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11 **SUPERIOR COURT OF CALIFORNIA**
12 **COUNTY OF ORANGE**

13 HILLSBORO BROWN CAPITAL, LLC;
14 PMH INVESTMENT FUND, LLC,

15 Plaintiffs,

16 vs.

17 ROBERT TAFT, JR.; JORGE BURTIN,
18 individually and as Trustee of the Jorge
19 Burtin Family Trust and the Rosalba
20 Burtin Family Trust; JEFF HOLCOMBE;
21 and DOES 1 through 50,

22 Defendants.

Case No. 30-2019-01087702-CU-FR-CJC
Judge Nathan Scott

COMPLAINT

1. Breach of Contract;
2. Fraud;
3. Breach of Fiduciary Duty;
4. Conspiracy to Commit Breach of Fiduciary Duty;
5. Dissolution of Partnership and Corporations;
6. Turnover of Corporate Books and Records; and
7. Injunctive Relief

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INTRODUCTION

1. The tenor of this Complaint, and its allegations of dishonest, corrupt and fraudulent activity on the part of the Defendants, are best exemplified by recitation of a few preliminary anecdotes. On April 18, 2019, after learning that a large, publicly-traded cannabis company was interested in a possible acquisition of the 420 Companies, Defendants JORGE BURTIN and JEFF HOLCOMBE, with the express consent of Defendant ROBERT TAFT JR., brazenly approached Ben Knight, the managing principal of Plaintiff HILLSBORO BROWN CAPITAL, LLC, and proposed a scheme to knowingly defraud

1 Plaintiff PMH INVESTMENT FUND, LLC out of its substantial capital investment in the
2 420 Companies.

3 2. Yet again, sometime in early June 2019, Defendants conspired to concoct
4 yet another dishonest and fraudulent scheme to effectively defraud the Plaintiffs out of
5 all value associated with the Plaintiffs' investment in the 420 Companies: they agreed to
6 intentionally and maliciously default the lease agreement between Defendant BURTIN, as
7 landlord, and Purple Mountain Holdings, Inc., one of the several 420 Companies in which
8 the Plaintiffs are shareholders, so that the Defendants could enter into a new lease
9 agreement with Defendant BURTIN whereby the Plaintiffs would be excluded from
10 participating in the new business altogether. On June 13, 2019, the Defendants
11 consummated this misguided scheme when Defendant TAFT audaciously notified the
12 Plaintiffs, in writing, that Purple Mountain Holdings, Inc., a company that the Defendants
13 controlled, had defaulted on its lease agreement. Astonishingly, Defendant TAFT was so
14 confident in the Defendants' duplicitous plot that he openly boasted about it to others.
15 In doing so, the Defendants, as directors in Purple Mountain Holdings, Inc. as well as the
16 other 420 Companies, deliberately disregarded any and all fiduciary duties owed to the
17 Plaintiffs as a matter of law.

18 3. These dishonest schemes (which were captured (and subsequently
19 preserved) on the Healing Plant's video and audio surveillance system, which is installed
20 and maintained throughout the Healing Plant pursuant to California cannabis compliance
21 and regulation guidelines), together with the Defendants' unified board vote to oust
22 Knight and prevent him from further participating in the business of the 420 Companies
23 altogether (which, coincidentally, began to occur the very next day after Knight refused
24 to participate in the Defendants' scheme to defraud the PMH Fund in April 2019), to the
25 Defendants' blatant misappropriation of funds from various 420 Companies for personal
26 and other non-business related expenditures (all the while foolishly attempting to
27 disguise their theft by fraudulently endorsing all such payments with Knight's
28 unapproved signature), and the many other unabashed instances of the Defendant's

1 ownership in CPPG, for which the PMH Fund invested \$700,000.)¹ In sum the PMH Fund
2 has invested a total of \$3.2 million in the 420 Companies.

3 7. Plaintiff HILLSBORO BROWN CAPITAL, LLC (“HBC”) was at all times
4 relevant herein, and is, a California limited liability company having the sole purpose of
5 holding an investment in (a) PMH, (b) CPPG, (c) CMX, (d) ECS Laboratories, Inc. (“ECS”),
6 the cannabis research and development arm of the 420 Companies, and (e) Brand Pack,
7 LLC (“Brand Pack”), a cannabis packaging company which provides certain cannabis
8 packaging services to the 420 Companies. More specifically, HBC owns (a) 2,000,000
9 shares in PMH (*i.e.*, 20% of the total ownership in PMH), (b) 100,000 shares in CPPG
10 (*i.e.*, 10% of the total ownership in CPPG), (c) 250,000 shares in CMX (*i.e.*, 25% of the
11 total ownership in CMX), (d) 1,125,000 shares in ECS (*i.e.*, 11.25% of the total ownership
12 in ECS), and (e) a 25% membership interest in Brand Pack. For its ownership interests
13 in these entities, HBC invested a total of \$250,000 and considerable future services,
14 which were allocated among these entities.

15 8. Plaintiff HBC is comprised of two primary principals - Ben Knight and
16 Claiborne Tanner.

17 9. The PMH Fund and HBC are sometimes referred to herein as the
18 “Plaintiffs.”

19 10. PMH, CMX, CPPG, ECS and Brand Pack are sometimes referred to herein as
20 the “420 Companies.”²

21 11. Plaintiffs are informed and believe, and on that basis allege, that Defendant
22 ROBERT TAFT JR. is an individual who at all times relevant herein resided in and did
23 business within Orange County (“TAFT”). Defendant TAFT owns and controls
24

25 ¹ For purposes of clarity, the PMH Fund’s ownership interest in PMH and CPPG
26 entitles individual investor members of the PMH Fund to receive proportionate
distribution of shares in PMH and CPPG paid to the PMH Fund.

27 ² There are several other entities under the umbrella of the 420 Companies, but
28 which are outside the scope of this Complaint.

1 (a) 2,250,000 shares in PMH (*i.e.*, 22.5% of the total ownership in PMH); (b) 500,000
2 shares in CMX (*i.e.*, 50% of the total ownership in CMX); (c) 250,000 shares in CPPG (or
3 25% of the total ownership in CPPG); (d) 3,375,000 shares in ECS (*i.e.*, 33.75% of the
4 total ownership in ECS; and (e) a 25% membership interest in Brand Pack. Defendant
5 TAFT also purports to be the Founder and Chief Executive Officer for CPPG, PMH, CMX,
6 ECS, and Brand Pack. Defendant TAFT is also a director or manager in all of the 420
7 Companies.

8 12. Plaintiffs are informed and believe, and on that basis allege, that Defendant
9 JEFF HOLCOMBE is an individual who at all times relevant herein resided in
10 San Francisco County but did business within Orange County (“HOLCOMBE”). Defendant
11 HOLCOMBE owns and controls (a) 1,875,000 shares in PMH (*i.e.*, 18.75% of the total
12 ownership in PMH); (b) 250,000 shares in CPPG (*i.e.* 25% of the total ownership in
13 CPPG); and (c) a 25% membership interest in Brand Pack. In addition to the foregoing,
14 through non-transparent “side deals” with Defendants TAFT and BURTIN, Defendant
15 HOLCOMBE purports to own (d) 150,000 of Defendant TAFT’s shares in CMX (or 15% of
16 the total ownership, in CMX); and (e) one-third (1/3) of Defendant TAFT’s interest in ECS
17 (1,125,000 shares, or 11.25% of the total ownership, in ECS). Defendant HOLCOMBE
18 also purports to be the Co-Founder and Controller/Chief Financial Officer for CPPG, PMH,
19 CMX, ECS, and Brand Pack. Defendant HOLCOMBE is also a director or manager in all of
20 the 420 Companies.

21 13. Plaintiffs are informed and believe, and on that basis allege, that Defendant
22 JORGE BURTIN is an individual who at all times relevant herein resided in and did
23 business within Orange County (“BURTIN”). Defendant BURTIN owns and controls
24 (a) 1,875,000 shares in PMH (or 18.75% of the total ownership in PMH); (b) 250,000
25 shares in CPPG (or 25% of the total ownership in CPPG); and (c) a 25% membership
26 interest in Brand Pack. In addition to the foregoing, through non-transparent “side
27 deals” with Defendants TAFT and HOLCOMBE, Defendant BURTIN purports to also own
28 (d) 100,000 of Defendant TAFT’s shares in CMX (or 10% of the total ownership in CMX);

1 and (e) one-third (1/3) of TAFT's interest in ECS (or 11.25% of the total ownership in
2 ECS). Defendant BURTIN is also a director or manager in all of the 420 Companies.

3 14. Plaintiffs are informed and believe, and on that basis allege, that Defendant
4 THE JORGE AND ROSALBA BURTIN FAMILY TRUST is a trust which at all times relevant
5 herein did business within Orange County ("BURTIN TRUST"). Defendant BURTIN is the
6 trustee of the BURTIN TRUST. The BURTIN TRUST is the fee simple owner of certain real
7 estate, namely (1) 420 West Central Avenue, Santa Ana, California, which it in turn leases
8 to CPPG to own and operate the 420 Central store, (2) 1685 Toronto Way, Costa Mesa,
9 California, which it in turn leases to PMH to own and operate the manufacturing facility
10 (the "Healing Plant"), all at terms which are financially favorable to Defendant BURTIN
11 and which are unfavorable to the 420 Companies³, as well as (3) 27485 River Road,
12 Cloverdale, Sonoma County, California, wherein Defendants constructed and maintained
13 an illegal cannabis cultivation operation until recently (the "Illegal Grow").

14 15. Because Defendant BURTIN is a partner both individually and on behalf
15 of the BURTIN TRUST, the BURTIN TRUST is also liable for the damages suffered by
16 Plaintiffs, as alleged herein. (Defendant BURTIN and the BURTIN TRUST are referred to
17 interchangeably herein as "BURTIN.")

18 16. Defendants TAFT, HOLCOMBE and BURTIN will sometimes collectively be
19 referred to herein as the "Defendants."

20 17. Defendants collectively hold a majority or controlling interest in all of
21 the 420 Companies, and personally direct, manage, and control all aspects of the
22 420 Companies. In such capacity Defendants exercise complete and unfettered discretion
23 and control over all of the 420 Companies, and, by extension, the fate of all
24 investors/shareholders in the 420 Companies, including Plaintiffs.

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26 _____
27 ³ Based upon the Plaintiff's information and belief, it is suspected that Defendant
28 TAFT is also participating in a portion of the profits derived by Defendant BURTIN
from this insider lease arrangement with PMH.

1 18. Plaintiffs are informed and believe, and on that basis allege, that each of the
2 Defendants are so tightly intertwined and so diligently pursue the best interests of
3 themselves collectively, to the exclusion of the best interests of the 420 Companies and
4 their shareholders, that all of the Defendants, and each of them, are co-conspirators in
5 the acts and breaches of duty alleged herein.

6 **JURISDICTION AND VENUE**

7 19. Jurisdiction is proper in the Superior Court of the County of Orange in the
8 State of California because it has general subject matter jurisdiction and no statutory
9 exceptions to jurisdiction exist.

10 20. This Court has personal jurisdiction over the Defendants because each and
11 all of them have at all times relevant herein regularly transacted business within the
12 County of Orange in the State of California, and both Defendants TAFT and BURTIN at all
13 times relevant herein resided in the County of Orange in the State of California.

14 21. Venue is proper in this Court pursuant to Sections 395 and 395.5 of the
15 California Code of Civil Procedure.

16 **FACTUAL ALLEGATIONS SUPPORTING CAUSES OF ACTION**

17 22. The public face of the 420 Companies is the “420 Central” brand, the
18 flagship of which is the 420 Central retail store operating in Santa Ana, California. In
19 practice, however, 420 Central, along with the other 420 Companies, facilitates the
20 personal enrichment of Defendants at the expense of the very investors and
21 shareholders and to the exclusion of sound corporate governance, business judgment,
22 or adherence to any and all fiduciary duties required of Defendants by law to the
23 shareholders and members of the 420 Companies.

24 23. Further, Defendants often cause certain of the 420 Companies to pursue
25 puzzling actions directly detrimental to such entities’ best interests in order to advantage
26 other entities in the 420 Companies umbrella in which Defendants hold greater personal
27 interests.

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1 Healing Plant, a licensed cannabis manufacturing facility, which would commercially
2 manufacture and produce various finished cannabis products, which finished products
3 would in turn be distributed by CMX Distribution, the distribution arm of the 420
4 Companies, to various licensed retail cannabis stores throughout California, including the
5 420 Central retail store.

6 28. Realizing that such an ambitious plan obviously would require a substantial
7 amount of capital to bring to fruition, and either unable or unwilling to contribute any
8 substantive capital of their own, Defendants set out to find unsuspecting investors to
9 fully finance their lofty objective. Benefitting from the opportune hype surrounding the
10 ever-increasing legalization of cannabis sweeping across the country, and the
11 subsequent pouring in of investment capital into this new legal industry (which has
12 otherwise been referred to by many as the “green rush”), Defendants pitched their
13 magnificent plans of building this vertically-integrated cannabis operation to anyone
14 who would listen. And Defendant TAFT, all too aware of his talent for being an
15 exceptional “smooth-talker” and his innate ability to persuade people (or as he describes
16 himself, “enrolling” people) to subscribe to his sublime ideas, set out to find unsuspecting
17 partners with access to capital whom Defendant TAFT could “enroll” to fund his
18 grandiose plans. And so when he was introduced to Knight, a principal of Plaintiff HBC,
19 sometime in October 2017, Defendant TAFT, along with his co-conspirators, felt they had
20 found the perfect victims to support their ambitious plot.

21 29. As part of their courtship of Plaintiff HBC (or more appropriately, Plaintiff
22 HBC’s capital), the Defendants, led by Defendant TAFT with his instinctive ability to
23 “enroll” unsuspecting people, were all too eager to flaunt the 420 Properties to Knight.
24 Impressed with the infrastructure that Defendants had amassed with the 420 Properties,
25 Knight entertained further discussions with Defendants.

