

**SUPREME COURT OF NEVADA**

Case No. 79669

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GREENMART OF NEVADA NLV LLC,; and  
NEVADA ORGANIC REMEDIES, LLC  
*Appellants/Cross-Respondents,*

Electronically Filed  
Apr 15 2020 10:22 a.m.  
Elizabeth A. Brown  
Clerk of Supreme Court

v.

ETW MANAGEMENT GROUP LLC; GLOBAL HARMONY LLC; GREEN  
LEAF FARMS HOLDINGS LLC; GREEN THERAPEUTICS LLC; HERBAL  
CHOICE INC.; JUST QUALITY LLC; LIBRA WELLNESS CENTER LLC;  
ROMBOUGH REAL ESTATE INC. D/B/A MOTHER HERB; NEVCANN LLC;  
RED GARDENS LLC; THC NEVADA LLC; ZION GARDENS LLC; and  
MMOF VEGAS RETAIL INC.,  
*Respondents/Cross-Appellants,*

and

THE STATE OF NEVADA DEPARTMENT OF TAXATION,  
*Respondent,*

Appeal from the Eighth Judicial District Court,  
Clark County, Nevada  
District Court Case # A-19-797004-B  
The Honorable Elizabeth Gonzalez

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**APPELLANT'S APPENDIX – VOLUME 22**

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26, 27	Nevada Wellness Center, LLC's Reply in Support of Motion to Amend the Findings of Fact and Conclusions of Law Granting Motion for Preliminary Injunction	9/30/19	AA 006493 - AA 006505
27, 28	Nevada Wellness Center, LLC's Reply in Support of Motion to Amend the Findings of Fact and Conclusions of Law Granting Motion for Preliminary Injunction	10/17/19	AA 006701 - AA 006816
2	Nevada Wellness Center, LLC's Summons to State of Nevada, Department of Taxation	1/22/19	AA 000373 - AA 000375
28, 29	Nevada Wellness Center, LLC's Supplement in Support of Reply in Support of Motion to Amend the Findings of Fact and Conclusions of Law Granting Motion for Preliminary Injunction	10/30/19	AA 006955 - AA 007057
29	Notice of Entry of Order and Order Denying MM Development Company Inc. and LivFree Wellness, LLC Development Company Inc. and LivFree Wellness, LLC's Motion to Alter or Amend Findings of Fact and Conclusions of Law Granting Preliminary Injunction	11/23/19	AA 007127 - AA 007130
23	Notice of Entry of Order and Order Granting Motion for Preliminary Injunction	8/28/19	AA 005544 - AA 005570
29	Notice of Entry of Order and Order Regarding Nevada Wellness Center, LLC's Motion to Alter or Amend Findings of Fact and Conclusions of Law Granting Preliminary Injunction	11/6/19	AA 007058 - AA 007067
20	Order Granting in Part Motion to Coordinate Cases for Preliminary Injunction Hearing	7/11/19	AA 004938 - AA 004940
22	Order Granting Preliminary Injunction (Findings of Fact and Conclusions of Law)	8/23/19	AA 005277 - AA 005300
46, 47	Preliminary Injunction Hearing, Defendant's Exhibit 2009 Governor's Task Force Report	n/a	AA 011408 - AA 011568
47	Preliminary Injunction Hearing, Defendant's Exhibit 2018 List of Applicants for Marijuana Establishment Licenses 2018	n/a	AA 011569 - AA 011575

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47	Preliminary Injunction Hearing, Defendant's Exhibit 5026 Nevada Organic Remedies, LLC's Ownership Approval Letter as Contained in the Application	n/a	AA 011593 - AA 011600
47	Preliminary Injunction Hearing, Defendant's Exhibit 5038 Evaluator Notes on Nevada Organic Remedies, LLC's Application	n/a	AA 011601 - AA 011603
47	Preliminary Injunction Hearing, Defendant's Exhibit 5045 Minutes of ther Legislative Commission, Nevada Legislative Counsel Bureau	n/a	AA 011604 - AA 011633
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47	Register of Actions for Serenity Wellness Center, LLC v. State of Nevada, Department of Taxation, Case No. A-18-786962-B	n/a	AA011642 - AA 011664
27	Serenity Wellness Center, LLC et al.'s Joinder to MM Development Company Inc. and LivFree Wellness, LLC Development Company Inc. and LivFree Wellness, LLC's Motion to Amend the Findings of Fact and Conclusions of Law Granting Motion for Preliminary Injunction	9/30/19	AA 006506 - AA 006508
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0	Serenity Wellness Center, LLC et al.'s Corrected First Amended Complaint	7/11/19	AA 004907 - AA 004924
5, 6	Serenity Wellness Center, LLC et al.'s Ex Parte Motion for Leave to file Brief in Support of Motion for Preliminary Injunction in Excess of Thirty Pages in Length	4/10/19	AA 001163 - AA 001288

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23	Serenity Wellness Center, LLC et al.'s Joinder to MM Development Company Inc. and LivFree Wellness, LLC Development Company Inc. and LivFree Wellness, LLC's Objection to Court's Exhibit 3	8/27/19	AA 005540 - AA 005543
27	Serenity Wellness Center, LLC et al.'s Joinder to Nevada Wellness Center, LLC's Motion to Amend the Findings of Fact and Conclusions of Law Granting Motion for Preliminary Injunction	10/7/19	AA 006528 - AA 006538
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5	Serenity Wellness Center, LLC et al.'s Summons to State of Nevada, Department of Taxation	3/26/19	AA 001031 - AA 001034
19	Serenity Wellness Center, LLC et al.'s Supplemental Memorandum of Points and Authorities in Support of Preliminary Injunction	6/10/19	AA 004564 - AA 004716
6	State of Nevada, Department of Taxation's Answer to ETW Management Group, LLC et al.'s Amended Complaint	4/17/19	AA 001313 - AA 001326
19	State of Nevada, Department of Taxation's Answer to ETW Management Group, LLC et al.'s Second Amended Complaint	6/4/19	AA 004513 - AA 004526
5	State of Nevada, Department of Taxation's Answer to MM Development Company Inc. and LivFree Wellness, LLC Development Company Inc. and LivFree Wellness, LLC's First Amended Complaint	4/10/19	AA 001150 - AA 001162

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11	State of Nevada, Department of Taxation's Opposition to MM Development Company Inc. and LivFree Wellness, LLC Development Company Inc. and LivFree Wellness, LLC's Motion for Preliminary Injunction	5/20/19	AA 002704 - AA 002724
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## **CERTIFICATE OF SERVICE**

I hereby certify that the foregoing **APPELLANT NEVADA ORGANIC REMEDIES, LLC'S OPENING BRIEF** was filed electronically with the Nevada Supreme Court on the 17th day of January, 2020. Electronic service of the foregoing document shall be made in accordance with the Master Service List as follows:

Adam Fulton and Maximilien D. Fetaz  
**Brownsein Hyatt Farber Shreck, LLP**

*Counsel for Respondents,*

*ETWManagement Group LLC; Global Harmony LLC; Green Leaf Farms Holdings LL; Green Therapeutics LLC; Herbal Choice Inc.; Just Quality LLC; Libra Wellness Center LLC; Rombough Real Estate Inc. d/b/a Mother Herb; NEVCANN LLC; Red Gardens LLC; TH Nevada LLC; Zion Gardens LLC; and MMOF Vegas Retail Inc.*

Ketan D. Bhirud, Aaron D. Ford, Theresa M. Haar, David J. Pope,  
and Steven G. Shevorski

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David R. Koch, Steven B. Scow, Daniel G. Scow, and Brody R. Wight

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**McLetchie Law**

*Counsel for Appellant,*

*Counsel for GreenMart of Nevada NLV LLC*

/s/ David R. Koch

Koch & Scow

1       70. The afore-described communications on the part of GUNSALLUS, CURTIS  
2 EDWARD HUFFMAN and MICHAEL H. SINGER constitutes defamation against LERA and  
3 NEWMAN.

4       71. The afore-described communications of GUNSALLUS, CURTIS EDWARD  
5 HUFFMAN and MICHAEL H. SINGER have been made and intended to lower LERA and  
6 NEWMAN in the estimation of the community or to deter third persons from associating or  
7 dealing with LERA and NEWMAN.

8       72. As a direct, legal and proximate result of the defamatory communications by  
9 GUNSALLUS, CURTIS EDWARD HUFFMAN and MICHAEL H. SINGER, THIRD PARTY  
10 PLAINTIFFS have and continue to suffer damages, including monetary loss, extreme emotional  
11 distress, humiliation, mental anguish, and physical distress.

12       73. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
13 below, including monetary damages and punitive damages to punish and deter THIRD PARTY  
14 DEFENDANTS from continuing to act with such malice, oppression and fraud against THIRD  
15 PARTY PLAINTIFFS and others in the future.

16  
17                                   **COUNT V – FRAUD**  
18       **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
19       **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
20       **ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

21       74. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 73 of this  
22 Third Party Complaint as though fully set forth herein.

23       75. Conduct may be fraudulent if any of the following occur: 1) An intentional  
24 misrepresentation; 2) A false promise; 3) The concealment of information (where there is a duty  
25 not to conceal); 4) A failure to disclose information (where this is a duty to disclose); or 5) A  
26 negligent misrepresentation.

27       76. THIRD PARTY PLAINTIFFS allege that THIRD PARTY DEFENDANTS, and  
28 each of them, continue to commit fraud in dozens of means and ways. NEWMAN and LERA  
have set forth facts in the preceding paragraphs of this complaint setting forth specific  
communicative acts or omissions to act by all THIRD PARTY DEFENDANTS, including but

1 not limited to, where THIRD PARTY DEFENDANTS have intentionally misrepresented their  
2 intentions with respect to DESERT AIRE WELLNESS, LLC, the owners, managers and control  
3 of DESERT AIRE WELLNESS, LLC; false promises were made concerning the funding and  
4 legality of the purported percentage ownership transfers of DESERT AIRE WELLNESS, LLC;  
5 concealment of information among the PARTIES and to others concerning their intentions with  
6 respect to DESERT AIRE WELLNESS, LLC, the owners, managers and control of DESERT  
7 AIRE WELLNESS, LLC; failing to disclose their intentions with respect to DESERT AIRE  
8 WELLNESS, LLC, the owners, managers and control of DESERT AIRE WELLNESS, LLC;  
9 and advising that LERA and NEWMAN are no longer owners of DESERT AIRE WELLNESS,  
10 LLC and/or that they are not to be involved with the construction process in any way.

11 77. The afore-described conduct on the part of THIRD PARTY DEFENDANTS  
12 constitutes fraud on the part of THIRD PARTY DEFENDANTS and each of them.

13 78. The afore-described conduct of THIRD PARTY DEFENDANTS has been  
14 intended to commit fraud for the purpose of harming LERA and NEWMAN.

15 79. As a direct, legal and proximate result of the fraud of THIRD PARTY  
16 DEFENDANTS, THIRD PARTY PLAINTIFFS have and continue to suffer damages, including  
17 monetary loss, extreme emotional distress, humiliation, mental anguish, and physical distress.

18 80. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
19 below, including monetary damages and punitive damages to punish and deter THIRD PARTY  
20 DEFENDANTS from continuing to act with such malice, oppression and fraud against THIRD  
21 PARTY PLAINTIFFS and others in the future.

22  
23 **COUNT VI – INTENTIONAL MISREPRESENTATION**  
24 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
25 **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
26 **ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

27 81. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 80 of this  
28 Third Party Complaint as though fully set forth herein.

82. Intentional Misrepresentation is established by plaintiff showing by clear and  
convincing evidence that establishes: the defendant made a representation as to a past or existing

1 material fact; the representation was false; the defendant knew the representation was false when  
2 it was made; or the defendant knew that he/she did not hold sufficient information to make the  
3 representation; the defendant intended to induce the plaintiff to rely upon the false representation  
4 and act or to refrain from acting accordingly; the plaintiff was unaware of the falsity of the  
5 representation; the plaintiff acted in reliance upon the truth of the representation; the plaintiff  
6 was justified in relying upon the representation; and the plaintiff sustained damages as a result of  
7 his/her reliance on the misrepresentation.

8 83. THIRD PARTY PLAINTIFFS allege that THIRD PARTY DEFENDANTS, and  
9 each of them, have committed intentional misrepresentation in dozens of circumstances.  
10 NEWMAN and LERA have set forth facts in the preceding paragraphs of this complaint setting  
11 forth specific communicative acts or omissions to act by all THIRD PARTY DEFENDANTS,  
12 including but not limited to, where THIRD PARTY DEFENDANTS have intentionally  
13 misrepresented their intentions with respect to DESERT AIRE WELLNESS, LLC, the owners,  
14 managers and control of DESERT AIRE WELLNESS, LLC; and specifically but not limited to  
15 the funding of DESERT AIRE WELLNESS, LLC and the legality of the purported percentage  
16 ownership transfers of DESERT AIRE WELLNESS. In addition, other specific acts of  
17 intentional misrepresentation include, but are not limited to the following: GUNSALLUS;  
18 CURTIS EDWARD HUFFMAN and MICHAEL H. SINGER have communicated to others  
19 throughout the MME community that THIRD PARTY PLAINTIFFS are no longer managers or  
20 owners of DESERT AIRE WELLNESS, LLC to purposefully deter others from associating or  
21 dealing with LERA and NEWMAN. SINGER recently intentionally and illegally filed  
22 documents with the Nevada Secretary of State naming GUNSALLUS, CURTIS HUFFMAN and  
23 LERA as the managing members of DESERT AIRE WELLNESS, LLC, specifically taking  
24 NEWMAN off of DESERT AIRE WELLNESS, LLC as a manager. CURTIS HUFFMAN  
25 continues to make false and misleading statements that he is a manager, and he is in charge of  
26 the construction, has told all the construction related individuals to not speak with LERA and  
27 NEWMAN and to keep them away from the facility. GUNSALLUS and CURTIS HUFFMAN  
28 additional have told several different people that LERA and NEWMAN are no longer owners in

1 the LLC. GUNSULLAS has been having individual meetings with cultivators in Nevada and  
2 has allegedly made deals to buy product on behalf of DESERT AIRE WELLNESS, LLC. On  
3 August 12, 2015, LERA had a conversation with Charlie Fox, an owner of a cultivator named  
4 Nevada Medical Group. Mr. Fox advised LERA that he has met with GUNSALLUS at least five  
5 times and she told him that LERA and NEWMAN were no longer owners of DESERT AIRE  
6 WELLNESS, LLC. LERA was also told by Mark Zobrist, an owner of a cultivation company,  
7 that GUNSALLUS' friend Vicki Higgins called him and stated that GUNSULLAS wanted to  
8 meet with him to buy product. Zobrist asked about LERA and NEWMAN and was told that they  
9 were just "the locals on the ticket to cover the State of Nevada requirements". Lastly, SINGER  
10 indicating that he had all approval necessary for the percentage ownership transfers, that other  
11 documents did not need to be executed; as well as his false written statements to the City of Las  
12 Vegas that all the final plans have been approved by the City Planning Department.

13 84. The afore-described conduct on the part of THIRD PARTY DEFENDANTS  
14 constitutes intentional misrepresentation on the part of THIRD PARTY DEFENDANTS and  
15 each of them.

16 85. The afore-described conduct of THIRD PARTY DEFENDANTS has been  
17 intended to commit intentional misrepresentation for the purpose of harming LERA and  
18 NEWMAN.

19 86. As a direct, legal and proximate result of the intentional misrepresentation of  
20 THIRD PARTY DEFENDANTS, THIRD PARTY PLAINTIFFS have and continue to suffer  
21 damages, including monetary loss, extreme emotional distress, humiliation, mental anguish, and  
22 physical distress.

23 87. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
24 below, including monetary damages and punitive damages to punish and deter THIRD PARTY  
25 DEFENDANTS from continuing to act with such malice, oppression and fraud against THIRD  
26 PARTY PLAINTIFFS and others in the future.

**COUNT VII – CONCEALMENT**  
**(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY  
OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE  
ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

88. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 87 of this Third Party Complaint as though fully set forth herein.

89. Concealment is established if plaintiff proves by clear and convincing evidence that the defendant assumed the responsibility to give information; the defendant concealed or suppressed a material fact; the defendant was under a duty to disclose the fact to the plaintiff; the defendant knew he/she was concealing the fact; the defendant intended to induce the plaintiff to act or refrain from acting in a manner different than the plaintiff would have known the truth; the plaintiff was unaware of the fact and would not have acted as he/she did had he/she known of the concealed or suppressed fact; and the concealment or suppression of the fact caused the plaintiff to sustain damage.

90. THIRD PARTY PLAINTIFFS allege that THIRD PARTY DEFENDANTS, and each of them, have committed concealment in dozens of circumstances. NEWMAN and LERA have set forth facts in the preceding paragraphs of this complaint setting forth specific communicative acts or omissions to act by all THIRD PARTY DEFENDANTS, including but not limited to, where THIRD PARTY DEFENDANTS had intentionally concealed their intentions with respect to DESERT AIRE WELLNESS, LLC, the owners, managers and control of DESERT AIRE WELLNESS, LLC; and specifically but not limited to the funding of DESERT AIRE WELLNESS, LLC and the legality of the purported percentage ownership transfers of DESERT AIRE WELLNESS.

91. In addition, other specific acts of concealment include, but are not limited to the following: STACEY HUFFMAN concealing the fact of her imminent marriage to CURTIS HUFFMAN, the next month, who has current illegal sweepstake criminal charges against him in North Carolina; that STACEY HUFFMAN and DAVIS would cut off all communications and give all control and power to CURTIS HUFFMAN; that CURTIS HUFFMAN and STACEY HUFFMAN own illegal gaming/sweepstakes stores in North Carolina; GUNSALLUS stated the HUFFMAN's owned copy and print shops. CURTIS HUFFMAN has told several different

1 people that LERA and NEWMAN are no longer owners in the LLC. GUNSULLAS has been  
2 having individual meetings with cultivators in Nevada and has allegedly made deals to buy  
3 product on behalf of DESERT AIRE WELLNESS, LLC. On August 12, 2015, LERA had a  
4 conversation with Charlie Fox, an owner of a cultivator named Nevada Medical Group. Mr. Fox  
5 advised LERA that he has met with GUNSALLUS at least five times and she told him that  
6 LERA and NEWMAN were no longer owners of DESERT AIRE WELLNESS, LLC. LERA  
7 was also told by Mark Zobrist, an owner of a cultivation company, that GUNSALLUS' friend  
8 Vicki Higgins called him and stated that GUNSULLAS wanted to meet with him to buy product.  
9 Zobrist asked about LERA and NEWMAN and was told that they were just "the locals on the  
10 ticket to cover the State of Nevada requirements". Lastly, SINGER indicating that he had all  
11 approval necessary for the percentage ownership transfers, that other documents did not need to  
12 be executed; as well as his false written statements to the City of Las Vegas that all the final  
13 plans have been approved by the City Planning Department.

14 92. The afore-described conduct on the part of THIRD PARTY DEFENDANTS  
15 constitutes concealment on the part of THIRD PARTY DEFENDANTS and each of them.

16 93. The afore-described conduct of THIRD PARTY DEFENDANTS has been  
17 intended to commit concealment for the purpose of harming LERA and NEWMAN.

18 94. As a direct, legal and proximate result of the concealment by THIRD PARTY  
19 DEFENDANTS, THIRD PARTY PLAINTIFFS have and continue to suffer damages, including  
20 monetary loss, extreme emotional distress, humiliation, mental anguish, and physical distress.

21 95. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
22 below, including monetary damages and punitive damages to punish and deter THIRD PARTY  
23 DEFENDANTS from continuing to act with such malice, oppression and fraud against THIRD  
24 PARTY PLAINTIFFS and others in the future.

25  
26 **COUNT VIII – NEGLIGENCE MISREPRESENTATION**  
27 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
28 **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
**ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

1           96.     THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 95 of this  
2 Third Party Complaint as though fully set forth herein.

3           97.     Negligent Misrepresentation is established by plaintiff showing by clear and  
4 convincing evidence that establishes, the defendant made a representation, while in the course of  
5 his business, profession, employment or other action of pecuniary interest; the defendant failed to  
6 exercise reasonable care or competence in obtaining or communicating the representation to the  
7 plaintiff; the representation was false; the representation was supplied for the purpose of guiding  
8 the plaintiff in its business transactions; the plaintiff justifiably relied on the false information;  
9 and the plaintiff sustained a loss due to the false information.

10          98.     THIRD PARTY PLAINTIFFS allege that THIRD PARTY DEFENDANTS, and  
11 each of them, have committed negligent misrepresentation in dozens of circumstances.  
12 NEWMAN and LERA have set forth facts in the preceding paragraphs of this complaint setting  
13 forth specific communicative acts or omissions to act by all THIRD PARTY DEFENDANTS,  
14 including but not limited to, where THIRD PARTY DEFENDANTS have at least negligently  
15 misrepresented their intentions with respect to DESERT AIRE WELLNESS, LLC, the owners,  
16 managers and control of DESERT AIRE WELLNESS, LLC; and specifically but not limited to  
17 the funding of DESERT AIRE WELLNESS, LLC and the legality of the purported percentage  
18 ownership transfers of DESERT AIRE WELLNESS. In addition, other specific acts of at least  
19 negligent misrepresentation include, but are not limited to the following: GUNSALLUS;  
20 CURTIS EDWARD HUFFMAN and MICHAEL H. SINGER have communicated to others  
21 throughout the MME community that THIRD PARTY PLAINTIFFS are no longer managers or  
22 owners of DESERT AIRE WELLNESS, LLC to purposefully deter others from associating or  
23 dealing with LERA and NEWMAN. SINGER recently at least negligently and illegally filed  
24 documents with the Nevada Secretary of State naming GUNSALLUS, CURTIS HUFFMAN and  
25 LERA as the managing members of DESERT AIRE WELLNESS, LLC, specifically taking  
26 NEWMAN off of DESERT AIRE WELLNESS, LLC as a manager. CURTIS HUFFMAN  
27 continues to make false and misleading statements that he is a manager, and he is in charge of  
28 the construction, has told all the construction related individuals to not speak with LERA and

1 NEWMAN and to keep them away from the facility. GUNSALLUS and CURTIS HUFFMAN  
2 additional have told several different people that LERA and NEWMAN are no longer owners in  
3 the LLC. GUNSULLAS has been having individual meetings with cultivators in Nevada and  
4 has allegedly made deals to buy product on behalf of DESERT AIRE WELLNESS, LLC. On  
5 August 12, 2015, LERA had a conversation with Charlie Fox, an owner of a cultivator named  
6 Nevada Medical Group. Mr. Fox advised LERA that he has met with GUNSALLUS at least five  
7 times and she told him that LERA and NEWMAN were no longer owners of DESERT AIRE  
8 WELLNESS, LLC. LERA was also told by Mark Zobrist, an owner of a cultivation company,  
9 that GUNSALLUS' friend Vicki Higgins called him and stated that GUNSULLAS wanted to  
10 meet with him to buy product. Zobrist asked about LERA and NEWMAN and was told that they  
11 were just "the locals on the ticket to cover the State of Nevada requirements". Lastly, SINGER  
12 indicating that he had all approval necessary for the percentage ownership transfers, that other  
13 documents did not need to be executed; as well as his false written statements to the City of Las  
14 Vegas that all the final plans have been approved by the City Planning Department.

15 99. The afore-described conduct on the part of THIRD PARTY DEFENDANTS  
16 constitutes negligent misrepresentation on the part of THIRD PARTY DEFENDANTS and each  
17 of them.

18 100. The afore-described conduct of THIRD PARTY DEFENDANTS has been  
19 intended to commit negligent misrepresentation for the purpose of harming LERA and  
20 NEWMAN.

21 101. As a direct, legal and proximate result of the negligent misrepresentation of  
22 THIRD PARTY DEFENDANTS, THIRD PARTY PLAINTIFFS have and continue to suffer  
23 damages, including monetary loss, extreme emotional distress, humiliation, mental anguish, and  
24 physical distress.

25 102. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
26 below, including monetary damages and punitive damages to punish and deter THIRD PARTY  
27 DEFENDANTS from continuing to act with such malice, oppression and fraud against THIRD  
28 PARTY PLAINTIFFS and others in the future.

1  
2 **COUNT IX – BREACH OF CONTRACT**  
3 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
4 **OWINGS NUNN HUFFMAN; DARLENE ALEXANDRA DAVIS; AND ROES 1-20)**

5 103. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 102 of  
6 this Third Party Complaint as though fully set forth herein.

7 104. The documents filed jointly by THIRD PARTY PLAINTIFFS and  
8 GUNSALLUS, STACEY HUFFMAN and DAVIS with the City of Las Vegas on July 25, 2014  
9 for an MME dispensary are evidence of an enforceable contract, with the essential terms and  
10 purpose to open an MME dispensary should a provisional license be approved. The essential  
11 terms of the agreement included the managing members of the DESERT AIRE WELLNESS,  
12 LLC, how profits and losses were to be split up, the promised amounts of funding from the  
13 PARTIES and other terms. At the time of filing on July 25, 2014, there was an offer and  
14 acceptance by all PARTIES as to the terms of DESERT AIRE WELLNESS, LLC, consideration  
15 in regards to the ownership percentages and the funding to start up the dispensary and a meeting  
16 of the minds (as evidence by filing identical paperwork by GUNSALLUS with the State of  
17 Nevada as to the essential terms weeks later). The PARTIES had agreed upon all material terms  
18 as of that date and time.

19 105. THIRD PARTY PLAINTIFFS allege that they have performed or had the ability  
20 to perform all material terms of the contract. THIRD PARTY PLAINTIFFS further alleged that  
21 GUNSALLUS, STACEY HUFFMAN and DAVIS have unjustifiably failed to perform the  
22 contract and have breached the contract. The breach of contract between the PARTIES by  
23 GUNSALLUS, STACEY HUFFMAN and DAVIS has resulted in monetary damages to THIRD  
24 PARTY PLAINTIFFS.

25 **COUNT X – UNDUE INFLUENCE/COERCION**  
26 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
27 **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
28 **ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

106. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 105 of  
this Third Party Complaint as though fully set forth herein.

1           107.   THIRD PARTY PLAINTIFFS allege that after the original contract was formed,  
2 as alleged in the Breach of Contract Count, THIRD PARTY DEFENDANTS, via harassment,  
3 threats, assault, undue influence and duress, coerced LERA to execute a document to transfer  
4 15.5% of her ownership interest in DESERT AIRE WELLNESS, LLC to STACEY HUFFMAN.  
5 LERA, after being unduly persuaded that she would be voted out of the LLC if she did not  
6 acquiesce to the wishes of GUNSALLUS and CURTIS HUFFMAN, was offered to be a  
7 managing member of DESERT AIRE WELLNESS, LLC under the Restated Operating  
8 Agreement, LERA signed both the Restated Operating Agreement and a document to give  
9 STACEY HUFFMAN 15.5% of her 25.5% share of DESERT AIRE WELLNESS, LLC.  
10 CURTIS HUFFMAN repeatedly kept telling LERA that if she could not come up with  
11 \$250,000 required in a capital call, she would be liquidated out of the LLC. CURTIS  
12 HUFFMAN offered to put in the \$250,000 for LERA in exchange for 15.5% of her ownership  
13 percentage and promised that LERA would thereafter be 100% vested in the LLC forever and be  
14 protected by the Restated Operating Agreement. LERA told SINGER the State of Nevada had to  
15 investigate and approve the ownership percentage transfer for it to be legal and the City of Las  
16 Vegas had to be informed. SINGER told LERA he had already spoken to the State of Nevada  
17 and the City of Las Vegas and they knew we were transferring the ownership percentages and  
18 that his form was proper. LERA proceeded to tell SINGER there is an official form and he did  
19 not care. SINGER also told LERA he sent notice for NEWMAN to consent to the ownership  
20 percentage transfer and that NEWMAN signed it. When LERA asked for a copy SINGER stated  
21 he would email it to LERA. LERA told SINGER she would not proceed with ownership  
22 percentage transfer unless all parties agreed. Thereafter, LERA was given a \$50,000 cash loan  
23 and was also promised to be funded up to \$200,000 more by CURTIS HUFFMAN towards her  
24 capital contribution in DESERT AIRE WELLNESS, LLC.

25           108.   The document executed by LERA to transfer 15.5% of her ownership interest in  
26 DESERT AIRE WELLNESS, LLC to STACEY HUFFMAN cannot be enforced against LERA,  
27 as it is illegal under the MME laws in the State of Nevada, was not freely and voluntarily given  
28 but was the result of duress and coercion from wrongful demands, pressure, threats, personal

1 abuse and threats of physical force to be inflicted upon LERA by THIRD PARTY  
2 DEFENDANTS. As LERA had an already-existing fiduciary relationship with GUNSALLUS,  
3 STACEY HUFFMAN and DAVIS, and a fiduciary relationship with SINGER, who was holding  
4 himself out as the attorney for DESERT AIRE WELLNESS, LLC, LERA reposed trust and  
5 confidence in such persons to the contract, and thus undue influence is presumed and the party  
6 seeking to enforce the contract must prove by clear and convincing evidence that the party against  
7 whom enforcement is sought had independent legal advice on the transaction before assenting to  
8 it or the transaction was just, fair and equitable and fully and fairly disclosed to that party. LERA  
9 alleges that she did not have independent legal advice on this transaction and the transaction was  
10 not just, fair and equitable, lacks adequate consideration and the THIRD PARTY  
11 DEFENDANTS failed to perform.

12 109. THIRD PARTY PLAINTIFFS allege that after the original contract was formed,  
13 as alleged in the Breach of Contract Count, THIRD PARTY DEFENDANTS, via harassment,  
14 threats, assault, undue influence and duress, coerced NEWMAN to execute a document to  
15 transfer 5% of her ownership interest in DESERT AIRE WELLNESS, LLC to GUNSALLUS.  
16 After several more weeks of harassment by GUNSALLUS and CURTIS HUFFMAN, with  
17 comments that NEWMAN would be "liquidated out of the company", NEWMAN met with  
18 SINGER. In March, 2015, after many months of being threatened, harassed and told that  
19 CURTIS HUFFMAN's attorney was going to blow up the company, NEWMAN agreed to make  
20 arrangements to give them some percent so that the PARTIES could proceed with the opening of  
21 the business. DESERT AIRE WELLNESS, LLC only has until November 3, 2015 to open for  
22 business or the license will be pulled by the City of Las Vegas. NEWMAN was getting scared  
23 that all of her hard work, money spent and past effort was going to be wasted. NEWMAN  
24 wanted to proceed with moving DESERT AIRE WELLNESS, LLC toward opening and  
25 reluctantly agreed to sign over 5% of her 25.5% ownership interest in the business to  
26 GUNSALLUS. NEWMAN agreed to give up 5% without any legal consideration. NEWMAN  
27 also advised SINGER that the document she was signing was not legally effective without  
28 additional documents executed, filed and approved with the City of Las Vegas concerning the

1 privileged license. SINGER advised NEWMAN that he had already received approval from the  
2 City of Las Vegas for the ownership percentage transfers. THIRD PARTY PLAINTIFFS  
3 discovered that SINGER never received approval from the City of Las Vegas or the state of  
4 Nevada for the transfer of ownership, thus the reason SINGER did not want THIRD PARTY  
5 PLAINTIFFS to sign any official forms. At no time did THIRD PARTY PLAINTIFFS sign the  
6 official state forms for transfer of ownership percentages amongst the members of DESERT  
7 AIRE WELLNESS, LLC.

8 110. The document executed by NEWMAN to transfer 5% of her ownership interest in  
9 DESERT AIRE WELLNESS, LLC to GUNSALLUS cannot be enforced against NEWMAN, as  
10 it is illegal under the MME laws in the State of Nevada, was not freely and voluntarily given but  
11 was the result of duress and coercion from wrongful demands, pressure, threats, personal abuse  
12 and threats of physical force to be inflicted upon NEWMAN by THIRD PARTY  
13 DEFENDANTS. As NEWMAN had an already-existing fiduciary relationship with  
14 GUNSALLUS, STACEY HUFFMAN and DAVIS, and a fiduciary relationship with SINGER,  
15 who was holding himself out as the attorney for DESERT AIRE WELLNESS, LLC, NEWMAN  
16 reposed trust and confidence in such persons to the contract, and thus undue influence is  
17 presumed and the party seeking to enforce the contract must prove by clear and convincing  
18 evidence that the party against whom enforcement is sought had independent legal advice on the  
19 transaction before assenting to it or the transaction was just, fair and equitable and fully and  
20 fairly disclosed to that party. NEWMAN alleges that she did not have independent legal advice  
21 on this transaction and the transaction was not just, fair and equitable and that it lacks any  
22 consideration.

23  
24 **COUNT XI – TORTIOUS BREACH OF THE IMPLIED COVENANT OF GOOD FAITH**  
**AND FAIR DEALING**

25 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
**OWINGS NUNN HUFFMAN; DARLENE ALEXANDRA DAVIS; AND ROES 1-20)**

26 111. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 110 of  
27 this Third Party Complaint as though fully set forth herein.  
28

1           112. In Nevada, every contract imposes upon each party a duty of good faith and fair  
2 dealing, which prohibits arbitrary or unfair acts by one party that work to the disadvantage of the  
3 other. THIRD PARTY PLAINTIFFS seek to recover damages based upon a claim of tortious  
4 breach of the implied covenant of good faith and fair dealing arising out of the contract with the  
5 defendant.

6           113. To establish a tortious breach of the implied covenant of good faith and fair  
7 dealing, plaintiff must establish: Plaintiff and defendant were parties to a contract; There was a  
8 special element of reliance or trust between plaintiff and defendant such that defendant was in a  
9 superior or entrusted position of knowledge; Defendant performed in a manner that was unfaithful  
10 to the purpose of the contract or deliberately contravened the intention and spirit of the  
11 contract; Defendant had an actual or implied awareness of the absence of a reasonable basis for  
12 not performing under the contract; and Defendant's conduct was a substantial factor in causing  
13 damage to the plaintiff.

14           114. THIRD PARTY PLAINTIFFS allege a tortious breach of the implied covenant of  
15 good faith and fair dealing against GUNSALLUS, STACEY HUFFMAN and DAVIS. As  
16 previously alleged, LERA, NEWMAN, GUNSALLUS, STACEY HUFFMAN and DAVIS  
17 entered into a valid contract on or about July 25, 2014, and as a result of jointly being members  
18 of DESERT AIRE WELLNESS, LLC, there was a special element of reliance or trust between  
19 LERA, NEWMAN, GUNSALLUS, STACEY HUFFMAN and DAVIS, and since that time,  
20 GUNSALLUS, STACEY HUFFMAN and DAVIS have performed in a manner that was  
21 unfaithful to the purpose of the contract and have deliberately contravened the intention and  
22 spirit of the contract. GUNSALLUS, STACEY HUFFMAN and DAVIS had actual awareness of  
23 the absence of a reasonable basis for not performing under the contract and their tortious breach  
24 was a substantial factor in causing damage to LERA and NEWMAN.

25           115. The tortious breach of the implied covenant of good faith and fair dealing by  
26 GUNSALLUS, STACEY HUFFMAN and DAVIS has resulted in monetary damages to THIRD  
27 PARTY PLAINTIFFS.  
28

**COUNT XII –INTERFERENCE WITH PROSPECTIVE BUSINESS**

**ADVANTAGE**

**(Against THIRD PARTY DEFENDANTS CURTIS EDWARD HUFFMAN;  
MICHAEL H. SINGER AND ROES 1-20)**

116. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 115 of this Third Party Complaint as though fully set forth herein.

117. THIRD PARTY PLAINTIFFS allege that after the original contract was formed, as alleged in the Breach of Contract Count, THIRD PARTY PLAINTIFFS allege DEFENDANTS CURTIS HUFFMAN and SINGER have interfered with their prospective business advantage with all respects and purposes of DESERT AIRE WELLNESS, LLC opening and running an MME dispensary in the City of Las Vegas. The intentional and negligence acts or omissions of DEFENDANTS CURTIS HUFFMAN and SINGER as set forth throughout this complaint herein, have stifled and prevented the prospective contractual relationship between LERA, NEWMAN, GUNSALLUS, STACEY HUFFMAN and DAVIS; DEFENDANTS CURTIS HUFFMAN and SINGER have knowledge of this prospective relationship; DEFENDANTS CURTIS HUFFMAN and SINGER have acted with the intent to harm the contractual relationship; there is an absence of privilege or justification by DEFENDANTS CURTIS HUFFMAN and SINGER; and actual harm to the LERA and NEWMAN has resulted from the wrongful conduct of DEFENDANTS CURTIS HUFFMAN and SINGER.

118. THIRD PARTY PLAINTIFFS allege that they will be damaged each in the sum of \$10,000,000 to \$20,000,000 over the next 20 years if the dispensary is not opened as a result of the actions of DEFENDANTS CURTIS HUFFMAN and SINGER.

**COUNT XIII – BREACH OF FIDUCIARY DUTIES**

**(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY  
OWINGS NUNN HUFFMAN; DARLENE ALEXANDRA DAVIS; AND ROES 1-20)**

119. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 118 of this Third Party Complaint as though fully set forth herein.

120. THIRD PARTY PLAINTIFFS hereby allege that THIRD PARTY DEFENDANTS GUNSALLUS, STACEY HUFFMAN and DAVIS have breached their fiduciary duties by their acts and omissions as alleged above in this Complaint.

1 121. LERA, NEWMAN, GUNSALLUS, STACEY HUFFMAN and DAVIS are all  
2 joint members of a Nevada LLC and owe each other fiduciary duties. NRS 86.286 states in  
3 pertinent part: "5. If, and to the extent that, a member or manager or other person has duties to a  
4 limited-liability company, to another member or manager, or to another person that is a party to  
5 or is otherwise bound by the operating agreement, such duties may be expanded, restricted or  
6 eliminated by provisions in the operating agreement, except that an operating agreement may not  
7 eliminate the implied contractual covenant of good faith and fair dealing. 6. Unless otherwise  
8 provided in an operating agreement, a member, manager or other person is not liable for breach  
9 of duties, if any, to a limited-liability company, to any of the members or managers or to another  
10 person that is a party to or otherwise bound by the operating agreement for conduct undertaken  
11 in the member's, manager's or other person's good faith reliance on the provisions of the  
12 operating agreement.

13 122. THIRD PARTY PLAINTIFFS allege that as fiduciaries, DEFENDANTS  
14 GUNSALLUS, STACEY HUFFMAN and DAVIS have failed to make full and fair disclosure of  
15 all facts which materially affect the rights and interests of LERA and NEWMAN.  
16 DEFENDANTS GUNSALLUS, STACEY HUFFMAN and DAVIS have failed to exercise care,  
17 loyalty, confidentiality, full disclosure, fairness, and good faith in their dealings with LERA and  
18 NEWMAN via their acts or omissions as alleged herein.

19 123. DEFENDANTS GUNSALLUS, STACEY HUFFMAN and DAVIS have  
20 violated one or more of each of these duties and the breach of their respective duties have caused  
21 damage to LERA and NEWMAN.

22 124. THIRD PARTY PLAINTIFFS allege DEFENDANTS GUNSALLUS, STACEY  
23 HUFFMAN and DAVIS have breached their duty of due care. This duty required  
24 DEFENDANTS GUNSALLUS, STACEY HUFFMAN and DAVIS to perform their functions in  
25 good faith, in a manner reasonably believed to be in the best interest of LERA and NEWMAN,  
26 and with the care that an ordinarily prudent person, in a similar position and under  
27 similar circumstances, would reasonably be expected to exercise.  
28

1 125. THIRD PARTY PLAINTIFFS allege DEFENDANTS GUNSALLUS, STACEY  
2 HUFFMAN and DAVIS have breached their duty to make full and fair disclosure of all facts that  
3 materially affect their rights and interests.

4 126. THIRD PARTY PLAINTIFFS allege DEFENDANTS GUNSALLUS, STACEY  
5 HUFFMAN and DAVIS have breached their duty of loyalty by failing to maintain, in good faith,  
6 the best interests of LERA and NEWMAN over their own interests.

7 **COUNT XIV – BREACH OF FIDUCIARY DUTIES: ATTORNEY**  
8 **(Against THIRD PARTY DEFENDANTS MICHAEL H. SINGER AND ROES 1-20)**

9 127. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 126 of  
10 this Third Party Complaint as though fully set forth herein.

11 128. THIRD PARTY PLAINTIFFS allege a fiduciary relationship with SINGER, who  
12 was and has been holding himself out as the attorney for DESERT AIRE WELLNESS, LLC, of  
13 which they are members. Attorneys owe a special duty to their clients; this duty is called a  
14 fiduciary duty. This duty required SINGER to exercise the skill and diligence that an ordinarily  
15 prudent attorney, in a similar position and under similar circumstances, would reasonably be  
16 expected to exercise; keep information obtained from DESERT AIRE WELLNESS, LLC, LERA  
17 and NEWMAN confidential, unless he was expressly or impliedly authorized to divulge such  
18 information; fully and fairly disclose to LERA and NEWMAN all material facts affecting the  
19 interests of DESERT AIRE WELLNESS, LLC, LERA and NEWMAN; and represent DESERT  
20 AIRE WELLNESS, LLC, LERA and NEWMAN with utmost loyalty and good faith.

21 129. THIRD PARTY PLAINTIFFS claims that SINGER breached these fiduciary  
22 duties, by the acts or omissions set forth above, has only acted in the best interests of  
23 DEFENDANTS GUNSALLUS; STACEY HUFFMAN; DAVIS and CURTIS HUFFMAN, who  
24 he separately represents in other matters and he separately represents their other entities.

25 130. THIRD PARTY PLAINTIFFS allege that as a fiduciary, SINGER has failed to  
26 make full and fair disclosure of all facts which materially affect the rights and interests of  
27 DESERT AIRE WELLNESS, LLC, to LERA and NEWMAN. SINGER has failed to exercise  
28 care, loyalty, confidentiality, full disclosure, fairness, and good faith in his dealings with

1 DESERT AIRE WELLNESS, LLC, to LERA and NEWMAN via his negligent and intentional  
2 acts or omissions as alleged herein. SINGER has violated one or more of each of these duties  
3 and the breach of his respective duties has caused damage to DESERT AIRE WELLNESS, LLC,  
4 LERA and NEWMAN.

5 131. THIRD PARTY PLAINTIFFS allege SINGER has breached his duty of due care.  
6 This duty required SINGER to perform his representation in good faith, in a manner reasonably  
7 believed to be in the best interest of LERA and NEWMAN, and with the care that an ordinarily  
8 prudent attorney, in a similar position and under similar circumstances, would reasonably be  
9 expected to exercise.

10 132. THIRD PARTY PLAINTIFFS allege SINGER has breached his duty to make full  
11 and fair disclosure of all facts that materially affect their rights and interests.

12 133. THIRD PARTY PLAINTIFFS allege SINGER has breached his duty of loyalty by  
13 failing to maintain, in good faith, the best interests of LERA and NEWMAN over the interests of  
14 his other clients.

15 **COUNT XV – PROFESSIONAL NEGLIGENCE**  
16 **(Against THIRD PARTY DEFENDANT MICHAEL H. SINGER AND ROES 1-20)**

17 134. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 133 of  
18 this Third Party Complaint as though fully set forth herein.

19 135. THIRD PARTY PLAINTIFFS seek to recover damages based upon a claim of  
20 negligent professional malpractice. DEFENDANT SINGER, was and has been holding himself  
21 out as the attorney for DESERT AIRE WELLNESS, LLC, of which THIRD PARTY  
22 PLAINTIFFS are members.

23 136. SINGER, a licensed attorney in the State of Nevada, has a duty to use such skill,  
24 prudence, and diligence as other members of his profession commonly possess and exercise and  
25 based upon his negligent acts as alleged throughout this complaint, as they apply to LERA,  
26 NEWMAN and DESERT AIRE WELLNESS, LLC, breached that duty.

1 137. THIRD PARTY PLAINTIFFS allege they have and will sustained actual loss or  
2 damage; and that the negligent conduct of SINGER was a proximate cause of THIRD PARTY  
3 PLAINTIFFS' injuries and damages.

4 **COUNT III -INJUNCTION**

5 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
6 **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
7 **ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

8 138. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 137 of  
9 this Third Party Complaint as though fully set forth herein.

10 139. During the times referenced herein, THIRD PARTY PLAINTIFFS were subject to  
11 and continue to be the subject of numerous incidents harassment and threats by being shown a  
12 handgun, verbal assault, in person screaming arguments, excessive and abusive telephone calls,  
13 text messages, e-mails, correspondence from or at the direction of each THIRD PARTY  
14 DEFENDANT, intentional misrepresentation, fraud, breaches of fiduciary duties and including  
15 but not limited to, those incidents afore-described throughout the Complaint herein.

16 140. The afore-described conduct on the part of THIRD PARTY  
17 DEFENDANTS constitutes extreme and outrageous conduct on the part of THIRD PARTY  
18 DEFENDANTS and each of them.

19 141. The afore-described conduct exceeds all bounds of decency usually tolerated in a  
20 civilized community.

21 142. The afore-described conduct of THIRD PARTY DEFENDANT and each of  
22 them was intentional, fraudulent, oppressive and malicious and done for the purpose of causing  
23 THIRD PARTY PLAINTIFFS to suffer fear, humiliation, mental anguish, and severe emotional  
24 and physical distress.

25 143. As a direct and proximate result of the harassment and threats by being shown a  
26 handgun, verbal assault, in person screaming arguments, excessive and abusive telephone calls,  
27 text messages, e-mails, correspondence from or at the direction of each THIRD PARTY  
28 DEFENDANT, intentional misrepresentation, fraud, breaches of fiduciary duties and including

1 but not limited to, those incidents afore-described throughout the Complaint herein, THIRD  
2 PARTY PLAINTIFFS request injunctive relief as described in the Prayer for Relief below.

3  
4 **PRAYER FOR RELIEF**

5 WHEREFORE, PLAINTIFF prays that this Court grant the following relief:

6 A. Grant general and special in amounts according to proof and applicable statutes and  
7 well beyond the jurisdictional limits of this court.

8 B. Punitive damages for THIRD PARTY DEFENDANTS' fraud, oppression or malice.  
9 To punish THIRD PARTY DEFENDANTS' for harming THIRD PARTY PLAINTIFFS and to  
10 deter similar conduct in the future.

11 C. Injunctive Relief from harassment and threats by being shown a handgun, verbal  
12 assault, in person screaming arguments, excessive and abusive telephone calls, text messages, e-  
13 mails, correspondence from or at the direction of each THIRD PARTY DEFENDANT,  
14 intentional misrepresentation, fraud, breaches of fiduciary duties and including but not limited  
15 to, those incidents afore-described throughout the Complaint herein

16 D. Reasonable attorneys' fees.

17 E. Grant costs of suit incurred herein; and,

18 F. Grant such other and further relief as the court deems just and proper.

19 DATED: August 26, 2015

WATKINS & LETOFSKY, LLP

20  
21  
22 By: /bsl/  
23 DANIEL R. WATKINS  
24 BRIAN S. LETOFSKY  
25 Attorneys for THIRD PARTY  
26 DEFENDANTS and THIRD PARTY  
27 PLAINTIFFS, SUSAN A. LERA and  
28 PAULA L. NEWMAN

**CERTIFICATE OF SERVICE**

I hereby certify that I am an employee of WATKINS & LETOFSKY, LLP, and that on the 27<sup>th</sup> day of August, 2015, I electronically filed a true and correct copy of the **THIRD PARTY DEFENDANTS AND THIRD PARTY PLAINTIFFS ANSWER AND COUNTERCLAIM** using the Court's electronic filing system, which provides electronic service to the following registered users:

Maximiliano D. Couvillier III, ESQ.  
**BLACK & LOBELLO**  
mcouvillier@blacklobellolaw.com

Michael Singer  
**MICHAEL SINGER LAW FIRM**  
msinger@mhsinger.com

/s/ Jerrica DiVincenzo  
An employee of Watkins & Letofsky, LLP

# Exhibit 16

APP0158

**AA 005271**

[https://www.hickoryrecord.com/news/sweepstakes-parlor-remains-open-in-long-view/article\\_96efd148-ddde-11e2-b5bc-001a4bcf6878.html](https://www.hickoryrecord.com/news/sweepstakes-parlor-remains-open-in-long-view/article_96efd148-ddde-11e2-b5bc-001a4bcf6878.html)

## Sweepstakes parlor remains open in Long View

By Sharon McBrayer smcbrayer@hickoryrecord.com Jun 25, 2013



Diane Barnes, manager of the Circle S Sweepstakes in Long View checks the history of a gaming machine.

ROBERT C. REED/RECORD

HICKORY NC — Driving along US 70 west, it's an oddity nowadays and sticks out among the vacant buildings in the surrounding area.

APP0159

[https://www.hickoryrecord.com/news/sweepstakes-parlor-remains-open-in-long-view/article\\_96efd148-ddde-11e2-b5bc-001a4bcf6878.html](https://www.hickoryrecord.com/news/sweepstakes-parlor-remains-open-in-long-view/article_96efd148-ddde-11e2-b5bc-001a4bcf6878.html)

1/5

**AA 005272**

The parking lot of Circle S sweepstakes café's in Long View looks to be packed every night. So why is Circle S still open while others remain closed?

It appears there is still confusion over the state law on video sweepstakes gaming, even though the NC Supreme Court in December upheld the state's law banning it.

Gaming software companies and sweepstakes café owners changed the games after the ruling to a type of game they believed would be compliant with state law. Operators say a player doesn't even have to play the game, they can choose to skip to the next reveal, or winnings.

Because of what appears to be confusion over what's legal and what is not, the town of Long View is allowing Circle S to continue operating for now.

Long View Police Chief Rick Coffey said whether to enforce the law is being left up to each jurisdiction until a Superior Court judge rules for or against the newest gaming system.

"I'm going to let them run," Coffey said.

Long View Police Sgt. Justin Roberts said there is so much controversy and so many loopholes surrounding the latest software changes officials are waiting for it to end up in Superior Court and to get a ruling. He said the issue will have to go to a jury trial, and that will set the stage about whether the gaming can keep going or whether the businesses will have to shut down.

When police and district attorneys in the state started enforcing the state ban again in January, sweepstakes providers and parlor owners switched out the games and the winnings are now revealed before a game is played. The idea seemed to be that if the prize winnings were revealed first, the gaming would be legal. However, law enforcement in the area and across the state have charged operators and seized machines.

Curtis Huffman, who owns Circle S in Long View, was one of the people charged with misdemeanors when his sweepstakes parlor on Spring Road in Hickory, Circle S Depot, was closed down Jan. 18. Huffman and employees Judy Scronce Sigmon and Robert Klingensmith were charged with operating an illegal sweepstakes business.

Sigmon was found not guilty after attorney Lisa Dubs argued Sigmon was not guilty because the games the business was operating did not violate North Carolina law on video sweepstakes gaming.



Sales and use tax workshop offered

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Huffman and Klingensmith are still waiting on their cases to be heard, Huffman said.

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He said after the state Supreme Court ruling, he closed his business down and switched the games over to the pre-reveal system and then reopened. The gaming industry believes the pre-reveal games are compliant with state law, he said.

Operators also may be waiting to see if state lawmakers do anything with a proposed bill in the legislature that would make video sweepstakes legal and would tax them. House Bill 547 was introduced in early April and was referred to the committee on commerce and job development, and if favorable, it would move on to finance. However, it was revealed at the time the bill's two co-sponsors Reps. Jeff Collins, R-Nash, and Michael Wray, D-Northampton, accepted cash from a sweepstakes operator facing racketeering charges in Florida.

The town of Long View, like many municipalities in the area, charge video sweepstakes cafes a business license fee.

David Epley, administrator for the town of Long View, said the town currently charges a \$1,000 license fee but that may go up in the coming year. Epley said the 2013-14 proposed budget includes a \$1,000 license fee and \$2,500 per machine for the upcoming year. The board of aldermen will meet on the proposed budget Friday.


A sweepstakes company, Clark Consulting Group, filed lawsuits earlier this month against some towns and cities in the area, demanding a jury trial and the money back they paid for business license fees. They also want their attorneys' fees paid.

The local areas being sued are Hickory, Newton, Conover and Lenoir. Conover doesn't currently have any sweepstakes cafes and Newton only has one, according to respective officials.

Hickory Police Maj. Clyde Deal said he's not sure if any sweepstakes cafes have opened back up in Hickory.

Huffman is hoping something will be resolved with the gaming and laws governing the industry in the next couple of months.

"It's just kind of a waiting game," Huffman said.



1 FFCL

2  
3  
4 DISTRICT COURT

5 CLARK COUNTY, NEVADA

6 SERENITY WELLNESS CENTER, LLC, a  
7 Nevada limited liability company, TGIG, LLC,  
8 a Nevada limited liability company, NULEAF  
9 INCLINE DISPENSARY, LLC, a Nevada  
10 limited liability company, NEVADA  
11 HOLISTIC MEDICINE, LLC, a Nevada limited  
12 liability company, TRYKE COMPANIES SO  
13 NV, LLC, a Nevada limited liability company,  
14 TRYKE COMPANIES RENO, LLC, a Nevada  
15 limited liability company, PARADISE  
16 WELLNESS CENTER, LLC, a Nevada limited  
17 liability company, GBS NEVADA PARTNERS,  
18 LLC, a Nevada limited liability company,  
19 FIDELIS HOLDINGS, LLC, a Nevada limited  
20 liability company, GRAVITAS NEVADA,  
21 LLC, a Nevada limited liability company,  
22 NEVADA PURE, LLC, a Nevada limited  
23 liability company, MEDIFARM, LLC, a Nevada  
24 limited liability company, DOE PLAINTIFFS I  
25 through X; and ROE ENTITY PLAINTIFFS I  
26 through X,

27 Plaintiff(s),

28 vs.

THE STATE OF NEVADA, DEPARTMENT  
OF TAXATION,

Defendant(s).

and

29 NEVADA ORGANIC REMEDIES, LLC;  
30 INTEGRAL ASSOCIATES LLC d/b/a  
31 ESSENCE CANNABIS DISPENSARIES, a  
32 Nevada limited liability company; ESSENCE  
33 TROPICANA, LLC, a Nevada limited liability  
34 company; ESSENCE HENDERSON, LLC, a  
35 Nevada limited liability company; CPCM  
36 HOLDINGS, LLC d/b/a THRIVE CANNABIS  
37 MARKETPLACE, COMMERCE PARK  
38 MEDICAL, LLC, a Nevada limited liability  
company; and CHEYENNE MEDICAL, LLC, a  
Nevada limited liability company; LONE  
MOUNTAIN PARTNERS, LLC, a Nevada

Case No. A-19-786962-B

Dept. No. 11

FINDINGS OF FACT AND  
CONCLUSIONS OF LAW GRANTING  
PRELIMINARY INJUNCTION

CLERK OF THE COURT

REC'D  
AUG 23 2019

1 limited liability partnership; HELPING HANDS  
2 WELLNESS CENTER, INC., a Nevada  
3 corporation; GREENMART OF NEVADA  
4 N.V. LLC, a Nevada limited liability company;  
5 and CLEAR RIVER, LLC,

6  
7 Intervenor.

8 This matter having come before the Court for an evidentiary hearing on Plaintiffs' Motion for  
9 Preliminary Injunction beginning on May 24, 2019, and occurring day to day thereafter until its  
10 completion on August 16, 2019;<sup>1</sup> Dominic P. Gentile, Esq., Vincent Savarese III, Esq., Michael V.  
11 Cristalli, Esq., and Ross J. Miller, Esq., of the law firm Gentile Cristalli Miller Armeni Savarese,  
12 appeared on behalf of Serenity Wellness Center, LLC, TGIG, LLC, Nuleaf Incline Dispensary, LLC,  
13 Nevada Holistic Medicine, LLC, Tryke Companies SO NV, LLC, Tryke Companies Reno, LLC,  
14 Paradise Wellness Center, LLC, GBS Nevada Partners, LLC, Fidelis Holdings, LLC, Gravitas Nevada,  
15 LLC, Nevada Pure, LLC, Medifarm, LLC (Case No. A786962-B) (the "Serenity Plaintiffs"); Adam K.  
16 Bult, Esq. and Maximilien D. Fetaz, Esq., of the law firm Brownstein Hyatt Farber Schreck, LLP,  
17 appeared on behalf of Plaintiffs ETW Management Group LLC, Global Harmony LLC, Green Leaf  
18 Farms Holdings LLC, Green Therapeutics LLC, Herbal Choice INC., Just Quality, LLC, Libra  
19 Wellness Center, LLC, Rombough Real Estate Inc. dba Mother Herb, NevCann LLC, Red Earth LLC,  
20 THC Nevada LLC, Zion Gardens LLC, and MMOF Vegas Retail, Inc. (Case No. A787004-B) ( the  
21 "ETW Plaintiffs"); William S. Kemp, Esq. and Nathaniel R. Rulis, Esq., of the law firm Kemp, Jones  
22 & Coulthard LLP, appeared on behalf of MM Development Company, Inc. and LivFree Wellness LLC  
23 (Case No. A785818-W) (the "MM Plaintiffs"); Theodore Parker III, Esq., of the law firm Parker  
24 Nelson & Associates, appeared on behalf of Nevada Wellness Center (Case No. A787540-W)  
25 (collectively the "Plaintiffs"); Steven G. Shevorski, Esq., Ketan D. Bhirud, Esq., and Theresa M. Haar,  
26 Esq., of the Office of the Nevada Attorney General, appeared on behalf of the State of Nevada,  
27 Department of Taxation; David R. Koch, Esq., of the law firm Koch & Scow LLC, appeared on behalf

28  
<sup>1</sup> Although a preservation order was entered on December 13, 2018, in A785818, no discovery in any case was done prior to the commencement of the evidentiary hearing, in part due to procedural issues and to statutory restrictions on disclosure of certain information modified by SB 32 just a few days before the commencement of the hearing. As a result, the hearing was much longer than anticipated by any of the participating counsel. In compliance with SB 32, the State produced previously confidential information on May 21, 2019. These documents were reviewed for confidentiality by the Defendants in Intervention and certain redactions were made prior to production consistent with the protective order entered on May 24, 2019.

