

IN THE SUPREME COURT OF THE STATE OF NEVADA

JDD, LLC; TCS PARTNERS, LLC;
JOHN SAUNDERS; and TREVOR
SCHMIDT,

Petitioners,

Vs.

THE EIGHTH JUDICIAL DISTRICT
COURT of the State of Nevada, in and
for the County of Clark, and the
HONORABLE JUDGE TIMOTHY C.
WILLIAMS, District Court Judge,

Respondents,

and

ITEM 9 LABS CORP. f/k/a Airware
Labs Corp., and Crown Dynamics Corp.;
ITEM 9 PROPERTIES, LLC; STRIVE
MANAGEMENT, LLC f/k/a Strive Life;
VIRIDIS GROUP 19 CAPITAL, LLC;
VIRIDIS GROUP HOLDINGS, LLC;
SNOWELL HOLDINGS, LLC;
ANDREW BOWDEN; DOUGLAS
BOWDEN; BRYCE SKALLA; and
CHASE HERSCHMAN,

Real Parties in Interest.

Electronically Filed
Nov 01 2021 08:21 p.m.
Elizabeth A. Brown
Clerk of Supreme Court

Supreme Court Case No.: 83344

Dist. Ct. Case No.: A-20-811232-C

APPENDIX TO REAL PARTIES IN INTEREST'S ANSWER TO
PETITION FOR WRIT OF MANDAMUS
VOLUME 3A OF 5; RAPP 0410 - 0530

Candace Herling, Esq.
Nevada Bar No. 13503
Heather Armantrout, Esq.
Nevada Bar No. 14469
MESSNER REEVES LLP
8945 West Russell Road, Suite 300
Las Vegas, Nevada 89148
Telephone: (702) 363-5100
Facsimile: (702) 363-5101
E-mail: cherling@messner.com
harmantrout@messner.com

*Attorneys for Real Party in Interest,
Snowell Holdings, LLC*

CHRONOLOGICAL APPENDIX

<i>DOCUMENT</i>	<i>VOL. NO.</i>	<i>Bates No.</i>
First Amended Complaint	1A	RAPP_0001-0063
Snowell Holdings, LLC's Motion to Dismiss	1A	RAPP_0064-0077
Item 9 Labs Corp. et al.'s Motion to Dismiss	1A	RAPP_0078-0123
Plaintiff's Opposition to Snowell Holdings, LLC's Motion to Dismiss	1A	RAPP_0124-0127
Snowell Holdings, LLC's Reply in Support of Motion to Dismiss	1B	RAPP_0128-0133
Plaintiff's Opposition to Item 9 Labs Corp. et al.'s Motion to Dismiss	1B	RAPP_0134-0151
Item 9 Labs Corp. et al.'s Reply in Support of Motion to Dismiss	1B	RAPP_0152-0166
Reporter's Transcript of Motion to Dismiss	1B	RAPP_0167-0247
Snowell Holdings, LLC Motion for Attorneys' Fees	2	RAPP_0248-0264
Order Granting Snowell Holdings, LLC's Motion to Dismiss	2	RAPP_0265-0278
Notice of Entry of Order Granting Snowell Holdings, LLC's Motion to Dismiss	2	RAPP_0279-0295
Plaintiff's Opposition to Defendants Snowell Holdings, LLC's Motion for Fees	2	RAPP_0296-0367
Order Granting Item 9 Labs Corp. et al.'s Motion to Dismiss	2	RAPP_0368-0383
Notice of Entry of Order Granting Item 9 Labs Corp. et al.'s Motion to Dismiss	2	RAPP_0384-0404
Snowell Holdings, LLC's Reply in Support of Motion for Attorneys' Fees	2	RAPP_0405-0409
Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees and Costs	3A	RAPP_0410-0494

Minute Order Granting Snowell Holdings, LLC's Motion for Attorneys' Fees	3A	RAPP_0495
Plaintiff's Opposition to Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees and Costs	3A	RAPP_0496-0530
	3B	RAPP_0531-0632
	4	RAPP_0633-0882
Minute Order regarding Snowell Holdings, LLC's Motion for Attorneys' Fees (Issue of Work Performed)	5	RAPP_0883
Item 9 Labs Corp. et al.'s Reply in Support of Motion for Attorneys' Fees and Costs	5	RAPP_0884-0895
Reporter's Transcript of Proceedings – Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees	5	RAPP_0896-0915
Minute Order Granting Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees and Costs	5	RAPP_0916
Order Granting Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees and Costs	5	RAPP_0917-0931
Notice of Entry of Order Granting Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees and Costs	5	RAPP_0932-0950

ALPHABETICAL APPENDIX

DOCUMENT	VOL. NO.	Bates No.
First Amended Complaint	1A	RAPP_0001-0063
Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees and Costs	3	RAPP_0410-0494
Item 9 Labs Corp. et al.'s Motion to Dismiss	1A	RAPP_0078-0123
Item 9 Labs Corp. et al.'s Reply in Support of Motion for Attorneys' Fees and Costs	5	RAPP_0884-0895
Item 9 Labs Corp. et al.'s Reply in Support of Motion to Dismiss	1B	RAPP_0152-0166
Minute Order Granting Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees and Costs	5	RAPP_0916
Minute Order Granting Snowell Holdings, LLC's Motion for Attorneys' Fees	3A	RAPP_0495
Minute Order regarding Snowell Holdings, LLC's Motion for Attorneys' Fees (Issue of Work Performed)	5	RAPP_0883
Notice of Entry of Order Granting Item 9 Labs Corp. et al.'s Motion to Dismiss	2	RAPP_0384-0404
Notice of Entry of Order Granting Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees and Costs	5	RAPP_0932-0950
Notice of Entry of Order Granting Snowell Holdings, LLC Motion to Dismiss	2	RAPP_0279-0295
Order Granting Item 9 Labs Corp. et al.'s Motion to Dismiss	2	RAPP_0368-0383
Order Granting Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees and Costs	5	RAPP_0917-0931
Order Granting Snowell Holdings, LLC Motion to Dismiss	2	RAPP_0265-0278
Plaintiff's Opposition to Item 9 Labs Corp. et al.'s Motion to Dismiss	1B	RAPP_0134-0151

Plaintiff's Opposition to Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees and Costs	3A	RAPP_0496-0530
	3B	RAPP_0531-0632
	4	RAPP_0633-0882
Plaintiff's Opposition to Snowell Holdings, LLC Motion for Fees	2	RAPP_0296-0367
Plaintiff's Opposition to Snowell Holdings, LLC's Motion to Dismiss	1A	RAPP_0124-0127
Reporter's Transcript of Motion to Dismiss	1B	RAPP_0167-0247
Reporter's Transcript of Proceedings – Item 9 Labs Corp. et al.'s Motion for Attorneys' Fees	5	RAPP_0896-0915
Snowell Holdings, LLC Motion for Attorneys' Fees	2	RAPP_0248-0264
Snowell Holdings, LLC Reply in Support of Motion for Attorneys' Fees	2	RAPP_0405-0409
Snowell Holdings, LLC's Motion to Dismiss	1A	RAPP_0064-0077
Snowell Holdings, LLC's Reply In Support of Motion to Dismiss	1B	RAPP_0128-0133

CERTIFICATE OF COMPLIANCE

I hereby certify that on this appendix consists of true and correct copies of papers
in the Clark County District Court file as required by NRAP 30(g).

Dated this 1st of November 2021.

MESSNER REEVES LLP

/s/ Candace Herling

Candace Herling, Esq.

Nevada Bar No. 13503

Heather Armantrout, Esq.

Nevada Bar No. 14469

MESSNER REEVES LLP

8945 West Russell Road, Suite 300

Las Vegas, Nevada 89148

Telephone: (702) 363-5100

Facsimile: (702) 363-5101

E-mail: cherling@messner.com

harmantrout@messner.com

Attorneys for Real Parties in Interest,

Donald Burton, Larry Lemons, and

Snowell Holdings, LLC

CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of November, 2021, I served the foregoing
**APPENDIX TO REAL PARTIES IN INTEREST'S ANSWER TO PETITION
FOR WRIT OF MANDAMUS (VOL. 3A of 5)** upon the following parties by:

 X VIA ELECTRONIC SERVICE: by electronically filing with the
Clerk of the Nevada Supreme Court;

 VIA U.S. MAIL: By placing a true copy thereof enclosed in a sealed
envelope with postage thereon fully prepaid, addressed as indicated on the
service list below in the United States mail at Las Vegas, Nevada.

Therese M. Shanks
FENNEMORE VRAIG, P.C.
7800 Rancharra Parkway
Reno, NV 89511

Michael B. Wixom
Karl L. Nielson
Smith Larsen & Wixom
Hills Center Business Park
1935 Village Center Circle
Las Vegas, NV 89134

Justin M. Brandt
Makunda Shanbhag
Bianch & Brandt
6710 Scottsdale Road, Ste. 210
Scottsdale, Arizona 85253

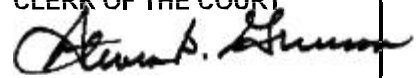
 /s/ Tya Frabott
An Employee of
MESSNER REEVES LLP

Lee Igoldy
2580 St. Rose Pkwy., Suite 330
Henderson, NV 89074

Lauren Elliott
Christian G. Stahl
Quarles & Brady LLP
Two North Central Avenue
Phoenix, AZ 85004

Honorable Timothy Williams
Civil Dept. XVI
Eighth Judicial District Court
200 Lewis Avenue
Las Vegas, NV 89101

Aaron Ford
Attorney General
OFFICE OF THE ATTORNEY
GENERAL
555 E. Washington Ave., Suite 3900
Las Vegas, NV 89101



1 **MAFC**

2 Michael B. Wixom, Esq.

3 Nevada Bar No. 2812

4 Karl L. Nielson, Esq.

5 Nevada bar No. 5082

6 **SMITH LARSEN & WIXOM**

7 1935 Village Center Circle

8 Las Vegas, Nevada 89134

9 Tel: (702) 252-5002

10 Fax: (702) 252-5006

11 Email: mbw@slwlaw.com

12 kln@slwlaw.com

13 Lauren Elliott Stine (#025083) (admitted Pro Hac Vice)

14 Christian G. Stahl (#029984) (admitted Pro Hac Vice)

15 Quarles & Brady LLP

16 Renaissance One

17 Two North Central Avenue

18 Phoenix, AZ 85004-2391

19 Tel: 602-229-5200

20 Email: Lauren.Stine@quarles.com

21 Christian.Stahl@quarles.com

22 *Attorneys for Defendants Item 9 Labs Corp. f/k/a Airware Labs Corp.*
23 *and Crown Dynamics Corp.; Item 9 Properties, LLC, Strive*
24 *Management, L.L.C. d/b/a Strive Life, Viridis Group I9*
25 *Capital, LLC, Viridis Group Holdings, LLC, Andrew*
26 *Bowden, Douglas Bowden; Bryce Skalla Jeffrey Rassas,*
27 *and Chase Herschman*

19 **DISTRICT COURT**

20 **CLARK COUNTY, NEVADA**

21 JDD, LLC, a Nevada limited liability company;
22 TCS Partners, LLC, a Nevada limited liability
23 company; JOHN SAUNDERS, an individual; and
24 TREVOR SCHMIDT, an individual,

25 Plaintiffs,

26 vs.

27 MARIMED INC. f/k/a Worlds Online, Inc., a
28 Delaware corporation; ITEM 9 LABS CORP. f/k/a
Airware Labs Corp. and Crown Dynamics Corp., a
Delaware corporation; ITEM 9 PROPERTIES

CASE NO.: A-20-811232-C

DEPT. NO.: 26

**DEFENDANTS ITEM 9 LABS
CORP., VIRIDIS GROUP I9
CAPITAL LLC, VIRIDIS GROUP
HOLDINGS, LLC, ANDREW
BOWDEN, DOUGLAS BOWDEN,
BRYCE SKALLA, JEFFREY
RASSAS, AND CHASE
HERSCHMAN'S MOTION FOR
ATTORNEYS' FEES AND COSTS**

1 LLC, a Nevada limited liability company; THE
2 HARVEST FOUNDATION LLC f/k/a, a Nevada
3 limited liability company a/k/a THE HARVEST
4 FOUNDATION, LLC; STRIVE MANAGEMENT
5 L.L.C. d/b/a Strive Life, a Nevada limited liability
6 company; STRIVE WELLNESS OF NEVADA,
7 LLC d/b/a Strive Life, a Nevada limited liability
8 company; STRIVE WELLNESS OF NEVADA 2
9 L.L.C. d/b/a Strive Life, a Nevada limited liability
10 company; VIRIDIS GROUP I9 CAPITAL, LLC,
11 an Arizona limited liability company; VIRIDIS
12 GROUP HOLDINGS, LLC, an Arizona limited
13 liability company; SNOWELL HOLDINGS, LLC,
14 an Ohio limited liability company; ROBERT
15 FIREMAN, an individual; JON LEVINE, an
16 individual; ANDREW BOWDEN, an individual;
17 DOUGLAS BOWDEN, an individual; BRYCE
18 SKALLA, an individual; JEFFREY RASSAS, an
19 individual; DONALD BURTON, an individual;
20 LARRY LEMONS, an individual; JEFFREY
21 YOKIEL, an individual; JEROME YOKIEL, an
22 individual; SARA GULLICKSON, an individual;
23 CHASE HERSCHMAN, an individual; DOE
24 INDIVIDUALS I through X, and ROE
25 BUSINESS ENTITIES XI through XX, inclusive,

26 Defendants.

HEARING DATE REQUESTED

26 Pursuant to Nevada Revised Statute ("NRS") 18.010(2)(b), Defendants Item 9 Labs
27 Corp., Viridis Group I9 Capital LLC, Viridis Group Holdings, LLC, Andrew Bowden,
28 Douglas Bowden, Bryce Skalla, Jeffrey Rassas, and Chase Herschman (collectively, the "Item
29 9 Defendants") move the Court for an award of the attorneys' fees and costs it incurred in its
30 successful defense of the claims filed against them by Plaintiffs JDD, LLC, TCS Partners,
31 LLC, John Saunders, and Trevor Schmidt (collectively, "Plaintiffs"). This Motion is
32 supported by the following Memorandum of Points and Authorities, the Declaration of Lauren

Elliott Stine attached hereto as Exhibit “1”, and the entire record in this action.

RESPECTFULLY SUBMITTED this 4th day of May, 2021.

SMITH LARSEN & WIXOM

/s/ Karl L. Nielson

Michael B. Wixom, Esq.
Nevada Bar No. 2812
Karl L. Nielson, Esq.
Nevada bar No. 5082
Hills Center Business Park
1935 Village Center Circle
Las Vegas, Nevada 89134

Lauren Elliott Stine (#025083)
(admitted Pro Hac Vice)
Christian G. Stahl (#029984)
(admitted Pro Hac Vice)
Quarles & Brady LLP
Renaissance One
Two North Central Avenue
Phoenix, AZ 85004-2391

*Attorneys for Defendants Item 9 Labs Corp.
f/k/a Airware Labs Corp. and Crown Dynamics
Corp.; Item 9 Properties, LLC, Strive
Management, L.L.C. d/b/a/ Strive Life, Viridis
Group I9 Capital, LLC, Viridis Group
Holdings, LLC, Andrew Bowden, Douglas
Bowden; Bryce Skalla Jeffrey Rassas, and
Chase Herschman*

MEMORANDUM OF POINTS AND AUTHORITIES**I. INTRODUCTION.**

The Item 9 Defendants are entities involved in the medical marijuana business, entities that own or develop property, entities that invest in real estate and sustainable projects, and multiple individuals who serve as members, officers, independent contractors, and/or directors of one or more of the foregoing entities.

The Item 9 Defendants do not have any contracts or business dealings with Plaintiffs. The Item 9 Defendants do not have any interest in the cannabis licenses or businesses that are the subject of the lawsuit. In fact, the Item 9 Defendants were not even aware of Plaintiffs or their respective entities prior to this lawsuit.

Nevertheless, on September 9, 2020, Plaintiffs filed a 240-paragraph First Amended Complaint (the “FAC”) that leveled eight (8) claims against the ten (10) Item 9 Defendants, ranging from conspiracy to aiding and abetting breaches of fiduciary duty. Plaintiffs' claims stemmed from the notion that Plaintiffs and one or more of the Item 9 Defendants happened by chance to enter into separate transactions with Defendants Lemons and Burton.

The Item 9 Defendants moved to dismiss the FAC (the “Motion to Dismiss”) on December 18, 2020. The Court held that Plaintiffs had failed to state viable claims against the Item 9 Defendants, and the Court lacked personal jurisdiction over the claims against various members of the Item 9 Defendants. The Court granted the Item 9 Defendants’ Motion to Dismiss, and the final dismissal order was served on April 13, 2021 (the “Dismissal Order”).

The Item 9 Defendants should not have been forced to incur the time and expense of preparing, filing, and arguing the Motion to Dismiss in the first place. Via letter dated November 10, 2020 (the “November 10 Letter”) – weeks before the Motion to Dismiss was filed – Arizona counsel for the Item 9 Defendants contacted counsel for Plaintiffs (then, the Albright Stoddard firm) and requested that Plaintiffs dismiss their claims against the Item 9 Defendants. The Item 9 Defendants told Plaintiffs that their claims were unsubstantiated and initiated for an improper purpose.

Indeed, as described in the Item 9 Defendants November 10, 2020 letter attached as Exhibit C to the Declaration of Lauren Stine, Plaintiffs (through an individual claiming to be their agent) threatened, harassed, and intimidated the Item 9 Defendants (and in at least one instance, their families) in an effort to enlist their assistance in the lawsuit or, barring that, to extract payment from them. After the Item 9 Defendants refused to engage with Plaintiffs' agent, Plaintiffs filed the FAC.

After receiving the November 10 Letter detailing the lack of facts, improper purpose, and harassment, Plaintiffs agreed to dismiss their claims against the Item 9 Defendants (except Strive Management) without prejudice. Plaintiffs later revoked that agreement without any explanation or alteration of the facts alleged in the FAC, and forced the Item 9 Defendants to incur unnecessary time and expense in securing the Dismissal Order. Indeed, the Motion to Dismiss addressed each of the eight (8) claims pled against the ten (10) Item 9 Defendants, and included a (successful) challenge to personal jurisdiction, which required evidentiary support in the form of Declarations from the Defendants. Tellingly, Plaintiffs voluntarily dismissed all of their claims against the five (5) individual Item 9 Defendants and four (4) of its claims against the remaining Item 9 Defendants in their opposition papers.

Put simply, the FAC was designed to bully the Item 9 Defendants, and it lacked a legitimate good faith basis from the outset. The Court should award the Item 9 Defendants their attorneys' fees and costs they have incurred in connection with this matter, pursuant to N.R.S. § 18.010. *Id.* (stating that the "court shall liberally construe the provisions of this paragraph in favor of awarding attorney's fees in all appropriate situations").

II. THE COURT SHOULD AWARD THE ITEM 9 DEFENDANTS THEIR ATTORNEYS' FEES AND COSTS.

A. The FAC was Groundless and Designed to Harass.

Pursuant to N.R.S. 018.010(2)(b), the Court may award attorneys' fees and costs if it determines that the claims were "brought or maintained without reasonable ground or to harass the prevailing party". *Id.* "The Court shall liberally construe" this statute "in favor of awarding

1 attorney's fees in all appropriate situations". *Id.* Here, the FAC was both filed "without
2 reasonable ground" and designed to "harass" the Item 9 Defendants.

3 First, a complaint is groundless when it contains allegations that are not supported by
4 credible evidence. That is precisely the case here. As demonstrated in the Item 9 Defendants'
5 Motion to Dismiss, which is incorporated by reference, and Defendants' November 10 Letter,
6 Plaintiffs did not have a credible basis to assert claims against the Item 9 Defendants.

7 The claims against the Item 9 Defendants were predicated solely on the assertion that
8 Plaintiffs and some of the Item 9 Defendants may have entered into agreements with the same
9 individuals. The FAC generally alleged Plaintiffs entered into agreements with Defendants
10 Lemons and Burtons regarding Defendant Harvest Foundation, which holds marijuana
11 cultivation licenses in Nevada. The FAC alleged that one or more of the Item 9 Defendants
12 entered into *separate* agreements with Defendants Lemons and Burton regarding *different*
13 marijuana dispensary (not cultivation) licenses in Nevada. The FAC alleged that these separate
14 agreements (between one or more of the Item 9 Defendants, Lemons, Burtons, etc.) somehow
15 violate rights or interests Plaintiffs claim to have in their *separate* agreements relating to the
16 Harvest Foundation and its cultivation license.

17 However, the FAC did not dispute that the Item 9 Defendants do not have any contracts
18 or business dealings with Plaintiffs. The Item 9 Defendants were not even aware of Plaintiffs
19 or their respective entities prior to this lawsuit. That is precisely why Plaintiffs initially agreed
20 to dismiss each of the claims against the Item 9 Defendants without prejudice in November
21 2020, only to later inexplicably revoke their agreement to dismiss days later.

22 Second, the FAC was designed to harass the Item 9 Defendants. As is evident from the
23 November 10 Letter, an individual claiming to be an agent for Plaintiffs threatened and harassed
24 the Item 9 Defendants prior to filing the FAC. Here are a few examples of the communications
25 that this individual sent to the Item 9 Defendants, which are detailed in the November 10 Letter:
26

- 27
- 28 • "Mssrs. [sic] Bowden, Mr. Miller and Mr. Rassas I was hired to come in with a nuclear arsenal and blow up Item 9 Labs and these scammers you entered into

business with who have defrauded and stolen from my clients and Trevor and John."

- "You all are either a friend or foe in that regard. I am reaching out to you for help to take the lead to get my guys' money back before a nuclear winter drops on Item 9 for engaging in clear fraud, interference with contract, interference with economic advantage, etc. etc. etc. blah blah blah you know the deal."
- "I am the fixer. I never stop until the client is paid in full or parties are in jail. ... I am the fixer and here to help you help yourself to get my guys their money back."
- "The only path I am aligned on currently is the path to 100% complete success getting my guys their money back. Anyone not helping in that regard will be roadkill in my rear review mirror."
- "I have amended out [sic] complaint and will be filing it tomorrow and promise this is the lease [sic] of your worries. I reached out to Bryce and crew as a one time [sic] courtesy which I always do before launching my nukes."

There can be no legitimate dispute that the FAC was filed for an improper purpose and was a transparent attempt to harass the Item 9 Defendants, some of whom are simply investors in totally separate business transactions or employees of Item 9 or its affiliates. The Item 9 Defendants shared this information and the harassing communications with Plaintiffs' counsel. Despite initially agreeing to dismiss their claims, Plaintiffs reneged with no explanation.

B. The Attorneys' Fees and Costs Incurred are Reasonable.

The reasonableness of the fees requested are evaluated under the *Brunzell* factors. "Under *Brunzell*, when courts determine the appropriate fee to award in civil cases, they must consider various factors, including the qualities of the advocate, the character and difficulty of the work performed, the work actually performed by the attorney, and the result obtained." *Petra Drilling and Basting, Inc. v. US Mine Corp.*, 468 P.3d 885, *3 (Nev. App. 2020). Each of these factors weighs in favor of an award.

The Qualities of the Advocates. As set forth in the Stine Declaration, the Item 9 Defendants are represented by Lauren Elliott Stine, Christian Stahl, Karl Nielson, and Lukas Landolt.

1 Lauren Stine is a 2006 graduate of the Sandra Day O'Connor College of Law at Arizona
2 State University. She is a partner at Quarles & Brady, LLP, and the chair of the firm's
3 Commercial Litigation group for the Phoenix office. Ms. Stine previously served as a judicial
4 law clerk for the Honorable W. Scott Bales (ret.) of the Arizona Supreme Court. Ms. Stine's
5 role in this matter consisted of determining the overall strategy, directing, reviewing and
6 contributing to work product of the other attorneys involved, arguing motions, and
7 communicating with opposing counsel and the Item 9 Defendants. Ms. Stine's hourly rate of
8 \$475.00 per hour is reasonable in light of her skill, ability, training, education, and experience.

9
10 Christian Stahl is a 2006 graduate of the Chicago-Kent College of Law. Mr. Stahl is a
11 partner at Quarles & Brady, LLP's Intellectual Property Litigation group in its Chicago office.
12 Mr. Stahl's role in this matter consisted of contributing to case strategy, drafting and revising
13 work product, assisting in preparation for arguments, and communicating with opposing
14 counsel. Mr. Stahl's knowledge of Item 9's work and relationships with the other defendants
15 was valuable to the defense of this matter. Mr. Stahl's hourly rate during the firm's
16 representation of the Item 9 Defendants was \$535.00 per hour and is reasonable in light of his
17 skill, ability, training, education, and experience.

18 Karl Nielson is a 1993 graduate of the J. Reuben Clark Law School at Brigham Young
19 University. He is Of Counsel with Smith Larsen & Wixom in Las Vegas, Nevada. Mr. Nielson
20 has 28 years of litigation experience and as local counsel for this matter contributed to all facets
21 of the successful defense thereof. Mr. Nielson's hourly rate of \$300 per hour is reasonable in
22 light of his skill and, education and experience.

23 Lukas Landolt is a 2018 graduate of the Sandra Day O'Connor College of Law at
24 Arizona State University. He is an associate in the Commercial Litigation group in the Phoenix
25 office of Quarles & Brady, LLP. Mr. Landolt previously served as a judicial law clerk for the
26 Honorable John Lopez IV of the Arizona Supreme Court. Mr. Landolt's role in this matter
27 consisted of contributing to the research, analysis, strategy, and drafting necessary to support
28 the various motions filed in this matter. Mr. Landolt's hourly rate of \$305.00 is reasonable in

light of his skill, ability, training, education, and experience.

The Character and Difficulty of the Work Performed. The Item 9 Defendants' Motion to Dismiss required analysis of the 240 paragraph FAC, and 8 claims asserted against the Item 9 Defendants. Further, the Motion to Dismiss required investigation into a half dozen other defendants and the facts related to each to determine the Item 9 Defendants' alleged role in the meandering FAC. The Motion to Dismiss also required analysis of general and specific personal jurisdiction, and the preparation of substantive Declarations from various Defendants to support their jurisdictional challenges. As demonstrated by the Dismissal Order, the FAC had no merit. Plaintiffs completely failed in their burden of establishing personal jurisdiction over several defendants, and did not even bother to submit evidence to rebut the lack of jurisdiction. And in recognition of the strength of the Motion to Dismiss, Plaintiffs agreed in their opposition papers to dismiss *half* of their claims – all claims against each of the five (5) individual Item 9 Defendants and four (4) of claims against the remaining Item 9 Defendants. Notably, Plaintiffs had the information to make this decision weeks prior to the Item 9 Defendants' Motion to Dismiss filing, but stubbornly charged ahead and forced the Item 9 Defendants to research, draft, and file its full motion against all claims.

The Work Performed. The Stine Declaration provides a detailed and itemized statement of the tasks and attorneys' fees charged and costs incurred by Quarles & Brady and Smith Larsen & Wixom in this matter that were reasonably necessary in prosecuting and defending the claims in this action. Those fees, which the Item 9 Defendants seek, total \$77,878.50 and the costs total \$2,106.33.

The Result Obtained. After the Motion to Dismiss was filed, Plaintiffs dismissed the claims against each of the individual Item 9 Defendants and half of its substantive claims in their opposing papers. The Court granted the Motion to Dismiss and dismissed the FAC for lack of personal jurisdiction (Viridis) and failure to state a claim on the remaining claims at the February 24, 2021 hearing.

1 **III. CONCLUSION.**

2 For the foregoing reasons, the Item 9 Defendants respectfully requests that the Court
3 grant the Motion and award them their attorneys' fees and cost incurred in connection with this
4 action.

