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8 Alexander Levine

9  
10 **SUPERIOR COURT FOR THE STATE OF CALIFORNIA**

11 **COUNTY OF SAN FRANCISCO**

12  
13 Lisa Leder, Andrew Levine, and  
14 Alexander Levine,

15 Plaintiffs,

16 v.

17  
18 Eaze Technologies, Inc., Stachs LLC,  
19 James Henry Clark, Thomas Jermoluk,  
20 FoundersJT, LLC, Rogelio Choy, Cory  
21 Azzalino, and Francis Keith Handley  
22 III,

Defendants.

Case No.

**COMPLAINT**

**(1) Breach of Contract;**

**(2) Breach of the Implied Covenant of  
Good Faith and Fair Dealing;**

**(3) Fraudulent Inducement;**

**(4) Breach of Fiduciary Duty;**

**(5) Conversion; and**

**(6) Unjust Enrichment**

1 Plaintiffs Lisa Leder, Andrew Levine, and Alexander Levine (collectively,  
2 “Plaintiffs”) file this Complaint against Defendants Eaze Technologies, Inc. and Stachs  
3 LLC (collectively, “Eaze”), FoundersJT LLC (“FoundersJT”), and James Henry Clark,  
4 Thomas Jermoluk, Rogelio “Ro” Choy, Cory Azzalino, and Francis “Trey” Keith Handley  
5 (the “Individual Defendants”), collectively, “Defendants.”

### 6 **PRELIMINARY STATEMENT**

7 1. Plaintiffs Lisa Leder, Andrew Levine, and Alexander Levine ran a successful  
8 vertically-integrated cannabis company in Denver, Colorado known as Green Dragon.  
9 Green Dragon was a family owned business that operated sixteen premium cannabis  
10 dispensaries in locations throughout Colorado and offered products grown in its own state-  
11 of-the-art cultivation facilities, with more than 115,000 square feet of cultivation and  
12 wholesale product manufacturing facilities, a MMTC license, and cultivation facility, as  
13 well as manufacturing products which it sold in its own retail stores. As of 2020, Green  
14 Dragon was experiencing substantial growth with year-over-year sales increasing 35% and  
15 had a strategic vision for additional retail growth, acquisition, and new product  
16 development. All that changed, however, when Eaze Technology, Inc. and its majority  
17 shareholders fraudulently acquired and raided Green Dragon for their own personal gain.

18 2. In January 2021, Eaze and members of its board of directors, Defendant Clark  
19 and Defendant Jermoluk, approached Plaintiffs and offered to acquire Green Dragon. On  
20 or about January 28, 2022, Green Dragon merged with Eaze in an all stock acquisition  
21 merger. Unbeknownst to Plaintiffs, however, Eaze was a sham – it was not complying with  
22 applicable laws and regulations concerning the conduct of its business in California and it  
23 was in financial ruin – with so little working capital that it could not even make payroll.  
24 Nonetheless, Defendants made false representations and warranties to Plaintiffs, both  
25 orally and in the Merger Acquisition Agreement, to conceal these critical facts. Defendants  
26 made these false representations, knowing that they were false, so that they could acquire  
27 Green Dragon’s highly sought after and extremely lucrative cannabis licenses, production  
28 and manufacturing facilities, and retail location leases. In addition, Defendants wanted to

1 obtain Green Dragon’s proprietary cultivation, manufacturing, operational and retail  
2 standard operating procedures and trade secrets. Since then, Eaze—through the majority  
3 of its board of directors—and the Individual Defendants, have continued to operate  
4 illegally and to breach their fiduciary duties to Plaintiffs. As a result of this misconduct,  
5 Plaintiffs have lost millions of dollars in expected revenue and the value of their licenses  
6 has been diminished.

### 7 **THE PARTIES**

8 3. Plaintiff Lisa Leder is an individual residing in Boca Raton, Florida and a  
9 shareholder of Defendant Eaze Technologies, Inc.

10 4. Plaintiff Andrew Levine is an individual residing in Boca Raton, Florida and  
11 a shareholder of Defendant Eaze Technologies, Inc.

12 5. Plaintiff Alexander Levine is an individual residing in Denver, Colorado and  
13 a shareholder of Defendant Eaze Technologies, Inc.

14 6. Defendant Eaze Technologies, Inc. is a Delaware corporation with its  
15 corporate headquarters and principal place of business in San Francisco, California.