1 of Nevada Organic Remedies, LLC; Brigid M. Higgins, Esq. and Rusty Graf, Esq., of the law firm  
2 Black & Lobello, appeared on behalf of Clear River, LLC; Eric D. Hone, Esq., of the law firm H1 Law  
3 Group, appeared on behalf of Lone Mountain Partners, LLC; Alina M. Shell, Esq., of the law firm  
4 McLetchie Law, appeared on behalf of GreenMart of Nevada NLV LLC; Jared Kahn, Esq., of the law  
5 firm JK Legal & Consulting, LLC, appeared on behalf of Helping Hands Wellness Center, Inc.; and  
6 Joseph A. Gutierrez, Esq., of the law firm Maier Gutierrez & Associates, and Philip M. Hymanson,  
7 Esq., of the law firm Hymanson & Hymanson; Todd Bice, Esq. and Jordan T. Smith, Esq. of the law  
8 firm Pisanelli Bice; and Dennis Prince, Esq. of the Prince Law Group appeared on behalf of Integral  
9 Associates LLC d/b/a Essence Cannabis Dispensaries, Essence Tropicana, LLC, Essence Henderson,  
10 LLC, CPCM Holdings, LLC d/b/a Thrive Cannabis Marketplace, Commerce Park Medical, LLC, and  
11 Cheyenne Medical, LLC (the "Essence/Thrive Entities"). The Court, having read and considered the  
12 pleadings filed by the parties; having reviewed the evidence admitted during the evidentiary hearing;  
13 and having heard and carefully considered the testimony of the witnesses called to testify; having  
14 considered the oral and written arguments of counsel, and with the intent of deciding the Motion for a  
15 Preliminary Injunction,<sup>2</sup> makes the following preliminary findings of fact and conclusions of law:

16 ***PROCEDURAL POSTURE***

17 Plaintiffs are a group of unrelated commercial entities who applied for, but did not receive,  
18 licenses to operate retail recreational marijuana establishments in various local jurisdictions throughout  
19 the state. Defendant is Nevada's Department of Taxation ("DoT"), which is the administrative agency  
20 responsible for issuing the licenses. Some successful applicants for licensure intervened as Defendants.

21 The Serenity Plaintiffs filed a Motion for Preliminary Injunction on March 19, 2019, asking for  
22 a preliminary injunction to:

- 23 a. Enjoin the denial of Plaintiffs applications;  
24 b. Enjoin the enforcement of the licenses granted;  
25 c. Enjoin the enforcement and implementation of NAC 453D;

26  
27 <sup>2</sup> The findings made in this Order are preliminary in nature based upon the limited evidence presented after very  
28 limited discovery permitted on an expedited basis and may be modified based upon additional evidence presented to the  
Court at the ultimate trial of the business court matters.

- d. An order restoring the *status quo ante* prior to the DoT's adoption of NAC 453D;  
and  
e. Several orders compelling discovery.

This Court reviewed the Serenity Plaintiffs' Motion for Preliminary Injunction and at a hearing on April 22, 2019, invited Plaintiffs in related cases, not assigned to Business Court, to participate in the evidentiary hearing on the Motion for Preliminary Injunction being heard in Department 11 for the purposes of hearing and deciding the Motions for Preliminary Injunction.<sup>3</sup>

#### **PRELIMINARY STATEMENT**

The Attorney General's Office was forced to deal with a significant impediment at the early stages of the litigation. This inability to disclose certain information was outside of its control because of confidentiality requirements that have now been slightly modified by SB 32. Although the parties stipulated to a protective order on May 24, 2019, many documents produced in preparation for the hearing and for discovery purposes were heavily redacted because of the highly competitive nature of the industry and sensitive financial and commercial information being produced.

All parties agree that the language of an initiative takes precedence over any regulation that is in conflict and that an administrative agency has some discretion in determining how to implement the initiative. The Court gives deference to the agency in establishing those regulations and creating the framework required to implement those provisions in conformity with the initiative.

<sup>3</sup> The complaints filed by the parties participating in the hearing seek declaratory relief, injunctive relief and writs of mandate, among other claims. The motions and joinders seeking injunctive relief which have been reviewed by the Court in conjunction with this hearing include:

A786962-B Serenity: Serenity Plaintiffs' Motion for Preliminary Injunction filed 3/19/19 (Joinder to Motion by Compassionate Team: 5/17; Joinder to Motion by ETW: 5/6 (filed in A787004); and Joinder to Motion by Nevada Wellness: 5/10 (filed in A787540)); Opposition by the State filed 5/9/19 (Joinder by Essence/Thrive Entities: 5/23); Opposition by Nevada Organic Remedies: 5/9 (Joinder by Lone Mountain: 5/13; Joinder by Helping Hands: 5/21; and Joinder by Essence/Thrive Entities: 5/23). Application for TRO on OSI filed 5/9/19 (Joinder by Compassionate Team: 5/17; and Joinder by ETW: 5/10 (filed in A787004)); Opposition by Nevada Organic Remedies: 5/9 (Joinder by Clear River: 5/9); Opposition by Essence/Thrive Entities: 5/10 (Joinder by GreenMart: 5/10; Joinder by Lone Mountain: 5/11; and Joinder by helping Hands: 5/12).

A785818-W MM Development: MM Plaintiffs' Motion for Preliminary Injunction or Writ of Mandamus filed 5/9/19 (Joinder by Serenity: 5/20 (filed in A786962); Joinder by ETW: 5/6 (filed in A787004 and A785818); and Joinder by Nevada Wellness: 5/10 (filed in A787540)).

1 The initiative to legalize recreational marijuana, Ballot Question 2 ("BQ2"), went to the voters  
2 in 2016. The language of BQ2 is independent of any regulations that were adopted by the DoT. The  
3 Court must balance the mandatory provisions of BQ2 (which the DoT did not have discretion to  
4 modify);<sup>4</sup> those provisions with which the DoT was granted some discretion in implementation;<sup>5</sup> and  
5 the inherent discretion of an administrative agency to implement regulations to carry out its statutory  
6 duties. The Court must give great deference to those activities that fall within the discretionary  
7 functions of the agency. Deference is not given where the actions of the DoT were in violation of BQ2  
8 or were arbitrary and capricious.

### 9 FINDINGS OF FACT

10 1. Nevada allows voters to amend its Constitution or enact legislation through the initiative  
11 process. Nevada Constitution, Article 19, Section 2.

12 <sup>4</sup> Article 19, Section 2(3) provides the touchstone for the mandatory provisions:

13 . . . . An initiative measure so approved by the voters shall not be amended, annulled, repealed, set aside or  
14 suspended by the Legislature within 3 years from the date it takes effect.

15 <sup>5</sup> NRS 453D.200(1) required the adoption of regulations for the licensure and oversight of recreational marijuana  
16 cultivation, manufacturing/production, sales and distribution, but provides the DoT discretion in exactly what those  
17 regulations would include.

18 . . . the Department shall adopt all regulations necessary or convenient to carry out the provisions of this chapter.  
19 The regulations must not prohibit the operation of marijuana establishments, either expressly or through regulations  
20 that make their operation unreasonably impracticable. The regulations shall include:

21 (a) Procedures for the issuance, renewal, suspension, and revocation of a license to operate a marijuana  
22 establishment;

23 (b) Qualifications for licensure that are directly and demonstrably related to the operation of a marijuana  
24 establishment;

25 (c) Requirements for the security of marijuana establishments;

26 (d) Requirements to prevent the sale or diversion of marijuana and marijuana products to persons under 21  
27 years of age;

28 (e) Requirements for the packaging of marijuana and marijuana products, including requirements for child-  
resistant packaging;

(f) Requirements for the testing and labeling of marijuana and marijuana products sold by marijuana  
establishments including a numerical indication of potency based on the ratio of THC to the weight of a product  
intended for oral consumption;

(g) Requirements for record keeping by marijuana establishments;

(h) Reasonable restrictions on signage, marketing, display, and advertising;

(i) Procedures for the collection of taxes, fees, and penalties imposed by this chapter;

(j) Procedures and requirements to enable the transfer of a license for a marijuana establishment to another  
qualified person and to enable a licensee to move the location of its establishment to another suitable location;

(k) Procedures and requirements to enable a dual licensee to operate medical marijuana establishments and  
marijuana establishments at the same location;

(l) Procedures to establish the fair market value at wholesale of marijuana; and

(m) Civil penalties for the failure to comply with any regulation adopted pursuant to this section or for any  
violation of the provisions of NRS 453D.300.

1           2.       In 2000, the voters amended Nevada's Constitution to allow for the possession and use  
2 of marijuana to treat various medical conditions. Nevada Constitution, Article 4, Section 38(1)(a). The  
3 initiative left it to the Legislature to create laws "[a]uthoriz[ing] appropriate methods for supply of the  
4 plant to patients authorized to use it." Nevada Constitution, Article 4, Section 38(1)(e).

5           3.       For several years prior to the enactment of BQ2, the regulation of medical marijuana  
6 dispensaries had not been taken up by the Legislature. Some have argued in these proceedings that the  
7 delay led to the framework of BQ2.

8           4.       In 2013, Nevada's legislature enacted NRS 453A, which allows for the cultivation and  
9 sale of medical marijuana. The Legislature described the requirements for the application to open a  
10 medical marijuana establishment. NRS 453A.322. The Nevada Legislature then charged the Division of  
11 Public and Behavioral Health with evaluating the applications. NRS 453A.328.

12           5.       The materials circulated to voters in 2016 for BQ2 described its purpose as the  
13 amendment of the Nevada Revised Statutes as follows:  
14

15               Shall the *Nevada Revised Statutes* be amended to allow a person, 21 years old or older, to  
16 purchase, cultivate, possess, or consume a certain amount of marijuana or concentrated  
17 marijuana, as well as manufacture, possess, use, transport, purchase, distribute, or sell marijuana  
18 paraphernalia; impose a 15 percent excise tax on wholesale sales of marijuana; require the  
19 regulation and licensing of marijuana cultivators, testing facilities, distributors, suppliers, and  
20 retailers; and provide for certain criminal penalties?

21           6.       BQ2 was enacted by the Nevada Legislature and is codified at NRS 453D.<sup>6</sup>

22           7.       BQ2 specifically identified regulatory and public safety concerns:

23               The People of the State of Nevada proclaim that marijuana should be regulated in a manner  
24 similar to alcohol so that:

25               (a) Marijuana may only be purchased from a business that is licensed by the State of  
26 Nevada;

27               (b) Business owners are subject to a review by the State of Nevada to confirm that the  
28 business owners and the business location are suitable to produce or sell marijuana;

             (c) Cultivating, manufacturing, testing, transporting and selling marijuana will be strictly  
controlled through State licensing and regulation;

<sup>6</sup> As the provisions of BQ2 and the sections NRS 453D currently in effect (with the exception of NRS 453D.205) are identical, for ease of reference the Court cites to BQ2 as enacted by the Nevada Legislature in NRS 453D.

- (d) Selling or giving marijuana to persons under 21 years of age shall remain illegal;  
(e) Individuals will have to be 21 years of age or older to purchase marijuana;  
(f) Driving under the influence of marijuana will remain illegal; and  
(g) Marijuana sold in the State will be tested and labeled.

NRS 453D.020(3).

8. BQ2 mandated the DoT to "conduct a background check of each prospective owner, officer, and board member of a marijuana establishment license applicant." NRS 453D.200(6).

9. On November 8, 2016, by Executive Order 2017-02, Governor Brian Sandoval established a Task Force composed of 19 members to offer suggestions and proposals for legislative, regulatory, and executive actions to be taken in implementing BQ2.

10. The Task Force's findings, issued on May 30, 2017, referenced the 2014 licensing process for issuing Medical Marijuana Establishment Registration Certificates under NRS 453A. The Task Force recommended that "the qualifications for licensure of a marijuana establishment and the impartial numerically scored bidding process for retail marijuana stores be maintained as in the medical marijuana program except for a change in how local jurisdictions participate in selection of locations."

11. Some of the Task Force's recommendations appear to conflict with BQ2.<sup>7</sup>

---

<sup>7</sup> The Final Task Force report (Exhibit 2009) contained the following statements:

The Task Force recommends that retail marijuana ownership interest requirements remain consistent with the medical marijuana program. . . .  
at 2510.

The requirement identified by the Task Force at the time was contained in NAC 453A.302(1) which states:

Except as otherwise required in subsection 2, the requirements of this chapter concerning owners of medical marijuana establishments only apply to a person with an aggregate ownership interest of 5 percent or more in a medical marijuana establishment.

The second recommendation of concern is:

The Task Force recommends that NRS 453A be changed to address companies that own marijuana establishment licenses in which there are owners with less than 5% ownership interest in the company. The statute should be amended to:

\*Limit fingerprinting, background checks and renewal of agent cards to owners officers and board members with 5% or less cumulatively of the company to once every five years;

\*Only require owners officers and board members with 5% or more cumulatively and employees of the company to obtain agent registration cards; and

12. During the 2017 legislative session Assembly Bill 422 transferred responsibility for the registration, licensing, and regulation of marijuana establishments from the State of Nevada Division of Public and Behavioral Health to the DoT.<sup>8</sup>

13. On February 27, 2018, the DoT adopted regulations governing the issuance, suspension, or revocation of retail recreational marijuana licenses in LCB File No. R092-17, which were codified in NAC 453D (the "Regulations").

14. The Regulations for licensing were to be "directly and demonstrably related to the operation of a marijuana establishment." NRS 453D.200(1)(b). The phrase "directly and demonstrably related to the operation of a marijuana establishment" is subject to more than one interpretation.

\*Use the marijuana establishments governing documents to determine who has approval rights and signatory authority for purposes of signing ownership transfers, applications and any other appropriate legal or regulatory documents.

There was Task Force dissent on the recommendation. The concern with this recommendation was that by changing the requirements on fingerprinting and background checks, the state would have less knowledge of when an owner, officer, and board member commits an offense not allowed under current marijuana law, potentially creating a less safe environment in the state.  
at 2515-2516.

<sup>8</sup> Those provisions (a portion of which became NRS 453D.205) are consistent with BQ2:

1. When conducting a background check pursuant to subsection 6 of NRS 453D.200, the Department may require each prospective owner, officer and board member of a marijuana establishment license applicant to submit a complete set of fingerprints and written permission authorizing the Department to forward the fingerprints to the Central Repository for Nevada Records of Criminal History for submission to the Federal Bureau of Investigation for its report.

2. When determining the criminal history of a person pursuant to paragraph (c) of subsection 1 of NRS 453D.300, a marijuana establishment may require the person to submit to the Department a complete set of fingerprints and written permission authorizing the Department to forward the fingerprints to the Central Repository for Nevada Records of Criminal History for submission to the Federal Bureau of Investigation for its report.

1           15. A person holding a medical marijuana establishment registration certificate could apply  
2 for one or more recreational marijuana establishment licenses within the time set forth by the DoT in  
3 the manner described in the application. NAC 453D.268.<sup>9</sup>

4  
5 <sup>9</sup> Relevant portions of that provision require that application be made

6 ... by submitting an application in response to a request for applications issued pursuant to NAC 453D.260 which  
7 must include:

8 \*\*\*

9 2. An application on a form prescribed by the Department. The application must include, without limitation:

10 (a) Whether the applicant is applying for a license for a marijuana establishment for a marijuana cultivation  
11 facility, a marijuana distributor, a marijuana product manufacturing facility, a marijuana testing facility or a retail  
12 marijuana store;

13 (b) The name of the proposed marijuana establishment, as reflected in both the medical marijuana establishment  
14 registration certificate held by the applicant, if applicable, and the articles of incorporation or other documents filed  
15 with the Secretary of State;

16 (c) The type of business organization of the applicant, such as individual, corporation, partnership, limited-liability  
17 company, association or cooperative, joint venture or any other business organization;

18 (d) Confirmation that the applicant has registered with the Secretary of State as the appropriate type of business,  
19 and the articles of incorporation, articles of organization or partnership or joint venture documents of the applicant;

20 (e) The physical address where the proposed marijuana establishment will be located and the physical address of  
21 any co-owned or otherwise affiliated marijuana establishments;

22 (f) The mailing address of the applicant;

23 (g) The telephone number of the applicant;

24 (h) The electronic mail address of the applicant;

25 (i) A signed copy of the Request and Consent to Release Application Form for Marijuana Establishment License  
26 prescribed by the Department;

27 (j) If the applicant is applying for a license for a retail marijuana store, the proposed hours of operation during  
28 which the retail marijuana store plans to be available to sell marijuana to consumers;

(k) An attestation that the information provided to the Department to apply for the license for a marijuana  
establishment is true and correct according to the information known by the affiant at the time of signing; and

(l) The signature of a natural person for the proposed marijuana establishment as described in subsection 1 of NAC  
453D.250 and the date on which the person signed the application.

3. Evidence of the amount of taxes paid, or other beneficial financial contributions made, to this State or its  
political subdivisions within the last 5 years by the applicant or the persons who are proposed to be owners, officers  
or board members of the proposed marijuana establishment.

4. A description of the proposed organizational structure of the proposed marijuana establishment, including,  
without limitation:

(a) An organizational chart showing all owners, officers and board members of the proposed marijuana  
establishment;

(b) A list of all owners, officers and board members of the proposed marijuana establishment that contains the  
following information for each person:

(1) The title of the person;

(2) The race, ethnicity and gender of the person;

(3) A short description of the role in which the person will serve for the organization and his or her  
responsibilities;

(4) Whether the person will be designated by the proposed marijuana establishment to provide written notice to  
the Department when a marijuana establishment agent is employed by, volunteers at or provides labor as a  
marijuana establishment agent at the proposed marijuana establishment;

(5) Whether the person has served or is currently serving as an owner, officer or board member for another  
medical marijuana establishment or marijuana establishment;

(6) Whether the person has served as an owner, officer or board member for a medical marijuana establishment  
or marijuana establishment that has had its medical marijuana establishment registration certificate or license, as  
applicable, revoked;

1 NRS 453D.210(6) mandated the DoT to use "an impartial and numerically scored competitive bidding  
2 process" to determine successful applicants where competing applications were submitted.

3 16. NAC 453D.272(1) provides the procedure for when the DoT receives more than one  
4 "complete" application. Under this provision the DoT will determine if the "application is complete and

5 (7) Whether the person has previously had a medical marijuana establishment agent registration card or  
6 marijuana establishment agent registration card revoked;

7 (8) Whether the person is an attending provider of health care currently providing written documentation for the  
8 issuance of registry identification cards or letters of approval;

9 (9) Whether the person is a law enforcement officer;

10 (10) Whether the person is currently an employee or contractor of the Department; and

11 (11) Whether the person has an ownership or financial investment interest in any other medical marijuana  
12 establishment or marijuana establishment.

13 5. For each owner, officer and board member of the proposed marijuana establishment:

14 (a) An attestation signed and dated by the owner, officer or board member that he or she has not been convicted of  
15 an excluded felony offense, and that the information provided to support the application for a license for a  
16 marijuana establishment is true and correct;

17 (b) A narrative description, not to exceed 750 words, demonstrating:

18 (1) Past experience working with governmental agencies and highlighting past experience in giving back to the  
19 community through civic or philanthropic involvement;

20 (2) Any previous experience at operating other businesses or nonprofit organizations; and

21 (3) Any demonstrated knowledge, business experience or expertise with respect to marijuana; and

22 (c) A resume.

23 6. Documentation concerning the size of the proposed marijuana establishment, including, without limitation,  
24 building and general floor plans with supporting details.

25 7. The integrated plan of the proposed marijuana establishment for the care, quality and safekeeping of marijuana  
26 from seed to sale, including, without limitation, a plan for testing and verifying marijuana, a transportation or  
27 delivery plan and procedures to ensure adequate security measures, including, without limitation, building security  
28 and product security.

8. A plan for the business which includes, without limitation, a description of the inventory control system of the  
proposed marijuana establishment to satisfy the requirements of NRS 453D.300 and NAC 453D.426.

9. A financial plan which includes, without limitation:

(a) Financial statements showing the resources of the applicant;

(b) If the applicant is relying on money from an owner, officer or board member, evidence that the person has  
unconditionally committed such money to the use of the applicant in the event the Department awards a license to  
the applicant and the applicant obtains the necessary approvals from the locality to operate the proposed marijuana  
establishment; and

(c) Proof that the applicant has adequate money to cover all expenses and costs of the first year of operation.

10. Evidence that the applicant has a plan to staff, educate and manage the proposed marijuana establishment on a  
daily basis, which must include, without limitation:

(a) A detailed budget for the proposed marijuana establishment, including pre-opening, construction and first-year  
operating expenses;

(b) An operations manual that demonstrates compliance with this chapter;

(c) An education plan which must include, without limitation, providing educational materials to the staff of the  
proposed marijuana establishment; and

(d) A plan to minimize the environmental impact of the proposed marijuana establishment.

11. If the application is submitted on or before November 15, 2018, for a license for a marijuana distributor,  
proof that the applicant holds a wholesale dealer license issued pursuant to chapter 369 of NRS, unless the  
Department determines that an insufficient number of marijuana distributors will result from this limitation.

12. A response to and information which supports any other criteria the Department determines to be relevant,  
which will be specified and requested by the Department at the time the Department issues a request for  
applications which includes the point values that will be allocated to the applicable portions of the application  
pursuant to subsection 2 of NAC 453D.260.

1 in compliance with this chapter and Chapter 453D of NRS, the Department will rank the applications . .  
2 . in order from first to last based on the compliance with the provisions of this chapter and chapter  
3 453D of NRS and on the content of the applications relating to . . .” several enumerated factors. NAC  
4 453D.272(1).

5 17. The factors set forth in NAC 453D.272(1) that are used to rank competing applications  
6 (collectively, the “Factors”) are:

- 7 (a) Whether the owners, officers or board members have experience operating another kind  
8 of business that has given them experience which is applicable to the operation of a marijuana  
9 establishment;  
10 (b) The diversity of the owners, officers or board members of the proposed marijuana  
11 establishment;  
12 (c) The educational achievements of the owners, officers or board members of the proposed  
13 marijuana establishment;  
14 (d) The financial plan and resources of the applicant, both liquid and illiquid;  
15 (e) Whether the applicant has an adequate integrated plan for the care, quality and  
16 safekeeping of marijuana from seed to sale;  
17 (f) The amount of taxes paid and other beneficial financial contributions, including, without  
18 limitation, civic or philanthropic involvement with this State or its political subdivisions, by the  
19 applicant or the owners, officers or board members of the proposed marijuana establishment;  
20 (g) Whether the owners, officers or board members of the proposed marijuana establishment  
21 have direct experience with the operation of a medical marijuana establishment or marijuana  
22 establishment in this State and have demonstrated a record of operating such an establishment in  
23 compliance with the laws and regulations of this State for an adequate period of time to  
24 demonstrate success;  
25 (h) The (unspecified) experience of key personnel that the applicant intends to employ in  
26 operating the type of marijuana establishment for which the applicant seeks a license; and  
27 (i) Any other criteria that the Department determines to be relevant.

28 18. Each of the Factors is within the DoT’s discretion in implementing the application  
process provided for in BQ2. The DoT had a good-faith basis for determining that each of the Factors  
is “directly and demonstrably related to the operation of a marijuana establishment.”

19 19. The DoT posted the application on its website and released the application for  
20 recreational marijuana establishment licenses on July 6, 2018.<sup>10</sup>

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27 <sup>10</sup> The DoT made a change to the application after circulating the first version of the application to delete the  
28 requirement of a physical location. The modification resulted in a different version of the application bearing the same  
“footer” with the original version remaining available on the DoT’s website.

1           20.     The DoT utilized a question and answer process through a generic email account at  
2 marijuana@tax.state.nv.us to allow applicants to ask questions and receive answers directly from the  
3 Department, which were not consistent with NRS 453D, and that information was not further  
4 disseminated by the DoT to other applicants.

5           21.     In addition to the email question and answer process, the DoT permitted applicants and  
6 their representatives to personally contact the DoT staff about the application process.

7           22.     The application period ran from September 7, 2018 through September 20, 2018.

8           23.     The DoT accepted applications in September 2018 for retail recreational marijuana  
9 licenses and announced the award of conditional licenses in December 2018.

10          24.     The DoT used a listserv to communicate with prospective applicants.

11          25.     The DoT published a revised application on July 30, 2018. This revised application was  
12 sent to all participants in the DoT's listserv directory. The revised application modified a sentence on  
13 attachment A of the application. Prior to this revision, the sentence had read, "Marijuana  
14 Establishment's proposed physical address (this must be a Nevada address and cannot be a P.O. Box)."  
15 The revised application on July 30, 2018, read: "Marijuana Establishment's proposed physical address  
16 if the applicant owns property or has secured a lease or other property agreement (this must be a  
17 Nevada address and not a P.O. Box). Otherwise, the applications are virtually identical.

18          26.     The DoT sent a copy of the revised application through the listserv service used by the  
19 DoT. Not all Plaintiffs' correct emails were included on this listserv service.

20          27.     The July 30, 2018 application, like its predecessor, described how applications were to  
21 be scored. The scoring criteria was divided into identified criteria and non-identified criteria. The  
22 maximum points that could be awarded to any applicant based on these criteria was 250 points.

23          28.     The identified criteria consisted of organizational structure of the applicant (60 points);  
24 evidence of taxes paid to the State of Nevada by owners, officers, and board members of the applicant  
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1 in the last 5 years (25 points); a financial plan (30 points); and documents from a financial institution  
2 showing unencumbered liquid assets of \$250,000 per location for which an application is submitted.

3 29. The non-identified criteria consisted of documentation concerning the integrated plan of  
4 the proposed marijuana establishment for the care, quality and safekeeping of marijuana from seed to  
5 sale (40 points); evidence that the applicant has a plan to staff, educate and manage the proposed  
6 recreational marijuana establishment on a daily basis (30 points); a plan describing operating  
7 procedures for the electronic verification system of the proposed marijuana establishment and  
8 describing the proposed establishment's inventory control system (20 points); building plans showing  
9 the proposed establishment's adequacy to serve the needs of its customers (20 points); and, a proposal  
10 explaining likely impact of the proposed marijuana establishment in the community and how it will  
11 meet customer needs (15 points).  
12

13 30. An applicant was permitted to submit a single application for all jurisdictions in which it  
14 was applying, and the application would be scored at the same time.  
15

16 31. By September 20, 2018, the DoT received a total of 462 applications.

17 32. In order to grade and rank the applications the DoT posted notices that it was seeking to  
18 hire individuals with specified qualifications necessary to evaluate applications. The DoT interviewed  
19 applicants and made decisions on individuals to hire for each position.

20 33. When decisions were made on who to hire, the individuals were notified that they would  
21 need to register with "Manpower" under a pre-existing contract between the DoT and that company.  
22 Individuals would be paid through Manpower, as their application-grading work would be of a  
23 temporary nature.  
24

25 34. The DoT identified, hired, and trained eight individuals to grade the applications,  
26 including three to grade the identified portions of the applications, three to grade the non-identified  
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28

1 portions of the applications, and one administrative assistant for each group of graders (collectively the  
2 "Temporary Employees").

3 35. It is unclear how the DoT trained the Temporary Employees. While portions of the  
4 training materials were introduced into evidence, testimony regarding the oral training based upon  
5 example applications was insufficient for the Court to determine the nature and extent of the training of  
6 the Temporary Employees.<sup>11</sup>

7 36. NAC 453D.272(1) required the DoT to determine that an Application is "complete and  
8 in compliance" with the provisions of NAC 453D in order to properly apply the licensing criteria set  
9 forth therein and the provisions of the Ballot Initiative and the enabling statute.

10 37. When the DoT received applications, it undertook no effort to determine if the  
11 applications were in fact "complete and in compliance."

12 38. In evaluating whether an application was "complete and in compliance" the DoT made  
13 no effort to verify owners, officers or board members (except for checking whether a transfer request  
14 was made and remained pending before the DoT).

15 39. For purposes of grading the applicant's organizational structure and diversity, if an  
16 applicant's disclosure in its application of its owners, officers, and board members did not match the  
17 DoT's own records, the DoT did not penalize the applicant. Rather the DoT permitted the grading, and  
18 in some cases, awarded a conditional license to an applicant under such circumstances, and dealt with  
19 the issue by simply informing the winning applicant that its application would have to be brought into  
20 conformity with DoT records.

21 40. The DoT created a Regulation that modified the mandatory BQ2 provision "[t]he  
22 Department shall conduct a background check of each prospective owner, officer, and board member of  
23 a marijuana establishment license applicant" and determined it would only require information on the

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28 <sup>11</sup> Given the factual issues related to the grading raised by MM and LivFree, these issues may be subject to additional  
evidentiary proceedings in the assigned department.

1 application from persons "with an aggregate ownership interest of 5 percent or more in a marijuana  
2 establishment." NAC 453D.255(1).

3 41. NRS 453D.200(6) provides that "[t]he DoT shall conduct a background check of each  
4 prospective owner, officer, and board member of a marijuana establishment license applicant." The  
5 DoT departed from this mandatory language in NAC 453D.255(1) and made no attempt in the  
6 application process to verify that the applicant's complied with the mandatory language of the BQ2 or  
7 even the impermissibly modified language.

8 42. The DoT made the determination that it was not reasonable to require industry to  
9 provide every owner of a prospective licensee. The DOT's determination that only owners of a 5% or  
10 greater interest in the business were required to submit information on the application was not a  
11 permissible regulatory modification of BQ2. This determination violated Article 19, Section 3 of the  
12 Nevada Constitution. The determination was not based on a rational basis.

13 43. The limitation of "unreasonably impracticable" in BQ2<sup>12</sup> does not apply to the  
14 mandatory language of BQ2, but to the Regulations which the DoT adopted.

15 44. The adoption of NAC 453D.255(1), as it applies to the application process is an  
16 unconstitutional modification of BQ2.<sup>13</sup> The failure of the DoT to carry out the mandatory provisions  
17 of NRS 453D.200(6) is fatal to the application process.<sup>14</sup> The DoT's decision to adopt regulations in  
18 direct violation of BQ2's mandatory application requirements is violative of Article 19, Section 2(3) of  
19 the Nevada Constitution.

20  
21  
22 <sup>12</sup> NRS 453D.200(1) provides in part:

23 The regulations must not prohibit the operation of marijuana establishments, either expressly or through regulations  
24 that make their operation unreasonably impracticable.

25 <sup>13</sup> For administrative and regulatory proceedings other than the application, the limitation of 5% or greater ownership  
26 appears within the DoT's discretion.

27 <sup>14</sup> That provision states:

28 6. The Department shall conduct a background check of each prospective owner, officer, and board member of a  
marijuana establishment license applicant.

1           45.     Given the lack of a robust investigative process for applicants, the requirement of the  
2 background check for each prospective owner, officer, and board member as part of the application  
3 process impedes an important public safety goal in BQ2.

4           46.     Without any consideration as to the voters mandate in BQ2, the DoT determined that  
5 requiring each prospective owner be subject to a background check was too difficult for  
6 implementation by industry. This decision was a violation of the Nevada Constitution, an abuse of  
7 discretion, and arbitrary and capricious.

8           47.     The DoT did not comply with BQ2 by requiring applicants to provide information for  
9 each prospective owner, officer and board member or verify the ownership of applicants applying for  
10 retail recreational marijuana licenses. Instead the DoT issued conditional licenses to applicants who  
11 did not identify each prospective owner, officer and board member.<sup>15</sup>

12           48.     The DoT's late decision to delete the physical address requirement on some application  
13 forms while not modifying those portions of the application that were dependent on a physical location  
14 (i.e. floor plan, community impact, security plan, and the sink locations) after the repeated  
15 communications by an applicant's agent; not effectively communicating the revision; and, leaving the  
16 original version of the application on the website, is evidence of conduct that is a serious issue.

17           49.     Pursuant to NAC 453D.295, the winning applicants received a conditional license that  
18 will not be finalized unless within twelve months of December 5, 2018, the licensees receive a final  
19 inspection of their marijuana establishment.

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25 <sup>15</sup> Some applicants apparently provided the required information for each prospective owner, officer and board  
26 member. Accepting as truthful these applicants' attestations regarding who their owners, officers, and board members were  
27 at the time of the application, these applications were complete at the time they were filed with reference to NRS  
28 453D.200(6). These entities are Green Therapeutics LLC, Eureka NewGen Farms LLC, Circle S Farms LLC, Deep Roots  
Medical LLC, Pure Tonic Concentrates LLC, Wellness Connection of Nevada LLC, Polaris Wellness Center LLC, and  
TRNVP098 LLC, Clear River LLC, Cheyenne Medical LLC, Essence Tropicana LLC, Essence Henderson LLC, and  
Commerce Park Medical LLC. See Court Exhibit 3 (post-hearing submission by the DoT).

50. The few instances of clear mistakes made by the Temporary Employees admitted in evidence do not, in and of themselves, result in an unfair process as human error occurs in every process.

51. Nothing in NRS 453D or NAC 453D provides for any right to an appeal or review of a decision denying an application for a retail recreational marijuana license.

52. There are an extremely limited number of licenses available for the sale of recreational marijuana.

53. The number of licenses available was set by BQ2 and is contained in NRS 453D.210(5)(d).

54. Since the Court does not have authority to order additional licenses in particular jurisdictions, and because there are a limited number of licenses that are available in certain jurisdictions, injunctive relief is necessary to permit the Plaintiffs, if successful in the NRS 453D.210(6) process, to actually obtaining a license, if ultimately successful in this litigation.

55. The secondary market for the transfer of licenses is limited.<sup>16</sup>

56. If any findings of fact are properly conclusions of law, they shall be treated as if appropriately identified and designated.

## CONCLUSIONS OF LAW

57. "Any person...whose rights, status or other legal relations are affected by a statute, municipal ordinance, contract or franchise, may have determined any question of construction or validity arising under the instrument, statute, ordinance, contract or franchise and obtain a declaration of rights, status or other legal relations thereunder." NRS 30.040.

58. A justiciable controversy is required to exist prior to an award of declaratory relief. *Doe v. Bryan*, 102 Nev. 523, 525, 728 P.2d 443, 444 (1986).

<sup>16</sup> The testimony elicited during the evidentiary hearing established that multiple changes in ownership have occurred since the applications were filed. Given this testimony, simply updating the applications previously filed would not comply with BQ2.

1           59.     NRS 33.010 governs cases in which an injunction may be granted. The applicant must  
2 show (1) a likelihood of success on the merits; and (2) a reasonable probability that the non-moving  
3 party's conduct, if allowed to continue, will cause irreparable harm for which compensatory damage is  
4 an inadequate remedy.

5           60.     Plaintiffs have the burden to demonstrate that the DoT's conduct, if allowed to continue,  
6 will result in irreparable harm for which compensatory damages is an inadequate remedy.

7           61.     The purpose of a preliminary injunction is to preserve the *status quo* until the matter can  
8 be litigated on the merits.

9           62.     In *City of Sparks v. Sparks Mun. Court*, the Supreme Court explained, "[a]s a  
10 constitutional violation may be difficult or impossible to remedy through money damages, such a  
11 violation may, by itself, be sufficient to constitute irreparable harm." 129 Nev. 348, 357, 302 P.3d  
12 1118, 1124 (2013).

13           63.     Article 19, Section 2 of the Constitution of the State of Nevada provides, in pertinent  
14 part:  
15

16           "1. Notwithstanding the provisions of section 1 of article 4 of this constitution, but subject to the  
17 limitations of section 6 of this article, the people reserve to themselves the power to propose,  
18 by initiative petition, statutes and amendments to statutes and amendments to this  
19 constitution, and to enact or reject them at the polls.

20           ...

21           3. If the initiative petition proposes a statute or an amendment to a statute, the person who  
22 intends to circulate it shall file a copy with the secretary of state before beginning circulation  
23 and not earlier than January 1 of the year preceding the year in which a regular session of the  
24 legislature is held. After its circulation, it shall be filed with the secretary of state not less than  
25 30 days prior to any regular session of the legislature. The circulation of the petition shall cease  
26 on the day the petition is filed with the secretary of state or such other date as may be prescribed  
27 for the verification of the number of signatures affixed to the petition, whichever is earliest. The  
28 secretary of state shall transmit such petition to the legislature as soon as the legislature  
convenes and organizes. The petition shall take precedence over all other measures except  
appropriation bills, and the statute or amendment to a statute proposed thereby shall be enacted  
or rejected by the legislature without change or amendment within 40 days. If the proposed  
statute or amendment to a statute is enacted by the legislature and approved by the governor in  
the same manner as other statutes are enacted, such statute or amendment to a statute shall  
become law, but shall be subject to referendum petition as provided in section 1 of this article.

1 If the statute or amendment to a statute is rejected by the legislature, or if no action is taken  
2 thereon within 40 days, the secretary of state shall submit the question of approval or  
3 disapproval of such statute or amendment to a statute to a vote of the voters at the next  
4 succeeding general election. If a majority of the voters voting on such question at such election  
5 votes approval of such statute or amendment to a statute, it shall become law and take effect  
6 upon completion of the canvass of votes by the supreme court. **An initiative measure so  
approved by the voters shall not be amended, annulled, repealed, set aside or suspended  
by the legislature within 3 years from the date it takes effect.**

7 (Emphasis added.)

8 64. The Nevada Supreme Court has recognized that “[i]nitiative petitions must be kept  
9 substantively intact; otherwise, the people’s voice would be obstructed. . . . [I]nitiative legislation is not  
10 subject to judicial tampering-the substance of an initiative petition should reflect the unadulterated will  
11 of the people and should proceed, if at all, as originally proposed and signed. For this reason, our  
12 constitution prevents the Legislature from changing or amending a proposed initiative petition that is  
13 under consideration.” Rogers v. Heller, 117 Nev. 169, 178, 18 P.3d 1034, 1039-40 (2001).

14 65. BQ2 provides, “the Department shall adopt all regulations necessary or convenient to  
15 carry out the provisions of this chapter.” NRS 453D.200(1). This language does not confer upon the  
16 DoT unfettered or unbridled authority to do whatever it wishes without constraint. The DoT was not  
17 delegated the power to legislate amendments because this is initiative legislation. The Legislature itself  
18 has no such authority with regard to NRS 453D until three years after its enactment under the  
19 prohibition of Article 19, Section 2 of the Constitution of the State of Nevada.

20 66. Where, as here, amendment of a voter-initiated law is temporally precluded from  
21 amendment for three years, the administrative agency may not modify the law.

22 67. NRS 453D.200(1) provides that “the Department shall adopt all regulations necessary or  
23 convenient to carry out the provisions of this chapter.” The Court finds that the words “necessary or  
24 convenient” are susceptible to at least two reasonable interpretations. This limitation applies only to  
25 Regulations adopted by the DoT.  
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1           68.     While the category of diversity is not specifically included in the language of BQ2, the  
2 evidence presented in the hearing demonstrates that a rational basis existed for the inclusion of this  
3 category in the Factors and the application.

4           69.     The DoT's inclusion of the diversity category was implemented in a way that created a  
5 process which was partial and subject to manipulation by applicants.

6           70.     The DoT staff provided various applicants with different information as to what would  
7 be utilized from this category and whether it would be used merely as a tiebreaker or as a substantive  
8 category.  
9

10          71.     Based upon the evidence adduced, the Court finds that the DoT selectively discussed  
11 with applicants or their agents the modification of the application related to physical address  
12 information.

13          72.     The process was impacted by personal relationships in decisions related to the  
14 requirements of the application and the ownership structures of competing applicants. This in and of  
15 itself is insufficient to void the process as urged by some of the Plaintiffs.  
16

17          73.     The DoT disseminated various versions of the 2018 Retail Marijuana Application, one  
18 of which was published on the DoT's website and required the applicant to provide an actual physical  
19 Nevada address for the proposed marijuana establishment, and not a P.O. Box, (*see* Exhibit 5), whereas  
20 an alternative version of the DoT's application form, which was not made publicly available and was  
21 distributed to some, but not all, of the applicants via a DoT listserv service, deleted the requirement that  
22 applicants disclose an actual physical address for their proposed marijuana establishment. *See* Exhibit  
23 5A.  
24

25          74.     The applicants were applying for conditional licensure, which would last for 1 year.  
26 NAC 453D.282. The license was conditional based on the applicant's gaining approval from local  
27  
28

1 authorities on zoning and land use, the issuance of a business license, and the Department of Taxation  
2 inspections of the marijuana establishment.

3 75. The DoT has only awarded conditional licenses which are subject to local government  
4 approval related to zoning and planning and may approve a location change of an existing license, the  
5 public safety aspects of the failure to require an actual physical address can be cured prior to the award  
6 of a final license.

7 76. By selectively eliminating the requirement to disclose an actual physical address for  
8 each and every proposed retail recreational marijuana establishment, the DoT limited the ability of the  
9 Temporary Employees to adequately assess graded criteria such as (i) prohibited proximity to schools  
10 and certain other public facilities, (ii) impact on the community, (iii) security, (iv) building plans, and  
11 (v) other material considerations prescribed by the Regulations.

12 77. The hiring of Temporary Employees was well within the DoT's discretionary power.

13 78. The evidence establishes that the DoT failed to properly train the Temporary  
14 Employees. This is not an appropriate basis for the requested injunctive relief unless it makes the  
15 grading process unfair.

16 79. The DoT failed to establish any quality assurance or quality control of the grading done  
17 by Temporary Employees.<sup>17</sup> This is not an appropriate basis for the requested injunctive relief unless it  
18 makes the grading process unfair.

19 80. The DoT made licensure conditional for one year based on the grant of power to create  
20 regulations that develop "[p]rocedures for the issuance, renewal, suspension, and revocation of a  
21 license to operate a marijuana establishment," NRS 453D.200(1)(a). This was within the DoT's  
22 discretion.

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28 <sup>17</sup> The Court makes no determination as to the extent which the grading errors alleged by MM and Live Free may be  
subject to other appropriate writ practice related to those individualized issues by the assigned department.

1        81.     Certain of DoT's actions related to the licensing process were nondiscretionary  
2     modifications of BQ2's mandatory requirements. The evidence establishes DoT's deviations  
3     constituted arbitrary and capricious conduct without any rational basis for the deviation.

4        82.     The DoT's decision to not require disclosure on the application and to not conduct  
5     background checks of persons owning less than 5% prior to award of a conditional license is an  
6     impermissible deviation from the mandatory language of BQ2, which mandated "a background check  
7     of each prospective owner, officer, and board member of a marijuana establishment license applicant."  
8     NRS 453D.200(6).

9        83.     The argument that the requirement for each owner to comply with the application  
10    process and background investigation is "unreasonably impracticable" is misplaced. The limitation of  
11    unreasonably impracticable applied only to the Regulations not to the language and compliance with  
12    BQ2 itself.

13       84.     Under the circumstances presented here, the Court concludes that certain of the  
14    Regulations created by the DoT are unreasonable, inconsistent with BQ2 and outside of any discretion  
15    permitted to the DoT.  
16

17       85.     The DoT acted beyond its scope of authority when it arbitrarily and capriciously  
18    replaced the mandatory requirement of BQ2, for the background check of each prospective owner,  
19    officer and board member with the 5% or greater standard in NAC 453.255(1). This decision by the  
20    DoT was not one they were permitted to make as it resulted in a modification of BQ2 in violation of  
21    Article 19, Section 2(3) of the Nevada Constitution.  
22

23       86.     As Plaintiffs have shown that the DoT clearly violated NRS Chapter 453D, the claims  
24    for declaratory relief, petition for writ of prohibition, and any other related claims is likely to succeed  
25    on the merits.  
26

27       87.     The balance of equities weighs in favor of Plaintiffs.  
28

1           88.     "[N]o restraining order or preliminary injunction shall issue except upon the giving of  
2 adequate security by the applicant, in such sum as the court deems proper, for the payment of such  
3 costs and damages as may be incurred or suffered by any party who is found to be wrongfully enjoined  
4 or restrained." NRCP 65(d).

5           89.     The DoT stands to suffer no appreciable losses and will suffer only minimal harm as a  
6 result of an injunction.

7           90.     Therefore, a security bond already ordered in the amount of \$400,000 is sufficient for  
8 the issuance of this injunctive relief.<sup>18</sup>  
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10          91.     If any conclusions of law are properly findings of fact, they shall be treated as if  
11 appropriately identified and designated.

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27 <sup>18</sup> As discussed during the preliminary injunction hearing, the Court sets a separate evidentiary hearing on whether to  
28 increase the amount of this bond. That hearing is set for August 29, 2019, at 9:00 a.m.

**ORDER**

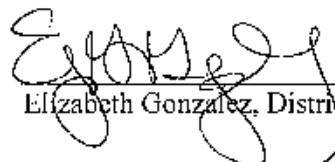
**IT IS HEREBY ADJUDGED ORDERED AND DECREED** that Plaintiffs' Motions for Preliminary Injunction are granted in part.

The State is enjoined from conducting a final inspection of any of the conditional licenses issued in or about December 2018 who did not provide the identification of each prospective owner, officer and board member as required by NRS 453D.200(6) pending a trial on the merits.<sup>19</sup>

The issue of whether to increase the existing bond is set for hearing on August 29, 2019, at 9:00 am.

The parties in A786962 and A787004 are to appear for a Rule 16 conference September 9, 2019, at 9:00 am and submit their respective plans for discovery on an expedited schedule by noon on September 6, 2019.

DATED this 23<sup>rd</sup> day of August 2019.

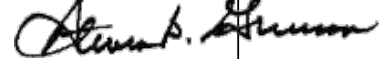
  
Elizabeth Gonzalez, District Court Judge

**Certificate of Service**

I hereby certify that on the date filed, this Order was electronically served, pursuant to N.E.F.C.R. Rule 9, to all registered parties in the Eighth Judicial District Court Electronic Filing Program.

  
Dan Kutinac

<sup>19</sup> As Court Exhibit 3 is a post-hearing submission by the DoT, the parties may file objections and/or briefs related to this issue. Any issues related to the inclusion or exclusion from this group will be heard August 29, 2019, at 9:00 am.



1 **OBJ**

2 MARGARET A. MCLEATCHIE, Nevada Bar No. 10931

3 ALINA M. SHELL, Nevada Bar No. 11711

4 MCLEATCHIE LAW

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9 Counsel for Defendant-Intervenor, GreenMart of Nevada NLV LLC

10 **EIGHTH JUDICIAL DISTRICT COURT**  
11 **CLARK COUNTY, NEVADA**

12 SERENITY WELLNESS CENTER, LLC, et  
13 al.,

Case No.: A-19-786962-B

14 Plaintiffs,

Dept. No.: XI

15 vs.

16 **DEFENDANT-INTERVENOR**  
17 **GREENMART OF NEVADA NLV,**  
18 **LLC'S OBJECTIONS TO COURT'S**  
19 **EXHIBIT 3**

20 STATE OF NEVADA, DEPARTMENT OF  
21 TAXATION,

22 Defendant,

23 and

24 NEVADA ORGANIC REMEDIES, LLC, a  
25 Nevada limited liability company;  
26 GREENMART OF NEVADA NLV LLC, a  
27 Nevada limited liability company,

28 Defendants-Intervenors.

29 Defendant-Intervenor GreenMart of Nevada NLV LLC ("GreenMart"), by and  
30 through its undersigned counsel, hereby submits these objections to Court Exhibit 3, the  
31 August 21, 2019 email sent by counsel for the State of Nevada Department of Taxation (the  
32 "Department") regarding winning applicants' compliance with Nev. Rev. Stat. §  
33 453D.200(6). This brief is made and based upon the attached memorandum of points and  
34 authorities, all papers and pleadings on file in this matter, and any oral argument at the time  
35 of hearing.

**MEMORANDUM OF POINTS AND AUTHORITIES**

**1. Plaintiffs Lack Standing to Challenge the Department’s Denial of Their Applications.**

As a preliminary matter, as GreenMart and other Defendant-Intervenors have argued throughout the pendency of the case, Plaintiffs lack standing to request a preliminary injunction. This is so for two reasons. First, as outlined most recently in GreenMart’s August 15, 2019 Trial Memorandum, Plaintiffs are not entitled to judicial review of the Department’s denial of their applications because the application process was not a “contested case” under Nevada law. (*See* August 15, 2019 Trial Memorandum, pp. 2:24-3:26.) Second, Plaintiffs lack standing because they cannot demonstrate they suffered an injury in fact or that a preliminary injunction can remedy any alleged injury. Because Plaintiffs do not have standing, judicial review of the Department’s denial of their applications is inappropriate.

**2. The Department Did Not Provide the Court With Any Information Regarding Plaintiffs’ Compliance With Nev. Rev. Stat. § 453D.200(6).**

In its August 16, 2019 statements at the close of the evidentiary hearing, this Court directed the Department to provide it with information regarding which successfully applicants completed their applications in compliance with Nev. Rev. Stat. § 453D.200(6). Notably absent from the Court’s assignment to the Department, however, was any request that the Department provide the same information regarding Plaintiffs or other unsuccessful applicants. What is true in life is true in the law: “What is sauce for the goose is sauce for the gander.” *Whitehead v. Nevada Comm’n on Judicial Discipline*, 111 Nev. 70, 183, 893 P.2d 866, 936 (1995). Equity demands that if the Court considers winning applicants’ compliance with Nev. Rev. Stat. § 453D.200(6), it must also consider the Plaintiffs’ and other losing applicants’ compliance with the same provision. This is particularly salient given that the applications of several Plaintiffs—including MM Development and Serenity Wellness—may suffer from the same perceived deficiency.

**3. Exhibit 3 is Irrelevant Because the Department Had Already Vetted GreenMart.**

GreenMart also objects to the Court’s consideration of Court Exhibit 3 on the grounds that it is irrelevant. As set forth in Statewide Ballot Question 2 (2016), for the initial

application process, the Department would “only accept applications for licenses for retail marijuana stores, marijuana product manufacturing facilities, and marijuana cultivation facilities . . . from persons holding a medical marijuana establishment registration certificate pursuant to chapter 453A of NRS.” Ballot Question 2, § 10(2) (2016). At the time the application process opened, GreenMart already held a medical marijuana establishment certificate. Thus, the Department had already vetted and approved GreenMart’s ownership.

**4. Exhibit 3 is Inadmissible Hearsay.**

Nev. Rev. Stat. § 51.035(1) defines hearsay as “a statement offered in evidence to prove the truth of the matter asserted.” In turn, Nev. Rev. Stat. § 51.065(1) provides that hearsay is inadmissible unless it falls within certain statutory exceptions. The Department’s email to this Court is textbook hearsay which does not fall within any of the recognized hearsay exceptions. The Department’s email is not evidence. Instead, the Court required an attorney for the Department to provide an opinion. In emailing the Court and the parties, the Department did not provide any supporting documentation or evidence. Thus, neither GreenMart nor any other party can assess the accuracy of the Department’s factual assertions or legal opinion. Moreover, in forcing the Department to provide this email, the Court forced the Department to make a legal conclusion that is contrary to its own position in litigation. Thus, Exhibit 3 should not be considered by the Court, and should not be admissible as evidence in any further proceedings in this matter.

DATED this the 26<sup>th</sup> day of August, 2019.

*/s/ Alina M. Shell*

MARGARET A. MCLETCHE, Nevada Bar No. 10931  
ALINA M. SHELL, Nevada Bar No. 11711  
MCLETCHE LAW  
701 East Bridger Avenue, Suite 520  
Las Vegas, NV 89101  
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*Counsel for Defendant-Intervenor, GreenMart of Nevada  
NLV LLC*

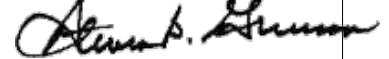


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**CERTIFICATE OF SERVICE**

I hereby certify that on this 26<sup>th</sup> day of August, 2019, pursuant to Administrative Order 14-2 and N.E.F.C.R. 9, I did cause a true copy of the foregoing DEFENDANT-INTERVENOR GREENMART OF NEVADA NLV, LLC'S OBJECTIONS TO COURT'S EXHIBIT 3 in *Serenity Wellness Center, LLC, et al. v. State of Nevada, Department of Taxation, et al.*, Clark County District Court Case No A-19-786962-B, to be served electronically using the Odyssey File & Serve system, to all parties with an email address on record.

/s/ Pharan Burchfield  
An Employee of McLetchie Law



1 **RSPN**  
2 Jared Kahn, Esq.  
3 Nevada Bar # 12603  
4 JK Legal & Consulting, LLC  
5 9205 West Russell Rd., Suite 240  
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7 P: (702) 708-2958  
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9 [jkahn@jk-legalconsulting.com](mailto:jkahn@jk-legalconsulting.com)

10 *Attorneys Helping Hands Wellness Center, Inc.*

11 **EIGHTH JUDICIAL DISTRICT COURT**  
12 **CLARK COUNTY, NEVADA**

13 SERENITY WELLNESS CENTER, LLC, )  
14 *et al.*, )  
15 )  
16 Plaintiff, )

CASE NO: A-19-786962-B  
DEPT NO.: XI

17 vs. )

18 THE STATE OF NEVADA, )  
19 DEPARTMENT OF TAXATION, )  
20 )  
21 Defendants. )

**DEFENDANT INTERVENOR  
HELPING HANDS WELLNESS  
CENTER, INC.'S RESPONSE AND  
OBJECTION TO THE STATE OF  
NEVADA'S SUBMISSION TO THE  
COURT ON COMPLETENESS AS TO  
APPLICATIONS PERTAINING TO  
NRS 453D.200(6)**

22 HELPING HANDS WELLNESS )  
23 CENTER, INC., a Nevada corporation. )  
24 )  
25 Defendant Intervenor )

Hearing: August 29, 2019  
Time: 9:00 a.m.

26 COMES NOW Defendant Intervenor Helping Hands Wellness Center, Inc., ("HHWC"),  
27 by and through its counsel Jared Kahn, Esq., and hereby submits its Response and Objection to  
28 the State of Nevada's Submission to the Court on Completeness as to Applications Pertaining to  
NRS 453D.200(6) ("Response"). This Response is supported by the Points and Authorities  
herein, supporting exhibits submitted herewith<sup>1</sup>, and any oral argument permitted on this matter

<sup>1</sup> HHWC submits exhibits herewith not previously admitted during the hearing on the Motion for Preliminary Injunction and respectfully requests the Court admit the enclosed exhibits as the Court invited objections to be filed, which would require such supporting documents to now be filed not necessarily at issue before the Court during the hearing.

1 at the time of the hearing.

2 **MEMORANDUM OF POINTS AND AUTHORITIES**

3 **I. The Court's Inquiry Regarding Compliance with NRS 453D.200(6).**

4 After concluding the hearing on the Motion for Preliminary Injunction, this Court  
5 inquired of the State of Nevada Department of Taxation (the "Department") to respond to the  
6 Court's inquiry as to which conditional licensees complied with NRS 453D.200(6) as of the  
7 time of submittal of the applications. On August 21, 2019, the State submitted an email  
8 response to the inquiry identifying which conditional licensees submitted completed  
9 applications and which conditional licensees the State "could not eliminate a question as to the  
10 completeness of their application with reference to NRS 453D.200(6)".<sup>2</sup>

11 Mr. Shevorski noted in his email to the Court, as it pertains to HHWC:

- 12  
13  
14 1. **Helping Hands Wellness Center, Inc.** – The Department of Taxation  
15 *could not eliminate a question* a question regarding the completeness of  
16 the applicant's identification of all of its officers on Attachment A in light  
17 of Mr. Terteryan's testimony that he is the Chief Operating Officer and  
18 was not listed on Attachment A. The Department of Taxation does note,  
however, that *Mr. Terteryan has been the subject of a completed  
background check.*<sup>3</sup>

19 As a result of Mr. Shevorski's email, it would appear the Department may not have  
20 sufficient information before it to determine HHWC's completeness of its application in  
21 compliance with NRS 453D.200(6).<sup>4</sup> The purpose of this Response is to provide the Department  
22 and this Court the pertinent information necessary for the Department to resolve the inquiry and  
23 confirm the HHWC application was complete and in compliance with NRS 453D.200(6).  
24

25 <sup>2</sup> See *Court's Exhibit 3*, Email dated August 21, 2019, from Steven Shevorski, Esq., to Department 11.

26 <sup>3</sup> *Id.* (Emphasis added).

27 <sup>4</sup> HHWC notes the determination of completeness of the application should fall with the Department to review and  
28 resolve as opposed to the Court stepping into the role of the Department to make the determination, as the Order on  
the Motion for Preliminary Injunction indicates the Department shall not issue final licenses until compliance with  
NRS 453D.200(6) is established.