26 30. During this time Defendants made numerous representations and
27 assurances to Knight, many of which later proved to be untrue, all in an effort to secure
28 Plaintiff HBC’s financial commitment to fund the Defendants’ proposal. Among the

1 various representations and assurances made by Defendants, perhaps most notable was
2 the assurance that the Healing Plant project was fully “teed up” – that the project had
3 received all necessary local municipal approvals and entitlements (including the
4 conditional use permit allowing commercial cannabis operations on the property), and
5 that the construction plans were complete. Further, Defendants intentionally
6 represented to Plaintiff HBC that, in order to pay for all construction costs (including
7 soft costs such as rent, etc.) necessary to complete the build-out and begin revenue-
8 producing operations, the amount of \$1,000,000 would be required. To support their
9 assertions as to this capital requirement, Defendants even provided Knight with a
10 written construction budget reflecting the \$1,000,000 price tag. This estimate would
11 later prove to be grossly false, as further illustrated below. Further, the Defendants
12 stated that the construction of the Healing Plant would take approximately three (3)
13 months from the date of funding (*i.e.*, would be completed sometime around April 2018).

14 31. Defendants provided numerous other misrepresentations in their efforts to
15 enroll Plaintiffs HBC and PMH Fund and swindle them into providing the requisite
16 capital, such as to their own personal capital contributions towards the 420 projects,
17 including Defendant BURTIN’s express claim to Knight that Defendant BURTIN was
18 “all in” on the 420 projects, suggesting that Defendant BURTIN had personally made
19 significant capital contributions to the 420 projects when, in fact, neither Defendant
20 BURTIN, nor the other two Defendants, had not at the time (and still have not) made any
21 real substantive capital contributions whatsoever to any of the 420 projects or the 420
22 Companies.⁴ These representations, false thought they were, provided assurance to the
23

24 ⁴ Defendant BURTIN’s financial “contributions” to the 420 Companies have been
25 limited to the purchase of the two real estate properties, 420 W. Central Avenue
26 in Santa Ana, and 1685 Toronto Way in Costa Mesa, which he in turn rents to
27 CPPG and PMH at terms financially favorable to himself. To date, despite the
28 numerous financial challenges presented to the 420 Companies, Defendants have
never failed to miss a rental payment to Defendant BURTIN, presumably because
Defendant TAFT is also participating in 25% of the profits derived from each
rental payment made by the 420 Companies. Meanwhile, Defendant BURTIN has
engorged himself by not only receiving sizeable month rent checks, but also taking

1 Plaintiffs as to the Defendants’ commitment to the 420 Companies, and were a key factor
2 when Plaintiffs decided to invest.

3 32. Further, Defendants expressed their strong willingness to partner with the
4 Plaintiffs since the Plaintiffs were not “from” the cannabis industry, as Defendant TAFT
5 felt that many people involved with the California cannabis industry were “miscreants.”⁵
6 In fact, however, the Defendants knew that the Plaintiffs, who were naïve to the cannabis
7 industry in general, would not be as keen to pick up on their underhanded and
8 non-transparent misuse of corporate finances, unlike those within the cannabis industry,
9 who by this time knew the industry was long on cash and “under the table” transactions,
10 but short on transparent bookkeeping and accountability.

11 33. Relying on these, along with several other untruthful representations
12 made by the Defendants, Plaintiff HBC agreed to (a) make a passive investment of
13 \$250,000 to be used towards the 420 Companies, and (b) actively raise the \$1,000,000
14 necessary for build-out of the Healing Plant through outside capital investment(s), in
15 exchange for Plaintiff HBC’s ownership interests in the 420 Companies. The terms
16 governing the parties’ relationship were further memorialized in the Joint Venture
17 Agreement (the “JV Agreement”), a copy of which is attached hereto as Exhibit “A” and
18 is fully incorporated into this Complaint by reference.

19 34. Immediately after execution of the JV Agreement, Plaintiff HBC fulfilled the
20 first of its two primary obligations, funding the amount of \$250,000 to the Defendants,
21 and Plaintiff HBC quickly set out fulfill its second obligation to raise the \$1,000,000
22 necessary for the build-out of the Healing Plant.

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24 profit distributions from his considerable ownership interests in the various 420
25 Companies, despite having provided no equity capital or substantive services to
the 420 Companies. And Defendant HOLCOMBE’s financial “contributions” to the
420 Companies are not much different.

26 ⁵ See, e.g., Lewis, Amanda. “Weedmaps’ Grip on The High-Flying California Pot
27 Market.” *Wired Magazine*, January 21, 2019, which can be found at the url
<https://www.wired.com/story/weedmaps-grip-california-legal-pot-market/>
28 (last visited July 31, 2019).

1 35. And with that, the Defendants’ trap to ensnare the Plaintiff HBC in
2 Defendants’ never-ending quagmire of mismanagement, delusional business ideas,
3 financial misappropriations and general business incompetence was now set, and the
4 Defendants lay in wait.

5 **Plaintiff HBC Fulfills Its Obligations Under the JV Agreement**

6 36. In its efforts to secure the \$1,000,000 necessary for the build-out of the
7 Healing Plant, Plaintiff HBC enlisted Clint Tanner who, in conjunction with his brother,
8 Clay Tanner, formed the PMH Fund as the investment vehicle to inject the required
9 capital into PMH. As part of their capital-raising efforts, Knight, Clay Tanner and Clint
10 Tanner prepared a comprehensive private placement memorandum and investor
11 presentation, which, among other things, highlighted the potential financial revenues
12 associated with operating the Healing Plant. At all times Defendant TAFT was made
13 intimately aware of these efforts, and because Plaintiff HBC was completely new to the
14 cannabis industry in general, Defendant TAFT provided all of the key financial inputs,
15 including cannabis pricing, costs, production volumes and general market data, in order
16 to construct the financial projections which were ultimately presented to potential
17 investors of PMH. The financial information provided by Defendant TAFT led to very
18 promising financial projections, with Defendant TAFT continuing to assure Plaintiffs that
19 the financial information he provided was reliable, and that the resulting returns were, in
20 fact, actual. (Only well after the fact, once a substantial portion of the Plaintiffs’ capital
21 was already invested, did the Plaintiffs ultimately learn that the financial and market
22 data provided by Defendant TAFT had no basis in reality whatsoever, and that Defendant
23 TAFT, and the other Defendants in general, had painted a much rosier picture than what
24 the cannabis market conditions actually were.)

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1 37. By December 2017, the PMH Fund was fully funded and ready to make the
2 capital injection into PMH.⁶ In exchange for the \$1,000,000 from the PMH Fund, PMH
3 agreed to grant 1,000,000 shares (or 10% of the total ownership interest in PMH).

4 38. And with that, the Defendants' fraudulent trap to ensnare the Plaintiffs was
5 fully closed and shut tight, and the Plaintiffs would not be able to withdraw from the
6 Defendants or their scheme without great legal and financial consequences to
7 themselves.

8 **Defendants' Inability to Manage Capital Becomes Apparent**

9 39. Shortly after funding its initial \$250,000 contribution pursuant to the
10 JV Agreement, Plaintiff HBC was struck by how quickly (only a matter of days) that
11 Defendants spent the money. Taking notice of Defendants' proclivities to spend
12 substantial amounts of money, much on non-business related expenditures, Plaintiffs
13 elected to maintain the \$1,000,000 of investor capital from the PMH Fund in a separate
14 escrow account over which Defendants had no control, so that Plaintiffs could ensure
15 that their investor capital was actually applied toward the build-out of the Healing Plant
16 as intended. Thankfully, the Defendants did not object to this arrangement.

17 40. Not long after the original capital infusion from the PMH Fund, Plaintiff
18 HBC began to learn that the financial situation of the 420 Companies was more dire than
19 previously disclosed by Defendants, and that the Defendants had, at worst, completely
20 misrepresented or, at best, completely failed to understand, just how much work and
21 capital was necessary to complete the CMX Facility and Healing Plant project. With so
22 much of their investors' capital now invested in the 420 Companies, Knight and Clay
23 Tanner were left with little choice but to abandon their full-time positions outside of the
24 cannabis industry in order to help Defendants complete these projects.⁷

25 _____
26 ⁶ Through the PMH Fund, Clint Tanner had secured commitments from several
27 investors, including \$250,000 from Clint Tanner personally.

28 ⁷ Prior to being forced into assisting the 420 Companies, Knight was a CRM/Sales
executive at Microsoft, and Clay Tanner, a licensed attorney, maintained his own

1 **Defendants Fraudulently Promise Non-Existent Equity to Plaintiffs**

2 41. Further, prior to Plaintiffs' unexpected but required direct participation
3 in helping to run the overall business of the 420 Companies, Plaintiffs learned that
4 Defendants had been engaging in a pattern of "robbing Peter to pay Paul," and in doing
5 so, had allotted shares of stock/equity in several of the 420 Companies to other partners
6 in the cannabis industry. This alarming fact was never previously disclosed Plaintiffs,
7 nor were these equity allotments (or undisclosed partners) reflected in the official
8 corporate records provided to Plaintiffs.

9 42. As a result of their deceptions in routinely allotting or selling equity which
10 they did not, in fact, own, and unwilling to reduce their own equity interests, sometime in
11 January 2018 Defendants informed Plaintiff HBC that only 125,000 shares could be
12 allotted to Plaintiff HBC, not the 250,000 shares that Defendants had expressly agreed to
13 in the JV Agreement. Defendants had, for the very first time, admitted to Plaintiff HBC

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16 real estate legal practice in Baton Rouge, Louisiana. Also, while Knight and Clay
17 Tanner had little choice but to abandon their careers, Defendant HOLCOMBE
18 continued to maintain his unrelated full-time job (and collect a full-time paycheck)
19 in San Francisco, and Defendant BURTIN, a semi-retired real estate professional,
20 provided very little substantive assistance with the daily operations of the 420
21 Companies. It's also worth noting that Clay Tanner never received a regular salary
22 from the 420 Companies, while Defendant HOLCOMBE, not willing to leave his
23 unrelated full-time position in San Francisco, continued to also receive a very
24 hefty salary from both CPPG and CMX (in addition to the salary from his unrelated
25 full-time employment in San Francisco).

26 Further, while Knight received a modest salary from the 420 Companies, Clay
27 Tanner, who worked almost exclusively on legal and business matters for the 420
28 Companies for approximately one and a half years, received only \$10,000 in
compensation from the 420 Companies. Despite working almost exclusively on
legal and business matters for the 420 Companies since November, 2017, Clay
Tanner began to receive a modest salary from the PMH Fund sometime around
June 2018. Further, Clint Tanner, who also has provided a considerable amount of
time towards not only management of the PMH Fund, but also extensive
marketing and sales services in an effort to help launch the CMX business, an
entity that Clint Tanner has absolutely no investment interest in, has received no
compensation whatsoever from the 420 Companies (other than reimbursement
for his modest travel expenses to and from Louisiana.) And yet Defendant TAFT
has shamelessly accused Clay Tanner on multiple occasions of financially
benefiting from Defendant TAFT and the 420 Companies.

1 that it had other “partners” in the 420 Companies.⁸ Understandably, Plaintiff HBC was
2 displeased and concerned upon receiving this news. However, by this time Knight and
3 Clay Tanner had begun to experience snippets of Defendant TAFT’s mercurial and
4 volatile behavior, and because a such a substantial amount of investor capital had
5 already been committed to the 420 projects, Knight and Clay Tanner felt they had little
6 choice but to remain in the partnership.⁹ So, Plaintiff HBC set out to assist Defendants in
7 resolving the dilemma so that Plaintiff HBC could actually obtain its full 250,000 shares
8 in CMX, as originally promised by Defendants in the JV Agreement. Through their efforts
9 alone, Plaintiff HBC successfully raised additional capital, which was then partially used
10 to fund the various buyouts of Defendants’ previously-undisclosed partners, an issue

11 ⁸ At this time Plaintiff HBC began to discover a number of side-deals that
12 Defendants entered into, whereby the Defendants (usually Taft) would promise
13 someone equity in any of the 420 Companies in exchange for a certain sum of
14 cash. These “backroom” deals were never reduced to writing, nor were they ever
15 reflected in any of the 420 Companies’ corporate records provided to Plaintiffs.

16 ⁹ Defendant TAFT has a very long and well-documented history of destroyed
17 business partnerships, primarily due to his unstable personality. Psychologically
18 speaking, Defendant TAFT’s volatile behavior is most likely attributable to his
19 prolonged affliction with Posttraumatic Stress Disorder (PTSD), a mental illness
20 which he purports to suffer from for the last 20 years. Defendant TAFT has been
21 very open and public in his admissions of suffering with PTSD, as well as his “self-
22 medication” of this illness with extremely high levels (often consuming 100 mg or
23 more) of daily cannabis consumption.

24 It is important to note that prolonged consumption of such excessive amounts
25 of cannabis are not medically-suggested as an effective treatment for PTSD;
26 however, such long-term consumption IS proven to cause paranoia, delusions
27 and other anomalous experiences. (See, *e.g.*, Freeman, Daniel. “Cannabis Really
28 Can Cause Paranoia - Noteworthy Findings from the Largest Ever Study of the
Effects of THC.” *Psychology Today*, July 16, 2014, located at the following url:
[https://www.psychologytoday.com/us/blog/know-your-
mind/201407/cannabis-really-can-cause-paranoia](https://www.psychologytoday.com/us/blog/know-your-mind/201407/cannabis-really-can-cause-paranoia) (last accessed July 31, 2019.)
Further, per the Diagnostic and Statistical Manual of Mental Disorders, Fifth
Edition (DSM-5), symptoms of Posttraumatic Stress Disorder (PTSD) may include
mood disorders, suicidal ideation, avoidance, and *hyper-arousal* in response to
trauma-related stimuli. “Hyper-arousal” may include an increase in blood
pressure and heart rate, hyperventilating, *mood swings*, fatigue, or insomnia when
a memory of the event is triggered by some type of internal (cognition) or external
(environmental) stimulus. Common symptoms related to PTSD would include
insomnia, *attention deficit problems*, and anhedonia. Common comorbid disorders
are depression, anxiety, and *substance addiction*. See Posttraumatic Stress
Disorder (PTSD) DSM-5 309.81 (F43.10) (emphasis added).

1 which was entirely of Defendants' own doing and which Defendants deceptively hid from
2 the Plaintiffs when inducing them to enter into the JV Agreement.