16 7. Defendant Stachs LLC is a Delaware limited liability company with its  
17 corporate headquarters and principal place of business in San Francisco, California.

18 8. Defendant James Henry Clark is an individual who, on information and belief,  
19 resides in New York.

20 9. Defendant Thomas Jermoluk is an individual who, on information and belief,  
21 resides in Florida.

22 10. Defendant FoundersJT LLC (“FoundersJT”) is a Delaware limited liability  
23 company. Defendants Clark and Jermoluk own and control FoundersJT, which owns  
24 approximately 35.7% of Defendant Eaze’s stock.

25 11. Defendant Rogelio Choy is an individual who, on information and belief,  
26 resides in Alameda County, California. Defendant Choy was Defendant Eaze’s CEO until  
27 September 15, 2022.

28 12. Defendant Cory Azzalino is an individual who, on information and belief,

1 resides in Los Angeles County, California. Defendant Azzalino was formerly Defendant  
2 Eaze's Chief Operating Officer and is currently Defendant Eaze's Chief Executive Officer.

3 13. Defendant Francis Keith Handley III is an individual who, on information and  
4 belief, resides in Denver, Colorado. Defendant Handley is currently Defendant Eaze's  
5 Chief Financial Officer.

6 Aiding, Abetting, and Conspiracy Allegations

7 14. At all times relevant to this Complaint, Defendants, and each of them, were  
8 acting in concert in a conspiracy to accomplish the acts set forth in detail below.

9 15. As members of the conspiracies alleged more fully below, each of the  
10 Defendants participated and acted with or in furtherance of said conspiracy, or aided or  
11 assisted in carrying out the purposes of the conspiracy, and have performed acts and made  
12 statements in furtherance of the conspiracy and other violations of California and other  
13 applicable law.

14 16. Indeed, at certain points during the events set forth below, Defendants Clark  
15 and Jermoluk expressly directed other members of Defendant Eaze's Board of Directors,  
16 including its former CEO, Defendant Choy, to take actions that were directly contrary to  
17 Plaintiffs interests without informing them.

18 17. Each Defendant acted both individually and in alignment with the other  
19 Defendants with full knowledge of their respective wrongful conduct. As such, Defendants  
20 conspired together, building upon each other's wrongdoing, in order to accomplish the acts  
21 set forth in this Complaint.

22 18. Defendants are individually sued as principals, participants, aiders and  
23 abettors, and co-conspirators in the wrongful conduct complained of and the liability of  
24 each arises from the fact that each has engaged in all or part of the improper acts, plans,  
25 schemes, conspiracies, or transactions complained of herein.

26 Alter Ego Allegations

27 19. At all relevant times, as alleged more fully herein, each Defendant acted as an  
28 agent, servant, employee, co-conspirator, alter-ego, and/or joint venturer of the other

1 Defendants, and in doing the things alleged herein, acted within the course and scope of  
2 such agency, employment, alter-ego, and/or in furtherance of the joint venture. Each of the  
3 Defendant's acts alleged herein was done with the permission and consent of each of the  
4 other Defendants.

5 20. Plaintiffs are informed and believe, and based thereon allege, that, at all times  
6 relevant hereto, the Individual Defendants were the alter ego of Defendant Eaze and  
7 Defendant Stachs and that there exists, and at all times herein mentioned has existed, a  
8 unity of interest and ownership between Defendants.

9 21. Specifically, without limitation and discussed below, Plaintiffs are informed  
10 and believe that the Individual Defendants: (1) controlled the business and affairs of  
11 Defendant Eaze and Defendant Stachs, including any and all of their affiliates; (2)  
12 disregarded legal formalities and failed to maintain arm's length relationships among the  
13 corporate entities; (3) inadequately capitalized Defendant Eaze and Defendant Stachs; (4)  
14 used the corporate entities as mere shells, instrumentalities or conduits for the Individual  
15 Defendants and/or their individual businesses; (5) manipulated the assets and liabilities  
16 between the corporate entities so as to concentrate the assets in one and the liabilities in  
17 another; (6) used corporate entities to conceal their ownership, management and financial  
18 interests and/or personal business activities; and/or (7) used the corporate entities to shield  
19 against personal obligations, and in particular the obligations as alleged in this Complaint.