1     **II.     Helping Hands Wellness Inc., Application Was Complete and Compliant with NRS**  
2     **453D.200(6)**

3             Mr. Terteryan testified during the Preliminary Injunction hearing he is the Chief  
4     Operating Officer for HHWC<sup>5</sup>. However, most importantly and what has appeared to cause  
5     confusion with the Department, the testimony does not indicate as to *when* Mr. Terteryan  
6     became the Chief Operating Officer of HHWC – a crucial piece of information as to the  
7     determination of HHWC’s completeness of its application – since Mr. Terteryan was only  
8     nominated to be the Chief Operating Officer just last month in *July 2019*.<sup>6</sup>

10            Just last month in July 2019, the Department approved the then-President and former  
11     shareholder Alyssa Navallo-Herman’s transfer of shares to Klaris Terteryan.<sup>7</sup> Upon the  
12     Department’s approval of the transfer of interest on July 19, 2019, Ms. Navallo-Herman resigned  
13     as President as part of her transfer of shares.

15            Subsequent to the Department’s approval on July 19, 2019, of the Transfer of Ownership  
16     from Ms. Navallo-Herman to Ms. Terteryan and the resignation as President, HHWC completed  
17     a Corporate Resolution reflecting Klaris Terteryan would be named President of HHWC, and,  
18     Alfred Terteryan would be nominated as Chief Operating Officer amending his prior role of  
19     Director of Operations for Cultivation.

21            Most importantly for this Court’s attention and whether the Court will be making the  
22     determination as to the completeness of the HHWC application, at the time of submitting the  
23     application, Mr. Terteryan was the Director of Operations for Cultivation for HHWC – as fully  
24     disclosed in the HHWC license application<sup>8</sup>. Further, as acknowledged by the Department in

25     \_\_\_\_\_  
26     <sup>5</sup> Terteryan Testimony, 8/14/19, 76:3-6

27     <sup>6</sup> Ex. 1 (Corporate Resolution)

28     <sup>7</sup> Ex. 2 (Transfer of Ownership Letter 07/19/2019)

<sup>8</sup> Ex. 3 (Applicant Information)

1 Mr. Shevorski's email, Mr. Terteryan was fully background checked. In addition, notably the  
2 HHWC proposed Organizational Chart included with the HHWC application identifies the role  
3 of Chief Operating Officer as **blank** as of the time of the HHWC application submittal in  
4 September 2018 because HHWC did not know who would be the Chief Operating Officer at that  
5 time.<sup>9</sup> Therefore, the HHWC was complete at the time of submittal in September 2018 because  
6 Exhibit A for the HHWC did contain all owners, officers and board members – who were all,  
7 notably, background checked in compliance with NRS 453D.200(6).  
8

9 Lastly, to address MM Development, LLC and LivFree's objection noting HHWC failed  
10 to disclose the prospective owner Drs. Florence and Gard Jameson, as Mr. Terteryan testified,  
11 the arrangement for Dr. Jameson to become a potential owner was not arranged until *after* being  
12 awarded licenses, which such discussions occurred sometime in or around January or February  
13 2019. Thereafter, the Jamesons received the offer from TGIG, LLC, **Exhibit 5063**, which is  
14 notably dated **March 13, 2019**. As usual, MM Development wants to make a mountain out of a  
15 mole hill by pointing to documents without properly advising the Court of their appropriate  
16 dating or timeframes when they occurred – here notably, the ownership discussions and offers  
17 referenced by MM Development occurred *after* being awarded licenses. Currently, as Mr.  
18 Terteryan testified, the HHWC ownership structure to bring in the Jamesons is still under review  
19 by tax lawyers and has not been completed. Therefore, **at the time of submitting the**  
20 **applications**, the HHWC application was accurate because the Jamesons were listed as  
21 prospective Board Members and prospective Officers and background checked accordingly.  
22  
23

### 24 **III. Conclusion**

25 What may appear to be an understandable confusion by the Department when it  
26 submitted the email to the Court addressing the Court's inquiring on the NRS 453D.200(6)  
27

28 <sup>9</sup> Ex. 4 (HHWC Organizational Chart)

1 issue after simply reviewing the testimony of Mr. Terteryan and then reviewing the application  
2 to determine if Mr. Terteryan was disclosed as Chief Operating Officer, when reviewing the  
3 totality of circumstances, the Department's email was in error as applicable to HHWC. The  
4 Department was not yet aware Mr. Terteryan just recently became the Chief Operating Officer  
5 in July 2019 as the Company just recently submitted the correspondence advising the  
6 Department of the changes.<sup>10</sup>  
7

8 Therefore, the inability of the State to provide an answer to the completeness of the  
9 application should now be able to be answered with the totality of information before the  
10 Department and this Court. The Department can resolve HHWC submitted a complete  
11 application, and further ensuring compliance with the intent of NRS 453D.200(6), as noted in  
12 Mr. Shevorski's email, Mr. Terteryan was fully background checked already as a Key  
13 Employee for HHWC at the time of the application.  
14

15 DATED: August 26, 2019.

16 /s/ Jared B. Kahn

17 Jared B. Kahn, Nevada Bar # 12603  
18 JK Legal & Consulting, LLC  
19 9205 W. Russell Rd., Suite 240  
20 Las Vegas, NV 89148  
21 jkahn@jk-legalconsulting.com  
22 Of Attorneys for *Helping Hands Wellness*  
23 *Center, Inc.*  
24  
25

26 <sup>10</sup> Ex. 5 (Letter to DOT) (The Court and the Department can take notice the slight delay in the submittal to the State  
27 is due to extraneous matters involving a shareholder dispute, as noted in the matter of *Helping Hands Wellness*  
28 *Center, Inc.*, v. *Danayan*, Dist. Court Case 2:19-CV-00881, removed from Clark County Case No.: A-19-794924-B,  
which is currently still in mediation before Justice Nancy Saitta (ret.))

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**EXHIBIT “1”**  
(HHWC Corporate Resolution)

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**EXHIBIT “2”**

(Transfer of Interest Letter 7/19/2019)



STEVE SISOLAK  
Governor  
JAMES DEVOLLO  
Chair, Nevada Tax Commission  
MELANIE YOUNG  
Executive Director

**STATE OF NEVADA  
DEPARTMENT OF TAXATION**

**Web Site: <https://tax.nv.gov>**

1550 College Parkway, Suite 115  
Carson City, Nevada 89706-7937  
Phone: (775) 684-2000 Fax: (775) 684-2020

**LAS VEGAS OFFICE**  
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Las Vegas, Nevada 89101  
Phone: (702) 486-2300 Fax: (702) 486-2373

**RENO OFFICE**  
4600 Kietzke Lane  
Building L, Suite 235  
Reno, Nevada 89502  
Phone: (775) 687-9999  
Fax: (775) 688-1303

**HENDERSON OFFICE**  
2550 Paseo Verde Parkway, Suite 180  
Henderson, Nevada 89074  
Phone: (702) 486-2300  
Fax: (702) 486-3377

July 19, 2019

*TOI Tracking # 19045*

Helping Hands Wellness Center, Inc.  
3255 Losee Road  
North Las Vegas, Nevada 89030

Re: Marijuana Establishment Transfer of Ownership - State of Nevada License/Certificate  
Numbers & Tax Identification Numbers with Location Codes:

**Medical**

<b>C147</b>	<b>43239080077563699251</b>	<b>1029008434-001</b>
<b>P092</b>	<b>60221456183974265627</b>	<b>1029008434-002</b>

**Recreational**

<b>RC147</b>	<b>30364928071399411961</b>	<b>1029008434-001</b>
<b>RP092</b>	<b>53908146183081867945</b>	<b>1029008434-002</b>
<b>RD546</b>	<b>59173856084611315340</b>	<b>1029008434-003</b>
<b>RD547</b>	<b>64345737726226352455</b>	<b>1029008434-004</b>
<b>RD548</b>	<b>60232754740405315836</b>	<b>1029008434-005</b>

Establishment Name Prior to Transfer:	Helping Hands Wellness Center, Inc.
Establishment Name Subsequent to Transfer:	Helping Hands Wellness Center, Inc.

Dear Mr. Terteryan,

Your Notice of Transfer of Interest pertaining to the ownership of the above referenced marijuana establishments has been reviewed and APPROVED. Effective immediately, your marijuana establishment ownership Schedule of Interest is recorded as follows:

<u>Name</u>	<u>% Held</u>
Helping Hands Wellness Center, Inc.	100%
Klaris Terteryan	52.50%
Lusine Danayan	47.50%

AA 005312

Please feel free to contact us at [MJChange@tax.state.nv.us](mailto:MJChange@tax.state.nv.us) if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jorge Pupo".

Jorge Pupo, Deputy Executive Director  
Department of Taxation, Marijuana Enforcement Division

Cc: Klaris Terteryan

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**Exhibit “3”**

(HHWC Applicant Information)



BRIAN SANDOVAL  
Governor  
JAMES DEVOLLD  
Chair, Nevada Tax Commission  
WILLIAM D. ANDERSON  
Executive Director

STATE OF NEVADA  
DEPARTMENT OF TAXATION

Web Site: <https://tax.nv.gov>  
1550 College Parkway, Suite 115  
Carson City, Nevada 89706-7937  
Phone: (775) 684-2000 Fax: (775) 684-2020

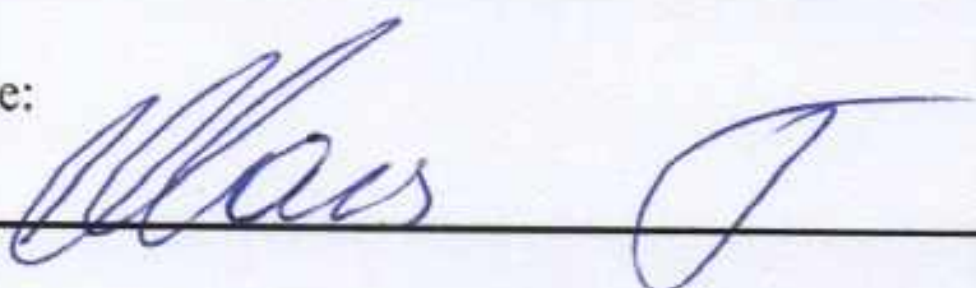
RENO OFFICE  
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HENDERSON OFFICE  
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Henderson, Nevada 89074  
Phone: (702) 486-2300  
Fax: (702) 486-3377

APPLICANT INFORMATION

Provide all requested information in the space next to each numbered question. The information in Sections V1 through V10 will be used for application questions and updates. Type or print responses. **Include this applicant information sheet in Tab III of the Identified Criteria Response (Page 10).**

V1	Company Name: Helping Hands Wellness Center, Inc.
V2	Street Address: 3255 Losee Rd.
V3	City, State, ZIP: North Las Vegas, NV 89030
V4	Telephone: ( 818 ) 434 - 4049 ext: _____
V5	Email Address: klaris@hhwcnevada.com
V6	Toll Free Number: ( ) _____ - _____ ext: _____
Contact person who will provide information, sign, or ensure actions are taken pursuant to R092-17 & NRS 453D	
V7	Name: Alfred Terteryan
	Title: Director of Operations for Cultivation
	Street Address: 3255 Losee Rd.
	City, State, ZIP: North Las Vegas, NV 89030
V8	Email Address: alfred@hhwcnevada.com
V9	Telephone number for contact person: ( 818 ) 434 - 4049 ext: _____
V10	Signature:  Date: 09-12-18

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**EXHIBIT “4”**

(HHWC Application Organizational Chart)



- 100% Female Owned
- 300+ Years of Nevada Residency
- 100% Minority Owned
- Donating 51-70% of Net Retail Profits to NV Charitable Organizations
- 225+ Years of Volunteerism + Philanthropy



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**EXHIBIT “5”**  
(Letter to Department)

August 23, 2019

State of Nevada  
Department of Taxation  
Marijuana Program  
555 E. Washington Ave., Suite 4100  
Las Vegas, NV 89101

**Re:    *Change of Officer***  
          *Helping Hands Wellness Center, Inc.*  
          *(C147, RC147, P092, RP092, RD546, RD547, RD548)*

To whom it may concern:

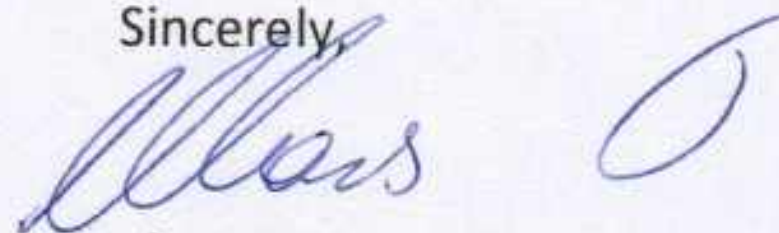
I am writing this letter on behalf of Helping Hands Wellness Center, Inc. ("Company"). Please update your records to reflect that Alyssa Navallo-Herman is no longer the President nor a Director for the Company. Ms. Navallo-Herman resigned when her Change of Ownership was approved by the Department on July 19, 2019, as was required in her Shareholder Transfer Agreement for the transfer of ownership.

Please further note and update your records to reflect Klaris Terteryan is the President of the Company henceforth. A copy of the Secretary of State filings is included herewith indicating the change of the President and a copy of the corporate resolution is included herewith.

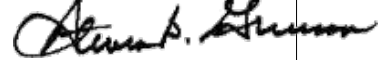
Lastly, please further note and update your records to reflect the Company nominated Alfred Terteryan to Chief Operating Officer. Mr. Terteryan has already been background checked as a Key Employee for the Company. A copy of the Corporate Resolution is attached hereto.

Please promptly advise if there are any questions or concerns.

Sincerely,



Klaris Terteryan



1 RSPN

2 H1 LAW GROUP

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5 Jamie L. Zimmerman, NV Bar No. 11749

6 jamie@h1lawgroup.com

7 Moorea L. Katz, NV Bar No. 12007

8 moorea@h1lawgroup.com

9 701 N. Green Valley Parkway, Suite 200

10 Henderson NV 89074

11 Phone 702-608-3720

12 Fax 702-608-3759

13 *Attorneys for Intervenor/Defendant*

14 *Lone Mountain Partners, LLC*

15 EIGHTH JUDICIAL DISTRICT COURT

16 CLARK COUNTY, NEVADA

17 SERENITY WELLNESS CENTER, LLC, a  
18 Nevada limited liability company, TGIG, LLC, a  
19 Nevada limited liability company, NULEAF  
20 INCLINE DISPENSARY, LLC, a Nevada limited  
21 liability company, NEVADA HOLISTIC  
22 MEDICINE, LLC, a Nevada limited liability  
23 company, TRYKE COMPANIES SO NV, LLC, a  
24 Nevada limited liability company, TRYKE  
25 COMPANIES RENO, LLC, a Nevada limited  
26 liability company, GBS NEVADA PARTNERS,  
27 LLC, a Nevada limited liability company, FIDELIS  
28 HOLDINGS, LLC, a Nevada limited liability  
company, GRAVITAS NEVADA, LLC, a Nevada  
limited liability company, NEVADA PURE, LLC, a  
Nevada limited liability company, MEDIFARM IV,  
LLC a Nevada limited liability company, DOE  
PLAINTIFFS I through X; and ROE ENTITY  
PLAINTIFFS I through X,

Plaintiffs,

vs.

STATE OF NEVADA, DEPARTMENT OF  
TAXATION,

Defendant.

LONE MOUNTAIN PARTNERS, LLC, a Nevada  
limited liability partnership,

Intervenor/Defendant.

Case No. A-19-786962-B

Dept. No. 11

**LONE MOUNTAIN PARTNERS, LLC'S  
RESPONSE TO THE DEPARTMENT  
OF TAXATION'S SUBMISSION  
REGARDING COMPLETENESS OF  
APPLICATIONS IN COMPLIANCE  
WITH NRS 453D.200(6)**





Intervenor Lone Mountain Partners, LLC (“Lone Mountain”), by and through counsel, hereby submits its Response to the Department of Taxation (“DOT”)’s Submission Regarding Completeness of Application in Compliance with NRS 453D.200(6) provided August 21, 2019 via email from Defendant DOT and marked as Court’s Exhibit 3.

In the 20-day evidentiary hearing just held in this matter, not once was any question or issue raised over the ownership structure of Lone Mountain. Nor was any question or issue *ever* raised by the DOT regarding the completeness of the Lone Mountain application during the application period.

This past Wednesday, August 21, 2019, for the very first time, the DOT indicated it could not eliminate a question as to the completeness of Lone Mountain’s application with respect to ownership. On August 23, 2019, the Court entered its Findings of Fact and Conclusions of Law Granting Preliminary Injunction (“Order”) which enjoined the DOT from conducting a final inspection of any of the conditional licenses issued in or about December 2018 to the applicants identified in Court’s Exhibit 3. The Court identified the applicants that are not subject to the preliminary injunction in footnote 15 of the Order.

Given that the Court requested that the DOT make the “completeness” determination, Lone Mountain will be addressing the DOT’s questions regarding the company’s ownership structure, and completeness of its application, directly with the DOT. The duty to assess completeness rests with the DOT by virtue of both the applicable statute and regulation. NRS 453D.210(4) (providing that the DOT is to process “complete” applications); NAC 453D.272(1) (DOT is to determine whether applications are “complete and in compliance” with the applicable regulations). The Court cannot usurp this obligation, nor can the DOT abdicate its responsibility to assess completeness of the applications.

Lone Mountain expects that it will be able to satisfy the DOT’s questions such that the DOT will be able to confirm the completeness of Lone Mountain’s application shortly and the company will be able to proceed with its final inspection and retail license operations. Upon satisfaction of DOT’s questions regarding completeness, Lone Mountain requests that the Court



1 enter an amended Order identifying Lone Mountain as part of the group of applicants that are not  
2 subject to the Court's preliminary injunction.

3 Dated this 26th day of August 2019.

H1 LAW GROUP

A blue ink signature of Eric D. Hone, written over a horizontal line.

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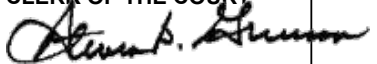
*Lone Mountain Partners, LLC*

14  
15 **CERTIFICATE OF SERVICE**

16 The undersigned, an employee of H1 Law Group, hereby certifies that on the 26<sup>th</sup> day of  
17 August 2019, she caused a copy of the foregoing to be transmitted by electronic service in  
18 accordance with Administrative Order 14.2, to all interested parties, through the Court's **Odyssey**  
19 **E-File & Serve** system.

A blue ink signature of Bobbye Donaldson, written over a horizontal line.

20 Bobbye Donaldson, an employee of  
21 H1 LAW GROUP



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**DISTRICT COURT**

**CLARK COUNTY, NEVADA**

SERENITY WELLNESS CENTER, LLC, a  
Nevada limited liability company, TGIG, LLC,  
a Nevada limited liability company, NULEAF  
INCLINE DISPENSARY, LLC, a Nevada  
limited liability company, NEVADA  
HOLISTIC MEDICINE, LLC, a Nevada limited  
liability company, TRYKE COMPANIES SO  
NV, LLC a Nevada limited liability company,  
TRYKE COMPANIES RENO, LLC, a Nevada  
limited liability company, GBS NEVADA  
PARTNERS, LLC, a Nevada limited liability  
company, FIDELIS HOLDINGS, LLC, a  
Nevada limited liability company, GRAVITAS  
NEVADA, LLC, a Nevada limited liability  
company, NEVADA PURE, LLC, a Nevada  
limited liability company, MEDIFARM, LLC, a  
Nevada limited liability company; DOE  
PLAINTIFFS I through X; and ROE ENTITIES  
I through X,

Plaintiffs,

vs.

THE STATE OF NEVADA, DEPARTMENT  
OF TAXATION,

Defendant.

Case No.: A-19-786962-B  
Dept. No.: XI

**MM DEVELOPMENT COMPANY,  
INC.'S AND LIVFREE WELLNESS,  
LLC'S APPENDIX IN SUPPORT OF  
OBJECTION TO STATE'S  
RESPONSE REGARDING  
COMPLIANCE WITH NRS  
453D.200(6)**

**(VOLUME 1 OF 2)**

Coordinated with for purposes of the  
preliminary injunction hearing:

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kjc@kempjones.com

MM DEVELOPMENT COMPANY, INC., a  
 Nevada corporation; LIVFREE WELLNESS  
 LLC, dba The Dispensary, a Nevada limited  
 liability company

Plaintiff,

vs.

STATE OF NEVADA, DEPARTMENT OF  
 TAXATION; and DOES 1 through 10; and ROE  
 CORPORATIONS 1 through 10.

Defendants.

ALL RELATED MATTERS

Case No.: A-18-785818-W  
 Dept. No.: VIII

NOW APPEAR Plaintiffs/Counter-Defendants MM Development Company, Inc. d/b/a/  
 Planet 13 (“MM”) and LivFree Wellness, LLC d/b/a The Dispensary (“LivFree”) (“Plaintiffs”),  
 by and through their counsel of record, and hereby file this appendix to the supplemental brief  
 regarding which of the successful applicants complied with NRS 453D.200(6).

Ex.	Exhibit Description	APP. Pages
1	Relevant excerpts of Admitted Exhibit 5023 – Clear River LLC	1-4
2	Frank Hawkins Testimony, 7/15/19, Vol. II	5-8
3	<u>Newman v. Huffman, et al.</u> , Complaint, dated Nov. 28, 2018 (Case No. A-18-784970-B)	9-62
4	<u>Qualcan, LLC v. Desert Aire Wellness, LLC</u> , Desert Aire Wellness Pretrial Disclosures, dated March 22, 2019 (Case No. A-15-721086-C)	63-66
5	Nevada Secretary of State Business Entity Information – Pine Mountain Holdings, LLC	67-70
6	<u>Qualcan, LLC v. Desert Aire Wellness, LLC</u> , Third Party Defendants and Third Party Plaintiffs Answer and Counterclaim, dated Aug. 27, 2015 (Case No. A-15-721086-C)	71-121
7	Sharon McBrayer, <u>Sweepstakes Parlor Remains Open</u> , Hickory Daily Record, June 25, 2013	122-127

8	Verano Holdings, LLC Delaware Secretary of State Information	128-129
9	Relevant Excerpts of Admitted Exhibit 5023 – Lone Mountain Partners, LLC	130-132
10	<u>Naturex, LLC, et al. v. Verano Holdings, LLC, et al. (A-19-787873-C) Complaint</u>	133-165
11	Excerpts from Harvest Health & Recreation, Inc., May 28, 2019 Management Information Circular	166-350
12	Verano Holdings, LLC, SEC Form D, Nov. 13, 2018	351-359
13	Testimony of Andrew Jolley, 6/10/19	360-366
14	Testimony regarding MPX Bioceuticals, 5/30/19, Vol. II	367-370
15	Excerpts from MPX Bioceutical Corporation Dec. 11, 2018 Management Information Circular	371-378
16	Testimony of Alfred Terteryan, 8/14/19	379-382
17	Testimony of Steve Gilbert, 6/18/19	383-385

DATED this 26th day of August, 2019.

**KEMP, JONES & COULTHARD LLP**

/s/ Nathanael Rulis

Will Kemp, Esq. (NV Bar No. 1205)  
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**CERTIFICATE OF SERVICE**

I hereby certify that on the 26th day of August, 2019, I served a true and correct copy of the foregoing **MM DEVELOPMENT COMPANY, INC.'S AND LIVFREE WELLNESS, LLC'S APPENDIX IN SUPPORT OF OBJECTION TO STATE'S RESPONSE REGARDING COMPLIANCE WITH NRS 453D.200(6)** via the Court's electronic filing system only, pursuant to the Nevada Electronic Filing and Conversion Rules, Administrative Order 14-2, to all parties currently on the electronic service list.

/s/ Ali Augustine

An employee of Kemp, Jones & Coulthard, LLP

# Exhibit 1

APP 0001

LICENSED ENTITY - OWNERS/OFFICERS/BOARD MEMBERS as of: May 1, 2019. An affiliated entity may be a parent company, subsidiary, an organization that controls another entity, is controlled by another entity or under common control alongsid

ID	Licensed Entity	License Type	Establishment Jurisdiction	COUNTY	Last Name	First Name	MI	Owner	Officer	Board Member	Affiliated Entity (1)	Affiliated Entity (2)	Affiliated Entity (3)	Affiliated Entity (4)	Affiliated Entity (5)
RP108	Clark Natural Medicinal Solutions LLC	Rec Production	North Las Vegas	Clark	Gerhing	Brooke		no	no	BM	NuVeda, LLC	no	no	no	no
RP108	Clark Natural Medicinal Solutions LLC	Rec Production	North Las Vegas	Clark	Mauff	Erich		no	no	BM	NuVeda, LLC	no	no	no	no
RP108	Clark Natural Medicinal Solutions LLC	Rec Production	North Las Vegas	Clark	Sassano	Michael		no	no	BM	NuVeda, LLC	no	no	no	no
RP108	Clark Natural Medicinal Solutions LLC	Rec Production	North Las Vegas	Clark	Vick	Lisa		no	no	BM	NuVeda, LLC	no	no	no	no
RP108	Clark Natural Medicinal Solutions LLC	Rec Production	North Las Vegas	Clark	Wolovek	Trent		no	no	BM	NuVeda, LLC	no	no	no	no
D186	Clark NMSD LLC	Med Dispensary	Las Vegas	Clark	Bady	Pejman		Owner	Officer	BM	NuVeda, LLC	no	no	no	no
D186	Clark NMSD LLC	Med Dispensary	Las Vegas	Clark	Kennedy	Joseph		Owner	Officer	BM	NuVeda, LLC	no	no	no	no
D186	Clark NMSD LLC	Med Dispensary	Las Vegas	Clark	Mohajer	Pouya		Owner	Officer	BM	NuVeda, LLC	no	no	no	no
D187	Clark NMSD LLC	Med Dispensary	North Las Vegas	Clark	Bady	Pejman		Owner	Officer	BM	NuVeda, LLC	no	no	no	no
D187	Clark NMSD LLC	Med Dispensary	North Las Vegas	Clark	Kennedy	Joseph		Owner	Officer	BM	NuVeda, LLC	no	no	no	no
D187	Clark NMSD LLC	Med Dispensary	North Las Vegas	Clark	Mohajer	Pouya		Owner	Officer	BM	NuVeda, LLC	no	no	no	no
C097	Clear River LLC	Med Cultivation	Unincorporated Clark	Clark	Arbeleaz	Northon	J	Owner	Officer	BM	Arbko, LLC	no	no	no	no
C097	Clear River LLC	Med Cultivation	Unincorporated Clark	Clark	Black, Sr.	Robert	R	Owner	Officer	BM	RSR Black Family 2014 Trust	no	no	no	no
C097	Clear River LLC	Med Cultivation	Unincorporated Clark	Clark	Kocer	John	D	Owner	Officer	BM	Arbko, LLC	no	no	no	no
D087	Clear River LLC	Med Dispensary	Henderson	Clark	Arbeleaz	Northon	J	Owner	Officer	BM	Arbko, LLC	no	no	no	no
D087	Clear River LLC	Med Dispensary	Henderson	Clark	Black, Sr.	Robert	R	Owner	Officer	BM	RSR Black Family 2014 Trust	no	no	no	no
D087	Clear River LLC	Med Dispensary	Henderson	Clark	Kocer	John	D	Owner	Officer	BM	Arbko, LLC	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Black, Sr.	Robert	R	Owner	Officer	BM	RSR Black Family 2014 Trust	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Byorick	Rita		no	Officer	no	no	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Degraff	Christopher	R	no	Officer	no	no	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Gentile	Anthony	L	no	Officer	no	no	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Hardin	Lisa	M	no	Officer	no	no	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Hartt	Lorraine	J	no	Officer	no	no	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	McBride	Thomas	J	no	Officer	no	no	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Platt	Jade	N	no	Officer	no	no	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Tschanen	Saydee	R	no	Officer	no	no	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Twiddy	Kenneth	M	no	Officer	no	no	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Black	Tisha	R	no	no	BM	no	no	no	no	no
D108	Clear River LLC	Med Dispensary	Unincorporated Clark	Clark	Williams	Flintie	R	no	no	BM	no	no	no	no	no
P047	Clear River LLC	Med Production	Unincorporated Clark	Clark	Arbeleaz	Northon	J	Owner	Officer	BM	Arbko, LLC	no	no	no	no
P047	Clear River LLC	Med Production	Unincorporated Clark	Clark	Black, Sr.	Robert	R	Owner	Officer	BM	RSR Black Family 2014 Trust	no	no	no	no
P047	Clear River LLC	Med Production	Unincorporated Clark	Clark	Kocer	John	D	Owner	Officer	BM	Arbko, LLC	no	no	no	no
RC097	Clear River LLC	Rec Cultivation	Unincorporated Clark	Clark	Arbeleaz	Northon	J	Owner	Officer	BM	Arbko, LLC	no	no	no	no
RC097	Clear River LLC	Rec Cultivation	Unincorporated Clark	Clark	Black, Sr.	Robert	R	Owner	Officer	BM	RSR Black Family 2014 Trust	no	no	no	no
RC097	Clear River LLC	Rec Cultivation	Unincorporated Clark	Clark	Kocer	John	D	Owner	Officer	BM	Arbko, LLC	no	no	no	no

APP 0002

ID	Licensed Entity	License Type	Establishment Jurisdiction	COUNTY	Last Name	First Name	MI	Owner	Officer	Board Member	Affiliated Entity (1)	Affiliated Entity (2)	Affiliated Entity (3)	Affiliated Entity (4)	Affiliated Entity (5)
RP047	Clear River LLC	Rec Production	Unincorporated Clark	Clark	Arbelez	Northon	J	Owner	Officer	BM	Arbko, LLC	no	no	no	no
RP047	Clear River LLC	Rec Production	Unincorporated Clark	Clark	Black, Sr.	Robert	R	Owner	Officer	BM	RSR Black Family 2014 Trust	no	no	no	no
RP047	Clear River LLC	Rec Production	Unincorporated Clark	Clark	Kocer	John	D	Owner	Officer	BM	Arbko, LLC	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Black, Sr.	Robert	R	Owner	no	no	RSR Black Family 2014 Trust	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Byorick	Rita		no	Officer	no	no	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Degraff	Christopher	R	no	Officer	no	no	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Gentile	Anthony	L	no	Officer	no	no	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Hardin	Lisa	M	no	Officer	no	no	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Hartt	Lorraine	J	no	Officer	no	no	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	McBride	Thomas	J	no	Officer	no	no	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Platt	Jade	N	no	Officer	no	no	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Tschanen	Saydee	R	no	Officer	no	no	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Twiddy	Kenneth	M	no	Officer	no	no	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Black	Tisha	R	no	no	BM	no	no	no	no	no
RD229	Clear River LLC	Retail Dispensary	Henderson	Clark	Williams	Flintie	R	no	no	BM	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Black, Sr.	Robert	R	Owner	no	no	RSR Black Family 2014 Trust	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Byorick	Rita		no	Officer	no	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Degraff	Christopher	R	no	Officer	no	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Gentile	Anthony	L	no	Officer	no	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Hardin	Lisa	M	no	Officer	no	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Hartt	Lorraine	J	no	Officer	no	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	McBride	Thomas	J	no	Officer	no	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Platt	Jade	N	no	Officer	no	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Tschanen	Saydee	R	no	Officer	no	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Twiddy	Kenneth	M	no	Officer	no	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Black	Tisha	R	no	no	BM	no	no	no	no	no
RD230	Clear River LLC	Retail Dispensary	Unincorporated Clark	Clark	Williams	Flintie	R	no	no	BM	no	no	no	no	no
RD231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Black, Sr.	Robert	R	Owner	no	no	RSR Black Family 2014 Trust	no	no	no	no
RD231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Byorick	Rita		no	Officer	no	no	no	no	no	no
RD231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Degraff	Christopher	R	no	Officer	no	no	no	no	no	no
RD231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Gentile	Anthony	L	no	Officer	no	no	no	no	no	no
RD231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Hardin	Lisa	M	no	Officer	no	no	no	no	no	no
RD231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Hartt	Lorraine	J	no	Officer	no	no	no	no	no	no
RD231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	McBride	Thomas	J	no	Officer	no	no	no	no	no	no
RD231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Platt	Jade	N	no	Officer	no	no	no	no	no	no

ID	Licensed Entity	License Type	Establishment Jurisdiction	COUNTY	Last Name	First Name	MI	Owner	Officer	Board Member	Affiliated Entity (1)	Affiliated Entity (2)	Affiliated Entity (3)	Affiliated Entity (4)	Affiliated Entity (5)
R0231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Tschanen	Saydee	R	no	Officer	no	no	no	no	no	no
R0231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Twiddy	Kenneth	M	no	Officer	no	no	no	no	no	no
R0231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Black	Tisha	R	no	no	BM	no	no	no	no	no
R0231	Clear River LLC	Retail Dispensary	Las Vegas	Clark	Williams	Flintie	R	no	no	BM	no	no	no	no	no
C195	Clover Creek Organics LLC	Med Cultivation	Lincoln	Lincoln	Burkhart	Brandon	L	Owner	no	no	no	no	no	no	no
C195	Clover Creek Organics LLC	Med Cultivation	Lincoln	Lincoln	Cox	Natalie		Owner	no	no	no	no	no	no	no
C195	Clover Creek Organics LLC	Med Cultivation	Lincoln	Lincoln	Lancaster	Tammara	L	Owner	no	no	no	no	no	no	no
C195	Clover Creek Organics LLC	Med Cultivation	Lincoln	Lincoln	Northup	Brenda	L	no	Officer	no	no	no	no	no	no
C195	Clover Creek Organics LLC	Med Cultivation	Lincoln	Lincoln	Northup	Jake	I	no	Officer	no	no	no	no	no	no
P142	Clover Creek Organics LLC	Med Production	Lincoln	Lincoln	Burkhart	Brandon	L	Owner	no	no	no	no	no	no	no
P142	Clover Creek Organics LLC	Med Production	Lincoln	Lincoln	Cox	Natalie		Owner	no	no	no	no	no	no	no
P142	Clover Creek Organics LLC	Med Production	Lincoln	Lincoln	Lancaster	Tammara	L	Owner	no	no	no	no	no	no	no
P142	Clover Creek Organics LLC	Med Production	Lincoln	Lincoln	Northup	Brenda	L	no	Officer	no	no	no	no	no	no
P142	Clover Creek Organics LLC	Med Production	Lincoln	Lincoln	Northup	Jake	I	no	Officer	no	no	no	no	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Boyalan	Salpy		no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Fong	Warner	K	no	Officer	BM	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Fox	Karl	K	no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Kass	Dillon	R	no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Mlachika	Geoffrey		no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Pulido	Robert		no	Officer	BM	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Sanchez	Elaine		no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Sargeant	Shatony	A	no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	St. Martin	Jean		no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Varma	Amit		no	Officer	BM	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Villazor	Kenneth		no	Officer	BM	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
C095	CN Licenseco I Inc	Med Cultivation	North Las Vegas	Clark	Wesley	David	P	no	Officer	BM	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
P066	CN Licenseco I Inc	Med Production	North Las Vegas	Clark	Boyalan	Salpy		no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
P066	CN Licenseco I Inc	Med Production	North Las Vegas	Clark	Fong	Warner	K	no	Officer	BM	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
P066	CN Licenseco I Inc	Med Production	North Las Vegas	Clark	Fox	Karl	K	no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
P066	CN Licenseco I Inc	Med Production	North Las Vegas	Clark	Kass	Dillon	R	no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
P066	CN Licenseco I Inc	Med Production	North Las Vegas	Clark	Mlachika	Geoffrey		no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
P066	CN Licenseco I Inc	Med Production	North Las Vegas	Clark	Pulido	Robert		no	Officer	BM	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
P066	CN Licenseco I Inc	Med Production	North Las Vegas	Clark	Sanchez	Elaine		no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
P066	CN Licenseco I Inc	Med Production	North Las Vegas	Clark	Sargeant	Shatony	A	no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no
P066	CN Licenseco I Inc	Med Production	North Las Vegas	Clark	St. Martin	Jean		no	Officer	no	Cana Nevada Corp.	Flower One Corp (Ontario)	Flower One Holdings, Inc (Canadian Publicly Traded)	no	no

# Exhibit 2

APP 0005

TRAN

DISTRICT COURT  
CLARK COUNTY, NEVADA  
\* \* \* \* \*

SERENITY WELLNESS CENTER LLC,.  
et al.

Plaintiffs

vs.

STATE OF NEVADA DEPARTMENT OF  
TAXATION

Defendant  
. . . . .

CASE NO. A-19-786962-B

DEPT. NO. XI

**Transcript of  
Proceedings**

BEFORE THE HONORABLE ELIZABETH GONZALEZ, DISTRICT COURT JUDGE

**EVIDENTIARY HEARING - DAY 15  
VOLUME II**

MONDAY, JULY 15, 2019

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.

APP 0006

**AA 005332**

1 Q Never too old.

2 A Well, he's 80, so. But the goal is to be able to  
3 pass something down.

4 Q So is the goal to in the future put your daughter on  
5 the board of this company that you own and operate?

6 A No. I want my daughter to be an owner --

7 Q Okay.

8 A -- not a board member.

9 Q Okay. And, but you don't -- is there anything wrong  
10 with a man putting his daughter on an advisory board for a  
11 company that he runs and operates?

12 A It depends on the man.

13 Q Okay. Do you know that Ms. Black is also the  
14 president of the NDA?

15 A No. I don't belong to the NDA.

16 Q Okay. And do you know Mr. Flintie Williams?

17 A Flintie Ray?

18 Q Yes.

19 A He's hiding, too. Yeah, I know Flintie.

20 Q But you know him, don't you?

21 A I know him.

22 Q And you've been in this community since the '70s?

23 A A long time. Not long to me, but a long time.

24 Q Okay. And do you have any problem with seeking his  
25 advice in running this company, a local company in the state

1 of Nevada?

2 A Are you saying Flintie is going to run a dispensary?

3 Q That he's on the board and providing advice and  
4 consent to this company, do you have a problem with that?

5 A Let me make sure I understand what you're saying.  
6 So you're saying Flintie is on Randy's board?

7 Q Uh-huh.

8 A And Flintie is going to direction to Randy on how to  
9 run the business?

10 Q Sure.

11 A I'd say no, that will never happen, only because I  
12 know Randy and I know Flintie.

13 Q That wasn't the question.

14 A Oh, I'm sorry, then I misunderstood.

15 Q I appreciate your response, Mr. Hawkins, but that's  
16 not the question.

17 A Okay. So you're saying if Randy put Flintie on the  
18 board --

19 Q Sure.

20 A -- and will Randy take advice? Could he take  
21 advice?

22 Q So your response is that Mr. Black won't take the  
23 advice?

24 A That's my response.

25 Q Okay. Mr. Hawkins, you've been here the whole time;

# Exhibit 3

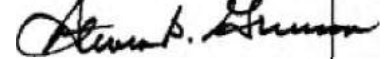
APP 0009

LEE IGLODY, ESQ.  
2300 W. Sahara Ave., Suite 900.  
Las Vegas, Nevada 89102  
(702) 425-5366 FAX: (702) 631-7556

**COMPB**

Lee I. Iglody, Esq.  
Nevada Bar #: 7757  
2300 W. Sahara Ave. Suite 900  
Las Vegas, NV 89102  
Tel: (702) 425-5366  
Fax: (702) 631-7556  
Email: [Lee@Iglody.com](mailto:Lee@Iglody.com)  
Attorney for Plaintiff

Electronically Filed  
11/26/2018 12:09 PM  
Steven D. Grierson  
CLERK OF THE COURT



DISTRICT COURT

CLARK COUNTY, NEVADA

PAULA NEWMAN, on her own behalf,  
and derivatively on behalf of DESERT  
AIRE WELLNESS., a Nevada limited-  
liability company, d/b/a Sahara Wellness;

Plaintiff,

vs.

STACEY O. HUFFMAN, individually and  
as Managing Member of Desert Aire  
Wellness, LLC, DOES I through X,  
inclusive; and ROE CORPORATIONS I  
through X, inclusive,

Defendants,

DESERT AIRE WELLNESS, LLC, a  
Nevada limited-liability company,

Nominal Defendant.

A-18-784970-B

CASE NO:

DEPT NO.: Department 11

**VERIFIED COMPLAINT**

**Exemption for Arbitration Requested**  
**(Claims in excess of \$50,000.00;**  
**Declaratory and Equitable Relief)**

BUSINESS COURT ASSIGNMENT  
REQUESTED PURSUANT TO EDCR  
1.61

Plaintiff, PAULA NEWMAN ("Newman" or "Plaintiff"), on her own behalf and  
derivatively on behalf of DESERT AIRE WELLNESS, LLC, a Nevada limited- liability company  
("Desert Aire"), by and through her counsel, Lee Iglody, hereby complains against Defendant,

1 STACEY O. HUFFMAN ("Huffman"), individually and as Managing Member, and against  
2 Nominal Defendant Desert Aire, as follows:

3  
4 **I. NATURE OF THE ACTION**

5 1. This action is necessary to remedy the oppressive and otherwise wrongful actions  
6 Huffman has taken as the managing member of Desert Aire, which has harmed and threatens to  
7 harm both Desert Aire and Newman. Specifically, Huffman refuses to acknowledge Newman's  
8 ownership interest and rights in Desert Aire. Further, Huffman has denied Newman access to the  
9 books and records of Desert Aire, thus concealing the full extent of Huffman's self-dealing.

10  
11 **II. THE PLAINTIFF & DESERT AIRE**

12 2. Plaintiff Newman is a resident of Clark County, Nevada.

13 3. Newman is a founding member of Desert Aire.

14 4. Desert Aire is a Nevada limited-liability company, with its principal place of  
15 business in Clark County, Nevada.

16 5. Desert Aire filed its initial articles of organization with the Nevada Secretary of  
17 State on July 1, 2014.

18 6. Desert Aire is a licensed Nevada Marijuana Establishment that operates a  
19 dispensary for medicinal and recreational cannabis products.

20 7. Desert Aire conducts business under the fictitious firm name Sahara Wellness.

21 8. Desert Aire, d/b/a Sahara Wellness, operates a dispensary at 420 E. Sahara Avenue,  
22 Las Vegas, Nevada, 89104.

23 9. Newman is an authorized owner of Desert Aire, a Nevada Marijuana Establishment.

24 10. The initial Nevada Marijuana Establishment license applicants ("founders") for  
25 Desert Aire were Newman, Huffman, Brenda Gunsallus, Darlene Davis, Michael Suedkamp, and  
26 Susan Lera.  
27  
28

11. Newman initially owned 25.5% of Desert Aire.

12. Newman now has at least a 17% ownership interest in Desert Aire.

13. The State of Nevada's Nevada Marijuana Enforcement Division has approved and confirmed Newman's 17% ownership interest in Desert Aire.

14. A true and correct copy of the Marijuana Enforcement Division's letter confirming its acknowledgement, dated October 24, 2017, is attached hereto as **Exhibit 1**.

15. Plaintiff brings her claims both on behalf of herself, and derivatively on behalf of Desert Aire.

### III. THE DEFENDANT

16. Defendant Huffman is the managing member of Desert Aire.

17. Huffman is a founding member of Desert Aire.

18. Huffman, née Nunn, is married to Curtis Huffman.

19. Upon information and belief, Curtis Huffman is actively involved in the day-to-day management of Desert Aire.

20. The names and capacities, whether individuals, corporate, associate or otherwise of the Defendant named herein as DOE and ROE CORPORATION are unknown or not yet confirmed. Upon information and belief, said DOE and ROE CORPORATION Defendants are responsible for damages suffered by Plaintiff and, therefore, Plaintiff sues said Defendants by such fictitious names. Plaintiff will ask leave to amend this Complaint to show the true names and capacities of each DOE and ROE CORPORATION Defendant at such time as the same has been ascertained.

### IV. JURISDICTION AND VENUE

21. Jurisdiction is proper in the courts of this state, and venue is proper in this judicial district, because Desert Aire is a Nevada limited liability company, with its principal place of

1 business in Clark County, Nevada; and Defendant's wrongful acts occurred or arose in Clark  
2 County, Nevada, and involves the management of a Nevada limited-liability company.

3 **V. THE DISPUTE**

4 **Desert Aire's History**

5 22. Desert Aire holds a Marijuana Establishment License for medical and recreational  
6 cannabis.

7  
8 23. Desert Aire's founders initially applied for a Nevada Medical Marijuana License in  
9 August 2014.

10 24. Desert Aire subsequently obtained approval to sell recreational cannabis.

11 25. On September 23, 2015, Newman and certain members of Desert Aire entered into  
12 a settlement agreement ("2015 Settlement Agreement").

13  
14 26. A true and correct copy of the 2015 Settlement Agreement is attached as **Exhibit**  
15 **2.**

16 27. Desert Aire's Amended Operating Agreement was adopted in January 2016.

17 28. The Amended Operating Agreement incorporated by reference the 2015 Settlement  
18 Agreement.

19  
20 29. A true and correct copy of Desert Aire's Amended Operating Agreement is attached  
21 as **Exhibit 3.**

22 30. Desert Aire was widely celebrated in the media for its innovative, woman-owned  
23 Marijuana operations.

24  
25 31. Attached as **Exhibit 4** is a true and correct copy of an article that appeared in the  
26 Las Vegas Sun on February 8, 2016

27 32. Attached as **Exhibit 5** is a true and correct copy of an article that appeared in DTLV  
28 on April 21, 2015.

33. Attached as **Exhibit 6** is a true and correct copy of an article that appeared in the Las Vegas Sun on July 27, 2014.

34. All the founders of Desert Aire expended significant time and resources to launching the enterprise.

**Oppressive Conduct by Huffman**

35. Desert Aire filed a Schedule K-1 for tax year 2015 listing Newman as 25.5% owner.

36. Desert Aire filed a Schedule K-1 for tax year 2016 listing Newman as 17% owner.

37. Desert Aire filed a Schedule K-1 for tax year 2017 listing Newman as 17% owner.

38. Desert Aire has not distributed any of its income to Newman for tax year 2015.

39. Desert Aire has not distributed any of its income to Newman for tax year 2016.

40. Desert Aire has not distributed any of its income to Newman for tax year 2017.

41. Desert Aire is expected to continue to report pass-through income to Newman for tax year 2018.

42. The reporting of significant pass-through income to Newman ("Phantom Income") will create significant tax liability for Newman.

43. Phantom Income to owners is prohibited by the Amended Operating Agreement.

44. Huffman has banned Newman from visiting Desert Aire's facilities.

45. Huffman has refused to allow Newman to inspect, copy and audit Desert Aire's books and records.

46. Huffman has refused Newman any information on the status of Desert Aire, including insider transactions that, upon information and belief, are significantly enriching Huffman and her husband at the expense of the company.

1           47.     For example, upon information and belief, Huffman used an affiliate company, Pine  
2 Mountain Holdings LLC, a Nevada limited-liability company, to purchase property adjacent to the  
3 Sahara Wellness location, using Desert Aire funds.

4           48.     Pine Mountain Holdings LLC is owned by Huffman and her husband.

5           49.     Pine Mountain Holdings LLC, upon information and belief, draws payments from  
6 Desert Aire for use of the property at 430 E. Sahara as a parking facility.  
7

8           50.     As of the date of this complaint, Newman has been effectively shut out of Desert  
9 Aire, including refusing to give Newman her state-issued Agent Card.

10          51.     As of the date of this complaint, Newman is liable as a co-owner of Desert Aire to  
11 Nevada Marijuana Establishment regulators for both medical and recreational operations.

12          52.     As of the date of this complaint, upon information and belief, Desert Aire's gross  
13 income is in excess of \$5 million per annum.  
14

15          53.     Upon information and belief, Huffman, and her co-conspirators, are siphoning  
16 significant income from Desert Aire for their own benefit.  
17

18          54.     Upon information and belief, Huffman and her co-conspirators, are falsely  
19 reporting Newman's consent in Nevada mandated reports to, among other, the State's Marijuana  
20 Enforcement Division, Department of Taxation.

21          55.     Huffman has suggested to Newman that she needs to surrender her ownership  
22 interest in Desert Aire to end Phantom Income reporting.  
23

24          56.     Huffman has not held a member meeting for Desert Aire since 2016.

25          57.     Thus, upon information and belief, Huffman's false statements and related actions  
26 enumerated above were not taken to benefit Desert Aire, but to benefit Huffman, and her co-  
27 conspirators, personally at the expense of Newman.  
28

**FIRST CLAIM FOR RELIEF**  
**BREACH OF FIDUCIARY DUTY**  
**(Direct Claim by Paula Newman)**

58. Plaintiff incorporates by reference the allegations of the preceding paragraphs as though fully set forth herein.

59. As managing member of Desert Aire, Huffman has a fiduciary duty to to maintain, in good faith, the best interests of Desert Aire and its members – including Newman’s – over anyone else’s interests.

60. By knowingly making false statements to attempt to induce Newman to surrender her membership interest in Desert Aire, Huffman was not acting in good faith or in the best interests of Desert Aire’s members but was acting in her own personal interest.

61. Accordingly, by knowingly making false statements to induce Newman to surrender her membership interest in Desert Aire, Huffman breached her fiduciary duty to Newman as a member/owner of Desert Aire.

62. By creating Phantom Income to oppress and financially manipulate Newman, Huffman breached her fiduciary duty to Newman.

63. By knowingly making false statements to third-parties and regulators regarding Newman’s status with the actual operations of Desert Aire, Huffman breached her fiduciary duty to Newman, as a member of Desert Aire.

64. As set forth above, Huffman’s breach of fiduciary duty to Newman involved intentional misconduct, fraud, and a knowing violation of law.

65. Huffman’s breach of fiduciary duty has damaged Newman and threatens to cause future damages to Huffman in excess of \$15,000.

66. It has been necessary for Plaintiff to retain the services of an attorney to prosecute this claim, and Plaintiff is therefore entitled to an award of reasonable attorney fees and costs.

**SECOND CLAIM FOR RELIEF**  
**BREACH OF FIDUCIARY DUTY**  
**(Derivative Claim on behalf of Desert Aire Wellness, LLC)**

67. Plaintiff incorporates by reference the allegations of the preceding paragraphs as though fully set forth herein.

68. Huffman has breached her fiduciary duties to Desert Aire by entering into insider transactions with affiliate entities, and by appropriating Desert Aire's funds for herself to the detriment of Desert Aire and its members.

69. Further, upon information and belief, Huffman has mismanaged Desert Aire to its detriment, but because Huffman has failed to accede to Newman's demand for the books and records, the full extent of her wrongful actions is unknown.

70. Newman, as a member of Desert Aire, is entitled to bring an action to enforce the rights of Desert Aire.

71. It was not necessary for Newman to make a formal demand on Desert Aire to correct the actions that Newman challenges in this limited-liability member derivative claim before bringing it.

72. Such a demand would have been futile because Huffman, individually and as sole managing member of Desert Aire, refuses to acknowledge Newman's membership rights.

73. In addition, and in the alternative, it was not necessary for Newman to make a formal demand on Desert Aire, because Huffman effectively controls Desert Aire. Huffman is the sole managing member of Desert Aire and its largest interest holder.

74. Through the foregoing bad-faith actions, Huffman breached her fiduciary duty to Desert Aire.

75. As set forth above, Huffman's breach of fiduciary duty to Desert Aire involved intentional misconduct, fraud, and a knowing violation of law.

1           76.     Huffman's breach of fiduciary duty has damaged Desert Aire and threatens to cause  
2 further damages to it, in an amount in excess of \$15,000.00.

3           77.     It has been necessary for Plaintiff to retain the services of an attorney to prosecute  
4 this claim against Huffman, and Plaintiff is therefore entitled to an award of reasonable attorney  
5 fees and costs.

6  
7                   **THIRD CLAIM FOR RELIEF**  
8                   **DECLARATORY JUDGMENT**  
9                   **(Direct Claim by Newman)**

10          78.     Plaintiff incorporates by reference the allegations in the preceding paragraphs as  
11 though fully set forth herein.

12          79.     Under NRS 30.010 *et seq.*, this Court has jurisdiction and authority to adjudicate  
13 the rights, status, and other legal relations of the parties.

14          80.     A justiciable controversy exists between Newman, as a member of Desert Aire, and  
15 Huffman, regarding Huffman's interest in Desert Aire, and the rights and duties attendant thereto.

16          81.     Specifically, a justiciable controversy exists between the parties regarding whether,  
17 pursuant to Section 13.17 of the Amended Operating Agreement, Huffman has forfeited her  
18 interest in Desert Aire.

19          82.     This issue is ripe for judicial determination because it presents an existing  
20 controversy as to the parties' rights and obligations as member of Desert Aire.

21          83.     Accordingly, Newman is entitled to a declaratory judgment pursuant to NRS 30.010  
22 *et seq.* finding that Huffman's actions have resulted in her forfeiture of her ownership interest in  
23 Desert Aire.

24          84.     It has been necessary for Plaintiff to retain the services of an attorney to prosecute  
25 this claim against Huffman, and Plaintiff is therefore entitled to an award of reasonable attorney  
26 fees and costs.  
27  
28

**FOURTH CLAIM FOR RELIEF**  
**DECLARATORY JUDGMENT**  
**(Derivative Claim on behalf of Desert Aire Wellness, LLC)**

85. Plaintiff incorporates by reference the allegations in the preceding paragraphs as if fully set forth herein.

86. Under NRS 30.010 *et seq.* this Court has jurisdiction and authority to adjudicate the rights, status, and other legal relations of the parties.

87. A justiciable controversy exists between Newman, as a member bringing a derivative claim on behalf of Desert Aire, and Huffman regarding Huffman's interest in Desert Aire, and the rights and duties attendant thereto.

88. Specifically, a justiciable controversy exists between the parties regarding whether Huffman's actions has resulted in forfeiture of her interest in, and management of, Desert Aire.

89. This issue is ripe for judicial determination because it presents an existing controversy as to the parties' rights and obligations vis-à-vis Desert Aire.

90. It was not necessary for Newman to make a formal demand on Desert Aire to correct the actions Newman challenges in this member derivative claim before bringing it for the reasons set forth above.

91. Accordingly, Plaintiff, on behalf of Desert Aire, is entitled to a declaratory judgment pursuant to NRS 30.010 *et seq.* finding that Huffman's membership interest if forfeit to the company, and ordering her to relinquish her claim to any repayments or payments of income on that membership amount against Desert Aire, and to return to Desert Aire any payments of income on that amount that she has wrongfully retained.

92. It has been necessary for Plaintiff to retain the services of an attorney to prosecute this claim, and Plaintiff is therefore entitled to an award of reasonable attorney fees and costs.

**FIFTH CLAIM FOR RELIEF**  
**(ACCOUNTING)**

93. Plaintiff incorporates by reference the allegations in the preceding paragraphs as though fully set forth herein.

94. Upon information and belief, as Desert Aire's largest membership holder, and as sole managing member, Huffman controls the books and records of Desert Aire.

95. Huffman is required to maintain full and accurate records for Desert Aire, and to make them available for inspection to Newman.

96. Newman has demanded the production or inspection of Desert Aire's financial and corporate records – including an accounting, tax returns, State Reports, and QuickBooks– but Huffman has refused Newman's demand.

97. As a result of Huffman's failure to sufficiently account for Desert Aire's funds and books, reports and records, Newman seeks a Court-ordered accounting of Desert Aire, requiring Huffman, as the sole managing member, to produce the books and records (including but not limited to tax records, QuickBooks, operational reports, and state reports) for Desert Aire to Newman.

98. Such an accounting is necessary in the interest of equity and justice to determine the extent of Huffman's wrongdoing, which has caused Newman and Desert Aire to incur damages in excess of \$15,000.

99. It has been necessary for Plaintiff to retain the services of an attorney to prosecute this claim against Huffman, and Plaintiff is therefore entitled to an award of reasonable attorney fees and costs.

**SIXTH CLAIM FOR RELIEF**  
**(APPOINTMENT OF A RECEIVER FOR DESERT AIRE)**

100. Plaintiff incorporates the allegations in the preceding paragraphs as though fully set forth herein.

101. A Nevada court may appoint a receiver in a pending action in which parties jointly own or have an interest in particular property and the property is in danger of being lost, removed or materially injured.

102. A court may also appoint a receiver “[i]n all other cases where receivers have heretofore been appointed by the usages of the courts of equity.” NRS 32.010(6).

103. Newman seeks appointment of a receiver for Desert Aire because its controlling member, Huffman, has committed fraud against Newman and against Desert Aire, and its members, through her actions, as set forth above.

104. In addition, and in the alternative, Newman seeks appointment of a receiver for Desert Aire, because its controlling member, Huffman, is guilty of misfeasance and malfeasance, as set forth above.

105. In addition, and in the alternative, Newman seeks appointment of a receiver to prevent the threatened conversion and usurpation of Desert Aire’s assets.

106. In addition, and in the alternative, Newman seeks appointment of a receiver to prevent the continued self-dealing at the expense of the company by Huffman and her co-conspirators.

107. In addition, and in the alternative, Newman seeks appointment of a receiver for Desert Aire, because the assets of the company are in danger of waste as a result of Huffman’s actions, and potentially for other reasons that Huffman cannot know because of Huffman’s refusal to provide an accounting of Desert Aire’s finances.

**SEVENTH CLAIM FOR RELIEF**  
**(FORCED BUYOUT)**

108. Plaintiff incorporates the allegations of the preceding paragraphs as though fully set forth herein.

109. A forced buyout of a member's interest in a Nevada limited-liability company, through a fair and reasonable bidding process, is an appropriate remedy in cases such as this one involving oppression of a minority member by the majority members.

110. Specifically, a forced buyout is an appropriate remedy where it is the only practical alternative to dissolution and no lesser remedy will suffice.

