 going to be a lot more difficult. I'd like to be an
18 established storefront on all three dispensaries sooner,
19 rather than later, so that we're already an established,
20 trusted brand. And to me you can't put a price tag on that.

21 Q So with regard to this State Website where they
22 appear to have relaxed the deadlines at least subjectively, is
23 that something you can absolutely count on in terms of whether
24 you're going to make a deal or not?

25 A Absolutely not.

1 Q And the term "substantial compliance" sounds a
2 little bit like substantial completion. Is that a -- is that
3 a subjective term?

4 A I think you always have to err on the side of
5 caution. So for us that means build out. That means be able
6 to say, here it is, it's operational. Because, you know, one
7 of these things -- these are privileged -- these are
8 privileged licenses, and there are very few of them here in
9 the state. And it's just one of those things where you say,
10 you know, this could be really good, let's do everything they
11 say, follow it to a T, because, you know what, I don't want to
12 be able to look at, well, what if we don't, what are the
13 consequences. I don't even want to go there, because the
14 municipalities, interestingly enough, have not changed, as far
15 as I'm aware of, their deadlines. Now, maybe there are some
16 out there that say, we'll track the State.

17 But let me give you an example. Clark County
18 didn't, and Steve Sisolak, Commissioner Steve Sisolak said to
19 me, you going to be ready, Mr. Padgett, by May 3rd, when we
20 asked for an extension a month ago, which every licensee did;
21 and I said, yes, I will, Your Honor. And he said, okay, I'm
22 going to hold you to that; and I said, okay.

23 Q Well, aside from that interaction, now you've signed
24 this agreement. What's going on in the execution of the CW
25 agreement at this point?

1 A Okay. So as soon as -- well, actually before we
2 signed the agreement I called our contractor and I called our
3 architects to see how much work they had on their plates and
4 could they get up and running. And I was told they could. So
5 we started to have some preliminary meetings as soon as we
6 signed the agreement. So that means floor plans,
7 architectural, putting together the contractors and the subs,
8 getting the -- you know, getting the whole look of the
9 dispensaries ready to go, and making sure that we're ready to
10 submit some plans so that we can put a shovel in ground by the
11 end of the month.

12 Q All right. One last question, mercifully, I
13 suppose. On page 181 of the transcript, and it's the
14 transcript from the first day of the hearing, where Mr. Terry
15 testified. And he made the -- this is the exchange.

16 "Have you had a chance to review the membership sale
17 agreement that's set forth at Exhibit 22??

18 And the answer is "Yes."

19 "Do you believe it's good for NuVeda?"

20 Answer, "It's horrible for the company."

21 Question, "Why?"

22 Answer, "One, it doesn't address our pending legal
23 issues, but that could be set aside. Other than
24 that, it's a 65 percent interest into the company
25 with no total monetary contribution."

1 Is that correct?

2 A No, it's not.

3 Q Why isn't it?

4 A Well, we didn't put a number on it, say, well, it's
5 10 million or it's 5 million or 7.5 million or 12 million,
6 because what we found is that you're going to have cost
7 overruns. And our commitment to CW NV is to build out the
8 facilities, period, end of story. It could be more, and I
9 expect it to be more, and the benefits will be greater.

10 And furthermore, there's no -- there's no gun to
11 your head at the end of four years. We don't attach any
12 assets.

13 Q Well, aside -- the main point is it says "with no
14 total monetary contribution." That may be true in the sense
15 of -- well, strike that.

16 There would have to be a total monetary contribution
17 at some point; correct?

18 A Correct.

19 Q And the number, as you just stated, could range from
20 five to 10 million, but there's -- you don't know what the
21 cost overruns are.

22 A Yeah, that's correct. It's not going to be five,
23 it's going to be north of ten. I don't think you -- I don't
24 think you're going to be able to build all of these
25 facilities, staff them, stock them, supply them. The number

1 that we put in, the total value benefit of everything that CW
2 brings to the table we valued at \$22 million.

3 Q Then it goes on, "The only thing that it mentions is
4 that it will pay up to \$1.5 million of debt, and
5 included in that \$1.5 million of the debt is
6 \$600,000 that's going to be paid off to Pej Bady as
7 a personal -- that he borrowed as a personal loan.
8 NuVeda is giving out membership interests for Pej to
9 pay off his personal loans."

10 Is any of that true?

11 A No, it is not true.

12 Q And, as you've explained to the Court, the
13 1.5 million absolutely excludes the \$600,000 Golpa loan;
14 correct?

15 A That is correct. CW Nevada doesn't pay personal
16 loans.

17 MR. MAUPIN: No further questions.

18 THE COURT: Mr. Dushoff, did you want to inquire?

19 MR. DUSHOFF: One moment.

20 (Pause in the proceedings)

21 CROSS-EXAMINATION

22 BY MR. DUSHOFF:

23 Q Mr. Padgett, there's a lot of talk about NuVeda
24 raising funds and having to raise funds on their own in order
25 to go forward. Let me ask you this question. Signing the CW

1 deal how much money does NuVeda in its own, through it's work
2 through Mr. Terry, the CEO, have to raise in order to go
3 forward with this CW deal?

4 A No money.

5 MR. DUSHOFF: Thank you.

6 THE COURT: Did you have any additional questions
7 that you wanted to ask?

8 MR. DUSHOFF: That was about it.

9 THE COURT: You're going to sit down now?

10 MR. DUSHOFF: Look at me, huh? I'm learning.

11 THE COURT: Cross-examination.

12 THE WITNESS: Would now be a good time for me to use
13 the restroom, please?

14 THE COURT: Now would be excellent, yep. And do you
15 need any hot tea or any more water or anything?

16 THE WITNESS: No, ma'am. Just a restroom break
17 would be fine. Thank you.

18 THE COURT: So 10 minutes.

19 (Court recessed at 10:12 a.m., until 10:20 a.m.)

20 CROSS-EXAMINATION

21 BY MS. PIKE-TURNER:

22 Q Good morning.

23 A Good morning.

24 Q Now, Mr. Padgett, you talked about a 30,000-square-
25 foot greenhouse in Nye County that's owned and operated by CW;

1 is that correct?

2 A Correct. We have the -- it's a lease option.

3 Q And then there's an empty warehouse at this point
4 that you intend to have as a cultivation and processing on
5 Highland? Is that right? Did I understand that?

6 A No. It's 80 percent complete.

7 Q There's no product in there, there's no grow or
8 production at this point?

9 A Correct.

10 Q And then there's a plan to build a building for Ali
11 Baba. Did I get that right?

12 A That's correct.

13 Q Okay. And that's going to be funded with hopefully
14 revenue from other operations that you have going?

15 A No.

16 Q At least in part?

17 A No.

18 Q Do you have a different deal with them that you're
19 funding a hundred percent?

20 A I'm sorry. I don't understand the question. Deal
21 with who?

22 Q Okay. The Ali Baba facility --

23 A Yes.

24 Q -- is that going to be 100 percent funded with
25 investment dollars from CW?

1 A CW is all Ali Baba, CW Nevada.

2 Q Okay.

3 THE COURT: Ali Baba's a street.

4 MS. PIKE-TURNER: Oh. That's what I didn't

5 understand. Thank you.

6 THE COURT: Right?

7 THE WITNESS: Yes, ma'am. Between --

8 THE COURT: Isn't Ali Baba a street?

9 THE WITNESS: Yes, ma'am, between Trop and Russell.

10 BY MS. PIKE-TURNER:

11 Q Okay. And that facility is being funded by CW?

12 A CW Nevada.

13 Q Okay. And to make it easy, can I call CW Nevada CW

14 and then the NewCo CW NV LLC NewCo?

15 A Fine.

16 Q Okay. Who's funding CW's development of a building

17 on Ali Baba?

18 A CW Nevada.

19 Q Okay. And it's not -- the funding is not dependent

20 upon any revenue source?

21 A No.

22 Q Okay. And that building -- what's the stage of

23 development? Have you broken ground?

24 A On Ali Baba?

25 Q Yes.

1 A We were waiting for Southwest Gas to move out.
2 There's an eastern side and a western side of the building.
3 On the eastern side of the building we have drop ceilings, and
4 it's sprinkled. That's the side we want to build on. Because
5 when -- the rest of the warehouse is 30-foot ceilings. So we
6 were waiting for Southwest Gas to move out. They just moved
7 out, and now we'll start building in there, the kitchens.

8 Q And that's -- you expect to have that built out by
9 May of 2016?

10 A Our deadline is before then.

11 Q Okay. April 2016?

12 A I believe so.

13 Q Okay. Now, for the -- and the Ali Baba facility,
14 that's construction -- I mean cultivation and processing?

15 A Production.

16 Q Production. Now, if the membership interest
17 purchase agreement, the transfers that are contemplated under
18 that agreement are restrained by Judge Gonzalez and that deal
19 does not go through, CW will be a competitor of NuVeda;
20 correct?

21 A We have a purchase agreement. I mean, we've
22 expended capital, we're already moving forward.

23 Q Okay. We'll get to that. But if that deal does not
24 go forward, then you are -- CW is in direct competition with
25 NuVeda for that same vertical integrated business of

1 processing, cultivation, and dispensaries; correct?

2 A In one way or another.

3 Q NuVeda has the only 24-hour dispensary license for
4 the dispensary to be located at 2113 Las Vegas Boulevard;
5 correct?

6 A I believe so.

7 Q And you testified that -- well, and there's two
8 dispensaries, one in downtown Las Vegas in the Arts District
9 on Third Street; correct?

10 A Yes.

11 Q And then the other on Las Vegas Boulevard right as
12 you enter into Northtown?

13 A Yes. The Third Street is just a lot now, though.
14 It's got to be built from scratch.

15 Q And with respect to the buildout of the dispensaries
16 I need to understand your testimony. You've committed to
17 building out those dispensaries according to the plans that
18 are in place?

19 A So we have seen some of the plans, and we're working
20 with the majority owners on a floor plan that I think is most
21 conducive to traffic, and we're working on that with KGA. I
22 believe that -- there was one set of plans, and I forget which
23 building it was for, that were just -- that we liked that
24 we're going to forward with, and another one that we're
25 working on collaboratively.

1 Q So you're working on changing the plans currently?

2 A Nothing that would impede our ability to move
3 quickly.

4 Q Okay. You don't have approved plans for either
5 dispensary; correct?

6 A No, we don't at this time.

7 Q And you don't have permits?

8 A No. We got -- excuse me. We got the purchase
9 agreement done exactly a month ago.

10 Q So in your declaration that was filed with the Court
11 it said that, "In reliance upon our agreement with NuVeda CW
12 Nevada has already expended substantial time, effort, moneys
13 in furtherance of construction of these licensed locations,
14 and even a one-week delay over the holiday season in
15 construction- and approval-related activities could mean the
16 forfeiture of the licenses and potential failure of the
17 business venture." Do you recall that?

18 A Yes.

19 Q All right. So construction -- when you talk about
20 construction you mean putting plans together and the prep work
21 for going forward and getting approvals, permits?

22 A No. I think it's just part of a whole. I think
23 it's part of a whole. And I think that, you know, when you're
24 dealing with planning what I find is that it just -- it's
25 going to take a little bit of time. But while you're doing

1 that, then you marshal your GC, you marshal your subs, and you
2 get ready to roll.

3 Q Okay. So that I have a clear answer here,
4 construction-related activities does not mean breaking ground
5 with a shovel; correct? And in fact you don't even have
6 permits to do that at this point. Yes or no?

7 A No, we don't have permits at this time.

8 Q Okay. Thank you.

9 MR. DUSHOFF: Compound question.

10 MR. MAUPIN: Excuse me. She asked two questions.

11 THE COURT: Do you need to finish?

12 THE WITNESS: Yes, please.

13 THE COURT: Uh-huh.

14 THE WITNESS: We have -- as you know, in our
15 purchase agreement it says that we have to have one of the
16 facilities open by April 16. And if there's a jeopardy to
17 company of losing the license and you do lose a license, then
18 you get one of ours. So what I'm saying is we set a timeline
19 and figured out exactly how long it's going to take us, and
20 that's why we started on December 7th. So what you see right
21 now and the status were at is pretty much where we spec-ed out
22 to be. And I will tell you in there that, yeah, when the
23 holidays come around it is -- you lose time. We budgeted for
24 that, and we worked through the holidays, too.

25 //

1 BY MS. PIKE-TURNER:

2 Q So you said one facility is going to be built by
3 April?

4 A Yes.

5 Q And you've guaranteed that; correct?

6 A Yes.

7 Q And it's not NewCo that's guaranteeing. Under oath
8 that we're in court, to be clear, CW is guaranteeing that;
9 correct?

10 A Yes.

11 Q Okay. And which facility is that?

12 A I believe it's the North Las Vegas.

13 Q Okay. The North Las Vegas, that's the 2113 Las
14 Vegas Boulevard; correct?

15 A You know, I'm sorry. I didn't get a chance to bone
16 up at all. It's one of the two dispensaries. I want to say
17 it's North Las Vegas, but it could be the City. I can't tell
18 you as I sit here right now. I mean, I could look at the
19 purchase agreement, but --

20 Q You talked about some detailed due diligence that
21 you did. Did you review the lease for that property?

22 A 2113 lease?

23 Q Yes.

24 A My president, Jason Thompson, did.

25 Q Okay. And you have an understanding of the general

1 terms; correct?

2 A He would know better than I.

3 Q Do you understand that NuVeda is the tenant and that
4 NuVeda LLC is the tenant in that lease?

5 A Would there be a problem with that?

6 Q Does -- has NuVeda provided you the right to occupy
7 -- of NewCo to occupy that lease and operate a business?

8 A Well, I think that's just -- that's something that
9 gets done in the ordinary course. If we have the majority
10 owners of NuVeda voting to transfer the license to CW NV, then
11 of course it would follow logically that they allow us to
12 build out and occupy the leased premises.

13 Q Describe all the efforts that CW has done to protect
14 the property against the current pending lawsuit that -- from
15 CW -- pardon me, 2113 Investors LLC against NuVeda.

16 A I'm not -- I'm not aware that we've done anything at
17 this time.

18 Q Are you aware that there's a notice of intent to
19 take default that expires today?

20 A I wasn't aware of any particular dates.

21 Q Now, with respect to any moneys that's been expended
22 by CW to date, if Judge Gonzalez enters the requested relief,
23 you're entitled to 16 percent interest on those moneys
24 expended; correct?

25 A Yes. But that's something that we don't want to do.

1 Q I understand. But that's -- that's a remedy that
2 you've built into the agreement; correct?

3 A Yes.

4 Q Now, Kaempfer Crowell is your counsel -- CW's
5 counsel?

6 A One of them, yes.

7 Q And Mr. Bernhard in particular?

8 A Yes.

9 Q And Mr. Bernhard actually prepared the documents for
10 submission to the State on behalf of NuVeda and its
11 subsidiaries on or about December 9th; correct?

12 A I believe so.

13 Q Okay. And did -- did you review those before they
14 were submitted to the State?

15 A You mean the percentages?

16 Q Yes.

17 A No. That was handled between Mr. Bady and the
18 Kaempfer Crowell offices. And I noticed that they were
19 different than what Mr. Terry submitted several days later.

20 Q Now, you recall that Mr. Terry submitted an
21 application that disclosed Phil Ivey's interest? Do you
22 recall that?

23 A Not off the top of my head.

24 Q Now, you know that Phil Ivey is claiming an interest
25 in Clark NMSD LLC and Nye Natural Medicinal Solutions LLC;

1 correct?

2 MR. DUSHOFF: Objection. There has been no evidence
3 that Phil Ivey is claiming anything in this case.

4 THE COURT: Overruled. You can ask the question.

5 BY MS. PIKE-TURNER:

6 Q Go ahead.

7 A Yeah. It's my understanding that Mr. Ivey isn't
8 taking a position in this matter at all.

9 Q Did you talk to Mr. Ivey or his --

10 A No. That's why I'm saying it's my understanding.

11 Q And who gave you that understanding?

12 A The majority members.

13 Q In the membership interest purchase agreement that
14 was entered with the majority members you actually planned for
15 this, because you're a good lawyer representing CW's
16 interests.

17 A No. No, I'm not.

18 Q You're not representing CW's interests?

19 A I'm not -- I'm not the attorney for CW Nevada.

20 Q You had separate counsel on this transaction?

21 A That document was prepared by Pete Bernhard on our
22 side and by Joe Mugan on the NuVeda side.

23 Q So when you're participating in the membership
24 interest purchase agreement you're certainly looking out for
25 CW's interests as an officer of CW? You're CEO and chairman

1 of the board; right?

2 A Of course.

3 Q Okay. Now, in the membership interest purchase
4 agreement -- and to be fair, it's Exhibit 21, sorry, in the
5 white book. Black is more slenderizing, but they actually --

6 A The black seems much classier. All right. What was
7 the --

8 Q It is. It's mine.

9 A 21; right?

10 Q Yeah. Page 4.

11 A All right. Hang on. Okay.

12 Q Now, this -- just to lay some foundation, this
13 membership interest purchase agreement was executed on or
14 about December 6th, 2015; correct?

15 A Correct.

16 Q Was it December 6th?

17 A Yes.

18 Q Okay. And that was before you ever saw Shane
19 Terry's submission to the State that he submitted
20 December 15th; right?

21 A Correct.

22 Q All right. Now, Section 2.1 on page 4 says --

23 A I'm sorry. 2?

24 Q 2.1. I'm sorry. At the top of the page it says,
25 "Mr. Phil Ivey individually was listed as 3 percent owner of

1 Nye." Do you see that?

2 A Yes.

3 Q That was in the original application to the
4 governmental authorities that CW reviewed; correct?

5 A I believe Mr. Bernhard reviewed them, yes.

6 Q Okay. "In the event of any issues with respect to
7 any alleged ownership interest in Nye by Ivey, including,
8 without limitation, obtaining the transfer approvals, NuVeda
9 and CW shall use best efforts to remedy such issues with Ivey
10 and the applicable government authorities." Do you see that?
11 Did I read it right?

12 A That's what it says, yes.

13 Q What has CW done to remedy this issue with Phil
14 Ivey?

15 A Well, like I said, it was my understanding that Mr.
16 Ivey wasn't making a claim or had an interest that he was
17 pushing forward. However, I suppose if Mr. Ivey called me and
18 said, hey, what about my 3 percent, we would say, well, of
19 course, you are going to -- the licenses are transferring over
20 to CW NV and we will move forward and, surprise, you're going
21 to be making money faster than you thought you would have been
22 otherwise.

23 Q So you're relying on the defendants' representations
24 that Phil Ivey is not making a claim; correct?

25 A What I did was I sat down and I spoke at length with

1 Mr. Bernhard, who I have a lot of respect for. As you know,
2 he spent a lot of time as the chairman of the Gaming
3 Commission. And we went through all of the hair. Because I
4 don't think there's --

5 Q My question is what have you done to remedy that
6 situation?

7 A With Mr. Ivey?

8 Q Yes.

9 A Well, it's my understanding that Mr. Ivey's aware of
10 the situation. And I haven't heard from Mr. Ivey yet, so I
11 assume when Mr. Ivey contacts me we will work it out. And I
12 imagine that Mr. Ivey's shares will not change, that Mr. Ivey
13 will continue in the same interest as he had before.

14 Q Do you know who Jennifer Goldstein is?

15 A Yes.

16 Q Why haven't you returned her phone calls?

17 A She told me she called me once, and that's when I
18 saw her at the opening of the Oasis dispensary. But at that
19 point in time when I saw her I believe that you had filed your
20 case here, and I didn't think it was fruitful at that point in
21 time to talk any further. Because I asked Ms. Goldstein, I
22 said, why didn't you -- what do you like about the CW Nevada
23 offer; and she said, well, I just don't like it. I said, tell
24 me why. And she couldn't tell me. And I said, well, what do
25 you like about the other offers; and she wouldn't talk to me

1 about it. And this is what it came down to in my opinion
2 after talking to her at length on that night. It was very
3 clear to me that the thing that she didn't like was losing
4 control of the company. That was the bottom-line issue.
5 And, ma'am, I just didn't think there was anything more to
6 talk about at that point in time. It was about -- to me it
7 wasn't -- she wasn't coming from a place of the welfare of the
8 company, it was more along the lines of the minority not
9 wanting to lose control of the steering wheel. And that's
10 what it boiled down to to me.