3 43. The Defendants' deceptions and non-disclosures were not limited to CMX
4 alone – in fact, Defendants also promised to Plaintiff HBC shares of stock in CPPG that it
5 did not in fact own at the time they entered into the JV Agreement. In January 2018,
6 Defendants notified Plaintiff HBC that in order to receive its allocation of 1,000,000
7 shares in CPPG promised by Defendants in the JV Agreement, Plaintiff HBC would be
8 required to provide an additional \$700,000 for more undisclosed partner buyouts, as
9 Defendants were unwilling to reduce their equity positions in CPPG themselves. And yet
10 again, Plaintiff HBC was successful in securing this capital without any assistance
11 whatsoever from the Defendants, finally allowing Plaintiff HBC to receive its 1,000,000
12 shares in CPPG as originally promised by Defendants in the JV Agreement. Perhaps even
13 more remarkable, through Plaintiff HBC's efforts in negotiating, and subsequently
14 funding, the undisclosed partner buyouts, Defendants increased their equity positions by
15 10% collectively as well, at no cost to Defendants whatsoever.

16 44. Unfortunately, the Defendants' previously undisclosed partners, side deals
17 and failed partnerships did not stop there; yet Plaintiff HBC diligently worked in good
18 faith to help the Defendants resolve these issues as well, in order to further legitimize the
19 Defendants' business dealings and the 420 Companies.¹⁰

20 **Plaintiffs Learn that Defendants Misrepresented the Construction Budget**

21 45. Several months after Defendants had provided assurances that the
22 construction costs for the Healing Plant project would be approximately \$1.0 million
23 (and only after Plaintiffs had already committed a substantial amount of capital to the
24 420 Companies), Knight, while sitting in Defendant TAFT's office one day, discovered a
25 separate construction estimate from RJ Construction, a licensed contractor owned and

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27 ¹⁰ There were many other undisclosed transactions and failed partnerships, such as
28 those with Brian Roche, Gary Bones and Chris Kanik, all of which Plaintiff HBC
assisted Defendants in resolving.

1 operated by Defendant TAFT's acquaintance Robert Jasper. That budget reflected a
2 construction build-out estimate for the Healing Plant of approximately \$3.3 million,
3 nearly 3 times higher than what Defendants previously represented to Plaintiffs.

4 46. And yet again, feeling already ensnared in the Defendants' quagmire of
5 never-ending financial mismanagement, incompetency and unfairness, Plaintiff HBC,
6 feeling that it had little choice but to work towards the completion of the 420 Projects so
7 that all investors could be made whole, set out to resolve this issue for Defendants as
8 well. In doing so, Knight was successful in recruiting his long-time friend, Robert
9 LaFreeda, a licensed commercial contractor in Southern California, who agreed to build-
10 out the Healing Plant project, *at cost*.

11 47. After preparation of an extensive construction budget for the Healing Plant
12 by LaFreeda and Clay Tanner,¹¹ everyone agreed that \$1,500,000 in additional capital
13 would be necessary to fund the build-out. So, Plaintiffs yet again set out to raise this
14 additional capital, and they were again successful in doing so.¹²

15 48. In fact, Plaintiffs raised more than enough capital necessary to complete the
16 actual build-out of the Healing Plant. However, changes in scope caused by Defendant
17 TAFT, as well as numerous other delays in the project, most notably the significant
18 delays caused by an incompetent architect chosen exclusively by Defendants, resulted in
19 completion of the Healing Plant project falling severely behind schedule.

20 49. And yet, despite these numerous construction delays (primarily
21 attributable to the Defendants' own doing), Defendant BURTIN has continued to
22

23 ¹¹ Clay Tanner, together with Robert LaFreeda, felt it necessary to prepare a formal
24 construction budget, as Plaintiffs had since learned that the Defendants were
25 either unwilling or incapable of preparing a construction budget themselves.

26 ¹² It is important to point out that the Defendants, despite claiming to have their own
27 ample networks of wealthy contacts throughout Southern California, never made
28 any serious attempts to raise capital through their contacts, presumably because
local investors would be more difficult to swindle than the Plaintiff PMH Fund,
which is comprised primarily of investors who live over 2000 miles away.

1 regularly collect approximately \$33,000 in rent each month.¹³ In fact, Defendant BURTIN
2 has been paid over \$550,000 in rent from the investment capital provided by Plaintiff
3 PMH Fund intended for construction, almost half of the overall construction costs spent
4 on the entire Healing Plant project.¹⁴ Defendant BURTIN's insistence on engorging
5 himself on the capital intended for construction with his hefty rental payments (all the
6 while not providing any capital -- or even sweat equity -- in exchange for his significant
7 equity in the 420 Companies) is undoubtedly the primary cause of the Healing Plant's
8 financial issues today.

9 **CMX Opens but Defendants' Paranoia Soon Surfaces and**
10 **Consumes the Business**

11 50. In addition to all of the challenges experienced with the Healing Plant, the
12 CMX project was not much better. After all of Defendants' previously-undisclosed (and
13 unbudgeted) side-deals were satisfied, the construction budget for CMX was tight, and
14 any remainder left over for CMX operating account was even tighter.

15 51. Despite this precarious capital situation, the CMX Facility was completed
16 (largely due to Plaintiff HBC's and Robert LaFreeda's efforts), and CMX officially opened
17 its doors for business in April 2018, becoming the first licensed cannabis distributor in
18 Southern California.

19 52. With little time or money to waste, Knight quickly went to work raising
20 desperately needed debt financing to shore up the company's operating account, and,
21 despite absolutely no assistance from the Defendants whatsoever, was able to raise
22 \$250,000 in debt financing from outside investors and, only after Knight's continued
23 ///

24 ¹³ Plaintiffs also believe that Defendant TAFT has been collecting 25%, or
25 approximately \$8,000 per month, from these monthly rental payments made
26 by PMH to Defendant BURTIN, through yet another undisclosed side deal
27 between Defendants TAFT and BURTIN.

28 ¹⁴ While Defendants have been unable to open the Healing Plant project for
operations, the final total construction costs incurred by Robert LaFreeda,
Knight's personal friend, are anticipated to be approximately \$1.3 million.

1 insistence, an additional \$300,000 in debt financing from Defendant BURTIN, despite his
2 great reluctance and his financially favorable repayment terms.¹⁵

3 53. Perhaps most appalling, and illustrating just how interconnected the three
4 Defendants are, Defendant BURTIN agreed to make this loan to CMX only after Knight
5 agreed to personally guarantee this company debt by himself, but not requiring the same
6 from Defendants TAFT and HOLCOMBE who, together with Defendant BURTIN, maintain
7 the controlling interest in the business.¹⁶ And this would not be the last loan that the
8 Defendants would ask Knight to personally guaranty by himself.¹⁷ Although shocking,
9 Defendants' behavior is hardly unexpected given the pervasive dishonesty and
10 self-serving nature which Defendants have operated from the outset and continue to
11 operate the 420 Companies to this day.

12 54. While CMX was profitable at first, with Knight landing several sizable
13 distribution clients for the business, Defendant TAFT quickly grew suspicious and
14 mistrustful with Knight's management of the business, and asserted his authority "as
15 the Founder and C.E.O." by forcibly taking over all decision-making duties at CMX.¹⁸
16 Defendant TAFT's abrupt and impulsive obsession with management of the business
17 only led to more problems for the business. In May 2018, fearing that "he" (and not
18 necessarily the company) was being taken advantage of by CMX's operators (and most
19

20 ¹⁵ The repayment terms of Defendant BURTIN's \$300,000 debt loan were anything
21 but benevolent, accruing interest at the rate of 15% and maturing in just 1 year.

22 ¹⁶ It remains become unclear whether the insider loan made by Defendant BURTIN
23 was, in fact, paid off. Nevertheless, Knight, who has no control over the CMX
business, will undoubtedly be looked to by Defendant BURTIN should CMX not
pay off this company debt.

24 ¹⁷ Knight was also required to personally guarantee automobile financing for the
25 purchase of CMX's 5 delivery vans. Since being voted out of his role as a director in
26 CMX by Defendants, Knight is not able to ensure whether the Defendants have
made these monthly payments timely, or even if at all, thus placing his own
personal credit at grave financial risk.

27 ¹⁸ This forceful, authoritative behavior is consistent with Defendant TAFT's persona
28 as the "Head Honcho," a moniker he publicly uses.

1 profitable client), Defendant TAFT terminated the operator/client in a very rash,
2 threatening and unprofessional manner. Defendant TAFT acted unilaterally in this
3 decision, seeking no input whatsoever from Knight (or any other partners), much less
4 waiting to bring the matter up at a properly-called board meeting. (To date, under
5 Defendant TAFT's leadership, CMX has only held one board vote – an improperly-noticed
6 board meeting called in May 2019, for the sole reason of terminating Knight as an officer
7 and director of the company.) At the time Knight again had little choice but to go along
8 with Defendant TAFT's dictatorial and impulsive management style due to the
9 substantial amount of capital from Plaintiffs now at risk in the 420 projects. And not
10 surprisingly, as Defendant TAFT's involvement in CMX increased, the revenues
11 conversely decreased.

12 55. In the months following his volatile termination of CMX's operator/client,
13 Defendant TAFT's interest in rebuilding CMX's business again waned, and his presence at
14 the office became increasingly sporadic. (Priding himself on focusing "on the beach and
15 not the grains of sand," Defendant TAFT typically will not subject himself to the daily
16 minutia involved with operating a successful a cannabis distribution business.¹⁹) When
17 Defendant TAFT would appear at work, it was generally between the hours of 11 a.m. to
18 2 p.m. Further, his presence at the office only became a hindrance to CMX's employees,
19 as Defendant TAFT was fond of spending the majority of his time in the office boasting
20 about his grand ideas to employees, and coaxing employees to smoke marijuana with
21 him outside during working hours.

22 56. As Defendant TAFT's interest in the business waned, and his presence at
23 the office became more erratic, Knight was again forced to resume daily management
24 and decision-making duties, for no other reason than out of sheer necessity for the sake

25 ¹⁹ For example, in early 2019, when pressed with the possibility of increasing CMX's
26 business (and subsequently, Defendant TAFT's workload), Defendant TAFT's
27 suggested solution to this perceived "issue" was to simply terminate the
28 company's relationship altogether with its primary customer, a leading cannabis
brand who was providing over 80% of CMX's revenue.

1 of the business. With Knight back in a de factor leadership role, CMX was able to land
2 new distribution contracts. To handle the increase in new business under Knight's
3 tenure, CMX even began to invest in new equipment to scale up operations. And, not
4 surprisingly, revenues quickly began to rebound.

5 57. And then sometime around December 2018, Defendant TAFT abruptly
6 became interested in the business's daily decision activities and overall direction again,
7 inserting himself again very abruptly and forcibly. And as was the case before, revenues
8 plummeted.

9 58. Presumably due his affliction with mental illness, Defendant TAFT's
10 management style (and personality) became increasingly erratic, being best described as
11 volatile, impulsive and despotic. During Defendant TAFT's several unpredictable manic
12 episodes, Knight could do little else but wait for the manic episode to pass; for Defendant
13 TAFT to grow disinterested with the business; and then set out to rebuild the business
14 back up again.

15 59. And so the CMX business continued on this "roller-coaster" ride until the
16 Defendants ousted Knight altogether on May 1, 2019.

17 **Defendants Declare War on Unlicensed Cannabis Market**
18 **and CMX's Business Is Mortally Wounded**

19 60. As the 420 Companies were languishing in Defendant TAFT's psychological
20 issues, Defendant TAFT became only increasingly self-centered and self-absorbed. And
21 in late 2018, acting without any sound business judgment or foresight whatsoever,
22 Defendant TAFT unilaterally "declared war" against the entire cannabis industry, quickly
23 becoming an outspoken critic of both the State of California's continued roll-out of a legal
24 cannabis industry, as well as publicly attacking anyone who he claimed (often without
25 any proof whatsoever) to be operating in the unlicensed California cannabis industry. In
26 doing so, Defendant acted (and continues to act through today) in complete disregard as
27 to the effects suffered by the 420 Companies. As a result numerous customers and
28 business contacts, many who have no connection with the unlicensed cannabis market

1 whatsoever, began to notify Plaintiffs that they were either no longer willing or no longer
2 allowed to do further business with any of the 420 Companies, specifically because of
3 Defendant TAFT's involvement in the 420 Companies.²⁰ Lacking any sense of
4 self-awareness whatsoever, Defendant TAFT's "moral superiority" over various
5 businesses and operators in the industry were, understandably, being viewed
6 unfavorably across the entire California cannabis industry (both unlicensed AND
7 licensed markets.) And as a result of Defendant TAFT's one-man war of attrition,
8 coupled with his psychological difficulties, CMX began to suffer financially. It has been on
9 a death spiral ever since.

10 61. Unfortunately, CMX was not the only casualty. As a result of Defendant
11 TAFT's unnecessary and irresponsible behavior, certain employees of the 420
12 Companies, as well as Knight, began to fear for their own personal safety.²¹

13 62. In addition, it was only inevitable that Defendant TAFT's reckless and
14 unprovoked behavior would be impugned on Plaintiff HBC's reputation in the industry
15 as well.²²

16 **Defendants Begin to Exclude Plaintiffs from the Businesses**

17 63. As he continued to wage his personal vendettas against the seemingly
18 entire California cannabis industry, Defendant TAFT increasingly began to view (and
19 refer publicly to) the 420 Companies as "his" businesses. In turn Defendant TAFT
20 became increasingly intolerant of any sense of accountability owed to his partners and

21 ²⁰ For example, as a direct result of Defendant TAFT's reckless actions, retail
22 customers started denying CMX salespeople entry to their retail stores, and
23 other retail stores began cancelling orders with CMX altogether.

24 ²¹ After receiving several intimidating telephone calls, Knight feared so much for his
25 and his family's safety that he was compelled to have a new alarm security and
26 surveillance system installed on his home.

27 ²² Despite never supporting Defendant TAFT's public stand against the unlicensed
28 cannabis market, instead opting to withhold criticism against the state officials
diligently involved in ridding the unlicensed market from the state, Plaintiff HBC is
constantly forced to disassociate itself from Defendant TAFT's very public stance,
as Plaintiff has been unfairly painted "guilty by association."

1 shareholders, specifically the Plaintiffs. And in an effort to avoid the verbal abuse
2 associated with Defendant TAFT's increasingly dictatorial style, Defendants HOLCOMBE
3 and BURTIN themselves were all too willing to appease Defendant TAFT.²³ With each
4 appeasement Defendant TAFT only became more and more bully-like towards others.²⁴
5 So it was all too foreseeable that when Plaintiffs began to call into question his
6 increasingly poor decision-making, Defendant TAFT soon turned his venom towards
7 the Plaintiffs or anyone else who he felt "disrespected" him.