111. In this case, dissolution of the company is not a practical remedy because it would threaten the continued existence of Desert Aire, an otherwise successful company, with employees and customers who depend on its continued existence in a highly regulated industry.

112. No other lesser remedy would suffice to ensure that Plaintiff is made whole and that Desert Aire can continue its successful Nevada Licensed Marijuana Establishment.

113. Huffman's conduct, as the largest membership owner and sole managing member, is oppressive.

114. Newman is entitled to a Court supervised buyout of her interest.

WHEREFORE, Plaintiff prays for judgment in its favor and against Defendant as follows:

1. For judgment in favor of Plaintiff in an amount to be determined at trial, in excess of \$15,000;

2. For judgment in favor of Plaintiff, derivatively on behalf of Desert Aire, against Defendant in an amount to be determined at trial, in excess of \$15,000;

LEE IGLODY, ESQ.  
2300 W. Sahara Ave., Suite 900.  
Las Vegas, Nevada 89102  
(702) 425-5366 FAX: (702) 631-7556

3. For an order directing Defendant Huffman and nominal Defendant Desert Aire to produce the books and records (including but not limited to corporate records, tax records and Quickbooks) for Desert Aire to Newman;

4. For appointment of a receiver for Desert Aire, to maintain the business and protect its assets against appropriation by Defendant Huffman during the pendency of this litigation;

5. For injunctive relief;

6. In the alternative, for an order from the Court requiring a buyout of Newman's interest in Desert Aire, through a fair and reasonable bidding process;

7. For an award of reasonable attorney fees and costs;

8. For any such other and further relief as the Court deems just and proper.

**IGLODY LAW**

By:



Lee I. Iglody, Esq.  
Nevada Bar #: 7757  
2300 W. Sahara Ave., Suite 900  
Las Vegas, NV 89102  
Tel: (702) 425-5366  
Email: [Lee@Iglody.com](mailto:Lee@Iglody.com)  
Attorney for Plaintiff

**VERIFICATION**

Under penalties of perjury, the undersigned declares that she has read the foregoing Verified Complaint and knows the contents thereof; that the pleading is true to her best belief, except as to those matters stated on information and belief, and that as to such matters she believes them to be true.

Date

11/21/2018

Paula Newman

# EXHIBIT 1

APP 0024

**AA 005350**



BRIAN SANDOVAL  
Governor  
JAMES DEVOLLO  
Chair, Nevada Tax Commission  
DEONNE E. CONTINE  
Executive Director

STATE OF NEVADA  
DEPARTMENT OF TAXATION

Web Site: <https://tax.nv.gov>

1550 College Parkway, Suite 115  
Carson City, Nevada 89705-7937  
Phone: (775) 684-2000 Fax: (775) 684-2020

LAS VEGAS OFFICE  
Grant Sawyer Office Building, Suite 1300  
555 E. Washington Avenue  
Las Vegas, Nevada 89101  
Phone: (702) 486-2300 Fax: (702) 486-2373

RENO OFFICE  
4600 Kietzke Lane  
Building L, Suite 235  
Reno, Nevada 89502  
Phone: (775) 687-9999  
Fax: (775) 688-1303

HENDERSON OFFICE  
2550 Paseo Verde Parkway, Suite 180  
Henderson, Nevada 89074  
Phone: (702) 486-2300  
Fax: (702) 486-3377

October 24, 2017

Amanda Connor  
Desert Aire Wellness, LLC  
710 Coronado Center Dr. Ste. 121  
Henderson, NV 89052

State of Nevada Application ID Number: MME Certificate D169 09514149227211118967  
ME License 1017800391-001

**Subject: MME and ME Ownership Change**

Dear Ms. Amanda Connor:

Your Notice of Transfer of Interest pertaining to the ownership of the above referenced MME(s) and ME(s) has been reviewed and APPROVED. Effective immediately, your MME(s) and ME(s) ownership Schedule of Interest is recorded as follows:

<u>Name</u>	<u>% Held</u>
Stacey Huffman	41.5%
Paula Newman	17.0%
Brenda Gunsallus	21.0%
Darlene Davis	12.0%
Michael Suedkamp	8.5%
Total	100.0%

Please feel free to contact us at [marijuana@tax.state.nv.us](mailto:marijuana@tax.state.nv.us) if you have any questions.

Sincerely,

Steve Gilbert, Program Manager II  
Department of Taxation, Marijuana Enforcement Division

APP 0025

AA 005351

# EXHIBIT 2

APP 0026

**AA 005352**

## AGREEMENT

Stacey Huffman, Brenda Gunsallus and Darlene Davis (collectively "Huffman") hereby enter into this agreement with Susan Lera and Paula Newman.

Whereas the parties have been involved in a dispute involving a medical marijuana license and the entity Desert Aire Wellness, LLC ("Desert");

Whereas the parties are desirous of resolving all of their disputes;

It is hereby agreed:

1. The parties will redraft and sign an Operating Agreement which shall be presented to the City of Las Vegas if requested.
2. That Operating Agreement will contain the standard terms for an Operating Agreement (such as a right of first refusal to buy a selling members shares) in addition to these specific terms:

- a. Susan Lera and Paula Newman will each have a 25.5% interest in the LLC to remain consistent with the original application.
- b. However, whereas the original Operating Agreement contemplated that profits will be distributed (including upon sale) based on monies infused in the corporation but was ambiguous regarding the same, the Operating Agreement will now state that any profits or other monies distributed from the corporation including sales proceeds will be distributed first to each person who contributed any money visa via a loan or by capital infusion, thereafter the distributions of any kind will be as follows regardless of the then ownership percentages:

Susan Lera	7.5 %
Paula Newman	17 %
Stacey Huffman	40.5 %
Darlene Davis	12 %
Brenda Gunsallus	14.5 %
Michael Suedkamp	8.5 %

c. In addition there will be a clause stating that Stacey Huffman will be the managing member with the usual manager powers who can only be replaced by 60% of the vote of the members.

d. Lera and Newman further agree to cooperate in all respects with keeping the license and/or reapplying for the license.

e. On the other hand the Huffman parties agree to proceed forward in good faith with a caveat that if it becomes clear that no license can be obtained through reapplication since the deadlines to meet the original applications are not going to be possible to meet Huffman does not have to proceed forward with the application and a possible reapplication. If Huffman does not proceed, Lera and Newman can proceed forward at the current proposed address of Desert's dispensary.

f. The parties further agree that the Operating Agreement shall contain a clause that if any party materially violates (as determined by a court of law) the terms of the new Operating Agreement or this agreement they shall forfeit their interest in Desert.

3. Both parties agree not to disparage the other from this point forward or disclose any information regarding the LLC or the parties agreements unless required to do so after consulting counsel.

4. Lera also represents that she did not sign the document with Qualcon and agrees to provide an affidavit to that affect in support of that lawsuit.

5. It is further agreed that Newman does not have to make any capital contributions in order to be entitled to her 17% share of the profits nor Lera either. It is further agreed that there will be some mechanisms in the Operating Agreement to ensure that each has audit rights and that their share of the profits shall be legitimate and thus neither the Huffman parties nor anyone else can dilute their profit shares by for example paying highly inflated salaries. Instead the business expenses shall be normal and customary.

6. It is further agreed that in the event the parties cannot agree on the language for the Operating Agreement that Sean Sullivan shall act as the final decider with respect to any disagreements with each side being given the opportunity to present their side of any dispute.

7. The parties further agree that once the city allows transfers of interest Paula Newman will sign whatever documents are necessary to indicate her interest is only 17% for all purposes. Further, upon the allowance of transfers and assuming Desert has an iron clad license and practical ability (no impediments that cannot be met through reasonable efforts in terms of time and money) to open the dispensary Susan Lera agrees to transfer her interest to the Huffman parties (the Huffman parties shall decide how that transfer is divided and can always transfer shares amongst them without restriction) in its entirety in return for the release from escrow of \$100,000.00 and shall have no further rights in Desert or to any of its assets or profits. It being further agreed that within 10 days of the date of this Operating Agreement \$100,000.00 shall be placed in escrow with the law firm of Fennemore Craig. Further that Fennemore Craig further has directions to release that \$100,000.00 upon the city allowing parties to transfer interests, and Deserts having an iron clad license and ability to open. Fennemore Craig shall release to Desert a document releasing Lera's interest in Desert which shall also be deposited with the law firm of Fennemore Craig at the same time as the \$100,000.00 is deposited. It is further agreed that Lera will be entitled to a second \$75,000.00 from Desert 1 year from the date of the opening of the medical marijuana dispensary and an additional \$75,000.00 owed from Desert 2 years from the date of the opening.

8. It is further agreed that Lera and Newman acknowledge that any monies given by Quailcon or its principal Lorenzo were personal loans to Newman and Lera and are not the responsibility of Huffman or Desert.

9. It is further agreed that if it is necessary for either party to hire an attorney to prosecute this Agreement they shall be entitled to reasonable attorneys fees therefore.

10. It is further agreed that Stacey Huffman on behalf of Desert will enter into a 1 year agreement with Paula Newman under which Paula Newman will accept employment with Desert for a sum equal to whatever salary Gunsallus is being paid subject to the same terms and employment agreement that Gunsallus shall receive.


11. Each of the parties agrees to cooperate with each other to fulfill the intent of this Agreement including signing all documents necessary to effectuate the terms of this Agreement and/or comply with any government rules or requests with respect to the license, the business or anything related thereto. Further to inform any government entities the parties have harmoniously resolved any differences. Further the parties shall withdraw any lawsuits against each other.

12. This agreement shall be contingent on Suedkamp's agreement.

Dated this 23 day of September, 2015.

  
Stacey Huffman

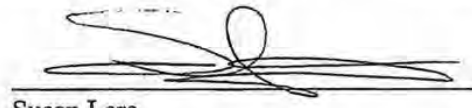
Dated this 23 day of September, 2015.

  
Brenda Gunsallus

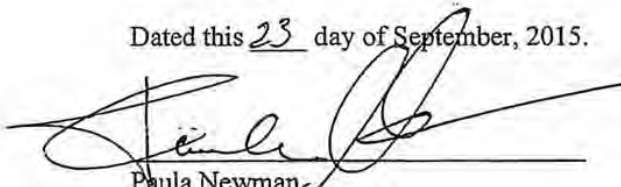
Dated this 23 day of September, 2015.

  
Darlene Davis

Dated this 23 day of September, 2015.

  
Susan Lera

Dated this 23 day of September, 2015.

  
Paula Newman

# EXHIBIT 3

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**AA 005357**

**AMENDED OPERATING AGREEMENT OF  
DESERT AIRE WELLNESS, LLC  
A NEVADA LIMITED LIABILITY COMPANY**

THIS AMENDED OPERATING AGREEMENT is made as of the \_\_\_\_ day of January, 2016, by and among the members of Desert Aire Wellness, LLC, a Nevada limited liability company (the "Company"), all of whom have signed this operating agreement.

NOW THEREFORE, pursuant to the Act (as hereinafter defined), the following agreement shall constitute the operating agreement, as amended from time to time, for the Company and replaces in its entirety any prior Operating Agreements.

**ARTICLE 1  
DEFINITIONS**

1.1 GENERAL DEFINITIONS. THE FOLLOWING TERMS USED IN THIS OPERATING AGREEMENT SHALL HAVE THE FOLLOWING MEANINGS (UNLESS OTHERWISE EXPRESSLY PROVIDED HEREIN). OTHER CAPITALIZED TERMS USED HEREIN AND NOT DEFINED HAVE THE MEANINGS SET FORTH IN SECTION 1.1.

"Act" means the Nevada Limited Liability Company Act, Nev. Rev. Stat. §§ 86.011 to 86.590, as amended from time to time.

"Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, a specified Person. For the purpose of this definition, the term "Control" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" shall mean this Operating Agreement, as originally executed and as amended from time to time.

"Business Day" shall mean a day other than a Saturday, a Sunday, or a state or federally recognized holiday on which banks in Nevada are permitted to close.

"Business Hours" shall mean 8:00 A.M. to 5:00 P.M. Standard Time or Daylight Time, as the case may be, on Business Days at a location specified in this Agreement. If no location is specified, a reference to Business Hours shall refer to Business Hours as determined by Pacific Standard Time or Pacific Daylight Time, as the case may be.

"Capital Contribution" means the Initial Capital Contribution of a Member together with the amount of money and the fair market value (as determined by the Manager as of the date of contribution) of other property contributed, or services rendered or to be rendered, to the Company by a Member with respect to such Membership Interest in the Company.

"Code" shall mean the Internal Revenue Code of 1986 or corresponding provisions of subsequent superceding federal revenue laws.

"Company" shall refer to Desert Aire Wellness, LLC, a Nevada limited liability company.

"Entity" shall mean any general partnership, government entity, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, association or similar organization.

"Fiscal Year" shall mean the taxable year of the Company for federal income tax purposes as determined by Code Section 706 and the Regulations thereunder.

"Initial Capital Contribution" means the Capital Contributions agreed to be made by the initial Members.

"Manager" shall mean one or more Managers. Specifically, "Manager" shall mean the initial Manager designated by this Agreement, or any other Persons that succeed such Manager in that capacity. References to a Manager in the singular or as him, her, it, itself, or other like references shall also, where the context so requires, be deemed to include the plural or the masculine or feminine references as the case may be.

"Managing Person" shall mean a Manager, officer, director and their agents.

"Member" shall mean those Persons executing this Agreement and any Person who may hereafter become an additional or Substitute Member.

"Membership Interest" means a Member's Units, and the associated right to vote on or participate in management, the right to share in Profits, Losses, and distributions, and any and all benefits to which the holder of such Units may be entitled pursuant to this Agreement, together with all obligations to comply with the terms and provisions of this Agreement.

"Net Cash Flow" means the gross cash proceeds from Company operations (including sales, refinancings and dispositions of Property in the ordinary course of business or otherwise) less the portion thereof used to pay or establish reserves for all Company expenses, debt payments, capital improvements, replacements, and contingencies, all as determined by the Manager in its reasonable discretion. Net Cash Flow from Operations shall not be reduced by depreciation, amortization, cost recovery deductions or similar allowances, but shall be increased by any reductions of reserves.

"Percentage Interest" for a Member shall mean the number of Units held by a Member divided by the total number of Units held by all Members, expressed as a percentage.

"Person" shall mean any individual or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such Person where the context so requires.

"Property" means all real and personal property, tangible and intangible, owned by the Company.

"Regulations" means the federal income tax regulations, including temporary (but not proposed) regulations promulgated under the Code.

"Substitute Member" means a transferee of a Membership Interest who has been admitted to all of the rights of membership pursuant to Article 11.

"Units" as to any Member shall mean and refer to Units which entitle the holder to cast one vote for each such Unit held (except pursuant to Article 11 hereof) on all matters reserved for their approval, consent or consideration. The initial number of Units in the Company are as shown next to the name of such Member in Section 5.1 hereof.

## ARTICLE 2

### **FORMATION OF COMPANY**

2.1 **FORMATION**. THE INITIAL ARTICLES OF ORGANIZATION AS FILED WITH THE NEVADA SECRETARY OF STATE ARE HEREBY RATIFIED AND INCORPORATED BY REFERENCE IN THIS AGREEMENT. UPON FILING OF THE ARTICLES OF ORGANIZATION THE COMPANY WAS FORMED AS DESERT AIRE WELLNESS, LLC. A NEVADA LIABILITY COMPANY UNDER AND PURSUANT TO THE ACT, AND THE

PARTIES HERETO SHALL TAKE ALL ACTION NECESSARY OR CONSISTENT WITH SUCH FORMATION.

2.2 **NAME**. THE NAME OF THE COMPANY IS DESERT AIRE WELLNESS, LLC.

2.3 **PRINCIPAL PLACE OR BUSINESS**. THE-PRINCIPAL PLACE OF BUSINESS OF THE COMPANY WITHIN THE STATE OF NEVADA SHALL FIRST BE AT 420 EAST SAHARA. THE COMPANY MAY LOCATE ITS PLACES OF BUSINESS AND REGISTERED OFFICE AT ANY OTHER PLACE OR PLACES AS THE MEMBERS OR MANAGER MAY FROM TIME TO TIME DEEM ADVISABLE.

2.4 **REGISTERED OFFICE AND AGENT**. THE COMPANY'S REGISTERED OFFICE SHALL FIRST BE AT 420 EAST SAHARA. THE NAME OF ITS INITIAL REGISTERED AGENT AT SUCH ADDRESS SHALL BE BRENDA GUNSALLUS.

2.5 **TERM**. UNLESS THE COMPANY IS DISSOLVED EARLIER IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT, THE ACT, OR OTHER NEVADA LAW, THE EXISTENCE OF THE COMPANY SHALL TERMINATE UPON COMPLETION AND SALE OF THE FINAL RESIDENCE WITHIN THE PROPERTY (DEFINED BELOW) AND EXPIRATION OF ANY APPLICABLE EXPRESS WARRANTY UNLESS THE MEMBERS UNANIMOUSLY AGREE TO CONTINUE THE BUSINESS OF THE COMPANY AND APPROVE AN AMENDMENT TO THIS AGREEMENT PROVIDING FOR A DIFFERENT DISSOLUTION DATE OR PERPETUAL EXISTENCE.

### **ARTICLE 3** **BUSINESS OF COMPANY**

3.1 **PERMITTED BUSINESSES**. THE PURPOSE OF THE COMPANY SHALL BE TO ENGAGE IN THE BUSINESS OF MEDICAL MARIJUANA AND ENGAGE IN ANY OTHER LAWFUL BUSINESS AND TO DO ANY LAWFUL ACT CONCERNING ANY AND ALL LAWFUL BUSINESS FOR WHICH A LIMITED LIABILITY COMPANY MAY BE ORGANIZED UNDER THE LAWS OF THE STATE OF NEVADA.

3.2 **LIMITS ON FOREIGN ACTIVITY**. THE COMPANY SHALL NOT DIRECTLY ENGAGE IN BUSINESS IN ANY STATE, TERRITORY OR COUNTRY WHICH DOES NOT RECOGNIZE LIMITED LIABILITY COMPANIES OR THE EFFECTIVENESS OF THE ACT IN LIMITING THE LIABILITIES OF THE MEMBERS OF THE COMPANY. IF THE COMPANY DESIRES TO CONDUCT BUSINESS IN ANY SUCH STATE, IT SHALL DO SO THROUGH AN ENTITY WHICH WILL ENSURE LIMITED LIABILITY TO THE MEMBERS.

### **ARTICLE 4**

## CONTRIBUTIONS TO COMPANY

4.1 ISSUANCE OF UNITS AND MEMBERS' INITIAL CAPITAL CONTRIBUTIONS. THERE ARE HEREBY AUTHORIZED AND ISSUED ONE HUNDRED (100) UNITS DIVIDED AS SET FORTH IN SECTION 5.1. THE INITIAL CONTRIBUTIONS SHALL BE ATTACHED AS EXHIBIT A AS SOON AS THE LLC OPENS FOR BUSINESS EACH MEMBER SHALL SUBMIT THEIR RESPECTIVE CAPITAL CONTRIBUTION AMOUNTS AND THE PARTIES SHALL NEGOTIATE EXHIBIT A IN GOOD FAITH WITH ANY DISPUTES BEING RESOLVED BY SHAWN SULLIVAN PURSUANT TO THE PARTIES AGREEMENT.

4.2 ADDITIONAL CAPITAL CONTRIBUTIONS. EXCEPT WITH RESPECT TO THE INITIAL CAPITAL CONTRIBUTIONS, UNLESS ALL MEMBERS AGREE, NO MEMBER SHALL BE OBLIGATED TO MAKE ANY ADDITIONAL CAPITAL CONTRIBUTIONS TO THE COMPANY. IF THE COMPANY NEEDS ADDITIONAL CAPITAL TO MEET ITS OBLIGATIONS ("NECESSARY CAPITAL"), IT MAY SEEK SUCH CAPITAL FROM:

A. ANY SOURCE FROM WHICH THE COMPANY MAY BORROW ADDITIONAL CAPITAL, INCLUDING, WITHOUT LIMITATION, ANY MEMBER, PROVIDED, HOWEVER, NO MEMBER SHALL BE OBLIGATED TO MAKE A LOAN TO THE COMPANY.

## ARTICLE 5 INITIAL MEMBERSHIP INTERESTS

5.1 INITIAL INTERESTS. THE INITIAL MEMBERSHIP INTEREST OF EACH MEMBER IS AS FOLLOWS:

<u>MEMBER</u>	<u>UNITS</u>	<u>PERCENTAGE</u>
PAULA NEWMAN	17	17%
Stacey Huffman	51.5	51.5%
Darlene Davis	7.0	7%
Brenda Gunsallus	16	16%
Michael Suedkamp	8.5	8.5%

5.2 SECURITIES LAW QUALIFICATION. THE MEMBERS ACKNOWLEDGE AND AGREE THAT THE MEMBERSHIP INTERESTS HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, THEREFORE, THE MEMBERS MUST BEAR THE ECONOMIC RISK OF INVESTMENT IN THE COMPANY FOR AN INDEFINITE PERIOD OF TIME. THERE IS NO PUBLIC TRADING MARKET FOR THE MEMBERSHIP INTERESTS AND IT IS NOT ANTICIPATED THAT ONE WILL DEVELOP. ADDITIONALLY, THERE ARE SUBSTANTIAL RESTRICTIONS UPON THE TRANSFERABILITY OF THE MEMBERSHIP INTERESTS. SALE OR ASSIGNMENT BY A MEMBER OF ITS MEMBERSHIP INTERESTS OR SUBSTITUTION OF MEMBERS MAY BE SUBJECT TO CERTAIN CONSENTS. THEREFORE, MEMBERS MAY NOT BE ABLE TO LIQUIDATE THEIR INVESTMENTS IN THE EVENT OF AN EMERGENCY. MEMBERSHIP INTERESTS SHOULD BE CONSIDERED ONLY AS A LONG TERM INVESTMENT.

## ARTICLE 6

## ALLOCATIONS OF PROFITS AND LOSSES

### 6.1 TAX ALLOCATIONS.

a. The Tax Allocations shall be done in as simple a manner as possible consistent with standard accounting practices taking into account that members' interest percentages are not tied to the amount contained in their capital account. Again if there are any discrepancies or disputes Shawn Sullivan shall issue the final decision regarding how the tax allocations shall be made.

## ARTICLE 7 DISTRIBUTIONS

7.1 ORDINARY DISTRIBUTIONS. NET CASH FLOW SHALL BE DISTRIBUTED IN THE FOLLOWING ORDER AND PRIORITY:

A. TO REPAY ALL COMPANY OBLIGATIONS TO NON-MEMBERS.  
B. TO REPAY ANY MEMBER WHO HAS MADE A LOAN.  
C. TO REPAY ANY MEMBER WHO HAS CONTRIBUTED CAPITAL.  
D. TO EACH MEMBER PURSUANT TO THEIR PERCENTAGE INTEREST.

E. UPON A SALE OR DISTRIBUTION OF THE BUSINESS THE NET CASH FLOW SHALL ALSO BE DISTRIBUTED (A) TO REPAY ANY MEMBER WHO HAS CONTRIBUTED LOANS TO THE COMPANY FIRST (AFTER PAYING OFF ALL COMPANY OBLIGATIONS) THEN TO REPAY CAPITAL CONTRIBUTIONS AND (B) TO EACH MEMBER PURSUANT TO THEIR PERCENTAGE INTERESTS.

### 7.2 TAX ADVANCES.

(A) REQUIREMENT TO MAKE TAX ADVANCES. PRIOR TO MAKING ANY DISTRIBUTIONS OF NET CASH FLOW PURSUANT TO SECTION 7.1(B)-(D) HEREOF, THE MANAGER SHALL DETERMINE THE EXTENT TO WHICH ANY MEMBER WOULD HAVE AN UNFUNDED TAX AMOUNT IF THE NET CASH FLOW WERE DISTRIBUTED IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF SECTIONS 7.1(C) AND 7.1(D) HEREOF. IF ANY MEMBERS WOULD HAVE UNFUNDED TAX AMOUNTS UNDER THE CIRCUMSTANCES DESCRIBED IN THE PRECEDING SENTENCE, THE COMPANY SHALL MAKE ADVANCES ("TAX ADVANCES") TO SUCH MEMBERS ("RECIPIENT MEMBERS"), IN PROPORTION TO THEIR RESPECTIVE UNFUNDED TAX AMOUNTS, UNTIL ALL MEMBERS' UNFUNDED TAX AMOUNTS HAVE BEEN REDUCED TO ZERO.

(B) REPAYMENT OF TAX ADVANCES. TAX ADVANCES SHALL BE RECOVERED BY THE COMPANY FROM A RECIPIENT MEMBER BY WITHHOLDING ANY AMOUNTS OTHERWISE DISTRIBUTABLE TO THE RECIPIENT MEMBER PURSUANT TO SECTIONS 7.1(C) OR 7.1(D), UNTIL THE AMOUNTS WITHHELD ARE EQUAL TO THE TOTAL TAX ADVANCES MADE TO THE RECIPIENT MEMBER. AMOUNTS WITHHELD UNDER THE PRECEDING SENTENCE (I) SHALL BE DEEMED TO HAVE BEEN DISTRIBUTED TO THE RECIPIENT MEMBER FOR PURPOSES OF DETERMINING THE RECIPIENT MEMBER'S RIGHT TO SHARE IN FUTURE DISTRIBUTIONS UNDER THIS AGREEMENT, AND (II) SHALL BE ADDED TO THE NET CASH FLOW AND APPLIED IN ACCORDANCE WITH THE PRIORITIES IN SECTION 7.1.

(C) FOR PURPOSE OF THIS SECTION 7.2, THE FOLLOWING TERMS

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WILL HAVE THE FOLLOWING MEANINGS:

"Tax Amount" means an amount with respect to each Member (which may be a positive or negative number), determined on a quarterly basis, equal to (a) the maximum Federal income tax rates applicable to individuals for the period with respect to which the Tax Amount is being determined, multiplied by (b) such Member's "net income" or "net loss" for the quarter with respect to which the Member's Tax Amount is being determined. Each Member's Tax Amount shall be determined on an estimated basis, taking into account the best information available to the Manager, but shall be subject to reconciliation annually at the time the Company's federal income tax returns are filed. For purposes of this definition, "net income" means the amount, if any, by which the items of income and gain allocated to a Member for a quarter exceed the items of loss and deduction allocated to that Member for such quarter, and "net loss" means the amount, if any, by which the items of loss and deduction allocated to a Member for a quarter exceed the items of income and gain allocated to that Member for such quarter.

"Unfunded Tax Amount" means, with respect to each Member, the excess, if any, of (a) the sum of such Member's Tax Amounts for the entire term of the Company, over (b) the total amount previously distributed to (or deemed distributed to or for the account of) such Member pursuant to Section 7.1.

**7.3 INCOME TAX WITHHOLDING.** THE MANAGER, SUBJECT TO ANY RIGHT OF MEMBERS TO APPROVE SUCH ACTION, SHALL MAKE ALL TAX WITHHOLDING PAYMENTS REQUIRED WITH RESPECT TO ANY MEMBER UNDER CODE SECTION 1446 OR OTHER PROVISIONS OF THE CODE, OR UNDER THE LAWS OF ANY STATE OR OTHER JURISDICTION, AND SHALL TREAT ALL SUCH AMOUNTS WITHHELD FOR ALL PURPOSES OF THIS AGREEMENT AS A DISTRIBUTION OF CASH TO SUCH MEMBER PURSUANT TO SECTION 7.1 OR SECTION 12.2.B, AS APPLICABLE, AT THE TIME SUCH AMOUNT IS PAID BY THE COMPANY.

## **ARTICLE 8**

### **BOOKS, RECORDS, AND ACCOUNTING**

#### **8.1 BOOKS AND RECORDS.**

A. THE COMPANY SHALL MAINTAIN OR CAUSE TO BE MAINTAINED BOOKS OF ACCOUNT THAT ACCURATELY REFLECT ALL ITEMS OF INCOME AND EXPENDITURE RELATING TO THE BUSINESS OF THE COMPANY AND THAT ACCURATELY AND COMPLETELY DISCLOSE THE RESULTS OF THE OPERATIONS OF THE COMPANY. SUCH BOOKS OF ACCOUNT SHALL BE MAINTAINED ON THE METHOD OF ACCOUNTING SELECTED BY THE COMPANY AND ON THE BASIS OF THE FISCAL YEAR. EACH MEMBER, UPON NOT LESS THAN SEVENTY-TWO (72) HOURS ADVANCE WRITTEN NOTICE TO THE MANAGER OF THE COMPANY, AT SUCH MEMBER'S OWN EXPENSE, SHALL HAVE THE RIGHT TO INSPECT, COPY, AND AUDIT THE COMPANY'S BOOKS AND RECORDS AT ANY TIME DURING NORMAL BUSINESS HOURS WITHOUT NOTICE TO ANY OTHER MEMBER.

B. THE COMPANY SHALL KEEP AT ITS REGISTERED OFFICE SUCH RECORDS AS ARE REQUIRED BY THE ACT.

**8.2 TAX RETURNS.** THE COMPANY SHALL PREPARE AND TIMELY FILE, OR CAUSE TO BE PREPARED AND TIMELY FILED, ALL INCOME TAX AND OTHER TAX RETURNS OF THE COMPANY. THE COMPANY SHALL FURNISH TO EACH MEMBER A COPY OF ALL SUCH RETURNS TOGETHER WITH ALL SCHEDULES THERETO AND SUCH OTHER INFORMATION WHICH EACH MEMBER MAY REASONABLY REQUEST IN CONNECTION WITH SUCH MEMBER'S OWN TAX AFFAIRS.

**8.3 BANK ACCOUNTS.** THE COMPANY SHALL ESTABLISH AND MAINTAIN ONE OR MORE SEPARATE ACCOUNTS IN THE NAME OF THE COMPANY IN ONE OR

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MORE FEDERALLY INSURED BANKING INSTITUTIONS OF ITS CHOOSING INTO WHICH SHALL BE DEPOSITED ALL FUNDS OF THE COMPANY AND FROM WHICH ALL COMPANY EXPENDITURES AND OTHER DISBURSEMENTS SHALL BE MADE. FUNDS MAY BE WITHDRAWN FROM SUCH ACCOUNTS ON THE SIGNATURE OF THE MANAGER.

## **ARTICLE 9**

### **MANAGEMENT**

#### **9.1 GENERAL MANAGEMENT.**

A. THE BUSINESS AND AFFAIRS OF THE COMPANY SHALL BE MANAGED BY OR UNDER THE DIRECTION OF ONE OR MORE MANAGERS, WHO NEED NOT BE MEMBERS OF THE COMPANY. THE INITIAL MANAGER SHALL BE STACEY HUFFMAN WHO SHALL REMAIN AS THE MANAGER UNTIL SUCH MANAGER'S RESIGNATION OR REMOVAL BY A SIXTY PERCENT (60%) VOTE OF THE MEMBERS. IN THE EVENT OF SUCH RESIGNATION OR REMOVAL, A SUCCESSOR MANAGER OR MANAGERS SHALL BE ELECTED UPON SUCH EVENT, AND ANNUALLY THEREAFTER, BY MEMBERS HOLDING A MAJORITY OF THE UNITS. NOTWITHSTANDING THE FOREGOING, IF A MANAGER IS IN MATERIAL BREACH OF HIS OR HER OBLIGATIONS AND DOES NOT CURE, OR COMMENCE AND DILIGENTLY PROSECUTE THE CURE OF, SUCH BREACH WITHIN NINETY (90) DAYS AFTER NOTICE THEREOF BY ANY OF THE MEMBERS, OR IF SUCH MANAGER HAS COMMITTED ANY ACT OR OMISSION OF FRAUD OR MALFEASANCE TO THE INJURY OF THE COMPANY, THEN SUCH MANAGER SHALL BE REMOVED UPON AGREEMENT OF MEMBERS HOLDING A MAJORITY OF THE UNITS.

B. THE MANAGER SHALL DIRECT, MANAGE AND CONTROL THE BUSINESS OF THE COMPANY AND, SUBJECT TO THE LIMITATIONS AND QUALIFICATIONS SET FORTH IN THIS ARTICLE 9, SHALL HAVE FULL AND COMPLETE AUTHORITY, POWER AND DISCRETION TO MAKE ANY AND ALL DECISIONS AND TO DO ANY AND ALL THINGS WHICH THE MANAGER SHALL DEEM TO BE REASONABLY REQUIRED IN LIGHT OF THE COMPANY'S BUSINESS AND OBJECTIVES. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE MANAGER SHALL HAVE SOLE POWER AND AUTHORITY TO:

I. ACQUIRE PROPERTY FROM ANY PERSON AS THE MANAGER MAY DETERMINE. THE FACT THAT A MEMBER IS DIRECTLY OR INDIRECTLY AN AFFILIATE OF SUCH PERSON SHALL NOT PROHIBIT THE MANAGER FROM DEALING WITH THAT PERSON;

II. MAKE DISTRIBUTIONS OF AVAILABLE CASH TO MEMBERS PURSUANT TO ARTICLE 7 HEREOF, IT BEING UNDERSTOOD THAT THE MANAGER WILL DETERMINE WHETHER TO MAKE SUCH DISTRIBUTIONS IN ITS SOLE, GOOD FAITH DISCRETION, CONSIDERING THE COMPANY'S CASH BALANCE, ANTICIPATED SOURCES AND USES OF FUNDS AND SUCH OTHER FACTORS AS THE MANAGER MAY DEEM RELEVANT;

III. EMPLOY ACCOUNTANTS, LEGAL COUNSEL, MANAGERS, MANAGING AGENTS OR OTHER EXPERTS OR CONSULTANTS TO PERFORM SERVICES FOR THE COMPANY WITH COMPENSATION FROM COMPANY FUNDS;

III. ENTER INTO ANY TRANSACTION ON BEHALF OF THE COMPANY INVOLVING THE INCURRENCE OF ANY INDEBTEDNESS OR THE HYPOTHECATION, ENCUMBRANCE, OR GRANTING OF A SECURITY INTEREST OR LIEN UPON ANY COMPANY PROPERTY;

V. PURCHASE LIABILITY AND OTHER INSURANCE TO PROTECT

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THE COMPANY'S PROPERTY AND BUSINESS;

VI. ORGANIZE ENTITIES TO SERVE AS THE COMPANY'S SUBSIDIARIES AND TO DETERMINE THE FORM AND STRUCTURE THEREOF;

VII. ESTABLISH REASONABLE PAYMENTS OR SALARIES TO PERSONS (INCLUDING MEMBERS) WORKING OR PROVIDING LEGITIMATE SERVICES TO THE BUSINESS OF THE LLC.

C. WHERE THIS AGREEMENT SPECIFIES AN ACT OF THE MANAGER, IT MEANS AN ACT TAKEN BY MAJORITY VOTE OF THE MANAGERS WHEN MORE THAN ONE MANAGER EXISTS.

D. UNLESS AUTHORIZED TO DO SO BY THIS AGREEMENT OR BY THE MANAGER, NO MANAGING PERSON, MEMBER, AGENT, OR EMPLOYEE OF THE COMPANY SHALL HAVE ANY POWER OR AUTHORITY TO BIND THE COMPANY IN ANY WAY, TO PLEDGE ITS CREDIT OR TO RENDER IT LIABLE PECUNIARILY FOR ANY PURPOSE. HOWEVER, THE MANAGER MAY ACT (OR MAY CAUSE THE COMPANY TO ACT) BY A DULY AUTHORIZED POWER OF ATTORNEY.

9.2 ACT REQUIRING MEMBER UNANIMOUS OR SUPERMAJORITY APPROVAL AND LIMITATION ON POWERS OF MANAGER.

A. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, THE MANAGER SHALL NOT ENGAGE IN ANY OF THE FOLLOWING TRANSACTIONS WITHOUT THE AFFIRMATIVE VOTE OR WRITTEN CONSENT OF MEMBERS OWNING 70% OF THE UNITS:

I. THE MERGER OR CONSOLIDATION OF THE COMPANY WITH ANY OTHER ENTITY;

II. A SALE OF ALL OR SUBSTANTIALLY ALL OF THE COMPANY'S ASSETS; OR

III. THE VOLUNTARY COMMENCEMENT OF A BANKRUPTCY PROCEEDING WITH THE COMPANY AS A DEBTOR OR ANY ASSIGNMENT FOR THE BENEFIT OF CREDITORS OF THE COMPANY.

III. ANY ACTION WHICH WOULD RESULT IN AN INCREASE IN THE PERSONAL LIABILITY IMPOSED UPON ANY MEMBER;

V. THE ISSUANCE OF ANY ADDITIONAL MEMBERSHIP INTERESTS; OR

VI. ANY AMENDMENTS TO THE ARTICLES OF ORGANIZATION.

9.3 COMPENSATION. A MANAGER SHALL NOT RECEIVE COMPENSATION FOR SERVICES RENDERED AS A MANAGER UNLESS ALL MEMBERS CONSENT BUT SHALL BE REIMBURSED ALL EXPENSES MADE ON BEHALF OF THE LLC.

9.4 [INTENTIONALLY DELETED].

9.5 NO LIABILITY FOR CERTAIN ACTS. A MANAGING PERSON OF THE COMPANY SHALL PERFORM SUCH MANAGING PERSON'S DUTIES, IN GOOD FAITH, IN A MANNER SUCH MANAGING PERSON REASONABLY BELIEVES TO BE IN THE BEST INTERESTS OF THE COMPANY. A MANAGING PERSON DOES NOT, IN ANY WAY, GUARANTEE THE RETURN OF THE MEMBERS' CAPITAL CONTRIBUTIONS OR A PROFIT FOR THE MEMBERS FROM THE OPERATIONS OF THE COMPANY. A

MANAGING PERSON SHALL NOT BE RESPONSIBLE TO ANY MEMBERS BECAUSE OF A LOSS OF THEIR INVESTMENT IN THE COMPANY OR A LOSS IN THE OPERATIONS OF THE COMPANY, UNLESS THE LOSS SHALL HAVE BEEN THE RESULT OF THE MANAGING PERSON NOT ACTING IN GOOD FAITH AS PROVIDED IN THIS SECTION. A MANAGING PERSON SHALL INCUR NO LIABILITY TO THE COMPANY OR TO ANY OF THE MEMBERS AS A RESULT OF ENGAGING IN ANY OTHER BUSINESS OR VENTURE. A MANAGER SHALL BE ENTITLED TO ANY OTHER PROTECTION AFFORDED TO MANAGERS UNDER THE ACT. A MANAGING PERSON WHO SO PERFORMS SUCH MANAGING PERSON'S DUTIES SHALL NOT HAVE ANY LIABILITY BY REASON OF BEING OR HAVING BEEN A MANAGING PERSON OF THE COMPANY. IN PERFORMING THE DUTIES OF A MANAGING PERSON, A MANAGING PERSON SHALL BE ENTITLED TO RELY ON INFORMATION, OPINIONS, REPORTS OR STATEMENTS, INCLUDING FINANCIAL STATEMENTS AND OTHER FINANCIAL DATA, IN EACH CASE PREPARED OR PRESENTED BY PERSONS AND GROUPS LISTED BELOW UNLESS SUCH MANAGING PERSON HAS KNOWLEDGE CONCERNING THE MATTER IN QUESTION THAT WOULD CAUSE SUCH RELIANCE TO BE UNWARRANTED:

A. ONE OR MORE EMPLOYEES OR OTHER AGENTS OF THE COMPANY WHOM THE MANAGING PERSON BELIEVES IN GOOD FAITH TO BE RELIABLE AND COMPETENT IN THE MATTERS PRESENTED;

B. LEGAL COUNSEL, PUBLIC ACCOUNTANTS, OR OTHER PERSONS AS TO MATTERS THAT THE MANAGING PERSON BELIEVES IN GOOD FAITH TO BE WITHIN SUCH PERSONS' PROFESSIONAL OR EXPERT COMPETENCE; OR

C. A COMMITTEE, UPON WHICH SUCH MANAGING PERSON DOES NOT SERVE, DULY DESIGNATED IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT, AS TO MATTERS WITHIN ITS DESIGNATED AUTHORITY, WHICH COMMITTEE THE MANAGING PERSON BELIEVES IN GOOD FAITH TO MERIT CONFIDENCE.

9.6 MANAGING PERSONS HAVE NO EXCLUSIVE DUTY TO COMPANY. A MANAGING PERSON SHALL NOT BE REQUIRED TO MANAGE THE COMPANY AS SUCH MANAGING PERSON'S SOLE AND EXCLUSIVE ACTIVITY, AND EACH MANAGING PERSON MAY HAVE OTHER BUSINESS INTERESTS AND MAY ENGAGE IN OTHER ACTIVITIES IN ADDITION TO THOSE RELATING TO THE COMPANY, EVEN IF SUCH ACTIVITIES MAY BE IN COMPETITION WITH THE BUSINESS OF THE COMPANY. NEITHER THE COMPANY NOR ANY MEMBER SHALL HAVE ANY RIGHT, BY VIRTUE OF THIS AGREEMENT OR THE EXISTENCE OF THE COMPANY, TO SHARE OR PARTICIPATE IN SUCH OTHER INVESTMENTS OR ACTIVITIES OF ANY MANAGING PERSON REGARDLESS OF WHETHER SUCH OPPORTUNITIES HAVE BEEN PRESENTED TO THE COMPANY.

9.7 INDEMNITY OF MANAGING PERSONS.

A. THE COMPANY AGREES TO INDEMNIFY, PAY, PROTECT AND HOLD HARMLESS MANAGING PERSONS FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, PROCEEDINGS, COSTS, EXPENSES AND DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER (INCLUDING, WITHOUT LIMITATION, ALL REASONABLE COSTS AND EXPENSES OF DEFENSE, APPEAL AND SETTLEMENT OF ANY AND ALL SUITS, ACTIONS OR PROCEEDINGS INSTITUTED AGAINST THE MANAGING PERSONS OR THE COMPANY AND ALL COSTS OF INVESTIGATION IN CONNECTION THEREWITH) WHICH MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE MANAGING PERSONS OR THE COMPANY IN ANY WAY RELATING TO OR ARISING OUT OF, OR ALLEGED TO RELATE TO OR ARISE OUT OF,

ANY ACTION OR INACTION ON THE PART OF THE COMPANY OR ON THE PART OF A MANAGING PERSON, ACTING IN A MANNER BELIEVED IN GOOD FAITH TO BE IN THE BEST INTERESTS OF THE COMPANY, IN CONNECTION WITH THE FORMATION, OPERATION AND/OR MANAGEMENT OF THE COMPANY, THE COMPANY'S PURCHASE AND OPERATION OF PROPERTY, AND/OR AS A RESULT OF THE MANAGING PERSON AGREEING TO ACT AS A MANAGING PERSON OF THE COMPANY. IF ANY ACTION, SUIT OR PROCEEDING SHALL BE PENDING OR THREATENED AGAINST THE COMPANY OR A MANAGER RELATING TO OR ARISING OUT OF, OR ALLEGED TO RELATE TO OR ARISE OUT OF, ANY SUCH ACTION OR NONACTION, A MANAGER SHALL HAVE THE RIGHT TO EMPLOY, AT THE EXPENSE OF THE COMPANY, SEPARATE COUNSEL OF SUCH MANAGER'S CHOICE IN SUCH ACTION, SUIT OR PROCEEDING AND THE COMPANY SHALL ADVANCE THE REASONABLE OUT-OF-POCKET EXPENSES IN CONNECTION THEREWITH. THE SATISFACTION OF THE OBLIGATIONS OF THE COMPANY UNDER THIS SECTION SHALL BE FROM AND LIMITED TO THE ASSETS OF THE COMPANY AND NO MEMBER SHALL HAVE ANY PERSONAL LIABILITY ON ACCOUNT THEREOF. A MANAGING PERSON'S RIGHTS TO INDEMNIFICATION UNDER THIS SECTION ARE INTENDED AS IN ADDITION TO, AND NOT A LIMITATION UPON, THE INDEMNIFICATION DESCRIBED IN SECTIONS 86.411 THROUGH 86.451 OF THE ACT, AS SUCH MAY BE AMENDED FROM TIME TO TIME.

B. THIS SECTION SHALL NOT LIMIT THE COMPANY'S POWER TO PAY OR REIMBURSE EXPENSES INCURRED BY A MANAGING PERSON IN CONNECTION WITH SUCH MANAGING PERSON'S APPEARANCE AS A WITNESS IN A PROCEEDING AT A TIME WHEN THE MANAGING PERSON HAS NOT BEEN MADE A NAMED DEFENDANT OR RESPONDENT IN THE PROCEEDING.

C. THE COMPANY MAY INDEMNIFY AND ADVANCE EXPENSES TO AN EMPLOYEE OR AGENT OF THE COMPANY WHO IS NOT A MANAGING PERSON TO THE SAME OR TO A GREATER EXTENT AS THE COMPANY MAY INDEMNIFY AND ADVANCE EXPENSES TO A MANAGING PERSON.

D. THE COMPANY MAY PURCHASE AND MAINTAIN INSURANCE ON BEHALF OF ANY PERSON WHO IS OR WAS A MANAGING PERSON, MEMBER, EMPLOYEE, FIDUCIARY, OR AGENT OF THE COMPANY OR WHO, WHILE A MANAGING PERSON, MEMBER, EMPLOYEE, FIDUCIARY, OR AGENT OF THE COMPANY, IS OR WAS SERVING AT THE REQUEST OF THE COMPANY AS A MANAGER, MEMBER, DIRECTOR, OFFICER, PARTNER, TRUSTEE, EMPLOYEE, FIDUCIARY, OR AGENT OF ANY OTHER FOREIGN OR DOMESTIC LIMITED LIABILITY COMPANY OR ANY CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, OTHER ENTERPRISE, OR EMPLOYEE BENEFIT PLAN AGAINST ANY LIABILITY ASSERTED AGAINST OR INCURRED BY SUCH PERSON IN ANY SUCH CAPACITY OR ARISING OUT OF SUCH PERSON'S STATUS AS SUCH, WHETHER OR NOT THE COMPANY WOULD HAVE THE POWER TO INDEMNIFY SUCH PERSON AGAINST SUCH LIABILITY UNDER THE PROVISIONS OF THIS SECTION. ANY SUCH INSURANCE MAY BE PROCURED FROM ANY INSURANCE COMPANY DESIGNATED BY THE MANAGER WHETHER SUCH INSURANCE COMPANY IS FORMED UNDER THE LAWS OF THIS STATE OR ANY OTHER JURISDICTION OF THE UNITED STATES OR ELSEWHERE.

E. ANY INDEMNIFICATION OF OR ADVANCE OF EXPENSES TO A MANAGING PERSON IN ACCORDANCE WITH THIS SECTION, IF ARISING OUT OF A PROCEEDING BY OR ON BEHALF OF THE COMPANY, SHALL BE REPORTED IN WRITING TO THE MEMBERS WITH OR BEFORE THE NOTICE OF THE NEXT MEMBERS' MEETING.

F. NOTWITHSTANDING THE TERMINATION OF EMPLOYMENT, IT IS

RECOGNIZED THAT DISPUTES MAY ARISE BETWEEN THE COMPANY AND THIRD PARTIES, OR BETWEEN A MANAGING PERSON AND THIRD PARTIES, THE RESOLUTION OF WHICH MAY REQUIRE THE COOPERATION OF THE MANAGING PERSON OR THE COMPANY, RESPECTIVELY, INCLUDING, BUT NOT LIMITED TO, CONFERRING WITH COUNSEL AND ASSISTING IN PREPARATION WORK IN LITIGATION MATTERS, PROVIDING FACTUAL INFORMATION TO THE OTHER PARTY, AND GIVING DEPOSITIONS AND TESTIMONY IN JUDICIAL AND ADMINISTRATIVE PROCEEDINGS. NOTWITHSTANDING THE TERMINATION OF A MANAGING PERSON'S EMPLOYMENT, BOTH THE COMPANY AND MANAGING PERSON SHALL COOPERATE AND THEREBY ACT REASONABLY AND IN GOOD FAITH TO ASSIST THE OTHER, WITHOUT ANY CHARGE OR COMPENSATION, EXCEPT THE REQUESTING PARTY SHALL REIMBURSE THE OTHER PARTY FOR ALL REASONABLE OUT-OF-POCKET COSTS INCURRED IN CONNECTION HERewith. THE MANAGING PERSON'S COOPERATION IS A CONTINUING CONDITION TO THE INDEMNIFICATION AND HOLD HARMLESS PROVISIONS UNDER THIS SECTION.

G. NOTWITHSTANDING THE PROVISIONS OF THE ABOVE SUBSECTIONS (A) THROUGH (F) OF THIS SECTION 9.7, NO MANAGING PERSON SHALL BE INDEMNIFIED FROM ANY LIABILITY RESULTING FROM FRAUD, BAD FAITH, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE.

#### **ARTICLE 10** **RIGHTS AND OBLIGATIONS OF MEMBERS**

##### **10.1 LIMITATION OR LIABILITY.**

A. EACH MEMBER'S LIABILITY SHALL BE LIMITED AS SET FORTH HEREIN IN THE ACT AND OTHER APPLICABLE LAW. A MEMBER WILL NOT PERSONALLY BE LIABLE FOR ANY DEBTS OR LOSSES OF THE COMPANY, EXCEPT AS PROVIDED IN THE ACT.

B. WHEN A MEMBER HAS RECEIVED A DISTRIBUTION WRONGFULLY CONVEYED BY THE COMPANY, THE MEMBER SHALL HOLD SUCH DISTRIBUTION AS TRUSTEE FOR THE COMPANY.

10.2 **MEMBER INDEMNITY.** THE COMPANY AGREES TO INDEMNIFY, PAY, PROTECT AND HOLD HARMLESS ANY MEMBER (ON DEMAND AND TO THE SATISFACTION OF THE MEMBER) FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, PROCEEDINGS, COSTS, EXPENSES AND DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER IN ANY WAY RELATING TO ANY AGREEMENT, LIABILITY, COMMITMENT, EXPENSE OR OBLIGATION OF THE COMPANY WHICH MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE MEMBER SOLELY AS A RESULT OF SUCH MEMBER BEING A MEMBER (INCLUDING, WITHOUT LIMITATION, ALL REASONABLE COSTS AND EXPENSES OF DEFENSE, APPEAL AND SETTLEMENT OF ANY AND ALL SUITS, ACTIONS OR PROCEEDINGS INSTITUTED AGAINST THE MEMBER AND ALL COSTS OF INVESTIGATION IN CONNECTION THEREWITH). THE SATISFACTION OF THE OBLIGATIONS OF THE COMPANY UNDER THIS SECTION SHALL BE FROM AND LIMITED TO THE ASSETS OF THE COMPANY AND NO MEMBER SHALL HAVE ANY PERSONAL LIABILITY ON ACCOUNT THEREOF. THE FOREGOING RIGHTS OF INDEMNIFICATION ARE IN ADDITION TO AND SHALL NOT BE A LIMITATION OF ANY RIGHTS THAT MAY BE PROVIDED IN THE ACT.

10.3 **LIST OF MEMBERS.** UPON WRITTEN REQUEST OF ANY MEMBER, THE COMPANY SHALL PROVIDE SUCH MEMBER A LIST SHOWING THE NAMES, ADDRESSES AND UNITS OF THE MEMBERS IN THE COMPANY.

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10.4 VOTING. SUBJECT TO SECTION 11.2 HEREOF, MEMBERS SHALL BE ENTITLED TO ONE VOTE FOR EACH UNIT HELD, ON ALL MATTERS RESERVED FOR THEIR APPROVAL OR CONSENT, INCLUDING BUT NOT LIMITED TO SECTION 9.2 HEREOF.

10.5 ADDITIONAL MEMBERS. EXCEPT AS PROVIDED IN SECTION 11.2 HEREOF, NO PERSON SHALL BE ADMITTED TO THE COMPANY AS AN ADDITIONAL MEMBER WITHOUT THE CONSENT OF 70% OF THE MEMBERS.

10.6 MEETINGS. UNLESS OTHERWISE PRESCRIBED BY THE ACT, MEETINGS OF THE MEMBERS MAY BE CALLED, FOR ANY PURPOSE OR PURPOSES, BY THE MANAGER OR BY MEMBERS HOLDING A MAJORITY OF THE UNITS.

10.7 PLACE OF MEETINGS. WHOEVER CALLS THE MEETING MAY DESIGNATE ANY PLACE WITHIN OR OUTSIDE THE STATE OF NEVADA, AS THE PLACE OF MEETING FOR ANY MEETING OF THE MEMBERS.

10.8 NOTICE OF MEETINGS. EXCEPT AS PROVIDED IN THIS AGREEMENT, WRITTEN NOTICE STATING THE DATE, TIME, AND PLACE OF THE MEETING, AND THE PURPOSE OR PURPOSES FOR WHICH THE MEETING IS CALLED, SHALL BE DELIVERED NOT LESS THAN THREE (3) NOR MORE THAN FIFTY (50) DAYS BEFORE THE DATE OF THE MEETING, EITHER PERSONALLY OR BY ELECTRONIC MAIL, U.S. MAIL, FACSIMILE, OR OVERNIGHT OR NEXT-DAY DELIVERY SERVICES BY OR AT THE DIRECTION OF THE MANAGER, OR THE MEMBER OR MEMBERS CALLING THE MEETING, TO EACH MEMBER ENTITLED TO VOTE AT SUCH MEETING. WHEN A MEETING IS ADJOURNED TO ANOTHER TIME OR PLACE, NOTICE NEED NOT BE GIVEN OF THE ADJOURNED MEETING IF THE TIME AND PLACE THEREOF ARE ANNOUNCED AT THE MEETING AT WHICH THE ADJOURNMENT IS TAKEN, UNLESS THE ADJOURNMENT IS FOR MORE THAN THIRTY (30) DAYS. AT THE ADJOURNED MEETING THE COMPANY MAY TRANSACT ANY BUSINESS WHICH MIGHT HAVE BEEN TRANSACTED AT THE ORIGINAL MEETING.

10.9 MEETING OF ALL MEMBERS. IF ALL OF THE MEMBERS SHALL MEET AT ANY TIME AND PLACE, INCLUDING BY CONFERENCE TELEPHONE CALL, EITHER WITHIN OR OUTSIDE OF THE STATE OF NEVADA, AND CONSENT TO THE HOLDING OF A MEETING AT SUCH TIME AND PLACE, SUCH MEETING SHALL BE VALID WITHOUT CALL OR NOTICE.

10.10 RECORD DATE. FOR THE PURPOSE OF DETERMINING MEMBERS ENTITLED TO NOTICE OF OR TO VOTE AT ANY MEETING OF MEMBERS OR ANY ADJOURNMENT THEREOF, THE DATE ON WHICH NOTICE OF THE MEETING IS MAILED SHALL BE THE RECORD DATE FOR SUCH DETERMINATION OF MEMBERS. WHEN A DETERMINATION OF MEMBERS ENTITLED TO VOTE AT ANY MEETING OF MEMBERS HAS BEEN MADE AS PROVIDED IN THIS SECTION, SUCH DETERMINATION SHALL APPLY TO ANY ADJOURNMENT THEREOF, UNLESS NOTICE OF THE ADJOURNED MEETING IS REQUIRED TO BE GIVEN PURSUANT TO SECTION 10.8 HEREOF.

10.11 QUORUM. MEMBERS HOLDING AT LEAST A MAJORITY OF THE UNITS, REPRESENTED IN PERSON OR BY PROXY, SHALL CONSTITUTE A QUORUM AT ANY MEETING OF MEMBERS. BUSINESS MAY BE CONDUCTED ONCE A QUORUM IS PRESENT.

10.12 VOTING RIGHTS OF MEMBERS. EACH MEMBER SHALL BE ENTITLED TO VOTE BASED ON UNITS HELD. IF ALL OR A PORTION OF A MEMBERSHIP INTEREST IS TRANSFERRED TO AN ASSIGNEE WHO DOES NOT BECOME A MEMBER, THE MEMBER FROM WHOM THE MEMBERSHIP INTEREST IS

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TRANSFERRED SHALL NO LONGER BE ENTITLED TO VOTE THE UNITS TRANSFERRED NOR SHALL THE UNITS TRANSFERRED BE CONSIDERED OUTSTANDING FOR ANY PURPOSE PERTAINING TO MEETINGS OR VOTING. NO WITHDRAWN MEMBER SHALL BE ENTITLED TO VOTE NOR SHALL SUCH MEMBER'S UNITS BE CONSIDERED OUTSTANDING FOR ANY PURPOSE PERTAINING TO MEETINGS OR VOTING.

10.13 MANNER OF ACTING. UNLESS OTHERWISE PROVIDED IN THE ACT, THE ARTICLES OF ORGANIZATION, OR THIS AGREEMENT, THE AFFIRMATIVE VOTE OF MEMBERS HOLDING AT LEAST A MAJORITY OF THE UNITS SHALL BE THE ACT OF THE MEMBERS.

10.14 PROXIES. AT ALL MEETINGS OF MEMBERS A MEMBER MAY VOTE IN PERSON OR BY PROXY EXECUTED IN WRITING BY THE MEMBER OR BY A DULY AUTHORIZED ATTORNEY-IN-FACT. SUCH PROXY SHALL BE FILED WITH THE MANAGER OF THE COMPANY BEFORE OR AT THE TIME OF ITS EXERCISE. NO PROXY SHALL BE VALID AFTER ELEVEN (11) MONTHS FROM THE DATE OF ITS EXECUTION, UNLESS OTHERWISE PROVIDED IN THE PROXY.