5 RESPECTFULLY SUBMITTED this 4th day of May, 2021.

6 SMITH LARSEN & WIXOM

7
8 /s/ Karl L. Nielson

9 Michael B. Wixom, Esq.

10 Nevada Bar No. 2812

11 Karl L. Nielson, Esq.

12 Nevada bar No. 5082

13 Hills Center Business Park

14 1935 Village Center Circle

15 Las Vegas, Nevada 89134

16 Lauren Elliott Stine (#025083)

17 (admitted Pro Hac Vice)

18 Christian G. Stahl (#029984)

19 (admitted Pro Hac Vice)

20 Quarles & Brady LLP

21 Renaissance One

22 Two North Central Avenue

23 Phoenix, AZ 85004-2391

24 *Attorneys for Defendants Item 9 Labs Corp. f/k/a*

25 *Airware Labs Corp. and Crown Dynamics*

26 *Corp.; Item 9 Properties, LLC, Strive*

27 *Management, L.L.C. d/b/a/ Strive Life, Viridis*

28 *Group I9 Capital, LLC, Viridis Group Holdings,*

LLC, Andrew Bowden, Douglas Bowden; Bryce

Skalla Jeffrey Rassas, and Chase Herschman

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on May 3, 2021 a true copy of the foregoing **Defendants Item 9 Labs Corp., Viridis Group I9 Capital LLC, Viridis Group Holdings, LLC, Andrew Bowden, Douglas Bowden, Bryce Skalla, Jeffrey Rassas, and Chase Herschman's Motion for Attorneys' Fees and Costs** was sent via electronic means to the following at their last known email addresses, pursuant to EDCR 8.05(a):

Party: JDD, LLC - Plaintiff

Barbara Clark	bclark@albrightstoddard.com
Emily Iglody	emily@iglodylaw.com
Lee Iglody	lee@iglody.com
Hayden R. D. Smith	hsmith@albrightstoddard.com

Party: Larry Lemons - Defendant

Tya Frabott	Tfrabott@messner.com
Jessica Gandy	Jgandy@messner.com
Candace Herling	cherling@messner.com
Stephanie Prescott	sprescott@messner.com

Party: TCS Partners, LLC - Plaintiff

Emily Iglody	emily@iglodylaw.com
Lee Iglody	lee@iglody.com

Party: John Saunders - Plaintiff

Emily Iglody	emily@iglodylaw.com
Lee Iglody	lee@iglody.com
John Saunders	jsaunders@citrincooperman.com

Party: Trevor Schmidt - Plaintiff

Emily Iglody	emily@iglodylaw.com
Lee Iglody	lee@iglody.com
Trevor Schmidt	ta_schmidt@yahoo.com
Trevor Schmidt	trevor@myshapelipo.com

Party: The Harvest Foundation LLC - Defendant

Kevin Barrett	kbarrett@barrettmatura.com
---------------	----------------------------

Party: Viridis Group Holdings LLC – Defendant

Dominique Bosa-Edward	clerk@gabroy.com
Ella Dumo	assistant@gabroy.com
Christian Gabroy	christian@gabroy.com

SMITH LARSEN & WIXOM

ATTORNEYS

HILLS CENTER BUSINESS PARK
1935 VILLAGE CENTER CIRCLE
LAS VEGAS, NEVADA 89134
(702) 252-5002 • (702) 252-5006

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Kaine Messer

kmesser@gabroy.com

Others:

Chelsea Arancio

chelsea@bianchibrandt.com

Traci Bixenmann

traci@johnaldrichlawfirm.com

Justin Brandt

justin@bianchibrandt.com

Mukunda Shanbhag

mukunda@bianchibrandt.com

John H Wright

efile@wrightlawgroupnv.com

/s/ Jana L. Rivard

An employee of Smith Larsen & Wixom

EXHIBIT 1

EXHIBIT 1

Michael B. Wixom, Esq.
Nevada Bar No. 2812
Karl L. Nielson, Esq.
Nevada bar No. 5082
SMITH LARSEN & WIXOM
1935 Village Center Circle
Las Vegas, Nevada 89134
Tel: (702) 252-5002
Fax: (702) 252-5006
Email: mbw@slwlaw.com
kln@slwlaw.com

Lauren Elliott Stine (#025083) (admitted Pro Hac Vice)
Christian G. Stahl (#029984) (admitted Pro Hac Vice)
Quarles & Brady LLP
Renaissance One
Two North Central Avenue
Phoenix, AZ 85004-2391
Tel: 602-229-5200
Email: Lauren.Stine@quarles.com
Christian.Stahl@quarles.com

*Attorneys for Defendants Item 9 Labs Corp. f/k/a Airware Labs Corp.
and Crown Dynamics Corp.; Item 9 Properties, LLC, Strive
Management, L.L.C. d/b/a Strive Life, Viridis Group I9
Capital, LLC, Viridis Group Holdings, LLC, Andrew
Bowden, Douglas Bowden; Bryce Skalla Jeffrey Rassas,
and Chase Herschman*

DISTRICT COURT
CLARK COUNTY, NEVADA

JDD, LLC, a Nevada limited liability company;
TCS Partners, LLC, a Nevada limited liability
company; JOHN SAUNDERS, an individual; and
TREVOR SCHMIDT, an individual,

Plaintiffs,

vs.

MARIMED INC. f/k/a Worlds Online, Inc., a
Delaware corporation; ITEM 9 LABS CORP. f/k/a
Airware Labs Corp. and Crown Dynamics Corp., a
Delaware corporation; ITEM 9 PROPERTIES
LLC, a Nevada limited liability company; THE

CASE NO.: A-20-811232-C
DEPT. NO.: 26

**DECLARATION OF LAUREN
ELLIOTT STINE IN SUPPORT OF
DEFENDANTS ITEM 9 LABS
CORP., VIRIDIS GROUP I9
CAPITAL LLC, VIRIDIS GROUP
HOLDINGS, LLC, ANDREW
BOWDEN, DOUGLAS BOWDEN,
BRYCE SKALLA, JEFFREY
RASSAS, AND CHASE
HERSCHMAN'S MOTION FOR**

HARVEST FOUNDATION LLC f/k/a, a Nevada limited liability company a/k/a THE HARVEST FOUNDATION, LLC; STRIVE MANAGEMENT L.L.C. d/b/a Strive Life, a Nevada limited liability company; STRIVE WELLNESS OF NEVADA, LLC d/b/a Strive Life, a Nevada limited liability company; STRIVE WELLNESS OF NEVADA 2 L.L.C. d/b/a Strive Life, a Nevada limited liability company; VIRIDIS GROUP I9 CAPITAL, LLC, an Arizona limited liability company; VIRIDIS GROUP HOLDINGS, LLC, an Arizona limited liability company; SNOWELL HOLDINGS, LLC, an Ohio limited liability company; ROBERT FIREMAN, an individual; JON LEVINE, an individual; ANDREW BOWDEN, an individual; DOUGLAS BOWDEN, an individual; BRYCE SKALLA, an individual; JEFFREY RASSAS, an individual; DONALD BURTON, an individual; LARRY LEMONS, an individual; JEFFREY YOKIEL, an individual; JEROME YOKIEL, an individual; SARA GULLICKSON, an individual; CHASE HERSCHMAN, an individual; DOE INDIVIDUALS I through X, and ROE BUSINESS ENTITIES XI through XX, inclusive,

Defendants.

ATTORNEYS' FEES AND COSTS

LAUREN ELLIOTT STINE hereby declares as follows:

1. My name is Lauren Elliott Stine. I am a partner at the law firm of Quarles & Brady, LLP, and I am lead counsel for Defendants Item 9 Labs Corp., Viridis Group I9 Capital LLC, Viridis Group Holdings, LLC, Andrew Bowden, Douglas Bowden, Bryce Skalla, Jeffrey Rassas, and Chase Herschman (collectively, the "Item 9 Defendants"). I am over eighteen years old, and am competent to testify. This Declaration is based on my personal knowledge.

2. I am a 2006 graduate of the Sandra Day O'Connor College of Law at Arizona State University. I am a partner at Quarles & Brady, LLP, and the chair of the firm's Commercial Litigation group for the Phoenix office. I previously served as a judicial law clerk for the Honorable W. Scott Bales (ret.) of the Arizona Supreme Court. My hourly rate during

1 the firm's representation of the Item 9 Defendants was \$475.00 per hour which is reasonable
2 in light of my skill, ability, training, education, and experience. My role in this matter
3 consisted of determining the overall strategy, directing, reviewing and contributing to work
4 product of the other attorneys involved, arguing motions, and communicating with opposing
5 counsel and the Item 9 Defendants. The Item 9 Defendants have been billed, and have agreed
6 to pay for, work performed by me and the attorneys identified below. In particular, the Item
7 9 Defendants have been billed or will be billed, and have agreed to pay, \$37,905.00 for work
8 that I performed.

10
11 3. Christian Stahl is a 2006 graduate of the Chicago-Kent College of Law. Mr.
12 Stahl is a partner at Quarles & Brady, LLP's Intellectual Property Litigation group in its
13 Chicago office. Mr. Stahl's hourly rate during the firm's representation of the Item 9
14 Defendants was \$535.00 per hour which is reasonable in light of his skill, ability, training,
15 education, and experience. Mr. Stahl's role in this matter consisted of contributing to case
16 strategy, drafting and revising work product, assisting in preparation for arguments, and
17 communicating with opposing counsel. Mr. Stahl's knowledge of Item 9's work and
18 relationships with the other defendants was valuable to the defense of this matter. The Item 9
19 Defendants have been billed or will be billed, and have agreed to pay, \$16,692.00 for work
20 that Mr. Stahl performed.

21
22 4. Lukas Landolt is a 2018 graduate of the Sandra Day O'Connor College of Law
23 at Arizona State University. He is an associate in the Commercial Litigation group in the
24 Phoenix office of Quarles & Brady, LLP. Mr. Landolt previously served as a judicial law
25 clerk for the Honorable John Lopez IV of the Arizona Supreme Court. Mr. Landolt's hourly
26 rate during the firm's representation of the Item 9 Defendants was \$305.00 per hour which is
27
28

1 reasonable in light of his skill, ability, training, education, and experience. Mr. Landolt's role
2 in this matter consisted of contributing to the research, analysis, strategy, and drafting
3 necessary to support the various motions filed in this matter. The Item 9 Defendants have been
4 billed or will be billed, and have agreed to pay, \$9,607.50 for work that Mr. Landolt
5 performed.
6

7 5. Karl Nielson is a 1993 graduate of the J. Reuben Clark Law School at Brigham
8 Young University. He is Of Counsel with Smith Larsen & Wixom in Las Vegas, Nevada. Mr.
9 Nielson has 28 years of litigation experience and as local counsel for this matter contributed
10 to all facets of the successful defense thereof. Mr. Nielson's hourly rate of \$300 per hour is
11 reasonable in light of his skill, education, and experience. The Item 9 Defendants have been
12 billed or will be billed, and have agreed to pay, \$15,443.56 for work that Mr. Nielson
13 performed.
14

15 6. Attached hereto as Exhibit "A" is an itemized statement of attorneys' fees and
16 costs incurred by Quarles & Brady in this matter that were reasonably necessary in prosecuting
17 and defending the claims in this action. Those fees total \$64,204.50 and the costs total
18 \$336.77.
19

20 7. The detailed descriptions in Exhibit "A" include the date of the task(s), the
21 name of the person who performed each task, the amount of time expended measured in tenths
22 of hours, the amount of charges for the time involved, and a brief description of the work
23 performed.
24

25 8. Exhibit "A" was generated from invoices based on individual time data
26 compiled by the attorneys and paralegals. Consistent with firm practice and policy, the
27 individuals keep track of their time as the work is performed. The time data is then entered
28

1 into the firm's accounting system, which generates billing statements. Costs are submitted to
2 accounting when they have been incurred and are included in the billing statements. The
3 billing statements are sent to the client, reflecting the work performed, the charges, and the
4 costs. Remittances are sent to Quarles & Brady in response to the billing statements. These
5 practices and procedures are standard at Quarles & Brady and in the Phoenix, Arizona legal
6 market and are within Quarles & Brady's normal business operations.

8 9. The entries in Exhibit "A" were taken from Quarles & Brady's invoices. All
9 the work performed by the attorneys at Quarles & Brady on behalf of the Item 9 Defendants
10 was justified. I am generally familiar with the hourly rates charged by attorneys at comparable
11 law firms, and the hourly rates listed in Exhibit "A" are comparable to the rates charged by
12 lawyers of comparable experience at comparable law firms. Exhibit "A" has been edited to
13 prevent disclosure of work product and attorney-client privileged information.

15 10. The amount of legal fees and costs set forth in Exhibit "A" are **\$64,204.50** and
16 **\$336.77**, respectively. This is a reasonable sum, based upon the claims at issue in this case,
17 the quality of the law firm and the attorneys performing the legal work for the Item 9
18 Defendants, the character and difficulty of the work to be done, and the work actually
19 performed by Quarles & Brady on behalf of the Item 9 Defendants.

21 11. Attached hereto as Exhibit "B" is an itemized statement of attorneys' fees and
22 costs incurred by Smith Larsen & Wixom in this matter that were reasonably necessary in
23 prosecuting and defending the claims in this action. Those fees total **\$13,674** and the costs
24 total **\$1,769.56**.

26 12. The detailed descriptions in Exhibit "B" include the date of the task(s), the
27 name of the person who performed each task, the amount of time expended measured in tenths
28

1 of hours, the amount of charges for the time involved, and a brief description of the work
2 performed.

3 13. Exhibit "B" was generated from invoices based on individual time data
4 compiled by the attorneys and paralegals. Consistent with firm practice and policy, the
5 individuals keep track of their time as the work is performed. The time data is then entered
6 into the firm's accounting system, which generates billing statements. Costs are submitted to
7 accounting when they have been incurred and are included in the billing statements. The
8 billing statements are sent to the client, reflecting the work performed, the charges, and the
9 costs. Remittances are sent to Smith Larsen & Wixom in response to the billing statements.
10 These practices and procedures are standard at Smith Larsen & Wixom and in the Las Vegas,
11 Nevada legal market and are within Smith Larsen & Wixom's normal business operations.

12 14. The entries in Exhibit "B" were taken from Smith Larsen & Wixom's invoices.
13 All the work performed by the attorneys at Smith Larsen & Wixom on behalf of the Item 9
14 Defendants was justified. I am generally familiar with the hourly rates charged by attorneys
15 at comparable law firms, and the hourly rates listed in Exhibit "B" are comparable to the rates
16 charged by lawyers of comparable experience at comparable law firms. Exhibit "B" has been
17 edited to prevent disclosure of work product and attorney-client privileged information.

18 15. The amount of legal fees and costs set forth in Exhibit "B" are **\$13,674** and
19 **\$1,769.56**, respectively. This is a reasonable sum, based upon the claims at issue in this case,
20 the quality of the law firm and the attorneys performing the legal work for the Item 9
21 Defendants, the character and difficulty of the work to be done, and the work actually
22 performed by Smith Larsen & Wixom on behalf of the Item 9 Defendants.

23 16. In addition, I estimate that Quarles & Brady will generate approximately
24
25
26
27
28

SMITH LARSEN & WIXOM

ATTORNEYS

HILLS CENTER BUSINESS PARK
1935 VILLAGE CENTER CIRCLE
LAS VEGAS, NEVADA 89134
(702) 252-5002 • (702) 252-5006

1 \$5,000.00 in additional fees in connection with the preparation of its Application for
2 Attorneys' Fees and accompanying documents, as well as Plaintiff's Reply in support thereof.

3 17. A true and correct copy of the November 10, 2020 letter I sent to plaintiff's
4 counsel, Mr. Hayden Smith at Albright, Stoddard, Warnick & Albright is attached as Exhibit
5 "C".
6

7 I declare under the penalty of perjury that the foregoing is true and correct.

8 DATED this 4th day of May, 2021.

9
10 
11 LAUREN ELLIOTT STINE
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT A

EXHIBIT A

SUMMARY OF FEES BY PERSON

<u>ATTORNEY/PARALEGAL</u>	<u>TITLE</u>	<u>HOURS</u>	<u>RATE/HR</u>	<u>DOLLARS</u>
Landolt, Lukas M.	Associate	31.50	\$305.00	\$9,607.50
Stahl, Christian G.	Partner	31.20	\$535.00	\$16,692.00
Stine, Lauren E.	Partner	79.80	\$475.00	\$37,905.00
TOTAL:		142.50		\$64,204.50

ITEMIZED CHRONOLOGY OF FEES

Date	ATTY/PARA.	Title	Hours	Amount	Description
10/06/20	Stine, Lauren E.	Partner	0.40	\$190.00	Communications with C.Stahl regarding NV action and [REDACTED].
10/07/20	Stahl, Christian G.	Partner	1.50	\$802.50	Consider Nevada Complaint (0.6); consider same in relation to various agreements with co-defendants (0.5); consider service dates and next steps (0.1); discussion with L. Landolt on [REDACT] (0.2); follow up with L. Stine regarding same (0.1).
10/09/20	Landolt, Lukas M.	Associate	2.30	\$701.50	Review and analyze allegations in complaint and draft summary of the same (1.7); research available information re [REDACT] (.6).
10/12/20	Stahl, Christian G.	Partner	0.70	\$374.50	Consideration of select portions of complaint, facts regarding [REDACT], and next steps.
10/13/20	Landolt, Lukas M.	Associate	1.80	\$549.00	Conference call and strategy regarding complaint (.5); review and obtain SEC documents cited in complaint (.3); research jurisdictional issues (1.0).
10/13/20	Stine, Lauren E.	Partner	3.30	\$1,567.50	Evaluate claims and motions (2.0); strategy calls with QB team (.9); call with I9 and related follow up (.4).
10/14/20	Landolt, Lukas M.	Associate	1.70	\$518.50	Research and analyze Nevada case law and statutes regarding [REDACTED] (.5); research and analyze same regarding [REDACTED] of claims against client (1.2).
10/15/20	Landolt, Lukas M.	Associate	2.50	\$762.50	Review and analyze Nevada and relevant federal case law regarding [REDACTED] of claims against clients (1.8); draft summary of legal findings and conclusions (.7).
10/21/20	Stine, Lauren E.	Partner	1.20	\$570.00	Review and evaluate arguments for motion to dismiss (1.0); communications with local counsel (.2).
10/22/20	Stahl, Christian G.	Partner	1.80	\$963.00	Prepare for and participate in discussion with local counsel regarding [REDACTED] (1.2); consider motions, facts, and arguments (0.3); discuss same with L. Stine (0.3).
10/22/20	Stine, Lauren E.	Partner	2.80	\$1,330.00	Prepare for and participate in call with NV local counsel and related follow up tasks for NV litigation (2.4); review Brandt letter to Plaintiffs' counsel and related communications (.4).
10/23/20	Stine, Lauren E.	Partner	2.60	\$1,235.00	Review filings, call with A.Bowden re: same and follow up analysis re: litigation
10/27/20	Stine, Lauren E.	Partner	0.50	\$237.50	Call with A.Bowden (.1); evaluate Harvest Foundation allegations and related due diligence (.4).
10/28/20	Stine, Lauren E.	Partner	0.70	\$332.50	Communications with local counsel (.1); due diligence re: Harvest Foundation allegations (.6).
10/29/20	Stahl, Christian G.	Partner	0.60	\$321.00	Consider Harvest Foundation allegations (0.2); discuss same with L. Stine and consider

					arguments for potential motion to dismiss and strategy for same (0.4).
10/29/20	Stine, Lauren E.	Partner	1.20	\$570.00	Strategy call with C.Stahl and related follow up (.8); call with Chase re: litigation plan (.4).
11/02/20	Stine, Lauren E.	Partner	1.00	\$475.00	Revise letter to plaintiffs.
11/03/20	Stahl, Christian G.	Partner	0.70	\$374.50	Prepare for and participate in discussion with Item 9 client team and L. Stine regarding [REDACTED].
11/03/20	Stine, Lauren E.	Partner	3.40	\$1,615.00	Communications with clients regarding next steps (.8); work on letter to Plaintiffs (2.0); communications among counsel (.6).
11/05/20	Stine, Lauren E.	Partner	0.70	\$332.50	Email to counsel regarding extension and related follow up (.2); review and revise acceptance of service document (.3); review client documents (.2).
11/06/20	Stahl, Christian G.	Partner	1.00	\$535.00	Review and consider B. Roche's e-mail to defendants and attachments related to co-defendants (0.4); review and revise letter to opposing counsel regarding impropriety of lawsuit and dismissal of same (0.4); correspond with L. Stine on [REDACTED] (0.2).
11/06/20	Stine, Lauren E.	Partner	0.60	\$285.00	Review additional client emails re: [REDACTED] and revise letter (.4); emails with Plaintiffs' counsel (.2).
11/09/20	Stahl, Christian G.	Partner	1.70	\$909.50	Consider strategy in upcoming teleconference with H. Smith, counsel for plaintiffs (0.3); discuss same with L. Stine (0.2); review draft letter to H. Smith and attachments to same (0.2); prepare for and participate in teleconference with H. Smith to clarify facts and request dismissal (0.7); review and revise draft letter to H. Smith (0.3)
11/09/20	Stine, Lauren E.	Partner	1.00	\$475.00	Prepare for and participate in call with Plaintiffs' counsel and related follow up work on demands.
11/10/20	Stahl, Christian G.	Partner	0.30	\$160.50	Review final letter to JDD's counsel requesting dismissal because of mistaken facts and harassment and correspond with L. Stine regarding same.
11/10/20	Stine, Lauren E.	Partner	0.60	\$285.00	Finalize JDD demand letter and related follow up.
11/16/20	Stine, Lauren E.	Partner	0.20	\$95.00	Communications with counsel re: dismissal and meet/confer.
11/17/20	Stahl, Christian G.	Partner	0.30	\$160.50	Consider plaintiff's proposed dismissal and potential motion practice to dismiss same.
11/17/20	Stine, Lauren E.	Partner	1.30	\$617.50	Call with plaintiffs' counsel re: dismissal and related follow up calls with clients and Q&B.
11/18/20	Stine, Lauren E.	Partner	0.20	\$95.00	Review and evaluate message from counsel re: strive management.
11/19/20	Landolt, Lukas M.	Associate	0.20	\$61.00	Strategy regarding motion to dismiss and necessary research to support.
11/19/20	Stahl, Christian G.	Partner	0.9	\$481.50	Consider offer from plaintiffs re: dismissal of Strive Management (0.2); discuss [REDACTED] with L. Stine and potential next steps (0.7).

11/19/20	Stine, Lauren E.	Partner	1.00	\$475.00	Communications with Plaintiffs' counsel re: Strive Management (.1); strategy discussions with C.Stahl (.7); review proposed stipulation re: dismissal and related follow up (.2).
11/20/20	Stine, Lauren E.	Partner	0.20	\$95.00	Review and evaluate revised stipulation (.2).
11/25/20	Stine, Lauren E.	Partner	0.20	\$95.00	Communications with local counsel re: extensions (.2).
11/30/20	Stahl, Christian G.	Partner	0.10	\$53.50	Consider stipulation inquiry raised by plaintiffs counsel.
11/30/20	Stine, Lauren E.	Partner	0.20	\$95.00	Emails with counsel re: stipulation.
12/01/20	Stahl, Christian G.	Partner	0.80	\$428.00	Prepare for and speak with K. Nielsen regarding [REDACTED]
12/01/20	Stine, Lauren E.	Partner	1.20	\$570.00	Call with local counsel and planning for motions (.8); review and edit proposed stipulation (.2); communications with local counsel re: same (.2).
12/02/20	Landolt, Lukas M.	Associate	0.40	\$122.00	Strategy regarding motion to dismiss.
12/02/20	Stine, Lauren E.	Partner	0.90	\$427.50	Evaluate and work on research for motions.
12/03/20	Landolt, Lukas M.	Associate	1.70	\$518.50	Research and analyze Nevada case law regarding [REDACTED] (1.3); draft summary of findings and legal conclusions (.4).
12/03/20	Stahl, Christian G.	Partner	0.30	\$160.50	Discussion with L. Stine regarding motion to dismiss argument on [REDACTED]
12/03/20	Stine, Lauren E.	Partner	1.00	\$475.00	Evaluate jurisdictional research for motion to dismiss (.4); develop jurisdictional arguments for motion (.6).
12/07/20	Landolt, Lukas M.	Associate	2.70	\$823.50	Research Nevada statutes and case law governing claims asserted in complaint and research same for potential defenses.
12/08/20	Landolt, Lukas M.	Associate	2.40	\$732.00	Research and analyze Nevada case law and statutes regarding claims and potential defenses to support motion to dismiss (2.1); strategy regarding motion to dismiss (.3).
12/08/20	Stine, Lauren E.	Partner	1.90	\$902.50	Review research re: claims and defenses (1.0); review motion re: Snowell motion to dismiss (.2); develop arguments for motion to dismiss (.5); review Gullickson joinder (.2)
12/09/20	Stahl, Christian G.	Partner	0.20	\$107.00	Review joinder motion for Motion to Dismiss
12/11/20	Stahl, Christian G.	Partner	0.60	\$321.00	Review and consider outline of motion to dismiss arguments.
12/11/20	Stine, Lauren E.	Partner	2.00	\$950.00	Review research and outline arguments for motions to dismiss.
12/14/20	Stahl, Christian G.	Partner	2.60	\$1,391.00	Consider arguments for motion to dismiss and provide edits to same (0.5); research [REDACTED] requirements in Nevada (0.7); draft declaration of Viridis Group I9 Capital LLC in support of motion to dismiss; draft and send e-mail to A. Bowden, D. Bowden, B. Skalla, and J. Rassas requesting [REDACTED] (1.4).
12/14/20	Stine, Lauren E.	Partner	9.70	\$4,607.50	Communications with local counsel re: latest orders and motions (.1); draft motion to dismiss (6.0); research for motion to dismiss (2.8); work on declarations and supporting

					materials for personal jurisdiction arguments (.8).
12/15/20	Stahl, Christian G.	Partner	1.70	\$909.50	Review and comment on first draft of motion to dismiss (1.1); correspond with B. Mikkelson regarding [REDACTED] (0.2); review additional information from defendants to support declarations (0.4).
12/16/20	Landolt, Lukas M.	Associate	3.40	\$1,037.00	Strategy regarding content and structure of motion to dismiss (.6); review and edit motion to dismiss (2.8).
12/16/20	Stahl, Christian G.	Partner	1.80	\$963.00	Speak with B. Mikkelson (0.5); review draft of motion to dismiss (0.7); draft and revise declarations of Bowden, Skalla, Rassas, and D. Bowden (0.6).
12/16/20	Stine, Lauren E.	Partner	5.90	\$2,802.50	follow up communications with A.Bowden and team re: [REDACTED] information (.3); call with Bobby re: [REDACTED] information and related follow up (.5); continue to draft motion to dismiss (4.2); research and analysis for motion (.9).
12/17/20	Landolt, Lukas M.	Associate	1.90	\$579.50	Review and edit motion to dismiss (.7); research and analyze Nevada statutes and case law regarding [REDACTED] (1.0); strategy regarding [REDACTED] of motion to dismiss (.2).
12/17/20	Stahl, Christian G.	Partner	1.90	\$1,016.50	Complete drafts of declarations in support of motion to dismiss for Viridis Group I9 Capital and Viridis Group Holdings (0.7); revise declarations in support of motions to dismiss for individual defendants (0.3); revise motion to dismiss brief (0.8); email with local counsel and client (0.1).
12/17/20	Stine, Lauren E.	Partner	4.60	\$2,185.00	Continue to draft and revise motion (3.4); communications with team re: same (.9); communications to/from I9 (.3).
12/18/20	Landolt, Lukas M.	Associate	1.40	\$427.00	Review and edit motion to dismiss, including citations to pleadings and case citations.
12/18/20	Stahl, Christian G.	Partner	0.70	\$374.50	Review edits and revisions to motion to dismiss (0.4); receive declarations from individual defendants (0.1); provide additional edits and comments (0.2).
12/18/20	Stine, Lauren E.	Partner	5.10	\$2,422.50	Finalize declarations and motion for filing (2.9); multiple communications with item 9 team re: [REDACTED] (1.4); multiple communications with local counsel re: same (.4); review Gullickson motion (.4).
12/22/20	Stine, Lauren E.	Partner	0.40	\$190.00	Review Burton/Lemons filings.
12/23/20	Stahl, Christian G.	Partner	0.30	\$160.50	Review motion to extend and new appearance (0.2); research plaintiffs' new counsel (0.1).
12/23/20	Stine, Lauren E.	Partner	1.10	\$522.50	Review multiple filings from new counsel (.6); communications re: [REDACTED] with local counsel (.4); email with clients re: same (.1).
01/08/21	Stine, Lauren E.	Partner	0.20	\$95.00	Review filing from Marimed.
01/20/21	Stahl, Christian G.	Partner	1.00	\$535.00	Review plaintiffs' responses to Marimed and Snowell's motions to dismiss (0.3); review Marimed's and Snowell's reply in support of motion to dismiss (0.2); correspond with local