8 64. This newfound obsession with "respect" also began to negatively interfere
9 with Defendant TAFT's decision-making ability, culminating in yet another potentially
10 lucrative partnership destroyed by Defendant TAFT when, on February 28, 2019, a large
11 cannabis beverage brand who had a contractual relationship with the 420 Companies for
12 the manufacture of the brand's cannabis beverages upon completion of the Healing Plant,
13 suggested a renegotiation of certain terms of its contractual relationship with the 420
14 Companies. Acting alone upon a feeling of "disrespect," Defendant TAFT became very
15 pugnacious with the owners of the beverage brand, verbally abusing them through
16 numerous text exchange in such a foul and inappropriate manner as to constructively
17 terminate the relationship with the beverage brand altogether.²⁵ Further, and again
18 lacking any foresight as to the potential ramifications associated with his impetuous

19 _____
20 ²³ Defendants HOLCOMBE and BURTIN have unanimously supported all of
21 Defendant TAFT's business plans and ideas, no matter how irrational or unsound,
presumably due to a fear of verbal (and possibly physical) repercussions from
Defendant TAFT.

22 ²⁴ Defendant TAFT's abrasive, bully-like personality is best described in a recent
23 article by Wired Magazine, which referred to Defendant TAFT as "a bald and
24 pugilistic 49-year-old with a 5 o'clock shadow". See Lewis, Amanda. "Weedmaps'
Grip on The High-Flying California Pot Market." *Wired Magazine*, January 21, 2019,
<https://www.wired.com/story/weedmaps-grip-california-legal-pot-market/> (last
visited July 31, 2019).

25 ²⁵ Further, despite the repeated representations made to Plaintiffs regarding his
26 contractual relationship with this beverage brand when inducing Plaintiffs to
27 invest in the 420 Companies, Defendant TAFT actually never even executed the
28 final agreement prepared by counsel, thus jeopardizing the contractual
relationship altogether.

1 temper, Defendant TAFT disregarded all advice from Knight and Clay Tanner (who were
2 acting upon the advice of outside counsel for the 420 Companies) as to the potential legal
3 liability that he was rashly exposing the 420 Companies to the Plaintiff PMH Fund as a
4 result of his unauthorized decision to terminate the relationship with the beverage
5 brand.²⁶ Defendant TAFT acted improperly and without authority in his actions, refusing
6 to seek authority (or even input) from PMH’s board of directors.²⁷

7 65. Doubling down on his perceived autonomy, Defendant TAFT only became
8 more tyrannical in his control over the 420 Companies, directly leading to a
9 confrontation with Clay Tanner at the Healing Plant on March 1, 2019, wherein
10 Defendant TAFT physically pushed Clay Tanner and threatened him further with
11 physical bodily harm. Concerned with the volatile behavior and general instability
12 increasingly shown by Defendant TAFT, Clay Tanner was forced to immediately
13 withdraw from any further participation in or services to the 420 Companies altogether.
14 Only at this point did Plaintiffs begin to realize the Defendants’ sinister true intent to
15 assume full control over the 420 Companies and squeeze the Plaintiffs out.

16 **Defendants’ Schemes to Defraud the Plaintiffs**

17 66. Despite Defendant TAFT’s increasing volatility, and the turmoil
18 surrounding Clay Tanner’s forced removal from the 420 Companies, the parties received
19 encouraging news in early April 2019, when Acreage Holdings (“Acreage”), a large
20 publicly-traded cannabis corporation, reached out to Defendant HOLCOMBE to gauge
21 interest in discussing its potential acquisition of the 420 Companies. Discussions

22 _____
23 ²⁶ The manufacturing contract with this leading cannabis beverage brand was a
strategic business partnership for PMH and was central in the representations
made to investors of the Plaintiff PMH Fund.

24 ²⁷ Only well after the fact, and presumably on the advice of outside counsel,
25 Defendant TAFT called a special board meeting for PMH, which was held on March
26 13, 2019, wherein the Defendants voted to “postpone any decision” with respect
27 to the continuing this contractual relationship with cannabis brand until after the
Healing Plant was completed and operational. Regardless of this pretextual board
28 vote, Defendant TAFT was the sole cause for constructively terminating this
relationship on behalf of PMH.

1 between the parties ensued, and soon thereafter Acreage presented an informal
2 acquisition offer of approximately \$75 million for the 420 Companies.

3 67. Notwithstanding the increasing financial challenges facing the 420
4 Companies under Defendant TAFT's reign, and without seeking any input from, or even
5 notifying, the Plaintiff PMH Fund, the Defendants dismissed Acreage's offer altogether,
6 refusing to counter, instead believing that "their" assets were worth considerably more
7 than the approximately \$75 million offer presented by Acreage.²⁸

8 68. Further, when making the unilateral decision to reject Acreage's offer and
9 terminate further talks altogether, the Defendants did not apply any known objective
10 business analysis or thought – no comparative market analysis as to the value of the 420
11 Companies or financial analysis to discern future revenues of the 420 Companies. Nor
12 did they even afford any forethought as to how to pay the rent next month. Instead, the
13 Defendants' inexplicable rationale can be summed up in two words – delusional and
14 egotistical. Indeed, upon learning of Acreage's capitalization and market value as a
15 publicly-traded corporation, Defendant TAFT was so incredulous that he actually
16 suggested to Acreage that "he" would instead buy them out.²⁹

17 69. Also sinister was Defendants' decision to intentionally hide any and all
18 information relating to the discussions with Acreage, including the very existence of
19 these discussions, from the Plaintiff PMH Fund. While the Defendants' withholding of
20 information from Plaintiff PMH Fund seemed odd at the time, the motive behind their
21 decision soon became clear when, on April 18, 2019, Defendants HOLCOMBE and
22 BURTIN, acting in concert with the express consent of Defendant TAFT, approached

23 _____
24 ²⁸ While the discussions were admittedly still at an informal stage, the initial offer
25 amount proposed by Acreage was \$75M. Disregarding the possibility that, after
26 negotiations, this offer amount could have been negotiated much higher, a sale
price of \$75M would have resulted in the three Defendants realizing a payout of
approximately \$17 million each, an especially attractive payout considering the
Defendants' nonexistent capital contributions to the 420 Companies.

27 ²⁹ This is an absurd notion, especially in light of Acreage's market valuation of
28 approximately \$8 billion and the dire financial status of the 420 Companies.

1 Knight at the Healing Plant with a scheme to defraud Plaintiff PMH Fund. More
2 specifically, Defendant BURTIN first approached Knight and enquired as to whether
3 Knight had discussed the potential Acreage offer specifically with Plaintiff PMH Fund.
4 Defendant BURTIN further expressed that he and Defendant TAFT had concocted a plan
5 to “deal with the existing investors,” suggesting a scheme to paint a picture to the PMH
6 Fund that more money would be needed to complete the Healing Plant project and that
7 thing were dire given the complexity of the operation. Defendant BURTIN continued by
8 adding that the Defendants (acting in unison with Knight) would then offer a “solution”
9 to Plaintiff PMH Fund regarding the “dire capital situation” by offering to purchase
10 Plaintiff PMH Fund’s shares in PMH for a 25% return on their investment, at which point
11 that Defendants could recapture these shares for themselves and, in turn, offer these
12 same shares to Acreage at a much higher price. Defendant BURTIN was so audacious
13 when describing the scheme that he even suggested to Knight and Defendant
14 HOLCOMBE that if the conversation ever came up, that they should all deny that it ever
15 happened, as it would be “a breach of our fiduciary duty.” Shocked by the Defendants’
16 proposal, Knight immediately expressed concerns to the Defendants that their proposed
17 scheme was dishonest and potentially illegal, and with that, their conversation ended.
18 Immediately upon conclusion of the meeting, and still reeling from the conversation that
19 just took place, Knight called Clay Tanner, who instructed him to immediately record his
20 entire recollection of events in a written statement.

21 70. On April 19, 2019, the very next day after proposing their illegal scheme to
22 Knight, the Defendants requested a conference call between Defendants and Knight, the
23 primary purpose of which was to question Knight’s loyalties to the Defendants and to
24 express the Defendants’ general dissatisfaction with Knight. It became immediately clear
25 that because Knight was unwilling to participate in their fraudulent scheme against
26 Plaintiff PMH Fund, Knight’s role in the 420 Companies would immediately become
27 imperiled.

28 ///

1 71. And, inevitably, on May 1, 2019, during an improperly-noticed board
2 meeting for PMH and CMX called by Defendant TAFT, the Defendants unanimously voted
3 for the removal of Knight as an officer and director of the 420 Companies.

4 **Now in Full Control, Defendants Run CMX Into the Ground**

5 72. With the ousters of Clay Tanner in March 2019, and Knight on May 1, 2019,
6 the Defendants completed their full takeover of the 420 Companies. Since assuming full
7 control, the Defendants have snubbed any notions of fairness and accountability to
8 Plaintiffs. In fact, since this time Defendants have only become more emboldened,
9 committing numerous acts of fraud, dishonesty, and general incompetence and
10 mismanagement across the 420 Companies, including the use of CMX and CPPG as their
11 personal “piggy bank,” which acts continue unimpeded as of today.

12 73. Just to highlight a few of the many egregious and unlawful acts (which are
13 almost too numerous to list) since Defendants have assumed full control of CMX:

- 14 • CMX routinely pays over-inflated packaging prices to Brand Pack, a
15 cannabis packaging company which is controlled by the Defendants.
16 Despite Knight’s express insistence to the Defendants that this financial
17 arrangement between CMX and Brand Pack was fraudulent and unlawful
18 because (1) the terms of the arrangement were not arms’ length, and (2)
19 the arrangement was never subjected to a vote of the disinterested
20 directors and shareholders, nor was it ever even disclosed to them at all,
21 the Defendants ignored any and all sense of their fiduciary duties and have
22 continued to brazenly engage in this fraudulent and dishonest scheme
23 across the 420 Companies even today.³⁰

24
25 ³⁰ Plaintiff HBC has received its original investment capital back from Brand Pack.
26 Since determining that the Brand Pack arrangement could be potentially viewed
27 as a breach of his fiduciary duties owed to the shareholders of CMX and CPPG,
28 Knight, acting on behalf of Plaintiff HBC, declined to receive any profit
distributions from Brand Pack. Nevertheless, despite being repeatedly warned by
Knight as to the conflicts of interest with CMX and CPPG, the Defendants have
continued unimpeded, brushing aside all concerns regarding its fiduciary duties,

- 1 • CMX routinely pays employees who are assigned exclusively to other 420
- 2 Companies, including a bottling consultant and a security guard for the
- 3 Healing Plant;
- 4 • CMX routinely pays for numerous items which are for the sole benefit of
- 5 other 420 Companies, such as significant expenditures on cannabis
- 6 extraction equipment (which equipment, amusingly, can never be utilized
- 7 by CMX due to the limitations on certain cannabis activity imposed by
- 8 CMX’s state cannabis license as a licensed distributor, not manufacturer),
- 9 and other payments for the Healing Plant, such as payment of utilities,
- 10 storage containers, etc., as well as payments for personal and other
- 11 expenses, including legal fee invoices, which are unrelated to the business
- 12 of CMX whatsoever;
- 13 • Defendants have misappropriated various intellectual property from CMX,
- 14 notably the brand “Fresh Daily,” including all “Fresh Daily” marketing and
- 15 other property, which property is clearly registered in the name of and
- 16 owned by CMX;
- 17 • Defendants are actively soliciting the few remaining customers of CMX to
- 18 start doing business once the Healing Plant becomes operational, including
- 19 CMX’s largest cannabis customer; and,
- 20 • Defendants have preferentially paid back certain insider loans, most
- 21 notably an insider loan made by Defendant BURTIN to CMX, which loan
- 22 was paid back at favorable rates and at the exclusion and preference of
- 23 other now past-due debt loans made to CMX.

24 74. In addition, despite repeated requests, CMX has not issued a financial
25 statement to the shareholders, including Plaintiff HBC, since November 2018. While

26 _____
27 continuing to operate in this unethical manner without further impunity or
28 remorse.

1 Plaintiff HBC is not able to verify the revenue of CMX due to the Defendants withholding
2 all financial information, the Defendants have undoubtedly run the business of CMX
3 completely into the ground, as CMX has effectively fired all of the company's salespeople
4 except for one underachieving salesperson who is close personal friend with Defendant
5 TAFT, along with other acts.

6 75. Further, Plaintiff HBC suspects that, due to the cash nature of the cannabis
7 business, Defendants are "skimming" cash from the business; however, because Plaintiff
8 HBC has been denied any and all sense of accountability, transparency and general
9 fairness with respect to the financial status and other important information of the
10 company, Plaintiff HBC is unable to verify these claims at the moment.

11 76. Further, Plaintiff HBC has become increasingly concerned not only with
12 the status of the business, but also with the status of CMX's cannabis licensure, as the
13 Defendants appear to be abandoning the business of CMX altogether. For example,
14 Defendants have removed much of the office equipment and furniture from the CMX
15 Facility and have failed to respond to official correspondence from the state Bureau of
16 Cannabis Control. Actions such as these and others are potentially jeopardizing the
17 viability of the business altogether, including the possible loss of licensure due to
18 abandonment (pursuant to CA Code of Regulations, Title 16, §5022 and CA Code of
19 Regulations, Title 3, §8208).

20 **Defendants are Using CPPG (420 Central) As Their Personal Piggy Bank**

21 77. The Defendants' unlawful and fraudulent behavior has not been limited
22 to just CMX: CPPG has also experienced many egregious and unlawful acts since
23 Defendants have assumed full control of its management:

- 24 • As is the case with CMX, CPPG is also required to routinely pay
25 over-inflated packaging prices to Brand Pack;
- 26 • CPPG is being required to pay for numerous items which are clearly not
27 related to or for the benefit of CPPG or its business. Many of these
28 payments are disguised with the reference to "miscellaneous." CPPG has

1 issued several checks for rent owed by ECS to its landlord. And in perhaps
2 the most brazen instance, Defendant BURTIN wrote a check to himself,
3 from CPPG's account, for the monthly rent owed by Defendants TAFT and
4 HOLCOMBE, on another property (the Fordham Building) wholly unrelated
5 to CPPG. And even more duplicitously, the check was then fraudulently
6 signed with Knight's signature stamp.