10.15 ACTION BY MEMBERS WITHOUT A MEETING. ANY ACTION REQUIRED OR PERMITTED TO BE TAKEN AT A MEETING OF MEMBERS MAY BE TAKEN

WITHOUT A MEETING IF THE ACTION IS EVIDENCED BY ONE OR MORE WRITTEN CONSENTS SIGNED BY THAT PERCENTAGE OR NUMBER OF THE MEMBERS REQUIRED TO TAKE OR APPROVE THE ACTION. ANY SUCH WRITTEN CONSENTS SHALL BE DELIVERED TO THE MANAGER OF THE COMPANY FOR INCLUSION IN THE MINUTES OR FOR FILING WITH THE COMPANY RECORDS. ACTION TAKEN BY WRITTEN CONSENT UNDER THIS SECTION SHALL BE EFFECTIVE ON THE DATE THE REQUIRED PERCENTAGE OR NUMBER OF THE MEMBERS HAVE SIGNED AND DELIVERED THE CONSENT TO THE MANAGER, UNLESS THE CONSENT SPECIFIES A DIFFERENT EFFECTIVE DATE. THE RECORD DATE FOR DETERMINING MEMBERS ENTITLED TO TAKE ACTION WITHOUT A MEETING SHALL BE THE EARLIER OF THE DATE (I) THE WRITTEN CONSENT IS CIRCULATED TO THE MEMBERS OR (II) THE FIRST MEMBER SIGNS THE CONSENT.

10.16 TELEPHONIC COMMUNICATION. MEMBERS MAY PARTICIPATE IN AND HOLD A MEETING BY MEANS OF CONFERENCE TELEPHONE OR SIMILAR COMMUNICATIONS EQUIPMENT BY MEANS OF WHICH ALL PERSONS PARTICIPATING IN THE MEETING CAN HEAR EACH OTHER, AND PARTICIPATION IN SUCH MEETING SHALL CONSTITUTE ATTENDANCE AND PRESENCE IN PERSON, EXCEPT WHERE THE MEMBER PARTICIPATES IN THE MEETING FOR THE EXPRESS PURPOSE OF OBJECTING TO THE TRANSACTION OF ANY BUSINESS ON THE GROUND THE MEETING IS NOT LAWFULLY CALLED OR CONVENED.

10.17 WAIVER OF NOTICE. WHEN ANY NOTICE IS REQUIRED TO BE GIVEN TO ANY MEMBER, A WAIVER THEREOF IN WRITING SIGNED BY THE PERSON ENTITLED TO SUCH NOTICE, WHETHER BEFORE, AT, OR AFTER THE TIME STATED THEREIN, SHALL BE EQUIVALENT TO THE GIVING OF SUCH NOTICE.

#### ARTICLE 11 RESTRICTIONS ON TRANSFERABILITY

11.1 RIGHT TO PLEDGE. EVERY MEMBERSHIP INTEREST MAY BE PLEDGED TO SECURE ANY BORROWING OF A MEMBER OR ITS AFFILIATE, PROVIDED THAT ANY PERSON ACQUIRING SUCH MEMBERSHIP INTEREST PURSUANT TO SUCH PLEDGE SHALL NOT HAVE THE RIGHT TO BE ADMITTED AS A MEMBER BUT SHALL BE ENTITLED ONLY TO RECEIVE SUCH ALLOCATIONS AND DISTRIBUTIONS AS ARE OTHERWISE PAYABLE WITH RESPECT TO SUCH MEMBER'S MEMBERSHIP

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## INTEREST UNDER THIS AGREEMENT.

11.2 ADMISSION OF SUBSTITUTE MEMBER. A MEMBER MAY FREELY TRANSFER OR ASSIGN ALL OR ANY PORTION OF ITS MEMBERSHIP INTEREST TO PERMITTED TRANSFEREE THAT IS DESCRIBED SECTION 11.3 HEREOF, WHICH PERMITTED TRANSFEREE SHALL IMMEDIATELY BECOME A SUBSTITUTED MEMBER. IF A MEMBER TRANSFERS OR ASSIGNS SOME OR ALL OF ITS MEMBERSHIP INTEREST TO A TRANSFEREE OTHER THAN A PERMITTED TRANSFEREE (OR TRANSFERS TITLE AS A RESULT OF EXERCISE OF RIGHTS UNDER A SECURITY INTEREST) AND 70% OF THE MEMBERS APPROVE OF SUCH PROPOSED TRANSFER OR ASSIGNMENT, THE TRANSFEREE OR ASSIGNEE OF THE MEMBERSHIP INTEREST SHALL LIKEWISE BECOME A SUBSTITUTE MEMBER. IF 70% OF THE MEMBERS DO NOT APPROVE OF SUCH TRANSFER OR ASSIGNMENT, THE TRANSFEREE OR ASSIGNEE OF THE MEMBERSHIP INTEREST SHALL HAVE NO RIGHT TO PARTICIPATE IN THE MANAGEMENT OF THE BUSINESS AND AFFAIRS OF THE COMPANY, TO VOTE, OR TO BE ADMITTED AS A MEMBER, BUT SHALL ONLY BE ENTITLED TO RECEIVE THE SHARE OF PROFITS, LOSSES AND DISTRIBUTIONS, TO WHICH THE TRANSFERRING OR ASSIGNING MEMBER WOULD OTHERWISE BE ENTITLED. WITH RESPECT TO ALL OR ANY PORTION OF A MEMBERSHIP INTEREST THAT IS TRANSFERRED OR ASSIGNED, THE SUBSTITUTE MEMBER HAS THE RIGHTS AND POWERS AND IS SUBJECT TO THE RESTRICTIONS AND LIABILITIES THAT ARE ASSOCIATED WITH ALL OR ANY PORTION OF SUCH MEMBERSHIP INTEREST WHICH ACCRUED PRIOR TO THE DATE OF SUBSTITUTION. IN ANY EVENT, NO TRANSFER OR ASSIGNMENT OF ALL OR ANY PORTION OF A MEMBERSHIP INTEREST IN THE COMPANY (INCLUDING THE TRANSFER OR ASSIGNMENT OF ANY RIGHT TO RECEIVE OR SHARE IN PROFITS, LOSSES, OR DISTRIBUTIONS) SHALL BE EFFECTIVE UNLESS AND UNTIL WRITTEN NOTICE (INCLUDING THE NAME AND ADDRESS OF THE PROPOSED TRANSFEREE OR ASSIGNEE, THE INTEREST TO BE TRANSFERRED OR ASSIGNED, AND THE DATE OF SUCH TRANSFER OR ASSIGNMENT) HAS BEEN PROVIDED TO THE COMPANY AND THE NONTRANSFERRING OR NONASSIGNING MEMBER(S). EVERY PERSON BEFORE BECOMING A SUBSTITUTE MEMBER MUST ASSUME THIS AGREEMENT, AS AMENDED FROM TIME TO TIME, IN WRITING.

## 11.3 PERMITTED TRANSFEREES.

A. SUBJECT TO SECTIONS 11.3(B) BELOW, A MEMBER MAY AT ANY TIME TRANSFER ALL OR ANY PORTION OF SUCH MEMBER'S INTEREST TO: (1) ANY OTHER MEMBER; OR (II) THE TRANSFEROR'S EXECUTOR, ADMINISTRATOR, TRUSTEE, OR PERSONAL REPRESENTATIVE TO WHOM SUCH MEMBER'S INTERESTS ARE TRANSFERRED AT DEATH.

11.4 RIGHT OF FIRST REFUSAL. BEFORE ANY MEMBER SELLS HIS OR HER MEMBERSHIP INTEREST TO A NON-MEMBER IT SHALL FIRST OFFER THE MEMBERSHIP INTEREST TO THE OTHER MEMBERS' ALONG THE SAME TERMS. IT SHALL PROVIDE EACH OF THE MEMBERS A COPY OF THE AGREEMENT TO SELL TO THE THIRD PARTY AND EACH OF THE MEMBERS SHALL HAVE TEN (10) DAYS TO ACCEPT OR REJECT THE OFFER TO PURCHASE THE MEMBERSHIP INTEREST ALONG THE SAME TERMS. FAILURE TO NOTIFY OF THE INTENT TO PURCHASE DURING THE TEN (10) DAY PERIOD SHALL BE DEEMED A DECISION NOT TO PURCHASE THE OTHER PERSON'S MEMBERSHIP INTEREST. IF MORE THAN ONE OTHER PERSON WANTS TO PURCHASE A TRANSFERRING MEMBER'S INTEREST EACH OF THOSE MEMBERS SHALL TAKE PRO RATA.

11.5 LOSS OF MEMBERSHIP INTEREST DUE TO MATERIAL BREACH. IF ANY MEMBER MATERIALLY VIOLATES THE TERMS OF THIS OPERATING AGREEMENT THEY SHALL FORFEIT THEIR INTEREST IN DESERT.

**ARTICLE 12**  
**DISSOLUTION AND TERMINATION**

**12.1 DISSOLUTION**

A. THE COMPANY SHALL BE DISSOLVED UPON THE OCCURRENCE OF ANY OF THE FOLLOWING EVENTS (A "DISSOLUTION EVENT"):-

I. IF THE COMPANY VOLUNTARILY ENTERS BANKRUPTCY CHAPTER VII OR ANOTHER INSOLVENCY PROCEEDING THAT CONTEMPLATES ITS FINAL LIQUIDATION, OR DOES SO INVOLUNTARILY AND SUCH PROCEEDING IS NOT VACATED OR DISMISSED WITHIN ONE HUNDRED TWENTY (120) DAYS AFTER COMMENCEMENT THEREOF; OR

II. BY THE VOTE OR WRITTEN CONSENT OF ALL OF THE MEMBERS.

B. AS SOON AS POSSIBLE FOLLOWING THE OCCURRENCE OF ANY DISSOLUTION EVENT THE APPROPRIATE REPRESENTATIVE OF THE COMPANY SHALL MAKE ALL FILINGS AND DO ALL ACTS NECESSARY TO DISSOLVE THE COMPANY.

**12.2 DISTRIBUTION OF ASSETS UPON DISSOLUTION** IN SETTLING ACCOUNTS AFTER DISSOLUTION, THE ASSETS OF THE COMPANY SHALL BE DISTRIBUTED IN THE SAME ORDER AS SET FORTH FOR ORDINANCES AFTER ALL DISTRIBUTION, LIABILITIES ARE PAID.

**12.3 WINDING UP** EXCEPT AS PROVIDED BY LAW, UPON DISSOLUTION, EACH MEMBER SHALL LOOK SOLELY TO THE ASSETS OF THE COMPANY FOR THE RETURN OF ITS CAPITAL CONTRIBUTION. IF THE COMPANY PROPERTY REMAINING AFTER THE PAYMENT OR DISCHARGE OF THE DEBTS AND LIABILITIES OF THE COMPANY IS INSUFFICIENT TO RETURN THE CAPITAL CONTRIBUTION OF EACH MEMBER, SUCH MEMBER SHALL HAVE NO RECOURSE AGAINST ANY OTHER MEMBER. THE WINDING UP OF THE AFFAIRS OF THE COMPANY AND THE DISTRIBUTION OF ITS ASSETS SHALL BE CONDUCTED EXCLUSIVELY BY THE MANAGER, WHO IS HEREBY AUTHORIZED TO TAKE ALL ACTIONS NECESSARY TO ACCOMPLISH SUCH DISTRIBUTION, INCLUDING WITHOUT LIMITATION, SELLING ANY COMPANY ASSETS THE MANAGER DEEMS NECESSARY OR APPROPRIATE TO SELL IN THE DISCRETION OF THE MANAGER, A PRO RATA PORTION OF THE AMOUNTS THAT OTHERWISE WOULD BE DISTRIBUTED TO THE MEMBERS UNDER THIS ARTICLE MAY BE WITHHELD TO PROVIDE A REASONABLE RESERVE FOR UNKNOWN OR CONTINGENT LIABILITIES OF THE COMPANY.

**12.4 NOTICE OF DISSOLUTION** WITHIN NINETY (90) DAYS OF THE HAPPENING OF A DISSOLUTION EVENT, THE MANAGER SHALL GIVE WRITTEN NOTICE THEREOF TO EACH OF THE MEMBERS, TO THE BANKS AND OTHER FINANCIAL INSTITUTIONS WITH WHICH THE COMPANY NORMALLY DOES BUSINESS, AND TO ALL OTHER PARTIES WITH WHOM THE COMPANY REGULARLY CONDUCTS BUSINESS.

**ARTICLE 13**

#### MISCELLANEOUS PROVISIONS

13.1 NOTICES. ANY NOTICE OR COMMUNICATION REQUIRED OR PERMITTED TO BE GIVEN BY ANY PROVISION OF THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO ANY CONSENTS, SHALL BE IN WRITING AND SHALL BE CONCLUSIVELY DEEMED TO HAVE BEEN GIVEN AND RECEIVED BY THE PERSON TO WHOM DIRECTED, AS FOLLOWS:

A. ON THE DAY DELIVERED IF PERSONALLY DELIVERED TO SUCH PERSON OR TO AN OFFICER OR REPRESENTATIVE OF THE PERSON;

B. ON THE FIRST BUSINESS DAY DELIVERY IS ATTEMPTED WHEN SERVICE IS BY OVERNIGHT COURIER ADDRESSED TO THE PERSON AT THE ADDRESS, IF ANY, SHOWN ON THE PAGE CONTAINING THEIR SIGNATURES, OR SUCH OTHER ADDRESS OF WHICH SUCH PERSON HAS NOTIFIED THE COMPANY AND EVERY OTHER MEMBER;

C. IF TRANSMITTED BY WAY OF FACSIMILE TO THE FACSIMILE NUMBER OF SUCH PERSON WHO HAS NOTIFIED THE COMPANY AND EVERY OTHER MEMBER OF ITS FACSIMILE NUMBER, WITH EVIDENCE OF A CONFIRMED TRANSMISSION, SUCH NOTICE RECEIVED DURING BUSINESS HOURS DURING A BUSINESS DAY SHALL BE DEEMED MADE ON SUCH BUSINESS DAY; FACSIMILE TRANSMISSIONS RECEIVED AT ANY OTHER TIME SHALL BE DEEMED RECEIVED ON THE NEXT BUSINESS DAY;

D. THREE (3) BUSINESS DAYS AFTER BEING POSTED IN THE UNITED STATES OR UPON RECEIPT, WHICHEVER IS SOONER, IF SENT BY REGISTERED, EXPRESS OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, POSTAGE AND CHARGES PREPAID ADDRESSED TO THE PERSON AT THE ADDRESS, IF ANY, SHOWN ON THE PAGE CONTAINING THEIR SIGNATURES, OR SUCH OTHER ADDRESS OF WHICH SUCH PERSON HAS NOTIFIED THE COMPANY AND EVERY OTHER MEMBER.

If no address appears on the page containing a Member's signature and if the Company and the Members have not been notified of any other address at which such Person shall receive notifications, then a notice delivered to the Manager, who shall reasonably attempt to forward the notice to such Person, shall constitute sufficient notice such Person.

13.2 APPLICATION OF NEVADA LAW. THIS AGREEMENT, AND THE APPLICATION AND INTERPRETATION HEREOF, SHALL BE GOVERNED EXCLUSIVELY BY ITS TERMS AND BY THE LAWS OF THE STATE OF NEVADA; AND SPECIFICALLY THE ACT. CLARK COUNTY, NEVADA SHALL BE THE EXCLUSIVE VENUE FOR ANY ACTION BROUGHT BY ANY PARTY IN ANY WAY RELATED TO THIS AGREEMENT.

13.3 WAIVER OR ACTION FOR PARTITION. EACH MEMBER IRREVOCABLY WAIVES DURING THE TERM OF THE COMPANY ANY RIGHT THAT SUCH MEMBER MAY HAVE TO MAINTAIN ANY ACTION FOR PARTITION WITH RESPECT TO THE PROPERTY OF THE COMPANY.

13.4 AMENDMENTS. A PROPOSED AMENDMENT TO THIS AGREEMENT SHALL BECOME EFFECTIVE AT SUCH TIME AS IT HAS BEEN UNANIMOUSLY APPROVED BY THE MEMBERS.

13.5 CONSTRUCTION. WHENEVER THE SINGULAR NUMBER IS USED IN THIS AGREEMENT AND WHEN REQUIRED BY THE CONTEXT, THE SAME SHALL INCLUDE THE PLURAL, AND THE MASCULINE GENDER SHALL INCLUDE THE FEMININE AND NEUTER GENDERS AND VICE VERSA.

13.6 HEADINGS. THE HEADINGS IN THIS AGREEMENT ARE INSERTED FOR CONVENIENCE ONLY AND ARE IN NO WAY INTENDED TO DESCRIBE, INTERPRET, DEFINE, OR LIMIT THE SCOPE, EXTENT OR INTENT OF THIS AGREEMENT OR ANY PROVISION HEREOF.

13.7 WAIVERS. THE FAILURE OF ANY PARTY TO SEEK REDRESS FOR VIOLATION OF OR TO INSIST UPON THE STRICT PERFORMANCE OF ANY COVENANT OR CONDITION OF THIS AGREEMENT SHALL NOT PREVENT A SUBSEQUENT ACT, WHICH WOULD HAVE ORIGINALLY CONSTITUTED A VIOLATION, FROM HAVING THE EFFECT OF AN ORIGINAL VIOLATION, EXCEPT IN THE EVENT OF A WRITTEN WAIVER TO THE CONTRARY THAT SPECIFICALLY STATES THAT THIS SECTION 13.7 SHALL BE INAPPLICABLE.

13.8 RIGHTS AND REMEDIES CUMULATIVE. THE RIGHTS AND REMEDIES PROVIDED BY THIS AGREEMENT ARE CUMULATIVE AND THE USE OF ANY ONE RIGHT OR REMEDY BY ANY PARTY SHALL NOT PRECLUDE OR WAIVE THE RIGHT TO USE ANY OR ALL OTHER REMEDIES. SAID RIGHTS AND REMEDIES ARE GIVEN IN ADDITION TO ANY OTHER RIGHTS THE PARTIES MAY HAVE BY LAW, STATUTE, ORDINANCE OR OTHERWISE.

13.9 SEVERABILITY. IF ANY PROVISION OF THIS AGREEMENT OR THE APPLICATION THEREOF TO ANY PERSON OR CIRCUMSTANCE SHALL BE INVALID, ILLEGAL OR UNENFORCEABLE TO ANY EXTENT, THE REMAINDER OF THIS AGREEMENT AND THE APPLICATIONS THEREOF SHALL NOT BE AFFECTED AND SHALL BE ENFORCEABLE TO THE FULLEST EXTENT PERMITTED BY LAW.

13.10 HEIRS, SUCCESSORS AND ASSIGNS. EACH AND ALL OF THE COVENANTS, TERMS, PROVISIONS AND AGREEMENTS HEREIN CONTAINED SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF THE PARTIES HERETO AND, TO THE EXTENT PERMITTED BY THIS AGREEMENT, THEIR RESPECTIVE HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS.

13.11 CREDITORS. NONE OF THE PROVISIONS OF THIS AGREEMENT SHALL BE FOR THE BENEFIT OF OR ENFORCEABLE BY ANY CREDITORS OF THE COMPANY.

13.12 COUNTERPARTS. THIS AGREEMENT MAY BE EXECUTED IN COUNTERPARTS, EACH OF WHICH SHALL BE DEEMED AN ORIGINAL BUT ALL OF WHICH SHALL CONSTITUTE ONE AND THE SAME INSTRUMENT.

13.13 FURTHER ASSURANCES. THE MEMBERS AND THE COMPANY AGREE THAT THEY AND EACH OF THEM WILL TAKE WHATEVER ACTION OR ACTIONS AS ARE DEEMED BY COUNSEL TO THE COMPANY TO BE REASONABLY NECESSARY OR DESIRABLE FROM TIME TO TIME TO EFFECTUATE THE PROVISIONS OR INTENT OF THIS AGREEMENT, AND TO THAT END, THE MEMBERS AND THE COMPANY AGREE THAT THEY WILL EXECUTE, ACKNOWLEDGE, SEAL, AND DELIVER ANY FURTHER INSTRUMENTS OR DOCUMENTS WHICH MAY BE NECESSARY TO GIVE FORCE AND EFFECT TO THIS AGREEMENT OR ANY OF THE PROVISIONS HEREOF, OR TO CARRY OUT THE INTENT OF THIS AGREEMENT OR ANY OF THE PROVISIONS HEREOF.

13.14 ENTIRE AGREEMENT. EXCEPT FOR THE PARTIES' SEPTEMBER 23, 2015 SETTLEMENT AGREEMENT, THIS AGREEMENT, INCLUDING EVERY APPENDIX ATTACHED HERETO, SETS FORTH ALL (AND IS INTENDED BY ALL PARTIES HERETO TO BE AN INTEGRATION OF ALL) OF THE PROMISES, AGREEMENTS, CONDITIONS, UNDERSTANDINGS, WARRANTIES, AND REPRESENTATIONS AMONG THE PARTIES HERETO WITH RESPECT TO THE ORGANIZATION OF THE COMPANY;

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AND THERE ARE NO PROMISES, AGREEMENTS, CONDITIONS, UNDERSTANDINGS, WARRANTIES, OR REPRESENTATIONS, ORAL OR WRITTEN, EXPRESS OR IMPLIED, AMONG THEM OTHER THAN AS SET FORTH HEREIN.

13.15 TIME OF ESSENCE. TIME IS OF THE ESSENCE OF THIS AGREEMENT AND ALL OF THE TERMS, PROVISIONS, COVENANTS AND CONDITIONS HEREOF.

13.16 CONFLICTS INTEREST. THE MEMBERS HEREBY ACKNOWLEDGE THAT (I) FENNEMORE CRAIG, P.C. ("FC") HAS REPRESENTED HUFFMAN, GUNSALLUS AND DAVIS IN CONNECTION WITH THE FORMATION OF THE COMPANY AND THE DRAFTING OF THIS OPERATING AGREEMENT, (II) THAT EACH OF THESE PARTIES AND THE OTHER PARTIES HAVE BEEN ADVISED TO SEEK INDEPENDENT COUNSEL IN CONNECTION WITH SUCH MATTERS. PAYMENT OF FC'S FEES BY THE COMPANY, SHALL NOT ALTER OR AMEND ANY OF THE RELATIONSHIPS CONTEMPLATED IN THIS PARAGRAPH.

13.17 Material Violation Loss of Membership Interest. The Members agree to work cooperatively towards the successful licensing, building and running of a marijuana business. Further, that they have signed a settlement agreement resolving past conflicts. That a term of that agreement and this agreement is that if any party materially violates either agreement (as determined by a court of law), that party shall forfeit their interest in Desert.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, THE MEMBERS HAVE EXECUTED THIS AGREEMENT TO BE EFFECTIVE AS OF THE DATE FIRST WRITTEN ABOVE.

BY:

BRENDA GUNSALLUS

BY:

DARLENE DAVIS

BY:

PAULA NEWMAN

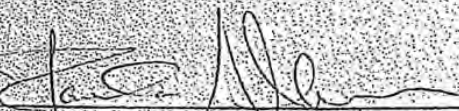
By:

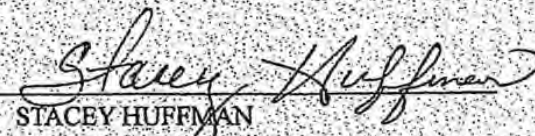
STACEY HUFFMAN

IN WITNESS WHEREOF, the Members have executed this Agreement to be effective as of the date first written above.

By:   
BRENDA GUNSALLUS

By:   
DARLENE DAVIS

By:  1/7/2016  
PAULA NEWMAN

By:   
STACEY HUFFMAN

**Exhibit A**  
Ownership of Desert Aire Wellness, LLC  
as of October 24, 2017

<b>Member</b>	<b>Membership Interest</b>
Stacey Huffman	41.50%
Paula Newman	17.00%
Brenda Gunsallus	21.00%
Darlene Davis	12.00%
Michael Suedkamp	<u>8.50%</u>
<b>Total:</b>	<b>100.00%</b>

# EXHIBIT 4

APP 0052

**AA 005378**

# Can stigma of medical marijuana go up in smoke?

By Bobbie Katz, Special to The Sunday

Published Monday, Feb. 8, 2016 | 2 a.m.

Updated Monday, Feb. 8, 2016 | 3:50 p.m.

Editor's note: Before writing and submitting this story, the freelance writer worked temporarily to help publicize the Sahara Wellness ribbon-cutting. The writer said she did not have a direct relationship with the company at the time and has no current business ties with it.

The building is windowless, locked behind a gate and monitored 24/7 by a security guard.

Inside, however, it is warm and inviting. Art covers the walls, a fountain trickles and brightly lit display cases showcase goods.

The owners of Sahara Wellness — Nevada's first all-female-owned medical marijuana dispensary — know their industry can be intimidating for many people. While certain measures must be taken for the security of customers and employees, Brenda Gunsallus, Alex Davis, Paula Newman and Stacey Huffman aim to make their facility welcoming to everyone, particularly women, who the owners say often are uncomfortable with using marijuana as a medical treatment because of the stigma attached to the drug.

"We are going to host classes and seminars, and have nurses come in to meet people and share their experiences," said Gunsallus, general manager of the dispensary. "I also go over the process and the different strains one-on-one. What I feel makes us different as women owners is that we are going to spend time with each of our patients and get to know them as individuals. We really want to take care of them and make them feel safe and secure. Our motto is 'patients over profits.'"

The women said they were inspired to enter the field by friends who suffer from seizures and other maladies, and were helped by medical marijuana.

"I met a 14-year-old girl who had been having 15 to 25 seizures a day, and six months after starting cannabis treatment, she was bowling and living a normal life," Gunsallus said. "We just want to help people, and our major goal is to make everyone comfortable in seeking treatment, especially women and the elderly, who may be reticent because of the stigma of marijuana."

Located at 420 E. Sahara Ave. in Las Vegas, the dispensary offers products and services to anyone in possession of a medical marijuana card. The ladies say they didn't know that 420 was a code term for cannabis consumption until people started congratulating them on their address.

Marijuana has been touted for treating a variety of conditions — cancer, colitis, panic disorder, autism, appetite loss, arthritis, social anxiety, gastritis and glaucoma, to name a few — and the owners plan to teach customers which strains and forms of cannabis are best to treat specific problems. Cannabinoids are the chemical compounds secreted by cannabis that are used for medicinal purposes, while THC, or tetrahydrocannabinol, has more of a euphoric effect.

“Marijuana is real medicine,” Gunsallus said.

Cannabinoids can be extracted as an oil and infused in food, candy, soda, tea, honey, peanut butter, chocolate and more. For medical relief, people can drink, vaporize or rub themselves with marijuana, in tinctures, tonics, balms, salves, lotions, sprays or ointments.

The owners of Sahara Wellness plan to open a cultivation company, Circle S Farms, in North Las Vegas in March or April.

“There, the oil will be able to be put into tablets or capsules if the patient desires,” Gunsallus said. “The point is that people don’t have to smoke it.”

On the walls of Sahara Wellness are huge menus that list marijuana varieties. The dispensary sells varying amounts of marijuana, from a gram to a quarter of an ounce, and has large glass cases offering paraphernalia. Prices vary, but an eighth of an ounce typically costs about \$50 plus tax. Only cash is accepted.

“There are different strains of marijuana to help different ailments,” Gunsallus said. “The different strains are from different plants. We offer 18 strains and will be adding more as they become available.”

Cookie Cross is good for severe pain, nausea and appetite loss; Pineapple Express, which is high in cannabinoids, is good for energy; Lavender treats anxiety; Strawberry Cough helps ease stress, and 9 lb. Hammer is good for pain.

“We recommend that a person start with the lowest dosage and work his or her way up,” Gunsallus said. “But people make their own decisions and administer it themselves or via their doctor.”

Cannabis also can be given to animals that have seizures.

Sahara Wellness gets its product from city-approved cultivators such as Green Life and Deep Roots, and the owners say they will continue to carry city-approved strains even when they open Circle S Farms.

“This is a small industry, and we are learning together,” Gunsallus said. “We are willing to work together to ensure that it’s a patient-friendly industry. It is highly regulated, and we all want to make sure we are all following the rules and that the medicine is safe for patients.”

# EXHIBIT 5

APP 0055

**AA 005381**



# Desert Aire Dispensary is Coming ... to 420 Sahara Avenue

**NEWS**

April 21, 2015 at 2:05pm

By Lissa Townsend Rodgers

April 20 is always a big day for the marijuana community, but things got especially festive on East Sahara Avenue this past 4/20. At 4:20 p.m., the proprietors of the Desert Aire Wellness medical marijuana dispensary, along with Councilman Bob Coffin, broke ground on a new facility, located at 420 East Sahara.

No, really.

Several dozen well-wishers gathered to applaud and sip Margaritas. “We really wanted to thank everybody that has been there with us and that’s why we’re doing this celebration tonight, to say thank you for getting us to this point,” said Brenda Gunsallus, one of the partners in Desert Aire. There was also a proclamation from Tick Segerblom, lauding Desert Aire as “the first all-female owned medical marijuana dispensary in South Nevada,” and thanking its proprietors for “contributing to the economic diversity of our state.”

“It’s been about 13 months from sitting down and starting the application process to today,” says Suzanne Lera, one of the partners in Desert Aire. “I think our biggest obstacle was getting through the little red tape of the process. Being told ‘No’ a lot,” she adds. “We couldn’t do this, we weren’t politically connected....”

But Desert Aire persevered through the lengthy and convoluted licensing process, and are now “shooting for an end-of-summer opening,” according to Paula Newman, another partner in the group. The building is already standing, but will need a complete renovation: “We’ll have a large lounge area, our dispensary is a large area,” explains Lera. “There will be flatscreens specialized with bodies on them, so you can go up and touch what’s ailing you and it’ll give you a list of what products we carry that will help that.”

The dispensary's off-Strip location, at the edge of the Paradise Tract neighborhood, serves two markets. "We felt like this would be a good location because we can do the locals on this side of town, they don't have to cross the Strip or go too close to it," explains Lera. "And if visitors want to come, they can walk."

So, how did they luck into that magical address? "I happened to be driving down Sahara and saw a "for lease" sign," Lera says. She called, met with the landlady and only then "realized it was 420."

"I was the only one in the group who even knew what it meant," she says, laughing.

TAGS   [DESERT AIRE](#)   [DOWNTOWN NEWS](#)   [MEDICAL MARIJUANA](#)



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# EXHIBIT 6

APP 0059

**AA 005385**

## Group of women trying to break into pot business 'for the right reasons'

By Joe Schoenmann

Sunday, July 27, 2014 | 2 a.m.

They're not well connected and they don't have a ton of money. But five Las Vegas women — a former cop, a former poker dealer, two salespeople and a small-business owner — hope to crack the medical marijuana market.

Under the business name Desert Aire Wellness LLC, Stacey Nunn, Paula Newman, Alex Davis, Susan Lera and Brenda Gunsallus are seeking city licenses to grow, produce and sell medical marijuana.

The women, who work out of a room at a Hampton Inn, say they're doing it because they've each known someone who could benefit from medicinal pot, and they want to create a business for "regular" people to feel welcome. And they have one powerful connection: Super lawyer Jay Brown, one of Southern Nevada's most connected lobbyists. He is a former law partner of ex-Las Vegas Mayor Oscar Goodman and has ties to Senate Majority Leader Harry Reid.

Why are you getting into the medical marijuana business?

Susan Lera: I have an autistic child. The school district keeps pushing us to put him on Ritalin or Adderall, and I don't want to. I'm doing it because I want to help children. (Some studies have shown that the cannabinoids in marijuana help people with autism).

Is there a reason you are a women-only business?

Lera: We've done some research and found that women are very uncomfortable going into a dispensary. We're trying to gear it more toward them, with cleanliness and safety.

How much does it cost?

Lera: Licensing is about \$15,000. The attorney is about \$100,000. Plans will be about another \$20,000. Then redoing the building (in the 400 block of East Sahara Avenue) is about \$300,000.

How much will your pot sell for?

Lera: About \$50 for an eighth of an ounce, plus sales tax.

So about \$400 an ounce?

Lera: Right.

What about security? Is that a big issue?

Lera: Our building will have no windows. We're going to do a gate system around it that will be open during the day but be closed at night. And we will have security guards when you come in the door.

What do your friends and family say?

Lera: It's fascinating. Since we started, we've heard nothing but there's no way we can do this because we don't have the political pull or enough connections. We're everyday working women. We don't have deep pockets. We have a year's worth of money to cover us.

Do you think you'll get rich from this?

Brenda Gunsallus: We had an expert come from Arizona. He has been around us for weeks. He finally put down the phone and said, "I want to tell you something. I've been in this industry for a long time, but not one of you has asked me how much revenue is going to be made." This group is doing it for the right reasons.

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Las Vegas Sun

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APP 0061

AA 005387

0 Comments  
 26

# Group of women trying to break into pot business 'for the right reasons'



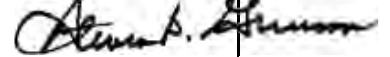
From left, Paula Newman, Alexandra Davis, Susan Lara and Brenda Gunsallus work on their application for a medical marijuana dispensary and production facility Wednesday, July 16, 2014.

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 OFFICIAL SPONSOR OF THE  
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 GOLDEN KNIGHTS  
 PT'S  
 FIND LOCATION

# Exhibit 4

APP 0063



1 **MPTD**

2 MARGARET A. MCLEATCHIE, Nevada Bar No. 10931

3 CARLY KRYGIER, Nevada Bar No. 14392

4 **MCLEATCHIE LAW**

5 701 E. Bridger Avenue, Suite 520

6 Las Vegas, NV 89101

7 Telephone: (702) 728-5300; Fax (702) 425-8220

8 Email: maggie@nvlitigation.com

9 Counsel for Desert Aire Wellness, LLC

10 **EIGHTH JUDICIAL DISTRICT COURT**

11 **CLARK COUNTY, NEVADA**

12 QUALCAN, LLC, a Nevada limited liability  
13 company,

Case No.: A-15-721086-C

14 Plaintiff,

Dept. No.: II

15 vs.

**DEFENDANT/  
COUNTERCLAIMANT'S  
PRETRIAL DISCLOSURES**

16 DESERT AIRE WELLNESS, LLC, a  
17 Nevada limited liability company;  
18 PAUALA NEWMAN, an individual; and  
19 SUSAN LERA, an individual,

20 Defendants.

21 AND ALL RELATED CLAIMS.

22 COMES NOW Defendant/Counterclaimant, Desert Aire Wellness LLC, and  
23 submits the following pretrial disclosures pursuant to Nevada Rule of Civil Procedure  
24 16.1(a)(3)(A):

25 **(i) WITNESSES**

- 26 • Brenda Gunsallus, Manager of the Defendant/Counterclaimant Desert Aire  
27 Wellness, LLC;
- 28 • Stacey O. Huffman fka Stacey Nunn, Manager of the  
Defendant/Counterclaimant Desert Aire Wellness, LLC;
- Darlene "Alex" Davis, Manager of the Defendant/Counterclaimant Desert Aire

Wellness, LLC;

- Curtis Huffman, consultant to Stacey O. Huffman and Brenda Gunsallus;
- Person Most Knowledgeable, QualCan, Plaintiff/Counterdefendant;
- Paula Newman, Defendant; and
- Susan Lera, Defendant.
- Any and all witnesses named by the other parties in this action, or referenced in documents produced by the other parties on or by March 22, 2019.

**(ii) EXHIBITS**

<b>Document Description</b>	<b>Bates Nos.</b>
Letter from Black & LoBello dated June 19, 2015	DAW0001-DAW0002
Letter to Black & LoBello dated June 22, 2015	DAW0003-DAW0004
Original July 6, 2014, Operating Agreement of Desert Aire Wellness LLC	DAW0005-DAW0020
Restated Operating Agreement for Desert Aire Wellness LLC dated March 5, 2015	DAW0021-DAW0045
Desert Aire Wellness LLC Consent of Members signed and dated in March 2015	DAW0046
Minutes of the Special Meeting of Managers held on March 31, 2015, wherein Curtis Huffman resigned as Manager of Desert Aire Wellness LLC	DAW0047
Acceptance of Appointment appointing Stacey O. Huffman as a Co-Manager upon the resignation of Curtis Huffman	DAW0048
Assignment of Membership Interest in Desert Aire Wellness LLC dated March 17, 2015, wherein Susan Lera assigned 15.5% interest of her 25% membership interest to Stacey O. Huffman	DAW0049
Assignment of Membership Interest in Desert Aire Wellness LLC dated April 24, 2015, wherein Paula Newman assigned 5% of her 25.5% membership interest to Brenda Gunsallus	DAW0050-DAW0052
Nevada Secretary of State information for Desert Aire Wellness LLC reflecting all actions	DAW0053-DAW0055
Letter to AJ Kung; Esq. regarding the Membership Purchase Agreement between Stacey Huffman and Susan Lera	DAW0056
Limited Liability Company Membership Interest Purchase Agreement dated March 10, 2015 wherein Stacey O. Huffman purchased 15.5% of Susan Lera's 25.5% membership interest for \$200,000.00	DAW0057-DAW0063
Communications regarding and draft versions of an Amended Operating Agreement of Desert Aire Wellness LLC	DAW0064-DAW0238
Affidavit of Susan Lera dated January 31, 2017	DAW0239

Document Description	Bates Nos.
Email Cease and Desist Letter from Susan Lera to Brenda Gunsallus dated December 20, 2014	DAW0240-DAW0241
Text messages and email communications	DAW0242-DAW0470
Defendant/Counterclaimant reserves its right to utilize any documents produced by any other party as exhibits at trial.	TBD

DATED this 22<sup>nd</sup> day of March, 2019.

/s/ Margaret A. McLetchie

MARGARET A. MCLETCHE, Nevada Bar No. 10931

CARLY KRYGIER, Nevada Bar No. 14392

**MCLETCHE LAW**

701 E. Bridger Avenue, Suite 520

Las Vegas, NV 89101

Telephone: (702) 728-5300; Fax (702) 728-5300

Email: maggie@nvlitigation.com

*Counsel for Desert Aire Wellness, LLC*

### **CERTIFICATE OF SERVICE**

Pursuant to Administrative Order 14-2 and N.E.F.C.R. 9, I hereby certify that on this 22<sup>nd</sup> day of March, 2019, I did cause a true copy of the foregoing DEFENDANT/COUNTERCLAIMANT'S PRETRIAL DISCLOSURES in *Qualcan, LLC v. Desert Aire Wellness, LLC*, Clark County District Court Case No. A-15-721086-C, to be served electronically using the Odyssey File & Serve system to all parties with an email address on record.

I hereby further certify that on the 22<sup>nd</sup> day of March, 2019, pursuant to Nev. R. Civ. P. 5(b)(2)(B), I mailed a true and correct copy of the foregoing DEFENDANT/COUNTERCLAIMANT'S PRETRIAL DISCLOSURES by depositing the same in the United States mail, first-class postage pre-paid, to the following:

Susan Lera  
3321 Lacebark Pine  
Las Vegas, NV 89129  
***Pro Se Defendant***

/s/ Pharan Burchfield

An Employee of McLetchie Law

# Exhibit 5

APP 0067

**AA 005393**

**ENTITY INFORMATION****ENTITY INFORMATION****Entity Name:**

PINE MOUNTAIN HOLDINGS LLC

**Entity Number:**

E0579382017-5

**Entity Type:**

Domestic Limited-Liability Company (86)

**Entity Status:**

Active

**Formation Date:**

12/14/2017

**NV Business ID:**

NV20171801002

**Termination Date:**

Perpetual

**Annual Report Due Date:**

12/31/2019

**Series LLC:**☐**Restricted LLC:**☐**REGISTERED AGENT INFORMATION**

**Name of Individual or Legal Entity:**

MARGARET MCLETCHE

**Status:**

Active

**CRA Agent Entity Type:****Registered Agent Type:**

Non-Commercial Registered Agent

**NV Business ID:****Office or Position:****Jurisdiction:****Street Address:**

701 EAST BRIDGER AVENUE, SUITE 520, LAS VEGAS, NV, 89101, USA

**Email Address:****Mailing Address:**

701 EAST BRIDGER AVENUE, SUITE 520, LAS VEGAS, NV, 89101

**Individual with Authority to Act:****Contact Phone Number:****Fictitious Website or Domain Name:****PRINCIPAL OFFICE ADDRESS****Address:****Mailing Address:****OFFICER INFORMATION**☐ **VIEW HISTORICAL DATA**

APP 0069

**AA 005395**

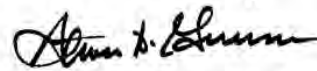
Title	Name	Address	Last Updated	Status
Manager	STACEY O HUFFMAN	701 EAST BRIDGER AVENUE, SUITE 520, LAS VEGAS, NV, 89101, USA	12/31/2018	Active
Manager	CURTIS HUFFMAN	701 EAST BRIDGER AVENUE, SUITE 520, LAS VEGAS, NV, 89101 - 5300, USA	12/31/2018	Active
Page 1 of 1, records 1 to 2 of 2				
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# Exhibit 6

APP 0071

**AA 005397**



CLERK OF THE COURT

AACC

Daniel R. Watkins

Nevada State Bar No. 11881

[DW@wl-llp.com](mailto:DW@wl-llp.com)

Brian S. Letofsky

Nevada State Bar No. 11836

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WATKINS & LETOFSKY, LLP

400 S. Fourth Street, Suite 280

Las Vegas, NV 89101

Office: (702) 385-5191; Fax: (702) 385-7282

ATTORNEYS FOR THIRD PARTY DEFENDANTS

AND THIRD PARTY PLAINTIFFS, SUSAN A.

LERA and PAULA L. NEWMAN

**DISTRICT COURT**  
**CLARK COUNTY, NEVADA**

QUALCAN, LLC, a Nevada limited liability  
company,

Plaintiff,

vs.

DESERT AIRE WELLNESS, LLC, a  
Nevada limited liability company,

Defendant.

DESERT AIRE WELLNESS, LLC, a  
Nevada limited liability company,

Counterclaimant,

vs.

QUALCAN, LLC, a Nevada limited liability  
company,

Counterdefendant.

Case No.: A-15-721086-C

Dept. No.: I

**THIRD PARTY DEFENDANTS AND  
THIRD PARTY PLAINTIFFS ANSWER  
AND COUNTERCLAIM**

DESERT AIRE WELLNESS, LLC, a  
Nevada limited liability company,

Third Party Plaintiff,

Vs.

PAULA L. NEWMAN, individually;  
SUSAN LERA, individually; DOE I through  
X; and ROE CORPORATIONS I through X,  
inclusive.

Third Party Defendants.

SUSAN A. LERA; PAULA L. NEWMAN;  
individuals;THIRD PARTY DEFENDANTS  
ANDTHIRD PARTY PLAINTIFFS;

vs.

BRENDA SUE GUNSALLUS, an  
individual; STACEY OWINGS NUNN  
HUFFMAN, an individual; CURTIS  
EDWARD HUFFMAN, an individual;  
DARLENE ALEXANDRA DAVIS, an  
individual;MICHAEL H. SINGER, an  
individual; and ROES 1-50, inclusive;

Third Party Defendants.

COMES NOW, THIRD PARTY DEFENDANTS and THIRD PARTY  
PLAINTIFFS,SUSAN A. LERA and PAULA L. NEWMAN(herein "LERA", "NEWMAN" or  
jointly "THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS"), by and through their  
attorneys, WATKINS & LETOFSKY, LLP, file this Answer to Defendant/Counterclaimant's  
Third Party Complaint and file their own Counterclaim against Third Partiesas follows:

**JURISDICTION AND VENUE**

I. Answering Paragraph 1, THIRD PARTY DEFENDANTS/THIRD PARTY  
PLAINTIFFS admit the allegations contained in paragraph 1.

2. Answering Paragraph 1, THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS admit the allegations contained in paragraph 1.

3. Answering Paragraph 1, THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS admit the allegations contained in paragraph 1.

4. Answering Paragraph 1, THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS admit the allegations contained in paragraph 1.

**GENERAL FACTS**

5. Answering Paragraph 5, THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS reallege and incorporate by reference the allegations stated above.

6. Answering Paragraph 6, THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS deny the allegations contained in paragraph 6.

7. Answering Paragraph 7, THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS deny the allegations contained in paragraph 7.

8. Answering Paragraph 8, THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS admit the allegations contained in paragraph 8.

**FIRST CLAIM FOR RELIEF**

**(Indemnity)**

9. Answering Paragraph 9, THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS reallege and incorporate by reference the allegations stated above.

10. Answering Paragraph 10, THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS deny that an Option was granted by Desert to Qualcan; admit that the purported Option was invalid; deny the legality of any Operating Agreement of Desert; admit the purported Option was invalid under NRS 86.351; admit that none of the other members of Desert were ever advised of the purported Option until being notified of same in late June or early July, 2015; and admit that none of the members of Desert ever agreed to the purported Option.

11. Answering Paragraph 11, THIRD PARTY DEFENDANTS/THIRD PARTY PLAINTIFFS admit the allegations contained in paragraph 11.

1           12.    Answering Paragraph 12, THIRD PARTY DEFENDANTS/THIRD PARTY  
2 PLAINTIFFS deny that Qualcan acquired any rights to membership interests of Desert at any  
3 time; admit that Qualcan instituted this action; deny any wrongful acts of THIRD PARTY  
4 DEFENDANTS/THIRD PARTY PLAINTIFFS.

5           13.    Answering Paragraph 13, THIRD PARTY DEFENDANTS/THIRD PARTY  
6 PLAINTIFFS deny the allegations contained in paragraph 13 and NRS 86.361 specifically states  
7 "Liability of persons assuming to act as company without authority. All persons who assume to  
8 act as a limited-liability company without authority to do so are jointly and severally liable for all  
9 debts and liabilities of the company."

10          14.    Answering Paragraph 14, THIRD PARTY DEFENDANTS/THIRD PARTY  
11 PLAINTIFFS deny Desert should become liable to Qualcan in any capacity; deny that they  
12 committed any wrongful acts; deny that they committed any acts with respect to Qualcan in an  
13 capacity on behalf of Desert; deny and wrongdoing.

14                           **SECOND CLAIM FOR RELIEF**

15                           **(Other Damages – Legal Fees)**

16          15.    Answering Paragraph 15, THIRD PARTY DEFENDANTS/THIRD PARTY  
17 PLAINTIFFS reallege and incorporate by reference the allegations stated above.

18          16.    Answering Paragraph 16, THIRD PARTY DEFENDANTS/THIRD PARTY  
19 PLAINTIFFS deny Defendants' wrongdoing; deny that Desert has properly and legally engaged  
20 the services of Michael H. Singer, Ltd.; admit that someone other than Desert has engaged the  
21 services of Michael H. Singer, Ltd. to defend the action instituted by QualCan.

22          17.    Answering Paragraph 17, THIRD PARTY DEFENDANTS/THIRD PARTY  
23 PLAINTIFFS deny the allegations contained in paragraph 17.

24                           **THIRD CLAIM FOR RELIEF**

25                           **(Breach of Duty of Good Faith and Loyalty)**

26          18.    Answering Paragraph 18, THIRD PARTY DEFENDANTS/THIRD PARTY  
27 PLAINTIFFS reallege and incorporate by reference the allegations stated above.

1           19.    Answering Paragraph 19, THIRD PARTY DEFENDANTS/THIRD PARTY  
2           PLAINTIFFS admit the allegations contained in paragraph 19.

3           20.    Answering Paragraph 20, THIRD PARTY DEFENDANTS/THIRD PARTY  
4           PLAINTIFFS deny the allegations contained in paragraph 20.

5           21.    Answering Paragraph 21, THIRD PARTY DEFENDANTS/THIRD PARTY  
6           PLAINTIFFS deny the allegations contained in paragraph 21.

7                                   **FOURTH CLAIM FOR RELIEF**

8                                   **(Equitable Relief)**

9           22.    Answering Paragraph 22, THIRD PARTY DEFENDANTS/THIRD PARTY  
10          PLAINTIFFS reallege and incorporate by reference the allegations stated above.

11          23.    Answering Paragraph 23, THIRD PARTY DEFENDANTS/THIRD PARTY  
12          PLAINTIFFS deny the allegations contained in paragraph 23.

13          24.    Answering Paragraph 24, THIRD PARTY DEFENDANTS/THIRD PARTY  
14          PLAINTIFFS deny the allegations contained in paragraph 24.

15          25.    Answering Paragraph 25, THIRD PARTY DEFENDANTS/THIRD PARTY  
16          PLAINTIFFS deny the allegations contained in paragraph 25.

17          26.    Answering Paragraph 26, THIRD PARTY DEFENDANTS/THIRD PARTY  
18          PLAINTIFFS deny the allegations contained in paragraph 26.

19                                   **FIFTH CLAIM FOR RELIEF**

20                                   **(Additional Claims)**

21          27.    Answering Paragraph 27, THIRD PARTY DEFENDANTS/THIRD PARTY  
22          PLAINTIFFS reallege and incorporate by reference the allegations stated above.

23          28.    Answering Paragraph 28, THIRD PARTY DEFENDANTS/THIRD PARTY  
24          PLAINTIFFS deny the allegations contained in paragraph 28.

25                                   **AFFIRMATIVE DEFENSES**

26                                   **I.**

27           1.    The Complaint of Qualcan, LLC and the Third Party Complaint of DESERT AIRE  
28

1 WELLNESS, LLC and each and every purported count and causes of action therein fail to state  
2 facts sufficient to constitute a legal cause of action against these answering Third Party  
3 Defendants.

4 2. The individual members of Qualcan, LLC and DESERT AIRE WELLNESS, LLC,  
5 not LERA and NEWMAN, assert counts and causes of action in the Complaint of Qualcan, LLC  
6 and the Third Party Complaint of DESERT AIRE WELLNESS, LLC that are barred in whole or  
7 in part by the doctrine of unclean hands.

8 3. The Complaint of Qualcan, LLC and the Third Party Complaint of DESERT AIRE  
9 WELLNESS, LLC and each and every purported count and causes of action therein are barred  
10 by the doctrine of laches.

11 4. The Complaint of Qualcan, LLC and the Third Party Complaint of DESERT AIRE  
12 WELLNESS, LLC and each and every purported count and causes of action therein are barred  
13 by the doctrine of waiver.

14 5. The Complaint of Qualcan, LLC and the Third Party Complaint of DESERT AIRE  
15 WELLNESS, LLC and each and every purported count and causes of action therein are barred  
16 by the doctrine of estoppel.

17 6. Qualcan, LLC and DESERT AIRE WELLNESS, LLC failed to mitigate their  
18 damages.

19 7. The Complaint of Qualcan, LLC and the Third Party Complaint of DESERT AIRE  
20 WELLNESS, LLC and each and every purported count and causes of action therein are barred  
21 by the appropriate statute of limitations.

22 8. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,  
23 lacks consideration.

24 9. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,  
25 was obtained by coercion.

26 10. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,  
27 was obtained by fraud.

28 11. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,

1 was obtained by duress.

2 12. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,  
3 was obtained by intentional misrepresentation.

4 13. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,  
5 was nothing more than a personal loan to Third Party Defendants, LERA and/or NEWMAN.

6 14. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,  
7 was obtained never presented to, accepted by, ratified by or adopted by DESERT AIRE  
8 WELLNESS, LLC.

9 15. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,  
10 never formed a legal and binding contract because there was no meeting of the minds amongst  
11 the parties to the Option.

12 16. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,  
13 never formed a legal and binding contract because Third Party Defendants, LERA and  
14 NEWMAN were never acting in the capacity of managers of DESERT AIRE WELLNESS, LLC  
15 at any time during the negotiations.

16 17. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,  
17 never formed a binding contract because there was not adequate consideration given.

18 18. The alleged Option in the Complaint of Qualcan, LLC, if any such document exists,  
19 was obtained never presented to DESERT AIRE WELLNESS, LLC by Third Party Defendants,  
20 LERA and NEWMAN for acceptance, ratification or adoption by DESERT AIRE WELLNESS,  
21 LLC.

22 19. Defendants hereby incorporate by reference those affirmative defenses enumerated  
23 in N.R.Civ.P. 8 as though fully set forth herein, as applicable upon discovery. In the event  
24 further investigation or discovery reveals the applicability of any such defenses, Defendants  
25 reserve the right to seek leave of court to amend this Answer to more specifically assert any such  
26 defense.

20. Pursuant to N.R.Civ.P. 11, all possible affirmative defenses may not have been alleged herein insofar as sufficient facts were not available after reasonable inquiry upon filing of this Answer. Therefore Defendants reserve the right to amend this Answer to allege additional affirmative defenses and claims, counter-claims or third-party claims, as applicable, upon further investigation and discovery.

WHEREFORE, THIRD PARTY DEFENDANTS and THIRD PARTY PLAINTIFFS pray that this Court grant the following relief:

- A. Judgment dismissing Defendant/Counterclaimant's Third Party Complaint;
- B. Award THIRD PARTY DEFENDANTS costs; and
- C. Award THIRD PARTY DEFENDANTS such other and further relief as the Court deems just and equitable.

### COUNTERCLAIM

COMES NOW, THIRD PARTY DEFENDANTS and THIRD PARTY PLAINTIFFS, SUSAN A. LERA and PAULA L. NEWMAN(herein "LERA", "NEWMAN" or jointly "THIRD PARTY PLAINTIFFS") who file this civil action against THIRD PARTY DEFENDANTS, BRENDA SUE GUNSALLUS, an individual; STACEY OWINGS NUNN HUFFMAN, an individual; CURTIS EDWARD HUFFMAN, an individual; DARLENE ALEXANDRA DAVIS, an individual; MICHAEL H. SINGER, an individual; and ROES 1-20, inclusive, (hereinafter jointly "THIRD PARTY DEFENDANTS") and each of them, for violations of Nevada law, seeking general, special and punitive damages and injunctive relief, and alleges as follows:

1. THIRD PARTY DEFENDANT, BRENDA SUE GUNSALLUS was, at all relevant times mentioned herein, an individual residing in North Carolina and conducting business in the state of Nevada.

2. THIRD PARTY DEFENDANT, STACEY OWINGS NUNN HUFFMAN was, at all relevant times mentioned herein, an individual residing in North Carolina and conducting business in the state of Nevada.

1           3.     THIRD PARTYDEFENDANT, CURTIS EDWARD HUFFMAN was, at all  
2 relevant times mentioned herein, an individual residing in North Carolina and conducting  
3 business in the state of Nevada.

4           4.     THIRD PARTYDEFENDANT, DARLENE ALEXANDRA DAVIS was, at all  
5 relevant times mentioned herein, an individual residing in North Carolina and conducting  
6 business in the state of Nevada.

7           5.     THIRD PARTYDEFENDANT, MICHAEL H. SINGER was, at all relevant times  
8 mentioned herein, an attorney conducting business in the state of Nevada.

9           6.     THIRD PARTY PLAINTIFFS allege that this is the proper court because the  
10 facts, allegations and violations of Nevada law took place and occurred in Clark County,  
11 Nevada.

12          7.     THIRD PARTY PLAINTIFFS are ignorant of the true names and capacities,  
13 whether individual, corporate, associate, or otherwise, of ROES 1 through 20, inclusive. The  
14 THIRD PARTY PLAINTIFFS are informed and believe and thereon allege that each of the  
15 fictitiously named THIRD PARTY DEFENDANTS are in some way responsible for, or  
16 participated in, or contributed to, the matters and things complained of herein, and are legally  
17 responsible in some manner. THIRD PARTY PLAINTIFF will seek leave to amend this  
18 Complaint when the true names, capacities, participation and responsibilities have been  
19 ascertained.

20                               **STATEMENT OF FACTS**

21          8.     While attending an informational meeting at the City of Las Vegas concerning  
22 Medical Marijuana Establishments (hereinafter "MME") in April of 2014, THIRD PARTY  
23 DEFENDANT, BRENDA SUE GUNSALLUS, (hereinafter individually "GUNSALLUS")  
24 approached THIRD PARTY PLAINTIFFS looking for "locals" in the Las Vegas area to start an  
25 MME business. GUNSALLUS pushed for her friend/business partner in North Carolina to be  
26 the financial backer of the companies. THIRD PARTY PLAINTIFFS later learned that THIRD  
27 PARTY DEFENDANTS, CURTIS EDWARD HUFFMAN and STACEY OWINGS NUNN  
28 HUFFMAN (hereinafter respectively "CURTIS HUFFMAN" and "STACEY HUFFMAN") own

1 illegal gaming/sweepstakes stores in North Carolina. GUNSALLUS stated the HUFFMANS  
2 owned copy and print shops. Also, STACEY HUFFMAN did not disclose she was engaged and  
3 getting married the next month to CURTIS HUFFMAN, who has current illegal sweepstake  
4 criminal charges against him in North Carolina. GUNSALLUS and THIRD PARTY  
5 PLAINTIFFS agreed to file paperwork for an MME cultivation and an MME cultivation  
6 business in Clark County. LERA was responsible for doing the paperwork for the County  
7 application. As the deadline was nearing for the County paperwork, there was not enough time  
8 to complete the application so GUNSALLUS and THIRD PARTY PLAINTIFFS decided to file  
9 for MME dispensary and cultivation business licenses with the City of Las Vegas and for MME  
10 dispensary and cultivation business licenses with the State of Nevada.