					counsel regarding [REDACTED] (0.1); debrief with L. Stine regarding [REDACTED] (0.2); discuss next steps (0.2).
01/20/21	Stine, Lauren E.	Partner	4.00	\$1,900.00	Review latest filings (1.0); observe Snowell et al. motion to dismiss hearing and related follow up work and communications (2.7); debrief with team and review court hearing minutes (.3).
01/22/21	Stahl, Christian G.	Partner	0.30	\$160.50	Prepare for and conduct discussion with A. Bowden, M. Keksey, regarding [REDACTED].
01/27/21	Landolt, Lukas M.	Associate	0.40	\$122.00	Review and analyze plaintiffs' oppositions to motions to dismiss.
01/27/21	Stahl, Christian G.	Partner	0.80	\$428.00	Review motions to associate counsel (0.1); correspond with local counsel regarding same (0.1); consider and annotate plaintiffs' response to Item 9's motion to dismiss (0.4); discuss same with L. Stine (0.2).
01/27/21	Stine, Lauren E.	Partner	1.00	\$475.00	Review and evaluate motion to dismiss response (.8); communications with local counsel re: [REDACTED] (.2).
01/29/21	Landolt, Lukas M.	Associate	0.50	\$152.50	Review and analyze response to motion to dismiss and create chart of remaining defendants and claims.
01/29/21	Stahl, Christian G.	Partner	0.50	\$267.50	Consider arguments in support of motion to dismiss.
02/11/21	Stine, Lauren E.	Partner	1.00	\$475.00	Develop arguments for reply brief.
02/12/21	Landolt, Lukas M.	Associate	7.10	\$2,165.50	Research and analyze case law supporting reply (1.6); work on reply in support of motion to dismiss (5.5).
02/15/21	Stahl, Christian G.	Partner	1.00	\$535.00	Review and revise reply brief in support of motion to dismiss
02/17/21	Landolt, Lukas M.	Associate	1.10	\$335.50	Review and edit reply in support of motion to dismiss.
02/17/21	Stahl, Christian G.	Partner	0.60	\$321.00	Review and revise reply brief; correspond with L. Stine regarding same
02/17/21	Stine, Lauren E.	Partner	4.60	\$2,185.00	Review and revise reply brief (3.8); communications with local counsel re: [REDACTED] (.3); prepare for and participate in court call re: pro hac admission (.5).
02/18/21	Stine, Lauren E.	Partner	0.40	\$190.00	Review Marimed reply (.4)
02/24/21	Stahl, Christian G.	Partner	1.00	\$535.00	Review and edit outline for motion to dismiss hearing argument (0.5); discuss [REDACTED] with L. Stine (0.2); assist in preparation for hearing argument with L. Stine and strategy for same (0.3).
02/24/21	Stine, Lauren E.	Partner	7.60	\$3,610.00	Prepare for and participate in lengthy oral argument on motions to dismiss (7.3); emails with client re: [REDACTED] (.2); review email from J. Brandt (.1).
03/01/21	Stine, Lauren E.	Partner	0.20	\$95.00	Communications with local counsel re: [REDACTED].
03/02/21	Stahl, Christian G.	Partner	0.50	\$267.50	Consider correspondence from local counsel regarding [REDACTED] (0.2); discuss same with L. Stine (0.2); next steps to confirm dismissal (0.1).

03/12/21	Stahl, Christian G.	Partner	0.60	\$321.00	Review dismissal order from Marimed (0.1); consider draft order for dismissal (0.4); correspond with local counsel regarding [REDACTED] (0.1).
03/12/21	Stine, Lauren E.	Partner	1.40	\$665.00	Review latest filings and communications with team re: same.
03/17/21	Stahl, Christian G.	Partner	2.00	\$1,070.00	Review hearing transcript for motion to dismiss (0.5); review Marimed's order to dismiss (0.2); correspond with local counsel regarding [REDACTED] (0.1); draft Item 9 Defendants order for dismissal (1.2).
03/17/21	Stine, Lauren E.	Partner	1.10	\$522.50	Review and revise proposed order granting motion to dismiss (.9); review multiple orders (2).
03/22/21	Stahl, Christian G.	Partner	0.20	\$107.00	Review order to dismiss from Snowell Holdings and respond to local counsel on same.
03/23/21	Stahl, Christian G.	Partner	0.20	\$107.00	Consider edits to order granting motion to dismiss.
03/24/21	Stahl, Christian G.	Partner	0.30	\$160.50	Review revised order granting motion to dismiss and provide additional edits.
03/25/21	Stahl, Christian G.	Partner	0.80	\$428.00	Review motion for attorneys' fees from Snowell and notice of hearing of same (0.4); consider Item 9 motion for attorneys' fees and arguments for same (0.4).
03/25/21	Stine, Lauren E.	Partner	0.50	\$237.50	Communications with Item 9 and local counsel regarding [REDACTED] (.3); review and revise proposed order (.2).
03/26/21	Stine, Lauren E.	Partner	0.20	\$95.00	Communications regarding dismissal filing.
03/31/21	Stahl, Christian G.	Partner	0.20	\$107.00	Review and consider opposing counsel's proposed changes to order for dismissal (0.1); correspond with K. Nielsen regarding [REDACTED] (0.1).
04/01/21	Stine, Lauren E.	Partner	0.30	\$142.50	Evaluate proposed edits to dismissal order and communications with M.Keskey re: [REDACTED].
04/05/21	Stahl, Christian G.	Partner	0.10	\$53.50	Consider e-mail from M. Keksey regarding [REDACTED] and next steps; discuss same with L. Stine.
04/07/21	Stahl, Christian G.	Partner	0.30	\$160.50	Review and consider plaintiffs' response to Snowell's motion for attorneys' fees (0.3).
04/13/21	Stine, Lauren E.	Partner	0.20	\$95.00	Review notice and order re: dismissal of Item 9 defendants.
04/14/21	Stahl, Christian G.	Partner	0.10	\$53.50	Consider attorneys' fees motion
04/22/21	Stahl, Christian G.	Partner	0.20	\$107.00	Review Snowell's reply in support of attorneys' fees motion.

<u>DATE</u>	<u>COSTS AND DISBURSEMENTS</u>	<u>AMOUNT</u>
10/08/20	Copy Service: Clark County Courts	\$124.89
10/14/20	Copy Service: Clark County Courts	\$12.50
11/04/20	Copy Service: Clark County Nevada Court	\$30.00
11/04/20	Copy Service: Clark County Court Nevada	\$13.50
11/12/20	Copy Service: TransUnion	\$1.80
12/04/20	Copy Service: Illinois Supreme Court Clerk's Office - Certificate of Good Standing - C. Stahl	\$16.00
12/21/20	VENDOR: First Legal Network LLC; INVOICE#: 26053442; DATE: 12/21/2020 - ARIZONA SUPREME COURT	\$58.31
01/05/21	VENDOR: First Legal Network LLC; INVOICE#: 26053936; DATE: 1/5/2021 - ARIZONA SUPREME COURT	\$20.91
01/19/21	UPS delivery to Smith Larsen & Wixom Las Vegas, NV 1/13/2021, INVOICE #: 0387PR40U7	\$14.56
01/19/21	UPS delivery to Karl L. Nielson Smith Larsen & Wixom Las Vegas, NV 1/11/2021, L. Stine Pro Hac, INVOICE #: 0387PR40U7	\$10.80
02/12/21	Copy Service: Clark County Court	\$9.50
02/15/21	Copy Service: Clark County Court	\$24.00
	TOTAL COSTS AND DISBURSEMENTS:	\$336.77

EXHIBIT B

EXHIBIT B

Smith Larsen & Wixom

Hills Center Business Park
1935 Village Center Circle
Las Vegas, NV 89134

Ph: (702) 252-5002

Fax: (702) 252-5006

Tax ID No. 88-0365967

Item 9 Labs Corp., et al
c/o Quarles & Brady
One Renaissance Square, Two North Central Ave
Phoenix, AZ 85004-2391

Oct 31, 2020

Attention: Lauren Elliott Stine

File #: c5360

Inv #: 63219

RE: JDD, LLC et al.

DATE	DESCRIPTION	HOURS	AMOUNT	ATT/PAR
Oct-21-20	Review/analyze documents from client.	0.50	172.50	MBW
Oct-22-20	Redacted	0.70	241.50	MBW
	Review/analyze First Amended Complaint	0.60	180.00	KLN
	Redacted	0.50	150.00	KLN
	Communicate (other external) with opposing counsel regarding extension to respond to first amended complaint	0.30	90.00	KLN
Oct-26-20	Review/analyze status of response to First Amended Complaint	0.10	30.00	KLN
Oct-28-20	Redacted	0.10	30.00	KLN
	Totals	2.80	\$894.00	

FEE SUMMARY:

Attorney/Paralegal	Hours	Effective Rate	Amount
Michael B. Wixom	1.20	\$345.00	\$414.00

RAPP_0440

Karl L. Nielson	1.60	\$300.00	\$480.00
-----------------	------	----------	----------

Total Fees, Disbursements

\$894.00

Previous Balance

\$0.00

Previous Payments

\$0.00

Balance Due

\$894.00

Smith Larsen & Wixom

Hills Center Business Park
1935 Village Center Circle
Las Vegas, NV 89134

Ph: (702) 252-5002

Fax: (702) 252-5006

Tax ID No. 88-0365967

Item 9 Labs Corp., et al
c/o Quarles & Brady
One Renaissance Square, Two North Central Ave
Phoenix, AZ 85004-2391

Nov 30, 2020

Attention: Lauren Elliott Stine

File #: c5360

Inv #: 63388

RE: JDD, LLC et al.

DATE	DESCRIPTION	HOURS	AMOUNT	ATT/PAR
Nov-03-20	Review/analyze issues regarding acceptance of service issues	0.30	90.00	KLN
Nov-05-20	Review/analyze issues for extension to respond to complaint and related issues	0.30	90.00	KLN
	Review/analyze draft stipulation and order regarding acceptance of service	0.20	60.00	KLN
	Redacted	0.40	120.00	KLN
Nov-06-20	Review/analyze redlines to stipulation and order to extend deadlines	0.20	60.00	KLN
Nov-12-20	Redacted	0.20	60.00	KLN
	Communicate (other external) with opposing counsel regarding approval of stipulation to extend deadlines	0.20	60.00	KLN
Nov-16-20	Review/analyze demand letter from Justin Brandt and response thereto	0.20	60.00	KLN
Nov-19-20	Review/analyze draft stipulation and order to dismiss certain parties	0.30	90.00	KLN
Nov-25-20	Communicate (other external) with opposing counsel regarding stipulation to extend time to respond to complaint	0.30	90.00	KLN

RAPP_0442

	Review/analyze revised Stipulation to Extend time to respond to complaint	0.30	90.00	KLN
	Redacted	0.30	90.00	KLN
	Review/analyze plaintiffs' counsel's motion to withdraw and next steps	0.30	90.00	KLN
Nov-30-20	Redacted	0.30	90.00	KLN
Totals		3.80	\$1,140.00	

FEE SUMMARY:

Attorney/Paralegal	Hours	Effective Rate	Amount
Karl L. Nielson	3.80	\$300.00	\$1,140.00

Total Fees, Disbursements**\$1,140.00**

Previous Balance

\$894.00

Previous Payments

\$0.00

Balance Due**\$2,034.00**

Smith Larsen & Wixom

Hills Center Business Park
1935 Village Center Circle
Las Vegas, NV 89134

Ph: (702) 252-5002

Fax: (702) 252-5006

Tax ID No. 88-0365967

Item 9 Labs Corp., et al
c/o Quarles & Brady
One Renaissance Square, Two North Central Ave
Phoenix, AZ 85004-2391

Dec 31, 2020

Attention: Lauren Elliott Stine

File #: c5360

Inv #: 63421

RE: JDD, LLC et al.

DATE	DESCRIPTION	HOURS	AMOUNT	ATT/PAR
Dec-01-20	Redacted	0.20	60.00	KLN
	Communicate (other external) with opposing counsel regarding revised stipulation to dismiss and new counsel	0.40	120.00	KLN
	Draft/revise notice of appearance	0.30	90.00	KLN
	Draft/revise stipulation to extend time to respond to amended complaint	0.30	90.00	KLN
	Communicate (other external) with opposing counsel regarding changes to stipulation to extend time to respond to amended complaint	0.40	120.00	KLN
Dec-02-20	Redacted	0.30	90.00	KLN
Dec-03-20	Review/analyze pro hac vice applications for Arizona counsel	0.30	90.00	KLN
Dec-04-20	Communicate (other external) with opposing counsel regarding status of stipulation to extend time to respond to amended complaint	0.20	60.00	KLN
	Review/analyze filed copy of signed stipulation and order to extend time	0.20	60.00	KLN
Dec-08-20	Redacted	0.30	90.00	KLN

RAPP_0444

	Review/analyze Order Shortening Time on Plaintiffs' motion to extend time to file	0.20	60.00	KLN
	Opposition to Snowell motion to dismiss			
	Review/analyze Defendant Gullickson's notice of joinder	0.20	60.00	KLN
Dec-11-20	Review/analyze order granting motion to withdraw	0.20	60.00	KLN
Dec-14-20	Review/analyze Snowell's motion to dismiss	0.40	120.00	KLN
Dec-15-20	Redacted	0.40	120.00	KLN
	Redacted	0.70	210.00	KLN
Dec-17-20	Review/analyze draft motion to dismiss and declaration drafts	0.90	270.00	KLN
	Redacted	0.40	120.00	KLN
Dec-18-20	Review/analyze letter to Plaintiffs' counsel and attorneys' fees section and provide comments to co-counsel.	0.80	240.00	KLN
	Redacted	0.30	90.00	KLN
	Review/analyze Defendant Gullickson's motion to dismiss	0.50	150.00	KLN
	Review/analyze and finalize motion to dismiss and declarations	0.50	150.00	KLN
	Review/analyze issues regarding service of motion to dismiss on plaintiffs	0.20	60.00	KLN
Dec-21-20	Review/analyze notice of hearing and next steps	0.30	90.00	KLN
	Review/analyze Defendant Burton and Lemons' Answer to amended complaint	0.50	150.00	KLN
Dec-23-20	Review/analyze information regarding plaintiffs' new counsel	0.30	90.00	KLN
	Draft/revise initial appearance fee disclosure	0.40	120.00	KLN
	Review/analyze issues regarding transfer to business court	0.50	150.00	KLN
	Redacted	0.30	90.00	KLN
	Review/analyze Plaintiff's Notice of Appearance, motion to extend deadline to respond to motions to dismiss, request to transfer to business court and business court civil cover sheet	0.60	180.00	KLN
	Review/analyze The Harvest Foundation's answer to amended complaint and corporate disclosure statement	0.50	150.00	KLN
	Review/analyze Defendant Gullickson's notice of joinder to motion to dismiss	0.20	60.00	KLN

	Draft/revise corporate disclosure statement	0.50	150.00	KLN
Dec-31-20	Review/analyze notice of non-opposition to Snowell's motion to dismiss	0.20	60.00	KLN
	Totals	12.90	\$3,870.00	

FEE SUMMARY:

Attorney/Paralegal	Hours	Effective Rate	Amount
Karl L. Nielson	12.90	\$300.00	\$3,870.00

DISBURSEMENTS

		Disbursements	Receipts
Dec-02-20	Court Fees file notice of appearance	3.50	
Dec-31-20	Court Fees Pro Hac Vice Application Lauren Stine	550.00	
	Court Fees Pro Hac Vice Application Christian Stahl	550.00	
	Totals	\$1,103.50	\$0.00
	Total Fees, Disbursements		\$4,973.50
	Previous Balance		\$2,034.00
	Previous Payments		\$0.00
	Balance Due		\$7,007.50

Smith Larsen & Wixom

Hills Center Business Park
1935 Village Center Circle
Las Vegas, NV 89134

Ph: (702) 252-5002

Fax: (702) 252-5006

Tax ID No. 88-0365967

Item 9 Labs Corp., et al
c/o Quarles & Brady
One Renaissance Square, Two North Central Ave
Phoenix, AZ 85004-2391

Jan 31, 2021

Attention: Lauren Elliott Stine

File #: c5360

Inv #: 63528

RE: JDD, LLC et al.

DATE	DESCRIPTION	HOURS	AMOUNT	ATT/PAR
Jan-07-21	Review/analyze notice of reassignment of case to business court and new hearing dates	0.10	30.00	KLN
	Review/analyze Notice of Hearing for motion to dismiss and next steps	0.30	90.00	KLN
	Review/analyze status of Plaintiff's request for extension and to transfer case to business court	0.10	30.00	KLN
	Review/analyze status of corporate disclosure statement	0.20	60.00	KLN
Jan-08-21	Review/analyze notice of non-opposition to Marimed, et al.'s motion to dismiss	0.20	60.00	KLN
Jan-11-21	Review/analyze Nevada State Bar response and required follow up for pro hac vice admission	0.40	120.00	KLN
	Review/analyze status of extension for Plaintiffs to respond to motion to dismiss	0.50	150.00	KLN
	Redacted			
	Redacted	0.30	90.00	KLN
Jan-12-21	Redacted	0.50	150.00	KLN
		0.50	150.00	KLN

RAPP_0447

Jan-18-21	Review/analyze Plaintiff's Opposition to motion to dismiss	0.50	150.00	KLN
Jan-19-21	Review/analyze Plaintiffs' Opposition to Marimed et al.'s motion to dismiss	0.40	120.00	KLN
	Review/analyze motions to associate counsel	0.20	60.00	KLN
Jan-20-21	Review/analyze Snowell's reply in support of motion to dismiss	0.30	90.00	KLN
	Review/analyze potential issues in late filed responses and need for pro hac vice filing	0.30	90.00	KLN
	Review/analyze court minutes regarding hearing on parties' motions to dismiss	0.40	120.00	KLN
Jan-21-21	Review/analyze and finalize notice of non-opposition	0.10	30.00	KLN
	Review/analyze notices of hearing on motions to associate counsel	0.10	30.00	KLN
Jan-26-21	Review/analyze issues regarding pro hac vice application	0.30	90.00	KLN
	Redacted	0.20	60.00	KLN
	Review/analyze Plaintiffs' opposition to Item Meeting with client Lab, et al.'s motion to dismiss	1.70	510.00	KLN
	Review/analyze Plaintiffs' opposition to Gullickson's motion to dismiss	0.30	90.00	KLN
	Draft/revise motions to associate Quarles counsel and on order shortened time	1.50	450.00	KLN
Jan-27-21	Review/analyze issues regarding expedited motion to associate and rules for appearance of local counsel	0.60	180.00	KLN
Jan-28-21	Draft/revise motion to associate counsel	0.30	90.00	KLN
Jan-29-21	Review/analyze court order on hearing for motion to associate on order shortening time.	0.30	90.00	KLN
Totals		10.60	\$3,180.00	

FEE SUMMARY:

Attorney/Paralegal	Hours	Effective Rate	Amount
Karl L. Nielson	10.60	\$300.00	\$3,180.00

DISBURSEMENTS

	Disbursements	Receipts
Postage	0.50	
Dec-19-20 Court Fees file defendants' motion to dismiss for failure to state a claim	3.50	

Dec-23-20	Court Fees file initial appearance fee disclosures	496.50	
Jan-21-21	Court Fees file notice of non-opposition to defendants' motion to dismiss	3.50	
Jan-29-21	Court Fees file motion to associate counsel-Christian G. Stahl	3.50	
		<hr/>	<hr/>
	Totals	\$507.50	\$0.00
			<hr/>
	Total Fees, Disbursements		\$3,687.50
	Previous Balance		\$7,007.50
	Previous Payments		\$0.00
			<hr/>
	Balance Due		\$10,695.00

Smith Larsen & Wixom

Hills Center Business Park
1935 Village Center Circle
Las Vegas, NV 89134

Ph: (702) 252-5002

Fax: (702) 252-5006

Tax ID No. 88-0365967

Item 9 Labs Corp., et al
c/o Quarles & Brady
One Renaissance Square, Two North Central Ave
Phoenix, AZ 85004-2391

Feb 28, 2021

Attention: Lauren Elliott Stine

File #: c5360

Inv #: 63612

RE: JDD, LLC et al.

DATE	DESCRIPTION	HOURS	AMOUNT	ATT/PAR
Feb-01-21	Review/analyze notice of hearing regarding motion to associate counsel	0.20	60.00	KLN
Feb-03-21	Review/analyze corporate disclosure statement	0.30	90.00	KLN
Feb-15-21	Redacted	0.20	60.00	KLN
Feb-16-21	Draft/revise order approving motion to associate counsel for Lauren Stine	0.30	90.00	KLN
Feb-17-21	Draft/revise and edit reply in support of motion to dismiss	0.70	210.00	KLN
	Review/analyze Marimed and Gullickson replies in support of motions to dismiss	0.50	150.00	KLN
	Plan and prepare for hearing on motion to associate counsel	0.50	150.00	KLN
	Appear for/attend hearing on motion to associate counsel	0.50	150.00	KLN
	Draft/revise order granting motion to associate counsel	0.30	90.00	KLN
Feb-18-21	Review/analyze order admitting Lauren Stine to practice	0.20	60.00	KLN
Feb-19-21	Review/analyze court minute order regarding hearing on motions to dismiss	0.30	90.00	KLN
Feb-22-21	Review/analyze status of motion hearing	0.50	150.00	KLN

RAPP_0450

Feb-24-21	Redacted	0.30	90.00	KLN
	Review/analyze motion to dismiss, opposition and reply for hearing	1.40	420.00	KLN
	Appear for/attend hearing on motions to dismiss and preparation of order	2.10	630.00	KLN
	Review/analyze issues for preparing order granting motion to dismiss and next steps	0.30	90.00	KLN
Feb-25-21	Review/analyze minute order resolving motion to dismiss	0.20	60.00	KLN
	Totals	8.80	\$2,640.00	

FEE SUMMARY:

Attorney/Paralegal	Hours	Effective Rate	Amount
Karl L. Nielson	8.80	\$300.00	\$2,640.00

DISBURSEMENTS

		Disbursements	Receipts
Feb-03-21	Court Fees file corporate disclosure statement	3.50	
Feb-17-21	Court Fees file defendants reply in support of motion to dismiss	3.50	
Feb-18-21	Court Fees file notice of entry of order admitting Lauren Elliott Stine to practice	3.50	
	Totals	\$10.50	\$0.00

Total Fees, Disbursements**\$2,650.50**

Previous Balance

\$10,695.00

Previous Payments

\$0.00

Balance Due**\$13,345.50**

Smith Larsen & Wixom

Hills Center Business Park
1935 Village Center Circle
Las Vegas, NV 89134

Ph: (702) 252-5002

Fax: (702) 252-5006

Tax ID No. 88-0365967

Item 9 Labs Corp., et al
c/o Quarles & Brady
One Renaissance Square, Two North Central Ave
Phoenix, AZ 85004-2391

Mar 31, 2021

Attention: Lauren Elliott Stine

File #: c5360

Inv #: 63715

RE: JDD, LLC et al.

DATE	DESCRIPTION	HOURS	AMOUNT	ATT/PAR
Mar-01-21	Redacted	0.20	60.00	KLN
	Communicate (other external) with other defendants' counsel regarding timing for orders on motions to dismiss	0.30	90.00	KLN
Mar-02-21	Review/analyze requirements for submitting orders on motions to dismiss	0.30	90.00	KLN
Mar-03-21	Review/analyze minute order regarding motion to associate hearing	0.20	60.00	KLN
Mar-09-21	Review/analyze issues for potential motion for attorneys fees	0.20	60.00	KLN
	Redacted	0.20	60.00	KLN
Mar-11-21	Review/analyze draft Marimed order granting motion to dismiss	0.20	60.00	KLN
Mar-12-21	Redacted	0.20	60.00	KLN
	Review/analyze motion to dismiss hearing transcript	0.30	90.00	KLN
	Review/analyze Yokiell motion to dismiss	0.20	60.00	KLN
	Draft/revise order admitting Christian Stahl to practice	0.20	60.00	KLN

RAPP_0452

Mar-22-21	Review/analyze Order granting Snowell motion to dismiss	0.20	60.00	KLN
Mar-24-21	Review/analyze and edit draft order granting motion to dismiss	0.40	120.00	KLN
	Review/analyze issues regarding potential motion for attorneys' fees	0.30	90.00	KLN
	Review/analyze Snowell motion for attorneys' fees and potential for clients' similar motion	0.30	90.00	KLN
Mar-25-21	Review/analyze issues for potential motion for attorneys' fees	0.30	90.00	KLN
	Redacted	0.20	60.00	KLN
	Draft/revise order granting motion to dismiss	0.30	90.00	KLN
Mar-26-21	Communicate (other external) with all counsel regarding approval of draft order granting motion to dismiss	0.30	90.00	KLN
	Review/analyze plaintiffs' counsel's proposed redline changes to draft order granting motion to dismiss	0.40	120.00	KLN
	Totals	5.50	\$1,650.00	

FEE SUMMARY:

Attorney/Paralegal	Hours	Effective Rate	Amount
Karl L. Nielson	5.50	\$300.00	\$1,650.00

DISBURSEMENTS

	Disbursements	Receipts
Postage	1.02	
Mar-17-21 Court Fees Copy of MTD Hearing Transcript	140.04	
Court Fees file notice of entry of order admitting Christian G. Sthal to practice	3.50	
Totals	\$144.56	\$0.00

Total Fees, Disbursements	\$1,794.56
Previous Balance	\$13,345.50
Previous Payments	\$0.00
Balance Due	\$15,140.06

Smith Larsen & Wixom

Hills Center Business Park
1935 Village Center Circle
Las Vegas, NV 89134

Ph: (702) 252-5002

Fax: (702) 252-5006

Tax ID No. 88-0365967

Item 9 Labs Corp., et al
c/o Quarles & Brady
One Renaissance Square, Two North Central Ave
Phoenix, AZ 85004-2391

May 03, 2021

Attention: Lauren Elliott Stine

File #: c5360

Inv #: 63825

RE: JDD, LLC et al.