20 18. At all times relevant thereto, Defendant Eaze and Defendant Stachs were not  
21 only influenced and governed by the Individual Defendants, but there was such a unity of  
22 interest and ownership that the individuality, or separateness, of Defendant Eaze and  
23 Defendant Stachs has ceased. Defendants acted inequitably, such that adherence to the  
24 fiction of the separate existence of these entities and failure to recognize Defendants as  
25 alter egos of one another would, under these particular circumstances, sanction a fraud or  
26 promote injustice.

1 **JURISDICTION AND VENUE**

2 22. Jurisdiction is proper in this Court pursuant to California Code of Civil  
3 Procedure Section 410.10, because Defendants and their co-conspirators and alter egos  
4 purposefully availed themselves of this forum by engaging in business within the state.

5 23. Venue is proper in this Court pursuant to California Code of Civil Procedure  
6 Section 395, *et seq*, because San Francisco County is the place where the misconduct set  
7 forth below occurred and where Defendants Eaze Technologies, Inc. and Stachs LLC  
8 maintain their principal place of business.

9 **FACTUAL ALLEGATIONS**

10 24. As of December 31, 2021, Plaintiffs owned Glenarm Capital LLC which was  
11 doing business as Green Dragon (“Green Dragon”). Green Dragon operated 16 cannabis  
12 dispensaries, four cultivation facilities, and two Manufacturing Infused Products licenses  
13 throughout Colorado, totaling 23 owned Colorado cannabis licenses. In addition, Green  
14 Dragon had a Florida MMTC license and had leased 22 locations in Florida, including 20  
15 stores and 2 cultivation facilities.

16 25. In January 2021, Eaze approached Plaintiffs to discuss a possible acquisition  
17 of Green Dragon. Plaintiffs had numerous conversations with Eaze management and  
18 ownership, including Defendant Clark and Defendant Jermoluk. During these  
19 conversations, Defendant Eaze and Defendant Clark stated, *inter alia*, that Defendant Eaze  
20 was looking to acquire Green Dragon’s operational expertise in cannabis cultivation,  
21 production, manufacturing, distribution, and retail operations. Green Dragon had been a  
22 profitable company and had tremendous success in restructuring other cannabis companies  
23 to make them profitable. In the proposed deal, Green Dragon would merge with Defendant  
24 Eaze’s subsidiary and would then subsequently operate as Defendant Eaze’s wholly owned  
25 subsidiary.

26 26. In an attempt to entice Plaintiffs to accept their proposal, Defendants Clark  
27 and Jermoluk met personally with Plaintiffs at their home in Florida and stated, among  
28 other things, that if Plaintiffs were to sell Green Dragon to Eaze: Plaintiffs would be equal

1 partners, with two seats on Eaze’s board of directors (just as Defendants Clark and  
2 Jermoluk had), that Plaintiffs would receive executive “C-suite” level roles, including  
3 Chief Executive Officer of the subsidiary, Chief Operations Officer of the merged  
4 company, and Chief Development Officer of the merged company, and that Eaze  
5 desperately needed Plaintiffs’ operational expertise and would be involved in running the  
6 company. Indeed, Defendants Clark and Jermoluk told Plaintiffs that Eaze’s then CEO,  
7 Defendant Choy, would be “very coachable” and would follow Plaintiffs’ advice  
8 concerning cost saving measures and other business reforms necessary to increase and  
9 improve Defendant Eaze’s business.

10 27. On or about February 16, 2021, Defendant Eaze and Green Dragon entered  
11 into a non-binding term sheet for an all equity merger by which Defendant Eaze would  
12 acquire Green Dragon. As initially contemplated, the merger would be an all equity deal  
13 wherein Plaintiffs would receive approximately 30% of Defendant Eaze. At this time,  
14 Green Dragon was valued at approximately \$200 million.

15 28. On June 1, 2021, the parties signed an Agreement and Plan of Merger (the  
16 “Merger Agreement”) by and among Eaze Technologies, Inc., a Delaware corporation,  
17 Everglades Merger Acquisition Sub, LLC, a Delaware limited liability company and a  
18 wholly owned subsidiary of Defendant Eaze, and Glenarm Capital LLC, and Andrew  
19 Levine, as the Seller Representative. Pursuant to and in accordance with the terms of the  
20 Merger Agreement, on January 28, 2022, Plaintiffs Alex Levine, Andrew Levine and Lisa  
21 Leder sold their entire ownership interest in Green Dragon to Defendant Eaze, with Green  
22 Dragon becoming a wholly-owned subsidiary of Defendant Eaze as a result of the merger.  
23 Plaintiffs did not receive any cash consideration from Defendant Eaze in connection with  
24 the sale of Green Dragon. The consideration Plaintiffs received consisted of shares of Eaze  
25 Series E Preferred Stock that represented an approximate thirty percent (30%) ownership  
26 interest in Eaze.