11 9. GUNSALLUS stated that she would provide the majority of the financial  
12 requirements for the MME business if LERA and NEWMAN would be the locals and do the  
13 required paperwork. GUNSALLUS stated that she had enough funds to file for three MME  
14 cultivations and a dispensary. GUNSALLUS, LERA and NEWMAN decided to call their MME  
15 business DESERT AIRE WELLNESS, LLC. In May and June of 2014, while in the process of  
16 completing the City of Las Vegas application paperwork, LERA and NEWMAN decided they  
17 needed assistance from an attorney and went to Jay Brown, Esq. At that time, due to the high  
18 attorneys' fees and the amount of money really needed to start up an MME, GUNSALLUS,  
19 LERA and NEWMAN jointly decided they would need additional funds from an investor(s).  
20 LERA and NEWMAN thought they had one and GUNSALLUS stated she could get two  
21 investors from North Carolina. The original idea was that the investors would be paid back their  
22 investments, plus a reasonable rate of return and a few percentage points of ownership.

23 10. GUNSALLUS pushed her "friend" STACEY HUFFMAN to become a partner  
24 and financial backer. STACY HUFFMAN was originally going to invest \$1,200,000 at a rate of  
25 10% per annum and get a 3% ownership in the MME. With this amount of investment money  
26 THIRD PARTY PLAINTIFFS did not need to seek an investor at this point.

27 11. On July 1, 2014, Jay Brown, Esq.'s office assisted GUNSALLUS, LERA and  
28 NEWMAN with the filing of Articles of Organization for a Limited Liability Company. On the

1 Articles of Organization, the name of the Restricted Limited Liability Company was DESERT  
2 AIRE WELLNESS, LLC. LERA, NEWMAN and GUNSALLUS are listed as Managing  
3 Members of the LLC and that day they were provided with a Limited Liability Company Charter  
4 by the State of Nevada Secretary of State.

5 12. On or about July 23, 2014, LERA, GUNSALLUS and Jay Brown, LLC's assistant  
6 drafted an Operating Agreement for DESERT AIRE WELLNESS, LLC. It was signed by  
7 LERA, NEWMAN and GUNSALLUS and states above the signatures "IN WITNESS  
8 WHEREOF, this Operating Agreement was adopted by a unanimous vote of all the members of  
9 this Company at the organization meeting thereof held on July 23, 2014." In the Operating  
10 Agreement, the allocation of profits and losses are set forth in Sections 4.1 and 4.2 as follows:  
11 26% to STACEY NUNN; 25.5% to NEWMAN, 25.5% to LERA; 8.5% to Michael Suedkamp;  
12 7.5% to GUNSALLUS and 7% to THIRD PARTY DEFENDANT, DARLENE DAVIS  
13 (hereinafter "DAVIS").

14 13. A few weeks before the City application was due, GUNSALLUS approached  
15 THIRD PARTY PLAINTIFFS and stated that she wanted LERA and NEWMAN to be listed as  
16 majority owners of the business with 51% (25.5% each), however, GUNSALLUS wanted to  
17 enter into a non-disclosed side deal with LERA and NEWMAN only having 18% (9% each).  
18 THIRD PARTY PLAINTIFFS stated they would not agree to execute any non-disclosed side  
19 deal and refused. LERA was advised that such a non-disclosed side deal was illegal and many of  
20 the companies doing such things were ending up in court over the ownership issue.  
21 GUNSALLUS then stated that STACEY HUFFMAN wanted more percentage since she was the  
22 investor. On the day of filing the MME City application paperwork, GUNSALLUS gave  
23 STACEY HUFFMAN the majority of her percentage ownership. The Additional Sheet  
24 attachment to the Dispensary Medical Marijuana Compliance Permit, which required  
25 information for all individuals or entities that have an ownership interest in the business set forth  
26 DESERT AIRE WELLNESS, LLC's ownership interest as follows:

DARLENE DAVIS	7%
BRENDA GUNSALLUS	7.5%

1 SUSAN LERA 25.5%  
2 PAULA NEWMAN 25.5%  
3 STACEY NUNN 26%  
4 Michael Suedkamp 8.5%

5 14. The MME Application paperwork filed with the City of Las Vegas on July 25,  
6 2014 for an MME dispensary was very detailed and includes hundreds of pages, including the  
7 Operating Agreement, the Articles of Organization and the Dispensary Medical Marijuana  
8 Compliance Permit and Additional Sheet among other documents. At the same time and place,  
9 the application paperwork for an MME dispensary was filed with the State of Nevada.

10 15. Immediately after the MME City Application paperwork was filed with the City  
11 of Las Vegas for an MME dispensary, LERA and NEWMAN were to begin working on the  
12 application paperwork for an MME cultivation. DESERT AIRE WELLNESS, LLC paid Jay  
13 Brown, Esq. for assistance with filing for a Cultivation and Dispensary license and assured  
14 DESERT AIRE WELLNESS, LLC they would get a cultivation. GUNSALLUS informed  
15 LERA and NEWMAN that STACEY HUFFMAN did not have the funds to proceed with a  
16 cultivation. However, LERA and NEWMAN later found out that STACEY HUFFMAN,  
17 GUNSALLUS and ROES15-20 filed for an MME cultivation license in North Las Vegas under  
18 the name CIRCLE S FARMS that did not include LERA and NEWMAN in the application.  
19 STACEY HUFFMAN, GUNSALLUS and ROES15-20 used Lucy Stewart, Jay Brown's  
20 employee, to complete their cultivation paperwork and hid and intentionally concealed that  
21 information from LERA and NEWMAN. The attorneys' fees and costs charged by Jay Brown,  
22 Esq. for this cultivation paperwork was paid by the funds NEWMAN provided to DESERT  
23 AIRE WELLNESS, LLC paid to Jay Brown, Esq.

24 16. At or about this same time, GUNSALLUS was mad that she gave up a large  
25 portion of her percentage in the ownership in DESERT AIRE WELLNESS, LLC to STACEY  
26 HUFFMAN. LERA and NEWMAN would not agree to the non-disclosed side deal to give up  
27 their percentage ownership as stated in the application paperwork filed by DESERT AIRE  
28 WELLNESS, LLC. After July 25, 2014, GUNSALLUS first began her intentional non-

1 communication with LERA and NEWMAN. As a result, LERA and NEWMAN were advised  
2 by others that GUNSALLUS proceeded with the filing of the State Application for the MME  
3 dispensary on or about August 18, 2014. LERA and NEWMAN advised GUNSULLAS that  
4 they did not want her to proceed with filing further paperwork with the State of Nevada. LERA  
5 and NEWMAN later learned that GUNSULLAS drove to Carson City, Nevada and filed further  
6 MME dispensary application paperwork with the State of Nevada. This paperwork was filed  
7 without the required signatures and consent of LERA and NEWMAN. This further State of  
8 Nevada paperwork, however, did not include any changes to the ownership percentages  
9 previously filed.

10 17. Communication ceased between THIRD PARTY PLAINTIFFS and  
11 GUNSULLAS, DAVIS and STACEY HUFFMAN(hereinafter all jointly "the PARTIES") for  
12 several weeks at a time.

13 18. In October 2014, the City of Las Vegas initially denied the PARTIES' MME  
14 dispensary application. But a few weeks later, the State of Nevada approved the MME  
15 dispensary application. Thereafter, the City of Las Vegas reheard the PARTIES' application and  
16 on December 17, 2014, DESERT AIRE WELLNESS, LLC was awarded a City of Las Vegas  
17 Special Use Permit to open an MME dispensary within one year.

18 19. After the application for the Special Use Permit, THIRD PARTY PLAINTIFFS  
19 then met with GUNSALLUS and were emphatically threatened and harassed that they needed to  
20 enter into an agreement with STACEY HUFFMAN's new husband, CURTIS HUFFMAN. The  
21 proposed agreement was for the ownership percentage of GUNSALLUS and DAVIS to be  
22 increased and the ownership percentages of LERA and NEWMAN were to be significantly  
23 decreased from the application paperwork. If LERA and NEWMAN failed to agree to the  
24 proposed agreement, the initial threat given by GUNSALLUS was that GUNSALLUS, DAVIS  
25 and STACEY HUFFMAN would not show up at the provisional City hearing. THIRD PARTY  
26 PLAINTIFFS did not agree, under any circumstances, to speak to CURTIS HUFFMAN or make  
27 any deals or sign any documents changing the ownership percentages. GUNSALLUS, DAVIS  
28 and STACEY HUFFMAN showed up at the hearing anyway. Immediately thereafter,

1 GUNSALLUS, DAVIS and STACEY HUFFMAN threatened they would not proceed with the  
2 funding of this business which they had sworn to the City of Las Vegas and State of Nevada they  
3 would fund. The intentions of GUNSALLUS, DAVIS and STACEY HUFFMAN all along was  
4 to do a bait and switch with THIRD PARTY PLAINTIFFS, not wanting or caring what was  
5 required by the City of Las Vegas Municipal Code or the laws of the State of Nevada.

6 20. In December, 2014, the PARTIES were served with a lawsuit from GROWBOX  
7 SCIENCE naming DESERT AIRE WELLNESS, LLC as a defendant. LERA and NEWMAN  
8 needed an attorney and went to see attorney Michael Cristalli. At that time, DESERT AIRE  
9 WELLNESS, LLC did not have a bank account or any funding. Mr. Cristalli set LERA and  
10 NEWMAN up with his friend/client, who had an MME cultivation who wanted to help them.  
11 After discussions, Lorenzo Barracco of QUALCAN offered to provide personal loans to LERA  
12 and NEWMAN because he advised that GUNSALLUS, DAVIS and STACEY HUFFMAN were  
13 not going to proceed with the funding of DESERT AIRE WELLNESS, LLC. Lorenzo Barracco  
14 through QUALCAN, LLC loaned money the LERA and NEWMAN to pay for Mr. Cristalli's  
15 attorneys' fees, a rent payment and insurance for DESERT AIRE WELLNESS, LLC. As  
16 Lorenzo Barracco became more aware of the financial and personal problems between the  
17 members of DESERT AIRE WELLNESS, LLC, he offered finances from QUALCAN, LLC to  
18 help LERA and NEWMAN buy out GUNSALLUS, STACY HUFFMAN and DAVIS.  
19 QUALCAN, LLC owns an MME cultivation facility and had applied for but did not receive two  
20 dispensary licenses. Weeks of settlement and buyout negotiations proceeded to take place  
21 between the PARTIES. Once LERA and NEWMAN realized a buyout could not happen  
22 pursuant to the City of Las Vegas Municipal Code or the laws of the State of Nevada, they  
23 stopped all negotiations. Lorenzo Barracco of QUALCAN, LLC wanted the DESERT AIRE  
24 WELLNESS, LLC's dispensary so bad he kept telling LERA and NEWMAN that he would do a  
25 hostile takeover of the other members. Lorenzo Barracco and QUALCAN, LLC are the owners  
26 of a cultivation and he wanted an ownership interest in DESERT AIRE WELLNESS, LLC to  
27 buy product from the cultivation. Lorenzo Barracco has told individuals in Las Vegas that he was  
28 the owner of DESERT AIRE WELLNESS, LLC and he also proceeded to meet a Hedge Fund

1 company to sell DESERT AIRE WELLNESS, LLC to them. Lorenzo Barracco kept telling  
2 LERA and NEWMAN that he could get them up to three million dollars for their percentage of  
3 DESERT AIRE WELLNESS, LLC. At no time did THIRD PARTY PLAINTIFFS agree to sell  
4 a percentage ownership to QUALCAN, LLC and at no time did they borrow money on behalf of  
5 DESERT AIRE WELLNESS, LLC.

6 21. THIRD PARTY PLAINTIFFS took personal loans from QUALCAN, LLC. In  
7 the spring of 2015, LERA sent a letter to Lorenzo Barracco telling him THIRD PARTY  
8 PLAINTIFFS did not want to proceed with his business offer. LERA and NEWMAN went to  
9 his attorney Trisha Black's office and told her we did not want to proceed with his offers, as it  
10 was not legal. Ms. Black drafted documents to potentially transfer ownership interests from  
11 LERA and NEWMAN to QUALCAN, LLC but neither LERA nor NEWMAN signed such  
12 documents since the City and State laws would not permit such a transfer.

13 22. LERA and NEWMAN then repeatedly attempted to make a payment plan to  
14 reimburse Lorenzo Barracco of QUALCAN, LLC the money he loaned them. But Mr. Barracco  
15 refused to speak with LERA and NEWMAN. LERA sent a message to Mr. Cristalli to talk to  
16 Lorenzo Barracco to make arrangements to pay money back, however Mr. Cristalli stated he did  
17 not have anything to do with the money.

18 23. Throughout the negotiation process, besides continuous threats and harassment,  
19 by GUNSALLUS and CURTIS HUFFMAN, that they would vote to force LERA and  
20 NEWMAN out of the LLC, STACEY HUFFMAN and DAVIS refused to speak with THIRD  
21 PARTY PLAINTIFFS. In the spring of 2015, CURTIS HUFFMAN became the spokesman for  
22 GUNSALLUS, STACEY HUFFMAN and DAVIS. A few weeks before April 20, 2015, the date  
23 for the Grand Opening and start of construction of the MME dispensary facility, all members of  
24 DESERT AIRE WELLNESS, LLC were at the facility. CURTIS HUFFMAN was also in  
25 attendance with a brown leather satchel. Discussions took place concerning the potential process  
26 of the construction and a statement was made that the addresses of all members of DESERT  
27 AIRE WELLNESS, LLC was published on the Nevada Secretary of State website. CURTIS  
28

1 HUFFMAN took this opportunity to purposefully pull out and show a handgun from his satchel  
2 to LERA and NEWMAN and stated "that is why I carry this around."

3 24. On several occasions, CURTIS HUFFMAN expressed to THIRD PARTY  
4 PLAINTIFFS that he was the owner of DESERT AIRE WELLNESS, LLC. CURTIS  
5 HUFFMAN and GUNSALLUS advised THIRD PARTY PLAINTIFFS that they had met with  
6 attorney THIRD PARTY DEFENDANT, MICHAEL H. SINGER (hereinafter "SINGER"), who  
7 they appointed as the attorney for DESERT AIRE WELLNESS, LLC. SINGER thereafter  
8 drafted a Restated LLC Operating Agreement. This Restated Operating Agreement has never  
9 been signed by NEWMAN.

10 25. CURTIS HUFFMAN and GUNSALLUS, believing that putting in capital  
11 increases the percentage ownership in the LLC of the members, started several different actions  
12 to begin moving the purpose of the LLC forward, including hiring an architect for building out  
13 the business facility, hiring contractors, filing documents with the City of Las Vegas and meeting  
14 with cultivation companies. GUNSALLUS purposefully blocked LERA and NEWMAN from  
15 paying the rent on the business facility. One of the THIRD PARTY DEFENDANTS changed  
16 the locks on the business facility. All of the actions were being accomplished without LERA's  
17 and NEWMAN's authority as 51% owners of DESERT AIRE WELLNESS, LLC.

18 26. In an effort to reach some sort of resolution so that DESERT AIRE WELLNESS,  
19 LLC could be opened and operated, THIRD PARTY PLAINTIFFS conferred with SINGER.  
20 LERA met with SINGER and CURTIS HUFFMAN individually. At the time, LERA had been  
21 wrongfully terminated from her employment at Hilton Grand Vacations and was desperately in  
22 need of money. LERA, after being unduly persuaded that she would be voted out of the LLC if  
23 she did not acquiesce to the wishes of GUNSALLUS and CURTIS HUFFMAN, was offered to  
24 be a managing member of DESERT AIRE WELLNESS, LLC under the Restated Operating  
25 Agreement, LERA signed both the Restated Operating Agreement and a document to give  
26 STACEY HUFFMAN 15.5% of her 25.5% share of DESERT AIRE WELLNESS, LLC. This  
27 was all done under duress. CURTIS HUFFMAN kept telling LERA that if she could not come  
28 up with \$250,000 required in a capital call, she would be liquidated out of the LLC. CURTIS

1 HUFFMAN offered to put in the \$250,000 for LERA in exchange for 15.5% of her ownership  
2 percentage and that LERA would thereafter be 100% vested in the LLC forever and be protected  
3 by the Restated Operating Agreement. LERA told SINGER the State of Nevada had to  
4 investigate and approve the ownership percentage transfer for it to be legal and the City of Las  
5 Vegas had to be informed. SINGER told LERA he had already spoken to the State of Nevada  
6 and the City of Las Vegas and they knew we were transferring the ownership percentages and  
7 that his form was proper. LERA proceed to tell SINGER there is an official form and he did not  
8 care. SINGER also told LERA he sent notice for NEWMAN to consent to the ownership  
9 percentage transfer and that NEWMAN signed it. When LERA asked for a copy SINGER stated  
10 he would email it to LERA. LERA told SINGER she would not proceed with ownership  
11 percentage transfer unless all parties agreed. Thereafter, LERA was given a \$50,000 cash loan  
12 and was also promised to be funded up to \$200,000 more by CURTIS HUFFMAN towards her  
13 capital contribution in DESERT AIRE WELLNESS, LLC.

14 27. LERA informed SINGER that a specific form needed to be filled out and signed  
15 in order to transfer any of her ownership percentage per the MME laws and/or Las Vegas  
16 Municipal Codes. SINGER disagreed and did not fill out the required form. SINGER also had  
17 LERA sign a statement listing SINGER as the attorney for DESERT AIRE WELLNESS, LLC,  
18 and had her sign the Restated Operating Agreement listing LERA, GUNSALLUS and CURTIS  
19 HUFFMAN as operating managers. CURTIS HUFFMAN was listed as an operating manager of  
20 DESERT AIRE WELLNESS, LLC by SINGER even though it is against the MME laws,  
21 CURTIS HUFFMAN was not voted in as a manager (there was never a noticed meeting of the  
22 members of DESERT AIRE WELLNESS, LLC and no documents have ever been submitted and  
23 approved to the City of Las Vegas or State of Nevada listing CURTIS HUFFMAN as a manager  
24 or a key employee. SINGER told LERA that NEWMAN had signed the Restated Operating  
25 Agreement as well and that he would email her a copy. SINGER recently intentionally and  
26 illegally filed documents with the Nevada Secretary of State naming GUNSALLUS, CURTIS  
27 HUFFMAN and LERA as the managing members of DESERT AIRE WELLNESS, LLC,  
28 specifically taking NEWMAN off of DESERT AIRE WELLNESS, LLC as a manager.

1           28. After several more weeks of harassment by GUNSALLUS and CURTIS  
2 HUFFMAN, with comments that NEWMAN would be "liquidated out of the company",  
3 NEWMAN met with SINGER. In March, 2015, after many months of being threatened,  
4 harassed and told that CURTIS HUFFMAN's attorney was going to blow up the company,  
5 NEWMAN agreed to make arrangements to give them some percent so that the PARTIES could  
6 proceed with the opening of the business. DESERT AIRE WELLNESS, LLC only has until  
7 November 3, 2015 to open for business or the license will be pulled by the City of Las Vegas.  
8 NEWMAN was getting scared that all of her hard work, money spent and past effort was going  
9 to be wasted. NEWMAN wanted to proceed with moving DESERT AIRE WELLNESS, LLC  
10 toward opening and reluctantly agreed to sign over 5% of her 25.5% ownership interest in the  
11 business to GUNSALLUS and/or STACEY HUFFMAN. NEWMAN agreed to give up 5%  
12 without any legal consideration. NEWMAN also advised SINGER that the document she was  
13 signing was not legally effective without additional documents executed, filed and approved with  
14 the City of Las Vegas concerning the privileged license. SINGER advised NEWMAN that he  
15 had already received approval from the City of Las Vegas for the ownership percentage  
16 transfers. THIRD PARTY PLAINTIFFS discovered that SINGER never received approval from  
17 the City of Las Vegas or the state of Nevada for the transfer of ownership, thus the reason  
18 SINGER did not want THIRD PARTY PLAINTIFFS to sign any official forms. At no time did  
19 THIRD PARTY PLAINTIFFS sign the official state forms for transfer of ownership percentages  
20 amongst the members of DESERT AIRE WELLNESS, LLC.

21           29. GUNSALLUS and CURTIS HUFFMAN, with the advice from SINGER, being  
22 under the belief that they are the managing members under the legally insufficient Restated  
23 Operating Agreement, continue to lock LERA and NEWMAN out of the DESERT AIRE  
24 WELLNESS, LLC property, continue to move forward with construction of the property, have  
25 entered into contracts without approval of the LLC members for the architect and contractors and  
26 continuously hold themselves out as the managing members of the LLC. GUNSALLUS and  
27 CURTIS HUFFMAN additionally have told several different people that LERA and NEWMAN  
28 are no longer owners in the LLC. GUNSALLUS has been having individual meetings with

1 cultivators in Nevada and has alleged made deals to buy product on behalf of DESERT AIRE  
2 WELLNESS, LLC. On August 12, 2015, LERA had a conversation with Charlie Fox, an owner  
3 of a cultivator named Nevada Medical Group. Mr. Fox advised LERA that he has met with  
4 GUNSALLUS at least five times and she told him that LERA and NEWMAN were no longer  
5 owners of DESERT AIRE WELLNESS, LLC. LERA was also told by Mark Zobrist, an owner  
6 of a cultivation company, that GUNSALLUS' friend Vicki Higgins called him and stated that  
7 GUNSULLAS wanted to meet with him to buy product. Zobrist asked about LERA and  
8 NEWMAN and was told that they were just "the locals on the ticket to cover the State of Nevada  
9 requirements". CURTIS HUFFMAN has advised all of his construction employees not to speak  
10 with LERA or NEWMAN. On August 12, 2015, LERA called Jeff at Allen Jersky Construction  
11 and was told she is not the customer and that the company cannot speak with her. LERA  
12 explained she was a manager of DESERT AIRE WELLNESS, LLC and wanted to know the  
13 progress of construction, however, the company would not speak with her. Lastly, Richard  
14 Gallegos, an architect, has refused to release any architectural plans to LERA and NEWMAN at  
15 the direction of CURTIS HUFFMAN. There have been no meetings of the LLC members to  
16 discuss, authorize or approve any acts to date by CURTIS HUFFMAN or GUNSULLAS.

17 30. Not until after NEWMAN allegedly signed over 5% of her ownership percentage  
18 did LERA and NEWMAN learn from Darcy at the City of Las Vegas that SINGER never  
19 received approval from City of Las Vegas or State of Nevada for the exchange of ownership  
20 percentages. Neither NEWMAN nor LERA ever signed the official state forms for exchange of  
21 ownership percentages amongst members of the MME entity. LERA and NEWMAN were  
22 advised that the City of Las Vegas is not allowing ownership percentage transfers at this time.  
23 NEWMAN called SINGER in April, 2015 and advised she was not happy that she was lied to  
24 and that the City of Las Vegas is not allowing the exchange of ownership percentages. SINGER  
25 e-mailed NEWMAN back telling her she was now a minority owner and no longer a manager of  
26 the LLC.

27 31. The harassment and threats have continued in the last couple of months. LERA  
28 was told by CURTIS HUFFMAN that she was a minority owner and to "sit down and shut up"

1 and CURTIS HUFFMAN, on July 30, 2015, told LERA on a telephone call that "he trusted that  
2 LERA would show up to sign any documents he needs her to sign and that he didn't want to  
3 have to hurt her."

4 32. GUNSALLUS has continued to state "they do not want to be questioned".  
5 GUNSALLUS, to gain leverage in negotiations, had knowledge that the City of Las Vegas  
6 wanted DESERT AIRE WELLNESS, LLC to obtain additional parking. GUNSALLUS  
7 independently went to the neighbor of the business property and rented the store next to 420 East  
8 Sahara and then proceeded to put the lease in her name only and not DESERT AIRE  
9 WELLNESS, LLC. GUNSALLUS has never provided LERA and NEWMAN with a copy of  
10 the lease and continues to hold out that if LERA and NEWMAN do not cooperate she will not let  
11 DESERT AIRE WELLNESS, LLC have the additional parking.

12 33. CURTIS HUFFMAN and SINGER stated to LERA that they did not need  
13 NEWMAN to sign the Restated Operating Agreement for it to be legally effective.

14 34. The LLC's business property at 420 East Sahara has been taken apart by CURTIS  
15 HUFFMAN and the new construction was to begin on August 10, 2015. LERA has told  
16 GUNSALLUS and CURTIS HUFFMAN that there is a high likelihood of asbestos in the tile  
17 flooring and that air quality testing is needed. GUNSALLUS and CURTIS HUFFMAN  
18 proceeded to change the locks on the building so LERA and NEWMAN could not obtain a  
19 contractor to check for asbestos.

#### 20 LEGAL STATEMENTS

21 35. DESERT AIRE WELLNESS, LLC received a temporary privileged license from  
22 the City of Las Vegas to open an MME. The members of the LLC filed extensive paperwork  
23 required by the Las Vegas Municipal Code Section 6.06.010, et seq., NRS 543A, et seq. and  
24 NAC 543A, et seq. LVMC Section 6.95.060 - Permit application contents sets forth the  
25 following: "A separate application must be submitted for each license for a medical marijuana  
26 establishment. The application for each medical marijuana compliance permit must include: (A)  
27 A complete application per LVMC Chapter 6.06 for the applicant and each person with an  
28 ownership interest in the proposed medical marijuana establishment. (B) A detailed personal and

1 business financial history per LVMC 6.06.030(B) for each person with an ownership interest in  
2 the proposed medical marijuana establishment. ... (N) An acknowledgement that the applicant is  
3 seeking a privilege under LVMC Chapter 6.06 and understands that each person with an  
4 ownership interest must be found suitable to hold such license by the City Council prior to the  
5 issuance of any license; that the applicant understands and acknowledges that the burden of  
6 proving qualifications to receive such a permit or license is at all times on the applicant; that the  
7 granting of a medical marijuana compliance permit and/or license is at the discretion of the City  
8 Council; and that the applicant agrees to abide by the decision.

9 36. LVMC Section 6.95.070 - Director review adds as follows: (A) The Director shall  
10 complete a preliminary review of all submitted applications for a medical marijuana compliance  
11 permit to determine whether the application is complete. An application shall be deemed  
12 complete by the Director only when an application filed prior to the close of the noticed  
13 application period contains each of the following: (1) Each application, narrative, plan,  
14 rendering, contract and other document required in this section; (2) Proof of compliance with all  
15 submittal requirements of NRS 453A and any other regulation or requirement of the State  
16 regulating authority; (3) Proof that the proposed location for the medical marijuana establishment  
17 is consistent with the requirements of LVMCTitle 19; (4) All fees have been paid; (5) All  
18 waivers, acknowledgements, and statements are properly signed and acknowledged by the  
19 applicant and every principal and person with an ownership interest; and (6) Each person with an  
20 ownership interest has filed complete applications per LVMC Chapter 6.06 and each individual  
21 has submitted to fingerprinting and photographing per LVMC Chapter 6.06.

22 37. The ramifications for failing to comply with the LVMC are partially set forth in  
23 Section 6.95.220 - Disciplinary actions, suspension and revocation of licenses. "All licenses  
24 authorized and issued under the provisions of this Chapter may be subject to immediate  
25 suspension by the Director, if the Director finds that: (A) A licensee has violated, or permitted,  
26 allowed or caused a violation of any provision of this Chapter, any regulation issued pursuant to  
27 this Chapter, any condition of approval imposed upon the issuance of the permit or license, or  
28 any State law or regulation relating to the operation; (B) If the State registration certificate has

1 been surrendered, suspended or revoked; (C) Based on ascertainable facts, the operation  
2 substantially aggravates the crime problems in the City, makes law enforcement unduly difficult,  
3 or is detrimental to the public health, safety or welfare of the City; (D) A licensee has made any  
4 fraudulent statements as to a material fact on an application form, as to any other information  
5 presented as part of the application process, or in connection with any other information required  
6 to be submitted to the Director pursuant to this Chapter;

7 38. Suitability approval is required of each principal member of the company  
8 provided with the license. The members are not allowed to provide any control of the company  
9 to others not on the license as set forth in LVMC 6.06.190 as follows: "Licensee responsibility  
10 for required approvals. A licensee may not employ, allow, permit or suffer to permit a person to  
11 exercise any office, authority, control or privilege or perform any act, for the exercise or  
12 performance of which a person is required to be approved for suitability, unless such person has  
13 been so approved for suitability." LVMC Section 6.06.210 states in pertinent part: "Changes—  
14 Approval Required When. Prior approval must be obtained for a licensee or person approved for  
15 suitability to do any of the following acts: (A) Convey the license from one person to another or  
16 establish the license in a different entity;(B)Transfer any ownership interest or voting control to a  
17 person who, because of the transfer, would be required to be approved for suitability;(C)Alter the  
18 licensed business operations in a significant way from the operations previously approved; ..."  
19 THIRD PARTY PLAINTIFFS allege that giving any control to CURTIS HUFFMAN, an  
20 individual that is not a member of DESERT AIRE WELLNESS; LLC is in violation of these  
21 LVMC laws. THIRD PARTY DEFENDANTS have seriously placed the provisional privileged  
22 license of DESERT AIRE WELLNESS, LLC at risk. In addition, the transfer of ownership  
23 interest or voting control from the application documents filed by DESERT AIRE WELLNESS,  
24 LLC is not legal without the express prior approval of the City of Las Vegas and State of Nevada  
25 as further expressed below. The purported transfers of LERA and NEWMAN are not valid.

26 39. The ownership interest of the members of DESERT AIRE WELLNESS, LLC are  
27 still at the percentages stated in paragraphs 12 and 13 of this complaint. Under Las Vegas  
28 Municipal Code Section 6.95.020 is states in pertinent part: "Ownership interest" means any

1 principal, person, beneficial owner as defined by 6.50.020, and individual persons holding any  
2 ownership or financial interest for each business entity including all businesses organized under  
3 or governed by Title 7 of the Nevada Revised Statutes including but not limited to ... limited  
4 liability companies, ... ("Business Entities"). ... To the extent that a Business Entity has an  
5 ownership interest in a medical marijuana establishment, the term "ownership interest" shall also  
6 include all individuals with an ownership interest in such Business Entity. It is the intent of this  
7 Chapter that all individuals with a direct or indirect ownership interest in a medical marijuana  
8 establishment be disclosed and be subject to the requirements of this Chapter." Any purported  
9 oral promises, written agreements, or otherwise alleged to transfer the ownership interest of any  
10 of the members of DESERT AIRE WELLNESS, LLC, including promises by CURTIS  
11 HUFFMAN of percentages to the contractors, architects, or others are not legal. THIRD  
12 PARTY PLAINTIFFS are not aware of any papers filed with the City of Las Vegas or the State  
13 of Nevada by anyone trying to transfer an ownership interest of any of the DESERT AIRE  
14 WELLNESS, LLC members.

15 40. NAC 453A.306 set forth all of the requirements for the Applications to operate  
16 an MME establishment. The members of DESERT AIRE WELLNESS, LLC filed all such  
17 paperwork. This included paperwork that the members had "at least \$250,000 in liquid assets as  
18 required pursuant to sub-subparagraph (III) of subparagraph (2) of paragraph (a) of subsection 3  
19 of NRS 453A.322, which are unencumbered and can be converted within 30 days after a request  
20 to liquidate such assets; and(b) the source of those liquid assets. DESERT AIRE WELLNESS,  
21 LLC provided this information and which of the members would be responsible for initial  
22 capitalization. The documents filed by DESERT AIRE WELLNESS, LLC set forth the  
23 ownership percentages despite the capitalization amounts of each member, including "5. A  
24 description of the proposed organizational structure of the proposed medical marijuana  
25 establishment, including, without limitation: (a) An organizational chart showing all owners,  
26 officers and board members of the proposed medical marijuana establishment;(b) A list of all  
27 owners, officers and board members of the proposed medical marijuana establishment that  
28 contains the following information for each person:(1) The title of the person;(2) A short

1 description of the role the person will serve in for the organization and his or her  
2 responsibilities;... and [T]o assist the Division in considering the criterion of merit set forth in  
3 subsection 1 of NRS 453A.328, a financial plan which includes, without limitation: (a) Financial  
4 statements showing the resources of the applicant;(b) If the applicant is relying on money from  
5 an owner, officer or board member, evidence that the person has unconditionally committed such  
6 money to the use of the applicant in the event the Division awards a medical marijuana  
7 establishment registration certificate to the applicant and the applicant obtains the necessary  
8 approvals from local governments to operate the proposed medical marijuana establishment; and  
9 (c) Proof that the applicant has adequate money to cover all expenses and costs of the first year  
10 of operation.

11 41. The State of Nevada has similar requirements to the LVMC concerning the  
12 transfer of ownership percentage as follows: "NAC 453A.326 Registration certificates:  
13 Requirements for surrender; change in location of establishment; revocation; costs, (NRS  
14 453A.370) 1. A medical marijuana establishment must surrender its medical marijuana  
15 establishment registration certificate and reapply for a medical marijuana establishment  
16 registration certificate during the next request for applications issued by the Division pursuant  
17 to NAC 453A.304:(a) Before all or substantially all of the assets of the medical marijuana  
18 establishment or 10 percent or more of the stock of the medical marijuana establishment are  
19 transferred; ... 5. If, after investigation, the Division determines that there is cause to believe  
20 that a medical marijuana establishment has made changes in ownership or other changes to  
21 circumvent the provisions of NRS 453A.334 which prevent the transfer of a medical marijuana  
22 establishment registration certificate, the Division will take action to revoke the medical  
23 marijuana establishment registration certificate of that medical marijuana establishment.6. A  
24 medical marijuana establishment is responsible to the Division for all costs incurred by the  
25 Division to determine whether any changes in ownership or other changes were made to  
26 circumvent the provisions of NRS 453A.334 which prevent the transfer of a medical marijuana  
27 establishment registration certificate. THIRD PARTY DEFENDANTS have placed DESERT  
28 AIRE WELLNESS, LLC in serious jeopardy of having its MME registration certificate revoked.

1           42.     THIRD PARTY PLAINTIFFS assert that DESERT AIRE WELLNESS, LLC has  
2 no Operating Agreement at this time. Neither the Operating Agreement filed with the City of  
3 Las Vegas or the State of Nevada with the license approval paperwork, nor the Restated  
4 Operating Agreement drafted by SINGER were ever adopted by the unanimous vote or signed by  
5 all five members of DESERT AIRE WELLNESS, LLC. Under NRS 86.286 it states in  
6 pertinent part as follows: "Operating agreement. 1. A limited-liability company may, but is not  
7 required to, adopt an operating agreement. An operating agreement may be adopted only by the  
8 unanimous vote or unanimous written consent of the members, which may be in any tangible or  
9 electronic format, or by the sole member.

10           43.     THIRD PARTY PLAINTIFFS also assert that NRS 86.291, NRS 86.321, NRS  
11 86.341 do not apply under the circumstances of an LLC for an MME establishment because of  
12 the specific requirements of the Las Vegas Municipal Code Section 6.06.010, et seq., NRS 543,  
13 et seq. and NAC 543A, et seq. NRS 86.291 states "Management.1. Except as otherwise  
14 provided in this section or in the articles of organization or operating agreement, management of  
15 a limited-liability company is vested in its members in proportion to their contribution to its  
16 capital, as adjusted from time to time to reflect properly any additional contributions or  
17 withdrawals by the members. ... 3. If provision is made in the articles of organization,  
18 management of the company may be vested in a manager or managers, who may but need not be  
19 members. The manager or managers shall hold the offices, have the responsibilities and  
20 otherwise manage the company as set forth in the operating agreement of the company or, if the  
21 company has not adopted an operating agreement, then as prescribed by the members." NRS  
22 86.321 states: "Contributions to capital: Form. The contributions to capital of a member to a  
23 limited-liability company may be in cash, property or services rendered, or a promissory note or  
24 other binding obligation to contribute cash or property or to perform services." Additionally,  
25 NRS 86.341 states: "Distribution of profits. A limited-liability company may, from time to  
26 time, divide the profits of its business and distribute them to its members, and any transferee as  
27 his or her interest may appear, upon the basis stipulated in the operating agreement. If the  
28 operating agreement does not otherwise provide, profits and losses must be allocated

1 proportionately to the value, as shown in the records of the company, of the contributions made  
2 by each member and not returned.” Pursuant to Nevada Administrative Code 453A.300, when a  
3 medical marijuana establishment is required pursuant to this chapter or chapter 453A of Nevada  
4 Revised Statutes to provide information, sign documents or ensure actions are taken, if a limited-  
5 liability company is applying for a medical marijuana establishment registration certificate, a  
6 manager or, if the limited-liability company does not have a manager, a natural person who is a  
7 member of the limited-liability company, shall comply with the requirement on behalf of the  
8 medical marijuana establishment. If a limited-liability company is applying for a medical  
9 marijuana establishment registration certificate, the members of the limited-liability company  
10 must comply with the provisions governing owners, officers and board members of a medical  
11 marijuana establishment.

12 44. Pursuant to NAC 453A.332, the Division will revoke a medical marijuana  
13 establishment registration certificate if the medical marijuana establishment engages in an  
14 activity set forth in NRS 453A.340, which includes violating a regulation of the Division, the  
15 violation of which is stated to be grounds for immediate revocation of a medical marijuana  
16 establishment registration certificate. As recent as August 7, 2015, MICHAEL SINGER sent a  
17 correspondence to the City of Las Vegas Department of Planning that DESERT AIRE  
18 WELLNESS, LLC, anticipates opening before November 3, 2105 and that its final plans have  
19 been approved by the City Planning Department. On August 11, 2015, MICHAEL SINGER was  
20 sent an e-mail from Darcy Abelbai-Hurd from the City of Las Vegas Department of Planning  
21 stating that “You indicated in your letter that the final plans have been approved by the City  
22 Planning Department. However, it’s not just the building plans we are speaking of. It’s all of  
23 the plans laid out in 6.95 such as the environmental plan, transportation plan, security plan etc.  
24 So the final plans have NOT been approved by the City.”

25 **COUNT I - ASSAULT**  
26 **(Against THIRD PARTY DEFENDANT CURTIS HUFFMAN only)**

27 45. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 44 of this  
28 Third Party Complaint as though fully set forth herein.

1 46. Assault is an intentional tort and is defined as intentionally placing another person  
2 in reasonable apprehension of immediate bodily harm.

3 47. CURTIS HUFFMAN, in the spring of 2015, purposefully brandished a handgun  
4 in front of LERA and NEWMAN.

5 48. CURTIS HUFFMAN, on July 30, 2015, told LERA on a telephone call that "he  
6 trusted that LERA would show up to sign any documents he needs her to sign and that he didn't  
7 want to have to hurt her."CURTIS HUFFMAN has also stated that he is going to "dispose of"  
8 LERA and NEWMAN.

9 49. LERA and NEWMAN reasonably believe that CURTIS HUFFMAN made these  
10 gestures and statements with the express intention to scare and put LERA and NEWMAN into  
11 fear of immediate bodily harm if they did not acquiesce to his demands and to sign all necessary  
12 paperwork for the continued construction and startup of DESERT AIRE WELLNESS, LLC.

13 50. CURTIS HUFFMAN made these gestures and statements with the intent of  
14 placing LERA and NEWMAN in immediate and continuing fear of immediate bodily harm and  
15 he has accomplished that goal.

16 51. As a result of CURTIS HUFFMAN's statements, LERA and NEWMAN fear  
17 immediately bodily harm from CURTIS HUFFMAN or someone hired by him and they have and  
18 are continuing to suffer severe emotional distress as a result thereof.

19 52. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
20 below, including punitive damages to punish and deter CURTIS HUFFMAN from continuing to  
21 assault THIRD PARTY PLAINTIFFS and others in the future.

22  
23 **COUNT II – INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS**  
24 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
25 **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
26 **ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

27 53. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 52 of this  
28 Third Party Complaint as though fully set forth herein.

54. During the times referenced herein, THIRD PARTY PLAINTIFFS wereand  
continue to be the subject of numerous incidents of extreme and outrageous conduct via

1 harassment and threats by being shown a handgun, verbal assault, in person screaming  
2 arguments, excessive and abusive telephone calls, text messages, e-mails, correspondence from  
3 or at the direction of each THIRD PARTY DEFENDANT, including but not limited to, those  
4 incidents afore-described throughout the Complaint herein.

5 55. The afore-described conduct on the part of THIRD PARTY DEFENDANTS  
6 amounts to unlawful conduct and constitutes intentional extreme and outrageous conduct on the  
7 part of THIRD PARTY DEFENDANTS and each of them.

8 56. The afore-described conduct of THIRD PARTY DEFENDANTS exceeds all  
9 bounds of decency usually tolerated in a civilized community and amongst co-business owners.

10 57. The afore-described conduct of THIRD PARTY DEFENDANTS and each of  
11 them was intentional and malicious and done for the purpose of causing THIRD PARTY  
12 PLAINTIFFS to suffer extreme emotional distress, humiliation, mental anguish, and physical  
13 distress.

14 58. As a direct, legal and proximate result of the harassing and hostile acts of THIRD  
15 PARTY DEFENDANTS, THIRD PARTY PLAINTIFFS have and continue to suffer extreme  
16 emotional distress, humiliation, mental anguish, and physical distress.

17 59. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
18 below, including punitive damages to punish and deter THIRD PARTY DEFENDANTS from  
19 continuing to act with such extreme and outrageous tactics against THIRD PARTY  
20 PLAINTIFFS and others in the future.

21 **COUNT III – CIVIL CONSPIRACY**  
22 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
23 **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
24 **ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

25 60. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 59 of this  
26 Third Party Complaint as though fully set forth herein.

27 61. Civil Conspiracy is defined as two or more persons or entities, who, by some  
28 concerted action, intended to accomplish an unlawful objective for the purpose of  
harming plaintiff; and plaintiff suffered damages as a result of this act or acts.

1           62.     THIRD PARTY PLAINTIFFS allege that THIRD PARTY DEFENDANTS, and  
2 each of them, continue to purposefully conspire to use the time, money and effort of THIRD  
3 PARTY PLAINTIFFS to gain a privileged license to open an MME dispensary and then to take  
4 it over by any method necessary. From the beginning of the relationship between the PARTIES,  
5 the THIRD PARTY DEFENDANTS have made false and misleading statements about the facts  
6 and law concerning the MME dispensary, and all aspects of DESERT AIRE WELLNESS, LLC,  
7 including but not limited to their acts to not abide by the original agreements, to take control of  
8 the company and MME dispensary facility (including locking LERA and NEWMAN out of the  
9 facility), to begin construction activities under their complete control, all by means of  
10 intimidation, gestures by being shown a handgun, aggressive verbal abuse via in person  
11 screaming arguments, excessive and abusive telephone calls, text messages, e-mails,  
12 correspondence from or at the direction of each THIRD PARTY DEFENDANT, including but  
13 not limited to, those incidents afore-described throughout the Complaint herein.

14           63.     The afore-described conduct on the part of THIRD PARTY DEFENDANTS  
15 constitutes a civil conspiracy on the part of THIRD PARTY DEFENDANTS and each of them.

16           64.     The afore-described conduct of THIRD PARTY DEFENDANTS has been  
17 intended to accomplish unlawful objectives for the purpose of harming LERA and NEWMAN.

18           65.     As a direct, legal and proximate result of the civil conspiracy of THIRD PARTY  
19 DEFENDANTS, THIRD PARTY PLAINTIFFS have and continue to suffer damages, including  
20 monetary loss, extreme emotional distress, humiliation, mental anguish, and physical distress.

21           66.     THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
22 below, including punitive damages to punish and deter THIRD PARTY DEFENDANTS from  
23 continuing to act with such malice, oppression and fraud against THIRD PARTY PLAINTIFFS  
24 and others in the future.

25  
26                               **COUNT IV – DEFAMATION**  
27                               **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; CURTIS**  
28                               **EDWARD HUFFMAN; MICHAEL H. SINGER AND ROES 1-20)**

1           67.     THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 66 of this  
2 Third Party Complaint as though fully set forth herein.

3           68.     Defamation is defined as communications made that tend to harm the reputation of  
4 the plaintiff as to lower him/her in the estimation of the community or to deter third persons from  
5 associating or dealing with him/her. Words or conduct or the combination of words and conduct  
6 can communicate defamation.

7           69.     LERA and NEWMAN allege THIRD PARTY DEFENDANTS BRENDA SUE  
8 GUNSALLUS; CURTIS EDWARD HUFFMAN and MICHAEL H. SINGER have  
9 communicated to others throughout the MME community that THIRD PARTY PLAINTIFFS  
10 are no longer managers or owners of DESERT AIRE WELLNESS, LLC to purposefully deter  
11 others from associating or dealing with LERA and NEWMAN. SINGER recently intentionally  
12 and illegally filed documents with the Nevada Secretary of State naming GUNSALLUS,  
13 CURTIS HUFFMAN and LERA as the managing members of DESERT AIRE WELLNESS,  
14 LLC, specifically taking NEWMAN off of DESERT AIRE WELLNESS, LLC as a manager.  
15 CURTIS HUFFMAN continues to make false and misleading statements that he is a manager, and  
16 he is in charge of the construction, has told all the construction related individuals to not speak  
17 with LERA and NEWMAN and to keep them away from the facility. GUNSALLUS and  
18 CURTIS HUFFMAN additionally have told several different people that LERA and NEWMAN  
19 are no longer owners in the LLC. GUNSALLUS has been having individual meetings with  
20 cultivators in Nevada and has allegedly made deals to buy product on behalf of DESERT AIRE  
21 WELLNESS, LLC. On August 12, 2015, LERA had a conversation with Charlie Fox, an owner  
22 of a cultivator named Nevada Medical Group. Mr. Fox advised LERA that he has met with  
23 GUNSALLUS at least five times and she told him that LERA and NEWMAN were no longer  
24 owners of DESERT AIRE WELLNESS, LLC. LERA was also told by Mark Zobrist, an owner  
25 of a cultivation company, that GUNSALLUS' friend Vicki Higgins called him and stated that  
26 GUNSALLUS wanted to meet with him to buy product. Zobrist asked about LERA and  
27 NEWMAN and was told that they were just "the locals on the ticket to cover the State of Nevada  
28 requirements".

1           70. The afore-described communications on the part of GUNSALLUS, CURTIS  
2 EDWARD HUFFMAN and MICHAEL H. SINGER constitutes defamation against LERA and  
3 NEWMAN.

4           71. The afore-described communications of GUNSALLUS, CURTIS EDWARD  
5 HUFFMAN and MICHAEL H. SINGER have been made and intended to lower LERA and  
6 NEWMAN in the estimation of the community or to deter third persons from associating or  
7 dealing with LERA and NEWMAN.

8           72. As a direct, legal and proximate result of the defamatory communications by  
9 GUNSALLUS, CURTIS EDWARD HUFFMAN and MICHAEL H. SINGER, THIRD PARTY  
10 PLAINTIFFS have and continue to suffer damages, including monetary loss, extreme emotional  
11 distress, humiliation, mental anguish, and physical distress.

12           73. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
13 below, including monetary damages and punitive damages to punish and deter THIRD PARTY  
14 DEFENDANTS from continuing to act with such malice, oppression and fraud against THIRD  
15 PARTY PLAINTIFFS and others in the future.

16  
17                                   **COUNT V – FRAUD**  
18           **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
19           **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
20           **ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

21           74. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 73 of this  
22 Third Party Complaint as though fully set forth herein.

23           75. Conduct may be fraudulent if any of the following occur: 1) An intentional  
24 misrepresentation; 2) A false promise; 3) The concealment of information (where there is a duty  
25 not to conceal); 4) A failure to disclose information (where this is a duty to disclose); or 5) A  
26 negligent misrepresentation.

27           76. THIRD PARTY PLAINTIFFS allege that THIRD PARTY DEFENDANTS, and  
28 each of them, continue to commit fraud in dozens of means and ways. NEWMAN and LERA  
have set forth facts in the preceding paragraphs of this complaint setting forth specific  
communicative acts or omissions to act by all THIRD PARTY DEFENDANTS, including but

1 not limited to, where THIRD PARTY DEFENDANTS have intentionally misrepresented their  
2 intentions with respect to DESERT AIRE WELLNESS, LLC, the owners, managers and control  
3 of DESERT AIRE WELLNESS, LLC; false promises were made concerning the funding and  
4 legality of the purported percentage ownership transfers of DESERT AIRE WELLNESS, LLC;  
5 concealment of information among the PARTIES and to others concerning their intentions with  
6 respect to DESERT AIRE WELLNESS, LLC, the owners, managers and control of DESERT  
7 AIRE WELLNESS, LLC; failing to disclose their intentions with respect to DESERT AIRE  
8 WELLNESS, LLC, the owners, managers and control of DESERT AIRE WELLNESS, LLC;  
9 and advising that LERA and NEWMAN are no longer owners of DESERT AIRE WELLNESS,  
10 LLC and/or that they are not to be involved with the construction process in any way.

11 77. The afore-described conduct on the part of THIRD PARTY DEFENDANTS  
12 constitutes fraud on the part of THIRD PARTY DEFENDANTS and each of them.

13 78. The afore-described conduct of THIRD PARTY DEFENDANTS has been  
14 intended to commit fraud for the purpose of harming LERA and NEWMAN.

15 79. As a direct, legal and proximate result of the fraud of THIRD PARTY  
16 DEFENDANTS, THIRD PARTY PLAINTIFFS have and continue to suffer damages, including  
17 monetary loss, extreme emotional distress, humiliation, mental anguish, and physical distress.

18 80. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
19 below, including monetary damages and punitive damages to punish and deter THIRD PARTY  
20 DEFENDANTS from continuing to act with such malice, oppression and fraud against THIRD  
21 PARTY PLAINTIFFS and others in the future.

22  
23 **COUNT VI – INTENTIONAL MISREPRESENTATION**  
24 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
25 **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
26 **ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

27 81. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 80 of this  
28 Third Party Complaint as though fully set forth herein.

82. Intentional Misrepresentation is established by plaintiff showing by clear and  
convincing evidence that establishes: the defendant made a representation as to a past or existing

1 material fact; the representation was false; the defendant knew the representation was false when  
2 it was made; or the defendant knew that he/she did not hold sufficient information to make the  
3 representation; the defendant intended to induce the plaintiff to rely upon the false representation  
4 and act or to refrain from acting accordingly; the plaintiff was unaware of the falsity of the  
5 representation; the plaintiff acted in reliance upon the truth of the representation; the plaintiff  
6 was justified in relying upon the representation; and the plaintiff sustained damages as a result of  
7 his/her reliance on the misrepresentation.

8 83. THIRD PARTY PLAINTIFFS allege that THIRD PARTY DEFENDANTS, and  
9 each of them, have committed intentional misrepresentation in dozens of circumstances.  
10 NEWMAN and LERA have set forth facts in the preceding paragraphs of this complaint setting  
11 forth specific communicative acts or omissions to act by all THIRD PARTY DEFENDANTS,  
12 including but not limited to, where THIRD PARTY DEFENDANTS have intentionally  
13 misrepresented their intentions with respect to DESERT AIRE WELLNESS, LLC, the owners,  
14 managers and control of DESERT AIRE WELLNESS, LLC; and specifically but not limited to  
15 the funding of DESERT AIRE WELLNESS, LLC and the legality of the purported percentage  
16 ownership transfers of DESERT AIRE WELLNESS. In addition, other specific acts of  
17 intentional misrepresentation include, but are not limited to the following: GUNSALLUS;  
18 CURTIS EDWARD HUFFMAN and MICHAEL H. SINGER have communicated to others  
19 throughout the MME community that THIRD PARTY PLAINTIFFS are no longer managers or  
20 owners of DESERT AIRE WELLNESS, LLC to purposefully deter others from associating or  
21 dealing with LERA and NEWMAN. SINGER recently intentionally and illegally filed  
22 documents with the Nevada Secretary of State naming GUNSALLUS, CURTIS HUFFMAN and  
23 LERA as the managing members of DESERT AIRE WELLNESS, LLC, specifically taking  
24 NEWMAN off of DESERT AIRE WELLNESS, LLC as a manager. CURTIS HUFFMAN  
25 continues to make false and misleading statements that he is a manager, and he is in charge of  
26 the construction, has told all the construction related individuals to not speak with LERA and  
27 NEWMAN and to keep them away from the facility. GUNSALLUS and CURTIS HUFFMAN  
28 additional have told several different people that LERA and NEWMAN are no longer owners in

1 the LLC. GUNSULLAS has been having individual meetings with cultivators in Nevada and  
2 has allegedly made deals to buy product on behalf of DESERT AIRE WELLNESS, LLC. On  
3 August 12, 2015, LERA had a conversation with Charlie Fox, an owner of a cultivator named  
4 Nevada Medical Group. Mr. Fox advised LERA that he has met with GUNSALLUS at least five  
5 times and she told him that LERA and NEWMAN were no longer owners of DESERT AIRE  
6 WELLNESS, LLC. LERA was also told by Mark Zobrist, an owner of a cultivation company,  
7 that GUNSALLUS' friend Vicki Higgins called him and stated that GUNSULLAS wanted to  
8 meet with him to buy product. Zobrist asked about LERA and NEWMAN and was told that they  
9 were just "the locals on the ticket to cover the State of Nevada requirements". Lastly, SINGER  
10 indicating that he had all approval necessary for the percentage ownership transfers, that other  
11 documents did not need to be executed; as well as his false written statements to the City of Las  
12 Vegas that all the final plans have been approved by the City Planning Department.

13 84. The afore-described conduct on the part of THIRD PARTY DEFENDANTS  
14 constitutes intentional misrepresentation on the part of THIRD PARTY DEFENDANTS and  
15 each of them.

16 85. The afore-described conduct of THIRD PARTY DEFENDANTS has been  
17 intended to commit intentional misrepresentation for the purpose of harming LERA and  
18 NEWMAN.

19 86. As a direct, legal and proximate result of the intentional misrepresentation of  
20 THIRD PARTY DEFENDANTS, THIRD PARTY PLAINTIFFS have and continue to suffer  
21 damages, including monetary loss, extreme emotional distress, humiliation, mental anguish, and  
22 physical distress.

23 87. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
24 below, including monetary damages and punitive damages to punish and deter THIRD PARTY  
25 DEFENDANTS from continuing to act with such malice, oppression and fraud against THIRD  
26 PARTY PLAINTIFFS and others in the future.

**COUNT VII – CONCEALMENT**  
**(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY  
OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE  
ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

88. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 87 of this Third Party Complaint as though fully set forth herein.

89. Concealment is established if plaintiff proves by clear and convincing evidence that the defendant assumed the responsibility to give information; the defendant concealed or suppressed a material fact; the defendant was under a duty to disclose the fact to the plaintiff; the defendant knew he/she was concealing the fact; the defendant intended to induce the plaintiff to act or refrain from acting in a manner different than the plaintiff would have known the truth; the plaintiff was unaware of the fact and would not have acted as he/she did had he/she known of the concealed or suppressed fact; and the concealment or suppression of the fact caused the plaintiff to sustain damage.

90. THIRD PARTY PLAINTIFFS allege that THIRD PARTY DEFENDANTS, and each of them, have committed concealment in dozens of circumstances. NEWMAN and LERA have set forth facts in the preceding paragraphs of this complaint setting forth specific communicative acts or omissions to act by all THIRD PARTY DEFENDANTS, including but not limited to, where THIRD PARTY DEFENDANTS had intentionally concealed their intentions with respect to DESERT AIRE WELLNESS, LLC, the owners, managers and control of DESERT AIRE WELLNESS, LLC; and specifically but not limited to the funding of DESERT AIRE WELLNESS, LLC and the legality of the purported percentage ownership transfers of DESERT AIRE WELLNESS.

91. In addition, other specific acts of concealment include, but are not limited to the following: STACEY HUFFMAN concealing the fact of her imminent marriage to CURTIS HUFFMAN, the next month, who has current illegal sweepstake criminal charges against him in North Carolina; that STACEY HUFFMAN and DAVIS would cut off all communications and give all control and power to CURTIS HUFFMAN; that CURTIS HUFFMAN and STACEY HUFFMAN own illegal gaming/sweepstakes stores in North Carolina; GUNSALLUS stated the HUFFMAN's owned copy and print shops. CURTIS HUFFMAN has told several different

1 people that LERA and NEWMAN are no longer owners in the LLC. GUNSULLAS has been  
2 having individual meetings with cultivators in Nevada and has allegedly made deals to buy  
3 product on behalf of DESERT AIRE WELLNESS, LLC. On August 12, 2015, LERA had a  
4 conversation with Charlie Fox, an owner of a cultivator named Nevada Medical Group. Mr. Fox  
5 advised LERA that he has met with GUNSALLUS at least five times and she told him that  
6 LERA and NEWMAN were no longer owners of DESERT AIRE WELLNESS, LLC. LERA  
7 was also told by Mark Zobrist, an owner of a cultivation company, that GUNSALLUS' friend  
8 Vicki Higgins called him and stated that GUNSULLAS wanted to meet with him to buy product.  
9 Zobrist asked about LERA and NEWMAN and was told that they were just "the locals on the  
10 ticket to cover the State of Nevada requirements". Lastly, SINGER indicating that he had all  
11 approval necessary for the percentage ownership transfers, that other documents did not need to  
12 be executed; as well as his false written statements to the City of Las Vegas that all the final  
13 plans have been approved by the City Planning Department.

14 92. The afore-described conduct on the part of THIRD PARTY DEFENDANTS  
15 constitutes concealment on the part of THIRD PARTY DEFENDANTS and each of them.