DATE	DESCRIPTION	HOURS	AMOUNT	ATT/PAR
Apr-05-21	Draft/revise order granting motion to dismiss	0.30	90.00	KLN
	Communicate (other external) with all counsel regarding revised order granting motion to dismiss	0.30	90.00	KLN
Apr-07-21	Review/analyze Plaintiffs' opposition to Snowell's motion for fees	0.20	60.00	KLN
Apr-12-21	Review/analyze court order granting motion to dismiss and next steps	0.20	60.00	KLN
	Totals	1.00	\$300.00	

FEE SUMMARY:

Attorney/Paralegal	Hours	Effective Rate	Amount
Karl L. Nielson	1.00	\$300.00	\$300.00

DISBURSEMENTS

Disbursements

Receipts

Apr-13-21	Court Fees file notice of entry of order granting defendants motion to dismiss amended complaint	3.50
-----------	--	------

RAPP_0455

Totals	<hr/> \$3.50	<hr/> \$0.00
Total Fees, Disbursements		<hr/> \$303.50
Previous Balance		\$15,140.06
Previous Payments		\$7,624.00
Balance Due		<hr/> \$7,819.56

EXHIBIT C

EXHIBIT C



One Renaissance Square
Two North Central Avenue
Phoenix, AZ 85004-2391
602-229-5200
Fax 602-229-5690
www.quarles.com

Attorneys at Law in
Chicago
Indianapolis
Madison
Milwaukee
Minneapolis
Naples
Phoenix
Tampa
Tucson
Washington, D.C.

Writer's Direct Dial: 602-229-5474
E-Mail: Lauren.Stine@quarles.com

November 10, 2020

VIA EMAIL (hsmith@albrightstoddard.com)

ALBRIGHT, STODDARD, WARNICK & ALBRIGHT
c/o Mr. Hayden R.D. Smith
801 South Rancho Drive, Suite D-4
Las Vegas, Nevada 89106

Re: JDD, LLC et al. v. Marimed Inc., Case No. A-20-811232-C, District Court, Clark County, Nevada

Dear Hayden,

Thank you for speaking with us yesterday regarding our clients, Item 9 Labs Corp., Item 9 Properties LLC, Strive Management, L.L.C., Viridis Group I9 Capital LLC, Viridis Group Holdings, LLC, Andrew Bowden, Douglas Bowden, Bryce Skalla, Jeffrey Rassas, and Chase Herschman (collectively, "Defendants") who have been named as Defendants in the above captioned matter. We are in receipt of the First Amended Complaint ("FAC") filed by your clients JDD, LCC, TCS Partners, LLC, John Saunders, and Trevor Schmidt (collectively, "Plaintiffs").

As discussed during our call, your clients have instituted unsubstantiated claims against Defendants for an improper purpose. We send this letter as a professional courtesy, to inform you of the utter lack of merit of the claims asserted by Plaintiffs against Defendants, and to avoid unnecessary expense of loss of time by you and your client. We respectfully urge you and your clients to reconsider your pursuit of the claims alleged against Defendants in the FAC.

Though very few of the 244 paragraphs in the FAC actually pertain to Defendants, Plaintiffs' claims against them apparently derive from their speculation that Item 9 may have engaged in a business transaction with the Harvest Foundation in Nevada, or that one or more of the Defendants may have engaged in separate business transactions with two of the principals of the Harvest Foundation, Larry Lemons and Donnie Burton. Based solely on those assumptions,

Plaintiffs have asserted a host of claims, ranging from alter ego to intentional interference, against Item 9, its affiliates, officers and directors, and investors or business partners of Item 9.

Putting aside the countless deficiencies in the FAC that render it subject to immediate dismissal (which will be addressed in a forthcoming motion to dismiss, if necessary), the fundamental premise of Plaintiffs' claims in the FAC is pure fiction. None of the Defendants, including Item 9, have entered into contracts or are doing business with the Harvest Foundation. None of the Defendants, including Item 9, have or claim any interest in cannabis licenses held by the Harvest Foundation. And none of the Defendants have knowledge regarding your clients or any agreements they claim to have with Mr. Burton and Mr. Lemons.

The simple truth is that Plaintiffs have no facts or evidence whatsoever to support the claims and allegations they leveled against Defendants in the FAC. In reality, Plaintiffs' lawsuit is a fishing expedition, designed to bully and extort without any legitimate basis whatsoever.

Based on our discussion yesterday, it is unlikely that your clients have shared with you the threatening and harassing messages that their agent, Mr. Brian Roche, sent to Defendants and myself, in which Plaintiffs threatened Defendants and attempted to intimidate them (and me). Copies of these communications are enclosed for your reference. However, here are a few examples of the wholly unprofessional, harassing and intimidating communications Mr. Roche sent to Defendants and myself prior to filing the FAC:

- "Msrs. [sic] Bowden, Mr. Miller and Mr. Rassas I was hired to come in with a nuclear arsenal and blow up Item 9 Labs and these scammers you entered into business with who have defrauded and stolen from my clients and Trevor and John."
- "I would prefer a direct call with all of you ASAP with or without your lawyer to discuss how I am working to get my guys their money back that Burton and Lemmons have blown on strippers (probably Gullickson), cars, and blow over the last several years while not honoring their obligations after they stole the \$741,250 from my clients who haven't seen jack shit back."
- "You all are either a friend or foe in that regard. I am reaching out to you for help to take the lead to get my guys' money back before a nuclear winter drops on Item 9 for engaging in clear fraud, interference with contract, interference with economic advantage, etc. etc. etc. blah blah blah you know the deal. I was pissed to see the lawsuit AZ DP v. Gullickson dismissed what happened?"
- "I am the fixer. I never stop until the client is paid in full or parties are in jail. ... I am the fixer and here to help you help yourself to get my guys their money back."

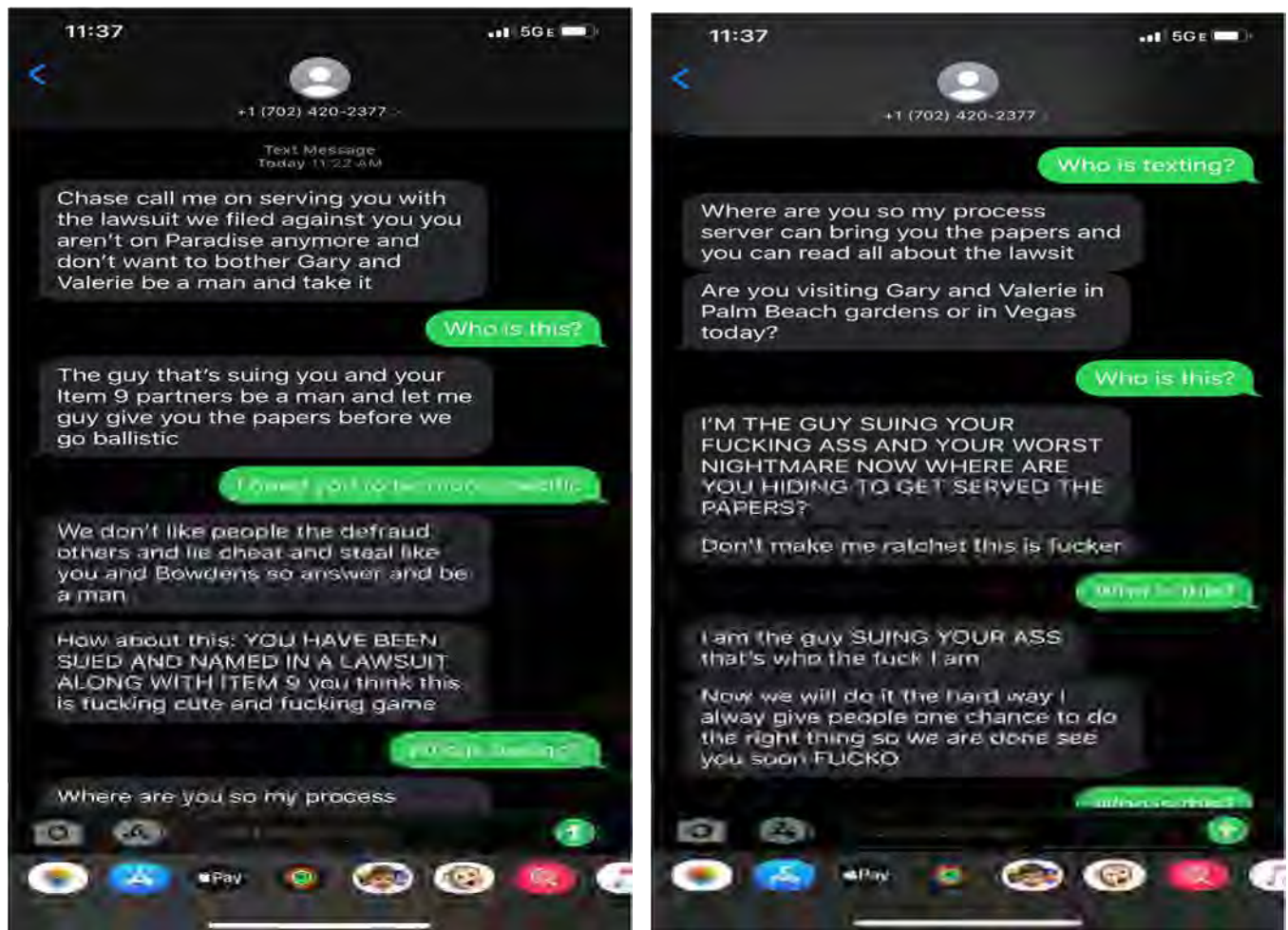
- "The only path I am aligned on currently is the path to 100% complete success getting my guys their money back. Anyone not helping in that regard will be roadkill in my rear review mirror."
- "I have amended [sic] out complaint and will be filing it tomorrow and promise this is the lease [sic] of your worries. I reached out to Bryce and crew as a one time [sic] courtesy which I always do before launching my nukes."
- "Bryce don't ever try to fucking bullshit me again I warned you about dishonesty with me."
- "...do I need to have my guy bang on Doug's door at his Whispering Wind home address on the 4th of July weekend ..."
- "...prior attorney Rob Rabatt he's out there is a new sheriff in town."
- "...resources were allocated to investigate the Item 9 sins and transgressions of Bowden, Skalla, and the golden goose Doug Bowden who we have dead to rights as investing into this fugazi deal through Viridis entities..."
- "...save me some time and money and save my guy from going gangster and banging on everyone's doors over the 4th of July weekend to serve them all."
- **"LAUREN STOP CALLING ROB RABBAT HE IS OUT!!!!!! TIME FOR TALK IS OVER...EVEN LITTLE KIDS KNOW WHEN DAD SAYS NO NOT TO RUN TO MOMMY TO ASK FOR A COOKIE STOP CALLING ROBHE IS SUBBED OUT AND LONG OVERDUE."**
- **"LAUREN I JUST GOT OFF WITH A BRILLIANT LAWYER IN OHIO WHO IS FILING A BRAND NEW SHINY LAWSUIT SHE ALREADY DRAFTED NAMING ITEM 9 AND ALL ITS FUGAZI PARTNERS....THIS IS GOING TO BE A BILLING BONANZA FOR QUARLES & BRADY BATTLING US IN VEGAS AND NOW HER IN OHIO WITH ANOTHER LAWSUIT!!!!!!!"**

And here are screen shots of text messages Plaintiffs (or individuals acting on behalf of Plaintiffs) sent to Mr. Chase Herschman prior to serving the FAC. You will note that the individual sending these text messages claims to be "[t]he guy that's suing you and your Item 9 partners" (i.e., either Mr. Saunders or Mr. Schmidt). "Gary" and "Valerie" (referenced below) are Mr. Herschman's parents. This is not the first time Plaintiffs (and individuals acting on their behalf) have threatened the safety and wellbeing of Defendants' family members. (*See, e.g., supra*, "do I need to have my guy bang on Doug's door at his Whispering Wind home address on the 4th of July weekend ...".)

///

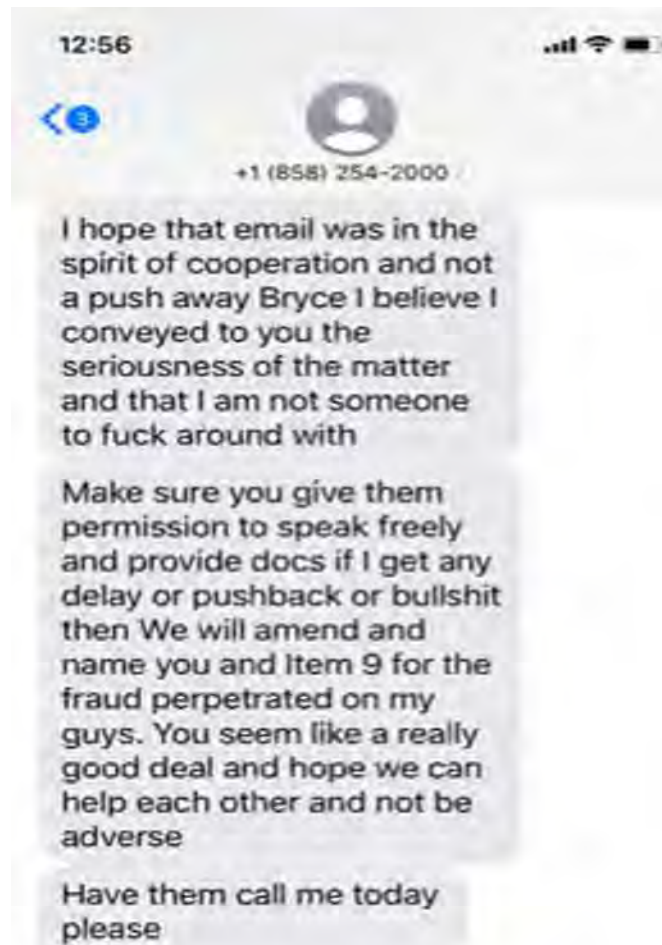
///

///



We are in receipt of your November 3, 2020 email to Mr. Brandt, in which you claim that statements made by Mr. Roche are not attributable to your clients. Candidly, however, it is difficult to accept such assertion, particularly when Mr. Roche represented that he was acting on behalf of Plaintiffs and Plaintiffs' prior counsel (Rob Rabbat) expressly authorized my firm to communicate with Mr. Roche after we questioned the legitimacy of his affiliation with Plaintiffs. Copies of these communications are also enclosed.

In any event, there can be no legitimate dispute that Plaintiffs' lawsuit was filed for an improper purpose and is a transparent attempt to harass and extort Defendants, some of whom are simply investors in totally separate business transactions or employees of Item 9 or its affiliates. Indeed, Mr. Roche admitted as much when he wrote the following to Mr. Bryce Skalla, prior to the FAC filing:



We are continuing to investigate these actions and demand that Plaintiffs and their agents cease and desist from such further conduct. We look forward to speaking with you again to discuss the dismissal of all claims asserted against Defendants in the FAC with prejudice. Defendants reserve all rights and remedies available to them and against responsible persons, including but not limited to the pursuit of sanctions under NRCP Rule 11.

We look forward to speaking with you again soon.

Very truly yours,

/s/ Lauren Elliott Stine

Lauren Elliott Stine

LS:slm
Enclosures

----- Forwarded message -----

From: **Brian Roche** <brian@rochecorp.com>

Date: Fri, Jun 19, 2020 at 3:46 PM

Subject: Item 9 Labs Lawsuit

To: <JeffDey@item9labs.com>, <abowden@item9labs.com>, <bryce@item9labs.com>

Mssrs. Bowden, Mr. Miller and Mr. Rassas I was hired to come in with a nuclear arsenal and blow up Item 9 Labs and these scammers you entered into business with who have defrauded and stolen from my clients and Trevor and John. I read in interest your recent 10K. I am happy to discuss with you prior to me pressing the red launch button on our Amended complaint we are filing on Monday naming Item 9 Labs as a Defendant,

Strive, and all these parties for this fraud. I truly hope you have been duped by these fugazi's like my clients and friends have been and aren't knowingly or intentionally in business with these scammers?

I would prefer a direct call with all of you ASAP with or without your lawyer to discuss how I am working to get my guys their money back that Burton and Lemmons have blown on strippers (probably Gullickson), cars, and blow over the last several years while not honoring their obligations after they stole the \$741,250 from my clients who haven't seen jack shit back.

You all are either a friend or foe in that regard. I am reaching out to you for help to take the lead to get my guys' money back before a nuclear winter drops on Item 9 for engaging in clear fraud, interference with contract, interference with economic advantage, etc. etc. etc. blah blah blah you know the deal. I was pissed to see the lawsuit AZ DP v. Gullickson dismissed what happened?

I am the fixer. I never stop until the client is paid in full or parties are in jail. I hope to hear from you tonight or tomorrow as this is now squarely on your laps now. Supporting docs attached and direct number below. I promise this is a friendly email and look forward to hearing from you ASAP! Some background on your partners and some of my recent handiwork in AZ below and attached. I am the fixer and here to help you help yourself to get my guys their money back.

I know its a weird first email and a lot to digest but it is what it is. Item 9 is dead center of it all while my guys are out their \$741,250. I kicked every one of the below matters off with emails just like this one to you guys with chances for them to work with me and settle up front many do, these below chose not to. I always give people one final chance to do what is right when a clear fraud and theft of money has been committed under the guise of a marijuana leaf.

I hope to speak soon my friends. Background on your partner Burton and his cohorts attached also.

<https://www.justice.gov/usao-sdny/pr/three-convicted-midhattan-federal-court-fraudulent-issuance-and-sale-more-60-million> [justice.gov]

<https://www.azcentral.com/story/news/local/arizona-investigations/2019/03/27/ken-lasch-phoenix-developer-and-green-tech-firm-founder-charged-37-million-fraud-case/3283210002/> [azcentral.com]

<https://www.azcentral.com/story/news/local/arizona-investigations/2019/03/28/developer-ken-lasch-green-tech-sean-relied-bugus-demos-take-results-feds-say-here-to-help/3291104003/> [azcentral.com]

<https://www.latimes.com/local/lanow/la-me-morre-tolm-college-admissions-scandal-20190331-story.html> [latimes.com]

<https://www.investmentnews.com/article/20130709/FREE/130709912/live-tune-mlb-all-star-swe-ubs-ex-rep-for-7-6m> [investmentnews.com]

Kind Regards,

Brian Roche
(858) 254-2000

 Think Green before printing this email

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521, and is confidential and legally privileged.

 Virus-free. www.avg.com avg.com

Stine, Lauren Elliott (PHX x3474)

From: Brian Roche <br@rochecorp.com>
Sent: Saturday, June 20, 2020 4:27 PM
To: Bryce Skalla
Cc: Bobby Mikkelsen; Jeffery Rassas; Andrew Bowden; Stine, Lauren Elliott (PHX x3474); Valentine, Paul J. (PHX x3723)
Subject: Re: Item 9 coordination
Attachments: Strive-About_11-18.pdf

1. Thanks all please send me the agreements and relevant docs related to Harvest, purchase of Distribution License and other Docs relevant to uncover what happened here. I can review this weekend so we can have a meaningful discussion and gameplan by Monday.

2. Since I sent you the Marimed Membership Interest Agreement already you can see that they believed in Aug 2019 to be acquiring the shares and all 3 licenses. Not sure how this Rollup with Strive effects any of it or how you bought the Dist license with cash and shares then these guys turned around and sold it also to Marimed seems like a conspiracy to me. Civil and criminal.

3. Candidly to all of you here my guys gave your rat partners Burton and Lemmons \$741,250 and they haven't seen jack shit back. The NV lawsuit is just the start as stated Bryce I already amended the complaint and filing Monday.

Based on my investigation so far I believe there was interference and fraud all over the place. Also now that my uncle has put a freeze on all Harvest matters and licenses nothing is going to happen anytime soon unless I say so.

The only path I am aligned on currently is the path to 100% complete success getting my guys their money back. Anyone not helping in that regard will be roadkill to my rear view mirror.

I'm working all weekend and look forward to hearing from you Lauren and/or Paul forthwith.

Corporate history

Item 9 Labs Corp. ("Item 9 Labs" or the "Company"), was incorporated under the laws of the State of Delaware on June 15, 2010 as Crown Dynamics Corp. On October 26, 2012, the Company changed its name to Airware Labs Corp. On April 2, 2018, the Company changed its name to Item 9 Labs Corp. to better reflect its business following the acquisition of BSSD, as discussed below.

On March 20, 2018, the Company closed on an Agreement and Plan of Exchange to acquire all of the membership interests of BSSD Group, LLC ("BSSD"), an Arizona limited liability company formed on May 2, 2017, in exchange for newly issued restricted shares of the Company's common stock (the "Shares"), which represent approximately 75% of the issued and outstanding shares of the Company's common stock on a fully-diluted basis. The 40,355,771 shares were distributed pro-rata to the BSSD members.

Effective October 18, 2018, the Company completed a 1-for-20 reverse split of its issued and outstanding common stock.

On November 26, 2018, the company's wholly owned subsidiary AZ DP Holdings, LLC ("AZ DP") closed on an asset acquisition of the majority of the assets of Arizona DP Consulting, LLC, a consulting firm specializing in obtaining marijuana dispensary permits and developing cannabis related business plans. The purchase price was \$1,500,000 in cash and 3,000,000 shares of restricted common stock.

having an aggregate value of \$7,770,000 or \$2.59 per share based on current market price of the Company shares at time asset purchase agreement was executed.

On September 12, 2018, the Company executed a \$1,500,000 promissory note (see Note 8) which was used to make a capital contribution into Strive Management, LLC, a Nevada limited liability company ("Strive Management"). In exchange for the contribution, the Company received a 20% membership interest in Strive Management. The remaining interests are held by three individuals, Sara Gullickson, Larry Lemons, and Donnie Burton. Through a management agreement with Strive Wellness of Nevada, LLC, a related party Strive Management will facilitate the cultivation, processing and distribution of marijuana in Nevada. Strive Wellness of Nevada, LLC has been allocated cultivation, processing and distribution licenses from the State of Nevada. Additionally, the Company will acquire an additional 31% ownership of Strive Management upon the approval from the State of Nevada to operate the cultivation and processing facility.

Our principal offices are located at 2727 N 3rd Street, Phoenix AZ 85004 Suite 201. Our registered agent for service of process in Delaware is located at 108 West 13th St, Wilmington, DE 19801, and our registered agent is Business Filings Incorporated. Our fiscal year end is September 30.

All references to "we," "us," "our," "Item 9," "Item 9 Labs," or similar terms used in this Registration Statement refer to Item 9 Labs Corp.

Corporate Structure

The following chart illustrates, as of the date of this Registration Statement, the Company's wholly-owned subsidiaries, including their respective jurisdictions of incorporation and percentage of voting securities of each that are beneficially owned, controlled or directed by the Company.



Additionally, the Company currently owns a 20% ownership in Strive Management, LLC as discussed in Item 1 of our Notes to Financials (see Note 1). The Company has the right to acquire an additional 31% ownership of Strive Management if certain conditions are met. The Company will raise funds as necessary (approximately \$5,500,000) to construct the facility in Nevada, which will be wholly owned by a subsidiary of Item 9 Labs Corp and leased to Strive Management, LLC. \$3,000,000 has been raised as of the date of this filing. If the funds are not raised, the additional 31% interest due to the Company upon operational approval from the State of Nevada would be subject to reclamation by the other members of Strive Management.

Kind Regards,

Brian Roche
858-254-2000

IMPORTANT MESSAGE: This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521 and is confidential and legally privileged.

On Jun 20, 2020, at 3:45 PM, Bryce Skalla <bryce@item9labs.com> wrote:

Brian,

Spoke with team for several hours last night and after our talk. Seems our paths are aligned so I have brought our attorneys in to help with coordination and see what best path forward is. I have CC'ed Lauren Stine and Paul Valentine, our lawyers with the Quarrels & Brady Firm. They be best for contact going forward.



Bryce Skalla

President/ Co-Founder

Item 9 Labs Corp. "INLB"

M 480-406-9454

W www.item9labs.com



Stine, Lauren Elliott (PHX x3474)

From: Brian Roche <br@rohecorp.com>
Sent: Tuesday, June 23, 2020 7:06 PM
To: Valentine, Paul J. (PHX x3723)
Cc: Bryce Skalla; Bobby Mikkelsen; Jeffery Rassas; Andrew Bowden; Stine, Lauren Elliott (PHX x3474)
Subject: Re: Item 9 coordination

I don't know what this email means so let me be clear I have amended our complaint and will be filing it tomorrow and promise this is the least of your worries. I reached out to Bryce and crew as a one time courtesy which I always do before launching my nukes. If you want to cooperate and hold off litigation feel free to forward the docs related to Harvest foundation, Burton and Lemmons such as the Asset purchase agreement and other agreements you have with them while interfering with my guys ownership rights. If not no biggie there's not much to talk about I have Item 9 dead to rights and we will get the info through discovery, depositions and subpoenas Duces Tecum to some third parties we are serving this week. Right now I am out to recoup the \$741,250 that was paid by my guys to Item 9's partners which Item 9 has clearly profited from after my investigation. Bryce don't ever try to fucking bullshit me again I warned you about dishonesty with me.

Kind Regards,

Brian Roche
858-254-2000

IMPORTANT MESSAGE: This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521 and is confidential and legally privileged.

On Jun 22, 2020, at 12:31 PM, Valentine, Paul J. <Paul.Valentine@quarles.com> wrote:

Brian,

We are in receipt of the information you provided and are working through it. We will be in touch once we finalize our review

Thanks,

<125EvergreenEmailSignature a6b3add9-9dae-435d-970f-4c0911565efe.jpg>

Paul J. Valentine / Partner
Paul.Valentine@quarles.com / [LinkedIn](#) [BIO](#) [vCard](#)
Quarles & Brady LLP
Renaissance One, Two North Central Avenue / Phoenix, AZ 85004-2391
Office 602-229-5723 / [quarles.com](#)
Assistant Pamela McCordley 602-230-5516

[VISIT our COVID-19: Guidance for Clients page for the latest updates from Q&B attorneys](#)

From: Brian Roche <br@rochecorp.com>
Sent: Monday, June 22, 2020 11:29 AM
To: Bryce Skalla <bryce@item9labs.com>
Cc: Bobby Mikkelsen <bobby@item9labs.com>; Jeffery Rassas <jeffrey@item9labs.com>; Andrew Bowden <abowden@item9labs.com>; Stine, Lauren Elliott (PHX x3474) <Lauren.Stine@quarles.com>; Valentine, Paul J (PHX x3723) <Paul.Valentine@quarles.com>
Subject: Re: Item 9 coordination

Waiting to hear from someone on your end please email a time and dial in number to do a call today.

Kind Regards,

Brian Roche
858-254-2000

IMPORTANT MESSAGE: This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521 and is confidential and legally privileged.

On Jun 20, 2020, at 3:45 PM, Bryce Skalla <bryce@item9labs.com> wrote:

Brian,

Spoke with team for several hours last night and after our talk. Seems our paths are aligned so I have brought our attorneys in to help with coordination and see what best path forward is. I have CC'ed Lauren Stine and Paul Valentine, our lawyers with the Quarrels & Brady Firm. They be best for contact going forward.



Bryce Skalla
President/ Co-Founder
Item 9 Labs Corp. "INLB"

M 480-406-9454

W www.item9labs.com [[item9labs.com](mailto:info@item9labs.com)]



CONFIDENTIALITY NOTICE: This electronic mail transmission and any attachments are confidential and may be privileged. They should be read or retained only by the intended recipient. If you have received this transmission in error, please notify the sender immediately and delete the transmission from your system.

Stine, Lauren Elliott (PHX x3474)

From: Brian Roche <br@rohecorp.com>
Sent: Tuesday, June 30, 2020 2:42 AM
To: Valentine, Paul J. (PHX x3723)
Cc: Bryce Skalla; Bobby Mikkelsen; Jeffery Rassas; Andrew Bowden; Stine, Lauren Elliott (PHX x3474)
Subject: Re: Item 9 coordination

Paul we are filing the Amended complaint and need to serve it along with the Summons' are you willing to except service for the entities and individuals we named to save me \$75 x 10? Note we are adding in Andrew, Doug, and Viridis Group Holdings which owns the entity that was at the heart of the alleged conduct and that paid money to Item 9 to engage in.