11 Q So in answer to the question, you didn't return her
12 phone call -- you say there was only one?

13 A Because I met with her in person at the Oasis
14 dispensary opening and talked to her for about 20 minutes.

15 Q How far away from her call to her and the time that
16 you talked to her at the dispensary opening?

17 A I have absolutely no idea. To tell you the truth, I
18 have to be honest, I don't check my voicemails a lot. And the
19 reason for that is -- have you got an iPhone? It's got those
20 little icons, you know, for text and email and phone. Well,
21 so you get however many voicemails and so on and so forth, you
22 get a little badge, and it says however many you have
23 outstanding. I get that for texts and email. I don't get
24 that for voicemail, and I'm not a big phone guy, so I thought
25 really, to tell you the truth, meeting her at Oasis -- well,

1 we happened to run into each other, and I sat down and I
2 talked with her at length.

3 Q When was the Oasis dispensary opening?

4 A Boy, I don't know.

5 Q You said it was after the lawsuit.

6 A It was before -- right before or right after. It
7 was somewhere around there.

8 Q Okay. So that's December. I'll represent to you
9 that the lawsuit was filed December 3rd and served on Mr.
10 Aiello via email that same day.

11 You saw that the lawsuit had been filed or were
12 aware that the lawsuit had been filed before you executed the
13 membership interest purchase agreement; correct?

14 A No.

15 Q Mr. Aiello didn't provide you a copy before you
16 signed the agreement?

17 A What day was the 3rd?

18 Q Three days before the 6th.

19 A I know. I mean, was it a Monday or Tuesday or a
20 Wednesday? Do you mind? When was it filed?

21 Q It was --

22 A Here's what I recall. We found out about it the
23 following Monday, and then there was electronic service
24 issues. Am I right?

25 Q No. I'm asking if Mr. Aiello provided you a copy of

1 the complaint --

2 A No. No.

3 Q -- before you signed this agreement.

4 A No.

5 Q And you weren't otherwise made aware of the lawsuit
6 prior to executing the membership interest purchase agreement?

7 A Was I aware that -- you know, that at some point in
8 time there could be an issue between the minority and the
9 majority? Yes. Was I aware that there was a suit filed? I
10 don't believe so, no.

11 Q Did --

12 A Because I remember -- you know what, let me take a
13 step back and let me preface it by saying this. I haven't had
14 any time to bone up on the facts, I haven't read any memos, I
15 haven't looked at anything, because I've been in bed the last
16 two days.

17 But what I can tell you is I don't like to play
18 lawyer for myself, because you typically -- when you're your
19 own attorney I think you're a poor client and you're probably
20 a poor attorney for doing so. So I run everything through
21 Pete Bernhard. And I mean everything through Pete. And if
22 Pete gives me a green light, I go. If Pete says no, then I
23 don't move.

24 Q Now, what have you and your counsel done to obtain
25 regulatory approvals from the State of Nevada, City of Las

1 Vegas, and City of North Las Vegas? What's the status of
2 those applications for approval?

3 A Regulatory approvals -- now, there's several
4 different layers. So what are you talking about?

5 Q Well, what have you done to obtain approval by the
6 governmental authorities for the transaction contemplated by
7 the membership agreement?

8 A Well, okay. So are you talking about getting
9 business licensing approval in those particular entities --

10 Q No. I'm asking --

11 A -- or a transfer?

12 Q I'm asking for approval -- I think the language is
13 "all governmental approvals." That would be transfers,
14 business license, all of it. What have you done --

15 A So the first thing --

16 Q -- in the application process?

17 A Yeah. The first thing we've done is we've submitted
18 for business licensing in the City of Las Vegas. And we don't
19 have a dispensary there, so the reason for doing that would be
20 CW NV. We're preparing a packet for North Las Vegas, as
21 well. And then we are pulling together documents necessary to
22 effectuate a transfer. But --

23 Q Other than obtaining a business license --

24 MR. MAUPIN: I would request that he be allowed to
25 finish his --

1 THE COURT: Were you finished, sir?

2 BY MS. PIKE-TURNER:

3 Q Oh. I thought you were finished.

4 THE COURT: Were you finished?

5 THE WITNESS: I don't remember where I was.

6 THE COURT: Okay.

7 BY MS. PIKE-TURNER:

8 Q Okay. So you obtained a business license -- or you
9 applied for a business license --

10 A We're in the process, yes.

11 Q -- in the City of Las Vegas --

12 A Correct.

13 Q For the location at 2113 Las Vegas Boulevard?

14 A Correct.

15 Q Anything else?

16 A Well, listen. You're using some addresses here, and
17 I don't know if they're juxtaposed or not, but we'll just --
18 for the City of Las Vegas dispensary, yes.

19 Q Okay. So Third Street.

20 A Correct.

21 Q Okay. Other than applying for the business license
22 for the City of Las Vegas, what other applications have been
23 submitted?

24 A We're -- like I said, we're finishing up our
25 application for the City of North Las Vegas, and then

1 preparing all of the documents for transfer necessary with the
2 State.

3 Q Okay. So no approvals from any of the government
4 authorities at this point?

5 A Well, typically -- no, not at this point. And
6 typically if you file for a license in one locale or
7 jurisdiction or the other, it's not going to be an
8 instantaneous thing. It's going to take a while to process.
9 They've gone a lot faster now, but it is going to take a
10 while.

11 Q Understood.

12 A So under our --

13 Q One of the --

14 A Under --

15 THE COURT: Wait. You've got to let him finish.
16 Sir, could you finish.

17 THE WITNESS: Yes, ma'am.

18 Under our agreement with NuVeda we move forward
19 anyway. We move forward and we keep building out in good
20 faith.

21 BY MS. PIKE-TURNER:

22 Q Well, not building, but --

23 A No, ma'am.

24 Q -- going forward with the change?

25 A No, ma'am. That means we go from plans to shovels

1 in dirt to concrete foundation to studs to drywall to
2 electrical to plumbing to roof to interior design. We do it
3 all.

4 Q Not over the last month?

5 A If you could show me somebody that could do it that
6 fast, let me tell you, they'd be on my payroll.

7 Q Now, you talked about the deadline of May 3rd, 2016.

8 A Yes.

9 Q Do you recall that?

10 A Yes.

11 Q Now, there was a policy statement that came out
12 indicating that, "If the MME has submitted its provisional
13 registration renewal on time and can you tell us to make
14 significant progress toward opening, the Division intends to
15 take no action on the MME's certificate at the 18-month
16 May 3rd, 2016, deadline." You referred to that language;
17 right?

18 MR. DUSHOFF: Judge, she's reading from the
19 document. I'd ask the witness be given an opportunity to look
20 at that document she's reading from, Exhibit --

21 THE COURT: 33A?

22 MR. DUSHOFF: Yes.

23 THE COURT: Do you want to look at 33A, sir?

24 MS. PIKE-TURNER: Well, he said he was familiar with
25 the new policy.

1 BY MS. PIKE-TURNER:

2 Q Is that what you were referring to when you talked
3 about significant progress?

4 A Yeah. But let me take a look at it. Is it in the
5 white binder or the slenderizing black one?

6 Q 33A. I think it's in -- 33A is over on the side in
7 the looseleafs. Right?

8 THE COURT: It's in the black book. It's in the
9 black binder.

10 THE WITNESS: Okay. I'm there.

11 BY MS. PIKE-TURNER:

12 Q Okay. If you'd go to the last page --

13 A Okay.

14 Q -- second bullet point.

15 A Last page. Okay.

16 Q Is that the policy statement you were referring to
17 in your testimony earlier?

18 A I believe it was.

19 Q Now, you indicated that there is a guarantee that
20 these two dispensaries and the cultivation will be built out
21 by May 2016; is that right?

22 A We will make sure that there are no licenses lost,
23 yes.

24 Q And you referred to it as a guarantee; correct?

25 A Well, let's start with the specific timeline. You

1 see the State letter here? It says "Significant progress must
2 be made," yet the municipal deadlines are still in place. And
3 when we did our deal this letter hadn't come out yet. But it
4 still wouldn't change the fact that in North Las Vegas they're
5 demanding that it be built by April 16 of this year. It's
6 North Las Vegas or the City, one of the two. I'm sorry. I
7 keep interposing them. So there's still municipal deadlines
8 out there that have to be met. And the problem that we've
9 seen in the last year has been the municipalities are saying,
10 well, this is my turf, and the State's saying, no, it's my
11 turf. And the municipalities are saying, no, it's mine, and
12 the State's saying, no, it's mine. And what you get is you
13 get a lot -- rather than have uniformity, you have kind of a
14 scattershot of different guidelines and dates. So to that
15 extent we take the earliest date, we meet it. And that's what
16 -- that's the way I think we have to do it to be safe.
17 Because, again, these are privileged licenses, and I think --
18 you know, I don't really ever want to get hung up on that what
19 is significant progress thing. What does that mean? I don't
20 think -- like, for example, in speaking with the commissioners
21 and the city councils at length this is what I gathered from
22 it. Significant progress would mean something along the lines
23 of almost completely built out. And, you know, that's how
24 they would interpret what the State is saying. But that
25 doesn't mean that they're going to change what they're doing.

1 Those deadlines are still in place, and I'm going to follow
2 those, because ultimately that's the backyard that I have to
3 play in, and I want to make sure that I'm on good terms with
4 that particular governing body.

5 Q Okay. I'm just reading from the timeline in the
6 agreement.

7 A Sure.

8 Q If you go back to the --

9 A I'm just trying to give some context.

10 Q If we go back to the membership agreement that's the
11 black-and-white --

12 A Yeah.

13 Q -- it says, "Dispensaries are to be complete on or
14 about April 16th, 2016"; correct?

15 A Yeah. I think that was --

16 Q That's what it says.

17 A -- one particular one that had a particular date.
18 The other one will be finished by May 3rd.

19 Q Okay. So despite that the agreement says the first
20 greenhouse built on the CW NV Nye cultivation license shall be
21 approximately 25,000 square feet, with a completion date of
22 December 2016," that's incorrect, it's a typo, it should be
23 May 3rd?

24 A No, it's correct.

25 Q Okay. So it's actually December 2016?

1 A No. Can I explain?

2 Q Well, let me ask you a question. That 25,000-
3 square-foot dispensary, that is not consistent with what
4 NuVeda has as its plans currently. You're taking the --

5 A Dispensary?

6 Q Pardon me. Cultivation --

7 A Okay.

8 Q -- building. The 25,000-square-foot plan, that --
9 you're working on that from scratch; correct?

10 A Correct.

11 Q Okay. Which explains the December -- it's going to
12 take a little bit longer to build it.

13 A But, you know, there's some things that have to be
14 done in order to preserve the licenses, and we're prepared to
15 do that. So yes and no. Yes, I know that NuVeda wanted to do
16 a 60,000-square-foot greenhouse. If you do one 60,000-square-
17 foot greenhouse, you're going to have so many bats in the
18 attic that you're never going to get it dialed in. So we're
19 proposing to do two 25,000-square-foot greenhouses, which
20 allows me to dial in the ecosphere of each one just right,
21 because it's a lot of work.

22 So what we do is we make sure that by May 3rd that
23 we have enough structure on each particular site to satisfy
24 the State requirements and preserve the licenses. And again,
25 keep in mind, if for whatever reason the State says, oh,

1 that's not good enough for us, Mr. Padgett, then I have to
2 cough up one of my licenses back to the CW NV.

3 Q Mr. Padgett, you're aware that the property in Nye
4 is subject in Nye is subject to an agreement with the
5 McKnights; correct?

6 A I believe so, yes.

7 Q Have you read the lawsuit where the McKnights sued
8 Nye and Mr. Bady -- or Dr. Bady for fraud and has said that
9 that lease is void ab initio?

10 A Okay. So --

11 Q Have you read that?

12 A So I'm aware of it.

13 Q Okay.

14 A Okay. So I had -- I had Mr. Bernhard look at it,
15 and we made the same determination. And by the way, you can
16 -- originally there was a small radius in which you could move
17 a license, and then at the last legislative session that
18 radius has increased in size. So now if, for instance, let's
19 say the McKnights say, I don't want anything to do with NuVeda
20 on this land; then at that point in time I can move the
21 licenses to a new location. And I have in fact done that
22 before in Nye County. So I feel confident I could do that
23 again if necessary.

24 Q Have you applied to move the license to a new
25 location?

1 A Not at this time I haven't.

2 Q Okay. Now, with respect to the -- I'm trying to
3 understand this, and you can probably explain better, since
4 you drafted or agreed to the terms -- negotiated, I should
5 say.

6 If you go to the membership sale purchase agreement
7 -- I'm saying that wrong -- membership interest purchase
8 agreement, pardon me.

9 A Can we just call it the purchase agreement? The
10 title's a little misleading, because it's just an asset
11 purchase.

12 Q Well, it's membership interest in the subsidiaries
13 of NuVeda.

14 A No. It's just the licenses. That's all it is.
15 It's just the licenses. We're not taking any interest in any
16 of their subsidiary companies. We're acquiring the assets,
17 that's all.

18 Q All right. Before we -- let me just deal with that.
19 I am admittedly a bit of a slow leak. It's the Nevada public
20 education in me.

21 Can you go to page 2 of the membership interest
22 purchase agreement, Section 1.1. Doesn't it say, "Transferor
23 shall sell," transferor defined as NuVeda, "shall sell
24 100 percent of the membership interest owned by transferor,"
25 NuVeda, "in Clark and Nye"?

1 A Okay. So I don't have it in front of me, because
2 you didn't tell me what exhibit it was.

3 Q I'm sorry. We're back to 21.

4 A Okay. So let me just -- let me just talk layman's
5 terms here.

6 THE COURT: I think it's 22 in the black book.

7 BY MS. PIKE-TURNER:

8 Q It's 22 in that book, yeah.

9 A 22. Okay. we're acquiring the asset. It's as
10 simple as that. And what we're acquiring is what those
11 companies are holding. So they're going to transfer them
12 to CW -- the licenses to CW NV. They're going to keep
13 35 percent, and all of the cost burden, the buildout, the
14 staffing, the stocking, and everything is on us to take care
15 of.

16 Q Okay. The agreement provides for the transfer of
17 100 percent of the ownership interest in the two subsidiaries
18 of NuVeda.

19 A Yeah. To CW NV. And at that point in time NuVeda
20 retains 35 percent, CW NV retains 65 percent. And that's how
21 it was done.

22 Q But you have to transfer a hundred percent to get
23 the 35 percent back from NewCo? It becomes 35 percent
24 interest in NewCo and 100 percent of interest in Nye and Clark
25 goes away.

1 A Again, it's only the licenses, ma'am. It's only the
2 licenses. We're not obtaining any companies, we're simply
3 having them transfer the licenses, in which case there will be
4 a new holding company created, CW NV. And at that point in
5 time we split the interests according to the percentages set
6 forth in the purchase agreement. Nothing more, nothing less.

7 Q So the licenses are held -- are assets of Clark and
8 Nye; correct?

9 A They're assets of -- they would be become assets of
10 CW NV.

11 Q Currently who holds those licenses?

12 A Currently I believe they're held by a company -- an
13 umbrella under NuVeda, I want to say. But I could be wrong.
14 Pete handled a lot of the logistics on that. But we knew --
15 we knew that there was an overall framework that we agreed
16 collectively between the parties that we wanted to achieve,
17 and Pete and Joe Mugan collectively drafted the agreement to
18 get us to the spot where we wanted to go.

19 Q Now, if you go to Exhibit 22 in the white book.

20 A White book. Okay.

21 Q You've seen this before; right? This is what your
22 attorney put together on behalf of the majority?

23 A No, I haven't seen it.

24 Q Okay. Well, you've done due diligence, so maybe not
25 -- did you review the application that NuVeda submitted in

1 order to obtain licenses?

2 A You mean originally?

3 Q Yes.

4 A We might have.

5 Q Do you understand that the licenses, the interest in
6 the license -- it's referred to as MME; correct?

7 A Uh-huh.

8 Q That's a term of art in your industry?

9 A Medical marijuana establishment, yeah.

10 Q Okay. So you have to report who has an ownership or
11 financial investment interest in any MME to the State;
12 correct?

13 A Correct.

14 Q And you understand that Shane Terry has claimed a
15 21 percent ownership or financial investment interest in Clark
16 and Nye? You understand that; right?

17 A I might. I don't have anything in front of me to
18 show me that. But we'll assume you're correct.

19 Q Yeah. I'll submit --

20 A I'll just agree with you --

21 Q Okay.

22 A -- I mean, just for purposes of the discussion here.
23 That's fine.

24 Q And that Jennifer Goldstein has claimed a 7 percent
25 ownership or financial investment interest in Clark and Nye.

1 And I don't want to be unfair to you. I'm looking at page 3
2 of the submission that was sent from Kaempfer Crowell to the
3 State on December 9th, with Pej Bady signing off.

4 A What --

5 Q Page 3 of the submission -- I'm sorry. There's a
6 cover letter, and then you have the renewal application.
7 Page 3 of that renewal application.

8 A Okay. So I see the renewal application.

9 Q Okay. Page 3 of that.

10 A Let me tell you in advance I put Pej together with
11 my attorneys. I wasn't involved in it. So I haven't seen
12 this.

13 Q Okay.

14 A Okay.

15 Q Were you aware of these ownership or financial
16 investment interests in Clark and Nye that's set forth at
17 page 3 that was reported by Kaempfer Crowell on December 9th
18 to the State of Nevada?

19 A Again, I haven't seen this document before.

20 Q Okay.

21 A All I can tell you is that there was a deadline
22 coming up for filing, the company was let's use the term
23 "fractured," and Pej wanted to make sure that he hit the
24 deadline correctly, so I put him together with Kaempfer
25 Crowell, who handles a lot of these items, and they filed what

1 they filed. I understand since that time Mr. Terry came in
2 and entered in some percentages when the TRO was in place that
3 changed significantly from this, but I haven't seen that,
4 either. So I haven't seen -- what I'm saying is I understand
5 there's a bunch of percentages being thrown around, but I
6 haven't seen either in these -- in these renewal applications.

7 Q Why didn't you obtain -- well, not even obtain
8 consent. Why didn't you obtain at least a consent by
9 authorization that includes a vote for transfer of membership
10 interest in Clark and Nye from Shane Terry, Jennifer
11 Goldstein, Ryan Winmill, or John Penders?

12 A Well, let me ask you a question. Are we talking
13 about -- this is just a renewal so that --

14 Q Yeah.

15 A -- so that the deadline gets extended to May 3rd.
16 Doesn't have anything to do with transfer. You're talking
17 about transfer, but we're talking about renewal. My head's a
18 little foggy. I'm sorry. You'll have to bear with me. But I
19 don't understand.

20 Q Okay. Let me break it down.

21 A Please.

22 Q You understood that there was some percentage of
23 interest in Clark and Nye that was being reported to the State
24 of Nevada? Might not have known the detail of those
25 percentages, but you knew there were percentages.

1 A Sure.

2 Q And that those percentages differed between Pej Bady
3 and Shane Terry; correct? You have a general understanding
4 that there was a difference?

5 A I think that my concern at that point in time was
6 that there was a difference in the direction of the company
7 that they wanted to take it in. The particulars are a little
8 bit different.

9 Q Okay. But you understood that they had an interest
10 in the company, NuVeda?

11 A Yes, of course.

12 Q And its subsidiaries.

13 A Yes.

14 Q And you made the decision to negotiate and execute a
15 membership sale agreement without consulting with or obtaining
16 a vote from Shane Terry, Jennifer Goldstein, Ryan Winmill, or
17 John Penders?

18 A Ah, I see. Okay. You want me to answer that?

19 Q Sure.

20 A Okay. So the first thing we did was I sent out --
21 before they were getting ready to vote I sent out an LOI to
22 both Pej and to Mr. Terry, okay. So thereafter we had direct
23 conversations with the majority. I asked Mr. Bernhard to read
24 the operating agreement. He was satisfied that there was a
25 majority that could vote to move the assets to CW NV. Again,

1 we're not talking about the two Apex licenses, because we're
2 not acquiring the two Apex licenses for cultivation and
3 production. We don't have anything to do with that. That's
4 still a NuVeda entity. But Mr. Bernhard sat down with Mr.
5 Mugan, and we went through it in detail as to why it was asset
6 to be sold and that with an asset sale the owners of the
7 majority of the company could vote to sell the assets of the
8 company.

9 We had a majority with Pej Bady, Pouya Mohajer, and
10 Joe Kennedy. Mr. Bernhard was satisfied, Mr. Mugan seemed
11 satisfied. Mr. Bernhard gave me a green light, so we moved
12 forward.