16 93. The afore-described conduct of THIRD PARTY DEFENDANTS has been  
17 intended to commit concealment for the purpose of harming LERA and NEWMAN.

18 94. As a direct, legal and proximate result of the concealment by THIRD PARTY  
19 DEFENDANTS, THIRD PARTY PLAINTIFFS have and continue to suffer damages, including  
20 monetary loss, extreme emotional distress, humiliation, mental anguish, and physical distress.

21 95. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
22 below, including monetary damages and punitive damages to punish and deter THIRD PARTY  
23 DEFENDANTS from continuing to act with such malice, oppression and fraud against THIRD  
24 PARTY PLAINTIFFS and others in the future.

25  
26 **COUNT VIII – NEGLIGENCE MISREPRESENTATION**  
27 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
28 **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
**ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

1           96.     THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 95 of this  
2 Third Party Complaint as though fully set forth herein.

3           97.     Negligent Misrepresentation is established by plaintiff showing by clear and  
4 convincing evidence that establishes, the defendant made a representation, while in the course of  
5 his business, profession, employment or other action of pecuniary interest; the defendant failed to  
6 exercise reasonable care or competence in obtaining or communicating the representation to the  
7 plaintiff; the representation was false; the representation was supplied for the purpose of guiding  
8 the plaintiff in its business transactions; the plaintiff justifiably relied on the false information;  
9 and the plaintiff sustained a loss due to the false information.

10          98.     THIRD PARTY PLAINTIFFS allege that THIRD PARTY DEFENDANTS, and  
11 each of them, have committed negligent misrepresentation in dozens of circumstances.  
12 NEWMAN and LERA have set forth facts in the preceding paragraphs of this complaint setting  
13 forth specific communicative acts or omissions to act by all THIRD PARTY DEFENDANTS,  
14 including but not limited to, where THIRD PARTY DEFENDANTS have at least negligently  
15 misrepresented their intentions with respect to DESERT AIRE WELLNESS, LLC, the owners,  
16 managers and control of DESERT AIRE WELLNESS, LLC; and specifically but not limited to  
17 the funding of DESERT AIRE WELLNESS, LLC and the legality of the purported percentage  
18 ownership transfers of DESERT AIRE WELLNESS. In addition, other specific acts of at least  
19 negligent misrepresentation include, but are not limited to the following: GUNSALLUS;  
20 CURTIS EDWARD HUFFMAN and MICHAEL H. SINGER have communicated to others  
21 throughout the MME community that THIRD PARTY PLAINTIFFS are no longer managers or  
22 owners of DESERT AIRE WELLNESS, LLC to purposefully deter others from associating or  
23 dealing with LERA and NEWMAN. SINGER recently at least negligently and illegally filed  
24 documents with the Nevada Secretary of State naming GUNSALLUS, CURTIS HUFFMAN and  
25 LERA as the managing members of DESERT AIRE WELLNESS, LLC, specifically taking  
26 NEWMAN off of DESERT AIRE WELLNESS, LLC as a manager. CURTIS HUFFMAN  
27 continues to make false and misleading statements that he is a manager, and he is in charge of  
28 the construction, has told all the construction related individuals to not speak with LERA and

1 NEWMAN and to keep them away from the facility. GUNSALLUS and CURTIS HUFFMAN  
2 additional have told several different people that LERA and NEWMAN are no longer owners in  
3 the LLC. GUNSULLAS has been having individual meetings with cultivators in Nevada and  
4 has allegedly made deals to buy product on behalf of DESERT AIRE WELLNESS, LLC. On  
5 August 12, 2015, LERA had a conversation with Charlie Fox, an owner of a cultivator named  
6 Nevada Medical Group. Mr. Fox advised LERA that he has met with GUNSALLUS at least five  
7 times and she told him that LERA and NEWMAN were no longer owners of DESERT AIRE  
8 WELLNESS, LLC. LERA was also told by Mark Zobrist, an owner of a cultivation company,  
9 that GUNSALLUS' friend Vicki Higgins called him and stated that GUNSULLAS wanted to  
10 meet with him to buy product. Zobrist asked about LERA and NEWMAN and was told that they  
11 were just "the locals on the ticket to cover the State of Nevada requirements". Lastly, SINGER  
12 indicating that he had all approval necessary for the percentage ownership transfers, that other  
13 documents did not need to be executed; as well as his false written statements to the City of Las  
14 Vegas that all the final plans have been approved by the City Planning Department.

15 99. The afore-described conduct on the part of THIRD PARTY DEFENDANTS  
16 constitutes negligent misrepresentation on the part of THIRD PARTY DEFENDANTS and each  
17 of them.

18 100. The afore-described conduct of THIRD PARTY DEFENDANTS has been  
19 intended to commit negligent misrepresentation for the purpose of harming LERA and  
20 NEWMAN.

21 101. As a direct, legal and proximate result of the negligent misrepresentation of  
22 THIRD PARTY DEFENDANTS, THIRD PARTY PLAINTIFFS have and continue to suffer  
23 damages, including monetary loss, extreme emotional distress, humiliation, mental anguish, and  
24 physical distress.

25 102. THIRD PARTY PLAINTIFFS request relief as described in the Prayer for Relief  
26 below, including monetary damages and punitive damages to punish and deter THIRD PARTY  
27 DEFENDANTS from continuing to act with such malice, oppression and fraud against THIRD  
28 PARTY PLAINTIFFS and others in the future.

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**COUNT IX – BREACH OF CONTRACT**  
**(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY OWINGS NUNN HUFFMAN; DARLENE ALEXANDRA DAVIS; AND ROES 1-20)**

103. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 102 of this Third Party Complaint as though fully set forth herein.

104. The documents filed jointly by THIRD PARTY PLAINTIFFS and GUNSALLUS, STACEY HUFFMAN and DAVIS with the City of Las Vegas on July 25, 2014 for an MME dispensary are evidence of an enforceable contract, with the essential terms and purpose to open an MME dispensary should a provisional license be approved. The essential terms of the agreement included the managing members of the DESERT AIRE WELLNESS, LLC, how profits and losses were to be split up, the promised amounts of funding from the PARTIES and other terms. At the time of filing on July 25, 2014, there was an offer and acceptance by all PARTIES as to the terms of DESERT AIRE WELLNESS, LLC, consideration in regards to the ownership percentages and the funding to start up the dispensary and a meeting of the minds (as evidence by filing identical paperwork by GUNSALLUS with the State of Nevada as to the essential terms weeks later). The PARTIES had agreed upon all material terms as of that date and time.

105. THIRD PARTY PLAINTIFFS allege that they have performed or had the ability to perform all material terms of the contract. THIRD PARTY PLAINTIFFS further alleged that GUNSALLUS, STACEY HUFFMAN and DAVIS have unjustifiably failed to perform the contract and have breached the contract. The breach of contract between the PARTIES by GUNSALLUS, STACEY HUFFMAN and DAVIS has resulted in monetary damages to THIRD PARTY PLAINTIFFS.

**COUNT X – UNDUE INFLUENCE/COERCION**  
**(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

106. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 105 of this Third Party Complaint as though fully set forth herein.

107. THIRD PARTY PLAINTIFFS allege that after the original contract was formed, as alleged in the Breach of Contract Count, THIRD PARTY DEFENDANTS, via harassment, threats, assault, undue influence and duress, coerced LERA to execute a document to transfer 15.5% of her ownership interest in DESERT AIRE WELLNESS, LLC to STACEY HUFFMAN. LERA, after being unduly persuaded that she would be voted out of the LLC if she did not acquiesce to the wishes of GUNSALLUS and CURTIS HUFFMAN, was offered to be a managing member of DESERT AIRE WELLNESS, LLC under the Restated Operating Agreement, LERA signed both the Restated Operating Agreement and a document to give STACEY HUFFMAN 15.5% of her 25.5% share of DESERT AIRE WELLNESS, LLC. CURTIS HUFFMAN repeatedly kept telling LERA that if she could not come up with \$250,000 required in a capital call, she would be liquidated out of the LLC. CURTIS HUFFMAN offered to put in the \$250,000 for LERA in exchange for 15.5% of her ownership percentage and promised that LERA would thereafter be 100% vested in the LLC forever and be protected by the Restated Operating Agreement. LERA told SINGER the State of Nevada had to investigate and approve the ownership percentage transfer for it to be legal and the City of Las Vegas had to be informed. SINGER told LERA he had already spoken to the State of Nevada and the City of Las Vegas and they knew we were transferring the ownership percentages and that his form was proper. LERA proceeded to tell SINGER there is an official form and he did not care. SINGER also told LERA he sent notice for NEWMAN to consent to the ownership percentage transfer and that NEWMAN signed it. When LERA asked for a copy SINGER stated he would email it to LERA. LERA told SINGER she would not proceed with ownership percentage transfer unless all parties agreed. Thereafter, LERA was given a \$50,000 cash loan and was also promised to be funded up to \$200,000 more by CURTIS HUFFMAN towards her capital contribution in DESERT AIRE WELLNESS, LLC.

108. The document executed by LERA to transfer 15.5% of her ownership interest in DESERT AIRE WELLNESS, LLC to STACEY HUFFMAN cannot be enforced against LERA, as it is illegal under the MME laws in the State of Nevada, was not freely and voluntarily given but was the result of duress and coercion from wrongful demands, pressure, threats, personal

1 abuse and threats of physical force to be inflicted upon LERA by THIRD PARTY  
2 DEFENDANTS. As LERA had an already-existing fiduciary relationship with GUNSALLUS,  
3 STACEY HUFFMAN and DAVIS, and a fiduciary relationship with SINGER, who was holding  
4 himself out as the attorney for DESERT AIRE WELLNESS, LLC, LERA reposed trust and  
5 confidence in such persons to the contract, and thus undue influence is presumed and the party  
6 seeking to enforce the contract must prove by clear and convincing evidence that the party against  
7 whom enforcement is sought had independent legal advice on the transaction before assenting to  
8 it or the transaction was just, fair and equitable and fully and fairly disclosed to that party. LERA  
9 alleges that she did not have independent legal advice on this transaction and the transaction was  
10 not just, fair and equitable, lacks adequate consideration and the THIRD PARTY  
11 DEFENDANTS failed to perform.

12 109. THIRD PARTY PLAINTIFFS allege that after the original contract was formed,  
13 as alleged in the Breach of Contract Count, THIRD PARTY DEFENDANTS, via harassment,  
14 threats, assault, undue influence and duress, coerced NEWMAN to execute a document to  
15 transfer 5% of her ownership interest in DESERT AIRE WELLNESS, LLC to GUNSALLUS.  
16 After several more weeks of harassment by GUNSALLUS and CURTIS HUFFMAN, with  
17 comments that NEWMAN would be "liquidated out of the company", NEWMAN met with  
18 SINGER. In March, 2015, after many months of being threatened, harassed and told that  
19 CURTIS HUFFMAN's attorney was going to blow up the company, NEWMAN agreed to make  
20 arrangements to give them some percent so that the PARTIES could proceed with the opening of  
21 the business. DESERT AIRE WELLNESS, LLC only has until November 3, 2015 to open for  
22 business or the license will be pulled by the City of Las Vegas. NEWMAN was getting scared  
23 that all of her hard work, money spent and past effort was going to be wasted. NEWMAN  
24 wanted to proceed with moving DESERT AIRE WELLNESS, LLC toward opening and  
25 reluctantly agreed to sign over 5% of her 25.5% ownership interest in the business to  
26 GUNSALLUS. NEWMAN agreed to give up 5% without any legal consideration. NEWMAN  
27 also advised SINGER that the document she was signing was not legally effective without  
28 additional documents executed, filed and approved with the City of Las Vegas concerning the

1 privileged license. SINGER advised NEWMAN that he had already received approval from the  
2 City of Las Vegas for the ownership percentage transfers. THIRD PARTY PLAINTIFFS  
3 discovered that SINGER never received approval from the City of Las Vegas or the state of  
4 Nevada for the transfer of ownership, thus the reason SINGER did not want THIRD PARTY  
5 PLAINTIFFS to sign any official forms. At no time did THIRD PARTY PLAINTIFFS sign the  
6 official state forms for transfer of ownership percentages amongst the members of DESERT  
7 AIRE WELLNESS, LLC.

8 110. The document executed by NEWMAN to transfer 5% of her ownership interest in  
9 DESERT AIRE WELLNESS, LLC to GUNSALLUS cannot be enforced against NEWMAN, as  
10 it is illegal under the MME laws in the State of Nevada, was not freely and voluntarily given but  
11 was the result of duress and coercion from wrongful demands, pressure, threats, personal abuse  
12 and threats of physical force to be inflicted upon NEWMAN by THIRD PARTY  
13 DEFENDANTS. As NEWMAN had an already-existing fiduciary relationship with  
14 GUNSALLUS, STACEY HUFFMAN and DAVIS, and a fiduciary relationship with SINGER,  
15 who was holding himself out as the attorney for DESERT AIRE WELLNESS, LLC, NEWMAN  
16 reposed trust and confidence in such persons to the contract, and thus undue influence is  
17 presumed and the party seeking to enforce the contract must prove by clear and convincing  
18 evidence that the party against whom enforcement is sought had independent legal advice on the  
19 transaction before assenting to it or the transaction was just, fair and equitable and fully and  
20 fairly disclosed to that party. NEWMAN alleges that she did not have independent legal advice  
21 on this transaction and the transaction was not just, fair and equitable and that it lacks any  
22 consideration.

23  
24 **COUNT XI – TORTIOUS BREACH OF THE IMPLIED COVENANT OF GOOD FAITH**  
**AND FAIR DEALING**

25 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
**OWINGS NUNN HUFFMAN; DARLENE ALEXANDRA DAVIS; AND ROES 1-20)**

26 111. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 110 of  
27 this Third Party Complaint as though fully set forth herein.  
28

1 112. In Nevada, every contract imposes upon each party a duty of good faith and fair  
2 dealing, which prohibits arbitrary or unfair acts by one party that work to the disadvantage of the  
3 other. THIRD PARTY PLAINTIFFS seek to recover damages based upon a claim of tortious  
4 breach of the implied covenant of good faith and fair dealing arising out of the contract with the  
5 defendant.

6 113. To establish a tortious breach of the implied covenant of good faith and fair  
7 dealing, plaintiff must establish: Plaintiff and defendant were parties to a contract; There was a  
8 special element of reliance or trust between plaintiff and defendant such that defendant was in a  
9 superior or entrusted position of knowledge; Defendant performed in a manner that was unfaithful  
10 to the purpose of the contract or deliberately contravened the intention and spirit of the  
11 contract; Defendant had an actual or implied awareness of the absence of a reasonable basis for  
12 not performing under the contract; and Defendant's conduct was a substantial factor in causing  
13 damage to the plaintiff.

14 114. THIRD PARTY PLAINTIFFS allege a tortious breach of the implied covenant of  
15 good faith and fair dealing against GUNSALLUS, STACEY HUFFMAN and DAVIS. As  
16 previously alleged, LERA, NEWMAN, GUNSALLUS, STACEY HUFFMAN and DAVIS  
17 entered into a valid contract on or about July 25, 2014, and as a result of jointly being members  
18 of DESERT AIRE WELLNESS, LLC, there was a special element of reliance or trust between  
19 LERA, NEWMAN, GUNSALLUS, STACEY HUFFMAN and DAVIS, and since that time,  
20 GUNSALLUS, STACEY HUFFMAN and DAVIS have performed in a manner that was  
21 unfaithful to the purpose of the contract and have deliberately contravened the intention and  
22 spirit of the contract. GUNSALLUS, STACEY HUFFMAN and DAVIS had actual awareness of  
23 the absence of a reasonable basis for not performing under the contract and their tortious breach  
24 was a substantial factor in causing damage to LERA and NEWMAN.

25 115. The tortious breach of the implied covenant of good faith and fair dealing by  
26 GUNSALLUS, STACEY HUFFMAN and DAVIS has resulted in monetary damages to THIRD  
27 PARTY PLAINTIFFS.  
28

**COUNT XII –INTERFERENCE WITH PROSPECTIVE BUSINESS  
ADVANTAGE**  
**(Against THIRD PARTY DEFENDANTS CURTIS EDWARD HUFFMAN;  
MICHAEL H. SINGER AND ROES 1-20)**

116. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 115 of this Third Party Complaint as though fully set forth herein.

117. THIRD PARTY PLAINTIFFS allege that after the original contract was formed, as alleged in the Breach of Contract Count. THIRD PARTY PLAINTIFFS allege DEFENDANTS CURTIS HUFFMAN and SINGER have interfered with their prospective business advantage with all respects and purposes of DESERT AIRE WELLNESS, LLC opening and running an MME dispensary in the City of Las Vegas. The intentional and negligence acts or omissions of DEFENDANTS CURTIS HUFFMAN and SINGER as set forth throughout this complaint herein, have stifled and prevented the prospective contractual relationship between LERA, NEWMAN, GUNSALLUS, STACEY HUFFMAN and DAVIS; DEFENDANTS CURTIS HUFFMAN and SINGER have knowledge of this prospective relationship; DEFENDANTS CURTIS HUFFMAN and SINGER have acted with the intent to harm the contractual relationship; there is an absence of privilege or justification by DEFENDANTS CURTIS HUFFMAN and SINGER; and actual harm to the LERA and NEWMAN has resulted from the wrongful conduct of DEFENDANTS CURTIS HUFFMAN and SINGER.

118. THIRD PARTY PLAINTIFFS allege that they will be damaged each in the sum of \$10,000,000 to \$20,000,000 over the next 20 years if the dispensary is not opened as a result of the actions of DEFENDANTS CURTIS HUFFMAN and SINGER.

**COUNT XIII – BREACH OF FIDUCIARY DUTIES**  
**(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY  
OWINGS NUNN HUFFMAN; DARLENE ALEXANDRA DAVIS; AND ROES 1-20)**

119. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 118 of this Third Party Complaint as though fully set forth herein.

120. THIRD PARTY PLAINTIFFS hereby allege that THIRD PARTY DEFENDANTS GUNSALLUS, STACEY HUFFMAN and DAVIS have breached their fiduciary duties by their acts and omissions as alleged above in this Complaint.

1 121. LERA, NEWMAN, GUNSALLUS, STACEY HUFFMAN and DAVIS are all  
2 joint members of a Nevada LLC and owe each other fiduciary duties. NRS 86.286 states in  
3 pertinent part: "5. If, and to the extent that, a member or manager or other person has duties to a  
4 limited-liability company, to another member or manager, or to another person that is a party to  
5 or is otherwise bound by the operating agreement, such duties may be expanded, restricted or  
6 eliminated by provisions in the operating agreement, except that an operating agreement may not  
7 eliminate the implied contractual covenant of good faith and fair dealing. 6. Unless otherwise  
8 provided in an operating agreement, a member, manager or other person is not liable for breach  
9 of duties, if any, to a limited-liability company, to any of the members or managers or to another  
10 person that is a party to or otherwise bound by the operating agreement for conduct undertaken  
11 in the member's, manager's or other person's good faith reliance on the provisions of the  
12 operating agreement.

13 122. THIRD PARTY PLAINTIFFS allege that as fiduciaries, DEFENDANTS  
14 GUNSALLUS, STACEY HUFFMAN and DAVIS have failed to make full and fair disclosure of  
15 all facts which materially affect the rights and interests of LERA and NEWMAN.  
16 DEFENDANTS GUNSALLUS, STACEY HUFFMAN and DAVIS have failed to exercise care,  
17 loyalty, confidentiality, full disclosure, fairness, and good faith in their dealings with LERA and  
18 NEWMAN via their acts or omissions as alleged herein.

19 123. DEFENDANTS GUNSALLUS, STACEY HUFFMAN and DAVIS have  
20 violated one or more of each of these duties and the breach of their respective duties have cause  
21 damage to LERA and NEWMAN.

22 124. THIRD PARTY PLAINTIFFS allege DEFENDANTS GUNSALLUS, STACEY  
23 HUFFMAN and DAVIS have breached their duty of due care. This duty required  
24 DEFENDANTS GUNSALLUS, STACEY HUFFMAN and DAVIS to perform their functions in  
25 good faith, in a manner reasonably believed to be in the best interest of LERA and NEWMAN,  
26 and with the care that an ordinarily prudent person, in a similar position and under  
27 similar circumstances, would reasonably be expected to exercise.  
28

1 125. THIRD PARTY PLAINTIFFS allege DEFENDANTS GUNSALLUS, STACEY  
2 HUFFMAN and DAVIS have breached their duty to make full and fair disclosure of all facts that  
3 materially affect their rights and interests.

4 126. THIRD PARTY PLAINTIFFS allege DEFENDANTS GUNSALLUS, STACEY  
5 HUFFMAN and DAVIS have breached their duty of loyalty by failing to maintain, in good faith,  
6 the best interests of LERA and NEWMAN over their own interests.

7 **COUNT XIV – BREACH OF FIDUCIARY DUTIES: ATTORNEY**  
8 **(Against THIRD PARTY DEFENDANTS MICHAEL H. SINGER AND ROES 1-20)**

9 127. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 126 of  
10 this Third Party Complaint as though fully set forth herein.

11 128. THIRD PARTY PLAINTIFFS allege a fiduciary relationship with SINGER, who  
12 was and has been holding himself out as the attorney for DESERT AIRE WELLNESS, LLC, of  
13 which they are members. Attorneys owe a special duty to their clients; this duty is called a  
14 fiduciary duty. This duty required SINGER to exercise the skill and diligence that an ordinarily  
15 prudent attorney, in a similar position and under similar circumstances, would reasonably be  
16 expected to exercise; keep information obtained from DESERT AIRE WELLNESS, LLC, LERA  
17 and NEWMAN confidential, unless he was expressly or impliedly authorized to divulge such  
18 information; fully and fairly disclose to LERA and NEWMAN all material facts affecting the  
19 interests of DESERT AIRE WELLNESS, LLC, LERA and NEWMAN; and represent DESERT  
20 AIRE WELLNESS, LLC, LERA and NEWMAN with utmost loyalty and good faith.

21 129. THIRD PARTY PLAINTIFFS claims that SINGER breached these fiduciary  
22 duties, by the acts or omissions set forth above, has only acted in the best interests of  
23 DEFENDANTS GUNSALLUS; STACEY HUFFMAN; DAVIS and CURTIS HUFFMAN, who  
24 he separately represents in other matters and he separately represents their other entities.

25 130. THIRD PARTY PLAINTIFFS allege that as a fiduciary, SINGER has failed to  
26 make full and fair disclosure of all facts which materially affect the rights and interests of  
27 DESERT AIRE WELLNESS, LLC, to LERA and NEWMAN. SINGER has failed to exercise  
28 care, loyalty, confidentiality, full disclosure, fairness, and good faith in his dealings with

1 DESERT AIRE WELLNESS, LLC, to LERA and NEWMAN via his negligent and intentional  
2 acts or omissions as alleged herein. SINGER has violated one or more of each of these duties  
3 and the breach of his respective duties has caused damage to DESERT AIRE WELLNESS, LLC,  
4 LERA and NEWMAN.

5 131. THIRD PARTY PLAINTIFFS allege SINGER has breached his duty of due care.  
6 This duty required SINGER to perform his representation in good faith, in a manner reasonably  
7 believed to be in the best interest of LERA and NEWMAN, and with the care that an ordinarily  
8 prudent attorney, in a similar position and under similar circumstances, would reasonably be  
9 expected to exercise.

10 132. THIRD PARTY PLAINTIFFS allege SINGER has breached his duty to make full  
11 and fair disclosure of all facts that materially affect their rights and interests.

12 133. THIRD PARTY PLAINTIFFS allege SINGER has breached his duty of loyalty by  
13 failing to maintain, in good faith, the best interests of LERA and NEWMAN over the interests of  
14 his other clients.

15  
16 **COUNT XV – PROFESSIONAL NEGLIGENCE**  
**(Against THIRD PARTY DEFENDANT MICHAEL H. SINGER AND ROES 1-20)**

17 134. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 133 of  
18 this Third Party Complaint as though fully set forth herein.

19 135. THIRD PARTY PLAINTIFFS seek to recover damages based upon a claim of  
20 negligent professional malpractice. DEFENDANT SINGER, was and has been holding himself  
21 out as the attorney for DESERT AIRE WELLNESS, LLC, of which THIRD PARTY  
22 PLAINTIFFS are members.

23 136. SINGER, a licensed attorney in the State of Nevada, has a duty to use such skill,  
24 prudence, and diligence as other members of his profession commonly possess and exercise and  
25 based upon his negligent acts as alleged throughout this complaint, as they apply to LERA,  
26 NEWMAN and DESERT AIRE WELLNESS, LLC, breached that duty.

1 137. THIRD PARTY PLAINTIFFS allege they have and will sustained actual loss or  
2 damage; and that the negligent conduct of SINGER was a proximate cause of THIRD PARTY  
3 PLAINTIFFS' injuries and damages.

4 **COUNT III -INJUNCTION**

5 **(Against THIRD PARTY DEFENDANTS BRENDA SUE GUNSALLUS; STACEY**  
6 **OWINGS NUNN HUFFMAN; CURTIS EDWARD HUFFMAN; DARLENE**  
7 **ALEXANDRA DAVIS; MICHAEL H. SINGER AND ROES 1-20)**

8 138. THIRD PARTY PLAINTIFFS hereby incorporate paragraphs 1 through 137 of  
9 this Third Party Complaint as though fully set forth herein.

10 139. During the times referenced herein, THIRD PARTY PLAINTIFFSwere subject to  
11 and continue to be the subject of numerous incidents harassment and threats by being shown a  
12 handgun, verbal assault, in person screaming arguments, excessive and abusive telephone calls,  
13 text messages, e-mails, correspondence from or at the direction of each THIRD PARTY  
14 DEFENDANT, intentional misrepresentation, fraud, breaches of fiduciary duties and including  
15 but not limited to, those incidents afore-described throughout the Complaint herein.

16 140. The afore-described conduct on the part of THIRD PARTY  
17 DEFENDANTSconstitutes extreme and outrageous conduct on the part of THIRD PARTY  
18 DEFENDANTS and each of them.

19 141. The afore-described conduct exceeds all bounds of decency usually tolerated in a  
20 civilized community.

21 142. The afore-described conduct of THIRD PARTY DEFENDANT and each of  
22 themwas intentional, fraudulent, oppressive and malicious and done for the purpose of causing  
23 THIRD PARTY PLAINTIFFS to suffer fear, humiliation, mental anguish, and severe emotional  
24 and physical distress.

25 143. As a direct and proximate result of the harassment and threats by being shown a  
26 handgun, verbal assault, in person screaming arguments, excessive and abusive telephone calls,  
27 text messages, e-mails, correspondence from or at the direction of each THIRD PARTY  
28 DEFENDANT, intentional misrepresentation, fraud, breaches of fiduciary duties and including

1 but not limited to, those incidents afore-described throughout the Complaint herein, THIRD  
2 PARTY PLAINTIFFS request injunctive relief as described in the Prayer for Relief below.

3  
4 **PRAYER FOR RELIEF**

5 WHEREFORE, PLAINTIFF prays that this Court grant the following relief:

6 A. Grant general and special in amounts according to proof and applicable statutes and  
7 well beyond the jurisdictional limits of this court.

8 B. Punitive damages for THIRD PARTY DEFENDANTS' fraud, oppression or malice.  
9 To punish THIRD PARTY DEFENDANTS' for harming THIRD PARTY PLAINTIFFS and to  
10 deter similar conduct in the future.

11 C. Injunctive Relief from harassment and threats by being shown a handgun, verbal  
12 assault, in person screaming arguments, excessive and abusive telephone calls, text messages, e-  
13 mails, correspondence from or at the direction of each THIRD PARTY DEFENDANT,  
14 intentional misrepresentation, fraud, breaches of fiduciary duties and including but not limited  
15 to, those incidents afore-described throughout the Complaint herein

16 D. Reasonable attorneys' fees.

17 E. Grant costs of suit incurred herein; and,

18 F. Grant such other and further relief as the court deems just and proper.

19 DATED: August 26, 2015

WATKINS & LETOFSKY, LLP

20  
21  
22 By: /bsl/  
23 DANIEL R. WATKINS  
24 BRIAN S. LETOFSKY  
25 Attorneys for THIRD PARTY  
26 DEFENDANTS and THIRD PARTY  
27 PLAINTIFFS, SUSAN A. LERA and  
28 PAULA L. NEWMAN

**CERTIFICATE OF SERVICE**

I hereby certify that I am an employee of WATKINS & LETOFSKY, LLP, and that on the 27<sup>th</sup> day of August, 2015, I electronically filed a true and correct copy of the **THIRD PARTY DEFENDANTS AND THIRD PARTY PLAINTIFFS ANSWER AND COUNTERCLAIM** using the Court's electronic filing system, which provides electronic service to the following registered users:

Maximiliano D. Couvillier III, ESQ.  
**BLACK & LOBELLO**  
mcouvillier@blacklobellolaw.com

Michael Singer  
**MICHAEL SINGER LAW FIRM**  
msinger@mhsinger.com

/s/ Jerrica DiVincenzo  
An employee of Watkins & Letofsky, LLP

# Exhibit 7

APP 0122

[https://www.hickoryrecord.com/news/sweepstakes-parlor-remains-open-in-long-view/article\\_96efd148-ddde-11e2-b5bc-001a4bcf6878.html](https://www.hickoryrecord.com/news/sweepstakes-parlor-remains-open-in-long-view/article_96efd148-ddde-11e2-b5bc-001a4bcf6878.html)

## Sweepstakes parlor remains open in Long View

By Sharon McBrayer smcbrayer@hickoryrecord.com Jun 25, 2013



Diane Barnes, manager of the Circle S Sweepstakes in Long View checks the history of a gaming machine.

ROBERT C. REED/RECORD

HICKORY NC — Driving along US 70 west, it's an oddity nowadays and sticks out among the vacant buildings in the surrounding area.

APP 0123

[https://www.hickoryrecord.com/news/sweepstakes-parlor-remains-open-in-long-view/article\\_96efd148-ddde-11e2-b5bc-001a4bcf6878.html](https://www.hickoryrecord.com/news/sweepstakes-parlor-remains-open-in-long-view/article_96efd148-ddde-11e2-b5bc-001a4bcf6878.html)

1/5

AA 005449

The parking lot of Circle S sweepstakes café's in Long View looks to be packed every night. So why is Circle S still open while others remain closed?

It appears there is still confusion over the state law on video sweepstakes gaming, even though the NC Supreme Court in December upheld the state's law banning it.

Gaming software companies and sweepstakes café owners changed the games after the ruling to a type of game they believed would be compliant with state law. Operators say a player doesn't even have to play the game, they can choose to skip to the next reveal, or winnings.

Because of what appears to be confusion over what's legal and what is not, the town of Long View is allowing Circle S to continue operating for now.

Long View Police Chief Rick Coffey said whether to enforce the law is being left up to each jurisdiction until a Superior Court judge rules for or against the newest gaming system.

"I'm going to let them run," Coffey said.

Long View Police Sgt. Justin Roberts said there is so much controversy and so many loopholes surrounding the latest software changes officials are waiting for it to end up in Superior Court and to get a ruling. He said the issue will have to go to a jury trial, and that will set the stage about whether the gaming can keep going or whether the businesses will have to shut down.

When police and district attorneys in the state started enforcing the state ban again in January, sweepstakes providers and parlor owners switched out the games and the winnings are now revealed before a game is played. The idea seemed to be that if the prize winnings were revealed first, the gaming would be legal. However, law enforcement in the area and across the state have charged operators and seized machines.

Curtis Huffman, who owns Circle S in Long View, was one of the people charged with misdemeanors when his sweepstakes parlor on Spring Road in Hickory, Circle S Depot, was closed down Jan. 18. Huffman and employees Judy Scronce Sigmon and Robert Klingensmith were charged with operating an illegal sweepstakes business.

Sigmon was found not guilty after attorney Lisa Dubs argued Sigmon was not guilty because the games the business was operating did not violate North Carolina law on video sweepstakes gaming.



Sales and use tax workshop offered

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Huffman and Klingensmith are still waiting on their cases to be heard, Huffman said.

APP 0125

He said after the state Supreme Court ruling, he closed his business down and switched the games over to the pre-reveal system and then reopened. The gaming industry believes the pre-reveal games are compliant with state law, he said.

Operators also may be waiting to see if state lawmakers do anything with a proposed bill in the legislature that would make video sweepstakes legal and would tax them. House Bill 547 was introduced in early April and was referred to the committee on commerce and job development, and if favorable, it would move on to finance. However, it was revealed at the time the bill's two co-sponsors Reps. Jeff Collins, R-Nash, and Michael Wray, D-Northampton, accepted cash from a sweepstakes operator facing racketeering charges in Florida.

The town of Long View, like many municipalities in the area, charge video sweepstakes cafes a business license fee.

David Epley, administrator for the town of Long View, said the town currently charges a \$1,000 license fee but that may go up in the coming year. Epley said the 2013-14 proposed budget includes a \$1,000 license fee and \$2,500 per machine for the upcoming year. The board of aldermen will meet on the proposed budget Friday.

A sweepstakes company, Clark Consulting Group, filed lawsuits earlier this month against some towns and cities in the area, demanding a jury trial and the money back they paid for business license fees. They also want their attorneys' fees paid.

The local areas being sued are Hickory, Newton, Conover and Lenoir. Conover doesn't currently have any sweepstakes cafes and Newton only has one, according to respective officials.

Hickory Police Maj. Clyde Deal said he's not sure if any sweepstakes cafes have opened back up in Hickory.

Huffman is hoping something will be resolved with the gaming and laws governing the industry in the next couple of months.

"It's just kind of a waiting game," Huffman said.

# Exhibit 8

APP 0128

**AA 005454**



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## Entity Details

## THIS IS NOT A STATEMENT OF GOOD STANDING

<u>File Number:</u>	<b>6540207</b>	<u>Incorporation Date / Formation Date:</u>	<b>9/12/2017</b> (mm/dd/yyyy)
<u>Entity Name:</u>	<b>VERANO HOLDINGS, LLC</b>		
<u>Entity Kind:</u>	<b>Limited Liability Company</b>	<u>Entity Type:</u>	<b>General</b>
<u>Residency:</u>	<b>Domestic</b>	<u>State:</u>	<b>DELAWARE</b>

REGISTERED AGENT INFORMATION

<u>Name:</u>	<b>CORPORATION SERVICE COMPANY</b>		
<u>Address:</u>	<b>251 LITTLE FALLS DRIVE</b>		
<u>City:</u>	<b>WILMINGTON</b>	<u>County:</u>	<b>New Castle</b>
<u>State:</u>	<b>DE</b>	<u>Postal Code:</u>	<b>19808</b>
<u>Phone:</u>	<b>302-636-5401</b>		

Additional Information is available for a fee. You can retrieve Status for a fee of \$10.00 or more detailed information including current franchise tax assessment, current filing history and more for a fee of \$20.00.

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# Exhibit 9

APP 0130

**AA 005456**

LICENSED ENTITY - OWNERS/OFFICERS/BOARD MEMBERS as of: May 1, 2019. An affiliated entity may be a parent company, subsidiary, an organization that controls another entity, is controlled by another entity or under common control alongsid

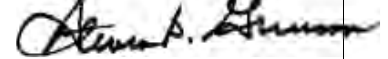
ID	Licensed Entity	License Type	Establishment Jurisdiction	COUNTY	Last Name	First Name	MI	Owner	Officer	Board Member	Affiliated Entity (1)	Affiliated Entity (2)	Affiliated Entity (3)	Affiliated Entity (4)	Affiliated Entity (5)
RD050	Livfree Wellness LLC	Retail Dispensary	Henderson	Clark	Hansen	Dr. Bryan	C	no	no	BM	no	no	no	no	no
RD050	Livfree Wellness LLC	Retail Dispensary	Henderson	Clark	Overstreet-White	Piper		no	no	BM	no	no	no	no	no
RD050	Livfree Wellness LLC	Retail Dispensary	Henderson	Clark	Slobe	David	S	no	no	BM	no	no	no	no	no
RD051	Livfree Wellness LLC	Retail Dispensary	Unincorporated Clark	Clark	Menzies	Steve		Owner	Officer	no	no	no	no	no	no
RD051	Livfree Wellness LLC	Retail Dispensary	Unincorporated Clark	Clark	Cashell-Mannikko	Catherine		Owner	no	no	no	no	no	no	no
RD051	Livfree Wellness LLC	Retail Dispensary	Unincorporated Clark	Clark	Forman	Donald	C	Owner	no	no	Green Relief, LLC	no	no	no	no
RD051	Livfree Wellness LLC	Retail Dispensary	Unincorporated Clark	Clark	Menzies	Bryce		Owner	no	no	no	no	no	no	no
RD051	Livfree Wellness LLC	Retail Dispensary	Unincorporated Clark	Clark	Schild	Richard		Owner	no	no	no	no	no	no	no
RD051	Livfree Wellness LLC	Retail Dispensary	Unincorporated Clark	Clark	Wilson	Darren		Owner	no	no	no	no	no	no	no
RD051	Livfree Wellness LLC	Retail Dispensary	Unincorporated Clark	Clark	Dietz	Tia	L	no	no	BM	no	no	no	no	no
RD051	Livfree Wellness LLC	Retail Dispensary	Unincorporated Clark	Clark	Hansen	Dr. Bryan	C	no	no	BM	no	no	no	no	no
RD051	Livfree Wellness LLC	Retail Dispensary	Unincorporated Clark	Clark	Overstreet-White	Piper		no	no	BM	no	no	no	no	no
RD051	Livfree Wellness LLC	Retail Dispensary	Unincorporated Clark	Clark	Slobe	David	S	no	no	BM	no	no	no	no	no
T081	Lone Mountain Partners LLC	Distributor	North Las Vegas	Clark	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
T081	Lone Mountain Partners LLC	Distributor	North Las Vegas	Clark	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
C122	Lone Mountain Partners LLC	Med Cultivation	North Las Vegas	Clark	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
C122	Lone Mountain Partners LLC	Med Cultivation	North Las Vegas	Clark	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
C122	Lone Mountain Partners LLC	Med Cultivation	North Las Vegas	Clark	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
P077	Lone Mountain Partners LLC	Med Production	North Las Vegas	Clark	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
P077	Lone Mountain Partners LLC	Med Production	North Las Vegas	Clark	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
P077	Lone Mountain Partners LLC	Med Production	North Las Vegas	Clark	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RC122	Lone Mountain Partners LLC	Rec Cultivation	North Las Vegas	Clark	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RC122	Lone Mountain Partners LLC	Rec Cultivation	North Las Vegas	Clark	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RC122	Lone Mountain Partners LLC	Rec Cultivation	North Las Vegas	Clark	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RP077	Lone Mountain Partners LLC	Rec Production	North Las Vegas	Clark	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RP077	Lone Mountain Partners LLC	Rec Production	North Las Vegas	Clark	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RP077	Lone Mountain Partners LLC	Rec Production	North Las Vegas	Clark	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD590	Lone Mountain Partners LLC	Retail Dispensary	Unincorporated Clark	Clark	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD590	Lone Mountain Partners LLC	Retail Dispensary	Unincorporated Clark	Clark	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RD590	Lone Mountain Partners LLC	Retail Dispensary	Unincorporated Clark	Clark	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD591	Lone Mountain Partners LLC	Retail Dispensary	Las Vegas	Clark	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD591	Lone Mountain Partners LLC	Retail Dispensary	Las Vegas	Clark	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RD591	Lone Mountain Partners LLC	Retail Dispensary	Las Vegas	Clark	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD592	Lone Mountain Partners LLC	Retail Dispensary	North Las Vegas	Clark	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD592	Lone Mountain Partners LLC	Retail Dispensary	North Las Vegas	Clark	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no

APP 0131

ID	Licensed Entity	License Type	Establishment Jurisdiction	COUNTY	Last Name	First Name	MI	Owner	Officer	Board Member	Affiliated Entity (1)	Affiliated Entity (2)	Affiliated Entity (3)	Affiliated Entity (4)	Affiliated Entity (5)
RD592	Lone Mountain Partners LLC	Retail Dispensary	North Las Vegas	Clark	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD593	Lone Mountain Partners LLC	Retail Dispensary	Reno	Washoe	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD593	Lone Mountain Partners LLC	Retail Dispensary	Reno	Washoe	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RD593	Lone Mountain Partners LLC	Retail Dispensary	Reno	Washoe	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD594	Lone Mountain Partners LLC	Retail Dispensary	Esmeralda	Esmeralda	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD594	Lone Mountain Partners LLC	Retail Dispensary	Esmeralda	Esmeralda	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RD594	Lone Mountain Partners LLC	Retail Dispensary	Esmeralda	Esmeralda	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD595	Lone Mountain Partners LLC	Retail Dispensary	White Pine	White Pine	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD595	Lone Mountain Partners LLC	Retail Dispensary	White Pine	White Pine	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RD595	Lone Mountain Partners LLC	Retail Dispensary	White Pine	White Pine	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD596	Lone Mountain Partners LLC	Retail Dispensary	Lander	Lander	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD596	Lone Mountain Partners LLC	Retail Dispensary	Lander	Lander	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RD596	Lone Mountain Partners LLC	Retail Dispensary	Lander	Lander	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD597	Lone Mountain Partners LLC	Retail Dispensary	Lincoln	Lincoln	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD597	Lone Mountain Partners LLC	Retail Dispensary	Lincoln	Lincoln	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RD597	Lone Mountain Partners LLC	Retail Dispensary	Lincoln	Lincoln	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD598	Lone Mountain Partners LLC	Retail Dispensary	Douglas	Douglas	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD598	Lone Mountain Partners LLC	Retail Dispensary	Douglas	Douglas	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RD598	Lone Mountain Partners LLC	Retail Dispensary	Douglas	Douglas	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD601	Lone Mountain Partners LLC	Retail Dispensary	Mineral	Mineral	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD601	Lone Mountain Partners LLC	Retail Dispensary	Mineral	Mineral	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RD601	Lone Mountain Partners LLC	Retail Dispensary	Mineral	Mineral	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
RD602	Lone Mountain Partners LLC	Retail Dispensary	Eureka	Eureka	Archos	George	P	Owner	Officer	BM	no	no	no	no	no
RD602	Lone Mountain Partners LLC	Retail Dispensary	Eureka	Eureka	Dorf	Sam	B	Owner	Officer	BM	no	no	no	no	no
RD602	Lone Mountain Partners LLC	Retail Dispensary	Eureka	Eureka	Ackerman	Debra	G	no	no	BM	no	no	no	no	no
C057	Luff Enterprises NV Inc	Med Cultivation	Las Vegas	Clark	Williams	Daniel	R	Owner	Officer	BM	Ascent Industries Corp (Canadian Publicly Traded)	Sweet Cannabis NV, Inc	no	no	no
C057	Luff Enterprises NV Inc	Med Cultivation	Las Vegas	Clark	Lewis McGinnis	Sharlene		no	Officer	BM	Ascent Industries Corp (Canadian Publicly Traded)	Sweet Cannabis NV, Inc	no	no	no
C057	Luff Enterprises NV Inc	Med Cultivation	Las Vegas	Clark	Mendoza	Robert		no	Officer	BM	Ascent Industries Corp (Canadian Publicly Traded)	Sweet Cannabis NV, Inc	no	no	no
P040	Luff Enterprises NV Inc	Med Production	Las Vegas	Clark	Williams	Daniel	R	Owner	Officer	BM	Ascent Industries Corp (Canadian Publicly Traded)	Sweet Cannabis NV, Inc	no	no	no
P040	Luff Enterprises NV Inc	Med Production	Las Vegas	Clark	Lewis McGinnis	Sharlene		no	Officer	BM	Ascent Industries Corp (Canadian Publicly Traded)	Sweet Cannabis NV, Inc	no	no	no
P040	Luff Enterprises NV Inc	Med Production	Las Vegas	Clark	Mendoza	Robert		no	Officer	BM	Ascent Industries Corp (Canadian Publicly Traded)	Sweet Cannabis NV, Inc	no	no	no
RC057	Luff Enterprises NV Inc	Rec Cultivation	Las Vegas	Clark	Williams	Daniel	R	Owner	Officer	BM	Ascent Industries Corp (Canadian Publicly Traded)	Sweet Cannabis NV, Inc	no	no	no
RC057	Luff Enterprises NV Inc	Rec Cultivation	Las Vegas	Clark	Lewis McGinnis	Sharlene		no	Officer	BM	Ascent Industries Corp (Canadian Publicly Traded)	Sweet Cannabis NV, Inc	no	no	no
RC057	Luff Enterprises NV Inc	Rec Cultivation	Las Vegas	Clark	Mendoza	Robert		no	Officer	BM	Ascent Industries Corp (Canadian Publicly Traded)	Sweet Cannabis NV, Inc	no	no	no
RP040	Luff Enterprises NV Inc	Rec Production	Las Vegas	Clark	Williams	Daniel	R	Owner	Officer	BM	Ascent Industries Corp (Canadian Publicly Traded)	Sweet Cannabis NV, Inc	no	no	no

# Exhibit 10

APP 0133



1 **COMP**

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10 *Attorneys for Plaintiffs*

11 **EIGHTH JUDICIAL DISTRICT COURT**  
12 **CLARK COUNTY, NEVADA**

13 NATUREX, LLC, a Nevada limited )  
14 liability company; and, BB MARKETING, )  
15 LLC, a Nevada limited liability company, )

16 Plaintiffs,

17 vs.

18 VERANO HOLDINGS, LLC, an Illinois )  
19 limited liability company; LONE )  
20 MOUNTAIN PARTNERS, LLC, a Nevada )  
21 limited liability company; NEVADA )  
22 NATURAL TREATMENT SOLUTIONS, )  
23 LLC, a Nevada limited liability company; )  
24 SCYTHIAN BIOSCIENCES CORP., a )  
25 Canadian corporation; GEORGE )  
26 ARCHOS, an individual; SAM DORF, an )  
27 individual; CARL ROSEN, an individual; )  
28 JULIE NAGLE, an individual; DOES I-X; )  
and ROE COMPANIES I-X; )

Defendants.

CASE NO: A-19-787873-C

DEPT NO.: Department 8

**COMPLAINT FOR:**

1. **USURPATION OF CORPORATE OPPORTUNITY**
2. **BREACH OF FIDUCIARY DUTY**
3. **FRAUD**
4. **BREACH OF DUTY OF LOYALTY**
5. **MISAPPROPRIATION OF TRADE SECRETS**
6. **BREACH OF THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING**
7. **IMPOSITION OF CONSTRUCTIVE TRUST**
8. **TORTIOUS INTERFERENCE WITH BUSINESS RELATIONS**
9. **CIVIL CONSPIRACY**
10. **MISAPPROPRIATION OF CORPORATE ASSETS (EMBEZZLEMENT)**
11. **DECLARATORY RELIEF**

*Arbitration Exemption Claims:*

- *Involves Declaratory Relief*
- *Involves Equitable or Extraordinary Relief*
- *Involves Claims in Excess of \$50,000*

1 Plaintiffs NATUREX, LLC, and BB MARKETING, LLC, by and through their  
2 Counsel, Jared B. Kahn, Esq., of JK Legal & Consulting, LLC, hereby complains and alleges  
3 against Defendants VERANO HOLDINGS, LLC, LONE MOUNTAIN PARTNERS, LLC,  
4 NEVADA NATURAL TREATMENT SOLUTIONS, LLC, SCYTHIAN BIOSCIENCES  
5 CORP., GEORGE ARCHOS, SAM DORF, CARL ROSEN, and JULIE NAGLE, the  
6 following:  
7

8 **I. THE PARTIES, JURISDICTION AND VENUE**

9 1. At all material times herein, Plaintiff Naturex, LLC (“Naturex”) was a limited  
10 liability company operating pursuant to the laws of the State of Nevada.

11 2. At all material times herein, Plaintiff BB Marketing, LLC (“BBM”) was a  
12 limited liability company operating pursuant to the laws of the State of Nevada.

13 3. Naturex and BBM are collectively referred herein as “Plaintiffs”.

14 4. At all material times herein, Defendant VERANO HOLDINGS, LLC (“Verano”)  
15 was a limited liability company operating pursuant to the laws of the State of Illinois. On  
16 information and belief, Defendant Verano owns or maintains an interest and controls the  
17 business operations of Defendant Lone Mountain, Defendant Nevada Natural Treatment  
18 Solutions, LLC and Naturex. On Verano’s website, it represents it owns the Nevada dispensary  
19 “Zen Leaf”, which the dispensary is actually owned by Naturex. Verano further represents it  
20 owns a marijuana cultivation facility in Nevada, which on information and belief, is actually  
21 owned by Defendant Lone Mountain Partners, LLC.  
22

23 5. At all material times herein, Defendant LONE MOUNTAIN PARTNERS, LLC  
24 (“Lone Mountain”) was a limited liability company operating pursuant to the laws of the State  
25 of Nevada.  
26

27 6. At all material times herein, Defendant NEVADA NATURAL TREATMENT  
28

1 SOLUTIONS, LLC (“NNTS”) was a limited liability company operating pursuant to the laws of  
2 the State of Nevada.

3 7. At all material times herein, Defendant SCYTHIAN BIOSCIENCES CORP  
4 (“SCYTHIAN”) was a Canadian corporation, and on information and belief, maintained  
5 ownership and a controlling interest in Verano, and will financially benefit from the  
6 wrongdoings alleged herein.  
7

8 8. At all material times herein, Defendant GEORGE ARCHOS (“ARCHOS”) was  
9 an individual residing in the State of Illinois and routinely and continuously maintained  
10 ownership and operated companies doing business in the State of Nevada, particularly  
11 Defendants Lone Mountain, Verano and NNTS.

12 9. At all material times herein, Defendant SAM DORF (“DORF”) was an  
13 individual residing in the State of Illinois and routinely and continuously maintained ownership  
14 and operated companies doing business in the State of Nevada, particularly Defendants Lone  
15 Mountain, Verano and NNTS.  
16

17 10. At all material times herein, Defendant CARL ROSEN (“ROSEN”) was, on  
18 information and belief, an individual residing in the State of New York and routinely and  
19 continuously maintained ownership and operated companies doing business in the State of  
20 Nevada, particularly Defendants Lone Mountain, Verano and NNTS.  
21

22 11. At all material times herein, Defendant JULIE NAGLE (“NAGLE”) was, on  
23 information and belief, an individual residing in the State of Illinois and routinely and  
24 continuously maintained ownership and operated companies doing business in the State of  
25 Nevada, particularly Defendants Lone Mountain, Verano and NNTS.

26 12. Lone Mountain, Verano, NNTS, Scythian, Archos, Dorf, Rosen and Nagle are  
27 referred collectively herein as “Defendants”.  
28

1           13.     The true names and capacities, whether individual, corporate, association or  
2 otherwise of the Defendants DOES I through X and/or ROE COMPANIES I through X,  
3 inclusive, are unknown to Plaintiffs, who therefore sue said Defendants by such fictitious  
4 names. Plaintiffs are informed and believe, and thereupon allege, that each of the Defendants  
5 designated herein as DOES and/or ROE COMPANIES are responsible in the same manner for  
6 the events and happenings herein referred to, and in some manner, caused the injuries and  
7 damages to Plaintiffs alleged herein. Plaintiffs will seek leave of the Court to amend this  
8 Complaint to insert the true names and capacities of said Defendants DOES I through X and/or  
9 ROE COMPANIES I through X, inclusive when the same have been ascertained by Plaintiffs,  
10 together with the appropriate charging allegations, and to join such Defendants in this action.  
11

12           14.     All of the acts alleged herein took place in the County of Clark, State of Nevada,  
13 where Naturex, BBM, Verano, Lone Mountain, NNTS and the individual Defendants subject of  
14 this action conducted their business affairs and caused the harm alleged herein.  
15

## 16           **II. PERTINENT FACTS AND ALLEGATIONS**

### 17                   **a. The Department of Taxation Retail Dispensary Licensing Applications**

18           15.     The Department of Taxation, pursuant to Nevada State Legislature Assembly  
19 Bill 422, transferred responsibility for the registration, licensing and regulation of marijuana  
20 establishments from the State of Nevada's Division of Public and Behavioral Health to the  
21 Department of Taxation (the "Department").  
22

23           16.     Pursuant to Section 80(3) of Adopted Regulation of the Department of Taxation,  
24 LCB File No. R092-17, the Department being responsible for allocation the licenses of retail  
25 marijuana dispensaries, issued a public notice for an application period wherein the Department  
26 sought applications from qualified applicants to award sixty-four (64) retail marijuana  
27 dispensary licenses throughout various jurisdictions in Nevada (the "Applications").  
28

1           17.     The application period for those retail dispensary licenses was only available to  
2 existing State of Nevada licensed marijuana entities, which opened on September 7, 2018 and  
3 closed on September 20, 2018 (the “Application Period”).

4           18.     Despite repeated assurances relied upon by Defendants that Plaintiffs would  
5 submit an application on behalf of Naturex during the Application Period, as further detailed  
6 below, Defendants instead through a concerted effort nefariously conspired for Naturex to not  
7 submit an application, and instead, Defendants submitted an application on behalf of  
8 Defendants’ other licensed cultivation entity Lone Mountain.

10           19.     On December 5, 2018, the Department issued conditional licenses to those  
11 applicants who scored and ranked high enough in each jurisdiction. On information and belief,  
12 Defendant Lone Mountain was awarded eleven (11) retail dispensary licenses (the “Licenses”).

13                   **b. The Naturex Ownership and Partnership Between Plaintiffs and Defendants**

14           20.     Naturex owns and operates a lawfully licensed medical and retail marijuana  
15 dispensary doing business as “Zen Leaf” in Clark County, Nevada.

17           21.     Prior to April 2016, Naturex was owned by BBM (or its member entities),  
18 Kessler and Wyloge.

19           22.     In or around April 2016, pursuant to a Membership Interest Purchase Agreement  
20 and for valuable consideration, Defendant NNTS purchased fifty percent (50.0%) of the  
21 membership interest in Naturex. Plaintiff BBM and another member comprised of the  
22 remaining fifty (50.0%) membership interest of Naturex.

23           23.     Subsequent to the acquisition by NNTS of the membership interest in Naturex,  
24 the Parties acted accordingly and operated the Zen Leaf dispensary collaboratively, particularly,  
25 BBM and NNTS each acted as Managers of the entity dividing up operational and managerial  
26 duties, acted in concert for the benefit of the entity Naturex, and regularly and routinely  
27  
28

1 communicated and agreed upon the decisions in the best interest of Naturex – until the  
2 Application Period.

3 24. Until the Application Period, the Managers of Naturex, BBM and NNTS  
4 (controlled by Verano), would operate and make business operation decisions together for the  
5 benefit of Naturex and its members.

6 25. The Membership Interest Purchase Agreement provided for a supply and  
7 inventory provision such that the dispensary would be required to purchase inventory, as  
8 applicable, from both the BBM affiliated cultivation facility and from the Defendant's affiliated  
9 cultivation facility (the "Inventory Purchase Agreement").  
10

11 **c. Defendants' Bad Faith and Fraudulent Conduct in Pursuit of the Licenses**

12 26. During the summer of 2018, it was decided between the Managers of Naturex  
13 that Defendants would take the lead on and control the Applications to be submitted on behalf  
14 of Naturex.  
15

16 27. Defendants hired their own "licensing consultants" known as Sara and Troy, who  
17 would be tasked with preparing, compiling and submitting the Naturex Applications.

18 28. On July 31, 2018, Defendants contacted Erin Buckner, who is a licensing and  
19 compliance consultant for Plaintiffs, for the purpose of Ms. Buckner providing assistance for  
20 compiling the BBM ownership documents necessary for the Applications. The information  
21 requested would include personal and financial information of the owners of BBM, for purposes  
22 of submitting such information for the Naturex Applications.  
23

24 29. In August 2018, Defendants again contacted Ms. Buckner to seek her assistance  
25 in obtaining similar personal and financial documents from the remaining owners of Naturex for  
26 Defendants to submit the Naturex Applications.

27 30. On September 5, 2018, Defendant Dorf contacted Ms. Buckner and requests she  
28

1 start “feeding us the info for the app” and seeking additional inquiries of associations and  
2 donations the members of Naturex made.

3 31. On September 7, 2018, Defendant Dorf contacted Ms. Buckner to “run through  
4 everything” with Defendants’ application team. Ms. Buckner advised the application team on  
5 various matters regarding portions for completing the Applications. Ms. Buckner then created a  
6 Dropbox folder to share with the Defendants and their application team. Defendants then  
7 tasked Ms. Buckner with completing all parts of the “unidentified portion” of the Applications.  
8

9 32. On September 10, 2018, Defendants reveal there are certain ownership issues  
10 with Defendants’ ownership structure and membership interests in Naturex, such that certain  
11 individuals are not supposed to be owners of Defendants any longer, however, Defendants had  
12 not yet taken the appropriate steps to inform the State of Nevada and process a Change of  
13 Ownership. Defendant Dorf informs Ms. Buckner he desires to immediately file a Change of  
14 Ownership to adjust the ownership interests of the Defendants so it will be pending before the  
15 State of Nevada during the review of the Applications. Ms. Buckner is then asked to prepare  
16 personal biographies and resumes for the owners of BBM and Naturex – besides Defendants -  
17 which Ms. Buckner completes and delivers to Defendants by September 11, 2018. Ms. Buckner  
18 also prepares and delivers the Organizational Chart for Plaintiffs necessary for the Applications.  
19  
20

21 33. On September 11, 2018, counsel for Plaintiffs informs Defendants their  
22 ownership predicament cannot be avoided and all current-owners known to and licensed by the  
23 State of Nevada listed for Naturex for Defendants’ ownership structure must be submitted for  
24 the Naturex Applications.