It took a while to pour through everything from my investigation but we have it tightened up to include Item 9 at the head of the fraud and for interference and aiding and abetting breach of fiduciary duty which is a cause of action in NV (among others). Included in this is the clear tie in to Strive and Harvest circumventing my guys' rights to equity, voting, and tag along right in NV to all Cannabis activity as represented by Burton, Lemons, Yokiels, and Gullickson to them prior to and after their investment of \$741,250 that went to Item 9's efforts in NV. You even reference Harvest in your 10K but had knowledge of my guys ownership and voting based on their investment.

Furthermore, we have Andrew and Daddy Doug dead to rights and naming them. Their entity Viridis Group I9 Capital made a direct investment allowing the conduct to take place, and in fact supported and endorsed the conduct of Item 9 with Skalla and Rassas at the helm as this entity is owned by Andrew, Doug and Viridis Group Holdings, LLC which we know exerts ownership and management control over Viridis Group I9 as the vehicle for the conduct. It provided the capital for Item 9 and the other Def's to engage in their fraudulent scheme, all while taking 5,000,000 shares of Item 9 in order to allow them the capital to engage in interference with contract, interference with economic advantage, aiding and abetting breach of fiduciary duty, civil conspiracy, and alter ego, among others as pled.

So are you willing to accept service for all of these named Defendants or do I need to have my guy bang on Doug's door at his Whispering Wind home address on 4th of July weekend which he might charge me extra for I don't even know?

On Mon, Jun 22, 2020 at 12:31 PM Valentine, Paul J. <Paul.Valentine@quarles.com> wrote:

Brian,

We are in receipt of the information you provided and are working through it. We will be in touch once we finalize our review.

Thanks,



Paul J. Valentine / Partner

Paul.Valentine@quarles.com / [LinkedIn](#) [BIO](#) [vCard](#)

Quarles & Brady LLP

Renaissance One, Two North Central Avenue / Phoenix, AZ 85004-2391

Office 602-229-5723 / quarles.com

Assistant Pamela McCauley 602-230-5516

[Visit our COVID-19 Guidance for Clients page for the latest updates from Q&B attorneys](#)

From: Brian Roche <br@rochecorp.com>

Sent: Monday, June 22, 2020 11:29 AM

To: Bryce Skalla <bryce@item9labs.com>

Cc: Bobby Mikkelsen <bobby@item9labs.com>; Jeffery Rassas <jeffrey@item9labs.com>; Andrew Bowden <abowden@item9labs.com>; Stine, Lauren Elliott (PHX x3474) <Lauren.Stine@quarles.com>; Valentine, Paul J. (PHX x3723) <Paul.Valentine@quarles.com>

Subject: Re: Item 9 coordination

Waiting to hear from someone on your end please email a time and dial in number to do a call today

Kind Regards,

Brian Roche
858-254-2000

IMPORTANT MESSAGE: This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521 and is confidential and legally privileged.

On Jun 20, 2020, at 3:45 PM, Bryce Skalla <bryce@item9labs.com> wrote:

Brian,

Spoke with team for several hours last night and after our talk. Seems our paths are aligned so I have brought our attorneys in to help with coordination and see what best path forward is. I have CC'ed Lauren Stine and Paul Valentine, our lawyers with the Quarrels & Brady Firm. They be best for contact going forward.



Bryce Skalla

President/ Co-Founder

Item 9 Labs Corp. "INLB"

M 480-406-9454

W www.item9labs.com [item9labs.com]



CONFIDENTIALITY NOTICE: This electronic mail transmission and any attachments are confidential and may be privileged. They should be read or retained only by the intended recipient. If you have received this transmission in error, please notify the sender immediately and delete the transmission from your system.

Kind Regards,

Brian Roche

(858) 254-2000



Think Green before printing this email.

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C 2510-2521, and is confidential and legally privileged.

Stine, Lauren Elliott (PHX x3474)

From: Brian Roche <br@rochecorp.com>
Sent: Wednesday, July 1, 2020 12:18 PM
To: Valentine, Paul J. (PHX x3723)
Cc: Bryce Skalla; Bobby Mikkelsen; Jeffery Rassas; Andrew Bowden; Stine, Lauren Elliott (PHX x3474)
Subject: Re: Item 9 coordination

Lauren I returned your voicemail to prior attorney Rob Rabbat he's out there is a new sheriff in town. He said he also left you a vm stating we are subbing in.

That being said no idea what you want to talk about the time to talk was last week before resources were allocated to investigate the Item 9 sins and transgressions of Bowden, Skalla, Rassas, and the golden goose Doug Bowden who we have dead to rights as investing into this fugazi deal through Viridis entities, money that went straight into the pockets of Item 9 to flow to Burton and Lemons et. al. and defraud my clients and their undiluted equity ownership, voting, and management rights for their \$741,250 investment.

If you have something meaningful to say feel free to call and please let me know if you are accepting service on the 10 persons or entities that we named to save me some time and money and save my guy from going gangster and banging on everyone's doors over the 4th of July weekend to serve them all.

On Tue, Jun 30, 2020 at 2:42 AM Brian Roche <br@rochecorp.com> wrote:

Paul we are filing the Amended complaint and need to serve it along with the Summons' are you willing to except service for the entities and individuals we named to save me \$75 x 10? Note we are adding in Andrew, Doug, and Viridis Group Holdings which owns the entity that was at the heart of the alleged conduct and that paid money to Item 9 to engage in.

It took a while to pour through everything from my investigation but we have it tightened up to include Item 9 at the head of the fraud and for interference and aiding and abetting breach of fiduciary duty which is a cause of action in NV (among others). Included in this is the clear tie in to Strive and Harvest circumventing my guys' rights to equity, voting, and tag along right in NV to all Cannabis activity as represented by Burton, Lemons, Yokiels, and Gullickson to them prior to and after their investment of \$741,250 that went to Item 9's efforts in NV. You even reference Harvest in your 10K but had knowledge of my guys ownership and voting based on their investment.

Furthermore, we have Andrew and Daddy Doug dead to rights and naming them. Their entity Viridis Group I9 Capital made a direct investment allowing the conduct to take place, and in fact supported and endorsed the conduct of Item 9 with Skalla and Rassas at the helm as this entity is owned by Andrew, Doug and Viridis Group Holdings, LLC which we know exerts ownership and management control over Viridis Group I9 as the vehicle for the conduct. It provided the capital for Item 9 and the other Deft's to engage in their fraudulent scheme, all while taking 5,000,000 shares of Item 9 in order to allow them the capital to engage in interference with contract, interference with economic advantage, aiding and abetting breach of fiduciary duty, civil conspiracy, and alter ego, among others as pled.

So are you willing to accept service for all of these named Defendants or do I need to have my guy bang on Doug's door at his Whispering Wind home address on 4th of July weekend which he might charge me extra for I don't even know?

On Mon, Jun 22, 2020 at 12:31 PM Valentine, Paul J. <Paul.Valentine@quarles.com> wrote:

Brian,

We are in receipt of the information you provided and are working through it. We will be in touch once we finalize our review.

Thanks,



Paul J. Valentine / Partner

Paul.Valentine@quarles.com / [LinkedIn](#) [BIO](#) [vCard](#)

Quarles & Brady LLP

Renaissance One, Two North Central Avenue / Phoenix, AZ 85004-2391

Office 602-229-5723 / quarles.com

Assistant Pamela McCauley 602-230-5516

[VISIT our COVID-19 Guidance for Clients page for the latest updates from USRA attorneys](#)

From: Brian Roche <br@rochecorp.com>

Sent: Monday, June 22, 2020 11:29 AM

To: Bryce Skalla <bryce@item9labs.com>

Cc: Bobby Mikkelsen <bobby@item9labs.com>; Jeffery Rassas <jefrey@item9labs.com>; Andrew Bowden <abowden@item9labs.com>; Stine, Lauren Elliott (PHX x3474) <Lauren.Stine@quarles.com>; Valentine, Paul J (PHX x3723) <Paul.Valentine@quarles.com>

Subject: Re: Item 9 coordination

Waiting to hear from someone on your end please email a time and dial in number to do a call today

Kind Regards,

Brian Roche
858-254-2000

IMPORTANT MESSAGE: This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521 and is confidential and legally privileged.

On Jun 20, 2020, at 3:45 PM, Bryce Skalla <bryce@item9labs.com> wrote:

Brian,

Spoke with team for several hours last night and after our talk. Seems our paths are aligned so I have brought our attorneys in to help with coordination and see what best path forward is. I have CC'ed Lauren Stine and Paul Valentine, our lawyers with the Quarrels & Brady Firm. They be best for contact going forward.



Bryce Skalla
President/ Co-Founder
Item 9 Labs Corp. "INLB"

M 480-406-9454

W www.item9labs.com [[item9labs.com](mailto:info@item9labs.com)]



CONFIDENTIALITY NOTICE: This electronic mail transmission and any attachments are confidential and may be privileged. They should be read or retained only by the intended recipient. If you have received this transmission in error, please notify the sender immediately and delete the transmission from your system.

Kind Regards,

Brian Roche
(858) 254-2000

Think Green before printing this email

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521, and is confidential and legally privileged.

Kind Regards,

Brian Roche
(858) 254-2000

Think Green before printing this email

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521, and is confidential and legally privileged.

Stine, Lauren Elliott (PHX x3474)

From: Brian Roche <br@rohecorp.com>
Sent: Wednesday, July 1, 2020 1:44 PM
To: Valentine, Paul J. (PHX x3723)
Cc: Bryce Skalla; Bobby Mikkelsen; Jeffery Rassas; Andrew Bowden; Stine, Lauren Elliott (PHX x3474)
Subject: Re: Item 9 coordination

LAUREN STOP CALLING ROB RABBAT HE IS OUT!!!!!!

TIME FOR TALK IS OVER LET ME KNOW IF YOU ARE ACCEPTING SERVICE YES OR NO?

EVEN LITTLE KIDS KNOW WHEN DAD SAYS NO NOT TO RUN TO MOMMY TO ASK FOR A COOKIE STOP CALLING ROB HE IS SUBBED OUT AND LONG OVERDUE.

On Wed, Jul 1, 2020 at 12:18 PM Brian Roche <br@rohecorp.com> wrote:

Lauren I returned your voicemail to prior attorney Rob Rabbat he's out there is a new sheriff in town. He said he also left you a vm stating we are subbing in.

That being said no idea what you want to talk about the time to talk was last week before resources were allocated to investigate the Item 9 sins and transgressions of Bowden, Skalla, Rassas, and the golden goose Doug Bowden who we have dead to rights as investing into this fugazi deal through Viridis entities, money that went straight into the pockets of Item 9 to flow to Burton and Lemons et. al. and defraud my clients and their undiluted equity ownership, voting, and management rights for their \$741,250 investment.

If you have something meaningful to say feel free to call and please let me know if you are accepting service on the 10 persons or entities that we named to save me some time and money and save my guy from going gangster and banging on everyone's doors over the 4th of July weekend to serve them all.

On Tue, Jun 30, 2020 at 2:42 AM Brian Roche <br@rohecorp.com> wrote:

Paul we are filing the Amended complaint and need to serve it along with the Summons' are you willing to except service for the entities and individuals we named to save me \$75 x 10? Note we are adding in Andrew, Doug, and Viridis Group Holdings which owns the entity that was at the heart of the alleged conduct and that paid money to Item 9 to engage in.

It took a while to pour through everything from my investigation but we have it tightened up to include Item 9 at the head of the fraud and for interference and aiding and abetting breach of fiduciary duty which is a cause of action in NV (among others). Included in this is the clear tie in to Strive and Harvest circumventing my guys' rights to equity, voting, and tag along right in NV to all Cannabis activity as represented by Burton, Lemons, Yokiels, and Gullickson to them prior to and after their investment of \$741,250 that went to Item 9's efforts in NV. You even reference Harvest in your 10K but had knowledge of my guys ownership and voting based on their investment.

Furthermore, we have Andrew and Daddy Doug dead to rights and naming them. Their entity Viridis Group I9 Capital made a direct investment allowing the conduct to take place, and in fact supported and endorsed the conduct of Item 9 with Skalla and Rassas at the helm as this entity is owned by Andrew, Doug and Viridis Group Holdings, LLC which we know exerts ownership and management control over Viridis Group I9 as the vehicle for the conduct. It provided the capital for Item 9 and the other Deft's to engage in their fraudulent scheme, all while taking 5,000,000 shares of Item 9 in order to allow them the capital to engage in interference with contract, interference with economic advantage, aiding and abetting breach of fiduciary duty, civil conspiracy, and alter ego, among others as pled.

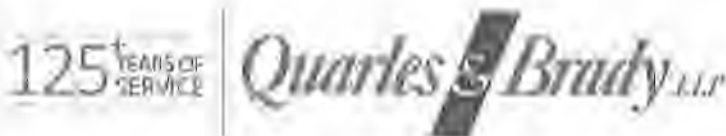
So are you willing to accept service for all of these named Defendants or do I need to have my guy bang on Doug's door at his Whispering Wind home address on 4th of July weekend which he might charge me extra for I don't even know?

On Mon, Jun 22, 2020 at 12:31 PM Valentine, Paul J. <Paul.Valentine@quarles.com> wrote:

Brian,

We are in receipt of the information you provided and are working through it. We will be in touch once we finalize our review.

Thanks,



Paul J. Valentine / Partner

Paul.Valentine@quarles.com / [LinkedIn](#) [BIO](#) [vCard](#)

Quarles & Brady LLP

Renaissance One, Two North Central Avenue / Phoenix, AZ 85004-2391

Office 602-229-5723 / quarles.com

Assistant Pamela McCauley 602-230-5516

[VISIT our COVID-19: Guidance for Clients page for the latest updates from Q&B attorneys](#)

From: Brian Roche <br@rocheorp.com>
Sent: Monday, June 22, 2020 11:29 AM
To: Bryce Skalla <bryce@item9labs.com>
Cc: Bobby Mikkelsen <bobby@item9labs.com>; Jeffery Rassas <jeffrey@item9labs.com>; Andrew Bowden <abowden@item9labs.com>; Stine, Lauren Elliott (PHX x3474) <Lauren.Stine@quarles.com>; Valentine, Paul J (PHX x3723) <Paul.Valentine@quarles.com>
Subject: Re: Item 9 coordination

Waiting to hear from someone on your end please email a time and dial in number to do a call today.

Kind Regards,

Brian Roche
858-254-2000

IMPORTANT MESSAGE: This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521 and is confidential and legally privileged.

On Jun 20, 2020, at 3:45 PM, Bryce Skalla <bryce@item9labs.com> wrote:

Brian,

Spoke with team for several hours last night and after our talk. Seems our paths are aligned so I have brought our attorneys in to help with coordination and see what best path forward is. I have CC'ed Lauren Stine and Paul Valentine, our lawyers with the Quarrels & Brady Firm. They be best for contact going forward.



Bryce Skalla
President/ Co-Founder
Item 9 Labs Corp. "INLB"

M 480-406-9454

W www.item9labs.com [item9labs.com]



CONFIDENTIALITY NOTICE: This electronic mail transmission and any attachments are confidential and may be privileged. They should be read or retained only by the intended recipient. If you have received this transmission in error, please notify the sender immediately and delete the transmission from your system.

Kind Regards,

Brian Roche

(858) 254-2000



Think Green before printing this email.

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521, and is confidential and legally privileged.

Kind Regards,

Brian Roche

(858) 254-2000



Think Green before printing this email.

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521, and is confidential and legally privileged.

Kind Regards,

Brian Roche

(858) 254-2000



Think Green before printing this email.

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521, and is confidential and legally privileged.

Stine, Lauren Elliott (PHX x3474)

From: Stine, Lauren Elliott (PHX x3474) <Lauren.Stine@quarles.com>
Sent: Wednesday, July 1, 2020 2:08 PM
To: rrabat@enensteinlaw.com
Cc: Valentine, Paul J. (PHX x3723)
Subject: JDD et al. v. Lemons et al. - Case No. A-20-811232-C

Hello Robert - Following up on our call earlier today. As discussed, I have received several emails and a voice message from Mr. Brian Roche, who purports to have some affiliation with the Plaintiffs (your current clients) in the above-referenced matter. Is Mr. Roche related to your firm and/or your clients in the above-referenced action?

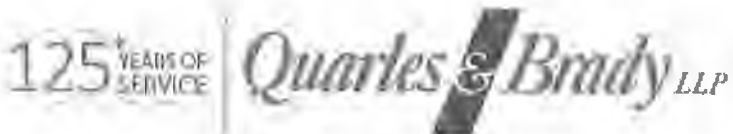
Mr. Roche has made a number of statements in various communications regarding his purported affiliation with Plaintiffs and the filing of an amended complaint, purported claims, service, etc., regarding my client, Item 9. These are the types of statements that I would expect to receive from someone who is licensed to practice law. It is my understanding that Mr. Roche is not licensed to practice law (in Nevada or anywhere else).

Mr. Roche's voice message indicates that Plaintiff have (or will soon have) a new lawyer, but it is my understanding that you remain counsel of record. Accordingly, please instruct Mr. Roche that I cannot speak with him regarding this matter, as Plaintiffs are represented by counsel of record (i.e., you).

To the extent a new lawyer is substituting in the matter, please provide me with the contact information for the lawyer who will be representing Plaintiffs moving forward so that I can communicate with that individual regarding the above action. As you know, since Plaintiffs are represented by counsel (you until your withdrawal, and then whoever after that), I need to communicate with Plaintiffs' counsel directly, not through some third-party who purports to be associated with Plaintiffs.

Finally, as counsel for Plaintiffs, be advised that Item 9 has not acquired and does not purport to have any interest in Harvest Foundation, LLC or Marimed. To the extent that any claims are filed against them based on such a notion, such claims would be frivolous and sanctionable (against the both lawyer who files it and the clients).

Best,
Lauren



Lauren Elliott Stine / Partner

Lauren.Stine@quarles.com / [LinkedIn](#) BIO vCard

Quarles & Brady LLP

Renaissance One, Two North Central Avenue / Phoenix, AZ 85004-2391

Office 602-229-5474 / Cell 602-316-2041 / [quarles.com](#)

Assistant Maria Marotta 602-229-5740

[VISIT our COVID-19 Guidance for Clients page for the latest updates from D&B attorneys.](#)

CONFIDENTIALITY NOTICE: This electronic mail transmission and any attachments are confidential and may be privileged. They should be read or retained only by the intended recipient. If you have received this transmission in error, please notify the sender immediately and delete the transmission from your system.

Stine, Lauren Elliott (PHX x3474)

From: Brian Roche <br@rochecorp.com>
Sent: Wednesday, July 1, 2020 3:28 PM
To: Valentine, Paul J. (PHX x3723)
Cc: Bryce Skalla; Bobby Mikkelsen; Jeffery Rassas; Andrew Bowden; Stine, Lauren Elliott (PHX x3474)
Subject: Re: Item 9 coordination

**LAUREN I JUST GOT OFF WITH A BRILLIANT
LAWYER IN OHIO WHO IS FILING A BRAND
NEW SHINY LAWSUIT SHE ALREADY
DRAFTED NAMING ITEM 9 AND ALL ITS
FUGAZI PARTNERS FOR FRAUD, CIVIL
CONSPIRACY, AND OTHER CAUSES OF
ACTION SINCE HER CLIENTS AT
COCREATIVE CLEVELAND WEREN'T PAID.**

**WHY ARE YOU ALL DEFRAUDING 2 NICE
LADIES IN CLEVELAND AND NOT PAYING
YOUR BILLS?**

**THIS IS GOING TO BE A BILLING BONANZA
FOR QUARLES & BRADY BATTLING US IN
VEGAS AND NOW HER IN OHIO WITH
ANOTHER NEW LAWSUIT!!!!!!!**

On Wed, Jul 1, 2020 at 1:44 PM Brian Roche <br@rochecorp.com> wrote:

**LAUREN STOP CALLING ROB RABBAT HE IS
OUT!!!!!!**

TIME FOR TALK IS OVER LET ME KNOW IF YOU ARE ACCEPTING SERVICE YES OR NO? EVEN LITTLE KIDS KNOW WHEN DAD SAYS NO NOT TO RUN TO MOMMY TO ASK FOR A COOKIE STOP CALLING ROB HE IS SUBBED OUT AND LONG OVERDUE.

On Wed, Jul 1, 2020 at 12:18 PM Brian Roche <br@rochecorp.com> wrote:

Lauren I returned your voicemail to prior attorney Rob Rabbat he's out there is a new sheriff in town. He said he also left you a vm stating we are subbing in.

That being said no idea what you want to talk about the time to talk was last week before resources were allocated to investigate the Item 9 sins and transgressions of Bowden, Skalla, Rassas, and the golden goose Doug Bowden who we have dead to rights as investing into this fugazi deal through Viridis entities, money that went straight into the pockets of Item 9 to flow to Burton and Lemons et. al. and defraud my clients and their undiluted equity ownership, voting, and management rights for their \$741,250 investment.

If you have something meaningful to say feel free to call and please let me know if you are accepting service on the 10 persons or entities that we named to save me some time and money and save my guy from going gangster and banging on everyone's doors over the 4th of July weekend to serve them all.

On Tue, Jun 30, 2020 at 2:42 AM Brian Roche <br@rochecorp.com> wrote:

Paul we are filing the Amended complaint and need to serve it along with the Summons' are you willing to except service for the entities and individuals we named to save me \$75 x 10? Note we are adding in Andrew, Doug, and Viridis Group Holdings which owns the entity that was at the heart of the alleged conduct and that paid money to Item 9 to engage in.

It took a while to pour through everything from my investigation but we have it tightened up to include Item 9 at the head of the fraud and for interference and aiding and abetting breach of fiduciary duty which is a cause of action in NV (among others). Included in this is the clear tie in to Strive and Harvest circumventing my guys' rights to equity, voting, and tag along right in NV to all Cannabis activity as represented by Burton, Lemons, Yokiels, and Gullickson to them prior to and after their investment of \$741,250 that went to Item 9's efforts in NV. You even reference Harvest in your 10K but had knowledge of my guys ownership and voting based on their investment.

Furthermore, we have Andrew and Daddy Doug dead to rights and naming them. Their entity Viridis Group I9 Capital made a direct investment allowing the conduct to take place, and in fact supported and endorsed the conduct of Item 9 with Skalla and Rassas at the helm as this entity is owned by Andrew, Doug and Viridis Group Holdings, LLC which we know exerts ownership and management control over Viridis Group I9 as the vehicle for the conduct. It provided the capital for Item 9 and the other Deft's to engage in their fraudulent scheme, all while taking 5,000,000 shares of Item 9 in order to allow them the capital to engage in interference with contract, interference with economic advantage, aiding and abetting breach of fiduciary duty, civil conspiracy, and alter ego, among others as pled.

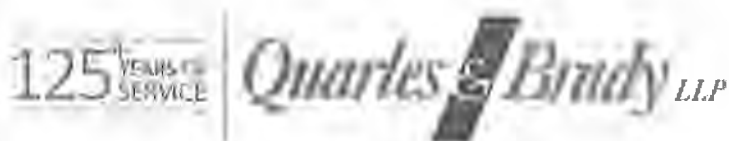
So are you willing to accept service for all of these named Defendants or do I need to have my guy bang on Doug's door at his Whispering Wind home address on 4th of July weekend which he might charge me extra for I don't even know?

On Mon, Jun 22, 2020 at 12:31 PM Valentine, Paul J. <Paul.Valentine@quarles.com> wrote:

Brian,

We are in receipt of the information you provided and are working through it. We will be in touch once we finalize our review.

Thanks,



Paul J. Valentine / Partner

Paul.Valentine@quarles.com / [LinkedIn](#) BIO vCard

Quarles & Brady LLP

Renaissance One, Two North Central Avenue / Phoenix, AZ 85004-2391

Office 602-229-5723 / quarles.com

Assistant Pamela McCauley 602-230-5516

[VISIT our COVID-19: Guidance for Clients page for the latest updates from Q&B attorneys](#)

From: Brian Roche <br@rochecorp.com>

Sent: Monday, June 22, 2020 11:29 AM

To: Bryce Skalla <bryce@item9labs.com>

Cc: Bobby Mikkelsen <bobby@item9labs.com>; Jeffery Rassas <jeffrey@item9labs.com>; Andrew Bowden <abowden@item9labs.com>; Stine, Lauren Elliott (PHX x3474) <Lauren.Stine@quarles.com>; Valentine, Paul J (PHX x3723) <Paul.Valentine@quarles.com>

Subject: Re: Item 9 coordination

Waiting to hear from someone on your end please email a time and dial in number to do a call today.

Kind Regards,

Brian Roche

858-254-2000

IMPORTANT MESSAGE: This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521 and is confidential and legally privileged.

On Jun 20, 2020, at 3:45 PM, Bryce Skalla <bryce@item9labs.com> wrote:

Brian,

Spoke with team for several hours last night and after our talk. Seems our paths are aligned so I have brought our attorneys in to help with coordination and see what best path forward is. I have CC'ed Lauren Stine and Paul Valentine, our lawyers with the Quarrels & Brady Firm. They be best for contact going forward.



Bryce Skalla
President/ Co-Founder
Item 9 Labs Corp. "INLB"

M 480-406-9454

W www.item9labs.com | item9labs.com



CONFIDENTIALITY NOTICE: This electronic mail transmission and any attachments are confidential and may be privileged. They should be read or retained only by the intended recipient. If you have received this transmission in error, please notify the sender immediately and delete the transmission from your system.

Kind Regards,

Brian Roche
(858) 254-2000

Think Green before printing this email.

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521, and is confidential and legally privileged.

Kind Regards,

Brian Roche

(858) 254-2000



Think Green before printing this email.

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521, and is confidential and legally privileged.

Kind Regards,

Brian Roche

(858) 254-2000



Think Green before printing this email.

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521, and is confidential and legally privileged.

Kind Regards,

Brian Roche

(858) 254-2000



Think Green before printing this email.

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C. 2510-2521, and is confidential and legally privileged.

Stine, Lauren Elliott (PHX x3474)

From: Robert Rabbat <rrabbat@enensteinlaw.com>
Sent: Wednesday, July 1, 2020 4:01 PM
To: Stine, Lauren Elliott (PHX x3474)
Cc: Valentine, Paul J. (PHX x3723); Brian Roche
Subject: Re: JDD et al. v. Lemons et al. - Case No. A-20-811232-C

Ms. Stine,

You have permission to speak directly with Mr. Roche, who is copied here

Regards,

Robert A. Rabbat, Esq.
Enenstein Pham & Glass LLP

On Jul 1, 2020, at 2:46 PM, Stine, Lauren Elliott <Lauren.Stine@quarles.com> wrote:

<125EvergreenEmailSignature_a6b3add9-9dae-435d-970f-4c0911565efe.jpg>

Lauren Elliott Stine / Partner
Lauren.Stine@quarles.com / [LinkedIn](#) [BIO](#) [vCard](#)
Quarles & Brady LLP
Renaissance One, Two North Central Avenue / Phoenix, AZ 85004-2391
Office 602-229-5474 / Cell 602-316-2041 / quarles.com
Assistant Maria Marotta 602-229-5740

[VISIT our COVID-19: Guidance for Clients page for the latest updates from Q&B attorney.](#)

From: Stine, Lauren Elliott (PHX x3474)
Sent: Wednesday, July 1, 2020 2:08 PM
To: 'rrabbat@enensteinlaw.com' <rrabbat@enensteinlaw.com>
Cc: Valentine, Paul J. (PHX x3723) <Paul.Valentine@quarles.com>
Subject: JDD et al. v. Lemons et al. - Case No. A-20-811232-C

Hello Robert - Following up on our call earlier today. As discussed, I have received several emails and a voice message from Mr. Brian Roche, who purports to have some affiliation with the Plaintiffs (your current clients) in the above-referenced matter. Is Mr. Roche related to your firm and/or your clients in the above-referenced action?