- 7 • Many of the checks issued by Defendants for not only CMX, but also CPPG,
8 are being fraudulently endorsed with Knight's signature stamp, presumably
9 a foolish attempt by the Defendants to assign responsibility to Knight in
10 order to mask their own responsibility for these unauthorized payments.

11 78. Again, despite repeated requests, CPPG has not issued financial reports to
12 its shareholders, including Plaintiffs, since April 2019, thus denying Plaintiffs any and all
13 sense of accountability, transparency, and general fairness associated with their
14 ownership in CPPG. This lack of transparency is especially concerning given that a
15 substantial amount of CPPG's business is conducted in cash transactions, giving rise to
16 the possibility that Defendants are engaged in "skimming" profits from the 420 Central
17 retail store.

18 79. Equally as concerning is Plaintiffs' recent discovery that CPPG is engaging
19 in very questionable accounting practices, further jeopardizing the status and licensure
20 of the 420 Companies. More specifically, Defendants are suspected to be improperly
21 claiming business deductions on behalf of CPPG, which, due to the nature of CPPG's
22 business as a cannabis business, is a clear violation of Internal Revenue Code Sec. 280(e).
23 CPPG has previously been penalized by the Internal Revenue Service for questionable
24 accounting practices relating to its annual tax filings, the resulting interest and penalties
25 on which continue to be paid by CPPG today. Undoubtedly, upon discovery and further
26 scrutiny by the Internal Revenue Service, further interest and penalties are certain to
27 result from Defendants' dishonest and unlawful accounting practices, further hampering
28 and jeopardizing the business and licensure of CPPG.

1 80. Conversely, despite the lack of transparency now rampantly occurring
2 under the Defendants’ management, the Defendants’ lifestyles do not seem to be
3 suffering – the Defendants have recently enjoyed lavish golfing vacations to Pebble Beach
4 (with other CPPG and CMX employees) and high-priced political events, and have
5 incurred other very questionable expenditures, all of which they continue to flaunt on
6 social media. In light of the Defendants’ reluctance to provide any financial information
7 to the Plaintiffs, these extravagant expenditures by Defendants only become more
8 concerning and suspicious.

9 **Mismanagement and Illegal Activity Run Amok at the Healing Plant (PMH)**

10 81. The Defendants have not limited their fraudulent behavior to CPPG and
11 CMX alone. Despite repeated assurances made by Defendants to the Plaintiffs that they
12 were entitled to profits from the Healing Plant as a result of their ownership in PMH,
13 when the Defendants applied for the conditional use permit for the Healing Plant, they
14 did so not in PMH, but rather Toronto Way Partners, Inc., an entity wholly-owned by the
15 Defendants themselves. While their motives for doing so are unclear, their “results”
16 certainly are – since the state cannabis license must be in the name of the conditional use
17 permit holder, the licensee of the Healing Plant must be Toronto Way Partners, Inc., not
18 PMH. This cannabis license, the rightful owner of which is PMH, carries a significant
19 intrinsic value. Given the persistent and pervasive pattern of fraudulent behavior
20 exhibited by the Defendants however, the conclusion that Defendants are yet again
21 trying to usurp the Plaintiffs by shielding ownership of the Healing Plant’s license from
22 them is almost inescapable.

23 82. In addition, despite repeated requests from Plaintiff PMH Fund for a
24 business plan for the profitable operation of the Healing Plant once opened, Defendants
25 have been all too reluctant on this front as well. The truth of the matter, however, is that
26 the Defendants don’t have a plan to run a profitable operation. And even more alarming,
27 the Defendants are not even concerned with making a profit, let alone concerned with
28 how to ever return their loyal investors’ money. Nowhere was the Defendants’ complete

1 lack of concern better illustrated than in a recent social media post by Defendant TAFT,
2 wherein he stated, “...I ran from the corporate squeeze of the corporate world and the
3 business guys want to do the same with the new legal Cannabis Industry but they will
4 fade away as well. I am not interested in your margins or your [apple emoji.]...”

5 83. While Defendant TAFT’s assertions are partially true -- there is little doubt
6 of his disinterest in “margins” where someone else besides himself and his
7 co-conspirators are benefiting -- there is little doubt that the same does not hold true
8 when those same “margins” instead affect the Defendants and their ability to pay
9 themselves a hefty salary.

10 84. Further, Defendant TAFT’s new-found disinterest in “margins” is a vastly
11 different notion than he was selling to Plaintiffs almost two years ago when seeking their
12 capital investment. These revelations undoubtedly reflect the Defendants true intent –
13 that they’re willing to do whatever necessary to financially satisfy themselves and have
14 no interest whatsoever in ever paying back their shareholders, the very ones who
15 provided ALL of the capital that got the Defendants to this point.

16 85. Finally, despite the Healing Plant not having received its cannabis
17 manufacturing license from the State of California (or even a Certificate of Occupancy),
18 the Defendants have begun conducting limited cannabis manufacturing activities in the
19 Healing Plant anyway, clearly violating the California cannabis regulations, most notably,
20 CA Code of Regulations, Title 17, §40115, which states, in pertinent part: “(a) Every
21 person who manufactures cannabis products shall obtain and maintain a valid
22 manufacturer license from the Department for each separate premises at which
23 manufacturing operations will be conducted. (b) No person shall manufacture cannabis
24 products without a valid license from the Department [of Public Health].” Defendants’
25 reckless activities in the unlicensed premises not only are in clear violation of the
26 California cannabis regulations, but also they further jeopardize the future licensure of
27 the Healing Plant, along with the Plaintiffs’ investment.

28 ///

Hypocrisy Knows No Boundaries ...

Defendants are Actively Participating in the Unlicensed Market Themselves.

1
2
3 86. In an otherwise well-established pattern of unwise and senseless behavior
4 by the Defendants, and despite the Defendants’ very public, morally-righteous war
5 against the unlicensed cannabis market in California, perhaps none of the Defendants’
6 senseless acts are more amusing than a recent discovery that the ***Defendants***
7 ***themselves were actively participating in the unlicensed California cannabis market.***
8 More specifically, the Defendants were cited by the Sonoma County Code Enforcement
9 Office for operating an unlicensed (i.e., illegal) commercial cannabis cultivation operation
10 at Defendant BURTIN’s vacation home, located at 27485 River Road, Cloverdale, Sonoma
11 County, California (the “Illegal Grow”). The Defendants’ activities at the Illegal Grow
12 resulted in the property receiving a cannabis cultivation abatement notice from the
13 county.³¹ Not long after receiving the cannabis abatement notice, Defendant BURTIN
14 sold the house altogether, perhaps for legitimate reasons or perhaps because the
15 Defendants were no longer able to use it to operate an illegal cannabis cultivation. But as
16 Defendant TAFT stated, in his own words, “ALL of the Big Guys and I mean ALL of them
17 have to cheat, have to divert product.” So its hardly surprising that Defendant TAFT, who
18 refers to himself as the “Head Honcho” (or big guy), felt that he (and his co-conspirators)
19 had to cheat as well.³²
20
21

22 ³¹ Jesse Cable with the Sonoma County Code Enforcement Office has since confirmed
23 that the notice(s) have since been dismissed, presumably due to the Defendants’
compliance with the notice in shutting down the Illegal Grow.

24 ³² In a recent Facebook post, in the wake of a CEO of another large national cannabis
25 company being terminated because of his illegal cultivation operations in the
26 unlicensed market, Defendant TAFT himself presciently commented, “Tip of the
27 iceberg, ALL of the Big Guys and I mean ALL of them have to cheat, have to divert
28 product. It’s a math equation plain and simple. The whole reason track and trace
still has not started and the Law passed 3 years ago. Watch the dominoes [fall] one
by one.”

1 87. Defendants’ operation of the Illegal Grow is the ***VERY SAME ACTIVITY***
2 ***THAT DEFENDANT TAFT HAS SO LOUDLY, PUBLICLY AND VEHEMENTLY RAILED***
3 ***AGAINST TO ANY MEDIA OUTLET WILLING TO LISTEN.*** Defendant TAFT has not been
4 shy about virtuously shaming anyone and everyone that HE remotely suspects of
5 participating in such unlicensed activities (sometimes without any proof to support his
6 allegations whatsoever, or even worse, sometimes ignoring other active participants in
7 the unlicensed market because of his business and personal relationships with the
8 violating participants). In a recent New York Times article, when referring to those
9 operators participating in the unlicensed market, Defendant TAFT is quoted as saying,
10 “We are being pillaged by these people. My lawyers are ready to launch rockets!”³³
11 Defendant TAFT neglected to consider that perhaps one day those same “rockets” would
12 be pointed at him.

13 88. More importantly, however, such participation in the unlicensed cannabis
14 market is violative of certain written corporate covenants governing the 420 Companies
15 to which Defendants and Plaintiffs are parties to. For example, the Limited Liability
16 Agreement for Brand Pack states, in pertinent part:

17 *“Expulsion of Member*

18 *“A Member may be expelled if that Member (a) has committed fraud, theft,*
19 *or gross negligence against the Company or one or more Members of the*
20 *Company, or (b) engaged in wrongful conduct that adversely and materially*
21 *affects the business or operation of the Company, including without limitation*
22 *the loss of the Company’s licensure for the distribution, manufacture and/or*
23 *sale of cannabis, under Applicable Law. (For purposes of this Agreement,*
24 *“Applicable Law” means the California Medicinal and Adult-Use Cannabis*
25

26 ³³ See Fuller, Thomas. “Getting Worse, Not Better: Illegal Pot Market Booming
27 in California Despite Legalization.” *New York Times*, April 27, 2019,
28 <https://www.nytimes.com/2019/04/27/us/marijuana-california-legalization.html> (last visited July 31, 2019).

1 *Regulation and Safety Act, as amended from time to time, and any applicable*
2 *regulations promulgated in connection with such act, as well as all other*
3 *municipal, local, tribal, state, and federal laws, rules, statutes, codes, orders,*
4 *decrees, permits, consents, approvals, agreements or regulations relating to*
5 *the cultivation, distribution, manufacture, sale and possession of cannabis*
6 *and cannabis-based products and the operation of any business relating to*
7 *the same...”*

8 89. *Even more amazingly, inclusion of the above language in certain*
9 *governing documents for the 420 Companies was made at the strong insistence of*
10 *Defendant TAFT and his co-conspirators, who, unbeknownst to the Plaintiffs at the*
11 *time, were the very ones secretly engaging in such activities.* Further, Defendant
12 BURTIN recently felt emboldened enough to actually admit the existence of the Illegal
13 Grow (and subsequent abatement notices received in connection with such) to both
14 Knight and Clint Tanner on separate occasions.³⁴ Besides the limitless hypocrisy
15 associated with their illegal acts, the same acts that Defendant TAFT has so publicly
16 shamed many others for, the Defendants’ reckless actions recklessly imperil the
17 licensure of the 420 Companies.

18 **Plaintiffs Make One Last Attempt to Negotiate in Good Faith**

19 90. Yet, despite all of the bad faith and fraudulent acts committed by the
20 Defendants, Plaintiffs HBC made one last good faith effort to resolve its differences with
21 the Defendants when, in May 2019, Defendant TAFT suggested a “share exchange”
22 whereby the Defendants would effectively trade (or swap) their 50% interest in CMX in
23 exchange for Plaintiff HBC’s 20% interest in PMH. While the proposal suggested by
24 Defendant TAFT was hardly fair to Plaintiff HBC, Plaintiff HBC decided to accept his offer
25

26 ³⁴ During a telephone call between Clint Tanner and Defendant BURTIN on
27 March 15, 2019, Defendant BURTIN casually disclosed to Clint Tanner that the
28 Defendants had recently “lost over \$500,000” when the County shut down the
 Defendants Illegal Grow in Sonoma County.

1 anyway so that it could begin to turn around CMX in an effort to return the capital
2 contributions made by its investors to the 420 Companies. After five weeks of
3 negotiating in good faith, and after counsel for both Plaintiff HBC and Defendants had
4 reviewed the agreements and resolved all comments, Defendant TAFT inexplicably
5 refused to sign the final agreements, giving no further explanation to Plaintiff HBC.

6 91. Notwithstanding all of the work performed and time committed in good
7 faith by Plaintiff HBC, and despite the concessions made by Plaintiff HBC and clear
8 advantage afforded to Defendants as part of this “share exchange,” Defendant TAFT’s
9 decision to not follow through on his earlier promises is hardly surprising, given the
10 long, well-established pattern of disreputable and repulsive behavior, leaving the
11 Plaintiffs with no other choice but to bring this action.

12 **And the Scheme Remains the Same**

13 92. Since the Plaintiffs HBC and the PMH Fund have been ousted, the
14 Defendants have been unable to either (1) obtain the certificate of occupancy for the
15 Healing Plant project so that it can begin operations (despite starting build-out over 18
16 months ago, a far cry from the 3 month timeframe initially represented to Plaintiffs by
17 Defendants), or (2) produce a business plan or evidence of any planned business activity,
18 let alone articulate any rational sound business ideas as to how the Healing Plant will be
19 profitable.

20 93. Rather than formulating a sound business plan to operate the 420
21 Companies, and more specifically the Healing Plant, Defendants, consistent with their
22 now well-established pattern of rampant and pervasive fraud, dishonesty and hypocrisy,
23 have instead elected to concoct yet another dishonest and fraudulent scheme to
24 effectively defraud the Plaintiffs out of all value associated with the Plaintiffs’ investment
25 in the 420 Companies by intentionally and maliciously defaulting the lease agreement
26 between Defendant BURTIN, as landlord, and PMH, as tenant, so that the Defendants
27 could enter into a new lease agreement with Defendant BURTIN whereby the Plaintiffs
28 would be excluded from participating in the new business altogether. On June 13, 2019,

1 the Defendants consummated this misguided scheme when Defendant TAFT audaciously
2 notified the Plaintiffs, in writing, that PMH had defaulted on payment of the lease
3 agreement. Amazingly, Defendant TAFT was so confident in the Defendants' duplicitous
4 plot that he even openly boasted about it to others.³⁵

5 94. In doing so the Defendants, as directors who maintain a controlling interest
6 in PMH, deliberately and spitefully disregarded any and all fiduciary duties owed to the
7 Plaintiffs as a matter of law (and general decency).