25 34. On September 12, 2018, Defendant Dorf again contacts Ms. Buckner for  
26 assistance preparing Defendants Dorf and Archos’ fingerprint cards, which Ms. Buckner  
27 completes such task.  
28

1           35.     On September 14, 2018, Defendant Dorf contacts Ms. Buckner for assistance to  
2 completing proposed “Board Member” information for the Naturex Applications.

3           36.     On September 18, 2018, after Defendants repeatedly failed to respond to Ms.  
4 Buckner’s repeated email communications seeking information regarding the Defendants to  
5 complete the “unidentified portion” of the Naturex Applications, Ms. Buckner delivers a full  
6 table of contents for the “unidentified portion” to Defendants with indications of missing  
7 information she required from Defendants. Defendants did not respond.  
8

9           37.     On September 19, 2018, Defendants contacted the principal of BBM to request  
10 the principal owner obtain his stepfather’s tax returns and approval to include him on the  
11 application as a Board Member of the entity because of his notable financial successes for  
12 purposes of improving the Naturex Applications’ financials in order to receive a better score  
13 and ranking for the application review. The principal of BBM was unable to acquire his  
14 stepfather’s financials for purposes of the Naturex Application nor did the principal of BBM  
15 offer such assistance. At the time BBM received the request the day prior to the expiration of  
16 the Application Period, Plaintiffs were still of the belief and understanding the Defendants were  
17 submitting the Naturex Applications on behalf of Naturex. The Defendants communications the  
18 day prior to the expiration of the Application Period never revealed an intent Defendants would  
19 not be submitting the Naturex Applications, but in fact, such communications requesting the  
20 aforementioned financials indicated to Plaintiffs the Naturex Applications were still be prepared  
21 by Defendants for purpose of submitting Naturex Applications.  
22

23           38.     On the morning of September 20, 2018, the last day for submitting the  
24 Applications during the Application Period, Defendants informed Plaintiffs the Defendants  
25 would not be submitting the Applications. Defendants claimed the Applications would be  
26 incomplete without locations specified in the Application materials – albeit an incorrect analysis  
27  
28

1 and unsubstantiated excuse proffered by Defendants, to which Plaintiffs reasonably relied on  
2 such misrepresentation at the time.

3 39. Defendants receive prior advice from Defendants' personal counsel and  
4 corporate counsel for the Plaintiffs informing Defendants that actual locations and land use  
5 approvals were not required for the Applications, yet, despite the repeated advice, Defendants'  
6 claimed the lack of sufficient locations to identify in the Applications rendered the submittal of  
7 the Applications pointless.  
8

9 40. Despite the extensive efforts by the Plaintiffs and compliance with all requested  
10 items to be completed for the Naturex Applications, and despite the fact locations would not be  
11 required for the Applications, Defendants purposefully, with an intent to cause financial harm  
12 and to eliminate Plaintiffs from applying for the Applications, instead applied for the  
13 Applications through their cultivation facility Lone Mountain with the express and deliberate  
14 intent to cut out Plaintiffs from the Licenses.  
15

16 41. Defendants had made repeated representations – in hindsight misrepresentations  
17 – to Plaintiffs that Defendants would submit the Applications on behalf of Naturex.

18 42. Plaintiffs relied upon the Defendants representations by extensively providing  
19 the necessary materials required for the Applications to be submitted on behalf of Naturex, and,  
20 relied upon Defendants to submit the Naturex Applications rather than Plaintiffs completing the  
21 Naturex Applications and submitting themselves.  
22

23 43. As a result of the detrimental reliance upon the Defendants intentional  
24 misrepresentations fraudulently inducing Plaintiffs not to submit the Naturex Applications,  
25 Plaintiffs did not submit any Applications during the Application Period.

26 44. Instead of submitting the Naturex Applications, Defendants intentionally  
27 concealed the fact Defendants instead submitted the Applications on behalf of Lone Mountain  
28

1 without including Plaintiffs, yet, on information and belief, the Lone Mountain Application  
2 would reference the “Zen Leaf” dispensary actually owned by Naturex.

3 45. Until late-November 2018, Defendants repeatedly communicated to Plaintiffs  
4 that Applications were not submitted, and it was not until late-November 2018 that an employee  
5 of Defendants informed a co-owner of BBM that Defendants did indeed submit Applications.  
6 Upon Plaintiffs confronting Defendants with such information, Defendants acknowledged it  
7 submitted Applications on behalf of their cultivation entity Lone Mountain and purposefully did  
8 not include Plaintiffs.  
9

10 46. Upon discovery of Defendants’ award of the Licenses, Plaintiffs repeatedly  
11 confronted Defendants whether they intended to include Plaintiffs in the newly awarded  
12 dispensary licenses, to which Defendants refuse.  
13

14 47. Defendants’ Licenses are premised on the fact they will use the “Zen Leaf” brand  
15 for the dispensaries, which is in fact a fictitious firm name belonging to Plaintiff Naturex. On  
16 information and belief, Defendants’ misappropriated the fictitious firm name “Zen Leaf” for  
17 Defendant Lone Mountain’s Application.

18 48. On further information and belief, in furtherance of Defendants’ Lone Mountain  
19 Application submittal, Defendants’ misappropriated, without permission, Plaintiffs’ trade  
20 secrets and proprietary information belonging to Plaintiff Naturex, such as Plaintiffs’ Standard  
21 Operating Procedures (“SOPs”), financials, business plans, business designs, business models,  
22 and other personal and confidential financial information belonging to Plaintiff Naturex (the  
23 “Naturex Proprietary Information”).  
24

25 49. As a result of Defendants’ repeated assertions and conduct, Plaintiffs relied upon  
26 such representations and did not submit any Applications for Naturex. Naturex is now not  
27 eligible to obtain additional recreational dispensary licenses.  
28

1           50.     On information and belief, subsequent to the Defendants' receipt of the Licenses,  
2 Defendants have utilized, at Naturex' cost but without Plaintiffs' approval, certain Naturex  
3 employees to perform services for the benefit of Defendants for the Licenses and for  
4 Defendants' other businesses, evidencing Defendants' intent to utilize corporate assets for  
5 Defendants' own use in furtherance of the usurped corporate opportunity.  
6

7           51.     Defendants have asserted the value of just the existing Naturex "Zen Leaf"  
8 dispensary at Fifteen Million Dollars (\$15,000,000.00). Defendants were awarded, on  
9 information and belief, ten (10) new recreational dispensaries, gaining an estimated One  
10 Hundred Fifty Million Dollars (\$150,000,000.00) in equity.  
11

12           52.     As a result of Defendant's conduct, Plaintiff will suffer damages by losing 50.0%  
13 of the \$150,000,000.00 in equity, therefore, the damages are in excess of Seventy-Five Million  
14 Dollars (\$75,000,000.00).  
15

16           53.     As a result of Defendants' conduct, Plaintiffs are entitled to fifty percent (50.0%)  
17 of the value of the equity obtained by the awarded Licenses, or otherwise, Plaintiffs are entitled  
18 to their respective fifty percent (50.0%) ownership interest in the newly awarded Licenses.  
19

20           54.     Pursuant to the Inventory Purchase Agreement, the Zen Leaf dispensary and the  
21 dispensaries for the Licenses – had they been submitted as part of the Naturex Application -  
22 would ordinarily have been obligated to purchase inventory from BBM's affiliated cultivation  
23 entity, however, due to Defendants' usurpation and fraudulent conduct to attempt to evade its  
24 obligations due to Plaintiffs, BBM will suffer damages by not having an Inventory Purchase  
25 Agreement with the Licenses despite that the dispensary licenses should have been awarded to  
26 Naturex. As a result, BBM will suffer damages in excess of Fifty Million Dollars  
27 (\$50,000,000.00).  
28

          55.     On information and belief, Defendants are attempting to selling one or more of

1 the Licenses to third-party purchasers with the intent to exclude Plaintiffs from the proceeds of  
2 any such sale.

3  
4 **FIRST CLAIM FOR RELIEF**  
5 **USURPATION OF CORPORATE OPPORTUNITY**  
6 **(All Defendants)**

7 56. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through  
8 55, inclusive.

9 57. As directors and/or officers of Naturex, including comprising of the purported  
10 Board for Naturex as Defendants would propose each of the Defendants would be Board  
11 members on the Naturex Applications, each of the Defendants owe fiduciary duties of care,  
12 loyalty and good faith to Naturex's members, including Plaintiffs. Defendants' fiduciary duties  
13 include obligations to exercise good business judgment, to act prudently in the operation of  
14 Naturex's business, to discharge their actions in good faith, to act in the best interests of  
15 Naturex and its members, and to put the interests of Naturex before their own.

17 58. Defendants breached their fiduciary duty owed to Naturex and its members, by  
18 among other things, appropriating for their own use, the opportunity to apply for the  
19 Applications, which was an opportunity that should belong to Naturex.

20 59. The newly awarded Licenses will be directly competing businesses because the  
21 Licenses will be utilized to open additional recreational marijuana dispensaries in direct  
22 competition of Naturex and operated to the detriment of Plaintiffs.

24 60. Defendants maintain an interest and expectancy in the Licenses and the  
25 competing businesses' opportunity opened thereto with the Licenses because Defendants  
26 explicitly applied under Defendant Lone Mountain, which is owned and operated by the  
27 Defendants.  
28

1           61. Defendants repeated conduct of informing Plaintiffs the Applications would be  
2 submitted on behalf of Naturex, obtaining all of the Naturex Proprietary Information, and then  
3 utilizing the Naturex tradename Zen Leaf, was a direct exploit of the opportunity available to  
4 Naturex, which Naturex relied upon the representations by Defendants the Application would  
5 be submitted on behalf of Naturex. Defendants then intentionally and maliciously usurped the  
6 opportunity available and belonging to Naturex and instead utilized the Naturex materials for its  
7 own entity Defendant Lone Mountain to apply without including Plaintiffs and without  
8 informing Plaintiffs of Defendants intended course of action.  
9

10           62. The opportunity to apply for the Licenses belonged to Naturex, the Plaintiffs  
11 maintained an expectancy interest in the opportunity to apply for the Licenses, and the equitable  
12 interest and expectancy grew out of a pre-existing right of Naturex, therefore, Defendants – as  
13 fiduciaries to Plaintiffs – could not keep the opportunity for themselves.  
14

15           63. The proposed activity to apply for the Licenses was developed through Naturex’  
16 assets and it is reasonably incident to the Naturex business, therefore, a protected opportunity  
17 the Defendants usurped for their own personal benefit for the purposeful exclusion of the  
18 Plaintiffs.  
19

20           64. As a direct result of Defendant’s actions to usurp the opportunity belonging to  
21 Naturex and instead utilizing the Naturex materials for Defendants to apply for and obtain the  
22 Licenses directly caused the Plaintiffs’ damages because Plaintiffs were unable to apply for the  
23 Licenses after detrimentally relying on Defendant’s representations the Application would be  
24 submitted on behalf of Naturex, when in fact, Defendants did not intend to do so. Instead, it  
25 was not until the day of the expiration of the Application Period the Defendants informed  
26 Plaintiffs the Application would not be submitted, therefore, making it impossible for Plaintiffs  
27 to submit their own Application after detrimentally relying upon Defendants’ course of conduct  
28

1 and representations the Defendants would prepare and submit the Application for Plaintiffs.

2 65. As a direct result, Plaintiffs were unable to apply for and obtain the Licenses.

3 66. As a result of the usurpation of the corporate opportunity by Defendants,  
4 Plaintiffs suffered damages in an amount in excess of \$10,000.00.

5 67. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
6 Licenses, or, entitled to their fifty percent ownership in the Licenses. Plaintiffs are further  
7 entitled to an implied trust imposed on the Licenses and interest at the legal rate thereon the  
8 profits, which exceed \$75,000,000.00 based upon the Defendants' valuation of the Licenses.

9 68. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
10 Inventory Purchase Agreement that otherwise would have supplied the Licenses' dispensaries,  
11 which exceeds \$50,000,000.00 based on the projected sales to the Licenses.

12 69. Plaintiffs are therefore entitled to the proceeds from the sale of any of the  
13 Licenses the Defendants are seeking to sell. Furthermore, Plaintiffs are entitled to injunctive  
14 relief to prevent the disposal of any such License assets prior to the final adjudication of the  
15 Plaintiffs claims.

16 70. As a result of the actions by Defendants, Plaintiffs incurred attorney fees and  
17 costs and are entitled to reimbursement pursuant to NRS 18 *et seq.*

18  
19  
20 **SECOND CLAIM FOR RELIEF**

21 **BREACH OF FIDUCIARY DUTY**

22 **(All Defendants)**

23  
24 71. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through  
25 70, inclusive.

26 72. As directors and/or officers of Naturex, including comprising of the purported  
27 Board for Naturex as Defendants would propose each of the Defendants would be Board  
28 members on the Naturex Applications, each of the Defendants owe fiduciary duties of care,

1 loyalty and good faith to Naturex's members, including Plaintiffs. Defendants' fiduciary duties  
2 include obligations to exercise good business judgment, to act prudently in the operation of  
3 Naturex's business, to discharge their actions in good faith, to act in the best interests of  
4 Naturex and its members, and to put the interests of Naturex before their own.

5  
6 73. The fiduciary duty existing between Plaintiffs and Defendants requires  
7 Defendants to act with a duty for or give advice for the benefit of Plaintiffs upon the matters  
8 within the scope of their business relationship.

9 74. Defendants breached their fiduciary duty owed to Naturex and its members, by  
10 among other things, appropriating for their own use, the opportunity to apply for the  
11 Applications, which was an opportunity that should belong to Naturex. Defendants failed to use  
12 due care or diligence, failed to act with the utmost faith, exercise ordinary skill, and act with  
13 reasonable intelligence in exercising their fiduciary duty to Plaintiffs.

14  
15 75. Defendants breached their fiduciary duties of loyalty and good faith by, among  
16 other things, intentionally appropriating for their own use the Naturex Proprietary Information,  
17 by failing to submit the Naturex Applications, by failing to afford the opportunity in the  
18 Applications and Licenses to Plaintiffs, and by purposefully misrepresenting to Plaintiffs'  
19 detriment the Naturex Application would be prepared and submitted, when in fact, Defendants  
20 instead intended and did submit the Lone Mountain Application to Naturex's detriment.

21  
22 76. Plaintiffs have been damaged by the Defendants' breach of their fiduciary duties.

23 77. As a direct result, Plaintiffs were unable to apply for and obtain the Licenses.

24 78. As a result of the Defendants breach of their fiduciary duties, Plaintiffs suffered  
25 damages in an amount in excess of \$10,000.00.

26 79. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
27 Licenses, or, entitled to their fifty percent ownership in the Licenses. Plaintiffs are further  
28

1 entitled to an implied trust imposed on the Licenses and interest at the legal rate thereon the  
2 profits, which exceed \$75,000,000.00 based upon the Defendants' valuation of the Licenses..

3 80. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
4 Inventory Purchase Agreement that otherwise would have supplied the Licenses' dispensaries,  
5 which exceeds \$50,000,000.00 based on the projected sales to the Licenses.  
6

7 81. Plaintiffs are therefore entitled to the proceeds from the sale of any of the  
8 Licenses the Defendants are seeking to sell. Furthermore, Plaintiffs are entitled to injunctive  
9 relief to prevent the disposal of any such License assets prior to the final adjudication of the  
10 Plaintiffs claims.

11 82. As a result of the actions by Defendants, Plaintiffs incurred attorney fees and  
12 costs and are entitled to reimbursement pursuant to NRS 18 *et seq.*  
13

### 14 **THIRD CLAIM FOR RELIEF**

#### 15 **FRAUD**

#### 16 **(All Defendants)**

17 83. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through  
18 82, inclusive.

19 84. Defendants made false representations or misrepresentations to Plaintiffs when  
20 Defendants indicated the Applications would be prepared and submitted on behalf of Naturex.  
21

22 85. Defendants knew during the Application Period the Defendants' representations  
23 were false and the Naturex Application would not be submitted.

24 86. Defendants intended to induce Plaintiffs to act in reliance on the representations  
25 the Applications would be submitted so the Plaintiffs could not submit the Application on  
26 behalf of Naturex.

27 87. Plaintiffs justifiably relied upon the Defendants' representations by completing  
28

1 the requested sections of the Naturex Application and relying upon Defendants, through their  
2 repeated promises and representations Defendants would handle the preparation and submittal  
3 of the Application using Defendants' 'application team'.

4 88. Plaintiffs justifiable reliance on the Defendants' representations led to Plaintiffs  
5 inability to submit the Application themselves since Defendants only informed Plaintiffs on the  
6 last day of the Application Period the Application for Naturex would not be submitted.  
7 Defendants did not inform Plaintiffs that Defendants would instead submit an Application for  
8 Defendants' own entity Lone Mountain.  
9

10 89. The failure to submit the Application on behalf of Naturex, which Plaintiffs were  
11 relying upon Defendants to submit, led to financial damages because Naturex was unable to  
12 apply for the limited available dispensary licenses. Instead, Defendants were awarded the  
13 Licenses, with, on information and belief, Naturex Proprietary Information and trade name "Zen  
14 Leaf" utilized for the Lone Mountain Application.  
15

16 90. Plaintiffs have been damaged by the Defendants' fraudulent conduct.

17 91. As a direct result, Plaintiffs were unable to apply for and obtain the Licenses.

18 92. As a result of the Defendants fraudulent conduct, Plaintiffs suffered damages in  
19 an amount in excess of \$10,000.00.  
20

21 93. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
22 Licenses, or, entitled to their fifty percent ownership in the Licenses. Plaintiffs are further  
23 entitled to an implied trust imposed on the Licenses and interest at the legal rate thereon the  
24 profits, which exceed \$75,000,000.00 based upon the Defendants' valuation of the Licenses.

25 94. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
26 Inventory Purchase Agreement that otherwise would have supplied the Licenses' dispensaries,  
27 which exceeds \$50,000,000.00 based on the projected sales to the Licenses.  
28

1           95.     Plaintiffs are therefore entitled to the proceeds from the sale of any of the  
2 Licenses the Defendants are seeking to sell. Furthermore, Plaintiffs are entitled to injunctive  
3 relief to prevent the disposal of any such License assets prior to the final adjudication of the  
4 Plaintiffs claims.

5           96.     As a result of the actions by Defendants, Plaintiffs incurred attorney fees and  
6 costs and are entitled to reimbursement pursuant to NRS 18 *et seq.*  
7

8                           **FOURTH CLAIM FOR RELIEF**  
9                           **BREACH OF DUTY OF LOYALTY**  
10                           **(All Defendants)**

11           97.     Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through  
12 96, inclusive.

13           98.     As directors and/or officers of Naturex, including comprising of the purported  
14 Board for Naturex as Defendants would propose each of the Defendants would be Board  
15 members on the Naturex Applications, each of the Defendants owe fiduciary duties of care,  
16 loyalty and good faith to Naturex's members, including Plaintiffs. Defendants' fiduciary duties  
17 include obligations to exercise good business judgment, to act prudently in the operation of  
18 Naturex's business, to discharge their actions in good faith, to act in the best interests of  
19 Naturex and its members, and to put the interests of Naturex before their own.  
20

21           99.     The fiduciary duty existing between Plaintiffs and Defendants requires  
22 Defendants to maintain, in good faith, Naturex's and its members' best interests over anyone  
23 else's interests.  
24

25           100.    Defendants breached their fiduciary duty owed to Naturex and its members, by  
26 among other things, appropriating for their own use, the opportunity to apply for the  
27 Applications, which was an opportunity that should belong to Naturex. Defendants failed to use  
28

1 due care or diligence, failed to act with the utmost faith, exercise ordinary skill, and act with  
2 reasonable intelligence in exercising their fiduciary duty to Plaintiffs.

3 101. Defendants breached their fiduciary duties of loyalty and good faith by, among  
4 other things, intentionally appropriating for their own use the Naturex Proprietary Information,  
5 by failing to submit the Naturex Applications, by failing to afford the opportunity in the  
6 Applications and Licenses to Plaintiffs, and by purposefully misrepresenting to Plaintiffs'  
7 detriment the Naturex Application would be prepared and submitted, when in fact, Defendants  
8 instead intended and did submit the Lone Mountain Application to Naturex's detriment.  
9

10 102. Plaintiffs have been damaged by the Defendants' breach of their fiduciary duties.

11 103. As a direct result, Plaintiffs were unable to apply for and obtain the Licenses.

12 104. As a result of the Defendants breach of their fiduciary duties, Plaintiffs suffered  
13 damages in an amount in excess of \$10,000.00.  
14

15 105. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
16 Licenses, or, entitled to their fifty percent ownership in the Licenses. Plaintiffs are further  
17 entitled to an implied trust imposed on the Licenses and interest at the legal rate thereon the  
18 profits, which exceed \$75,000,000.00 based upon the Defendants' valuation of the Licenses.  
19

20 106. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
21 Inventory Purchase Agreement that otherwise would have supplied the Licenses' dispensaries,  
22 which exceeds \$50,000,000.00 based on the projected sales to the Licenses.

23 107. Plaintiffs are therefore entitled to the proceeds from the sale of any of the  
24 Licenses the Defendants are seeking to sell. Furthermore, Plaintiffs are entitled to injunctive  
25 relief to prevent the disposal of any such License assets prior to the final adjudication of the  
26 Plaintiffs claims.

27 108. As a result of the actions by Defendants, Plaintiffs incurred attorney fees and  
28

1 costs and are entitled to reimbursement pursuant to NRS 18 *et seq.*

2 **FIFTH CLAIM FOR RELIEF**

3 **MISAPPROPRIATION OF TRADE SECRETS**

4 **(Violation of Nevada Trade Secrets Act NRS 600A *et seq.*)**

5 **(All Defendants)**

6  
7 109. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through  
8 108, inclusive.

9 110. Naturex possess a viable trade secret as part of its business, including but not  
10 limited to market research, customer lists, customer and product pricing information, formulas,  
11 patterns, compilations, programs, devices, methods, techniques, products, systems, processes,  
12 designs, prototypes, procedures and computer programming instructions, including the Naturex  
13 Proprietary Information, which are extremely confidential and derive independent economic  
14 value from not being generally known to, and not being readily ascertainable by proper means  
15 by the public or any other persons who can obtain commercial or economic value from their  
16 disclosure or use.

17  
18 111. Naturex took adequate measures and maintained the foregoing information and  
19 technology as trade secrets, which secrecy was guarded and not readily available to others.

20  
21 112. On information and belief, Defendants intentionally, and with reason to believe  
22 that its actions would cause injury to Plaintiffs, misappropriated and exploited the trade secret  
23 information through use and disclosure of the trade secret for Defendants' own use and personal  
24 gain when it utilized the Naturex Proprietary Information for the Lone Mountain Application.

25 113. The misappropriation is wrongful because it was made in breach of an expressed  
26 or implied contract that the information would only be used for the Naturex Application, and,  
27 by Defendants' who maintained a fiduciary duty not to disclose the trade secret.  
28

1 114. On information and belief, Defendants misappropriated the trade secret  
2 information with willful, wanton, or reckless disregard of Plaintiffs' rights for Defendants' Lone  
3 Mountain Application instead of utilizing the information for the Naturex Application that was  
4 never submitted.

5 115. Plaintiffs have been damaged by the Defendants' misappropriation of trade secrets  
6 because Defendants would not have been successful in obtaining the Licenses without the trade  
7 secrets, which the Licenses will not be directly competing with Naturex.  
8

9 116. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
10 Licenses, or, entitled to their fifty percent ownership in the Licenses, which exceed  
11 \$75,000,000.00 based upon the Defendants' valuation of the Licenses. Plaintiffs are further  
12 entitled to an implied trust imposed on the Licenses and interest at the legal rate thereon the  
13 profits for the effectuation of justice.  
14

15 117. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
16 Inventory Purchase Agreement that otherwise would have supplied the Licenses' dispensaries,  
17 which exceeds \$50,000,000.00 based on the projected sales to the Licenses.

18 118. Plaintiffs are therefore entitled to the proceeds from the sale of any of the  
19 Licenses the Defendants are seeking to sell. Furthermore, Plaintiffs are entitled to injunctive  
20 relief to prevent the disposal of any such License assets prior to the final adjudication of the  
21 Plaintiffs claims.  
22

23 119. As a direct result of the Defendants misappropriation, Plaintiffs suffered  
24 damages in an amount in excess of \$10,000.00.

25 120. As a result of the actions by Defendants, Plaintiffs incurred attorney fees and  
26 costs and are entitled to reimbursement pursuant to NRS 600A.060.  
27

28 / / /

**SIXTH CLAIM FOR RELIEF**  
**BREACH OF THE IMPLIED COVENANT**  
**OF GOOD FAITH AND FAIR DEALING**

**(All Defendants)**

121. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through 120, inclusive.

122. The Parties entered into that particular Membership Interest Purchase Agreement for the Defendant to purchase fifty percent (50.0%) of the membership interest of Naturex and be partners with Plaintiffs.

123. The Membership Interest Purchase Agreement contains an implied covenant to act in good faith in performance and enforcement of the contract.

124. The Membership Interest Purchase Agreement contained various provisions regarding the management and partnership between the Parties going forward for the operations of the business of Naturex.

125. Plaintiffs maintained a justifiable expectation to receive certain benefits consistent with the provisions of the Agreement, such as a co-manager acting with a duty of loyalty and fiduciary duty to Naturex and the members.

126. Defendants conduct was in violation of or unfaithful to the spirit of the Agreement because Defendants duty of loyalty and fiduciary duty were breached when Defendants failed to submit the Naturex Application and instead usurped the opportunity by only submitting the Lone Mountain Application.

127. Defendants actions were deliberate because Defendants waited until the last day of the Application Period to inform Naturex the Application would not be submitted despite all the while Defendants were preparing and submitted the Lone Mountain Application to the

1 detriment of Plaintiffs.

2 128. Plaintiffs have been damaged by the Defendants' breach of the implied covenant  
3 of good faith and fair dealing because Plaintiffs were unable to apply for and obtain the  
4 Licenses.

5 129. As a result of the Defendants breach, Plaintiffs suffered damages in an amount in  
6 excess of \$10,000.00.

7 130. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
8 Licenses, or, entitled to their fifty percent ownership in the Licenses. Plaintiffs are further  
9 entitled to an implied trust imposed on the Licenses and interest at the legal rate thereon the  
10 profits, which exceed \$75,000,000.00 based upon the Defendants' valuation of the Licenses.

11 131. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
12 Inventory Purchase Agreement that otherwise would have supplied the Licenses' dispensaries,  
13 which exceeds \$50,000,000.00 based on the projected sales to the Licenses.

14 132. Plaintiffs are therefore entitled to the proceeds from the sale of any of the  
15 Licenses the Defendants are seeking to sell. Furthermore, Plaintiffs are entitled to injunctive  
16 relief to prevent the disposal of any such License assets prior to the final adjudication of the  
17 Plaintiffs claims.

18 133. As a result of the actions by Defendants, Plaintiffs incurred attorney fees and  
19 costs and are entitled to reimbursement pursuant to NRS 18 *et seq.*, and the Membership  
20 Interest Purchase Agreement.

21 **SEVENTH CLAIM FOR RELIEF**

22 **IMPOSITION OF CONSTRUCTIVE TRUST**

23 **(All Defendants)**

24 134. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through  
25  
26  
27  
28

1 135, inclusive.

2 135. As directors and/or officers of Naturex, including comprising of the purported  
3 Board for Naturex as Defendants would propose each of the Defendants would be Board  
4 members on the Naturex Applications, each of the Defendants owe fiduciary duties of care,  
5 loyalty and good faith to Naturex's members, including Plaintiffs. Defendants' fiduciary duties  
6 include obligations to exercise good business judgment, to act prudently in the operation of  
7 Naturex's business, to discharge their actions in good faith, to act in the best interests of  
8 Naturex and its members, and to put the interests of Naturex before their own.

10 136. The fiduciary duty existing between Plaintiffs and Defendants requires  
11 Defendants to maintain, in good faith, Naturex's and its members' best interests over anyone  
12 else's interests and was a confidential relationship between the Parties.

13 137. Defendants breached their fiduciary duty owed to Naturex and its members, by  
14 among other things, appropriating for their own use, the opportunity to apply for the  
15 Applications, which was an opportunity that should belong to Naturex. Defendants failed to use  
16 due care or diligence, failed to act with the utmost faith, exercise ordinary skill, and act with  
17 reasonable intelligence in exercising their fiduciary duty to Plaintiffs.

19 138. Defendants breached their fiduciary duties of loyalty and good faith by, among  
20 other things, intentionally appropriating for their own use the Naturex Proprietary Information,  
21 by failing to submit the Naturex Applications, by failing to afford the opportunity in the  
22 Applications and Licenses to Plaintiffs, and by purposefully misrepresenting to Plaintiffs'  
23 detriment the Naturex Application would be prepared and submitted, when in fact, Defendants  
24 instead intended and did submit the Lone Mountain Application to Naturex's detriment.

26 139. Plaintiffs have been damaged by the Defendants' breach of their fiduciary duties.

27 140. As a direct result, Plaintiffs were unable to apply for and obtain the Licenses and  
28

1 retention of legal title by Defendants would be inequitable under the circumstances.

2 141. As a result of the Defendants breach of their fiduciary duties, Plaintiffs suffered  
3 damages in an amount in excess of \$10,000.00.

4 142. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
5 Licenses, or, entitled to their fifty percent ownership in the Licenses, which exceed  
6 \$75,000,000.00 based upon the Defendants' valuation of the Licenses. Plaintiffs are further  
7 entitled to an implied trust imposed on the Licenses and interest at the legal rate thereon the  
8 profits for the effectuation of justice.

9  
10 143. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
11 Inventory Purchase Agreement that otherwise would have supplied the Licenses' dispensaries,  
12 which exceeds \$50,000,000.00 based on the projected sales to the Licenses.

13  
14 144. Plaintiffs are therefore entitled to the proceeds from the sale of any of the  
15 Licenses the Defendants are seeking to sell. Furthermore, Plaintiffs are entitled to injunctive  
16 relief to prevent the disposal of any such License assets prior to the final adjudication of the  
17 Plaintiffs claims.

18 145. As a result of the actions by Defendants, Plaintiffs incurred attorney fees and  
19 costs and are entitled to reimbursement pursuant to NRS 18 *et seq.*

20  
21 **EIGHTH CLAIM FOR RELIEF**

22 **TORTIOUS INTERFERENCE WITH BUSINESS RELATIONS**

23 **(All Defendants)**

24 146. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through  
25 145, inclusive.

26 147. Plaintiffs maintained a prospective economic interest to apply for the Licenses.

27 148. Defendants had knowledge of the prospective economic interest.  
28

1           149. Defendants intended to harm Plaintiff by preventing the prospective economic  
2 interest when Defendants failed to prepare and submit the Application on behalf of Naturex.

3           150. There exists no justification or privilege for Defendants' conduct.

4           151. Plaintiffs have been damaged by the Defendants' tortuous interference with the  
5 prospective economic interest.

6           152. As a direct result, Plaintiffs were unable to apply for and obtain the Licenses.

7           153. As a result of the Defendants tortuous interference with the prospective  
8 economic interest, Plaintiffs suffered damages in an amount in excess of \$10,000.00.

9           154. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
10 Licenses, or, entitled to their fifty percent ownership in the Licenses, which exceed  
11 \$75,000,000.00 based upon the Defendants' valuation of the Licenses. Plaintiffs are further  
12 entitled to an implied trust imposed on the Licenses and interest at the legal rate thereon the  
13 profits for the effectuation of justice.

14           155. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
15 Inventory Purchase Agreement that otherwise would have supplied the Licenses' dispensaries,  
16 which exceeds \$50,000,000.00 based on the projected sales to the Licenses.

17           156. Plaintiffs are therefore entitled to the proceeds from the sale of any of the  
18 Licenses the Defendants are seeking to sell. Furthermore, Plaintiffs are entitled to injunctive  
19 relief to prevent the disposal of any such License assets prior to the final adjudication of the  
20 Plaintiffs claims.

21           157. As a result of the actions by Defendants, Plaintiffs incurred attorney fees and  
22 costs and are entitled to reimbursement pursuant to NRS 18 *et seq.*

23           / / /

24           / / /

25

**NINTH CLAIM FOR RELIEF  
CIVIL CONSPIRACY**

**(All Defendants)**

158. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through 157, inclusive.

159. Defendants, through their various entities, officers, board members, and members, intended to accomplish an unlawful objective together by causing the Naturex Application to not be submitted in order to provide Defendants an advantage for the application process.

160. Defendants acted in concert and by agreement of a meeting of the minds to pursue the Lone Mountain Application while purposefully disregarding the Naturex Application and the failure to submit it for review.

161. The Defendants intentions of waiting until the day of the expiration of the Application Period to inform Naturex it would not submit the Naturex Application while contemporaneously concealing the fact Defendants intended to submit an Application on behalf of Lone Mountain instead were to accomplish the unlawful objection of harming Naturex because it would be too late for Naturex to complete and submit its Application.

162. By misappropriating the Naturex Proprietary Information and defrauding Plaintiffs into believing the Application would be submitted based on the repeated promises despite Defendants' intent to submit the Application instead under Lone Mountain, Defendants committed an unlawful act in furtherance of the agreement to harm Naturex.

163. Plaintiffs have been damaged by the Defendants' civil conspiracy setout to cause the Naturex Application to not be submitted.

164. As a direct result, Plaintiffs were unable to apply for and obtain the Licenses.

165. As a result of the Defendants civil conspiracy, Plaintiffs suffered damages in an

1 amount in excess of \$10,000.00.

2 166. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
3 Licenses, or, entitled to their fifty percent ownership in the Licenses, which exceed  
4 \$75,000,000.00 based upon the Defendants' valuation of the Licenses. Plaintiffs are further  
5 entitled to an implied trust imposed on the Licenses and interest at the legal rate thereon the  
6 profits for the effectuation of justice.  
7

8 167. Plaintiffs are therefore entitled to their fifty percent profits to be earned from the  
9 Inventory Purchase Agreement that otherwise would have supplied the Licenses' dispensaries,  
10 which exceeds \$50,000,000.00 based on the projected sales to the Licenses.

11 168. Plaintiffs are therefore entitled to the proceeds from the sale of any of the  
12 Licenses the Defendants are seeking to sell. Furthermore, Plaintiffs are entitled to injunctive  
13 relief to prevent the disposal of any such License assets prior to the final adjudication of the  
14 Plaintiffs claims.  
15

16 169. As a result of the actions by Defendants, Plaintiffs incurred attorney fees and  
17 costs and are entitled to reimbursement pursuant to NRS 18 *et seq.*

18 **TENTH CLAIM FOR RELIEF**

19 **MISAPPROPRIATION OF CORPORATE ASSETS**

20 **(EMBEZZLEMENT)**

21 **(All Defendants)**

22  
23 170. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through  
24 169, inclusive.

25 171. Naturex possesses certain assets, including its employees, who are financially  
26 remunerated by Naturex to perform services for Naturex.

27 172. Naturex assets, including its employees, are not readily available for use by  
28

1 others.

2 173. On information and belief, Defendants intentionally, and with reason to believe  
3 that its actions would cause injury to Plaintiffs, misappropriated the Naturex assets for  
4 Defendants' own use and personal gain when it utilized the Naturex employees for the benefit  
5 of the Licenses and for Defendants' other businesses while Defendants' relied upon Naturex to  
6 pay for those employees' salaries.

7  
8 174. The misappropriation is wrongful because Defendants are utilizing the Naturex  
9 assets, without authority nor compensation, while furthering Defendants' improper usurped  
10 corporate opportunity by utilizing Naturex assets for Defendants' own use.

11 175. On information and belief, Defendants misappropriated the Naturex assets with  
12 willful, wanton, or reckless disregard of Plaintiffs' rights for Defendants' Licenses and other  
13 businesses of Defendants.

14  
15 176. Plaintiffs have been damaged by the Defendants' misappropriation because  
16 Plaintiffs' assets are being utilized without compensation and to further Defendants' corporate  
17 opportunity and Licenses that should have belonged to Naturex.

18 177. As a direct result of the Defendants misappropriation, Plaintiffs suffered  
19 damages in an amount in excess of \$10,000.00.

20  
21 178. As a result of the actions by Defendants, Plaintiffs incurred attorney fees and  
22 costs and are entitled to reimbursement pursuant to NRS 18 *et seq.*

23 **ELEVENTH CLAIM FOR RELIEF**

24 **DECLARATORY RELIEF**

25 **(All Defendants)**

26  
27 179. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1 through  
28 178, inclusive.

1 180. A justifiable controversy exists that warrants a declaratory judgment pursuant to  
2 Nevada's Uniform Declaratory Judgments Act, NRS 30.010 to 30.160, inclusive.

3 181. Plaintiffs and Defendants have adverse and/or competing interests pursuant to  
4 the Membership Interest Purchase Agreement and the Defendants' conduct of usurping the  
5 corporate opportunity by failing to submit the Naturex Application and instead submitting the  
6 self-serving Application for Defendant Lone Mountain.  
7

8 182. The Defendants' conduct of failing to submit the Naturex Application and then  
9 the Licenses awarded to the Defendants affects Plaintiff's rights afforded to it under the  
10 Membership Interest Purchase Agreement and the Uniform Trade Secrets Act.

11 183. The Defendants' actions and/or inactions also created an actual justifiable  
12 controversy ripe for judicial determination between Plaintiffs and Defendants with respect to the  
13 construction, interpretation and implementation of the Membership Interest Purchase  
14 Agreement and the fiduciary duties owed between officers, directors and members to Naturex.  
15

16 184. Plaintiffs have been harmed, and will continue to be harmed, by Defendants'  
17 actions.

18 185. Accordingly, Plaintiffs seek a declaration from this Court that, *inter alia*:

- 19 a. Defendants improperly usurped Naturex's opportunity to obtain the  
20 Licenses;  
21 b. Defendants improperly breached their fiduciary duties owed to Plaintiffs;  
22 c. Defendants improperly breached their covenants of good faith and fair  
23 dealing pursuant to the agreements and partnership between the Parties;  
24 d. Defendants improperly misrepresented and defrauded Plaintiffs by  
25 informing them Naturex would be applying for the Licenses, when  
26 Defendants did not intend to submit the Naturex Application and instead  
27  
28

were only going to submit a self-serving Lone Mountain Application;

e. Defendants civil conspiracy to interference with Naturex's prospective business interests caused financial harm to the Plaintiffs;

f. Plaintiffs are entitled to their fifty percent profits to be earned from the Licenses;

g. Plaintiffs are entitled to their fifty percent ownership in the Licenses;

h. Plaintiffs are entitled to their fifty percent of profits pursuant to the Inventory Purchase Agreement;

i. Plaintiffs are entitled to injunctive relief enjoining Defendants from continued exclusion from ownership interest in the Licenses;

j. Plaintiffs are entitled to injunctive relief enjoining Defendants from selling any of the Licenses prior to the relief afforded to Plaintiffs herein.

186. Plaintiffs assert and contend that a declaratory judgment is both necessary and proper at this time for the Court to determine the respective rights, duties, responsibilities and liabilities of the Parties.

187. As a result of the actions by Defendants, Plaintiffs incurred attorney fees and costs and are entitled to reimbursement pursuant to NRS 18 *et seq.*

## PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for judgment as follows:

1. For declaratory relief as set forth above.

2. For a preliminary and permanent injunction enjoining the Defendants from excluding Plaintiffs from ownership of the Licenses and/or to receive the profits generated by the Licenses, including profits pursuant to the Inventory Purchase Agreement.

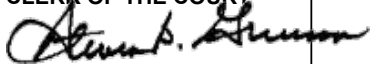
- 1 3. For preliminary and permanent injunction enjoining the Defendants from selling  
2 or otherwise disposing of the Licenses to the exclusion of Plaintiffs.  
3 4. For Judgment on Plaintiffs' First through Tenth Claims for Relief that Plaintiffs  
4 are entitled to their fifty percent profits to be earned from the Licenses, or,  
5 entitled to their fifty percent ownership in the Licenses.  
6 5. For compensatory and special damages as set forth herein.  
7 6. For attorneys' fees and costs.  
8 7. For all other relief the Court deems just and proper.  
9

10 **JURY DEMAND**

11 Plaintiffs hereby demand on all claims and issues to be triable by jury.

12 DATED: January 18, 2019.

13  
14 /s/ Jared B. Kahn  
15 Jared B. Kahn, Nevada Bar # 12603  
16 JK Legal & Consulting, LLC  
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23  
24  
25  
26  
27  
28



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7 Telephone: (702) 385-6000  
8 *Attorneys for Plaintiffs*

6 **DISTRICT COURT**

7 **CLARK COUNTY, NEVADA**

8  
9 SERENITY WELLNESS CENTER, LLC, a  
10 Nevada limited liability company, TGIG, LLC,  
11 a Nevada limited liability company, NULEAF  
12 INCLINE DISPENSARY, LLC, a Nevada  
13 limited liability company, NEVADA  
14 HOLISTIC MEDICINE, LLC, a Nevada limited  
15 liability company, TRYKE COMPANIES SO  
16 NV, LLC a Nevada limited liability company,  
17 TRYKE COMPANIES RENO, LLC, a Nevada  
18 limited liability company, GBS NEVADA  
19 PARTNERS, LLC, a Nevada limited liability  
20 company, FIDELIS HOLDINGS, LLC, a  
21 Nevada limited liability company, GRAVITAS  
22 NEVADA, LLC, a Nevada limited liability  
23 company, NEVADA PURE, LLC, a Nevada  
24 limited liability company, MEDIFARM, LLC, a  
25 Nevada limited liability company; DOE  
26 PLAINTIFFS I through X; and ROE ENTITIES  
27 I through X,  
28

Plaintiffs,

vs.

THE STATE OF NEVADA, DEPARTMENT  
OF TAXATION,

Defendant.

Case No.: A-19-786962-B  
Dept. No.: XI

**MM DEVELOPMENT COMPANY,  
INC.'S AND LIVFREE WELLNESS,  
LLC'S APPENDIX IN SUPPORT OF  
OBJECTION TO STATE'S  
RESPONSE REGARDING  
COMPLIANCE WITH NRS  
453D.200(6)**

**(VOLUME 2 OF 2)**

Coordinated with for purposes of the  
preliminary injunction hearing:

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Las Vegas, Nevada 89169  
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kjc@kempjones.com

MM DEVELOPMENT COMPANY, INC., a  
 Nevada corporation; LIVFREE WELLNESS  
 LLC, dba The Dispensary, a Nevada limited  
 liability company

Plaintiff,

vs.

STATE OF NEVADA, DEPARTMENT OF  
 TAXATION; and DOES 1 through 10; and ROE  
 CORPORATIONS 1 through 10.

Defendants.

ALL RELATED MATTERS

Case No.: A-18-785818-W  
 Dept. No.: VIII

NOW APPEAR Plaintiffs/Counter-Defendants MM Development Company, Inc. d/b/a/  
 Planet 13 (“MM”) and LivFree Wellness, LLC d/b/a The Dispensary (“LivFree”) (“Plaintiffs”),  
 by and through their counsel of record, and hereby file this appendix to the supplemental brief  
 regarding which of the successful applicants complied with NRS 453D.200(6).

Ex.	Exhibit Description	APP. Pages
1	Relevant excerpts of Admitted Exhibit 5023 – Clear River LLC	1-4
2	Frank Hawkins Testimony, 7/15/19, Vol. II	5-8
3	<u>Newman v. Huffman, et al.</u> , Complaint, dated Nov. 28, 2018 (Case No. A-18-784970-B)	9-62
4	<u>Qualcan, LLC v. Desert Aire Wellness, LLC</u> , Desert Aire Wellness Pretrial Disclosures, dated March 22, 2019 (Case No. A-15-721086-C)	63-66
5	Nevada Secretary of State Business Entity Information – Pine Mountain Holdings, LLC	67-70
6	<u>Qualcan, LLC v. Desert Aire Wellness, LLC</u> , Third Party Defendants and Third Party Plaintiffs Answer and Counterclaim, dated Aug. 27, 2015 (Case No. A-15-721086-C)	71-121
7	Sharon McBrayer, <u>Sweepstakes Parlor Remains Open</u> , Hickory Daily Record, June 25, 2013	122-127

8	Verano Holdings, LLC Delaware Secretary of State Information	128-129
9	Relevant Excerpts of Admitted Exhibit 5023 – Lone Mountain Partners, LLC	130-132
10	<u>Naturex, LLC, et al. v. Verano Holdings, LLC, et al. (A-19-787873-C) Complaint</u>	133-165
11	Excerpts from Harvest Health & Recreation, Inc., May 28, 2019 Management Information Circular	166-350
12	Verano Holdings, LLC, SEC Form D, Nov. 13, 2018	351-359
13	Testimony of Andrew Jolley, 6/10/19	360-366
14	Testimony regarding MPX Bioceuticals, 5/30/19, Vol. II	367-370
15	Excerpts from MPX Bioceutical Corporation Dec. 11, 2018 Management Information Circular	371-378
16	Testimony of Alfred Terteryan, 8/14/19	379-382
17	Testimony of Steve Gilbert, 6/18/19	383-385

DATED this 26th day of August, 2019.

**KEMP, JONES & COULTHARD LLP**

/s/ Nathanael Rulis

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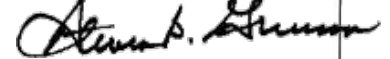
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**CERTIFICATE OF SERVICE**

I hereby certify that on the 26th day of August, 2019, I served a true and correct copy of the foregoing **MM DEVELOPMENT COMPANY, INC.'S AND LIVFREE WELLNESS, LLC'S APPENDIX IN SUPPORT OF OBJECTION TO STATE'S RESPONSE REGARDING COMPLIANCE WITH NRS 453D.200(6)** via the Court's electronic filing system only, pursuant to the Nevada Electronic Filing and Conversion Rules, Administrative Order 14-2, to all parties currently on the electronic service list.

/s/ Ali Augustine

An employee of Kemp, Jones & Coulthard, LLP



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**DISTRICT COURT**

**CLARK COUNTY, NEVADA**

SERENITY WELLNESS CENTER, LLC, a  
Nevada limited liability company, TGIG, LLC,  
a Nevada limited liability company, NULEAF  
INCLINE DISPENSARY, LLC, a Nevada  
limited liability company, NEVADA  
HOLISTIC MEDICINE, LLC, a Nevada limited  
liability company, TRYKE COMPANIES SO  
NV, LLC a Nevada limited liability company,  
TRYKE COMPANIES RENO, LLC, a Nevada  
limited liability company, GBS NEVADA  
PARTNERS, LLC, a Nevada limited liability  
company, FIDELIS HOLDINGS, LLC, a  
Nevada limited liability company, GRAVITAS  
NEVADA, LLC, a Nevada limited liability  
company, NEVADA PURE, LLC, a Nevada  
limited liability company, MEDIFARM, LLC, a  
Nevada limited liability company; DOE  
PLAINTIFFS I through X; and ROE ENTITIES  
I through X,

Plaintiffs,

vs.

THE STATE OF NEVADA, DEPARTMENT  
OF TAXATION,

Defendant.

Case No.: A-19-786962-B  
Dept. No.: XI

**MM DEVELOPMENT COMPANY,  
INC.'S AND LIVFREE WELLNESS,  
LLC'S OBJECTION TO STATE'S  
RESPONSE REGARDING  
COMPLIANCE WITH NRS  
453D.200(6)**

Coordinated with for purposes of the  
preliminary injunction hearing:

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MM DEVELOPMENT COMPANY, INC., a  
Nevada corporation; LIVFREE WELLNESS  
LLC, dba The Dispensary, a Nevada limited  
liability company

Plaintiff,

vs.

STATE OF NEVADA, DEPARTMENT OF  
TAXATION; and DOES 1 through 10; and ROE  
CORPORATIONS 1 through 10.

Defendants.

ALL RELATED MATTERS

Case No.: A-18-785818-W  
Dept. No.: VIII

NOW APPEAR Plaintiffs/Counter-Defendants MM Development Company, Inc. d/b/a/  
Planet 13 ("MM") and LivFree Wellness, LLC d/b/a The Dispensary ("LivFree") ("Plaintiffs"),  
by and through their counsel of record, and hereby file this objection to the State of Nevada,  
Department of Taxation's ("DOT") response to the Court's question about which of the  
successful applicants complied with NRS 453D.200(6), as opposed to the DOT's administrative  
change to the statute which limited it to a 5 percent or greater ownership interest.

## I.

### OBJECTIONS

#### A. Clear River, LLC

##### *1. Clear River Did Not Comply With Background Check Requirement Because It Did Not List Two Of Its Owners.*

In contrast to the DOT's response to the Court's question about compliance with NRS  
453D.200(6), the DOT previously acknowledged that Clear River, LLC did not comply with  
identifying the ownership in its applications. In **Admitted Exhibit 131**, the DOT informed Clear  
River that it was required to file a Change of Ownership form within 30 days because the  
ownership structure on file with the DOT did not match those persons disclosed (and background  
checked) per its application. As demonstrated by the DOT's list of Marijuana Licensees, Owners,

Officers & Board Members (as of May 1, 2019)<sup>1</sup>, Clear River's listed owners include John Kocer and Northon Arbeleaz, in addition to Randy Black, Sr:

D087	Clear River LLC	Med Dispensary	Henderson	Clark	Arbeleaz	Northon	J	Owner	Officer	BM	Arbko, LLC
D087	Clear River LLC	Med Dispensary	Henderson	Clark	Black, Sr.	Robert	R	Owner	Officer	BM	RSR Black Family 2014 Trust
D087	Clear River LLC	Med Dispensary	Henderson	Clark	Kocer	John	D	Owner	Officer	BM	Arbko, LLC

See relevant excerpts of Admitted Exhibit 5023, attached hereto as Exhibit 1. Clear River's applications in September 2018, however, only disclosed Randy Black, Sr. as the 100% owner. Hence, Clear River did not list 2 of its 3 actual owners in its September 2018 application.

All the licenses listed in Ex. 1, are held by Clear River, LLC but the purported ownership of Clear River differs significantly. Plaintiffs emphasize that the only evidence admitted at the hearing was Admitted Exhibit 5023, listing Arbeleaz, Black, and Kocer as owners. Clear River did not bring Randy Black or anyone else to testify – presumably because it sought to downplay the advisory board manipulation involving Flintie Ray Williams. Because the undisputed evidence establishes that Arbeleaz and Kocer were owners when the Clear River application was filed and it completely failed to list them, there was non-compliance with NRS 453D.200(6). These discrepancies show that Clear River did not comply with the NRS 453D background check requirements by failing to list actual owners.

## 2. Clear River's Background Check Violations Were Outcome Determinative Because Of Its Diversity Manipulation.

Clear River, with a total of 210.16 points, was in 10<sup>th</sup> place in Unincorporated Clark County (out of 10 winning applicants); 6<sup>th</sup> place in Henderson (out of 6 winning applicants); and 8<sup>th</sup> place in City of Las Vegas (out of 10 winning applicants). See Admitted Exhibit 13 (MMLF00085-87). In Unincorporated Clark County, Wellness Connection of Nevada was in 11<sup>th</sup> place with 208.50 total points (a difference of 1.66 points). MMLF00087. In Henderson, QualCan, LLC was in 7<sup>th</sup> place with 209.66 points (a difference of 0.50 points). MMLF00085. If Clear River were to lose 1-2 points, it would not have received licenses in Henderson or

<sup>1</sup> Available on the Nevada Department of Taxation's website here:  
[https://tax.nv.gov/FAQs/Marijuana\\_License\\_Application\\_Information\\_-\\_NEW/](https://tax.nv.gov/FAQs/Marijuana_License_Application_Information_-_NEW/)

1 Unincorporated Clark County. One obvious reason that Clear River left these two **actual** owners  
2 out of its application is that they were non-diverse males – just like Randy Black. Three non-  
3 diverse male owners would get zero diversity points.

4 Even if – for the sake of argument – Randy Black, Sr. is the sole owner and manager of  
5 Clear River, Clear River somehow managed to receive a diversity score of 12 out of 20 points.  
6 See, e.g., Admitted Exhibit 50. That means that it was deemed to have 51-60% diversity under  
7 the DOT guidelines. Clear River included 12 people to be graded as part of its diversity scoring  
8 – Randy Black Sr., Rita Byorick, Christopher Degraff, Anthony Gentile, Lisa Hardin, Lorraine  
9 Hartt, Thomas McBride, Jade Piatt, Saydee Tschanen, Kenneth Twiddy, Tisha Black, and former  
10 UNLV basketball player Flintie Ray Williams. **Ex. 1.** That is because several of the people Clear  
11 River listed in its application that are not real owners, officers, or board members. For example,  
12 Flintie Ray Williams was an advisory board member. This was a sham according to the testimony  
13 about Mr. Williams serving as an “advisory” board member:

14 Q Okay. And do you have any problem with seeking his advice in running this  
15 company, a local company in the state of Nevada?

16 A Are you saying Flintie is going to run a dispensary?

17 Q That he’s on the board and providing advice and consent to this company, do you  
18 have a problem with that?

19 A Let me make sure I understand what you’re saying. So you’re saying Flintie is on  
20 Randy’s board?

21 Q Uh-huh.

22 A And Flintie is going to direction to Randy on how to run the business?

23 Q Sure.

24 A I’d say no, that will never happen, only because I know Randy and I know Flintie.

25 Frank Hawkins Testimony, 7/15/19, Vol. II, 99:24-100:12, attached as **Exhibit 2.** Again, Clear  
26 River did not call any witnesses.

27 Clear River got 12 points for having 7 out of 12 diverse people considered – including  
28 advisory” board members like Mr. Williams and Ms. Black. If the DOT hadn’t included those  
two advisory board members – or, instead, included the actual listed owners for Clear River –  
Clear River’s diversity would have been graded lower than 51%. Anything lower than 51%  
(according to the DOT’s grading criteria) would have only give Clear River a maximum of 10  
points. See Admitted Exhibit 7, MMLF00052 (41-50% = 10 points). If 2 points were removed

1 from Clear River's score for striking its "prospective advisory board members" or, alternatively,  
2 adding the two missing actual owners, Clear River would not have received licenses in Henderson  
3 or Unincorporated Clark County. Clear River's use of "prospective advisory board members" in  
4 its application was outcome determinative of whether it received licenses and it should be  
5 enjoined from moving forward with opening those conditional licenses.

6 **B. Circle S Farms, LLC**

7 Circle S claims to be owned by four women, Stacey Huffman, Brenda Gunsallus, Darlene  
8 Davis, and Glenda Shaw.<sup>2</sup> See, e.g., Admitted Exhibit 5023. Just like Helping Hands, Circle S  
9 reportedly has an undisclosed Chief Operating Officer, i.e., Curtis Huffman. Huffman is the  
10 husband of one of Circle S's purported owners, Stacey Huffman, and calls himself her  
11 "consultant". See Qualcan, LLC v. Desert Aire Wellness, LLC, Desert Aire Wellness Pretrial  
12 Disclosures, 2:2, dated March 22, 2019 (Case No. A-15-721086-C), attached as **Exhibit 4**. The  
13 Huffmans own Pine Mountain Holdings LLC, which is the landlord for Circle S's proposed  
14 dispensary in the City of Las Vegas. See Ex. 3, 6:4-7; see also Nevada Secretary of State Business  
15 Entity Information, attached as **Exhibit 5**.

16 Mr. Huffman is instrumental in conducting the business for Circle S and its related entity,  
17 Desert Aire.<sup>3</sup> See, e.g., Ex. 3, ¶¶ 24-26. The apparent reason for leaving Curtis Huffman's name  
18 off of Circle S's application documents is because he was previously charged in North Carolina  
19 with operating an illegal sweepstakes business in 2013. See, e.g., Qualcan, LLC v. Desert Aire  
20 Wellness, LLC, Third Party Defendants and Third Party Plaintiffs Answer and Counterclaim,  
21 9:28-10:4, dated Aug. 27, 2015 (Case No. A-15-721086-C) attached as **Exhibit 6**; see also Sharon

22  
23 <sup>2</sup> Circle S has a sister entity – Desert Aire Wellness – with many of the same owners (e.g., Brenda  
24 Gunsallus, Stacey Huffman, and Darlene Davis) that operates the Sahara Wellness dispensary.  
25 See Newman v. Huffman, et al., Complaint and attached exhibits, dated Nov. 28, 2018 (Case No.  
26 A-18-784970-B), attached as **Exhibit 3**. Although this exhibit (and others attached to this  
27 objection) was not admitted during the prior evidentiary portion of the preliminary injunction  
28 hearing, MM and LivFree intend on offering this exhibit – and the others – during any bond  
portion of the preliminary injunction hearing, should it be ordered.

<sup>3</sup> See [https://gbsciences.com/portfolio\\_page/brenda-gunsallus/](https://gbsciences.com/portfolio_page/brenda-gunsallus/) ("Brenda [Gunsallus] partnered  
with Stacey Huffman and Darlene "Alex" Davis to form the all-female owned Desert Aire  
Wellness, LLC ("Desert Aire") and its sister company Circle S Farms, LLC ("Circle S").")