13 Q Have you seen an operating agreement for Clark or
14 Nye?

15 A I don't -- I don't know if there is one. They're
16 assets of CW -- I'm sorry, not CW, of NuVeda.

17 Q Are you aware of any operating agreement for those
18 subsidiaries?

19 A As I stand here I can't say if I've reviewed one or
20 not. But I can tell you that --

21 MR. MAUPIN: In fairness to the witness, I don't
22 think there are any such agreements.

23 THE COURT: Well --

24 MS. PIKE-TURNER: That's my question, is if he's
25 aware of any.

1 THE COURT: Okay. We're not making any assumptions
2 today, because you never know, stuff turns up.

3 THE WITNESS: Yeah. I don't -- you know what, we
4 looked at a lot of documents, so if there is one out there, I
5 might have looked at it. But at the end of the day I trusted
6 my counsel to give me a green light. But I don't just blindly
7 look at and say, well, okay, Pete, I got the thumb up, okay,
8 let's go. No. I'm going to sit down and I'm still going to
9 ask the questions. And he's very good about walking me
10 through things methodically so that I get it. Because, you
11 know what, I think it's always good to have somebody else
12 there to eyeball it for you. I think it's just a good
13 practice. And so that's what I do.

14 BY MS. PIKE-TURNER:

15 Q All right. In the -- you're in the white book now.
16 If you could go to 21 -- 121.

17 A 21; right?

18 Q It is. It's Exhibit 121.

19 THE COURT: It is. But they both decided to use
20 numbers, and so we had to add a 1 to all those even though you
21 don't see it. It's an imaginary 100 in front of that.

22 THE WITNESS: I see Defendant's Exhibit 121 at the
23 top of the page.

24 BY MS. PIKE-TURNER:

25 Q Yeah.

1 A Okay. Got it.

2 Q Now, at the -- in the back of that agreement there's
3 a page called "Additions to Operating Agreement." You've seen
4 it; right?

5 A Where does it say "Additions to Operating
6 Agreement"?

7 Q It is --

8 A Oh. I get it. Okay. Yeah.

9 Q Do you see it?

10 A Uh-huh.

11 Q We don't have it Bates numbered in this book. All
12 right. Now, in this Additions to Operating Agreement the
13 reference to the operating agreement is NewCo operating
14 agreement to be prepared; correct?

15 A Yes.

16 Q Okay. Now, I want to clarify your testimony a few
17 minutes ago. You said that the payment for buildout is not
18 dependent upon any revenue or income; correct?

19 A What do you mean?

20 Q The cost of building out the dispensaries and the
21 cultivation facility, that's not dependent upon any income;
22 correct?

23 A You mean do we have to make money first before we
24 can afford it?

25 Q Before you pay for it.

1 A Okay. No.

2 Q Okay. So when it says in the Additions to Operating
3 Agreement that "Payment to debt and expansion should consist
4 of not less than 50 percent of net income," that is not meant
5 to include buildout of the dispensaries or the cultivation
6 facility?

7 A Where does it say that?

8 Q In the Additions to Operating Agreement,
9 Disbursements. Last line. It says, "Payment to debt and
10 expansion should consist of not less than 50 percent of net
11 income."

12 A Categorically I'll tell you by the time that these
13 facilities are supposed to be built they won't be making any
14 income, so it really won't matter. We have to foot the bill.

15 Q Okay. So NuVeda, the majority, can rely on your
16 testimony here CW's going to pay regardless of any income?

17 A CW's going to pay.

18 Q Okay. Regardless of any income?

19 A Well, I -- well, yes, we can. Yes. Yes.

20 Q And you will?

21 A Okay.

22 Q Okay. And you testified earlier that the payment of
23 up to a million and a half dollars, that's a commitment from
24 CW, not NewCo, a commitment from CW.

25 A Okay. I get where you're going here. Rather than

1 -- okay, let me just tell you yes, okay. Yes. CW will pay
2 for it. And it is not a CW NV. That's the holding company,
3 so it's not a CW NV expense. Those expenses will be borne by
4 CW Nevada, not by CW NV. And we don't do an 85 percent cash
5 sweep, because they don't owe us any money. Everything that
6 we're putting in is an investment into the company.

7 Q Okay. Thank you for clarifying. CW Nevada will pay
8 the 1.5 million.

9 A Yes.

10 Q And that payment to debt is not subject to 50
11 percent net income being received or any income being
12 received?

13 A We calculate that there will be no money earned at
14 the time the facilities are built. Therefore, it will come
15 entirely out of pocket by CW Nevada.

16 Q And the debt, the 1.5 million that's on NuVeda's
17 books that you committed to, that will also be paid regardless
18 of any income; correct?

19 A That is correct.

20 Q Okay. And the 1.5 million, when is that being paid?

21 A Well, I think the thing -- the first thing we do is
22 -- and we're already getting started on this -- is asking for
23 invoices, proof, everything to see if what we're given by the
24 party that's owed -- like, for instance, we're already working
25 out with Trinity Construction right, and it looks like we'll

1 be hiring them to handle the City of Las Vegas buildout.
2 We'll make sure everything matches up. We will start
3 negotiating with them, and then we will pay off -- we will
4 reach a final sum, and we will pay off balances.

5 Q You testified that you'll pay the Dr. Daniel
6 obligation?

7 A Everything on that page was contemplated, except for
8 the Golpa.

9 Q Okay. Mr. Terry had to pay Dr. Daniel in December,
10 so are you going to repay Shane Terry for his payment in
11 December?

12 A I'm not aware of that.

13 Q Will you pay him back?

14 A I'm not aware of it. What was paid? I don't know.

15 Q Okay. Are you going to pay the Dr. Daniel --

16 A Yes.

17 Q -- obligation timely?

18 A We will pay everything on that ledger, yes.

19 Q And if Shane Terry has paid towards that out of his
20 personal dollars in December subsequent to the CW deal being
21 inked, you'll repay him?

22 A Yes, we will.

23 Q Okay. And the 2Prime --

24 A I mean, let me say this. As long as it reduces, as
25 long as that payment goes to reduce the balance owed to Dr.

1 Daniel, then, yes, that is correct.

2 Q If you could go to Exhibit 31 in the black book.

3 THE COURT: 31?

4 MS. PIKE-TURNER: Yes, Your Honor.

5 THE WITNESS: Okay.

6 BY MS. PIKE-TURNER:

7 Q You've seen this before; correct?

8 A You know, I don't know that I have.

9 Q Were the 2.3 million, roughly 2.3 million in debts
10 and liabilities that's attached to the membership sale
11 agreement, was that was provided to you by Pej Bady and Pouya
12 Mohajer?

13 A No. What I testified to earlier was that we got a
14 comprehensive list of debts and obligations on about two pages
15 of documents. And this looks like -- is this two pages --
16 looks like two pages. So we got it on two pages, and then
17 what we came down to in about three days of a workout was what
18 CW Nevada would be responsible for and what we would not be
19 responsible for. And so those negotiations on the dollars
20 and cents were held by the two attorneys, our president, Jason
21 Thompson, who's very good with numbers, and Mr. Bady and Joe
22 Kennedy, who's also very good with numbers, and Mr. Mohajer --
23 Dr. Mohajer, as well.

24 Q Did you have discussion with Pouya Mohajer or Pej
25 Bady or their representatives at Kolesar & Leatham regarding

1 how the Apex mortgage would be paid?

2 MR. MAUPIN: I object to this. The "or" questions
3 are calculated to improperly merge these two together as equal
4 actors.

5 THE COURT: Can you divide them up.

6 BY MS. PIKE-TURNER:

7 Q Did you have any discussion with anybody about
8 payment of the Apex obligations?

9 A Because we were acquiring the Nye licenses, the City
10 license and the North Las Vegas license, our focus was there.
11 We're not acquiring the Apex licenses.

12 Q Did you have any communication with anybody about
13 how NuVeda would pay the Apex obligations if it sold this
14 interest in the dispensaries and cultivation in Nye?

15 A Yeah. So, you know, it's interesting. This is just
16 what I recall.

17 Q Well, first did you? And then we can get to who.

18 A Generally there was some discussion, but it wasn't
19 detailed discussion, because we weren't acquiring those two
20 licenses. But the interesting thing with those licenses, you
21 know, they can be moved to another location if it's difficult
22 to bring in utilities. Apex, as you know, for a long time has
23 been vacant because it's going to cost about \$30 million to
24 bring in utilities to Apex. But then you have this electric
25 car company kind in, kind of like Tesla, and apparently

1 that's really raised the price and the value of the land for
2 spec purposes. And I understand that Mr. Terry's extremely
3 bullish on the land out there, and I don't know about Mr. Bady
4 or Dr. Mohajer, but it's my understanding that that land has
5 become extremely valuable now. But that's not my concern,
6 because we're not -- we're not acquiring those licenses.

7 Q Did you have any communications with anyone
8 regarding how NuVeda intends to pay the obligations secured
9 by the Apex property?

10 A Well, NuVeda is still its own entity. I imagine
11 they would do the same thing that you're suggesting that they
12 do now, which is void our deal and go out into the wilderness
13 and find something.

14 That wasn't really our perspective was on the four
15 licenses, knowing that Apex, apparently the value of the land
16 was rising and that they liked that. And that was good enough
17 for me, and I let it -- I let it sit right there. But I do
18 note that there are some LOIs here for cultivation and
19 production, and perhaps that could be used for those two
20 licenses out there. I don't know. We're just looking at
21 these four licenses, and that's where our focus was.

22 Q So my question was did you have any communications
23 with anybody from the -- anybody regarding how NuVeda would
24 pay the Apex obligations. Is the answer no?

25 A No. Actually the answer was yes.

1 Q Okay.

2 A But just generally. And that's what kind of I
3 gathered. There didn't seem to be a concrete plan that I know
4 of. But I didn't investigate it that well, you know, because
5 we're not -- we weren't acquiring it.

6 Q Who did you communicate with regarding Apex?

7 A You know, I don't recall.

8 Q I didn't see 2Prime, the loan to 2Prime on the list
9 that was attached to the membership sale agreement.

10 A Okay.

11 Q Do you know about the obligation to 2Prime for
12 NuVeda?

13 A I'm sure we did.

14 Q Why is there no reference to the 2Prime obligation
15 in the attachment to the membership sale agreement?

16 A I'm sorry. I can't tell you that. The workout was
17 done over about a three-day period between the attorneys and
18 the principals, and there was literally 20-some. And you can
19 see our notes down the side columns, okay. So anything that
20 we thought could affect or impact the ability of the company
21 to move forward we looked at taking care of. Everything --
22 everything else for whatever reason was put into a separate
23 category that CW Nevada would not be responsible for.

24 Q Do you recall learning that there was an entity
25 called 2Prime LLC that was owned in part by Pej Bady and part

1 by Mehjed Golpa that loaned money to NuVeda and expected a
2 rate of return of 8-1/2 percent and then payment?

3 A So if that's the case, then that would be why it
4 wasn't contemplated as a -- as part of what CW NV would be
5 repaying. There were some things that Dr. Bady had agreed he
6 would take responsibility for and so on and so forth. So we
7 just got down to the bare bones, it came out to 1.5, and
8 that's what we're agreeing to pay. And that's why, for
9 instance, with the Golpa, the six hundred on the Golpa, you
10 know, we're not paying that.

11 Q And Mohsen Bahri? Did you agree to pay Mohsen Bahri
12 the \$500,000 loan at 8-1/2 percent interest that came into
13 NuVeda?

14 A So generally speaking, because, you know, I can't
15 speak to detail on this -- I mean, it took three days --

16 Q Uh-huh.

17 A Generally speaking if it's not in that section that
18 calls for CW Nevada to pay, then we're not paying it. And
19 that becomes the responsibility of the members or it gets
20 extinguished or I'm not sure. But I can tell you we took
21 those items that were of immediate concern for the company and
22 were addressing those.

23 Q Now, when there is 2.3 million that's attached -- in
24 that list that's attached to the membership sale agreement and
25 there's a commitment to 1.5 who's responsibility is it to pay

1 the remaining 800,000?

2 A Well, wasn't it pretty much just that Golpa was out
3 and that got us down to the 1.5?

4 A Are you -- well, I can ask it a different way. Are
5 you agreeing to pay everything on the list except for Golpa?

6 A So everything in that -- in that attached exhibit to
7 the purchase agreement, yes, we're satisfying those.

8 And let me say, if I might, the reason we have those
9 attachments on the back side was because after the purchase
10 agreement was done we sat down in another multi-hour session
11 with the majority owners, and they hammered out more
12 concessions. Because our original offer was 70-30. Then it
13 became 65-35. Then we gave them additional concessions that
14 said, hey, if you're not -- if you're not making money in the
15 cultivation by the end of the year, then we write you a check
16 for lost profits and, hey, then if we don't get you up and
17 running and you lose a license, you get one of ours. Those
18 are all additional points that are going into the operating
19 agreement that weren't originally contemplated, but sat down
20 -- when we sat down with everybody at the end of the day those
21 are the additional concessions we gave up in order to get the
22 deal done.

23 Q Is CW saying they'll write a check for lost profits?

24 A Yeah. So here's how we'll calculate it.

25 Q No. Is CW?

1 A CW Nevada, yes.

2 Q Okay. The agreement wasn't clear on that, so you're
3 saying CW will write the check?

4 A Yes. And, if you like, I can tell you how that's
5 going to work.

6 Q Now, for the list of debt -- and this might be where
7 you're going. That list of debt that is set forth as the
8 attachment to the membership purchase agreement, that is what
9 you determined after lengthy discussions, I think you said
10 three days, where you determined what went to NuVeda's
11 benefit?

12 A Correct. We wanted to make sure that everything
13 that we were paying went to NuVeda. So essentially, you know,
14 in good corporate governance you want to make sure that the
15 moneys that you're paying, you know, that everybody in the
16 company gets the benefit.

17 Q And you excluded everything you thought didn't go to
18 NuVeda's benefit?

19 A Well, again, you're saying did I exclude it
20 specifically. That was done in about a three-day workout
21 between the lawyers and all principals.

22 Q Understood. Did you show proof of funds as part of
23 the due diligence process for CW?

24 A Yes.

25 Q All right. And CW -- what is the amount of the

1 total investment here? Certainly you have a total of what
2 this is going to cost CW to build out the dispensaries, the
3 cultivation center. You said you're breaking -- the 60,000-
4 square-foot plan is going to be two 25,000 cultivation.

5 A Correct.

6 Q And payment of the debt, all of it. What's the
7 total?

8 A Well, we're doing it like this. We think that the
9 tenant improvements on the dispensary are going to be about
10 two and a half million for both. Then you've got your
11 operating capital and your inventory and your marketing, the
12 cultivation. The new greenhouses, we think it's going to run
13 about 2.5 million total, maybe as much as three. The
14 production facility -- but then you've got to provide the
15 clones. So total value -- I mean, we came up with a total
16 value for the deal which includes cost savings when you don't
17 have to pay a loan of four and a half million dollars back,
18 total value of approximately 22 million.

19 Q And you're committed to spending that 22 million,
20 and CW agrees to pay 22 million?

21 A Okay. So some of it doesn't come out of pocket from
22 us. And let me explain. Like, for instance, the staffing --
23 or the stocking of the dispensaries, we're already making it,
24 so we will front it. The staffing. Were already training
25 staff, so we'll put them in. The clones that go into the

1 greenhouse, we will grow them and put them in. And those all
2 have a significant dollar value. But then as far as the
3 buildout for each one of these facilities, yes, that's
4 correct, we will.

5 Q Was it not disclosed to you that NuVeda has clones?

6 A That NuVeda has clones?

7 Q Yeah.

8 A No. I don't recall that.

9 Q So that didn't go with the deal?

10 A The clones?

11 Q Yeah.

12 A Maybe they go to the Apex facility. I don't know.

13 Q Does CW agree that NewCo will not result in dilution
14 -- there will be no dilution, there's non-dilutable shares of
15 35 percent to go to NuVeda?

16 A They have exactly what it calls for in the document.
17 If -- they're going to get 35 percent and we will have 65
18 percent.

19 Q My question is is that non-dilutable.

20 A So if the board as a whole -- let's say Shane's on
21 the board, for instance, and we want to raise more money and
22 in order to do that we want to sell B shares, then if CW
23 Nevada waters down, then I would say they would water down.
24 But I would say this, as well. I don't see us having that
25 situation. But I understand Ms. Goldstein has non-dilutable

1 shares. She gave herself non-dilutable shares, but nobody
2 else has them. We didn't contemplate dilution, but I would
3 say -- I would say this. When you're partners you have to
4 treat each other equally. I don't see that we'll need to do
5 that at any time, but I would say we have to treat each other
6 equally. And that means I'm not going to give a benefit to
7 myself to the detriment of the NuVeda people. And I would
8 hope vice versa. And that's the way I like to do business.

9 Q So there's nothing in the operating agreement saying
10 that the 35 percent is non-dilutable.

11 A I would say this right now. I will do nothing to --

12 MR. MAUPIN: I may have misheard, but I think the
13 question said "operating agreement." Is there an operating
14 agreement in the CW arrangement yet?

15 THE WITNESS: Oh. I don't know if there is.

16 BY MS. PIKE-TURNER:

17 THE COURT: For NewCo.

18 THE WITNESS: Oh.

19 BY MS. PIKE-TURNER:

20 Q I understand that's something you're putting
21 together.

22 THE COURT: The NewCo.

23 THE WITNESS: Yeah.

24 BY MS. PIKE-TURNER:

25 Q NewCo.

1 A So we do have an operating agreement, by the way.

2 Q Okay. So you do have an operating agreement.

3 A Well, yeah. It's -- it's just about -- it's just
4 about finished. It's not -- we've kind of let it sit for a
5 little bit. But there might be, yeah. There might be.

6 Q And the majority can vote to dilute the Class A
7 membership shares?

8 A Okay. I see where you're going with that. Huh-uh.
9 I'm not doing that.

10 Q Okay.

11 A And I'll tell you -- and I'll tell you why. Because
12 that's what happens when you get a fractured company. You get
13 people that don't get along, and the goose -- in that
14 situation the goose isn't good for the gander, and I don't
15 like that, and we don't do that.

16 Q So it has to be a unanimous vote in order dilute
17 shares in NewCo?

18 A I would have to look at the operating agreement, but
19 I would tell you that I don't believe that --

20 MS. PIKE-TURNER: I might negotiate a good deal for
21 you right here.

22 BY MS. PIKE-TURNER:

23 Q Unanimous; right?

24 A I don't know. I don't have the operating agreement
25 in front of me. But I'll have to just tell you what is the

1 spirit and the intent of our agreement with them. That is to
2 get them up and running, get them off the ground, get them
3 operational and making money. And it's good for everybody.
4 It turns us into the largest licensed company in the state.
5 It gives us some real opportunity. And you build during down
6 times. And the market is slow right now; it's a good time to
7 build waiting for it to get bigger.

8 Q Okay. So you know the general dispute here, you
9 know that Mr. -- I'm going to use Shane Terry, it's Jennifer
10 Goldstein, as well. They're claiming an ownership interest in
11 those subsidiaries, transferring interest into NewCo, and the
12 35 percent goes back to NuVeda. What protects them? They're
13 not even entitled to a discussion, according to Pej and Pouya.
14 What is going to protect them from having their interests
15 diluted?

16 A Well, okay. First of all, you've got two layers
17 there. NuVeda is going to own 35 percent.

18 Q Uh-huh.

19 A So the board will decide what they want to decide.
20 As far as the interest there in the CW NV, we can put that
21 into an operating agreement if it's not already there.

22 Q And on behalf of NuVeda 35 percent --
23 It's minority; right?

24 A Correct.

25 Q -- you're saying that the board of directors will

1 not dilute that 35 percent absent the 35 percent unanimous
2 consent?

3 A Absent 35 percent unanimous consent?

4 Q Well, with the 65. So a hundred percent unanimous
5 consent.

6 A So, again, I'd refer back to the operating agreement
7 and what Pete has contemplated, but I would -- well, it's not
8 -- it hasn't been executed yet, but I would say that if that's
9 what it calls for, that's what it calls for. And you know
10 what, would I have a problem with that? No. No, I wouldn't.
11 So, you know what, maybe you just negotiated an additional
12 point that wasn't there. I'm good with that.