8 Conclusion

9 95. In closing, the Defendants' unfair and oppressive behavior towards the
10 Plaintiffs has been so shocking, so perverse, and so pervasive, and the "420 Central" and
11 CMX brands have become so toxic and tarnished, that Plaintiffs no longer see any
12 pathway whereby the 420 Companies can survive and prosper under the Defendants'
13 management.

14 96. Plaintiffs have complied with all legal and contractual obligations in
15 connection with the facts alleged herein.

16 97. Plaintiffs have been damaged as a direct consequence of the defendant's
17 conduct as described hereinabove and is entitled to the relief set forth in the prayer for
18 relief, or as provided by law.

19 **FIRST CAUSE OF ACTION**

20 (BREACH OF CONTRACT (JV AGREEMENT))

21 (*By Hillsboro Brown Against All Defendants*)

22 98. Plaintiff HBC realleges and incorporates by this reference each and all of
23 the allegations set forth above in this Complaint, as though fully set forth herein.

24 99. Defendants have breached the JV Agreement by committing the acts
25 described herein, including but not limited to failing to devote time, attention and
26

27 ³⁵ In addition, this latest scheme was presumably also captured on the Healing
28 Plant's video and audio surveillance system.

1 resources to the 420 Companies, mismanagement of the 420 Companies; failure to
2 report financial information to their partner, Plaintiff HBC, and the misappropriation of
3 funds and property belonging to the 420 Companies..

4 100. In addition, Plaintiff HBC exercised its contractual option to obtain a 25%
5 stake in the Healing Plant owned by the Defendant BURTIN’S Trust; however, Defendant
6 BURTIN has failed and refused to recognize the exercise of the option, such that Plaintiff
7 HBC is entitled to specific performance of that provision of the JV Agreement.

8 101. As a proximate result of Defendants’ actions, Plaintiff HBC has suffered
9 damages in an amount to be determined at trial.

10 **SECOND CAUSE OF ACTION**

11 (FRAUD)

12 *(By All Plaintiffs Against All Defendants)*

13 102. Plaintiffs reallege and incorporate by this reference each and all of the
14 allegations set forth above in this Complaint, as though fully set forth herein.

15 103. The investments made by Plaintiffs to the 420 Companies were induced by
16 false representations made in mid- to late-2017 by each of the three Defendants, to the
17 effect that 420 Companies would be well-managed and expanded by Defendants, and
18 who also provided to Plaintiffs false financial information relating to the potential
19 revenues of the 420 Companies and the business under the joint venture, which financial
20 information was enormously inflated, and which bore no relation to the realistic
21 potential for growth, all of which was known by the Defendants. The statements made
22 by Defendants to induce the Plaintiffs into investing in the 420 Companies were in fact
23 false. Defendants lacked experience and knowledge in a non-retail cannabis businesses,
24 and the financial projections on which Plaintiffs relied in investing in the 420 Companies
25 proved to be woefully overstated.

26 104. Further, the Defendants’ failure to turn over financial records is due to a
27 desire on their part to conceal financial improprieties relating to the businesses. These
28 financial improprieties include but are not limited to, the misuse of the signature stamp

1 of one of the principals of Plaintiff HBC on financial instruments; the co-mingling of
2 assets of the various businesses, without proper authority; and the Defendants' theft of
3 property and assets of one or more of the businesses.

4 105. Had Plaintiffs known the true facts, they would not have made their
5 investments in the 420 Companies nor entered into the JV Agreement. Plaintiffs
6 reasonably, justifiably and actually relied on the false representations, and thereby put at
7 risk a minimum of \$3.45 million.

8 106. As a result of Defendants' fraud, Plaintiffs have been damaged in an amount
9 to be proven at trial. Plaintiffs are further entitled to punitive damages, in an amount to
10 be proven at trial.

11 **THIRD CAUSE OF ACTION**

12 (BREACH OF FIDUCIARY DUTY)

13 *(By All Plaintiffs Against All Defendants)*

14 107. Plaintiffs reallege and incorporate by this reference each and all of the
15 allegations set forth above in this Complaint, as though fully set forth herein.

16 108. At all times relevant herein, by virtue of the corporate relationship that
17 existed between Plaintiffs on the one hand, and Defendants on the other hand, wherein
18 Plaintiffs were and remain rightful investors and stakeholders in the 420 Companies, and
19 wherein Defendants TAFT, HOLCOMBE, and BURTIN exercised management and control
20 over the business and financial affairs of the 420 Companies, a fiduciary duty existed at
21 all times herein mentioned between Defendants on the one hand, and Plaintiffs on the
22 other hand.

23 109. This fiduciary duty required Defendants to treat Plaintiffs with complete
24 fairness and undivided loyalty. More specifically, Defendants were subject to a fiduciary
25 duty not to preference their own advantage over those of Plaintiffs and were subject to a
26 fiduciary duty to refrain from conducting themselves in any manner that conflicted with
27 the best interests of Plaintiffs.

28 ///

- 1 110. In violation of the fiduciary relationship set forth herein, Defendants TAFT,
2 HOLCOMBE, and BURTIN, breached their fiduciary duties to Plaintiffs by, inter alia:
- 3 (a) making false representations to Plaintiffs HBC and PMH Fund, and their
4 principals and shareholders;
 - 5 (b) falsely claiming to have experience in cannabis-related businesses (other
6 than retail);
 - 7 (c) inducing investments with false promises of future performance, including
8 but not limited to a lucrative near-future sale or IPO;
 - 9 (d) failing to engage with a serious buyer offering tens of millions of dollars for
10 the enterprise;
 - 11 (e) excluding Plaintiffs’ principals from important aspects of the businesses;
 - 12 (f) mismanaging the 420 Companies, including failing to enact votes by the
13 Boards of Directors of the various entities;
 - 14 (g) failing to report on financials of the 420 Companies;
 - 15 (h) misappropriating property and assets, including but not limited to using
16 one company’s assets to pay debts of another, without proper approvals;
 - 17 (i) falsifying financial instruments using the signature stamp of one of
18 Plaintiff’s principals without permission;
 - 19 (j) failing to put together a formal or informal business plan;
 - 20 (k) co-mingling assets of the various businesses, without proper authority;
 - 21 (l) engaging in theft of property and assets of one or more of the businesses,
22 and use of business assets for personal gain; and,
 - 23 (m) failing, on information and belief, in their obligations to properly report
24 income and expenses to the Internal Revenue Service under IRS Code
25 section 280(e), as a result of which the joint venture, the business entities,
26 and the principals thereof, including Plaintiffs, may be at risk of IRS audits,
27 penalties, and related harms;
 - 28 ///

- 1 (n) failing to pursue lucrative corporate opportunities; and,
2 (o) mismanaging the 420 Companies.

3 111. As a direct and proximate result of the above breaches of fiduciary duty,
4 Plaintiffs have been damaged. Plaintiffs seek damages in an amount to be proven at trial
5 but believed to be in excess of US\$6,000,000 as to HBC and US\$5,000,000 as to the PMH
6 Fund. When Plaintiffs have ascertained the full amount of damages they have suffered,
7 they will seek leave of this Court to amend this Complaint accordingly.

8 112. In doing the things alleged herein, Defendants TAFT, HOLCOMBE, and
9 BURTIN acted with malice, oppression, and/or fraud pursuant to Section 3294(c) of the
10 California Code of Civil Procedure, and acted willfully and with the intent to cause injury
11 to Plaintiffs – indeed, Defendants have openly and repeatedly announced their intentions
12 to defraud Plaintiffs, and then acted to do so, which allegation alone justifies an award of
13 exemplary and/or punitive damages. Accordingly, Defendants TAFT, HOLCOMBE, and
14 BURTIN, and each of them, are guilty of malice, oppression, and/or fraud and Plaintiffs
15 are entitled to recover an award of exemplary and/or punitive damages sufficient to
16 punish Defendants TAFT, HOLCOMBE, and BURTIN, and to deter others from pursuing
17 similar unlawful schemes to enrich themselves at the expense of investors in one of
18 California’s most exciting growth industries.

19 113. It is the law of California that directors have a fiduciary relationship and a
20 duty to act in the best interests of all shareholders, including minority shareholders.
21 (*Jones v. H.F. Ahmanson & Co.*, 1 Cal.3d 93 (1969); *Remillard Brick Co. v. Remillard-*
22 *Danhini*, 109 Cal.App.2d 405 (1952).) The California Supreme Court has held, in
23 controlling case law, that:

24 The extensive reach of the duty of controlling shareholders and directors to
25 the corporation and its other shareholders was described by the Court of
26 Appeal in *Remillary Brick* . . . where, quoting from the opinion of the United
27 States Supreme Court in *Pepper v. Litton*, 308 U.S. 295 . . . the court held:
28 ‘A director is a fiduciary . . . Their powers are powers of trust . . . He cannot

1 by the intervention of a corporate entity violate the ancient precept against
2 serving two masters . . . He cannot utilize his inside information and his
3 strategic position for his own preferment . . . He cannot use his powers for
4 his personal advantage and to the detriment of the stockholders and
5 creditors no matter how absolute in terms that power may be and no
6 matter how meticulous he is to satisfy technical requirements.’ In
7 *Remillard*, the Court of Appeal clearly indicated that the fiduciary
8 obligations of the directors and shareholders are neither limited to specific
9 statutory duties and avoidance of fraudulent practices nor are they owed
10 solely to the corporation to the exclusion of other shareholders.

11 (*Jones, supra*, at pp. 108-109.)

12 114. Further, it is the law of California that officers owe the same fiduciary
13 duty to act in the best interests of all shareholders, including minority shareholders,
14 and in the best interests of the entity itself. (See, *e.g., Jones, supra*, at pp. 108-109; *GAB*
15 *Business Services, Inc. v. Lindsey & Newsom Claim Services*, 83 Cal.App.4th 409, 419 (2000)
16 (overruled on other grounds by *Reeves v. Hanlon*, 33 Cal.4th 1140, 1148 (2004))
17 (“an officer who participates in management of the corporation, exercising some
18 discretionary authority, is a fiduciary of the corporation as a matter of law”); *Burt v.*
19 *Irvine Co.*, 237 Cal.App.2d 828, 850 (1965) (“all corporate officers and directors owe the
20 same fiduciary duty of good faith to the corporation and its shareholders”).

21 115. Further, it is the law of California that managers and officers of limited
22 liability companies are obligated to act with the utmost loyalty and in the highest good
23 faith when dealing with members of the limited liability company, and that they cannot
24 obtain any advantage over any member in order to themselves benefit from such
25 advantage. (See, *e.g., Feresi v. The Livery, LLC*, 232 Cal.App.4th 419, 425-426 (2014); Cal.
26 Comm. Code § 3307; Cal. Corp. Code § 17704.09.)

27 116. These fiduciary duties required Defendants TAFT, HOLCOMBE, and
28 BURTIN, to treat Plaintiffs with complete fairness and undivided loyalty. More

1 specifically, Defendants TAFT, HOLCOMBE, and BURTIN were subject to a fiduciary duty
2 not to preference their own advantage over those of the Plaintiffs and were subject to a
3 fiduciary duty to refrain from conducting themselves in any manner that conflicted with
4 the best interests of the Plaintiffs, as shareholders of the 420 Companies.

5 117. In violation of the fiduciary relationship set forth herein, Defendants TAFT,
6 HOLCOMBE, and BURTIN breached their fiduciary duties to the Plaintiffs, as
7 shareholders of the 420 Companies, by, inter alia, doing each of the things set forth in
8 Paragraphs 110 (a) through (o) hereof.

9 118. As a direct and proximate result of the above breaches of fiduciary duty,
10 Plaintiffs have been damaged. Plaintiffs derivatively seek damages in an amount to be
11 proven at trial but believed to be in excess of US \$11,000,000. When Plaintiffs have
12 ascertained the full amount of damages suffered, they will seek leave of this Court to
13 amend this Complaint accordingly.

14 **FOURTH CAUSE OF ACTION**

15 (CONSPIRACY TO BREACH FIDUCIARY DUTY)

16 *(By All Plaintiffs Against All Defendants)*

17 119. Plaintiffs reallege and incorporate by this reference each and all of the
18 allegations set forth above in this Complaint, as though fully set forth herein.

19 120. At all times relevant herein, by virtue of the investment relationship that
20 existed between Plaintiffs on the one hand, and each of Defendants TAFT, HOLCOMBE,
21 and BURTIN, on the other hand, wherein Plaintiffs were and remain rightful investors in
22 the 420 Companies, and wherein Defendants TAFT, HOLCOMBE, and BURTIN exercised
23 management and control over the business and financial affairs of the 420 Companies, a
24 fiduciary duty existed at all times herein mentioned between Defendants TAFT,
25 HOLCOMBE, and BURTIN, on the one hand, and Plaintiffs on the other hand.

26 121. This fiduciary duty required Defendants TAFT, HOLCOMBE, and BURTIN to
27 treat Plaintiffs with complete fairness and undivided loyalty. More specifically, TAFT,
28 HOLCOMBE, and BURTIN were subject to a fiduciary duty not to preference their own

1 advantage over those of Plaintiffs and were subject to a fiduciary duty to refrain from
2 conducting themselves in any manner that conflicted with the best interests of Plaintiffs.

3 122. Plaintiffs are informed and believe, and on that basis allege, that
4 Defendants TAFT, HOLCOMBE, and BURTIN knew of these fiduciary duties owed to
5 Plaintiffs and knowingly and willfully conspired and agreed among themselves to breach
6 the foregoing fiduciary duties owed to Plaintiffs in order to execute their plan of
7 enriching TAFT, HOLCOMBE and BURTIN, to the exclusion of the best interests of
8 Plaintiffs. Plaintiffs are further informed and believe, and on that basis allege, that the
9 420 Companies, and each of them, are controlled, managed, directed, and operated by
10 TAFT, HOLCOMBE and BURTIN in nearly or actually unfettered fashion such that the
11 conspiracy set forth herein can be distilled to its simplest description as follows: TAFT,
12 HOLCOMBE and BURTIN conspired to establish complete control and discretion over all
13 of the 420 Companies, and to then simultaneously act through all of the 420 Companies
14 for their personal benefit and to intentionally work detriment upon Plaintiffs.