Mr. Roche has made a number of statements in various communications regarding his purported affiliation with Plaintiffs and the filing of an amended complaint, purported claims, service, etc., regarding my client, Item 9. These are

the types of statements that I would expect to receive from someone who is licensed to practice law. It is my understanding that Mr. Roche is not licensed to practice law (in Nevada or anywhere else).

Mr. Roche's voice message indicates that Plaintiff have (or will soon have) a new lawyer, but it is my understanding that you remain counsel of record. Accordingly, please instruct Mr. Roche that I cannot speak with him regarding this matter, as Plaintiffs are represented by counsel of record (i.e., you).

To the extent a new lawyer is substituting in the matter, please provide me with the contact information for the lawyer who will be representing Plaintiffs moving forward so that I can communicate with that individual regarding the above action. As you know, since Plaintiffs are represented by counsel (you until your withdrawal, and then whoever after that), I need to communicate with Plaintiffs' counsel directly, not through some third-party who purports to be associated with Plaintiffs.

Finally, as counsel for Plaintiffs, be advised that Item 9 has not acquired and does not purport to have any interest in Harvest Foundation, LLC or Marimed. To the extent that any claims are filed against them based on such a notion, such claims would be frivolous and sanctionable (against the both lawyer who files it and the clients).

Best,
Lauren

CONFIDENTIALITY NOTICE: This electronic mail transmission and any attachments are confidential and may be privileged. They should be read or retained only by the intended recipient. If you have received this transmission in error, please notify the sender immediately and delete the transmission from your system.

This message was secured by [Zix \[zixcorp.com\]](https://www.zixcorp.com)®.

Stine, Lauren Elliott (PHX x3474)

From: Brian Roche <br@rohecorp.com>
Sent: Wednesday, July 1, 2020 4:05 PM
To: Robert Rabbat
Cc: Stine, Lauren Elliott (PHX x3474); Valentine, Paul J. (PHX x3723)
Subject: Re: JDD et al. v. Lemons et al. - Case No. A-20-811232-C

Thank you Mr. Rabbat for that courtesy. Ms. Stine as stated in prior emails feel free to contact me if you want to have a courteous and professional conversation without the necessity of large caps. Also I am happy to put you in touch with the new attorney in Ohio who has another brand new lawsuit drafted against your clients in a different matter she is filing next week that her and I have joined forces on.

Sincerely,

On Wed, Jul 1, 2020 at 4:00 PM Robert Rabbat <rrabbat@enensteinlaw.com> wrote:
Ms. Stine,

You have permission to speak directly with Mr. Roche, who is copied here.

Regards,

Robert A. Rabbat, Esq.
Enenstein Pham & Glass LLP

On Jul 1, 2020, at 2:46 PM, Stine, Lauren Elliott <Lauren.Stine@quarles.com> wrote

<125EvergreenEmailSignature_a6b3add9-9dae-435d-970f-4c0911565efe.jpg>

Lauren Elliott Stine / Partner
Lauren.Stine@quarles.com / [LinkedIn](#) BIO vCard
Quarles & Brady LLP
Renaissance One, Two North Central Avenue / Phoenix, AZ 85004-2391
Office 602-229-5474 / Cell 602-316-2041 / quarles.com
Assistant Maria Marotta 602-229-5740

[VISIT our COVID-19 Guidance for Clients page for the latest updates from Q&B attorneys](#)

From: Stine, Lauren Elliott (PHX x3474)
Sent: Wednesday, July 1, 2020 2:08 PM

To: 'rrabat@enensteinlaw.com' <rrabat@enensteinlaw.com>
Cc: Valentine, Paul J. (PHX x3723) <Paul.Valentine@quarles.com>
Subject: JDD et al. v. Lemons et al. - Case No. A-20-811232-C

Hello Robert - Following up on our call earlier today. As discussed, I have received several emails and a voice message from Mr. Brian Roche, who purports to have some affiliation with the Plaintiffs (your current clients) in the above-referenced matter. Is Mr. Roche related to your firm and/or your clients in the above-referenced action?

Mr. Roche has made a number of statements in various communications regarding his purported affiliation with Plaintiffs and the filing of an amended complaint, purported claims, service, etc., regarding my client, Item 9. These are the types of statements that I would expect to receive from someone who is licensed to practice law. It is my understanding that Mr. Roche is not licensed to practice law (in Nevada or anywhere else).

Mr. Roche's voice message indicates that Plaintiff have (or will soon have) a new lawyer, but it is my understanding that you remain counsel of record. Accordingly, please instruct Mr. Roche that I cannot speak with him regarding this matter, as Plaintiffs are represented by counsel of record (i.e., you).

To the extent a new lawyer is substituting in the matter, please provide me with the contact information for the lawyer who will be representing Plaintiffs moving forward so that I can communicate with that individual regarding the above action. As you know, since Plaintiffs are represented by counsel (you until your withdrawal, and then whoever after that), I need to communicate with Plaintiffs' counsel directly, not through some third-party who purports to be associated with Plaintiffs.

Finally, as counsel for Plaintiffs, be advised that Item 9 has not acquired and does not purport to have any interest in Harvest Foundation, LLC or Marimed. To the extent that any claims are filed against them based on such a notion, such claims would be frivolous and sanctionable (against the both lawyer who files it and the clients).

Best,

Lauren

CONFIDENTIALITY NOTICE: This electronic mail transmission and any attachments are confidential and may be privileged. They should be read or retained only by the intended recipient. If you have received this transmission in error, please notify the sender immediately and delete the transmission from your system.

This message was secured by .

Kind Regards,

Brian Roche

(858) 254-2000



Think Green before printing this email.

This electronic message (including all attachments) is covered by the Electronic Communications Privacy Act 18 U.S.C 2510-2521, and is confidential and legally privileged.

✎

Purchase/Sale of Stock, Assets, or
Real Estate

COURT MINUTES

May 12, 2021

A-20-811232-B JDD, LLC, Plaintiff(s)
 vs.
 Larry Lemons, Defendant(s)

May 12, 2021 09:00 AM Defendant Snowell Holdings, LLC's Motion for Attorneys' Fees

HEARD BY: Williams, Timothy C. **COURTROOM:** RJC Courtroom 03H

COURT CLERK: Darling, Christopher

RECORDER:

REPORTER: Isom, Peggy

PARTIES PRESENT:

Candace C. Herling Attorney for Defendant

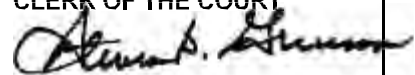
Lee I. Iglody Attorney for Plaintiff

Mukunda Shanbhag Attorney for Defendant

JOURNAL ENTRIES

Hearing held by BlueJeans remote conferencing. Arguments by Mr. Shanbhag and Mr. Iglody. Court stated ITS FINDINGS and ORDERED, Motion for Attorneys' Fees GRANTED; however, will review issue of work performed. Decision forthcoming. Mr. Iglody requested method to set discovery conference. Colloquy regarding whether answer filed. COURT FURTHER ORDERED, Discovery Conference SET in 30 days. COURT DIRECTED, counsel to meet and confer and submit case conference report in advance of hearing.

6/9/21 9:00 AM DISCOVERY CONFERENCE



OPPM

Lee I. Iglody, Esq.
Nevada Bar #: 7757
2580 St Rose Pkwy., Suite 330
Henderson, Nevada 89074
Tel: (702) 425-5366
Email: Lee@Iglody.com
Attorney for Plaintiffs

DISTRICT COURT

CLARK COUNTY, NEVADA

JDD, LLC, a Nevada limited liability company; TCS
Partners, LLC, a Nevada limited liability company;
JOHN SAUNDERS, an individual; and TREVOR
SCHMIDT, an individual

Plaintiffs,

vs.

MARIMED INC. f/k/a Worlds Online, Inc., a
Delaware corporation; ITEM 9 LABS CORP. f/k/a
Airware Labs Corp. and Crown Dynamics Corp., a
Delaware corporation; ITEM 9 PROPERTIES LLC, a
Nevada limited liability company; THE HARVEST
FOUNDATION LLC f/k/a, a Nevada limited liability
company a/k/a THE HARVEST FOUNDATION,
LLC; STRIVE MANAGEMENT L.L.C. d/b/a Strive
Life, a Nevada limited liability company; STRIVE
WELLNESS OF NEVADA, LLC d/b/a Strive Life, a
Nevada limited liability company; STRIVE
WELLNESS OF NEVADA 2 L.L.C. d/b/a Strive
Life, a Nevada limited liability company; VIRIDIS
GROUP I9 CAPITAL, LLC, an Arizona limited
liability company; VIRIDIS GROUP HOLDINGS,
LLC, an Arizona limited liability company;
SNOWELL HOLDINGS, LLC, an Ohio limited
liability company; ROBERT FIREMAN, an
individual; JON LEVINE, an individual; ANDREW
BOWDEN, an individual; DOUGLAS BOWDEN, an
individual; BRYCE SKALLA, an individual;
JEFFREY RASSAS, an individual; DONALD
BURTON, an individual; LARRY LEMONS, an
individual; JEFFREY YOKIEL, an individual;
JEROME YOKIEL, an individual; SARA
GULLICKSON, an individual; CHASE
HERSCHMAN, an individual; DOE INDIVIDUALS
I through X, and ROE BUSINESS ENTITIES XI
through XX, inclusive,

Defendants.

CASE NO.: A-20-811232-C

DEPT. NO.: XXVI

**PLAINTIFFS' OPPOSITION TO
DEFENDANTS ITEM 9 LABS
CORP., VIRIDIS GROUP I9
CAPITAL LLC, VIRIDIS GROUP
HOLDINGS, LLC, ANDREW
BOWDEN, DOUGLAS BOWDEN,
BRYCE SKALLA, JEFFREY
RASSAS, AND CHASE
HERSCHMAN'S MOTION FOR
ATTORNEYS' FEES AND COSTS**

Hearing date: June 8, 2021

Hearing time: 9:05 a.m.

1 Plaintiffs, JDD, LLC; TCS Partners, LLC; JOHN SAUNDERS; and TREVOR SCHMIDT,
2 by and through undersigned counsel, hereby opposes the Motion for Fees filed by Defendants’
3 Item 9 Labs Corp., Viridis Group I9 Capital LLC, Viridis Group Holdings, LLC, Andrew
4 Bowden, Douglas Bowden, Bryce Skalla, Jeffrey Rassas, And Chase Herschman's Motion For
5 Attorneys Fees And Costs (“I9 Defendants”).

6 MEMORANDUM

7 **I. INTRODUCTION**

8 The Court should deny the I9 Defendants’ motion for attorneys fees because the complaint
9 was brought in good faith based upon research conducted by a third-party.
10

11 This Court granted I9 Defendants’ motion to dismiss *without prejudice*. At some point
12 Plaintiffs will finally be able to commence discovery and actually piece together what happened to
13 the approximately \$750,000.00 they entrusted to Harvest Foundation, Larry Lemons and Donald
14 Burton.
15

16 Further, Plaintiffs were not permitted to conduct limited discovery on any issue with the I9
17 Defendants; therefore, it is inappropriate for the Court to award fees for allegedly “groundless”
18 claims against I9 Defendants, since no determination has been made regarding the complicity of I9
19 Defendants and Donald Burton and Larry Lemons.
20

21 Plaintiffs respectfully request the Court deny the motion for fees, or at least stay a decision
22 until after Plaintiffs finally have their chance to conduct discovery.

23 **II. FACTUAL BACKGROUND**

24 **The TCS Agreement**

25 In or about the beginning of 2015, Plaintiff Trevor Schmidt learned of Harvest — a Clark
26 County, Nevada, limited liability company that holds a special use permit and two licenses for
27 recreational and medical cannabis cultivation — and met two of its owners and officers, Donald
28 Burton and Larry Lemons. Compl. ¶¶ 8, 15-16, 32. Schmidt then toured the Harvest facility and

1 expressed interest in investing in its operations and becoming part of the company. *Id.* ¶ 33.

2 On or about January 22, 2015, after negotiations with Burton and Lemon, Schmidt, as the
3 managing member of Plaintiff TCS Partners, LLC (“TCS”), entered into a Membership Interest
4 Sales Agreement (“TCS Agreement”) with Burton and Lemons, who were acting as officers of
5 Harvest. *Id.* ¶ 34. A true and accurate copy of the TCS Agreement is attached to Plaintiffs’ First
6 Amended Complaint as Exhibit 1. *Id.* ¶ 36 & Ex. 1.

7
8 Under Section 1 of the TCS Agreement, Burton and Lemons agreed to transfer 9.9% of the
9 total membership interests in Harvest to Schmidt in exchange for Schmidt’s payment of
10 \$371,250.00. *Id.* ¶ 35. Section 1 of the TCS Agreement stated that, upon the transfer of the 9.9%
11 interest to TCS, the other members of Harvest would retain the following percentages of the total
12 ownership interests: Burton would own 25.05%; Lemons would own 25.05%; Jeffrey Yokiell
13 would own 30%; and Jerome Yokiell would own 10%. *Id.* ¶ 36 & Ex. 1 at 1.

14
15 Additionally, under Section 4 of the TCS Agreement, Burton and Lemons, as officers of
16 Harvest, agreed that there would be no additional transfer of any equity or membership interest in
17 Harvest for a period of twelve months, to prevent TCS’s 9.9% membership from being diluted. *Id.*
18 ¶ 37. Further, under Sections 5 and 6 of the TCS Agreement, TCS would be entitled to a pro rata
19 share of any distributions of profits and would have the right to vote as a member of Harvest
20 pursuant to Harvest’s operating agreement. *Id.* ¶ 38 & Ex. 1 at 2.

21
22 Also, Burton and Lemons reaffirmed that they would continue as Harvest’s CEO and
23 COO, respectively, and as managing members. *Id.* Finally, under Section 8 of the TCS
24 Agreement, Harvest’s operating agreement and all other governing documents were to be revised
25 to reflect TCS’s 9.9% membership interest, with a copy of the TCS Agreement to be attached
26 thereto. *Id.* ¶ 39 & Ex. 1 at 2.

27 On or about January 22, 2015, TCS performed all of its obligations under the TCS
28 Agreement by wiring the full \$371,250.00 to Harvest. *Id.* ¶ 40.

The JDD Agreement

In or about 2016, Plaintiff John Saunders learned of Harvest and expressed interest in becoming part of the company to Burton, Lemons, and Schmidt. *Id.* ¶ 41. In or about 2016, as managing member of Plaintiff JDD, LLC, Saunders entered into an agreement with Burton and Lemon, acting in their respective capacities as CEO and COO of Harvest and as members of Harvest, to purchase 9.9% of the Harvest membership interests (the “JDD Agreement”). *Id.* ¶ 42. Although this deal was not memorialized in a fully integrated writing like the TCS Agreement, Saunders engaged in a series of negotiations with Burton and Lemons—via text, emails, and other documents—to purchase his 9.9% interest, and all members of Harvest approved or otherwise ratified the JDD Agreement. *Id.* ¶¶ 43-45.

Under the JDD Agreement, JDD agreed to pay \$370,000.00 to Harvest for 9.9% of the total membership interests in Harvest, and, like TCS, JDD was expressly granted the rights to vote and receive distributions. *Id.* ¶ 46. Moreover, under the JDD Agreement, Saunders was appointed as Harvest’s Chief Financial Officer, was to be paid an annual salary of \$70,000.00, and was to be given an active role in Harvest’s operations. *Id.* ¶ 47.

As with the TCS Agreement, the JDD Agreement required Harvest’s other members, except TCS, to transfer portions of their own respective membership interests to JDD. *Id.* ¶ 48. Thus, the new distribution of membership interests was to be:

- Burton would own 24.1%;
- Lemons would own 24.1%;
- Jeffrey Yokiell would own 22%;
- Jerome Yokiell would own 10%;
- TCS would own 9.9%; and
- JDD would own 9.9%.

Id. ¶ 49.

1 Moreover, as part of the JDD Agreement, TCS and JDD's interests were to remain
2 undiluted by any future sale or transfer of interests by other members. *Id.* ¶ 50. In fact, TCS and
3 JDD retained a right of first refusal to purchase any of the other Harvest members' ownership
4 interests, if any owner proposed the sale or transfer of his or her respective membership interests.
5 *Id.* ¶ 51.

6 Also, as part (the "Exclusive Authorizations Rights") of the JDD Agreement, Burton and
7 Lemons (acting as CEO and COO of Harvest, respectively) agreed that Harvest would not sell any
8 of Harvest's assets, including its licenses, or make any additional marijuana deal regarding
9 Harvest's operations in Nevada, without the express prior written authorization of both JDD and
10 TCS. *Id.* ¶ 52. Finally, TCS and JDD were to receive a pro rata share of any cash distributions that
11 Harvest would make to its members, as the JDD Agreement closely mirrored the terms of the TCS
12 agreement. *Id.* ¶ 53. (The complaint specifically alleges that the 19 Defendants and Harvest
13 entered into precisely such arrangements.)
14

15 On or about May 6, 2016, JDD made a partial payment of \$200,000.00 to Harvest under
16 the JDD Agreement. *Id.* ¶ 56. On or about June 17, 2016, JDD paid the remaining \$170,000 to
17 Harvest, as the JDD Agreement required. *Id.* ¶ 57.
18

19 **Plaintiffs' Exclusion from Harvest**

20 Initially, Burton and Lemons actively involved Plaintiffs in drafting an amended operating
21 agreement for Harvest and kept Plaintiffs apprised of Harvest's operations. *Id.* ¶ 60. In fact, in or
22 around 2016, Saunders attended the Third Annual Marijuana Business and Conference Expo (the
23 "2016 Conference") in Las Vegas with Burton and Lemons. *Id.* ¶¶ 61, 89.
24

25 In or about mid-2016, Burton and Lemons became less responsive and more
26 confrontational with regard to the proposed amended Harvest operating agreement. *Id.* ¶ 64. Then
27 Burton and Lemons began excluding Plaintiffs from Harvests's business operations altogether. *Id.*
28 ¶ 65. Specifically, Saunders attempted to participate in Harvest's operations as CFO, but Burton

1 and Lemons repeatedly excluded him. *Id.* at ¶ 66. Additionally, Burton and Lemons refused
2 Plaintiffs’ multiple requests to review Harvest’s books and records, in violation of both Harvests’s
3 operating agreement and NRS 86.241, claiming that the books and records were not “ready” for
4 review. *Id.* ¶ 67.

5 In or around 2017, after several unsuccessful attempts to reconcile with Burton and
6 Lemons and to participate in the operations of the business, Plaintiffs demanded that Harvest buy
7 out their entire membership interests. *Id.* ¶ 68. For several months afterward, Burton and Lemons
8 claimed to be working on a plan to do so—but they never provided any concrete plan. *Id.* ¶ 69.

10 Although Plaintiffs were frustrated by Burton’s and Lemons’s unfulfilled promises, they
11 nonetheless continued to attempt to amicably resolve the dispute without resorting to litigation. *Id.*
12 ¶ 70. In or about the beginning of 2018, however, Burton and Lemons became unresponsive to
13 Plaintiffs’ requests. *Id.* ¶ 71.

15 In or about 2018, Plaintiffs began to suspect that Defendants were deliberately concealing
16 Harvest’s financial situation from Plaintiffs, and that Harvest might lack the means to buy out
17 their membership interests. *Id.* ¶ 72. Plaintiffs renewed their demand for Harvests’s books and
18 records, and in or about August of 2018, Burton finally resumed communications with Plaintiffs
19 and told them that the books and records were “ready” for review and that their buyout requests
20 had been “submitted.” *Id.* ¶¶ 73-74.

22 After months of difficulty in arranging the inspection, Saunders finally was given access to
23 Harvest’s books and records—and discovered that Harvest had *failed to keep any books and*
24 *records since its inception.* *Id.* ¶¶ 75-78. And Harvest’s bookkeeper revealed that all of Harvest’s
25 transactions had been conducted with cash, with Burton and Lemons personally removing it from
26 and depositing it in a safe box in the office. *Id.* ¶ 79.

27 After that, Saunders worked with Harvest’s office manager to implement proper financial
28 records. *Id.* ¶ 80. For the next several months, Saunders continued to attempt to fulfill his role as

1 CFO and to assist in the business's operations while awaiting his buyout, but Burton and Lemons
2 refused to respond to his calls and emails. *Id.* ¶ 81.

3 Finally, in or around September 2019, and in response to Saunders's request for his 2018
4 K-1 and a demand for the buyout to be finalized, Lemons asked to set up a phone call. *Id.* ¶ 82.
5 Lemons failed to answer his phone and continued to evade Saunders's calls and emails. *Id.* ¶ 83.
6 Plaintiffs then filed suit.

8 **Plaintiffs' research before filing the ill-fated First Amended Complaint**

9 Plaintiffs asked Brian Roche to investigate the facts and circumstances surrounding their
10 \$741,250.00 collective investment into Harvest Foundation. **Exhibit 1, ¶5.** Mr. Roche is an
11 experienced investigator with a background in matters pertaining to investment such as this. *Id.*,
12 ¶6. Roche conducted an intensive investigation and due diligence on the matters pleaded in the
13 First Amended Complaint ("FAC"). *Id.*, ¶7. Roche's investigation covered a wide array of
14 resources. *Id.*, ¶¶8 – 13. The research supported the filing of claims against the I9 Defendants.
15 *Id.*, ¶¶26 – 28. The complaint against the I9 Defendants was brought in good faith. *Id.*, ¶29.

17 **III. ARGUMENT**

18 A district court *may* award attorneys fees to a "prevailing party" when it finds that the
19 opposing party "brought of maintained [a claim] without *reasonable ground[s]*" NRS
20 18.010(2)(b); *Patush v. Las Vegas Bistro, LLC*, 135 Nev. Adv. Op. 46, 449 P.3d 467 (2019). To
21 support such a discretionary award, "there must be evidence in the record supporting the
22 proposition that the complaint was brought without *reasonable grounds* or to harass the other
23 party." *Chowdhry v. NLVH, Inc.*, 109 Nev. 478, 486, 851 P.2d 459, 464 (1993).

25 Here, Plaintiffs had reasonable grounds to name the I9 Defendants, as detailed in the
26 Declaration of Brian Roche. Absent discovery, Plaintiffs should not be penalized for the current
27 inability to substantiate the I9 Defendants' involvement without detailed specificity. Plaintiffs
28 reasonably believed and alleged that the I9 Defendants were part of Defendant Harvest's,

1 Burton's, and Lemons's web of deceit, or had somehow gained possession or control of Harvest
2 assets in contravention to Plaintiffs' rights. There is no evidence in the record that the Plaintiffs
3 intentionally made false allegations or disregarded the truth prior to naming the I9 Defendants.

4 This Court, after considering arguments of counsel, granted I9 Defendants' motion to
5 dismiss, *without prejudice*. The Plaintiffs have yet to have a day of discovery in this matter. The
6 Court accepted the representations of the I9 Defendants, and rejected the claims of Plaintiffs in
7 their complaint that, if proven true, would give rise to the claims pleaded by them.

8
9 Further, because the dismissal was *without prejudice*, I9 Defendants does not meet the
10 "prevailing party" standard. As noted by the Nevada Supreme Court in *145 E. Harmon II Tr. v.*
11 *Residences at MGM Grand - Tower A Owners' Ass'n*, 460 P.3d 455, 459 (Nev. 2020), "[t]he Ninth
12 Circuit distinguishes between dismissals with and without prejudice, explaining that a "dismissal
13 without prejudice does not alter the legal relationship of the parties because the defendant remains
14 subject to the risk of re-filing." *Cadkin v. Loose*, 569 F. 3d 1142, 1148 (9th Cir. 2009)
15 (quoting *Oscar v. Alaska Dep't of Educ. & Early Dev.*, 541 F.3d 978, 981 (9th Cir. 2008)). Here,
16 the I9 Defendants are also subject to being brought back into the case once discovery has taken
17 place.
18

19 Finally, the fees requested are exorbitant. The impressive professional experience and
20 qualities of the attorneys is beyond question, and the per hour rates appear reasonable; however,
21 almost \$80,000.00 for a motion to dismiss is excessive.

22
23 The motion to dismiss was 20 pages, and the reply 13 pages. Based on the request for
24 \$77,787.50 in fees, this works out to \$2,359.95 in fees *per page* of motion practice. That appears
25 *per se* unreasonable. An hour of attorney time plus an hour of paralegal or law clerk time per page
26 would be far more reasonable.

27 ///
28

1 **IV. CONCLUSION**

2 For the foregoing reasons, Plaintiffs respectfully request the Court deny the motion for
3 fees, or hold any such decision in abeyance until at least some discovery is conducted. If the
4 Court is inclined to grant the motion for fees and costs, Plaintiffs respectfully request the fee
5 award be reduced, as detailed above.

6 DATED this 19th day of May, 2021.

7
8 Respectfully submitted,

9 /s/ Lee Iglody

10 Lee I. Iglody, Esq.

11 *Attorney for Plaintiffs*

12
13 **CERTIFICATE OF SERVICE**

14 I hereby certify that on the 19th day of May, 2021, the foregoing **OPPOSITION TO**
15 **MOTION FOR FEES** was served on the parties via electronic service through Odyssey pursuant
16 to NEFCR 9, NRCP 5(b) and EDCR 7.26.

17
18 /s/ Lee Iglody

EXHIBIT 1

DISTRICT COURT
CLARK COUNTY, NEVADA

JDD, LLC, a Nevada limited liability
company; TCS Partners, LLC, a Nevada
limited liability company; JOHN
SAUNDERS, an individual; and TREVOR
SCHMIDT, an individual

Plaintiffs,

vs.

MARIMED INC. f/k/a Worlds Online, Inc.,
a Delaware corporation; ITEM 9 LABS
CORP. f/k/a Airware Labs Corp. and Crown
Dynamics Corp., a Delaware corporation;
ITEM 9 PROPERTIES LLC, a Nevada
limited liability company; THE HARVEST
FOUNDATION LLC f/k/a, a Nevada
limited liability company a/k/a THE
HARVEST FOUNDATION, LLC; STRIVE
MANAGEMENT L.L.C. d/b/a Strive Life, a
Nevada limited liability company; STRIVE
WELLNESS OF NEVADA, LLC d/b/a
Strive Life, a Nevada limited liability
company; STRIVE WELLNESS OF
NEVADA 2 L.L.C. d/b/a Strive Life, a
Nevada limited liability company; VIRIDIS
GROUP I9 CAPITAL, LLC, an Arizona
limited liability company; VIRIDIS GROUP
HOLDINGS, LLC, an Arizona limited
liability company; ROBERT FIREMAN, an
individual; JON LEVINE, an individual;
ANDREW BOWDEN, an individual;
DOUGLAS BOWDEN, an individual;
BRYCE SKALLA, an individual; JEFFREY
RASSAS, an individual; DONALD
BURTON, an individual; LARRY
LEMONS, an individual; JEFFREY
YOKIEL, an individual; JEROME
YOKIEL, an individual; SARA
GULLICKSON, an individual; CHASE
HERSCHMAN, an individual; DOE
INDIVIDUALS I through X, and ROE
BUSINESS ENTITIES XI through XX,
inclusive,

Defendants.

CASE NO.: A-20-811232-C

DEPT. NO.: XXVI

DECLARATION OF BRIAN
ROCHE

1 I, Brian Roche, hereby declare:

2 1. I am over 18 years of age and a resident of Nevada.

3 2. I have personal knowledge of the facts set forth herein, except those stated upon
4 information and belief, and as to those, I believe them to be true.