13 Ms. Turner, the bottom line is this. We're not -- I
14 don't want to be adverse to Mr. Terry, okay. I don't want to
15 be adverse to Ms. Goldstein. The only thing I want to do is
16 get the companies running. And I told Mr. Terry this. Come
17 work with us, help get these companies moving, get us to where
18 we -- help us get to where we can be, which a top licensed
19 company in the state doing some real good for people. Yeah,
20 we're making money, but we're giving back and we're helping,
21 too. And it gives us incredibly larger reach. And if we can
22 do that, if we can do that together, that's dynamite stuff.
23 And nobody's -- nobody's trying to put you off in a corner and
24 not hear what you have to say. We're not trying to do that.
25 I want all of you involved in and invested in the company,

1 because we're going to make it together. We're going to make
2 it together, all right.

3 Q Is your position that whatever Mr. Bernhard -- you
4 said you trusted him, of course, good lawyer -- whatever he
5 put as the percentages in the renewal application to the State
6 of Nevada, you recognize those interests as held by Mr. Terry,
7 Ms. Goldstein, Mr. Penders, Mr. Winmill?

8 A I'm not sure that Mr. Bernhard was the one that
9 prepared it. It might have been Ann Pierce over at Kaempfer
10 Crowell. But I can't speak to it.

11 Q Do you consider Mr. Terry and Ms. Goldstein's
12 interests in NuVeda? You've treated them as if they've always
13 had the same interest?

14 A Do I consider them as part of the company? Yes.
15 Would I consider them part of CW NV, yes. Would I consider
16 them partners going forward, yes, I would.

17 Q Now, in the membership interest purchase agreement
18 the indemnity provision is actually only in the name of NewCo,
19 but that's a typo or it's not the true intention? CW Nevada
20 is providing the guarantees here?

21 A Yes, that's correct. And where does it say that CW
22 NV is providing the guarantee?

23 Q The indemnity provision.

24 A That's, of course, CW Nevada, yes. That's CW Nevada
25 that's providing the guarantees.

1 Q Okay. CW that we've called --

2 A Correct.

3 Q Now --

4 A You know, I never wanted this deal to be looked at
5 as a, oh, it's all for us and none for you.

6 A There's no axe hanging over their head with
7 mandatory repayment in four years or you lose the company.
8 There's no 85 percent cash sweeps. It's an investment in the
9 company without repayment. That's a big difference. It's a
10 big difference.

11 Q You testified earlier about how you reviewed the
12 4Front LOIs.

13 A Yeah.

14 Q Do you recall that? And you had your president do
15 an analysis, correct, comparing the terms?

16 A Well, I mean, I -- he did in part, but I gave him my
17 thoughts, and then I kind of got some deal point advantages,
18 disadvantages, so on and so forth.

19 Q There were some spreadsheets done by CW. Did you
20 participate in the preparation of those?

21 A I'm familiar with them.

22 Q Okay. Can you go to Exhibit 38. It's already in
23 evidence.

24 A That's the black binder; right? Or the white
25 binder?

1 Q I don't know whether it's in the -- it should be
2 black binder 38.

3 A Got it. 38. This stops at 34, and this stops at
4 33.

5 Q Okay. Then it's in the --

6 A It's in the white one, huh?

7 Q The looseleaf. Oh. It is in the black. There's a
8 front flap there.

9 A Oh. Okay. Got it. The black one was just too
10 skinny after all. Needed to be a little thicker.

11 Q That's my theory. I'm black. It's slenderizing.

12 A That's why I always prefer to wear dark suits.

13 35. Okay. And you wanted?

14 Q 38.

15 A 38. Okay.

16 Q All right. And you see the -- let's see. This
17 one's Bates numbered. Go to the second page of Exhibit 38,
18 Bates Number 458. Is that what was prepared by CW with
19 respect to 4Front?

20 A Do you mean an analysis of the two?

21 Q Yeah.

22 A No, we didn't do this.

23 Q You didn't?

24 A No.

25 Q Okay. If you'd go to -- I'll represent to you this

1 was prepared -- or produced by Mr. Dushoff. I don't know
2 anything. We haven't done discovery, so I don't mean to be
3 tedious with you.

4 If you go to Bates Number 472.

5 A Uh-huh.

6 Q This appears to be an analysis of the CW deal. Was
7 this done by CW?

8 A No. It's not our format.

9 Q Okay. Thank you.

10 Now, you talked about the 4Front deal being a loan,
11 as opposed to an equity deal; correct?

12 A Correct.

13 Q Now, a loan --

14 A But they still get 40 and 48 percent, respectively,
15 for the loan. But you still have to pay back the loan plus
16 the interest within four years.

17 Q So the loan, you don't need regulatory approvals in
18 order to get loan proceeds, you can take in the loan proceeds
19 and start working; correct?

20 A I see. Actually, let me tell you. The way that it
21 works with the State it's a little bit different. We can go
22 ahead and we can put all the money that we want into CW NV
23 right now and we don't need State approval. We will need
24 State approval, however, when we ask for transfer, the 65
25 percent interest to come to CW Nevada.

1 Q You're treating it as a loan now at 16 percent
2 interest if it doesn't work. But it's a loan until you get
3 those transfer approvals; correct?

4 A We do not contemplate -- if you look in the -- if
5 you look in the purchase agreement language, it notes in there
6 that if there's any problem with a transfer that we continue
7 working together in good faith until a transfer is
8 effectuated. That means they could say, well, we like this,
9 but we don't like that. It gives us the time to make sure
10 that it works and it comes back together, yes.

11 Q On the books of CW --

12 A Correct.

13 Q -- the money that's being expended --

14 A Uh-huh.

15 Q -- you obviously had to pay for Kaempfer Crowell to
16 submit --

17 A It's considered a capital asset.

18 Q Okay. So you're treating it on your books as a
19 capital contribution despite that no transfer's been approved?

20 A That's correct.

21 Q Have you had any communications with 4Front?

22 A Yes.

23 Q Did they explain to you that the interest would be
24 paid net of expenses?

25 A They didn't explain that. Let's just say that they

1 were -- they were dodgy about the whole thing, is what I would
2 -- is the best reference I would -- I could use. And Mr. --
3 there's -- I don't -- I mean, you could put lipstick on this
4 4Front deal, you could put a bow on it; at the end of the day
5 the piper's going to come calling in four years and those guys
6 are toast, period. Because I'm going to -- you're going to
7 have to assume this is a case of first impression here in the
8 state of Nevada, okay. It's a brand-new company. What that
9 means is you've got to assume that it's going to be twice as
10 expensive and take twice as long, okay. And if that's the
11 case, year one write off their income entirely; year two,
12 maybe a little bit; year three, let's assume worst-case
13 scenario wreck doesn't come on, it's going to take a while for
14 the market to mature. In which case if they don't pay back,
15 they lose all the assets, because everything is attached.

16 And here's the difference. We're not attaching any
17 assets, okay. We're not -- we don't give you four years or
18 seven years or whatever to pay back, because our money is
19 simply an investment in the company.

20 Q You don't secure the assets. You own them.

21 A Well, if we transfer them, yeah, that's correct.

22 MS. PIKE-TURNER: I'll pass the witness, Your Honor.

23 THE COURT: Mr. Maupin?

24 MR. MAUPIN: Yes.

25 THE COURT: And I'm going to break for lunch about

1 11:55, which is in 12 minutes.

2 MR. MAUPIN: Well, you'll be able to address that

3 issue in less time, then.

4 THE COURT: We'll see.

5 MR. MAUPIN: I'd promise, but I used to be in

6 politics.

7 THE WITNESS: I was probably too windy. I'm sorry,

8 Your Honor.

9 THE COURT: It's okay. You weren't -- we've had a

10 lot of long answers in this case.

11 REDIRECT EXAMINATION

12 BY MR. MAUPIN:

13 Q In the Exhibit 2 to Exhibit 22 -- I think it's in

14 the black book; correct?

15 A 22? Okay.

16 Q The CW agreement.

17 A Okay.

18 Q The portion of this agreement to the left of your

19 notes was provided and incorporated in this schedule by

20 NuVeda; is that correct?

21 A What are we looking at, sir?

22 MR. MAUPIN: May I approach the witness?

23 THE COURT: You may.

24 THE WITNESS: Oh. Yeah. Okay.

25 //

1 BY MR. MAUPIN:

2 Q There's a series of schedules of debts --

3 A Correct.

4 Q -- that are to the right -- or left of your comments
5 from CW.

6 A Correct.

7 Q Is everything on this chart from the -- to the left
8 of your comments, was that provided by NuVeda?

9 A I believe it was.

10 Q And the comments on the right were provided by you?

11 A That's correct.

12 Q And so you've -- that document shows that you're
13 going to -- that there's -- that the total loans are about
14 \$2.1 million --

15 A That's correct.

16 Q -- the total debt of the company.

17 A Correct.

18 Q And you're definitely not going to pay any personal
19 obligations, either as part of the agreement or on the side,
20 as they keep -- like they keep wanting to talk about? There's
21 no side agreement, there's no agreement as part of this
22 contract for you to pay any personal obligation of either of
23 the defendants; is that correct?

24 A That is correct. This is a highly regulated
25 industry, on the par with gaming. There's no side deals. We

1 don't do side deals.

2 Q Now, there's been a suggestion about the financial
3 difficulties that you may have making good on these
4 agreements. Do you have financial backers?

5 A Yes, we do.

6 Q And what is the collective net worth of these
7 investors?

8 A Well --

9 Q To your knowledge.

10 A -- when we did the -- went through the due diligence
11 with Pej and we pulled everything, between all investors came
12 to over \$400 million.

13 Q Isn't Mr. Hank Gordon one of your partners or
14 investors?

15 A Hank Gordon is one of my partners.

16 Q And what does he do?

17 A Hank is the owner of the Laurich Company, which owns
18 the Arroyos, which is at the 215 and Rainbow, all of the -- I
19 believe he's built all of the Walmarts and all of the Home
20 Depots. He's building a Sprouts now up on the northwest side
21 of town. We've been very fortunate. I mean, you know, we've
22 got some good people. But I think everybody, though, in the
23 company has done well for themselves. So we've been a good
24 position to be able to do what we need to do.

25 MR. MAUPIN: That's it.

1 THE WITNESS: Thank you.

2 THE COURT: Anything further, Mr. Dushoff?

3 MR. DUSHOFF: I have nothing. Thank you, Your
4 Honor.

5 THE COURT: Anything further, Ms. Turner, for this
6 witness?

7 RECROSS-EXAMINATION

8 BY MS. PIKE-TURNER:

9 Q So that it's clear, Mr. Gordon, he has guaranteed
10 the \$22 million commitment from CW?

11 A The board voted to approve this deal, so what we do
12 is we make cash calls. We have cash on hand, and we make cash
13 calls. And so it's a lot like a construction loan, where we
14 do it in tranches.

15 Q And Mr. Gordon is a member that would be subject to
16 the cash call?

17 A Yeah, that's correct.

18 Q As are you?

19 A Yes, ma'am.

20 MS. PIKE-TURNER: Okay.

21 THE COURT: Anything else for this witness?

22 MR. MAUPIN: No, there isn't.

23 THE COURT: Thank you, sir. We appreciate your
24 time. Have a nice afternoon, have a good weekend.

25 All right. Before I break for lunch, how many

1 additional witnesses do you anticipate, Mr. Maupin?

2 MR. MAUPIN: We are considering calling one more
3 witness.

4 THE COURT: Okay. So if we could resume at 1:15.

5 MR. DUSHOFF: That'll be fine, Your Honor.

6 (Court recessed at 11:48 a.m., until 1:14 p.m.)

7 THE COURT: Thank you for being here on time.
8 What's the plan now?

9 MR. MAUPIN: Our immediate plan is that we rest.

10 THE COURT: Have you confirmed with the clerk that
11 all the exhibits that you and your team think are in evidence
12 are in fact in evidence?

13 UNIDENTIFIED SPEAKER: We haven't confirmed. Should
14 we do that now?

15 THE COURT: Uh-huh. You should do that before the
16 words "rest" come out of somebody's mouth.

17 (Pause in the proceedings)

18 THE COURT: Do you think that all of the exhibits
19 you want in evidence are in fact in evidence?

20 MR. GORMLEY: Yes.

21 MR. NAYLOR: Yes, Your Honor.

22 THE COURT: So? You want to tell me something now?

23 MR. MAUPIN: We rest.

24 THE COURT: Okay. Did you have any additional
25 witnesses you wanted to call?

1 MR. DUSHOFF: Do not, Your Honor.

2 THE COURT: All right. Do you have any rebuttal

3 case?

4 MS. PIKE-TURNER: I have Mr. Terry very briefly.

5 THE COURT: All right.

6 SHANE TERRY, PLAINTIFFS' REBUTTAL WITNESS, SWORN

7 THE CLERK: Thank you. Please be seated, and please

8 state and spell your name for the record.

9 THE WITNESS: First name is Shane, S-H-A-N-E. Last

10 name is Terry, T-E-R-R-Y.

11 THE COURT: I'm not going to tell you the rules,

12 because you were up here before, so --

13 THE WITNESS: And I still get M&Ms, Your Honor?

14 THE COURT: You.

15 DIRECT EXAMINATION

16 BY MS. PIKE-TURNER:

17 Q Mr. Kennedy testified yesterday that he gave you the

18 original K-1s for NuVeda. Is that accurate?

19 A No, it is not.

20 Q Exhibit 8 in the black book already in evidence has

21 an email dated November 8th from Mr. Kennedy.

22 A I'm sorry. Which exhibit is this?

23 Q 8.

24 A 8. Yes.

25 Q It has in the subject line "Amended K-1s."

1 MR. MAUPIN: Excuse me, Your Honor. There's an
2 exclusionary rule, so I think we should exclude Mr. Kennedy.

3 THE COURT: I asked yesterday if everybody was okay
4 with Mr. Kennedy staying in the room once he had already
5 testified, and everybody said okay. I told him to take a seat
6 in the comfy chairs.

7 BY MS. PIKE-TURNER:

8 Q And the reference line is "Amended K-1s"; is that
9 right?

10 A That is correct.

11 Q Is that the first time you saw the amended K-1s?

12 A I had seen my personal amended K-1 previously, but
13 this is the first time that I've seen the company's collective
14 K-1s.

15 Q And your K-1 has 20 percent of the losses allocated
16 to you; correct?

17 A That is correct, yes.

18 Q And did you see Pouya Mohajer or Pej Bady's K-1s or
19 amended K-1s prior to November 8th?

20 A No, I did not.

21 Q And did Pej Bady discuss losses being allocated with
22 you prior to receiving those amended K-1s?

23 A Yes, he did.

24 Q And what did he say?

25 A At the time I only had my original -- or, sorry, not

1 my original, my K-1. And when they were issued by Mr. Kennedy
2 I referenced her as NuVeda's bookkeeper, but it's Sandy Kinler
3 [phonetic], who's Pej's personal assistant. NuVeda does not
4 have a bookkeeper. She had sent me my K-1, and right after
5 that Pej Bady approached me and asked if I would allocate my
6 losses to him. And I told him no.

7 Q And did Pouya have a discussion with you about
8 losses being allocated to Pej Bady?

9 A No. After I told Pej that we couldn't do that and
10 it was -- it would jeopardize the licenses I thought the
11 situation just died, and --

12 MR. MAUPIN: I'd move to strike everything after the
13 word "no."

14 THE COURT: Denied.

15 THE WITNESS: And after that I thought that the
16 situation had died and there was not going to be any more
17 discussion about it.

18 And it was about I would guess maybe a month after
19 this where Pouya asked me -- or disclosed to me casually and
20 volunteered it that he had shifted his losses.

21 BY MS. PIKE-TURNER:

22 Q And what were his exact words?

23 A Again, it came up in a casual conversation. He just
24 mentioned that he reallocated his K-1 losses to Pej. And I
25 told him, I was like, why would you do that. I was like, one,

1 you've jeopardized the license, and I lectured him. I said,
2 one, you jeopardized the license, you're probably going to get
3 us audited, and I said, two, you even jeopardize your own
4 personal taxes because your losses that you should have
5 received this year you're going to be penalized for next year
6 when they don't carry over and we do have income. And I told
7 him that I'd expect that he probably just cost himself about
8 forty-five, \$50,000 in taxes in addition to the liability to
9 his own medical practice.

10 Q Did you approve any allocation of the losses other
11 than what's set forth in the operating agreement as pro rata
12 according to ownership?

13 A Did I prove any --

14 Q Did you approve of any different allocation?

15 A No. Absolutely, not.

16 Q And were you ever asked to approve any different
17 allocation?

18 A Absolutely not. Other than Pej's first initial
19 inquiry to me which I said no, no mention of it after that.

20 Q And you heard Mr. Kennedy testify that the
21 reallocation was roughly equivalent to the cash that had been
22 contributed or something to that effect; correct?

23 A Correct. As I recall, he had mentioned that since
24 Pouya had not put any money into the company, Pouya decided
25 that his losses -- or he should not be receiving K-1 losses in

1 comparison to me.

2 Q And the -- how much is Pouya Mohajer obligated under
3 the operating agreement to put into NuVeda as a condition of
4 his ownership interest?

5 A His capital contribution is for \$440,000.

6 Q And did he fund that 440,000?

7 A He did not.

8 Q Now, you have a promissory note with Pej Bady where
9 you agreed to pay him 120,000 that he would cover for you;
10 correct?

11 A Correct.

12 Q Do you know whether Pouya Mohajer had a similar
13 arrangement?

14 A Yes, he does.

15 Q Do you know why you were given credit for the
16 120,000 and Mr. Kennedy didn't give 440,000 credit to Pouya
17 Mohajer?

18 A I do not know why.

19 Q And did Mr. Kennedy discuss this theory with you at
20 all?

21 A Nope.

22 Q Mr. Kennedy testified about a purported conversation
23 that he had with you at Islands Restaurant. Do you recall?

24 A Yes, I do.

25 Q And he said something to the effect of, if you don't

1 win here you're going to blow up the company; do you recall
2 that?

3 A Correct. I do. And I've also seen it in his
4 declaration.

5 Q And did you have a discussion as he testified?

6 A No. In fact, when I read it in the declaration a
7 couple things surprised me. Is, one, it was in quotations the
8 same exact thing that I said apparently Jennifer Goldstein
9 also said verbatim. And then I also remember just thinking it
10 was odd because it specifically said -- referenced the
11 majority owners. That's just not something I would say in a
12 conversation with Mr. Kennedy. I would have just referred to
13 them as Pej and Pouya. So --

14 Q What is it that you did say?

15 A Actually, Mr. Kennedy said to Jennifer and I that,
16 if this goes to litigation, that this company is going to be
17 destroyed and nobody is going to get anything. At that point
18 Jennifer responded and say, yes, you're absolutely correct.
19 And I remember this specifically. She said, let's be very,
20 very clear it is not us that's doing this to the company, we
21 are not the ones that did the bad acts. And since Mr. Kennedy
22 owned a shipping business, she further went on to make an
23 analogy, and what she said was, think of this as a --

24 MR. DUSHOFF: Objection. Hearsay.

25 THE COURT: She's a party.

1 MR. DUSHOFF: She's not here.

2 THE COURT: She's a party.

3 THE WITNESS: So she said, think of this as a cargo
4 ship and each shipping container is a bad act committed by Pej
5 and Pouya, they've overloaded the cargo ship and they have now
6 put one too many shipping containers onto the ship and it's
7 capsized and sinking. That was the exact analogy that she
8 used. So, no, we never said that we would rather see the --
9 or we would rather see the company destroyed than the majority
10 owners take control.

11 BY MS. PIKE-TURNER:

12 Q You heard Mr. Padgett say this is apparently an
13 issue with Shane Terry and Jennifer Goldstein wanting to give
14 up control. Do you recall that?

15 A Correct.

16 Q Do you have control of NuVeda?

17 A Absolutely not.

18 Q Do you and Jennifer transfer have control of NuVeda?

19 A No.

20 Q Why did you commence this lawsuit?

21 A Because bad acts were committed and our licenses
22 were in jeopardy.

23 Q There was testimony from Mr. Kennedy about Dr.
24 Daniel wanting controls regarding the company. Do you recall
25 that?

1 A I do.

2 Q Was there a demand for those controls prior to this
3 due diligence being conducted by Dr. Daniel?

4 A No, there was not. We were actually in about I
5 would guess maybe 11 months of due diligence with Dr. Daniel,
6 and they had never come up until the very end.