27 29. The Merger Agreement also included a \$30 million CapEx loan from  
28 Defendant Eaze to Mount Dora Farms LLC (a subsidiary of Glenarm Capital LLC)

(Borrower) and Glenarm Capital LLC (Guarantor) (the “CapEx Loan”). The CapEx Loan contained a maturity of the earlier of (i) thirty days after termination of Merger pursuant to section 6.1(c) or (ii) 180 days after the date of the termination of the Merger pursuant to Section 6.1(a)(b),(d) or (e). Funds were to be made available in two tranches: Tranche A for \$10,500,000 and Tranche B for \$19,500,000. Interest on the CapEx loan was 8%.

30. On June 1, 2021, Plaintiff Leder entered into an agreement to loan DP Holdings Colorado, LLC (as Borrower) (a subsidiary of Glenarm Capital LLC) and Glenarm Capital LLC (as Guarantor) up to \$20,000,000 (“Plaintiff Leder’s Loan”). The purpose of the loan was to fund Green Dragon’s operational expenses and to allow the company to pay off its Florida license note (the “Florida License Note”). The loan agreement contained an 8% interest rate with a four year maturity date, interest only for the first year, with principal payments to begin in Year 2 of the loan.

31. On August 13, 2021, the Eaze / Green Dragon merger was approved by the state of Florida and the merger was publicly announced on August 18, 2021.

32. Defendants did not fund Tranche B of the CapEx loan and failed to do so in bad faith. Instead, Defendants stated that Tranche B would not be funded until Plaintiff Leder’s Loan was fully drawn down. This was contrary to the parties’ discussions wherein Plaintiff Leder stated that Plaintiff Leder’s Loan would be used to pay off Green Dragon’s indebtedness and not for capital expenditures. As a result, Green Dragon’s Florida Operations were underfunded and not built on schedule.

33. On August 25, 2021, the parties amended the loan agreement for Plaintiff Leder’s Loan (“First Loan Amendment”). The First Loan Amendment revised the loan commitment to \$15,645,290 and amended the use of proceeds to be “used to fund capital expenditures.” Principal payments were set to begin on January 1, 2022.

34. On September 17, 2021, Plaintiffs and members of Defendant Eaze’s board, including Defendants Clark, Jermoluk, Choy, and Azzalino met at Defendant Clark’s home. At this meeting, Defendant Jermoluk, an Eaze board member and Defendant Clark’s business partner, represented that Eaze had \$20,000,000 in cash on hand, set forth all of



1 the deals and acquisitions that Eaze would allegedly complete, and represented that after  
2 Eaze obtained Series E financing in the upcoming year, that it would have cash-on-hand in  
3 excess of \$70,000,000. In actuality, Defendant Eaze had *significantly less* cash on hand  
4 than Defendants Clark and Jermoluk represented to Plaintiffs and other potential investors  
5 and had exceptionally more monies owed in accounts payable than represented to  
6 Plaintiffs. Moreover, unbeknownst to Plaintiffs, Defendants had already considerably  
7 drawn down on other credit facilities, including those offered by Defendant Clark, by the  
8 time of this September 17, 2021 meeting and, by the time of closing on the Series E  
9 financing, had already spent most of the \$77,000,000 raised/to be raised in the Series E  
10 financing to fund Eaze's operational cash burn, which Defendants had previously  
11 represented would be used for growth and acquisitions. Defendant Jermoluk made these  
12 false representations in an effort to convince Plaintiffs to continue with the Green Dragon  
13 / Eaze merger.

14 35. In December 2021, Defendants, through their representatives, including  
15 Defendant Handley, asked Plaintiff Leder to forgo collecting principal payments on  
16 Plaintiff Leder's Loan that were set to begin on January 1, 2022. Accordingly, Plaintiff  
17 Leder, in good faith and in an effort allow the company to continue to grow, agreed to delay  
18 the commencement of principal payments for an additional year. In actuality, and  
19 unbeknownst to Plaintiffs, Eaze and the Individual Defendants concealed from Plaintiffs  
20 that Defendant Eaze simply could not have afforded to make the principal payments on  
21 Plaintiff Leder's Loan.