5 3. I could and would competently testify under oath regarding the facts contained
6 herein, if called upon to do so.

7 4. I am a non-party to this case and have no personal interest in this litigation, financial
8 or otherwise.

9 5. In or around April, 2020, I was asked by Plaintiff's to review the facts and
10 circumstances surrounding their \$741,250 collective investment made into Harvest Foundation,
11 LLC ("Harvest"), Donald Burton ("Burton"), Larry Lemons ("Lemons"), Jeffrey Yokiell
12 ("Jeffrey"), and Jerome Yokiell ("Jermone" and collectively the "Harvest Defendants".)

13 6. I have over 20+ years of extensive worldwide business experience in investigation,
14 background reporting, due diligence, underwriting, and legal matters pertaining to investments
15 such as this.

16 7. For two (2) months I conducted extensive investigation and due diligence on the
17 matters pleaded in the First Amended Complaint ("FAC".)

18 8. I have personal knowledge and confirmed by reviewing bank statements,
19 communications, and documents that the Harvest Defendants received \$371,250.00 from Plaintiff
20 TCS Partners, LLC ("TCS") on or about January 22, 2015 in exchange for 9.9% non-diluted
21 membership interest in Harvest and other rights.

22 9. I have personal knowledge and confirmed by reviewing bank statements,
23 communications, and documents that the Harvest Defendants received another \$200,000 from
24
25
26
27
28

1 Plaintiff JDD, LLC (“JDD”) on or around May 6, 2016 and \$170,000 on or around June 17, 2016
2 in exchange for 9.9% non-diluted membership interest in Harvest and other rights.

3 10. For over two (2) months I conducted an investigation and research by reviewing
4 the public filings of Defendants Marimed, Inc. (“Marimed”) and Item 9 Properties, LLC (“Item
5 9”). I was able to access these public filings by accessing the United States Securities and
6 Exchange Commission (“SEC”) Edgar database located here: [https://www.sec.gov/edgar/search-](https://www.sec.gov/edgar/search-and-access)
7 [and-access](https://www.sec.gov/edgar/search-and-access).
8

9 11. Specifically in my investigation and research, I thoroughly reviewed the last three
10 (3) years’ worth of documents for each entity, including, but not limited to: 8-K current reports,
11 10-K annual reports, Proxy (annual meeting) and information statements, and Ownership
12 Disclosures.
13

14 12. Additionally in my investigation and research, I reviewed multiple lawsuits
15 involving all of the parties by accessing Pacer and the State Court and county websites in
16 California, Nevada and Arizona.
17

18 13. Additionally in my investigation and research, I reviewed the licensing information
19 through the Nevada Cannabis Compliance Board, Clark County Business Licenses, and Nevada
20 Secretary of State Website confirming ownership and management information as pleaded in the
21 FAC.
22

23 14. Through this investigation and research, I confirmed that Marimed is registered to
24 conduct business in the State of Nevada with the Secretary of State and that Paragraphs 1-22 of
25 the FAC concerning the Defendants, their entities, and their ownership and management in each
26 of these entities listed as Defendants are true and correct.
27

28 15. Beginning on or around June 18, 2020, I engaged in ongoing and extensive
communications telephonically and through email with Defendants Robert Fireman (“Fireman”),

1 Chief Executive Officer (“CEO”) of Defendant Marimed and Bryce Skalla (“Skalla”) on behalf of
2 Item 9.

3 16. During these telephonic and email communications which lasted over a month, I
4 began to piece this matter together and validate the fraud that took place based on Marimed, Item
5 9, and their related entities and individuals conduct as pleaded.

6
7 17. These representations, which Plaintiff’s relied on, occurred on December 30, 2014
8 January 5, 2015 and January 20, 2015 in telephone and in person conversations with Defendants
9 Burton, Lemons, Jeffrey, Jerome and Gullickson prior to Plaintiff TCS making the First
10 Investment.

11
12 18. The representations, which Plaintiff’s relied on, also occurred March 30, 2015, May
13 4, 2015, and June 12, 2015 in person and over the phone prior to Plaintiff JDD prior making the
14 Second Investment. This also included further representations reconfirming the same made during
15 an in-person meeting on November 12, 2015 in Las Vegas, Nevada.

16
17 19. The representations were also reconfirmed in numerous in person meetings and
18 telephone conversations over the phone on October 1, 2016, October 22, 2016, September 24,
19 2017, September 25, 2017, October 11, 2017, November 29, 2017.

20 20. Specifically, I exchanged emails with Fireman confirming the same as well as
21 discussing the Membership Interest Purchase Agreement (“Marimed Purchase Agreement”)
22 Marimed executed in order to acquire Harvest and the representations of Marimed in their Form
23 10-Q dated November 9, 2020 in which they attest the following:

24
25 a) the issuance of \$1,000,000 shares of MariMed’s common stock to only two (2) of
26 the owners of Harvest Burton and Lemons which have been issued;

27 (b) \$1,200,000.00 of the Company’s common stock at closing based on the price of the
28 common stock the day prior (“Closing Price”);

(c) warrants to purchase 400,000 shares of the Company’s common stock at an exercise
price equal to the Closing Price; and

(d) MariMed paid Harvest over \$1,000,000.00 as of June, 2020 and invested another \$2,200,000 into Harvest operations. Further, it stated that MariMed had a cash reserve of \$10,700,000 at December 31, 2019 which included reserves against the accounts receivable balances of Harvest of \$239,000.00.

True and correct copy of the Marimed 10-Q is attached hereto as **Exhibit 1**.

21. On June 22, 2020 at approximately 3 p.m., I spoke to Fireman over the phone for approximately 30 minutes. During that call we discussed my investigation and research, our emails, and the documents provided.

22. During this call he told me he was aware of who Plaintiff's owners Trevor Schmidt and John Saunders were, was aware of their investment into Harvest, and was aware of their collective 20% ownership in Harvest.

23. He specifically told me that he met John Saunders in person on November 12, 2015 along with his partner and Chief Financial Officer ("CFO") of Marimed Jon Levine, and Burton, and Lemons at the 3rd Annual Marijuana Business and Conference Expo at the Rio Hotel and Casino in Las Vegas, Nevada well before the Marimed Purchase Agreement was consummated.

24. During this call we also discussed his personal knowledge and the involvement of Marimed in dealings with Item 9 and other Defendants Strive Management, LLC, Strive Wellness of Nevada, LLC, Strive Wellness of Nevada 2, LLC, Viridis Group I9 Capital, LLC, Viridis Group, Holdings, LLC, Snowell Holdings, LLC, and the individual Defendants Fireman, Jon Levine, Andrew Bowden, Douglas Bowden, Bryce Skalla, Jeffrey Rassas, Sara Gullickson, and Chjase Herschman (collectively "Item 9 Defendants") were all in "business together" and owners, officers, managers, and/or directors of the Defendant entities.

25. During subsequent telephone conversations and emails, Fireman represented Gullickson's involvement in all aspect of Marimed, Harvest, and Item 9's licensing in Nevada, and in fact represented she was the CEO of Item 9 before being fired for fraud.

26. During a telephone call on June 19, 2020 with Bryce Skalla on behalf of the Item 9 Defendants, Skalla represented the same to me and referenced a lawsuit Item 9 filed against Gullickson in this regard. True and correct copies of these emails exchanged with Skalla are attached hereto as **Exhibit 2**.

27. Specifically, both Fireman and Skalla confirmed to me over the telephone and in multiple emails exchanged the following, which was also described in detail and confirmed by me based on a review the Item 9 Form 10-Q in August, 2020:

(a) the Item 9 Defendants made a capital contribution of \$1,500,000.00 into Strive Management, LLC, a Nevada limited liability company, the management arm of Defendant Strive Wellness ("Item 9 Agreements") which owns two (2) valuable Cannabis license in Nye, County;

(b) This capital was based on a total investment of \$2,700,000.00 from Viridis I9 and Viridis Holdings under a Revenue Participation Agreement;

(c) In exchange for this capital contribution secured by Defendants Viridis I9 and Viridis Holdings, Defendant Item 9 received a 20% membership interest in Strive Management with the remaining ownership held by Burton, Lemons, and Gullickson;

(d) The Item 9 Agreements also include Item 9 acquiring an additional 31% ownership of Strive Management and Strive Wellness;

(e) The Item 9 Agreements also include Item 9 investing \$5,500,000.00 in order to construct a facility in Nevada which will be wholly owned by Item 9 and leased to Strive Management, of which \$3,000,000.00 has already been invested;

(d) In exchange for the investments contemplated under the Item 9 Agreements, Defendants Viridis I9, Viridis Holdings, Andrew, and Douglas would receive waterfall revenue participation including 5% of Item 9's gross revenue from Nevada operations and scaling down to a lower percentage in perpetuity and that Defendants would own an aggregate of 51% of the Nevada operations which represent tens of millions of dollars. Item 9's most recent 10K dated January 14, 2020 represented the breach by describing an Item 9 and Harvest Joint Venture in Nevada.

(e) In February 2020, the Company executed an agreement with the other members of Strive Management, LLC to purchase the remaining 80% of Strive Management, LLC ("Strive"), as well as the Nevada licenses its members held in another entity;

(f) The Company agreed to pay \$500,000 in cash, \$1,000,000 in an unsecured note payable, 3,250,000 shares of the Company's restricted common stock and issue 2,000,000 warrants exercisable into the Company's common stock. The warrants are to be issued upon the earlier of September 30, 2020 or three months following the date on which each provisional certificate becomes a final certificate.

1 Nowhere in any of these public filings that I reviewed during my investigation did it reference or
2 acknowledge Plaintiffs or their collective 19.8% ownership interest in these endeavors. True and
3 correct copies of I9 10Q and 10K are attached hereto as **Exhibits 3 & 4**.

4 28. These public filings all reference Marimed, Harvest, and the Item 9 Defendants
5 and their operations in Nevada. On November 15, 2019, Gullickson voluntarily resigned as Chief
6 Executive Officer and member of the Board of Directors of Item 9 Labs and then was sued for the
7 exact conduct pleaded in the FAC.
8

9 29. The First Amended Complaint was brought in good faith upon the facts gathered
10 by me over months of research and investigation.
11

12 I declare under penalty of perjury under the law of the State of Nevada and the laws of the
13 United States that the foregoing is true and correct.

14 Dated this 18th day of May, 2021.

15
16 

17 Brian Roche
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT 2



Marimed Deal

1 message

Brian Roche <br@rochecorp.com>

Fri, Jun 19, 2020 at 5:06 PM

To: bryce@item9labs.com, abowden@item9labs.com, Jeffrey@item9labs.com

Bryce great call way to diffuse the situation. You're a good dude. Attached is the Marimed deal and the recent 10K by them discussing the Harvest deal. Look this over and your Asset Agreement for the distribution license in NV you bought from that whore Gullickson and Harvest and let's chat over the weekend. Pretty sure one of you (Marimed or Item 9) isn't getting what they think they are getting (or what they think they paid for).

Liquidity and Capital Resources

As of December 31, 2019, the Company reported cash and cash equivalents of approximately \$739,000 and negative working capital of approximately \$29.3 million, compared to cash and cash equivalents of approximately \$4.1 million and working capital of approximately \$5.8 million as of December 31, 2018. The decline in working capital from year-to-year was primarily the result of (i) the issuance of \$17.0 million of promissory notes to fund the purchase of large quantities of top-grade hemp seeds at volume discounts which then were sold to GenCanna, a related party, at market rates (the "Seed Transaction"), (ii) the write off of the receivable balance due from GenCanna of approximately \$29.0 million following GenCanna's Chapter 11 filing, (iii) the recording in 2019 of a bad debt reserve against the receivable and working capital balances due from Kind of approximately \$11.2 million in the aggregate in light of the current litigation between the Company and Kind, and (iv) the recording in 2019 of a bad debt reserve against the receivable and working capital balances due from Harvest of approximately \$2.2 million in the aggregate due to the anticipated effect on Harvest's operations from a weakened local economy due to the coronavirus pandemic. Please refer to the footnote disclosures accompanying the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018, included in Part I of this report, for further discussion of the Seed Transaction and the receivable reserves.

Nevada

In August 2019, the Company entered into a purchase agreement to acquire 100% of the ownership interests of The Harvest Foundation LLC ("Harvest"), its cannabis-licensed client. Documentation requesting approval of the transaction has been submitted to the state cannabis commission, which is pending. Harvest holds both medical and recreational adult-use cannabis cultivation licenses, and operates in approximately 10,000 square feet of an industrial building that the Company leases and has built out into a cannabis cultivation facility.

Clark, Nevada

The Company is leasing approximately 10,000 square feet of an industrial building that we built out into a cannabis cultivation facility. This facility is subleased to the Company's licensed cannabis client under a sub-lease which is co-terminous with the Company's lease for 10 years expiring in 2024.

Stockholders

As of March 31, 2020, the Company had 728 stockholders of record and 230,292,407 outstanding shares of common stock.

Harvest payments

	12/31/2019	12/31/2018
\$	1,000	\$

Accounts Receivable

Accounts receivable consist of trade receivables and are carried at their estimated collectible amounts.

The Company provides credit to its clients in the form of payment terms. The Company limits its credit risk by performing credit evaluations of its clients and maintaining a reserve, if deemed necessary, for potential credit losses. Such evaluations include the review of a client's outstanding balances with consideration towards such client's historical collection experience, as well as prevailing economic and market conditions and other factors. Based on such evaluations, the Company maintained a reserve of approximately \$10.7 million and \$150,000 at December 31, 2019 and 2018, respectively. The 2019 reserve primarily consisted of reserves against the accounts receivable balances of Kind of approximately \$9.7 million and Harvest of approximately \$239,000, as further disclosed in Note 17 - *Bad Debts*.

(36)

The Harvest Foundation LLC

In November 2018, the Company issued a letter of intent to acquire 100% of the ownership interests of The Harvest Foundation LLC ("Harvest"), the Company's cannabis-licensed client in the state of Nevada. In August 2019, the parties entered into a purchase agreement governing the transaction. The acquisition is conditioned upon legislative approval of the transaction, which is expected to occur by the end of 2020. Upon consummation, the operations of Harvest will be consolidated into the Company's financial statements.

The purchase price is comprised of the issuance of (i) 1,000,000 shares of the Company's common stock, in the aggregate, in two tranches to Harvest, which as a good faith deposit, were issued upon execution of the purchase agreement, (ii) \$1.2 million of the Company's common stock at closing, based on the closing price of the common stock on the day prior to legislative approval of the transaction, and (iii) warrants to purchase 400,000 shares of the Company's common stock at an exercise price equal to the closing price of the Company's common stock on the day prior to legislative approval of the transaction. These shares are restricted and will be returned to the Company in the event the transaction does not close by a date certain. As the transaction has not been consummated, the issued shares were recorded at par value within the *Stockholders' Equity* section of the balance sheet at December 31, 2019.

NOTE 6 – DUE FROM THIRD PARTIES

At December 31, 2019 and 2018, the following table reflects amounts that were advanced by the Company to its cannabis-licensed clients primarily for working capital purposes, and the carrying amount of such advances after write-offs:

	2019	2018
Kind Therapeutics USA Inc. (Maryland licensee)	\$ 1,475,675	\$ 2,670,496
Harvest Foundation LLC (Nevada licensee)	1,938,787	248,796
KPG of Anna LLC (Illinois licensee acquired Oct. 2019)	-	482,700
KPG of Harrisburg LLC (Illinois licensee acquired Oct. 2019)	-	449,385
Total working capital advances to third parties	3,414,462	3,860,177
Reserves against working capital advances	(3,414,462)	-
Due from third parties, net	\$ -	\$ 3,860,177

When a client is able to organically fund its ongoing operations, such client will issue a promissory note to the Company for the cumulative advances made up to that point, which will then be paid down monthly over a specified period of time. The Company has successfully employed this strategy in the past, and accordingly, in January 2019, KPG of Anna LLC and KPG of Harrisburg LLC issued promissory notes to the Company as further described in Note 7 – Notes Receivable.

In December 2019, the Company recorded bad debt reserves against the working capital advance balances due from (i) Kind of approximately \$1.5 million in light of the ongoing litigation between the Company and Kind, and (ii) Harvest of approximately \$1.9 million because of the anticipated effect on Harvest's operations from a weakened local economy due to the coronavirus pandemic.



2 attachments

 **10K.pdf**
554K

 **8-2019 MEMBERSHIP INTEREST PURCHASE AGREEMENT-3.pdf**
2296K

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2019**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File number 0-54433

MARIMED INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

27-4672745
(I.R.S. Employer
Identification No.)

10 Oceana Way
Norwood, MA 02062
(Address of Principal Executive Offices)

617-795-5140
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name Of Each Exchange On Which Registered
None	Not Applicable	Not Applicable

**Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.001 par value
(Title of Class)**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

☐ Large Accelerated Filer

☒ Accelerated Filer

☐ Non-Accelerated Filer

☒ Smaller reporting company

☒ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.): Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price as of June 28, 2019 of \$2.02 per share, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$264.7 million.

At March 31, 2020, the issuer had outstanding 230,292,407 shares of Common Stock, par value \$.001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

The information in response to Part III of this Report are incorporated herein by reference to the registrant's Definitive Proxy Statement, to be filed on or before April 29, 2020, with respect to its 2020 Annual Meeting of Stockholders.

BAPP08516

TABLE OF CONTENTS

	Page
<u>Part I</u>	
Item 1 <u>Business</u>	2
Item 1A <u>Risk Factors</u>	9
Item 1B <u>Unresolved Staff Comments</u>	16
Item 2 <u>Properties</u>	16
Item 3 <u>Legal Proceedings</u>	16
Item 4 <u>Mine Safety Disclosures</u>	16
<u>Part II</u>	
Item 5 <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	17
Item 6 <u>Selected Financial Data</u>	18
Item 7 <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 7A <u>Quantitative and Qualitative Disclosures About Market Risk</u>	27
Item 8 <u>Financial Statements</u>	28
Item 9 <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	60
Item 9A <u>Controls and Procedures</u>	60
Item 9B <u>Other Information</u>	60
<u>Part III</u>	
Item 10 <u>Directors, Executive Officers and Corporate Governance</u>	61
Item 11 <u>Executive Compensation</u>	61
Item 12 <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	61
Item 13 <u>Certain Relationships and Related Transactions, and Director Independence</u>	61
Item 14 <u>Principal Accountant Fees and Services</u>	62
<u>Part IV</u>	
Item 15 <u>Exhibits and Financial Statement Schedules</u>	62
Item 16 <u>Form 10-K Summary</u>	62

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve risks and uncertainties and our actual results could differ significantly from those discussed herein. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as “anticipate,” “expect,” “estimate,” “could,” “should,” “would,” “project,” “predict,” “intend,” “plan,” “will,” “believe,” and similar language, including those set forth in the discussion under “Description of Business,” “Risk Factors” and “Management’s Discussion and Analysis or Plan of Operation” as well as those discussed elsewhere in this Form 10-K. We base our forward-looking statements on information currently available to us, and we believe that the assumption and expectations reflected in such forward-looking statements are reasonable, and we assume no obligation to update them. Statements contained in this Form 10-K that are not historical facts are forward-looking statements that are subject to the “safe harbor” created by the Private Securities Litigation Reform Act of 1995.

PART I

ITEM 1. BUSINESS.

Overview

MariMed Inc. (the “Company”) is a leader in the emerging cannabis industry. The Company is an expert in the development, operation, management and optimization of facilities for the cultivation, production and dispensing of medicinal and recreational cannabis and cannabis-infused products. To date, the Company has developed in excess of 300,000 square feet of state-of-the-art, regulatory-compliant facilities in five states – Delaware, Illinois, Maryland, Massachusetts, and Nevada.

At the outset of the Company’s entrance into the cannabis industry, the Company provided advisory services and assistance to its clients in the procurement of state-issued cannabis licenses, leased its aforementioned cannabis facilities to these newly-licensed clients, and provided industry-leading expertise and oversight in all aspects of their cannabis operations, as well as ongoing regulatory, accounting, human resources, and administrative services. During this time, the Company successfully secured, on behalf of its clients, 13 cannabis licenses across six states – two in Delaware, three in Illinois, one in Nevada, one in Rhode Island, three in Maryland, and three in Massachusetts.

Since entering the cannabis industry, the Company has demonstrated an excellent track record developing and operating licensed cannabis facilities, implementing its proprietary operating procedures, and industry best practices. In 2018, the Company commenced a strategic plan to transition from an advisory firm that provides cannabis licensing, operational consulting and real estate services, to a direct owner of cannabis licenses and operator of seed-to-sale operations, dedicated to the improvement of health and wellness through the use of cannabinoids and cannabis products.

The Company’s strategic plan consists of the acquisition of its cannabis-licensed clients who currently lease the Company’s facilities, and the consolidation of these entities under the MariMed banner. The Company has played a key role in the successes of these entities, from the securing of their cannabis licenses, to the development of facilities that are models of excellence, to providing operational and corporate guidance. Accordingly, the Company believes it is well suited to own these facilities and manage the continuing growth of their operations.

A goal in completing this transition is to present a simpler, more transparent financial picture to the investor community. Once the consolidation is complete, the Company’s financial statements will provide a clearer representation of the revenues, earnings, and other financial metrics that the Company is generating, rather than a fee-for-service revenue model that reports only consulting and management fees, and does not reflect the full breadth of the Company’s overall business.

To date, acquisitions of the licensed businesses in Massachusetts and Illinois have been state-approved and completed, with the remaining entities located in Maryland, Nevada, and Rhode Island at various stages of completion and state approvals as further discussed below. When implemented, all of the Company’s cannabis-licensed clients will be fully consolidated into the Company, establishing it as a fully integrated seed-to-sale multistate operator of licensed cannabis businesses.

Each of the remaining potential acquisitions is subject to the respective state’s approval under its laws governing the ownership and transfer of cannabis licenses. The completion of the entire plan requires a modification of current cannabis license ownership laws in Delaware and Rhode Island, and therefore there is no assurance that the Company will be successful in fully implementing its plan. However, the Company continues to develop additional revenue and business in the states in which it operates and plans to leverage its success in these markets to expand into other states where cannabis is and becomes legal.

The Company has also created its own brands of precision-dosed, cannabis-infused products designed to treat specific health conditions, alleviate medical symptoms, or achieve a certain effect. These products are developed by the Company in cooperation with state-licensed facilities and operators who meet the Company’s strict standards, including all natural—not artificial or synthetic—ingredients. The Company licenses its product formulations only to knowledgeable manufacturing professionals who agree to adhere to the Company’s precise scientific formulations using its trademarked product recipes.

The Company’s branded products are licensed under brand names including Kalm Fusion™, Nature’s Heritage™, and Betty’s Eddies™, and are distributed in the form of dissolvable strips, tablets, powders, microwaveable popcorn, fruit chews, and with more varieties in development. The Company also has exclusive sublicensing rights in certain states to distribute DabTabs™ vaporization tablets infused with cannabis concentrates, the Binske® line of cannabis products made from premium artisan ingredients, and the clinically tested medicinal cannabis strains developed in Israel by Tikun Olam™. The Company intends to continue licensing and distributing its brands as well as other top brands in the Company’s current markets and in partnerships in other state markets across the country where product sale is legal.

In anticipation of the growing demand for hemp-derived cannabidiol (“CBD”), in 2018, the Company invested \$30.0 million in GenCanna Global Inc. (“GenCanna”), a Kentucky-based cultivator, producer, and distributor of hemp and GMP-quality CBD oils and isolates. Concurrent with this investment, the Company acquired MediTaurus LLC (“MediTaurus”), a company operating in the United States and Europe that has developed proprietary CBD formulations under its Florance™ brand.

The transactions with GenCanna and MediTaurus, along with the Company’s cannabis platform and product experience, enabled the Company to expand into the emerging global CBD market just as the U.S Farm Bill was adopted in late 2018 which descheduled industrial hemp and hemp-derived CBD as controlled substances and classified them as agricultural commodities. This new law enabled a new emerging industry of CBD oils, isolates, and infused products within the United States. In early 2019, the Company established a wholly owned subsidiary, MariMed Hemp Inc. (“MariMed Hemp”) to market and distribute hemp-derived CBD products across several vertical markets.

Over the Company’s short history operating in the cannabis industry, it has fostered an excellent reputation for strong management, with clients that have thrived in their respective markets. The Company’s goal is to continue this success as it transitions from a manager and advisor to an owner and operator of cannabis businesses. The Company’s strengths can be summarized as follows:

Professional Management

The Company's management is one of the most experienced and long-tenured in the cannabis industry. It has had considerable success creating and developing defined business, operating and security plans; sourcing real estate for cannabis facilities in receptive municipalities; and raising capital to purchase and develop facilities; adhering operations to regulations established by individual state governments, and writing award-winning applications for clients applying for licenses in new and established cannabis-legal states. These skills are important as the Company expands its footprint into new states on both a direct ownership and management services basis.

Development of State-of-the-Art Cannabis Facilities and Operations

The Company has developed state-of-the-art cannabis cultivation, production, and dispensary facilities in multiple states utilizing the Company's proprietary practices and implementing industry best practices. Its facilities are examples of operational excellence under the Company's proven management policies and processes.

Cannabis Brand Creation

The Company has developed unique brands of precision-dosed cannabis-infused products which are currently licensed and distributed in cannabis-legal states. The Company intends to continue expanding both its brand portfolio and the licensing of its branded products into additional cannabis-legal states and overseas.

Investment in Hemp Production, Branding, and Distribution

The Company has the potential for vast growth in the hemp-derived CBD market. It was one of the first cannabis companies to expand in the CBD market with its investment in GenCanna, which will ensure the Company has access to a safe and reliable source of hemp-derived CBD to meet the increasing market demand for CBD-infused products.

GenCanna planted and harvested in excess of 6,000 acres in 2019, making it one of the largest hemp producers in the United States. In recent months GenCanna has found itself in a difficult financial situation which has had a direct impact on the Company's financial results as further described below.

Technological and Scientific Innovation

The Company is diligent in identifying and reviewing the latest sciences and processes applicable to the cultivation, distillation, production, packaging, securing, and distribution of cannabis and cannabis-infused products. The Company has obtained the highest quality cannabis strains and genetics. It is at the leading edge of patient education and physician outreach for cannabis, and it seeks strategic relationships with companies that are at the forefront of extraction and distillation.

Education and Knowledge Sharing

The rapid growth of legal cannabis and hemp-derived CBD markets presents a global paradigm shift and challenges to medical professionals and consumers who seek scientific knowledge and research regarding the medical benefits of certain strains and products of cannabis and hemp. The Company provides educational research and studies on its brands and products to its growing community of healthcare professionals and consumers. As cannabis becomes more mainstream, medical providers will need to be educated on how to prescribe or make recommendations to their patients, and consumers will need to learn how to gain the most benefit from certain strains, genetics, or formulations.

As part of its education initiative, the Company is assembling a Scientific Advisory Board (the "SAB") that includes some of the most knowledgeable scientists and researchers focused on the scientific application of cannabis and hemp for health and wellness. The SAB's goals will include the development of strategies to address the most widespread and debilitating medical and dietary conditions through the utilization of cannabis- and hemp-based therapies.

Cannabis Consolidation Plan

The following is a summary of the progress the Company has made towards its strategic transition from a management and advisory firm in the cannabis space, to a direct owner of cannabis licenses and seed-to-sale operations across six states – DE, IL, NV, MD, MA, and RI.

Massachusetts

In December 2018, the Massachusetts Cannabis Control Commission (the “MCCC”) approved the conversion of ARL Healthcare Inc. (“ARL”), the Company’s cannabis-licensed client, from a non-profit entity to a for-profit corporation and the transfer of ownership to the Company. ARL holds cannabis licenses for cultivation, production and dispensing.