7 Q There's been perceived -- or there's been criticism
8 -- it's not even perceived -- criticism of you and your
9 ability to raise money from Mr. Kennedy. Who had the
10 relationship with Dr. Daniel?

11 A I did.

12 Q Phil Ivey?

13 A I did.

14 Q And did you have concern about --

15 Well, 4Front. Whose relationship was that?

16 A For all the relationships I did not have any
17 previous relationships with them. They were -- they were all
18 people that I had sourced, did my own due diligence on, and
19 brought to the company.

20 Q And with each one of them -- let's start with Dr.
21 Daniel. He loaned some money; correct?

22 A Yes, he did.

23 Q Why didn't -- was he expressing that he would -- he
24 would provide an investment of \$10 million prior to due
25 diligence?

1 A No, not from Dr. Daniel.

2 Q Is that Phil Ivey?

3 A That is Phil Ivey, correct.

4 Q Okay. Phil Ivey. There was a communication that he
5 would provide 10 million prior to due diligence?

6 A Yes. The agreement with Phil Ivey was that for
7 supporting us on the application we were going to immediately
8 vest him at 3 percent, and we were working on a deal that was
9 \$10 million for 30 percent in the company contingent upon us
10 receiving licenses. And that was the deal that Mr. Kennedy
11 had mentioned Phil Ivey's CFO, and he was embedded with me
12 here in Las Vegas for weeks at a time where we were
13 structuring the deal, how we were going to fund it, the
14 business plan. All this was post licensing leading up to them
15 backing out of it.

16 Q And I think your prior testimony was Pej Bady met
17 with Mr. Ivey's people and then Mr. Ivey didn't go forward.

18 A It was right prior to Christmas, which was leading
19 up to the 2113. So part of the Phil Ivey deal was going to
20 fund the dispensary purchases. I had done 99 percent of the
21 negotiations with them. At the end Pej was uncomfortable and
22 said, I don't like not being a part of this, I need to
23 involved. And he told me that he was going to start
24 contacting Phil Ivey's people. At that point he had a few
25 conversations with them. That was I would say maybe within

1 the two prior to New Year's, and it suddenly ended.

2 Q And have you done any analysis of the dollars and
3 cents, comparing the investment in CW versus the investment in
4 4Front?

5 A Yes, ma'am.

6 MS. PIKE-TURNER: 39. So my court reporter gets mad
7 at me because I can remember her numbers.

8 BY MS. PIKE-TURNER:

9 Q Exhibit 39, is -- or Proposed Exhibit 39, is that
10 something that you prepared?

11 A Yes, it is.

12 Q And can you just describe generally what it
13 represents.

14 A Well, just like Mr. Kennedy said in all his business
15 deals what he typically does -- I notice that he did not say
16 that he did it for this one, but what he typically does --

17 MR. MAUPIN: I believe that Mr. Terry is represented
18 by Counsel, and he's just reverted to making a legal argument
19 in the case. And I move to strike the comment, although I'm
20 very interested in it.

21 THE COURT: The request is denied.

22 You may continue, sir.

23 THE WITNESS: So what Mr. Kennedy says is he
24 typically will take a look at somebody's financial analysis
25 and then create his own spreadsheet so he can see all the

1 different formulas that go into it. I completely agree with
2 that technique, and that is exactly what I did with this.
3 This is my own personal analysis of what was disclosed to us
4 about the 4Front deal and the CW deal.

5 MS. PIKE-TURNER: Move to admit Exhibit 39.

6 MR. MAUPIN: I have no objection.

7 MS. PIKE-TURNER: Mr. Dushoff?

8 MR. DUSHOFF: I have objections. I need more
9 foundation on this. What day, when did he prepare it?

10 THE COURT: When did you prepare it, sir?

11 THE WITNESS: I prepared it -- it was after we
12 received Exhibit 38, which was the due diligence from -- I
13 would say it was immediately after that. So when defense --
14 when the defendants sent us the due diligence --

15 THE COURT: So within the last week or so?

16 THE WITNESS: Correct. Yes.

17 MR. DUSHOFF: I'm going to object to relevance,
18 then. If they didn't use this to prepare his due diligence in
19 discussing the 4Front deal as compared to the CW deal. that
20 has little or no relevance in this case right now.

21 THE COURT: Overruled. Be admitted. Can I have a
22 copy.

23 (Plaintiffs' Exhibit 39 admitted)

24 BY MS. PIKE-TURNER:

25 Q Did you have the CW deal --

1 THE COURT: May I have a copy of the 39?

2 MS. PIKE-TURNER: Oh. Yes.

3 BY MS. PIKE-TURNER:

4 Q Did you have the due diligence -- did you have the
5 CW agreement prior to this litigation being commenced
6 receiving the 4Front?

7 A I did not.

8 Q All right. Can you go through and describe -- first
9 let me say, Mr. Padgett, you heard him say there is a loan
10 versus an equity deal. Is that accurate?

11 A That is accurate, yes.

12 Q Okay. So 4Front is a loan; yes?

13 A It is a loan with warrants, yes.

14 Q Okay. And with a loan you get money without having
15 to get approval of a transfer; correct?

16 A Correct. This provided a security to 4Front where
17 they would be able to immediately fund our project, within
18 weeks -- literally there's money in escrow as we speak -- and
19 if for whatever reason we didn't get the regulatory approvals,
20 the investors would still get paid back for the loan. So this
21 was a method where they could deploy capital quickly and not
22 have to worry about really just losing all their money.

23 Q Now, Mr. Padgett says, well, you pay interest that
24 doesn't go to expenses, you need marketing, all these
25 expenses. Is that accurate?

1 A No. What he was referring to was the free cash flow
2 when he gave his testimony. And I'd say there's two things on
3 that. When we're talking about the interest rates for the
4 loan, 4Front provided us a \$3.5 million at 9 percent, and the
5 other one, the current negotiation, which will come down, but
6 is at 12 percent. Brian Padgett has essentially loaned the
7 same money to the company, but at a 16 percent interest rate.
8 So if for whatever reason they don't get their regulatory
9 approvals, we need to pay back that money at a 16 percent
10 interest rate. So obviously the 4Front one is better interest
11 rate.

12 Now, what Brian Padgett was talking about with the
13 \$4 million of accumulated interest is just not true. So the
14 structure of the 4Front deal, it's an interest-only loan over
15 four years, like he mentioned. But that 85 percent free cash
16 flow means we do everything we need to do for our company, we
17 bring in marketing, we -- you know, whatever it takes we can
18 expense, we can use, and then whatever is left over with those
19 profits, 85 percent of those profits go strictly towards
20 buying down the principal on the loan. So what happens is not
21 only are we paying the interest, but we're buying down the
22 principal once we start generating revenue.

23 So you can see at the bottom where I calculated all
24 the debt servicing. In the end it's not a \$4 million-plus
25 debt service. Assuming it takes all four years, which we

1 could argue that it would even be accelerated with profits, it
2 would be a total of \$2.8 million in debt service.

3 Q Now, Mr. Padgett said he looked at four years,
4 because that's the debt service. What happens in the fifth
5 year under the 4Front deal?

6 A In the fifth year it is all profits to NuVeda's
7 pocket. So 100 percent of that free cash flow goes to NuVeda.

8 Q Now --

9 A And every year after that.

10 Q -- compare CW equity versus the 4Front proposal
11 that's a loan with warrants. That fifth year, if you look at
12 the entire -- entire five years, at the end what's the
13 difference in value to NuVeda from CW versus 4Front?

14 A So where you'll look on this chart is actually in
15 that green square. And it would probably help if I step my
16 way into how I came up with the number. So essentially there
17 were some significant flaws that I found with the CW analysis.
18 one of those was they looked at all the 4Front reported income
19 and they taxed it at 40 percent. They did not tax any of the
20 CW income, so obviously that's going to be a huge difference.

21 The CW deal includes revenue from the 25,000-square-
22 foot greenhouse, but they don't include any revenue in the
23 4Front deal for the greenhouse that is actually twice the size
24 at 50,000 square feet.

25 So there's so many different flaws that didn't make

1 it an apples-apples comparison and arguments that I could make
2 on why the 4Front offer would be more profitable than the CW
3 one, but I didn't even want to get into that conversation with
4 them. So what I did, I took literally 100 percent of CW's
5 assessment, so on the very top line this is all that was
6 reported in due diligence from CW is that in the CW deal
7 NuVeda's 35 percent would get that total pretax income, and
8 you can see the years that it's there, for a total of about
9 \$20 million.

10 So what I did, I took that pretax income and I
11 divided it by 35 percent, and that would get the full
12 undiluted pretax income from the entire enterprise.

13 Then I took that and I -- because that includes all
14 of CW's assumptions, and then from there I started to back
15 into that. Now, if NuVeda gets a 35 percent share of that,
16 what would they get in the CW deal; and I separated that for
17 48 percent that NuVeda would get versus the 35 percent in CW
18 for dispensaries, and then on the cultivation I took the
19 60 percent that NuVeda would get compared to the 35 percent
20 in CW's cultivation, and I backed that down into a total
21 NuVeda pretax income.

22 So that's kind of how I did a real apples-apples
23 comparison. Then inside that green square I ran a valuation.
24 And typically when you're running a valuation on a company
25 you'll select some sort of multiple of revenue EBITDA. In

1 this case, because these are the numbers CW provided, I used
2 pretax income. So I used just -- most companies will be
3 valued at about a 7 to 10 times EBITDA or 7 to 10 times cash
4 flow. I just used 7. It would apply the same for all of
5 meet. And I ran the valuation for the total enterprise for
6 the CW deal, and I compared that to the 4Front deal.

7 So from a valuation perspective using their
8 assumptions, just the fact that we retain more equity in the
9 4Front deal -- I also credited them because they said that it
10 was double dipping for the debt services. So the CW deal
11 obviously I didn't apply any sort of debt service. For the
12 4Front deal I applied all that debt service you see in the
13 bottom, I subtracted that from that valuation.

14 So bottom line, at the end of three years the 4Front
15 deal is a \$16 million benefit to NuVeda over the CW deal.
16 That's not total. That is over the CW deal. At the end of
17 five years it's over \$29 million more in value for the NuVeda
18 shareholders, whoever comprises NuVeda shareholders, than the
19 CW deal.

20 Q In your experience with NuVeda have you witnessed
21 Pej Bady and Pouya Mohajer conduct business negotiations when
22 math is involved?

23 A No.

24 Q Okay. And has Pej Bady or Pouya Mohajer tried to
25 negotiate any transactions on behalf of NuVeda where you had

1 concern about calculations?

2 A They typically didn't do any calculations. They
3 would negotiate terms, but I was always the one that was
4 generating spreadsheets. And, again I'll reiterate that. I
5 didn't use my own assumptions. Mr. Kennedy testified that
6 Jason Thompson, who ironically is a competitor who's competing
7 with 4Front for this deal, put together the financial analysis
8 that the defendants used to assess the value of the deal. So
9 I used all of his assumptions and just regenerated the
10 spreadsheet myself.

11 Q Do you consider CW a competitor?

12 A Absolutely.

13 Q And if the proposed transaction goes forward with
14 CW, what does NuVeda lose from a competitive edge or
15 standpoint?

16 A Well, for CW they win either way. If this deal
17 fails with NuVeda, then they've just knocked off a competitor.
18 If they do get the deal, which is an extremely lucrative deal
19 for CW, which is why they're pouring all the resources into
20 it, if they do get the deal, not only do they take their one
21 dispensary and their single cultivation that's existing and
22 they get the distribution channels through our two
23 dispensaries, but we're now competing for shelf space, for
24 market share. Additionally -- so that's in the CW NV deal
25 that we would still be giving up market share and shelf space

1 for. But the two remaining Apex licenses that Brian Padgett
2 had said we can do whatever we want with those licenses, they
3 will now be at a disadvantage competition to CW NV, meaning,
4 yes, we might have the greenhouse there and might do really
5 well; but, like Brian said, all the cultivations and
6 productions are competing for wholesale market share.

7 Now we've got a stand-alone facility 100 percent
8 owned by NuVeda or however we find investments for, and we
9 don't even have our two dispensaries that we'll be able --
10 that it can distribute to. So we lose our distribution
11 networks, and we're a direct competitor with CW NV. That's
12 one of the reasons why I said it's a terrible deal for NuVeda.

13 Q And with respect to the City approval, City of Las
14 Vegas, you heard Mr. Padgett say that they had applied for a
15 business license for the City of Las Vegas. Do you have any
16 -- do this without getting into privilege. Let me strike that
17 and think about it for a second.

18 Mr. Padgett said that he's not permitting side
19 deals, they're not going to pay 2Prime or Golpa, and NuVeda is
20 then left with those obligations. How will NuVeda --

21 MR. MAUPIN: That is -- I object to that. That is
22 not accurate. It assumes a fact that has not been proved.

23 THE COURT: Overruled.

24 BY MS. PIKE-TURNER:

25 Q Has anybody from CW Nevada or the defendants' side

1 explained to you how those obligations will be paid, 2Prime,
2 Golpa, and Bahri?

3 A No. So far I've been paying them.

4 Q Now, Mr. Kennedy testified that there is no harm
5 whatsoever to 2113 acquiring the property at 2113 Las Vegas
6 Boulevard because there's a year that there can be a buy-back
7 at cost. Do you recall that?

8 A I do.

9 Q 40. Look at that.

10 THE COURT: Any objection to Proposed 40?

11 MR. DUSHOFF: I haven't seen it yet.

12 MS. PIKE-TURNER: Oh. Sorry.

13 MR. MAUPIN: If we could just -- what is it first?

14 BY MS. PIKE-TURNER:

15 Q Okay. Proposed Exhibit 40, do you recognize this
16 document?

17 A I have seen it since the closing, yes.

18 Q And it purports to be an estimated closing statement
19 for the acquisition of the 2113 property. Is that what you --
20 is it what it purports to be?

21 A Yes, it looks that way.

22 Q Was it in the escrow documents that you received
23 from the Google drive?

24 A If I recall, this is lumped in the documents that I
25 copied and pasted that Pej had disclosed to an investor in due

1 diligence. When I discovered that I took all those documents
2 and moved them into our Google drive folder.

3 Q Okay. When you say cut and pasted, did you cut and
4 paste on this document?

5 A No, no. I'm sorry. I just electronically dragged
6 all the files from one folder into another.

7 MS. PIKE-TURNER: With that I'll propose to admit
8 Exhibit 40.

9 MR. NAYLOR: We object, Your Honor, for lack of
10 foundation. I mean, the witness has said he's not seen it
11 before. I'm assuming that they're going to purport that this
12 is the closing statement for the transaction, but we don't
13 have any evidence that that is in fact what it is.

14 THE COURT: Can you lay some additional foundation,
15 please.

16 Did you need to say anything else, Mr. Dushoff, or
17 did I cover everything so far?

18 MR. DUSHOFF: One moment, Your Honor. There is a
19 final closing statement. This is a estimated closing
20 statement. So I don't understand the relevance of this. We
21 have a final closing statement.

22 THE COURT: What's the exhibit number for the final?

23 MS. PIKE-TURNER: Your Honor, we don't have -- that
24 was not produced by the --

25 MR. DUSHOFF: Oh, I wholeheartedly disagree. They

1 were supposed to produce --

2 THE COURT: Guys. Wait. What's its number?

3 MR. DUSHOFF: They were producing the --

4 THE COURT: Wait. What's its number?

5 MR. DUSHOFF: It's not numbered.

6 THE COURT: Okay. Do you have it?

7 MR. DUSHOFF: Yes. They produced it to us in the
8 Google drive.

9 THE COURT: Do you have it with you?

10 MR. DUSHOFF: Yes.

11 THE COURT: Could we mark it as a proposed exhibit
12 so I have 40, which is an estimated, and some other number
13 which is a final, and then I can make a decision as to whether
14 there's any reason to have both.

15 MR. DUSHOFF: May I --

16 THE COURT: Yes. The marshal would love to help you
17 by making some copies, Mr. Dushoff. Yes, seven copies.

18 Okay. So we're going to get those copies, and then
19 I'm going to have the witness look at both of them together,
20 okay.

21 MS. PIKE-TURNER: Your Honor, if they have the
22 final, I'll withdraw mine and go with theirs.

23 THE COURT: Well, let's make sure it's the final.
24 Because I don't know. I haven't seen it, remember?

25 MS. PIKE-TURNER: I haven't, either.

1 MR. DUSHOFF: Your Honor, with all due respect on
2 that one, Judge, you asked her to provide us the escrow
3 documents, which Mr. Terry provided us the link to the escrow
4 documents. So saying that we didn't provide it to them I
5 object to, because it was up to them to provide it to us.

6 THE COURT: Okay. It doesn't matter where it came
7 from.

8 MR. DUSHOFF: I know. I just want to make the
9 record clear.

10 THE COURT: What I'm concerned about is its
11 substance. Yes, I know. That's why my records are so long.

12 (Pause in the proceedings)

13 THE COURT: All right. Now let's give everybody a
14 copy.

15 And what were your series of numbers? You're up to
16 202, 203?

17 THE CLERK: 209, Your Honor.

18 THE COURT: 209. So we've got Proposed 40 and
19 Proposed 209.

20 MS. PIKE-TURNER: And actually I do have this. I
21 didn't realize that was a final closing statement. It was
22 attached to the letter.

23 BY MS. PIKE-TURNER:

24 Q With Defendant's Proposed Exhibit Number 209 -- I'm
25 going to hand it to you. And if you'd go to the last page.

1 Is that the final closing statement as you understand it to
2 be?

3 A Yes, it looks that way.

4 Q Did you see it before closing?

5 A No, I do not believe so.

6 Q So it's subsequent?

7 A Yeah.

8 MS. PIKE-TURNER: Your Honor, I'll stipulate to the
9 defendant's exhibit.

10 THE COURT: Are we okay with 209, rather than 40?

11 MR. DUSHOFF: We're fine.

12 THE COURT: 209 will be admitted.

13 (Defendant's Exhibit 209 admitted)

14 THE COURT: So the objection on 40 was sustained.

15 BY MS. PIKE-TURNER:

16 Q With respect to Exhibit 209, that last page, the
17 total for the acquisition appears to be \$2,521,821.85. Am I
18 reading that right?

19 A Yes. It looks like it.

20 Q Now, that includes a \$50,550 amount that is due the
21 buyer?

22 A Correct.

23 Q That \$50,550, whose funds went in to pay that
24 deposit?

25 A NuVeda's did.

1 Q And was that 50,550 ever returned to NuVeda?

2 A No. In fact, on page 2, which is the -- looks like
3 the outgoing wire request for that \$50,000 it is going into BM
4 LLP, which is a bank account owned by Pejman Bady.

5 Q Okay. Proposed Exhibit 41. Do you recall Mr.
6 Kennedy referring to the letter of intent yesterday?

7 A I do.

8 Q Where this was this option to purchase for a year
9 that he granted NuVeda?

10 A I do.

11 Q And what is set forth at Exhibit 41 or Proposed
12 Exhibit 41, is that your understanding of what Mr. Kennedy was
13 referring to?

14 A I would understand it to be a combination of this
15 letter and then also our rental contract that has a repurchase
16 clause in it.

17 Q The lease?

18 A The lease, correct. Yes.

19 Q Okay.

20 MR. DUSHOFF: Your Honor, just for clarification,
21 this already Exhibit 5.

22 THE COURT: Oh. It is?

23 MS. PIKE-TURNER: Oh. It is.

24 THE COURT: Thank you so much, Mr. Dushoff.

25 MS. PIKE-TURNER: Thank you.

1 THE COURT: Then we don't need to have it
2 readmitted.

3 MS. PIKE-TURNER: Sorry.

4 BY MS. PIKE-TURNER:

5 Q All right. Mr. Terry, pursuant to the letter of
6 intent -- and the lease has similar terms; correct?

7 A Similar. Like Mr. Kennedy mentioned, in the lease
8 it's the -- we would be able to purchase it back at what they
9 said was the price of the purchase for the first year, and
10 then that goes up about 10 percent a year after that.