15 123. The Defendants TAFT, HOLCOMBE and BURTIN, and each of them,
16 conspired to breach fiduciary duties owed to Plaintiffs by, inter alia, doing each of the
17 things set forth in Paragraphs 110 (a) through (o) hereof.

18 124. As a direct and proximate result of the above breaches of fiduciary duty,
19 Plaintiffs have been damaged. Plaintiffs seek damages in an amount to be proven at trial
20 but believed to be in excess of US \$6,000,000 to HBC and US \$5,000,000 to the PMH
21 Fund. When Plaintiffs have ascertained the full amount of damages they have suffered,
22 they will seek leave of this Court to amend this Complaint accordingly.

23 125. In doing the things alleged herein, the Defendants TAFT, HOLCOMBE and
24 BURTIN, and each of them, acted with malice, oppression, and/or fraud pursuant to
25 Section 3294(c) of the California Code of Civil Procedure, and acted willfully and with the
26 intent to cause injury to Plaintiffs – indeed, Defendants have openly and repeatedly
27 announced their intentions to defraud Plaintiffs, and then did so, which allegation alone
28 justifies an award of exemplary and/or punitive damages. Accordingly, the Defendants

1 TAFT, HOLCOMBE and BURTIN, and each of them, are guilty of malice, oppression,
2 and/or fraud and Plaintiffs are entitled to recover an award of exemplary and/or
3 punitive damages sufficient to punish Defendants TAFT, HOLCOMBE and BURTIN, and
4 each of them, and to deter others from pursuing similar conspiracies to enrich
5 themselves at the expense of investors in one of California’s most exciting growth
6 industries.

7 **FIFTH CAUSE OF ACTION**

8 (DISSOLUTION OF PARTNERSHIP AND CORPORATIONS)

9 *(By All Plaintiffs Against All Defendants)*

10 126. Plaintiffs reallege and incorporate by this reference each and all of the
11 allegations set forth above in this Complaint, as though fully set forth herein.

12 127. By virtue of the facts and circumstances outlined above, Plaintiff is entitled
13 to a judicial dissolution of the 420 Companies.

14 **SIXTH CAUSE OF ACTION**

15 (TURNOVER OF CORPORATE BOOKS AND RECORDS)

16 *(By All Plaintiffs Against All Defendants)*

17 128. Plaintiffs reallege and incorporate by this reference each and all of the
18 allegations set forth above in this Complaint, as though fully set forth herein.

19 129. California Corporations Code section 1601(a) provides that accounting
20 books and records and minutes of proceedings of the shareholders and the board and
21 committees of the board of any domestic corporation shall be open to inspection upon
22 the written demand on the corporation of any shareholder at any reasonable time during
23 usual business hours, for a purpose reasonably related to such holder’s interest as a
24 shareholder. This right of inspection also extends to the records of each subsidiary of a
25 corporation. Section 1601(b) further provides that the request may be made in person or
26 by agent or by attorney, and the right of inspection includes the right to make copies. In
27 addition, the right of the shareholders to inspect the corporate records may not be
28 limited by the articles or bylaws of the corporation.

1 detriment of Plaintiffs. Plaintiffs are further informed and believe, and on that basis
2 allege, that the Defendants TAFT, HOLCOMBE and BURTIN, and each of them, have
3 engaged in a scheme to, inter alia, do each of the things set forth in Paragraphs 100 (a)
4 through (o) hereof.

5 136. Plaintiffs have no adequate remedy at law for the injuries alleged herein,
6 which are ongoing and continuous, because Plaintiffs are being damaged by the
7 continuing control of the 420 Companies by Defendants TAFT, HOLCOMBE and BURTIN
8 and by the plans to defraud Plaintiffs from participating in the 420 Companies, and
9 because the conduct complained of herein will continue to Plaintiffs' detriment unless
10 the appropriate equitable, injunctive, and/or provisional remedies are ordered by this
11 Court, including, but not limited to, a temporary protective order, preliminary injunction,
12 appointment of a receiver, trustee, or other fiduciary over the 420 Companies and their
13 assets, or the appointment of a provisional manager or managers to act on the 420
14 Companies' behalf.

15 **PRAYER**

16 WHEREFORE, Plaintiffs HBC and PMH Fund pray as follows:

- 17 1. For general and special damages in an amount not less than US \$6,000,000
18 as to HBC and US \$5,000,000 as to PMH Fund, in accordance with proof at trial, together
19 with interest thereon at the legal rate;
- 20 2. For punitive and exemplary damages pursuant to Section 3294(c) of the
21 California Code of Civil Procedure;
- 22 3. For equitable, injunctive, and/or provisional remedies including, but not
23 limited to, a temporary protective order, preliminary injunction, the appointment of a
24 receiver, trustee, or other fiduciary over the 420 Companies or their assets, or the
25 appointment of a provisional manager or managers to act on the 420 Companies' behalf;
- 26 4. For dissolution of the 420 Companies;
- 27 5. For turnover of appropriate books and records;
- 28 6. For all costs of suit;

NEUFELD MARKS

A PROFESSIONAL CORPORATION

315 W. 9th Street • Suite 501 • Los Angeles, California 90015

Telephone: (213) 625-2625 • Facsimile: (213) 625-2650

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- 7. For pre-judgment interest at the maximum legal rate;
- 8. For post-judgment interest at the maximum legal rate;
- 9. For attorneys' fees as provided by law; and
- 10. For such other and further relief as the Court deems just and proper.

DATED: August 1, 2019

NEUFELD MARKS

By: Paul S. Marks
Paul S. Marks
Attorneys for plaintiffs

Exhibit A

JOINT VENTURE AGREEMENT

THIS JOINT VENTURE AGREEMENT ("Agreement") is entered into and made effective this 9th day of November, 2017, by and among Robert A. Taft, Jr. ("Taft"), Jeff Holcombe ("Holcombe"), Jorge Burtin, in his personal capacity and as trustee for The Jorge Burtin Family Trust and The Rosalba Burtin Family Trust (collectively, "Burtin"), and Hillsboro Brown Capital, LLC ("HBC"), each referred to individually herein as a "JV Partner" and collectively as the "JV Partners."

WHEREAS, the JV Partners have entered into a Joint Venture (the "Joint Venture") to form, license, launch, operate and manage various cannabis-related business ventures, including for the testing, manufacturing, distribution and retail sale of cannabis products (each a "Project" and collectively as, the "Projects").

WHEREAS, the JV Partners have formed several entities (each a "JV Entity" and collectively as, the "JV Entities") in which to hold and operate the Projects. It is the intent of the Joint Venture that each Project be held in separate JV Entities so as to segregate the assets and liabilities of each Project. The current list of JV Entities owned by the Joint Venture is included hereto as Exhibit A, which Exhibit will be updated from time to time to reflect new JV Entities acquired by or disposed of by the Joint Venture.

WHEREAS, it is the intent of the JV Partners that each JV Partner own the percentage interests and rights in each Project reflected in this Agreement, despite how ownership or management of any Project is reflected in filings with the state or the JV Entity's governing documents.

WHEREAS, the JV Partners wish to hereby set forth the rights and ownership relating to each Project and the JV Entities.

NOW, THEREFORE, in consideration of the promises contained in this Agreement, the JV Partners hereby agree as follows:

I. Capitalization and Financial Matters.

(a) It is acknowledged and agreed that Taft and Holcombe have made their capital contributions in full as of the date of this Agreement, including through campaigning and lobbying services and by increasing the value of the assets owned by the JV Entities, and that no further capital contributions shall be required from Taft or Holcombe.

(b) It is further acknowledged and agreed that Burtin has made its capital contribution in full through the contribution of 1685 Toronto leased to the Joint Venture and the grant of the purchase options herein granted.

(c) HBC shall make its capital contribution in the amount of \$250,000.00 ("Capital Contribution") promptly following full execution and/or filing with the State of all corporate and governing documents for all JV Entities listed on Appendix A, amended to reflect HBC as a shareholder or member in accordance with this Agreement. All funds received from HBC will be placed in the operating bank account for Purple Mountain Holdings, Inc. ("PMH") and, promptly following the date of this Agreement, Ben Knight, as the Authorized Agent of HBC, shall be added as a signatory on such bank accounts or any other deposit accounts in which any portion of HBC's capital contribution is or will be transferred. (The parties acknowledge that \$60,000.00 of HBC's Capital Contribution has already been funded via wire transfer to PMH.)

(d) All contributions to be made in kind or services, including the value of such, shall be approved by all JV Partners in writing, which writing may include electronic communications.

(e) The JV Partners acknowledge and agree that any money due from Chris Kanik following CUP approval is due and payable to Taft and not the Joint Venture or any other JV Partner.

(f) All profits and losses from the Projects will be divided pro rata in proportion to the ownership in each Project. Profits will be distributed no less than monthly; *provided, however, (i) no profits from any JV Entity holding a conditional use permit ("CUP") or other license to manufacture, test distribute or sell cannabis may distribute any profits to any JV Partner until at least January, 2018 or such later date as mandated by State law, and (ii) all profits distributable to Holcombe and Burtin will be paid to Taft until he is reimbursed for all monies paid by him for all rents and other costs relating to the real property for the Projects, which are documented in writing by Taft prior to full reimbursement. Notwithstanding the foregoing, the JV Entities shall keep sufficient capital reserves to operate their respective Projects.*

2. Redemption and Assignment of Membership Interests in Central Partners Group, Inc.

(a) Upon the redemption of the outstanding shares owned by Mike Donovan and Paul Cassidy in Central Partners Group, Inc. ("CPG") (which interest is equal to 33.75% of the outstanding shares in CPG), HBC shall be assigned shares equal to 10% of the outstanding shares in CPG, and Taft and Holcombe shall each be assigned additional shares equal to 16.875% of the outstanding shares in CPG. These shares shall be issued to HBC, Taft and Holcombe with no further consideration owed by these JV Partners. Regardless of the foregoing, however, there shall be no assignment of shares unless and until such time as CPG reaches an agreement with Mike Donovan and Paul Cassidy to redeem such shares. For the avoidance of doubt, upon CPG's redemption and subsequent assignment of shares to HBC, Taft and Holcombe, the resulting ownership of CPG will be that Burtin owns 25%, Taft owns 28.75%, Holcombe owns 28.75%, Adam Agathakis owns 7.5%, and HBC owns 10%. (It is expressly acknowledged and agreed to by the JV Partners that Taft and Holcombe may assign up to 7.5% of its ownership interest in CPG to a third party as collateral for raising money necessary for the build-out and start-up of the manufacturing project, and the other JV Partners will not be required to give up any

additional equity in CPG for such.) Further for the avoidance of doubt, each shareholder shall be responsible for all profits and losses in accordance with their respective ownership percentages in CPG.

3. **Security for HBC's Capital Contribution.** As security for HBC's Capital Contribution, CadillaX Partners, LLC (and/or PMH) shall assign its option to purchase ("Distribution Purchase Option") the property located at 3505 Cadillac Avenue, Unit N-3, Costa Mesa, CA, which Option Right is set forth in that certain Standard Industrial/Commercial Single-Tenant Lease dated February 12, 2017, by and between the Russ Family Trust, as landlord, and CadillaX Partners, LLC, as tenant (the "Distribution Lease"). HBC may exercise the Distribution Purchase Option at any time in the event this Agreement is breached and/or HBC has not recouped its Capital Contribution and any other obligations for which it may become liable for in the future as a result of the Joint Venture. In the event HBC exercises the Distribution Purchase Option, upon the sale of the distribution facility to a third party, HBC shall be entitled to receive the full amount of its outstanding Capital Contribution that remains unpaid, and after the Capital Contribution has been paid back to HBC in full, any remaining net proceeds received in connection with a sale of the property shall be split equally between PMH and HBC. The parties acknowledge and agree that a memorandum evidencing the Distribution Purchase Option in favor of HBC may be recorded in the public records for Orange County, California.

4. **Project Ownership.**

(a) The Joint Venture currently owns or leases the following Projects:

- 1685 Toronto Way, Costa Mesa, CA 92626 ("1685 Toronto");
- 3505 Cadillac Ave., Unit N-3, Costa Mesa, CA 92626 ("Cadillac N-3");
- 3505 Cadillac Ave., Unit F-7, Costa Mesa, CA 92626 ("Cadillac F-7"); and
- 420 W. Central Avenue, Santa Ana, CA 92727 ("Retail Store").

All Projects acquired by the Joint Venture in the future will be subject to the terms of this Agreement.

(b) Except as otherwise set forth in Section 2 above, the JV Partners shall have the following beneficial ownership in every Project currently owned or later acquired, and operated by the Joint Venture: Taft: 25%; Holcombe: 25%; Burtin: 25%; HBC: 25%.

(c) HBC will use its best efforts to procure, on behalf of the JV Entities, all necessary financing for the buildout and startup of the manufacturing project at 1685 Toronto. Such financing for 1685 Toronto may be raised by HBC through debt financing, equity financing, a hybrid of debt and equity, or some other type of financing. (Based upon current projections, the build-out and start-up costs for 1685 Toronto is expected to be approximately \$1.0-1.2M.) Upon closing on the funding for the build-out and start-up of 1685 Toronto, HBC shall be assigned shares equal to a 25% ownership interest in the manufacturing operating entity (Toronto Way Partners, Inc.) and any affiliated entities, at no further cost to HBC.

(d) Except as set forth in Section 2 above, all JV Entities shall be beneficially owned by the JV Partners in the percentages listed in subsection (b) above. The JV Partners acknowledge that some entities may have record shareholders that result in different ownership percentages than reflected in subsection (b), but that beneficial ownership shall be as indicated in subsection (b) in any case. As of the date hereof, the JV Partners, not including HBC, represent and warrant that all of the shares authorized for each JV Entity have been issued and are outstanding.

(e) The JV Partners, not including HBC, further represent and warrant that (a) there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from any of the JV Entities any shares of stock (common or preferred), or any securities convertible into or exchangeable for shares of stock; and (b) all outstanding shares of the JV Entities' stock are subject to a right of first refusal in favor of the applicable JV Entity upon any proposed transfer (other than transfers for estate planning purposes).

(f) No other parties may be added to any JV Entity or Project without the unanimous vote of all of the JV Partners listed herein.

(g) It is the intent of the JV Partners that all JV Entities ultimately be held by PMH as the record shareholder unless state licensing would prevent such ownership, at which time the JV Partners shall mutually agree to the record ownership for those JV Entities not held in PMH.