The Company’s 10,000 square foot dispensary, developed within its 22,700 square foot property in Middleboro, received approval from the MCCC to commence operations in December 2019. The Company’s recently- completed 70,000 square foot cultivation and production facility, developed within its 138,000 square foot property in New Bedford, received approval from the MCCC to commence operations in January 2020, with its first harvest to be completed in the first quarter of 2020,

Illinois

In October 2019, the Illinois Department of Financial & Professional Regulation (the “IDFPR”) approved the Company’s acquisition of KPG of Anna LLC and KPG of Harrisburg LLC, the Company’s two cannabis-licensed clients that operate Company-built and -owned medical marijuana dispensaries in the state of Illinois (both entities collectively, the “KPGs”). As part of this transaction, the Company also acquired the selling parties’ interests in Mari Holdings IL LLC (“Mari-IL”), the Company’s subsidiary which owns the real estate in which the KPGs’ dispensaries are located.

Effective October 1, 2019, 100% of the operations of these entities have been consolidated into the Company’s financial statements. Additionally, on January 1, 2020, the IDFPR legalized recreational adult-use cannabis, allowing the Company to operate both medical and recreational adult-use programs in the Anna and Harrisburg dispensaries. Under this new law, the Company has the right to open two additional dispensaries under the current licenses, which are in the planning stages.

Maryland

In December 2018, the Company entered into a memorandum of understanding (“MOU”) to acquire Kind Therapeutics USA Inc. (“Kind”), its cannabis-licensed client that holds licenses for the cultivation, production, and dispensing of medical cannabis. The MOU provides for a total purchase price of \$6.3 million in cash, 2,500,000 shares of the Company’s common stock, and other consideration. The acquisition is subject to approval by the Maryland Medical Cannabis Commission, which approval is not expected prior to October 2020.

Also in December 2018, MariMed Advisors Inc, the Company’s wholly owned subsidiary, and Kind entered into a management agreement to provide Kind with comprehensive management services in connection with the business and operations of Kind, and Mari Holdings MD LLC, the Company’s majority-owned subsidiary, entered into a 20-year lease with Kind for Kind’s utilization of the Company’s 180,000 square foot cultivation and production facility in Hagerstown, MD. Additionally, in October 2019, the Company purchased a 9,000 square foot building in Anne Arundel County which it is developing into a dispensary.

The current owners of Kind have attempted to renegotiate the terms of the MOU, even though the MOU contain all the definitive material terms with respect to the acquisition transaction and confirms the management and lease agreements. The Company engaged with the sellers in good faith in an attempt to reach updated terms acceptable to both parties, however the sellers failed to reciprocate in good faith, resulting in an impasse. Incrementally, both parties through counsel further sought to resolve the impasse, however such initiative resulted in both parties commencing legal proceedings. As a result, the consummation of this acquisition will likely be delayed and may not ultimately be completed. For further information, see Part II, Item 1. *Legal Proceedings* in this report.

Nevada

In August 2019, the Company entered into a purchase agreement to acquire 100% of the ownership interests of The Harvest Foundation LLC (“Harvest”), its cannabis-licensed client. Documentation requesting approval of the transaction has been submitted to the state cannabis commission, which is pending. Harvest holds both medical and recreational adult-use cannabis cultivation licenses, and operates in approximately 10,000 square feet of an industrial building that the Company leases and has built out into a cannabis cultivation facility.

Delaware

Delaware’s current cannabis program is for medical use only, and requires license holders to be not-for-profit entities. The Company provides comprehensive management and real estate services to First State Compassion Center (“FSCC”), its cannabis-licensed client whom the Company assisted in its being granted Delaware’s first ever seed-to-sale medical cannabis license and the holder of two of the four statewide licenses.

FSCC operates out of the Company’s 47,000 square foot seed-to-sale facility in Wilmington, and its 4,000 square foot leased retail location in Lewes. In 2019, the Company signed a lease with an option to purchase a 100,000 square foot building in Milford, which it is currently developing into a second cultivation and production facility for FSCC.

The state is expected to allow “for-profit” ownership of cannabis licenses in the near future, at which time the Company will seek to acquire FSCC and obtain ownership of the licenses and operations.

Rhode Island

Rhode Island currently has a medical cannabis program where license holders must be not-for-profit entities. The Company is in continuing discussions to acquire, subject to state approval, ownership interests of the management company that oversees the operations of the Company’s client, the Thomas C. Slater Compassion Center (“Slater”). If the transaction is completed, the Company will generate management fees until the state allows “for-profit” ownership, at which time the Company will seek to acquire Slater’s cannabis licenses and operations.

Significant Transactions in the Current Period

During 2019, the Company, through its MariMed Hemp subsidiary, entered into several hemp seed sale transactions with GenCanna whereby the Company acquired large quantities of top-grade feminized hemp seeds with proven genetics at volume discounts that it sold to GenCanna at market rates. The seeds met the U.S. government's definition of federally legal industrial hemp, which was descheduled as a controlled substance and classified as an agricultural commodity upon the signing of the 2018 U.S. Farm Bill.

The Company purchased \$20.75 million of hemp seed inventory which it sold and delivered to GenCanna for \$33.2 million. The Company provided GenCanna with extended payment terms through December 2019, to coincide with the completion of the seeds' harvest, although the payment by GenCanna was not contingent upon the success of such harvest or its yield. To partially fund the seed purchases, the Company raised \$17.0 million in debt financings.

By the end of 2019, GenCanna had not paid the amount it owed the Company for its seed purchases due to several challenges it faced late in the year, including a fire at its main processing and lab facility, the domestic decline of CBD selling prices, and the contraction of the cannabis capital markets. In February 2020, GenCanna filed for voluntary reorganization under Chapter 11 with the U.S. Bankruptcy Court in the Eastern District of Kentucky. The filing is intended to permit GenCanna to operate its business while working through a reorganization plan that could include refinancing of its existing indebtedness, or an alternative restructuring transaction such as a sale.

As required by the relevant accounting guidance, the Company initially recorded the \$33.2 million due from GenCanna as a related party receivable, with approximately \$29.0 million recognized as related party revenue, and approximately \$4.2 million classified as unearned revenue (such amount representing the Company's 33.5% ownership portion of the profit on these transactions, which was to have been recognized as revenue upon payment by GenCanna). As a result of GenCanna's Chapter 11 filing, the Company wrote off the receivable balance of approximately \$29.0 million and the unearned revenue balance of approximately \$4.2 million. Additionally, the Company recorded a charge to net income of approximately \$30.2 million, which reduced to zero the carrying value of the Company's investment in GenCanna.

GenCanna recently announced the completion of one the largest recorded hemp harvests in Kentucky, which exceeded 6,000 acres. The Company's management believes that GenCanna's Chapter 11 filing and ensuing restructuring will facilitate GenCanna's ability to refinance its senior debt and arrange for the orderly payment of amounts due to its creditors, including the \$33.2 million owed to the Company; however, there are no assurances that it will achieve this outcome or that the amount owed to the Company will be paid.

In addition to the foregoing adjustments, the Company recorded bad debt reserves in 2019 against the receivable and working capital balances due from (i) Kind of approximately \$11.2 million in the aggregate, in light of the ongoing litigation between the Company and Kind, and (ii) Harvest of approximately \$2.2 million in the aggregate, due to the anticipated effect on Harvest's operations from a weakened local economy due to the coronavirus pandemic. These charges are further described in the footnotes accompanying the Company's audited financial statements included in this report.

The Company expects the coronavirus pandemic to likewise have a negative impact on the operations of certain entities in which the Company has invested and to whom the Company has extended loans. For that reason, the Company also wrote off (i) three notes receivable balances of approximately \$1.6 million in the aggregate, (ii) goodwill of approximately \$2.7 million associated with the Company's acquisition of MediTaurus, and (iii) the carrying value of a \$500,000 investment. These items are further described in the footnotes accompanying the Company's audited financial statements included in this report.

Corporate History

The Company was incorporated in the state of Delaware in January 2011 as a wholly-owned subsidiary of Worlds Inc. (formerly Worlds.com Inc.) under the name Worlds Online Inc. In May 2011, Worlds Inc. spun-off the Company to its stockholders. At its inception, the Company operated online virtual environments which did not gain traction with users.

In early 2014, the Company transitioned its operational focus to the emerging cannabis industry and made its first acquisition of a cannabis business.

In June 2017, the Company changed its name to MariMed Inc. and its ticker symbol to MRMD. The Company's common stock is quoted on the OTCQX exchange.

In July 2017, Robert Fireman was named as the Company's CEO and President, and Jon R. Levine as the CFO, Treasurer, and Secretary.

In October 2017, the Company acquired the intellectual property, formulations, recipes, proprietary equipment, know-how, and other certain assets of the Betty's Eddies™ brand of cannabis-infused fruit chews.

In April 2018, the Company acquired iRollie LLC, a manufacturer of branded cannabis products and accessories for consumers, and custom product and packaging for companies in the cannabis industry.

In August 2018, the Company purchased a 23% ownership interest in an entity that provides a customer relationship management and marketing platform, branded under the name Sprout, specifically designed for companies in the cannabis industry. In early 2020, Sprout was being used by over 150 cannabis dispensaries.

During the period September 2018 to November 2018, in a series of investments, the Company purchased an aggregate of \$30.0 million of subordinated secured convertible debentures of GenCanna. In February 2019, the Company converted the debentures plus accrued interest through the conversion date into a 33.5% equity interest of GenCanna on a fully diluted basis.

In October 2018, the Company entered into a purchase agreement to acquire KPG of Anna LLC and KPG of Harrisburg LLC, the Company's two cannabis-licensed clients that operate medical marijuana dispensaries in the state of Illinois (both entities collectively, the "KPGs"), and the KPGs' owners' interests in Mari Holdings IL LLC, the Company's subsidiary that owns the real estate where the KPGs' two dispensaries are located. On October 1, 2019, the Illinois Department of Financial & Professional Regulation approved the Company's acquisition of the KPGs and Mari-IL. As of such date, the KPGs and Mari-IL are wholly-owned subsidiaries of the Company. On January 1, 2020, the state legalized adult-use cannabis, which was added to the Company's two existing cannabis licenses, thereby increasing the Company's operations in the state to service both medical and recreational cannabis consumers.

In October 2018, the Company's cannabis-licensed client in Massachusetts, ARL Healthcare Inc. ("ARL"), filed a plan of entity conversion with the state to convert from a non-profit entity to a for-profit corporation, with the Company as the sole shareholder of the for-profit corporation. ARL holds three cannabis licenses from the state of Massachusetts for the cultivation, production and dispensing of cannabis. In November 2018, the Company received written confirmation of state approval of the conversion plan from the state, making ARL a wholly-owned subsidiary of the Company.

In November 2018, the Company issued a letter of intent to acquire The Harvest Foundation LLC, the Company's client awarded a cannabis license for cultivation in the state of Nevada. In August 2019, the parties entered into a purchase agreement governing the transaction. The acquisition is conditional upon state approval, which is expected to occur by the end of 2020.

In December 2018, the Company executed a memorandum of understanding ("MOU") to acquire Kind Therapeutics USA Inc. ("Kind"), its client in the state of Maryland that holds licenses for the cultivation, production, and dispensing of medical cannabis. The MOU provides for a total purchase price of \$6.3 million in cash, 2,500,000 shares of the Company's common stock, and other consideration. The transaction is subject to the approval by the Maryland Medical Cannabis Commission, which approval was not expected prior to October 2020. Recently, the sellers of Kind have attempted to renegotiate the terms of the MOU. Even though the MOU contains all the definitive material terms with respect to the acquisition transaction and confirms certain management and lease agreements, the selling parties now allege that the MOU is not an enforceable agreement. The Company engaged with the sellers in good faith in an attempt to reach updated terms acceptable to both parties, however the sellers failed to reciprocate in good faith, resulting in an impasse. Incrementally, both parties through counsel further sought to resolve the impasse, however such initiative resulted in both parties commencing legal proceedings, which are currently pending. For further information, see Part II, Item 1. *Legal Proceedings* in this report.

In December 2018, the Company and Kind entered into a management service agreement to whereby the Company provides Kind with comprehensive management services, and a 20-year lease with for the leasing to Kind of the Company's 180,000 square foot facility in Hagerstown, Maryland.

In January 2019, the Company entered into an agreement with Maryland Health & Wellness Center Inc. (“MHWC”), an entity that has been pre-approved for a cannabis dispensing license, to provide MHWC with a \$300,000 construction loan in connection with the buildout of MHWC’s proposed dispensary location. Upon the two-year anniversary of final state approval of MHWC’s dispensing license, the Company shall have the right, subject to state approval, to convert the promissory note underlying the construction loan into 20% ownership of MHWC. The Company also entered into a consulting services agreement to provide MHWC with advisory and oversight services over a three-year period relating to the development, administration, operation, and management of MHWC’s proposed dispensary in Maryland.

In January 2019, the Company converted a \$250,000 note receivable from Chooze Corp., an entity that develops CBD- and THC-infused products intended to prevent debilitating side effects, into a 2.7% ownership interest in the entity.

In January 2019, the Company established MariMed Hemp Inc., a wholly-owned subsidiary to develop, market, and distribute hemp-based CBD brands and products, and to provide hemp producers with bulk quantities of hemp genetics and biomass. During the quarter ended September 30, 2019, MariMed Hemp launched Hemp Engine™, a store-within-a-store turnkey distribution platform of CBD-based products for retailers.

In May 2019, the Company issued 500,000 shares of its common stock in exchange for an 8.95% interest in Terrace Inc. (“Terrace”), a Canadian entity that develops and acquires international cannabis assets. In November 2019, the common stock of Terrace commenced public trading on the Toronto Stock Venture Exchange

In June 2019, the Company executed a purchase agreement to acquire MediTaurus LLC, a company established by Jokubas Ziburkas PhD, a neuroscientist and leading authority on hemp-based CBD and the endocannabinoid system. MediTaurus operates in the United States and Europe and has developed proprietary CBD formulations sold under its Florance™ brand.

In July 2019, the Company entered into a licensing agreement for the exclusive manufacturing and distribution in seven states of the Binske® portfolio of products, a brand known for utilizing best-in-class proprietary strains and craft ingredients in its edibles, concentrates, vaporizers, and topicals.

In August 2019, the Company extended a loan of \$250,000 to High Fidelity Inc., a company that owns and operates two seed-to sale medical marijuana facilities in the state of Vermont, and produces its own line of CBD products.

In October 2019, the Company closed on the purchase of a 9,000 square foot building in Annapolis, MD which it intends to develop into a medical marijuana dispensary.

Competition

The Company's goal is to become a fully integrated multistate operator ("MSO") of seed-to-sale cannabis operations. The Company is different than some of the other MSO's in that it has incubated its client businesses from the bottom up, built its own brands and branded products, and has retained its core management team from inception. Other MSO's have raised significantly more capital, including on the Canadian Stock Exchange, and acquired assets in more states than the Company has to date.

Additionally, while Company has a comprehensive suite of products and services for the cannabis industry, it faces competition from companies of varying sizes and geographic reach, who produce and sell similar products. Some of these companies provide a subset of the Company's product and service offerings, while others are able to provide an equivalent level of the products and services offered by the Company. The Company's sales could be reduced significantly if its competitors develop and market products that are more effective, more convenient, or are less expensive than its products. Going forward, as cannabis and hemp products become more mainstream and have greater acceptance, it is likely that larger and more established companies, with greater available resources including name recognition and national distribution networks, will enter the field. At the same time, the Company believes the emerging cannabis industry is growing at such a pace that there are more opportunities available than current cannabis businesses can support. With abundant opportunities, the Company at times works with others to insure a positive image in new and emerging states. Until recently, the black market and illegal cannabis traffickers that controlled this industry years ago from the shadows are a lesser competitive threat as such groups are diminishing.

Intellectual Property

The Company has currently filed for trademark protection for its Kalm Fusion™ and Betty's Eddies™ branded product lines.

The Company's proprietary processing, and manufacturing techniques and technologies, while not patented at this time, are kept strictly confidential. The Company enters into and enforces confidentiality agreements with key employees and consultants to protect its IP and general know-how.

Employees

As of December 31, 2019, the Company had a total of 97 employees, of which 81 were full-time. In addition, the Company utilized a variety of supporting consultants and oversaw many employees of its cannabis-licensee clients to implement its policies and procedures.

Website Access to Company Reports

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on the Company's website at www.marimedic.com as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission.

In addition, copies of the Company's annual report will be made available, free of charge, on written request.

ITEM 1A. RISK FACTORS

The Company's business is subject to numerous risks, including but not limited to those set forth below. The Company's operations and performance could also be subject to risks that do not exist as of the date of this report but emerge thereafter as well as risks that the Company does not currently deem material.

Risks related to the Company's operations

Our auditors have expressed doubt as to our ability to continue as a going concern.

In their report on our December 31, 2019 financial statements, our auditors expressed substantial doubt as to our ability to continue as a going concern. A going concern qualification could impair our ability to finance our operations through the sale of debt or equity securities. Our ability to continue as a going concern will depend, in large part, on our ability to obtain additional financing and generate positive cash flow from operations, neither of which is certain. If we are unable to achieve these goals, our business would be jeopardized and we may not be able to continue operations.

Additional Financing Requirements and Access to Capital.

In order to fund necessary working capital to implement our business consolidation plan and satisfy current debt obligations, we will have to obtain debt financing, and/or sell additional equity securities in future financings. Additional equity financings may cause further dilution for existing stockholders. Current markets conditions and the COVID-19 pandemic impact on the global economy are having a significant adverse impact on both debt and equity financings. There can be no assurance that any such additional financing will be available or, if available, that its terms will be satisfactory to us. In addition, our costs and expenses may be higher than anticipated, and there can be no assurance that we will not be required to seek additional financing to meet our operating cash requirements or other financing and debt service needs. Failure to obtain additional financing would have material adverse effect on our results of operation and, could result in our defaulting under current debt payment obligations.

Raising additional funds by issuing convertible debt or equity securities may cause dilution to our existing stockholders, restrict our operations or require us to relinquish proprietary rights.

To the extent that we raise additional capital by issuing convertible debt or equity securities, the share ownership of existing stockholders will be diluted. Further, any future debt financing may involve covenants that restrict our operations, including limitations on our ability to incur liens or additional debt, pay dividends, redeem our stock, make certain investments and engage in certain merger, consolidation or asset sale transactions, among other restrictions. In addition, future debt financings may require us to pledge certain assets as security for such debt.

Marijuana remains illegal under federal law.

Marijuana remains illegal under federal law. It is a Schedule I controlled substance. Even in those jurisdictions in which the use of medical marijuana has been legalized at the state level, its prescription is a violation of federal law. The United States Supreme Court has ruled that it is the federal government that has the right to regulate and criminalize cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana trumps state laws that legalize its use for even medicinal purposes. At present the states are standing tall against the federal government, maintaining existing laws and passing new ones in this area. States continue to exert this freedom notwithstanding Attorney General Sessions officially leaving prosecution discretion against state licensed cannabis facilities to local US Attorneys district by district, which position has yet to be addressed by Attorney General Barr. This was a change from the Obama administration which under Attorney General Holder, had a policy decision to allow states to implement these laws and not prosecute anyone operating in accordance with applicable state law. The United States House of Representatives continues to not fund in the budget any funds for the Department of Justice to prosecute state compliant licensed cannabis companies. However, we continually face election cycles, and a new administration or the United States Congress could introduce a less favorable policy. A change in the federal attitude towards enforcement could cripple the industry. However, the medical marijuana industry is our primary target market, and if this industry was unable to operate, we would lose the majority of our potential clients, which would have a significantly negative impact on our business, operations and financial condition.

Our continued growth is dependent on additional states legalizing marijuana.

Continued development of the marijuana market is dependent upon continued legislative authorization of marijuana at the state level for medical and adult recreational use. Any number of factors could slow or halt the progress. Further, progress, while encouraging, is not assured and the process normally encounters set-backs before achieving success. While there may be ample public support for legislative proposal, key support must be created in the legislative committee or a bill may never advance to a vote. Numerous factors impact the legislative process. Any one of these factors could slow or halt the progress and adoption of marijuana for medical and/or recreational purposes, which would limit the market for our products and negatively impact our ability to grow into other states.

It will be difficult for you to evaluate us based on our past performance because we are a relatively new company in a new emerging industry with a limited operating history.

We have been actively engaged in the marijuana related business for a relatively short period of time and, accordingly, have only limited financial results on which you can evaluate our company and operations. We are subject to, and must be successful in addressing, the risks typically encountered by new enterprises and companies operating in the rapidly evolving cannabis marketplace, including those risks relating to:

- the failure to develop brand name recognition and reputation;
- the failure to achieve market acceptance of our services;
- a slowdown in general consumer acceptance of legalized marijuana; and
- an inability to grow and adapt our business to evolving consumer demand.

The medical cannabis industry faces strong opposition from traditional medicines.

It is believed by many that existing, entrenched, well-funded, businesses may have a strong economic opposition to the medical marijuana industry as currently formed. For example, we believe that the pharmaceutical industry does not want to cede control of any compound that could become a strong selling drug. Specifically, medical marijuana will likely adversely impact the existing market for Marinol, the current “marijuana pill” sold by mainstream pharmaceutical companies. Further, the medical marijuana industry could face a material threat from the pharmaceutical industry should marijuana displace other drugs or simply encroach upon the pharmaceutical industry’s market share for compounds such as marijuana and its component parts. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical marijuana movement. Any inroads the pharmaceutical industry makes in halting or rolling back the medical marijuana movement could have a detrimental impact on the market for our products and thus on our business, operations and financial condition.

Our clients may have difficulty accessing the service of banks, which may make it difficult for them to purchase our products and services.

As discussed above, the use of marijuana is illegal under federal law. Therefore, there are banks that will not accept for deposit funds from sale of cannabis and may choose not to do business with our clients. While a member of the United States Congress has stated he will seek an amendment to banking regulations and laws in order to allow banks to transact business with state-authorized medical marijuana businesses, there can be no assurance his legislation will be successful, that banks will decide to do business with medical marijuana retailers, or that in the absence of legislation state and federal banking regulators will not create issues on banks handling funds generated from an activity that is illegal under federal law. Notwithstanding, the Company has been able to secure state-chartered banks that are in compliance with federal law and provide certain banking services to companies in the cannabis industry. The inability of potential clients in our target market to open accounts and otherwise use the service of banks may make it difficult for them to purchase our products and services.

We may not be able to economically comply with any new government regulation that may be adopted with respect to the cannabis industry.

New legislation or regulation, or the application of existing laws and regulations to the medical and consumer cannabis industries could add additional costs and risks to doing business. We are subject to regulations applicable to businesses generally and laws or regulations directly applicable to communications over the Internet and access to e-commerce. Although there are currently few laws and regulations regulating the cannabis products, it is reasonable to assume that as cannabis use becomes more mainstream that the FDA and or other federal, state and local governmental agencies will impose regulations covering the cultivation, purity, privacy, quality control, security and many other aspects of the industry, all of which will likely raise the cost of compliance thereby reducing profits or even making it more difficult to continue operations, either of which scenarios, if they occur, could have a negative impact on our business and operations.

Our limited resources may restrict our ability to manage any growth we may experience.

Growth of our business may place a significant strain on our management systems and resources and may require us to implement new operating and financial systems, procedures and controls. Our failure to manage our growth and expansion could adversely affect our business, results of operations and financial condition. Failure to implement new systems effectively or within a reasonable period of time could adversely affect our business, results of operations and financial condition. The Company is constantly looking to add additional qualified talent to the management team to support its growth, but there is no assurance we will be successful in identifying and/or hiring such people.

The market may not readily accept our products.

Demand and market acceptance for our licensed branded new cannabis-infused products are subject to a high level of uncertainty. The successful introduction of any new product requires a focused, efficient strategy to create awareness of and desire for the products. For example, in order to achieve market acceptance for our marijuana products we will need to gain market and patient acceptance. Despite management’s efforts to gather data before introducing new products as a means to minimize the risk of product non-acceptance, no assurance can be given that our efforts will be successful.

Our marketing strategy may be unsuccessful and is subject to change as a result of a number of factors, including changes in market conditions (including the emergence of new market segments which in our judgment can be readily exploited through the use of our technology), the nature of possible license and distribution arrangements and strategic alliances which may become available to us in the future and general economic, regulatory and competitive factors. There can be no assurance that our strategy will result in successful product commercialization or that our efforts will result in initial or continued market acceptance for our proposed products.

If we are unable to protect our intellectual property rights, competitors may be able to use our technology or trademarks, which could weaken our competitive position.

We rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We also intend to enter into confidentiality or license agreements with our employees, consultants and customers, and control access to and distribution of our products, and other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products.

If we lose our key employee or fail to hire and retain other talented employees when necessary, our operations could be harmed.

The success of our business is currently dependent, in large part, on the personal efforts of Messrs. Robert Fireman, Jon R. Levine, and Timothy Shaw, our chief executive officer, chief financial officer, and chief operating officer, respectively. The loss of their services could have a material adverse effect on our business. The success of our business is currently dependent, in large part, upon our ability to hire and retain additional qualified management, marketing, technical, financial, and other personnel if and when our growth so requires. Competition for qualified personnel is intense and we may not be able to hire or retain such additional qualified personnel. Any inability to attract and retain qualified management and other personnel would have a material adverse effect on our ability to grow our business and operations.

In order to sustain and grow our business, we must be able to enhance our existing products and develop and introduce new products and services to respond to changing market demand.

The markets in which we operate are characterized by frequently changing customer demand and the introduction of new products and services. In order to be successful, we must be able to enhance our existing services and products and develop and introduce new products and services to respond to changing market demand. The development and enhancement of services and products entails significant risks, including:

- the failure to conform our services and products to evolving industry standards;
- the inability to develop, introduce and market enhancements to our existing services and products or new services and products on a timely basis; and
- the non-acceptance by the market of such new service and products.

We currently have only limited resources to enhance our technology or to develop new products.

We face competition from entities with greater resources than we have.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact of this potential development may be negative for the Company, and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

A change in federal laws regarding the classification of cannabis as a controlled substance, interstate cannabis commerce, banking for entities in the cannabis industry, or other related regulations may have a significant influence on the Company's business.

Results of clinical research, if unfavorable, could have a negative impact on the industries in which we operate and consequently on our business model.

Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Anti-money laundering laws and regulations can limit our ability to access financing and hamper our growth.

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), the Criminal Code (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network ("FCEN") of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to marijuana related businesses (the "FCEN Memo"). The FCEN Memo states that in some circumstances, it may not be appropriate to prosecute banks that provide services to marijuana-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on Cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo. Under U.S. federal law, banks or other financial institutions that provide a Cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

We face the prospect of claims of product liability if anyone is harmed by our products.

The Company's products will be produced for sale directly to end consumers, and therefore there is an inherent risk of exposure to product liability claims, regulatory action and litigation if the products are alleged to have caused loss or injury. In addition, the production and sale of the Company's products involves the risk of injury to end users due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human or animal consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. While the Company has product liability insurance coverage in place and works with third party providers to ensure they do as well, a product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on its business and operational results.

We are subject to compliance with environmental regulations which can be onerous and costly.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government environmental approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from implementing its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations which could have a material adverse effect on its business and operational results.

We are subject to potential risks related to, and arising from, acquiring companies.

The Company is in the process of acquiring several companies and intends to acquire other companies in the future. There are risks inherent in any such acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from such acquisitions. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Company's securities. The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such acquired company with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of any such acquired companies may also impose substantial demands on the Management. There is no assurance that these acquisitions will be successfully integrated in a timely or cost-efficient manner, or at all.

In the event we are sued for any reason, we would face potential cost and interference with our business operations.

The Company is, and may from time to time become, party to litigation in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company is, or becomes, involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.