11 Q And the purchase price is defined as \$2,522,821.85;
12 correct?

13 A It is. Although, if I can recall, the lease
14 actually has a different amount.

15 MR. DUSHOFF: Is this your idea of brief?

16 MS. PIKE-TURNER: I know.

17 THE COURT: This is Proposed 42? Did I guess right?
18 Is it Proposed 42?

19 THE CLERK: Yes, Your Honor.

20 BY MS. PIKE-TURNER:

21 Q Okay. Proposed Exhibit 42, is that the lease
22 agreement with 2113?

23 A No. Actually when I'm looking at page 423 this
24 one's signed by Pej Bady. So it's ironic that you brought
25 this up. But Pej negotiated the lease, signed it on behalf of

1 NuVeda. When there was concerns of self dealing, he then had
2 me re-sign the lease. So there's actually a new -- there's
3 another lease after this one that's signed by myself and Mr.
4 Kennedy as the landlord.

5 Q So are the terms the same?

6 A They might have been. I can't attest to that
7 100 percent.

8 MS. PIKE-TURNER: All right. I'll withdraw the
9 exhibit.

10 THE WITNESS: It looks like the option to purchase.

11 MR. DUSHOFF: Your Honor, then I'm going to move to
12 strike all testimony regarding that exhibit if she's going to
13 remove it.

14 MS. PIKE-TURNER: Well, he's explaining --

15 THE COURT: Guys. Don't fight with each other.
16 Let's keep going.

17 THE WITNESS: The option to purchase looks --

18 THE COURT: Sir, there's not a question pending.

19 THE WITNESS: Sorry.

20 BY MS. PIKE-TURNER:

21 Q is the option to purchase in Proposed Exhibit 42 the
22 same as in the lease that you signed?

23 THE COURT: So do you want it withdrawn, or not
24 withdrawn?

25 MS. PIKE-TURNER: I need -- I guess I need to know

1 this answer from my own witness.

2 THE COURT: Okay. So I guess she didn't really mean
3 to withdraw it.

4 MS. PIKE-TURNER: I'm sorry.

5 THE WITNESS: It looks close. I would need to
6 confirm it, but I think that's right.

7 MS. PIKE-TURNER: Let me -- let me -- so there's no
8 confusion, let me withdraw the exhibit. The testimony --

9 MR. DUSHOFF: Then I'm going to renew my motion,
10 Judge, to strike all testimony regarding that exhibit.

11 THE COURT: Denied.

12 BY MS. PIKE-TURNER:

13 Q The understanding that you have about the right to
14 acquire the property, the rent that's paid for whatever time
15 there is before NuVeda is able to purchase the property, is
16 that reimbursed or offset against the purchase price?

17 A It is not. It was one of the -- one of the items
18 that I asked -- that I had an issue with Dr. Bady about, as
19 well as some of the rest of our workers. And when we asked
20 him about that he said that Mr. Kennedy wouldn't budge on it
21 and he tried to negotiate it but was unsuccessful.

22 Q And that's \$22,000 a month for that year?

23 A Well, the lease terms were agreed upon, but the
24 application of rent to the purchase price, that was the one
25 that he said he could not negotiate for us.

1 MS. PIKE-TURNER: Your Honor, I'll pass the witness.

2 THE COURT: Any cross-examination on rebuttal?

3 MR. MAUPIN: To coin a phrase, briefly.

4 CROSS-EXAMINATION

5 BY MR. MAUPIN:

6 Q Did the reallocation of the tax losses occur in
7 2014?

8 A Well, the taxes were --

9 Q Well, when the -- the K-1s were for 2014, weren't
10 they?

11 A Correct.

12 Q Because we haven't gotten any K-1s yet in 2015.

13 A No.

14 Q All right. And at that point you lectured Dr.
15 Mohajer on several points, jeopardized the license, he was
16 going to have a series of losses that he shouldn't sustain,
17 and that he was jeopardizing his own tax position, things like
18 that. That was your lecture to him, wasn't it?

19 A It was.

20 Q You're not a tax expert of any kind, are you?

21 A As a business owner I'm allowed to sign for taxes.

22 Q No. I'm asking you, you're not a tax expert in
23 terms of the Internal Revenue Code. Is that correct?

24 A Define "expert."

25 Q Well, someone that has studied it and can apply it

1 and give legal advice about it.

2 THE COURT: An expert is someone with specialized
3 knowledge or experience who would be of assistance to the
4 trier of fact, sir.

5 THE WITNESS: So I would say that I have experience
6 and I'm allowed to sign for taxes with the IRS.

7 BY MR. MAUPIN:

8 Q Well, you may very well be. Hundreds of thousands
9 of people file tax returns every year, and they make mistakes.
10 So that doesn't make anybody an expert along those lines.
11 You're no different than anybody else, are you?

12 A Correct.

13 Q All right. Very good. But you took it upon
14 yourself to lecture him about his own tax liability; correct?

15 A I did.

16 Q Did it occur to you that he may have gotten his own
17 separate advice from a CPA or from Mr. Kennedy or anyone else?

18 A It did.

19 Q And he still went ahead and did it, didn't he?

20 A He was pretty clueless about it.

21 MR. MAUPIN: Oh. I move to strike that, because the
22 answer says more about him than Dr. Mohajer.

23 THE COURT: It does. Which is why I'm denying it.

24 MR. MAUPIN: Thank you.

25 //

1 BY MR. MAUPIN:

2 Q Now, so you felt that he was being foolish by not
3 acceding to your commands and your criticism and your lecture;
4 correct?

5 A No, I did not.

6 Q You didn't think he was foolish for that?

7 A Can I explain?

8 Q No. Did you think he was foolish because he didn't
9 go along with your dictations in this lecture, as you called
10 it?

11 A It had already happened.

12 MR. MAUPIN: I would ask the Court to instruct the
13 witness to make some attempt to answering the question.

14 THE COURT: Sir, the question you were asked is a
15 yes or no question.

16 THE WITNESS: Yes, I believe he was foolish.

17 THE COURT: Thank you.

18 BY MR. MAUPIN:

19 Q Okay. That's your opinion?

20 A Of course.

21 Q All right. Reasonable minds can differ with
22 something like the Internal Revenue Code, can't they?

23 A Sure.

24 Q For example, the document that was read to you
25 during these hearings would suggest that the interpretation of

1 these applicable Code provisions are quite difficult and
2 controversial; correct?

3 A Sure.

4 Q All right. Now, you said you weren't asked to
5 approve the reallocation between them. Were you privy to any
6 advice given by Mr. Kennedy or sought by Dr. Mohajer about
7 this allocation?

8 A No, I wasn't.

9 Q And did this reallocation from a tax standpoint
10 benefit Dr. Mohajer?

11 A I don't think so.

12 Q Well, if he gave away that amount of a deduction,
13 that would have a significant effect on his net tax liability,
14 wouldn't it?

15 A I agree.

16 Q And so it was actually against his financial
17 interest to do that; correct?

18 A In my opinion, yes.

19 Q In terms of his tax return?

20 A Yes.

21 Q And would it be reasonable if he felt that he had
22 not fully contributed -- as you just said, he didn't
23 contribute the four hundred and forty, and so the testimony
24 from Mr. Kennedy was that he felt that he didn't want to
25 overwithhold and understate his tax liability. Is anything

1 unreasonable about that?

2 MS. PIKE-TURNER: Objection. Misstates prior
3 testimony.

4 MR. MAUPIN: No, it doesn't.

5 THE COURT: Overruled.

6 MS. PIKE-TURNER: Calls for speculation.

7 THE COURT: Guys, don't argue with each other.
8 Overruled.

9 THE WITNESS: Actually, I don't understand the last
10 part of that question, if you don't mind rephrasing it.

11 BY MR. MAUPIN:

12 Q That was a bad question. I'll try it again.

13 MS. PIKE-TURNER: See?

14 MR. MAUPIN: I guess we will see.

15 BY MR. MAUPIN:

16 Q When -- was it unreasonable for Dr. Mohajer to make
17 a decision on his own based on advice he got to try to avoid
18 overstating his deductions so he wouldn't understate his tax?

19 A Yes, I think it was unreasonable.

20 Q All right. But that's your opinion.

21 A Yes.

22 Q Let's hope you don't ever get audited.

23 THE COURT: Mr. Maupin.

24 MR. MAUPIN: I apologize.

25 THE WITNESS: I'm going to get audited.

1 THE COURT: Guys. Don't argue with each other,
2 please.

3 BY MR. MAUPIN:

4 Q All right. You indicated that Mr. Kennedy lied
5 about this conversation you had at this restaurant.

6 A Indicated, yes.

7 Q Well, you didn't call him a liar, but whatever you
8 said -- he says you said it, and you say you did not; correct?

9 A I think we have different versions of the story,
10 correct.

11 Q Different versions?

12 A He said one thing, I said another. So I believe he
13 misrepresented what I said.

14 Q And now you -- but in terms of who -- you know,
15 who's got the high ground here -- your lawyer has called our
16 clients the immoral majority in the moving papers -- you
17 passed a resolution offing these two members, majority members
18 without including them in the resolution process, didn't you?

19 A Yes.

20 Q So you hijacked the company, but we're the immoral
21 majority; is that right?

22 MS. PIKE-TURNER: Objection. Argumentative.

23 THE COURT: Overruled.

24 THE WITNESS: I don't think I hijacked the company.

25 //

1 BY MR. MAUPIN:

2 Q Well, that wasn't the question. I'm sure you don't
3 believe you did that, but in terms of a misunderstanding that
4 probably is yours. But you also said you couldn't do a deal
5 with these contracts now because you don't have control of
6 NuVeda; correct?

7 A I don't believe I said that.

8 Q You said, I don't have control of NuVeda.

9 A That is correct, yes.

10 Q Then your attempt to hijack the company on November
11 the 20th, 2015, failed in your opinion; correct?

12 A No, I do not think so.

13 Q Well, you've either got control of the company or
14 you don't. The argument you've made before the Court is that
15 you -- since you voted the majority out, you cannot -- you're
16 not -- and now can't run the company, you're irreparably
17 harmed because you can't as the -- you can't overturn this CW
18 agreement.

19 A That is correct. Because the Judge gave a
20 restraining order that says that we need to go back to our
21 prior expulsion.

22 Q Oh, that's convenient. You have argued --

23 MS. PIKE-TURNER: Your Honor, these comments that
24 are peppering the record are prejudicial to my client. I move
25 to strike.

1 THE COURT: Denied.

2 MR. MAUPIN: I'd have felt a lot better if you would
3 have granted it, but --

4 BY MR. MAUPIN:

5 Q But you've argued in this case that you do have
6 control of NuVeda and that's the status quo you want the Court
7 to maintain pending arbitration. And as a result, that would
8 give you the ability to breach the agreement with CW.

9 THE COURT: With CW.

10 THE WITNESS: Per the agreement the injunction --

11 BY MR. MAUPIN:

12 Q Yes? Yes?

13 A Yes.

14 Q So that's your irreparable harm, is that you are in
15 control in the company but can't run it?

16 MS. PIKE-TURNER: Objection. Calls for a legal
17 conclusion.

18 THE COURT: Overruled.

19 THE WITNESS: Can you rephrase it, please.

20 BY MR. MAUPIN:

21 Q Your claim of irreparable harm is that you have
22 successfully taken over the company but can't run it; correct?

23 A Sure. Yes.

24 Q And as a result of it you are unable to unwind an
25 agreement with which you disagree; correct?

1 A One of the reasons, yes.

2 Q Now, I don't know if it's a couple of days ago, it's
3 kind of run together, I'm sure, for all of us, but you were
4 absolutely positive a couple of days ago that the 2113 lease
5 back and option to purchase had a premium to it starting
6 immediately, that you would have to actually give them a
7 10 percent increase in the price immediately. Do you remember
8 that testimony?

9 A I remember something about it. But if I said that
10 it happened immediately, then that was incorrect. I've always
11 known that it's -- for the very first, like Mr. Kennedy
12 testified, it's at the purchase price. Then it goes up
13 10 percent per year.

14 Q Since you've heard a lot of testimony about that
15 since then, right, where Mr. Kennedy carefully went through
16 the lease agreement and showed and demonstrated that there
17 wasn't a premium in the first year. You heard all that
18 testimony?

19 A If I said there's a -- yes.

20 Q You heard the testimony.

21 A Yes, I did.

22 Q And so now you're sure that there wasn't a premium;
23 correct?

24 A I was always sure.

25 Q Yes. One last question. You indicated that one of

1 the reasons why the Daniels backed out, Dr. Daniels backed out
2 of the agreement was because of the 2113 arrangement with Dr.
3 Bady; correct?

4 A Correct.

5 Q Under the operating agreement are members of the --
6 of NuVeda under certain conditions allowed to lend money to
7 the company?

8 A Yes.

9 Q And are they allowed to lease property to the
10 company?

11 A Yes, they are.

12 Q Are they allowed to collect the loans back from the
13 company?

14 A Yes, they are.

15 Q Are they allowed to collect rent back from the
16 company?

17 A Yes, they are.

18 Q And you've heard the testimony that Dr. Bady was
19 taken out of the 2113 Investors in late February of 2015?

20 A That's correct.

21 Q And the Daniels due diligence issues didn't occur
22 until October.

23 A That's incorrect.

24 Q Well, when did -- when did you start working with
25 Mr. Daniels?

1 A Late January of 2015.

2 Q All right. So -- but the due diligence was not over
3 with until October?

4 A It was not over with, correct.

5 Q All right. So by that time there was an email that
6 got circulated that you've been questioned about, and I think
7 it's Exhibit 202. It's not a long email, it's just --

8 THE COURT: It's a single sheet of paper?

9 MR. MAUPIN: Yes, single sheet of --

10 THE WITNESS: Yes. I'm familiar with it.

11 THE COURT: I've got it.

12 MR. MAUPIN: Single sheet of paper.

13 BY MR. MAUPIN:

14 Q It's an email from Pantea Stevenson, and you're one
15 of the recipients on this email; correct?

16 A Correct.

17 Q And when that email -- once that email was sent did
18 you send an email talking about the lease arrangement back to
19 supplement this, to say that was one of the reasons why Dr.
20 Daniel's request for greater controls took place?

21 A No, sir.

22 Q No, you didn't. And is there anything in that email
23 about any of this -- about any -- about the lease arrangement
24 that had -- that had terminated as far as Dr. Bady being a
25 landlord back in February? There's nothing in there about

1 that?

2 A No, there's not.

3 Q And that was the final ultimate memo about NuVeda
4 itself rejecting the Daniels deal because there was too much
5 control in the buyer; correct?

6 A There might have been a few more emails after that.

7 Q Might have been?

8 A Nothing of significance.

9 Q I have only one more question if I can get far
10 enough away from the piece of paper here.

11 "Dr. Daniel will have --" I'm on the second
12 paragraph. "Dr. Daniel will have an influential voice in all
13 decisions going forward in keeping with the role of chairman.
14 He will not, however, have unbridled control as requested, as
15 such unilateral decision making would be fatal to future
16 investments and belies the contributions of other partners in
17 NuVeda. Good controls are established through good corporate
18 governance, not through unilateral decision making."

19 That is a very definitive reason why the NuVeda
20 interests had a problem with the degree of control that Dr.
21 Daniels was asking for?

22 A Yes, we did.

23 MR. MAUPIN: Nothing further.

24 THE COURT: Thank you.

25 Mr. Dushoff?

1 MR. DUSHOFF: Yes, thank you.

2 (Pause in the proceedings)

3 CROSS-EXAMINATION

4 BY MR. DUSHOFF:

5 Q Can you turn to Exhibit -- if you could do two
6 at a time. The LOIs, the 4Front LOIs, which I think are
7 Exhibits 13 and 21. I believe they're your exhibits.

8 A 13 and 21. I have them, sir.

9 Q Okay. Look at Number 13 first.

10 A Okay.

11 Q Could you turn to the signature page on that LOI,
12 please.

13 A There will not be a signature page. Or it won't be
14 signed, if that's where you're going.

15 Q But there is no signature page on that; correct?

16 A Correct.

17 Q So there's no written approval from either you or
18 Jennifer Goldstein or any of the other minority shareholders
19 approving that LOI; correct?

20 A Correct.

21 Q All right. There's no written approval from anybody
22 on 4Front approving the LOI that's in Exhibit 13; correct?

23 A Correct.

24 Q All right. Let's turn to Exhibit 21.

25 A Yes, sir.

1 Q Okay. Exhibit 21 is also the amended -- is that an
2 updated version of the LOI for 4Front?

3 A No, it's not.

4 Q Okay. What is -- what am I looking at? Did I pull
5 the wrong one? Hold on.

6 A No, you're correct. The first one was dispensary
7 only. This one's cultivation and additions.

8 Q Okay. So that's the -- and I apologize. That's the
9 cultivation one.

10 A Yes, sir.

11 Q Okay. There is no signature page on that one, as
12 well; correct?

13 A You're correct.

14 Q So there's no written proof that either you,
15 Jennifer Goldstein, or any of the minority shareholders even
16 approved that LOI; correct?

17 A You're correct.

18 Q And there's no written approval from 4Front that
19 they approved this LOI; correct?

20 A No signed approval, correct.

21 Q Right. And there's no written agreement or any
22 writing that says that 4Front even prepared this; is that
23 correct?

24 A That's not correct.

25 Q Okay. Show me on there -- is it on 4Front

1 letterhead?

2 A Part of it is where Jin Ho signs it, yes. He is --

3 Q That document right there that you're looking right
4 in front of you?

5 A Not on this document, no.

6 Q Okay. That's what I said. On Exhibit 21 or
7 Exhibit 13 is there anything showing on that document that
8 says that this LOI was prepared by 4Front?

9 A There's a missing cover sheet. But, no, not in
10 these documents.

11 Q Okay. Well, you had an opportunity to prepare for
12 this hearing; correct?

13 A Correct.

14 Q All right. Matter of fact, this hearing's been
15 going on for about four days now; right?

16 A Correct.

17 Q Right. And today you provided some new documents in
18 preparation for your rebuttal testimony; right?

19 A Correct.

20 Q Okay. At any time did you provide this Court, your
21 attorney, or us a copy of the cover letter that goes with
22 those LOIs?

23 A Yes. It's actually in the evidence.

24 Q It's in the evidence with Exhibit 13?

25 A Not with those exhibits. It's a cover letter you

1 referenced before.

2 Q Okay. Is it -- no. There's -- what cover letter?
3 What exhibit?

4 A It was a cover letter that was brought up before
5 that says one option is for the two members. That cover
6 letter.

7 Q That's an email; correct?

8 A Yes.

9 Q Is there anything --

10 A Actually, I'm sorry. I take that back. I don't
11 think that was an email. I think that was an additional cover
12 letter.

13 Q Okay. That is Exhibit 131.

14 A Thank you.

15 Q Can you go to Exhibit 131. Now, you and your
16 attorney produced Exhibits 13 and Exhibit 21, the LOIs;
17 correct?

18 A Correct.

19 Q Okay. So neither you nor your attorney provided any
20 cover letter, this letter, this exhibit, 131, to go with those
21 LOIs, 13 and 121 [sic]; correct?

22 A That is not correct. The cover letter was in the
23 declaration and some of our motions.

24 Q Okay. I didn't say it was in the declarations and
25 your motion. I'm talking the hearing right here right now as

1 evidence before this Court you did not provide this letter to
2 go with the LOIs in 13 or 21; correct?

3 A I'd have to check the evidence book.

4 Q Go ahead. Look at 13 and 21.

5 A In 13 and 21 it is not there.

6 Q Okay.

7 A I don't know if it's somewhere else in the book.

8 Q All right. But those are the LOIs supposedly coming
9 from 4Front; correct?

10 A Yes, sir, you're correct.

11 Q Okay. And this letter is not part of that; correct

12 A It came in the same email.

13 Q I didn't ask you that.

14 THE COURT: 131 came in the same email?

15 THE WITNESS: Yes, ma'am. Yes, Your Honor.

16 THE COURT: All right.

17 BY MR. DUSHOFF:

18 Q All right. 131 was not part of Exhibit 13 or 21 in
19 your evidence book; correct?

20 A Correct.

21 Q Now, show me on 131 cover letter or anything where
22 it references that this is from 4Front.

23 A Jin Ho is 4Front's financial adviser, and the email
24 was from Jin Ho. His job title says 4Front.

25 Q All right. This is an email from Jin Ho. This is

1 not a letter from Jin Ho.

2 A No. This is a letter. So in the email -- he sent
3 one email from Jin Ho, 4Front in his signature block, and I
4 don't even think the email said anything, it just had two
5 attachments, this being one of them, and the LOI being the
6 other.