(h) Except as otherwise set forth herein, all material decisions for any Project must be approved by JV Partners holding at least 75% of the outstanding shares for such JV Entity.

5. Real Property Matters.

(a) It is acknowledged and agreed that 1685 Toronto is owned by The Jorge Burtin Family Trust and The Rosalba Burtin Family Trust. Burtin hereby grants an option to purchase 25% of the Toronto Property to Taft for a purchase price equal to 25% of the amount paid by Burtin to acquire the Toronto Property ("Option Percentage Price"), plus interest equal to 6% compounded per annum of Option Percentage Price beginning to accrue from the date of purchase by Burtin. Burtin hereby grants an option to purchase 25% of the Toronto Property to Holcombe for a purchase price equal to 25% of the amount paid by Burtin to acquire the Toronto Property, plus interest equal to 6% compounded per annum of Option Percentage Price beginning to accrue from the date of purchase by Burtin. Burtin hereby grants an option to purchase 25% of the Toronto Property to HBC for a purchase price equal to 25% of the amount paid by Burtin to acquire the Toronto Property, plus interest equal to 6% compounded per annum of Option Percentage Price beginning to accrue from the date of purchase by Burtin. The above purchase options shall terminate upon termination of this Agreement or 25 years, whichever is earlier, and are granted in consideration for each JV Partner's execution of this Agreement and additional services to the Joint-Venture not included as capital contributions. In addition to the

foregoing options to purchase in favor of each JV Partner in accordance with his percentage set forth above, if at any time Burtin wishes to sell the Toronto Property to a third party, Burtin shall first offer to the other JV Partners the opportunity to purchase his percentage of the Toronto Property set forth above, at each applicable JV Partner's Option Percentage Price. Each JV Partner shall have thirty (30) days during which to accept said offer. If any JV Partner does not accept said offer within such 30-day period, Burtin shall be free to sell the non-accepting JV Partner's percentage interest to the third-party offer. In the event any JV Partner does not exercise its right of first refusal in accordance with the foregoing, if Burtin does not enter into an agreement with a third party and close on the transaction within ninety (90) days thereafter, each JV Partner's option to purchase set forth above shall survive and again be applicable.

(b) Should any other JV Partner acquire any other real property to be used by the Joint Venture in the future, he/it shall grant the Joint Venture an option to acquire such property on par with the above conditions (i.e. pro rata in proportion to the JV Partners' ownership percentages in the Joint Venture at a purchase price equal to the amount paid for the property, plus 6% per year interest).

6. **Right of First Refusal.** No JV Partner shall effect a transfer or disposition of its interests in the Joint Venture or any JV Entity or Project to a third party (a "**Restricted Transaction**") without first complying with the first-refusal provisions of this Section 6.

(a) **Notice.** Prior to a JV Partner effecting a transfer that is a Restricted Transaction, the JV Partner first shall deliver to the other JV Partners a written notice (the "**Transfer Notice**") of such proposed transfer, setting forth the name of the proposed recipient or transferee of the shares, the portion of the interests proposed to be transferred (the "**Offered Interests**"), and all terms and conditions of the proposed transfer. The JV Partner's delivery of such Transfer Notice shall be deemed to be an offer to sell such shares to the other JV Partners on the terms and conditions set forth in such Notice, pursuant to this Section 6.

(b) **Purchase by JV Partners.** During the period of fifteen (15) days following delivery of Notice, each other JV Partner may elect to purchase all or any portion of such Offered Interests by delivering to the selling JV Partner a written instrument specifying the portion of such Offered Interests that the JV Partner elects to purchase. If the other JV Partners in the aggregate timely elect to purchase more than the Offered Interests, then the Offered Interests shall be apportioned among the subscribing JV Partners in proportion to their respective holdings in the Joint Venture.

(c) **Closing.** If the entire Offered Interests proposed to be transferred is subscribed for as provided in Sections 6(b), above, then the closing of the purchase and sale of those Offered Interests shall be held on the date specified in the Transfer Notice, but in no event later than thirty (30) days after it is determined which parties are entitled to purchase such Offered Interests. At the closing, (i) the selling JV Partner shall execute and deliver an assignment or other transfer instrument in commercially reasonable form (including a warranty as to title) sufficient to vest in the purchasing JV Partner(s) title to the Offered Interests, free and clear of all liens and claims whatsoever, and (ii) the

purchasing JV Partner(s) shall deliver the purchase consideration in such amount and in such form as is specified in the Transfer Notice.

(d) **Failure to Purchase.** If the other JV Partners fail to elect to purchase pursuant to the foregoing provisions of this Section 6 any Offered Interests, then the selling JV Partner thereafter may transfer or assign such remaining Offered Interests to the person named in the Transfer Notice at the price and on the terms and conditions set forth therein. However, if the selling JV Partner fails to close the transfer of the Offered Interests to the person named in the Transfer Notice within ninety (90) days after expiration of the election periods specified in Sections 6(c) above, then such right shall terminate and the selling JV Partner thereafter shall not sell or transfer such Offered Interests to any person without first again complying with the provisions of this Section 6.

(e) The terms of this Section 6 shall apply to the ownership interests of all JV Entities whether or not such rights are enumerated in the JV Entities' governing documents.

7. **Transfers at Death and Upon Divorce.** Notwithstanding any other provisions of this Agreement:

(a) **Divorce.** If, in connection with the divorce or dissolution of the marriage of any JV Partner, any court issues a decree or order that transfers, confirms, or awards ownership interests in any of the JV Entities, Projects or this Joint Venture ("**Ownership Interests**"), or any portion thereof, to any Person other than the JV Partner, then the other JV Partners shall have the right and obligation to purchase from such JV Partner his or its Ownership Interests that was so transferred, and such transferee shall have the obligation to sell the Ownership Interests to the other JV Partners, at the price and on the terms set forth in Section 7(f). The term "person" shall include entities and associations, as well as natural persons.

(b) **Death of JV Partner's Spouse.** If, by reason of the death of a spouse of a JV Partner, any portion of shares is transferred to a person other than that JV Partner, then the JV Partner shall have the right and the obligation to purchase the Ownership Interests or portion thereof from the estate or other successor of his or her deceased spouse or transferee of such deceased spouse. The estate, successor, or transferee shall have the obligation to sell the Ownership Interests or portion thereof at the price and on the terms set forth in Section 7(f). If the JV Partner has failed for any reason to purchase the Ownership Interests within sixty (60) days after the date of death, the JV Partner immediately shall give notice to the other JV Partners, who shall have the right to purchase the Ownership Interests from the estate or other successor of the deceased spouse, and the estate or other successor of the deceased spouse shall have the obligation to sell the Ownership Interests to the other JV Partners, respectively, at the price and on the terms set forth in Section 7(e) and (f).

(c) **Death of JV Partner.** Upon the death of any JV Partner, the personal representative of the estate of the deceased JV Partner or trustee of any trust holding shares established by any deceased JV Partner shall have the authority to act on behalf of such estate or trust of the deceased JV Partner

with respect to exercising the deceased JV Partner's rights for the purpose of settling the deceased JV Partner's estate or administering the deceased JV Partner's property, including any power the deceased JV Partner's has under this Agreement. If, by reason of the death of the JV Partner, any portion of an Ownership Interest is transferred to, or would otherwise be distributed to a person that is not an existing JV Partner, then the estate or other successor or transferee immediately shall give notice to the other JV Partners who shall have the right to purchase from the estate or other successor or transferee of the deceased JV Partner, and the estate or other successor or transferee of the deceased JV Partner shall have the obligation to sell the Ownership Interests to the other JV Partners, respectively, at the price and on the terms set forth in Sections 7(e) and 6(f).

(d) **Failure to Purchase.** If the other JV Partners fail to elect and purchase the entirety of the Ownership Interests pursuant to the foregoing provisions of this Section 7, then the Ownership Interests shall be transferred to the non-permitted transferee. Any person who obtains shares pursuant to this Section 7 shall hold such Ownership Interests subject to all of the provisions of this Agreement and shall make no further transfers except in accordance with this Agreement.

(e) **Purchase Price.** The purchase price of the Ownership Interests that are the subject of an option to purchase under this Section 7 shall be the fair market value of such shares as determined under this Section 7(e). Each of the selling and purchasing parties shall use his or her best efforts to mutually agree on the fair market value within thirty (30) days following the applicable triggering event (the court decree or order in a divorce (7(a)), the date of death of an JV Partner's spouse (7(b)), the date of notice under 7(c), or, if the purchase price has not previously been determined, the expiration of the 60-day period referenced in Sections 7(a) and (b)). If the parties are unable to agree upon the fair market value within the foregoing thirty (30) day period, the selling and purchasing JV Partners shall engage a professional business appraiser. The appraiser shall, within sixty (60) days after its appointment, determine the fair market value of the Ownership Interests in writing and submit its report to the parties. The parties shall each pay for an equal share of the fee charged by the appraiser.

(f) The terms of this Section 7 shall apply to the ownership interests of all JV Entities, regardless of whether such rights are enumerated in any of the JV Entity's governing documents.

8. **Salaries of Management.** Should any of the JV Partners take a salary from the manufacturing or distribution JV Entities, then Ben Knight will also be entitled to a reasonable salary, in proportion to any other salaries being paid, the amount of which will be determined by JV Partners in good faith.

9. **Term and Termination.** This Agreement shall remain in effect so long as any Project is operating or expected to operate. This Agreement may be terminated by the mutual written agreement of all JV Partners.

10. **Final Agreement.** This Agreement terminates and supersedes all prior understandings or agreements on the subject matter hereof. Should this Agreement and the governing documents for any JV Entity conflict, the terms of this Agreement shall control.
11. **Severability.** If any provision hereof is invalid or unenforceable; then, to the fullest extent permitted by law, the other provisions hereof shall remain in full force and effect and there shall be deemed substituted for the provision at issue a valid, legal, and enforceable provision as similar as possible to the provision at issue in order to carry out the intentions of the JV Partners as nearly as may be possible.
12. **Notices.** Any notice required by this Agreement or given in connection with it, shall be in writing and shall be given to the appropriate party by personal delivery or by certified mail, postage prepaid, or recognized overnight delivery service to the addresses for the JV Partners listed on the signature page or such other address as provided by a JV Partner to the other JV Partners in writing.
13. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of California without resort to conflict of law principals. The parties agree that they will use their best efforts to amicably resolve any dispute arising out of or relating to this Agreement prior to litigation.
14. **Assignment.** Any person or entity who acquires an interest in the Joint Venture shall agree to be bound by this Agreement, and any person or entity who acquires an interest in any Project or JV Entity must agree to be bound by the terms and conditions of this Agreement as they relate to such person's or entity's interests in the Project or JV Entity.
15. **Jury Waiver.** Each party hereby irrevocably waives his/its rights to trial by jury in any action or proceeding arising out of this Agreement or the transactions relating to its subject matter.
16. **Anti-Dilution Rights.** All of the JV Partners shall agree by unanimous vote, in writing, before any JV Partner's ownership interest in any of the JV Entities is diluted or otherwise reduced, unless otherwise done so voluntarily by the JV Partner whose ownership interest is being reduced. Failure to procure the unanimous vote of all of the JV Partners prior to the issuance of additional shares in a JV Entity will result in each JV Partner's shares being subject to a full ratchet adjustment. Such ratchet adjustment shall occur automatically and without further action on the part of the JV Partners, who shall be issued an additional number of shares such that each JV Partner's percentage interest in the JV Entity remains the same as set forth in Section 4(b) above. Each JV Partner's shares in the JV Entities will also be subject to proportional adjustment in accordance with the foregoing for splits, dividends, combinations, recapitalizations, reorganizations or otherwise.
17. **Liquidation Preference.** In the event of a change of control of any JV Entity, or the liquidation, dissolution or winding-up or similar event for any JV Entity, HBC will be entitled to receive, as a liquidation preference prior to payment of any other capital accounts, the amount of HBC's Capital Contribution that remains outstanding. After this liquidation preference has been paid,

all remaining funds and assets of the entities legally available for distribution to the JV Partners in accordance with the distribution provisions set forth in such JV Entity's bylaws or under California law.

18. **Future Business Opportunities.** If at any time any JV Partner becomes aware of, or develops, creates, or invests in any cannabis-related business opportunity or venture, the discovering JV Partner agrees to notify the non-discovering JV Partners of such opportunity or venture and use good-faith efforts to allow the non-discovering JV Partners to have an equal option to invest or participate in the business opportunity or venture.

19. **Severability.** If at any time any provision of this Agreement or any part thereof is or becomes invalid or unenforceable, then neither the validity nor the enforceability of the remaining provisions or the remaining part of the provision shall in any way be affected or impaired thereby. The parties agree to replace the invalid or unenforceable provision or part thereof by a valid or enforceable provision which shall best reflect the parties' original intention and shall to the extent possible achieve the same economic result.

20. **Amendments.** This Agreement may be amended only in writing by an instrument signed by all of the JV Partners.

21. **Recitals.** The recitals to this Agreement are true and correct and made a part hereof.

[Signature Page for JV Partners on Following Page]

IN WITNESS WHEREOF, the JV Partners hereto have caused this Agreement to be entered into as of the date first above written.

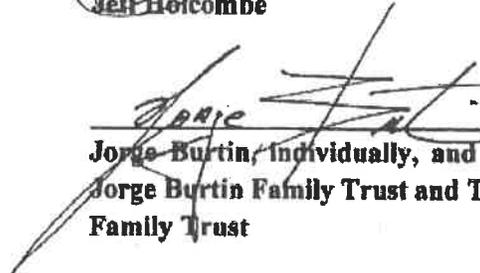
JV PARTNERS:



Robert Taft, Jr.



Jeff Holcombe



**Jorge Burtin, individually, and as trustee of The
Jorge Burtin Family Trust and The Rosalba Burtin
Family Trust**



**Ben Knight, as Manager of Hillsboro Brown
Capital, LLC**

Appendix A
(Joint Venture Entities)

- **CadillaX Partners, LLC, a California limited liability company;**
- **CMX Distribution, Inc., a California corporation;**
- **ECS Laboratories, Inc., a California corporation;**
- **Purple Mountain Holdings, Inc., a California corporation;**
- **Toronto Way Partners, Inc., a California corporation; and,**
- **Central Partners Group, Inc., a California corporation.**