7 THE COURT: "This" being Exhibit 131?

8 THE WITNESS: 131 being one of them, and 13 would be
9 the other.

10 BY MR. DUSHOFF:

11 Q Can you show me -- one moment.

12 THE COURT: It's just "this" doesn't come out well
13 in my record, sir, so I'm trying to define it.

14 THE WITNESS: I understand, Your Honor.

15 BY MR. DUSHOFF:

16 Q Okay. Show me anywhere in Exhibit 131 where it
17 mentions attaching the LOIs you have in Exhibit 13 and 21.

18 A First paragraph, where it says "4Front preliminary
19 proposal to provide 3.5 million of capital," I would say
20 that's one of them.

21 Q "...but both dispensaries will be cancelled"; right?
22 You've got to read the whole sentence.

23 A Yes. Unless a resolution is reached, then the LOIs
24 will be cancelled.

25 Q It doesn't say LOIs will be cancelled.

1 A Okay. The preliminary proposal to provide 3.5
2 million of control. And then since of the LOIs is 3.5 million
3 of capital for both dispensaries, which this one also
4 references, they would go together. And they came in the same
5 email.

6 Q I'm going to ask you the same question. Does the
7 word "LOI" or does it say anywhere, attached are the LOIs or
8 the proposed LOIs for the cultivation or -- and/or the
9 distribution mentioned anywhere in this letter?

10 A No, it does not.

11 Q You testified -- let's turn to Exhibit 204, please.

12 A And I have it, sir.

13 Q You have it?

14 A Yes, I do.

15 Q Exhibit 204 is the actions by written consent of the
16 members of NuVeda. You see that?

17 A Yes, I do.

18 Q Okay. That's the one that was signed -- was
19 purportedly signed by Jennifer Goldstein on December 23rd,
20 2014; correct?

21 A Correct.

22 Q Okay. And that's the one that gave Pouya Mohajer --
23 as it states in there, "Further resolved that in connection
24 with this agreement Pouya Mohajer in his capacity as the chief
25 medical officer is authorized and directed to execute any and

1 all further documents as may be necessary to acquire 2113";
2 correct?

3 A Member and chief medical officer, yes.

4 Q Right. Okay. And it was your testimony that never
5 saw this document before it was signed; is that correct?

6 A To my recollection, correct.

7 Q Now, you were during this period of time, December
8 23rd, 2014, you were in Bali; correct?

9 A On the 23rd I think I was in the Philippines, but
10 Southeast Asia, yes.

11 Q Okay. You were there. Were aware -- you were there
12 with your girlfriend. Were you also there with Dr. Bady?

13 A Part of the trip. Not at this time.

14 Q And at this period of time did you have access to
15 your email?

16 A Yes, I did.

17 Q All right. Were you in contact with Jennifer
18 Goldstein at this period of time?

19 A Yes, I was.

20 Q At any time did you discuss with Jennifer Goldstein
21 about signing this consent that was -- that she signed on
22 December 23rd, 2014?

23 A Not to my recollection.

24 MR. DUSHOFF: I'd like to have -- we already have it
25 marked as Exhibit 210. Let me show this to you.

1 BY MR. DUSHOFF:

2 Q Okay. Take a look at the documents. Or did you
3 already look at them?

4 A Yes.

5 Q Have you already reviewed them?

6 THE COURT: Any objection to 210?

7 MS. PIKE-TURNER: No.

8 THE COURT: Can I have a copy. It'll be admitted.

9 (Defendant Bady's Exhibit 210 admitted)

10 (Pause in the proceedings)

11 BY MR. DUSHOFF:

12 Q Terry, this is an email from Jennifer Goldstein to
13 you on December 23rd at 12:56 a.m.; correct?

14 A I'm cc-ed on it, yes. Q

15 Q Yeah. It's -- you are, Pouya, Pejman, Wells
16 Littlefield. I think he was your attorney?

17 A No, he was not. He was chief of operations.

18 Q Okay. He was chief of operations.

19 A Or director of operations. Excuse me.

20 Q For NuVeda?

21 A Correct.

22 Q All right. And attached to this email -- let me ask
23 you. Did you receive this email?

24 A I'm sure I received it.

25 Q Okay. And were you aware that attached to this

1 email was the draft of the actions by written consent of the
2 members of NuVeda LLC that was signed on December 23rd, 2014,
3 by Jennifer Goldstein?

4 A That's what it looks like, yes.

5 Q Did you review that?

6 A Not at the time. I don't -- I do not think so.

7 Q When you say you do not think so, you were on
8 vacation. Is this something that you would have looked at if
9 you received it?

10 A At the time I was in very sparse Internet
11 connections. So when I would have an opportunity to check
12 email I'd have a lot of emails that I would try and get
13 through while being on vacation.

14 Q Okay. So you agree with me that this was sent to
15 you, but you're not aware whether you looked at it or not
16 while you were on vacation; is that accurate?

17 A I don't remember when I would have looked at it if I
18 did. But you're correct. There was a lot of emails going on
19 at that time.

20 Q So on December 30th, that's when the purchase
21 agreement was signed regarding the 2113; is that correct?

22 A Sounds correct.

23 Q How was NuVeda going to pay for it at that time?

24 A At that time we were supposed to pay for it with
25 either the closing of the Ivey deal or use proceeds from Dr.

1 Bady's line of credit that he had allocated to the company.

2 Q The Ivey deal died in August; correct?

3 A No, it did not.

4 Q Okay. Ivey never came up with the \$10 million; is
5 that correct?

6 A That is correct.

7 Q All right. As of December 1st, 2014, Ivey -- you
8 knew then that Ivey was not coming up with the \$10 million; is
9 that correct?

10 A No, it is not.

11 MR. DUSHOFF: Okay. One moment.

12 (Pause in the proceedings)

13 BY MR. DUSHOFF:

14 Q I'd like you to go to Exhibit 201, please.

15 A Yes, sir.

16 Q We've gone over this exhibit ad nauseam. This is an
17 email from you to Jeffrey Fried; correct?

18 A That is correct, yes.

19 Q Okay. And cc McQuinn. Jeffrey Fried and Mr.
20 McQuinn represent Phil Ivey; correct?

21 A Yes, sir.

22 Q All right. And in this email it was -- this was
23 February, by the way of, of -- February 28th, 2015; correct?

24 A Yes, sir.

25 Q Okay. And it was at this time that you knew that

1 Phil Ivey was not going to come forward with his money;
2 correct?

3 A I knew prior to this.

4 Q Okay. At what time did you know?

5 A It was right around Christmas.

6 Q Okay.

7 A So late December.

8 Q So around December 25th. So before the lease was
9 signed; correct? For the purchase agreement was signed, I'm
10 sorry, with 2113.

11 A That is correct, yes.

12 Q Okay. So you couldn't use -- you knew before then
13 that you couldn't use the Phil Ivey money in order to pay for
14 the 2113 property; correct?

15 A Correct.

16 Q So the person who came forward to save the day was
17 Joe Kennedy; isn't that correct?

18 A Mr. Kennedy has done a lot for the company, yes.

19 Q I didn't ask you that. You say it in here that,
20 since Phil didn't come up with the money, it was Joe Kennedy
21 that did that; isn't that correct?

22 A He leveraged his properties and got some notes, yes.

23 Q For this issue that you told Phil Ivey that, you're
24 not coming up with the 10 million, you said, thank you but Joe
25 Kennedy saved the day on that. You can read it and look at it

1 yourself. Isn't that right?

2 A Essentially, yes.

3 MR. DUSHOFF: I've got nothing further.

4 THE COURT: Ms. Turner?

5 MS. PIKE-TURNER: Nothing, Your Honor.

6 THE COURT: Thank you, sir. You can return to your
7 chair.

8 Do you have any additional rebuttal evidence to
9 present at this time?

10 MS. PIKE-TURNER: No, Your Honor.

11 THE COURT: Since you have a countermotion for
12 preliminary injunction, I'll ask you the same thing. Any
13 additional evidence you'd like to present at this time?

14 MR. MAUPIN: Not at this time, Your Honor.

15 THE COURT: Would you like to argue?

16 PLAINTIFF'S CLOSING ARGUMENT

17 MS. PIKE-TURNER: Similar to defendants with prior
18 felonies, we didn't hear from the defendants in these
19 proceedings. They've chosen not to testify. And the basis
20 for the expulsion, including the straw that broke the camel's
21 back, the phantom interests of Golpa and Bahri, go unanswered
22 by the defendants. I think it's fair to say that the
23 defendants' position is, we have 60 percent, we can do what we
24 want, you're a minority and we don't have to include yo, we
25 don't have to involve you. And what they've done is said, you

1 have no redress, that so long as we act together, you can't do
2 anything. You have the Golpa and Bahri phantom interests that
3 were the actions of Pouya Mohajer and Pej Bady together, you
4 have the allocating of losses in a manner that is not
5 compliant with Section 5.1. There's no question that it's not
6 a pro rata allocation of losses and it's not pursuant to the
7 agreement of the voting members. It doesn't comply with
8 Section 5.1.

9 The 2113 transaction, it's undisputed that was
10 undisclosed, that the rights of NuVeda under the escrow
11 agreement were assigned to 2113 and that there is a detriment
12 to NuVeda as a result. There's 50,000 that's gone missing,
13 and the -- if NuVeda is to buy back that property it's at a
14 \$22,000 a month loss, rent money that they never see again.

15 NuVeda's been sued by the McKnights up in Pahrump
16 regarding Pej Bady's negotiation of the lease up there, and
17 there's allegations that that's going to be voided. There's
18 one bad act after another. Inclusive in those are those that
19 Pej and Pouya have participated in together.

20 Is there -- there's been allegation, well, you can't
21 group them together, but if the same conduct that is the basis
22 for voting out a member is the conduct that's subject to both
23 of them, you can't be disinterested. So you can't vote to
24 expel Pej Bady and say, these phantom interests are
25 unacceptable in violation of regulation, and then say, and,

1 Pouya, provide your vote, when he's going along with this
2 program. They're not disinterested in that circumstance. And
3 you heard Mr. Kennedy acknowledge when the tables were turned,
4 yes, I signed the expulsion of Ms. Goldstein and Mr. Terry,
5 that special consent, I did that at the same time and it's the
6 same conduct that provides basis for both and, no, I don't
7 know of any involvement that they had. And in fact the
8 evidence is undisputed that there was no involvement of Ms.
9 Goldstein in the termination of Shane Terry's membership
10 interest or vice versa.

11 So we commenced this action to address that vote and
12 to stop any sale of the assets of NuVeda without the
13 involvement or vote of the minority interests or in violation
14 of that expulsion process.

15 Now, there's two things there. One is is there an
16 expulsion that was successful under Section 6.2 that would
17 prevent the defendants from transacting on behalf of NuVeda.
18 The second, and it's distinct, is if that was not a successful
19 expulsion were Shane Terry and Jennifer Goldstein denied an
20 opportunity to participate, were they disenfranchised in
21 violation of the operating by being denied a vote, being
22 denied participation discussion and a vote. Just because
23 there's a 60 percent block by the defendants doesn't mean that
24 they can just eliminate the dissenting minority from the
25 process.

1 THE COURT: Wasn't it discussed at the November 18th
2 meeting?

3 MS. PIKE-TURNER: Mr. Terry said he brought up the
4 LOI, the actual agreement that was executed is not the LOI,
5 and he was not given any opportunity to go through that
6 detail. If you look at the LOI, it's in the record, it is
7 devoid of any of the detail in the final membership agreement.
8 You had general concepts. And, no, other than -- other than
9 that November 18th meeting, there was no ability to discuss it
10 with the defendants. And certainly not the detail set forth
11 in the final agreement. There was no vote at that November
12 18th meeting. The vote was part of the special consent that's
13 in Exhibits 17 and 18. That was the vote, and that's the vote
14 that was -- where Shane Terry and Jennifer Goldstein were
15 excluded.

16 Now, all the polls say that Hillary Clinton's going
17 to win in the next election. I'm still entitled to vote.
18 It's not done until I cast my vote. I get to have a
19 discussion with people and participate in the process before
20 and then go in and vote. And perhaps Jennifer Goldstein and
21 Shane Terry would be unsuccessful in their efforts to explain
22 what the problems are with the CW deal, but certainly they're
23 entitled under the operating agreement to their vote. They
24 are voting members.

25 Even after the purported expulsion of Jennifer

1 Goldstein and Shane Terry the defendants knew that that wasn't
2 a real -- a real thing, because before the temporary
3 restraining order was entered they reported to the State that
4 they were members, that Shane and Jennifer were members, not
5 only members of NuVeda, but members or those who have a
6 financial interest in the subsidiaries. And since this
7 litigation has commenced and we have the CW deal, we've seen
8 this was not an asset transfer, this was not an agreement to
9 transfer the licenses as represented. The black-and-white of
10 that agreement is it's an agreement to transfer 100 percent of
11 the interest in Clark and Nye to this NewCo to be formed with
12 no protections in place against dilution. And Mr. Terry and
13 Ms. Goldstein, under their own application to the State
14 submitted December 9th, have an interest. They have an
15 interest in those subsidiaries who don't have an operating
16 agreement, and those are being transferred without their
17 knowledge and without their approval.

18 Now, there is no reason why the agreement with CW
19 shouldn't be enjoined. CW is protected; to the extent they
20 put out any money they get 15 percent return. But what you
21 will have is irreparable harm to NuVeda and the minority
22 members who were denied their rights to participate in the
23 negotiation and approval of that agreement. And you heard
24 testimony that's unrefuted, when you put apples to apples this
25 is not as good a deal as those that have been offered by

1 others. Business judgment is not the basis for entering an
2 injunction. But when that involves transferring assets to a
3 third party that is irreparable harm. Not only pursuant to
4 the CW deal, but we've heard testimony that there's efforts to
5 sell the Apex property. And that is irreparable harm.

6 I know how to unwind the CW deal. There's a
7 provision that says if this injunction is entered, then that
8 is a sale that is voided. It's conditional on that point. A
9 sale to the Chinese for the Faraday group, I don't even know
10 how to unwind that. So, Your Honor, to the extent that there
11 is an injunction as we've requested I don't know how you can
12 balance the hardships and say that the plaintiffs wouldn't be
13 devastated if this relief is not entered. Not only would
14 NuVeda be gutted, but there are obligations that aren't being
15 paid by the defendants or CW, and there's lawsuits out there
16 not being defended. There is the -- NuVeda will be left
17 holding the bag, the proverbial bag, and CW will walk away
18 with the assets.

19 THE COURT: Anything else?

20 MS. PIKE-TURNER: No, Your Honor. I'll answer
21 questions.

22 THE COURT: Nope.

23 Mr. Maupin.

24 DEFENDANT MOHAJER'S CLOSING ARGUMENT

25 MR. MAUPIN: Good afternoon. Couple of things just

1 in response as I was listening to Ms. Turner's argument.

2 It was suggested that like a criminal defendant the
3 defendants here didn't take the stand, they didn't testify. I
4 guess when one of them doesn't show up to testify it doesn't
5 make any difference and it's a good thing, and when our
6 clients, we found no need for them to testify at this point,
7 it's like they're a bunch of criminals escaping justice or
8 something. Ms. Goldstein, who drafted this agreement, never
9 took the stand. Sat here and listened for at least a day and
10 a half, and then beat a hasty retreat herself.

11 Now, a couple of things here. Shane and Jennifer
12 are going to be irreparably harmed because their memberships
13 in the subsidiaries are going to be sold, and so their
14 interests are being sold. Well, that's not -- that's a
15 problem, because they're not members in the subsidiaries.
16 They're members in NuVeda, and NuVeda owns the two
17 subsidiaries, with exception of the 3 percent. And the
18 agreement says that they are selling the -- NuVeda is selling
19 the interest that it has, and I think that's pretty -- that's
20 pretty clear. It says so in the agreement, and it was agreed
21 to during Mr. Terry's testimony.

22 Now, there's some credibility issues here, but not
23 too many. It's the documents themselves and what was said on
24 the witness stand pretty much has to fit within the matrix of
25 this agreement and the laws of good corporate governance. But

1 in terms of credibility and appearances on the stand you have
2 the sole witness for the plaintiffs, Mr. -- excuse me, Major
3 Terry, slick, evasive, couldn't get a straight answer out of
4 him. And then we called Mr. Kennedy and Mr. Padgett. And
5 what you got out of them was thoughtful, specific, responsive
6 testimony and no attempt to wiggle off of hooks, which is what
7 we've seen for the last -- for the entirety of Mr. Terry's
8 testimony.

9 Now, let's assume that the 4Front deal is good for
10 the company from the standpoint of the plaintiffs. They seem
11 to think so. Our clients, who are the majority, seem to think
12 that it isn't a good deal and have made this arrangement with
13 Mr. Padgett. And Mr. Padgett has done a very good job of
14 explaining the benefits of it, and he's discussed the
15 detriments of the other deal. But on a theory that reasonable
16 minds can differ about that the question is from a good
17 business judgment standpoint in approving this CW contract
18 there's a presumption, of course, that the actions taken by a
19 governing body in a corporation meet the business judgment
20 rule. But there's no question here that there's a dispute
21 over which one they want, which one each side wants, but you
22 can't say under any set of circumstances that the deal that
23 Brian Padgett has described and the benefits of it represent
24 bad business judgment that would have to be turned over as a
25 matter of law. There's been no evidence to overcome the

1 presumption that they have tried to make a deal calculated to
2 save this company.

3 Now, it's our position that you don't even have to
4 reach that, and I have a couple of arguments about that, and I
5 made them yesterday, but I'll try not to repeat them at length
6 here. But in terms of likelihood of success on the merits,
7 again, this is a motion for a preliminary injunction, and the
8 primary element of that is they have to prove the likelihood
9 of success on the merits. And one of the linchpins of this is
10 that they -- is that they believe all they have to do is prove
11 a conspiracy and they can by the fact that they don't have
12 enough votes to adjudicate the claims of conspiracy within the
13 company.

14 And there's another issue there that has to be
15 considered. Since the claims against the two majority
16 shareholders is they were in some sort of illegal conspiracy
17 with each other would have to be proved not by a preponderance
18 of the evidence and not by -- but not up to a reasonable
19 doubt, but --

20 THE COURT: That other standard. The clear and
21 convincing evidence.

22 MR. MAUPIN: -- convincing evidence. And if anyone
23 should have known that, I should have. But it's late in the
24 day. I'm --

25 THE COURT: Remember the first time you and I

1 discussed what that really meant?

2 MR. MAUPIN: Yes. Well, it's late in the day, and
3 I'm very quickly falling into the same problem that Mr.
4 Padgett had.

5 So clear and convincing evidence is more than just a
6 preponderance of evidence, and when you drop that matrix on
7 these claims of conspiracy, not even close. And we'll get to
8 that in just a second. Yesterday the Court ruled that 6.2 is
9 unambiguous. We believe that if it's unambiguous that it
10 basically says that you can expel a member. It doesn't say
11 anything about conspiracies or grouping or anything else.
12 There's no clear provision in there that you can concoct some
13 claim and then simply invoke your right to expel. Now, if
14 they do have that right, then you have to interpret the
15 agreement. And if you can interpret the agreement, then it
16 has to have some level of ambiguity in it. And that ambiguity
17 would have to be resolved against the plaintiffs in this case,
18 because this is -- Ms. Goldstein drew the agreement, and she
19 has a very, very important interest in the outcome of this
20 litigation.

21 Having said all that, though, is that what they did
22 was they drew up a series of allegations, they sent a letter
23 -- they sent letters to the defendants, the allegations are
24 very specific against Dr. Bady, and the letter to Dr. Bady
25 said, we don't know about Dr. Mohajer but were investigating

1 it. And then two days later, I guess after some sort of
2 exhaustive investigation, which there was no testimony about,
3 by the way, they offed them in a resolution that was never
4 circulated to them. They had no notice of this meeting, and
5 everybody concedes they aren't invited to this lunching party.

6 Now, they argue that it doesn't make sense that you
7 could -- would have to go through the trouble of expelling the
8 members separately if they were conspirators. Well, if it
9 doesn't make sense, then it has to be ambiguous, because
10 there's nothing in there that suggests that that is part of
11 the procedure of expelling members. And it must be
12 interpreted, if it's ambiguous, to avoid an absurd result and
13 to fulfill the intent of the parties. Well, the idea is that
14 the parties cannot legally be -- intend an absurd result. And
15 one of the biggest absurd results here is that if that is
16 right, one member -- a 1 percent member of the company, Mr.
17 Kennedy out there, could call a meeting, say everybody has got
18 -- has created misconduct, and vote.

19 Now, remember again that this vote took place as a
20 matter of unilateral action with these minority members. The
21 process doesn't contemplate that a judge or an arbitrator sit
22 down and say, this is a violation, unless there has been some
23 sort of actual removal. And in this particular case there was
24 no -- there was no vote to remove, no formal vote to remove,
25 there was just a series of allegations, and the allegations

1 against the two defendants weren't the same. One was
2 definitive, and other one was being investigated. And then
3 they issued a resolution in which they basically grouped them
4 together and said, they're both guilty of whatever.

5 Now, there was no adjudication of these charges on
6 any level based upon the sequences of that letter from Ms.
7 Jaccarino and the resolution two days later. And so that
8 brings us back, of course, to the comments about their
9 expulsion. Now --

10 THE COURT: Which you would agree appear to be
11 retaliatory.

12 MR. MAUPIN: Well, it would on the face of it,
13 except when I asked Mr. Terry if he would fire somebody if
14 they did that to him he said, absolutely. So what's good for
15 the goose is good for the gander. You know something, I
16 haven't heard that argument since Drake Delanoy made it about
17 40 years ago. And it sounds like it.

18 THE COURT: Yeah. It doesn't work any better now.

19 MR. MAUPIN: No, it doesn't. I didn't like it then,
20 either.

21 But the fact is that they were both done by
22 resolution. And I will agree with Ms. Turner that both of
23 these expulsions were done with resolutions without giving the
24 other side a chance to be heard. The question is if you can
25 do it by resolution that way, they didn't have enough votes,

1 so they lose. And if you can do it by resolution that way, we
2 did have enough votes, so they lose. Now, that is a very
3 draconian way of looking at it, and I do not believe that the
4 members of this company when they formed it had any belief
5 that something like that could happen to any one of them.

6 And so we get to the fact that they did it by
7 resolution. Well, the governing law under the agreement is
8 set forth in Section 1.2. It's the Nevada Limited Liability
9 Company Act. And when you take action by resolution it says
10 you must do so in accordance with the Act. That's in
11 Section 4.1. Everybody concedes that the Act doesn't say
12 anything about governing by resolution, and, of course, Ms.
13 Stevenson voluntarily says, well, it's voluntary. Well, you
14 have a remedy or a mechanical device to act. It's in the
15 operating agreement. It refers you to a statute that says
16 nothing about it. And so how do you do that? And then how do
17 you read it all together with the notion that you should have
18 60 percent before somebody can toss you out of the company,
19 60 percent of the disinterested voters? There has to be some
20 sort of mechanism if this company intended to do business with
21 what other. No one contemplated the -- a midnight massacre.
22 But, make no mistake about it, while it may have been to a
23 degree retaliatory, it was done because of the attempt to get
24 rid of them. So it was them that started it. Now, I'm not
25 saying -- I'm saying that they were wrong to do that. But I'm

1 saying there's another way of looking at it, that the
2 resolution process under this -- in this agreement relates to
3 an Act that doesn't -- that doesn't talk about resolution,
4 governing by resolution. And so it's not clear how you would
5 follow the Act when doing resolutions. And, to be quite frank
6 with you, when you look at 6.2 and 4.1 and all of this
7 business, this agreement -- you would have to construe it to
8 be reasonable. And in that construction you would have to say
9 that neither one of these expulsions was valid. And in that
10 way you would not be having to sanction expulsions under the
11 circumstances that have been described here, either one of
12 them.

13 Now, again, these expulsions did not involve any
14 kind of ability to face charges -- or face the charges. And
15 that is -- so to come in without enough votes and then claim
16 you've got enough votes and then expel a majority, that's a
17 hijacking of the company by the minority. By the way, if they
18 could do this, there would be thousands of minority takeovers
19 all over the country. But one of the reasons you don't see it
20 is because it's not legal.

21 Now, in terms of the conspiracy, again, the
22 conspiracy is that these two both did all this stuff together.
23 Well, their own lawyer said that that's not the case, and no
24 indication of investigation that that changed in two days, and
25 then they issue the resolution that says they're both guilty

1 of fiduciary duties and all sorts of things.

2 So in terms of likelihood of success on the merits
3 they don't have the votes, yes. It's a condition precedent to
4 litigate the question of misconduct to have enough votes to
5 find such a finding. This was never done within this company
6 on either of these expulsions. And so they have -- in order
7 to win -- first of all, they had enough votes. They don't.
8 And, second, they don't have any cause, because by their own
9 lawyers' letters they weren't the same, they weren't in a
10 common conspiracy of identical conduct.

11 Now, a couple of points will drive this home. The
12 tax business is not a conspiracy at all. I wish I had an all-
13 knowing -- a seer-like understanding of the Internal Revenue
14 Code without having read much of it. But I don't. That's
15 what we have enrolled agents for, that's what we have CPAs
16 for, that's what we have tax consultants for. And this was a
17 legitimate dispute over this tax situation. Just because the
18 high and mighty Shane Terry says, you shouldn't do that, I'm
19 right and I don't know why you can't figure it out, that
20 doesn't make any kind of conspiracy. And it's evident that
21 Dr. Mohajer, who is a loyal United States citizen, didn't want
22 to cheat the government out of its fair share of his tax
23 liability.

24 Now, I hear laughing, but --

25 MS. PIKE-TURNER: No. I just missed that testimony.

1 THE COURT: Can we finish the argument, please.

2 MR. MAUPIN: Oh, yes.

3 THE COURT: Thank you.

4 MR. MAUPIN: But here's one of the interesting
5 kickers about it. Mr. Terry got up and raised all sorts of
6 business of how he looked it up himself and figured it out,
7 called a CPA and all this business. But it's interesting the
8 CPA was only consulted the day before Christmas of this year.
9 So it's a lot of backfilling on all of that. This tax issue
10 is a red herring, it is one of the primary linchpins of their
11 claims of this conspiracy. This doesn't show any kind of a
12 conspiracy at all. It simply shows two people disagreed on
13 how their tax liabilities should be allocated. And, by the
14 way, there's no evidence that the IRS has closed in on Mr.
15 Terry, on the company, or anybody else.

16 Now, as far at the 2113 business, Dr. Mohajer was
17 charged with taking care of all that because everybody was out
18 of town. And so there was a resolution allowing him to close
19 the deal. It also says he's to -- he has the ability to
20 obtain any kind of financing necessary. Well, NuVeda couldn't
21 close the deal. They didn't have the ability to. That hasn't
22 been contested at all. Mr. Kennedy testified about how that
23 happened, why they had to do what they did, and why this
24 agreement saved the license and why the lease -- and why
25 NuVeda was given the basic benefits of this lease. And in

1 terms of the \$50,000, where it went missing, nobody has
2 explained that. They didn't explain it. They just say it
3 isn't there. They don't have any evidence whatsoever of who
4 did that. And even if they did, the fact of the matter is
5 this lease agreement fixed it so they could do business.

6 Now, as far as the McKnight deal, Pouya Mohajer's
7 not implicated in that. And the other claims of misfeasance
8 is that Doctors Mohajer and Bady transferred interests in this
9 company without disclosure to the other members. Well, the
10 evidence showed that the loans, the Golpa loans and the Bahri
11 loans, there was a discussion about giving an interest in the
12 company to them at some point subject to approval of the
13 members. That never happened. There was -- they never
14 transferred any interest. It is a specific allegation in this
15 complaint for preliminary injunction that they transferred
16 shares. Maybe that's an inartful way of drafting the
17 complaint, but that's what it says. And, of course, when I
18 asked Mr. Terry about that he, of course, said, well, I
19 haven't read the complaint. Well, that may be the most
20 egregious part of this, because he has made irresponsible,
21 unsubstantiated claims of conspiracy against two doctors in
22 this community who got them into this investment and -- Dr.
23 Bady did -- and paid for Shane to get into this company.

24 Now, in terms of the irreparable harm, the
25 irreparable harm here is that they took over the company with

1 this resolution in this star chamber proceeding and now they
2 can't run it so that they can scotch a deal with which they
3 disagree. Because that takeover is void, the harm from the
4 inability to reject this contract doesn't exist. They want an
5 injunction to stop this contract, but their right to do that
6 subsumes that they successfully took over the company in this
7 resolution that didn't include the people they expelled.
8 Simply stated, they're no worse off than they were before this
9 expulsion, because they're still minority members. And that's
10 where they belong.

11 As far as the unclean hands business, obviously they
12 hijacked the company without notice, and that is I believe a
13 very serious charge against them.

14 So there's no reasonable likelihood of success, they
15 can't show -- first of all, they can't show they had the right
16 to vote on this anyway, because the votes -- a vote to
17 adjudicate these things within the company had to occur, and
18 it never really did, number one. Number two, there's no
19 reasonable -- there's no irreparable harm, because they have
20 to have successfully taken over the company to do that. And
21 it is beyond comprehension that a minority interest in a
22 limited liability company can form up a bunch of minority
23 members without a meeting, without any kind of confrontation
24 whatsoever, and get rid of the majority and then say they can
25 run the company.

1 I believe the remedy that the Court should -- I have
2 too many things to go, and they're -- they could go without
3 saying. I think you got it right the first time when you
4 issued the TRO, as I said yesterday. You got it right the
5 first time. These two expulsions should be simply just set
6 aside as a provisional remedy pending the arbitration, and
7 nothing else. Because right now the status quo is that the
8 majority is still Dr. Mohajer and Dr. Bady, and they need to
9 run this company. And if this agreement doesn't go through,
10 they haven't got the answer. If this agreement is not
11 continued on in its execution as is going on right now, this
12 company disappears.

13 THE COURT: Did you want to say anything about your
14 joinder in the countermotion?

15 MR. MAUPIN: Oh. Well, we've asked for a series of
16 remedies in our brief. We stand by those. But one very
17 important aspect of this is that this whole set of
18 proceedings, given the scandalous and irresponsible nature of
19 these accusations, should be sealed.

20 THE COURT: Okay. Mr. Dushoff.

21 MR. DUSHOFF: Yeah. Judge, I prepared my closing
22 last night and typed it, so --

23 THE COURT: And you're going to read it to me,
24 aren't you, Mr. Dushoff?

25 MR. DUSHOFF: I'm going to read this entire thing.

1 You've got to be kidding me. There's no chance of having it
2 read. I don't even know what's in there.

3 THE COURT: Somebody has to be the humor and the
4 comedian, and Mr. Dushoff is usually it.

5 MR. DUSHOFF: Yeah. I've got to do that, otherwise
6 I'm going to fall asleep on myself.

7 DEFENDANT BADY'S CLOSING ARGUMENT

8 MR. DUSHOFF: Your Honor, they've -- NuVeda hit the
9 Powerball, Megabucks, and Lotto all at the same time. They
10 got six licenses that were so coveted. Some of the biggest
11 and brightest and wealthiest people in Nevada didn't even get
12 these licenses. They're alleging that our clients are doing
13 everything they can to hurt NuVeda when our clients are the
14 ones who invested millions of dollars in this company and are
15 the ones if this fails stand to lose millions of dollars. It
16 is against a pecuniary interest to go forward and ruin this
17 company. Everything they have done, and the evidence showed,
18 is to forward this company.

19 Your Honor, we talked about -- and I'm going to try
20 not to repeat everything Mr. Maupin has said. But I have here
21 a jury instruction from a case regarding civil conspiracy, and
22 I don't know if you're aware of this, but it's a case
23 involving -- I think it's pronounced Fortunet, and it regards
24 the civil conspiracy. And it says, "To prove a claim of civil
25 conspiracy in this case plaintiff must prove each of the

1 following: that all of the defendants," Dr. Mohajer and Dr.
2 Bady, "entered into an agreement --" there was no showing of
3 that on any of what they propose are the conspiracies "-- to
4 act in concert --" there are no showing of that; the \$600,000
5 loan was to Dr. Bady alone, and that is his, as said by Mr.
6 Kennedy, as also said by Mr. Padgett "-- with the intent to
7 accomplish an unlawful objective --" they have yet to show
8 what the unlawful objective is in this case in regards to
9 2113, in regards to the tax, or in regards to Golpa "-- and
10 for the purposes of harming --" NuVeda. As stated before, it
11 is against a pecuniary interest to do as such "under Section
12 6.2 it says the word "member" in regards to removing a
13 "member's interest," singular, 21 separate times. In regards
14 to the members removing it, Section 6.2 refers to members
15 removing it 14 times. If it was the intent of the drafter and
16 of the members to have members group together, it would have
17 put in there as such. And it wasn't. But even if you go
18 through, well, member or members, this operating agreement,
19 different than all others I've seen, actually has an example
20 where they say if Member A wants to get -- needs to get
21 expelled, the other disinterested members, the ones who aren't
22 getting expelled, get to vote, and you need 60 percent of that
23 vote.

24 They also talk about that they had the right to
25 remove Dr. Bady and Dr. Mohajer based on the December 15th

1 filing. The December 15th filing I think is the seventh
2 incarnation of the equity percentages in NuVeda. All of the
3 changes, every single one of them, have absolutely no minutes,
4 no resolutions to make that change. Mr. Terry did that on his
5 own, no resolutions whatsoever. It's not coincidental that
6 the final one, the December 15th, changes the equity ownership
7 in such a way that finally the minority shareholders would
8 have the opportunity to expel Dr. Bady and Dr. Mohajer. But
9 yet in plaintiffs' counsel's supplemental reply they even
10 agree -- she even agrees that the numbers you need to go by
11 are in the operating agreement. And pursuant to the operating
12 agreement, plaintiffs do not have the numbers. They do not
13 have the numbers to expel Dr. Bady nor Dr. Mohajer.

14 Plaintiffs provide zero alternative. They talk
15 about irreparable harm. Let's talk about it. What they want
16 is status quo, everything to remain static, remain stagnant
17 pending an arbitration. If that happens, there is no CW
18 agreement, there is no 4Front agreement, there is no money to
19 pay the bills, there's no money for development, they can't go
20 raise funds, the company is done.

21 However, we do have the alternative to that. And
22 the alternative is that they could make money. I'm not saying
23 they will, because every business venture is an investment and
24 a hope, and this is a brand-new venture. But they've brought
25 nothing to the table in hopes that Mr. Terry may raise money,

1 yet to this day hasn't raise a dime on his own. Yet he needs
2 to raise millions.

3 Your Honor, you cannot grant the relief. If you
4 grant the relief, the company is forfeited and everything
5 we've done for the past four days and up through the TRO will
6 be for naught.

7 THE COURT: Do you want to address any issues raised
8 in your countermotion?

9 MR. DUSHOFF: No, Judge. Keep it as is.

10 THE COURT: All right. Thank you.

11 Ms. Turner.

12 PLAINTIFFS' REBUTTAL

13 MS. PIKE-TURNER: Your Honor, with respect to the
14 allegation that the Golpa and Bahri transactions or phantom
15 interests, we've called them several things, the undisclosed
16 promise of equity is not set forth in the testimony of Mr.
17 Padgett or Mr. Kennedy. It's in the email from Pej Bady where
18 he discusses Pouya Mohajer's obligation to repay those sums in
19 conjunction with Mr. Bady -- or Dr. Bady. That evidence is
20 actually the only words of Pej Bady or Pouya Mohajer that the
21 Court has. And it's clear it was undisclosed, he's
22 apologizing for it, and he says, well, if we can't give the
23 interest, then Pouya and I will pay it back, but we're asking
24 that you bear the burden and that you provide the shares.

25 Now, you heard the testimony, again unchecked, where

1 Shane Terry says, I've come out of pocket to pay these men
2 because they're threatening us and they're threatening me.
3 They're threatening because they say they were promised
4 shares. And that is the wrongful conduct that was the straw
5 that broke the camel's back, and that was Pouya and Pej
6 together.

7 Now, Section 6.2 uses the words "disinterested,"
8 "disinterested voting interests," and "disinterested" has to
9 have meaning, and it does have meaning. You can't have an
10 interest in the conduct that provides the basis for the
11 expulsion and be disinterested. You can't. It's -- it is
12 clear, unambiguous, and that's the case. And if there was any
13 dispute regarding Pouya Mohajer's involvement in that
14 transaction or in the 2113, he would have gotten up and
15 testified to it. He didn't.

16 Now, the tax issue is an important one, because it's
17 a violation of the operating agreement. And that's the job of
18 the CEO, to say, what are you doing, Pouya Mohajer, what are
19 you doing. It's a violation of the operating agreement, and
20 it puts everybody at jeopardy to get audited in a highly
21 regulated industry where there's already concern that the
22 tracing that's going to be required, there's going to be
23 problems as a result of Pej Bady and Pouya Mohajer's issues
24 with the phantom interests.

25 Now, there is no question that there is an

1 obligation to disclose not only ownership, but financial
2 interest in all of these LLC, NuVeda and its subsidiaries, and
3 that was done. It wasn't just done by Shane Terry, it was
4 done by Kaempfer Crowell on behalf of Pej Bady. And there's
5 acknowledgement that Shane Terry and Jennifer Goldstein have
6 an interest in the very LLCs where there is an executed
7 agreement to transfer those interests. Now, that went
8 unanswered by the lengthy closing argument by Justice Maupin
9 and the closing by Mr. Dushoff. Those interest belong to the
10 plaintiffs, and they have to be enjoined from transferring
11 those without consent. Not only consent, remuneration if
12 those are the individual interests of the plaintiffs. Beyond
13 that the NuVeda interests are prejudiced. When you gut the
14 company of the its valuable dispensaries, which Mr. Dushoff
15 called winning the Lotto, there's no question it's the only
16 24-hour license on Las Vegas Boulevard. And that is being
17 sold down the river to Mr. Padgett, who is clamoring for this
18 deal. I don't blame him. It's a heck of a deal for him.
19 It's not in NuVeda's best interests, and it's irreparable harm
20 to permit the transaction to go forward as contemplated by the
21 defendants, the immoral majority. That's it.

22 THE COURT: Wait. Before you sit down, couple
23 questions. As part of your argument you have been making
24 throughout this proceeding that the doctors, the defendants,
25 acted together.

1 MS. PIKE-TURNER: Uh-huh.

2 THE COURT: And yet the letter from Ms. Jaccarino
3 doesn't seem to indicate that. And the timing between when
4 the action occurred and her letter is very short, very close
5 in time. Is there anything else in the evidence that's been
6 presented to me that you can point to to show me that they
7 were acting together on activities that would fall within the
8 definition of a civil conspiracy?

9 MS. PIKE-TURNER: Exhibit 6 and Exhibit 8.
10 Exhibit 6 is the email from Pej Bady where he apologizes to
11 the team --

12 THE COURT: I've got them both. And 8 is the K-1s.

13 MS. PIKE-TURNER: The K-1s.

14 THE COURT: Okay.

15 MS. PIKE-TURNER: And is anything else in writing?
16 No. You heard the testimony of Mr. Terry that he was
17 communicating -- and Ms. Jaccarino was clearly communicating
18 with Mr. Bady and that there were no communications with Pouya
19 Mohajer.

20 THE COURT: Okay. Anything else?

21 MS. PIKE-TURNER: No, Your Honor.

22 THE COURT: All right. Anything else on the
23 countermotion?

24 MR. DUSHOFF: Nothing.

25 THE COURT: All right. I'll have a written decision

1 for you early next week.

2 MR. DUSHOFF: Thank you.

3 THE COURT: Have a nice weekend.

4 MS. PIKE-TURNER: Thank you.

5 THE PROCEEDINGS CONCLUDED AT 3:20 P.M.

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INDEX

<u>NAME</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
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DEFENDANT MOHAJER'S WITNESSES

Brian Padgett	2	42/43	101	104
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PLAINTIFFS' REBUTTAL WITNESSES

Shane Terry	106	133/145		
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EXHIBITS

DESCRIPTION

ADMITTED

PLAINTIFFS' EXHIBIT NO.

39				116
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DEFENDANT BADY'S EXHIBIT NO.

209				128
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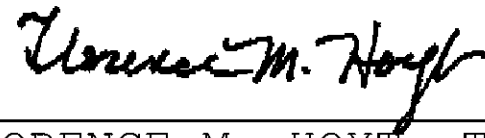
CERTIFICATION

I CERTIFY THAT THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE AUDIO-VISUAL RECORDING OF THE PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.

AFFIRMATION

I AFFIRM THAT THIS TRANSCRIPT DOES NOT CONTAIN THE SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF ANY PERSON OR ENTITY.

**FLORENCE HOYT
Las Vegas, Nevada 89146**



FLORENCE M. HOYT, TRANSCRIBER

1/12/16

DATE