22 36. Unbeknownst to Plaintiffs, on or about January 12, 2022, Defendant Eaze's  
23 then CEO, Defendant Choy, spoke with Defendant Clark and others and indicated that if  
24 Eaze did not close the Green Dragon merger, that Eaze would not have sufficient funds to  
25 make payroll and would be insolvent. On January 21, 2022, Defendants had an emergency  
26 board meeting wherein Eaze's then CEO, Defendant Choy, communicated that unless  
27 Defendants were able to close the Merger Agreement, they would not be able to satisfy  
28 Eaze's mid-February payroll obligations. Defendant Eaze and its principals did not disclose

1 this fact to Plaintiffs. Instead, Defendants fraudulently induced Plaintiff Leder to delay  
2 principal payments on Plaintiff Leder’s Loan for an additional year in exchange for a  
3 minimal interest rate increase. Additionally, Defendants attempted to coerce Plaintiff Leder  
4 to execute an intercreditor agreement with another third-party, Focus Growth Asset  
5 Management, LP (“Focus Growth”), in order to secure a \$38.5 million debt facility.  
6 Unbeknownst to Plaintiffs, Defendant Azzalino had promised Focus Growth that the  
7 intercreditor agreement would be forthcoming – despite that fact that Plaintiffs, including  
8 Plaintiff Leder, had no knowledge of any such promise until after the Merger was  
9 completed. Defendants concealed this false promise to Focus Growth from Plaintiffs.

10 37. On January 26, 2022, the parties again amended the loan agreement for  
11 Plaintiff Leder’s Loan (the “Second Loan Amendment”). The Second Loan Amendment  
12 revised the interest rate to 11% effective January 1, 2022. Amortized payments of interest  
13 and principal were due to be repaid starting on January 1, 2023.

14 38. Defendants’ concealment of Defendant Eaze’s dire financial condition was  
15 intentional and malicious. Despite the fact that the Merger did not close until January 2022,  
16 Defendants did not provide Plaintiffs with meeting minutes or board presentations for  
17 board of directors meetings that occurred in, at least, June, August, and November 2021  
18 and January 2022. These undisclosed documents would have revealed to Plaintiffs that  
19 Defendant Eaze was in dire financial straits and would have contradicted Defendants’ false  
20 representations to the contrary to Plaintiffs. On information and belief, Defendants  
21 concealed these meeting minutes and/or board presentations from Plaintiffs because they  
22 knew (and internally discussed) that if Plaintiffs had learned the true state of affairs they  
23 would have pulled out of the Merger.

24 **A. The Green Dragon Merger Agreement.**

25 39. The Green Dragon / Eaze Merger closed on or about January 28, 2022.  
26 Defendant Eaze made numerous false representations and warranties to Plaintiffs and  
27 Green Dragon in the Merger Agreement. Specifically, Defendant Eaze represented and  
28 warranted as follows:

1           40.   “3.1 Organization of Parent and Merger Sub. Each of Parent and Merger Sub  
2 is a corporation or limited liability company, as applicable, duly organized, validly existing  
3 and in good standing under the Laws of the respective jurisdiction of its incorporation or  
4 formation, as applicable. *Each of Parent and Merger Sub has all the requisite corporate*  
5 *or limited liability company, as applicable, power and authority to own, lease and operate*  
6 *its properties and to carry on its business as currently being conducted.* Each of Parent  
7 and Merger Sub is duly qualified or licensed to do business and is in good standing as a  
8 foreign corporation or limited liability company, as applicable, in each jurisdiction in which  
9 it conducts business, except for those jurisdictions where the failure to be so qualified  
10 would not reasonably be expected to be material to Parent and its Subsidiaries, taken as a  
11 whole. Each of Parent and Merger Sub has made available to the Company a true and  
12 correct copy of its Organizational Documents (collectively, the “Parent and Merger Sub  
13 Charter Documents”) as of the date of this Agreement. *Neither Parent nor Merger Sub is*  
14 *in material violation of any of the provisions of the Parent and Merger Sub Charter*  
15 *Documents.* Merger Sub is a direct, wholly owned Subsidiary of Parent, has been organized  
16 solely for the purpose of consummating the transactions contemplated herein and does not  
17 conduct, and has never conducted, any business or other operations.” (emphasis added).

18           41.   “3.10(f)(i) Intellectual Property ... The use or exploitation of the Parent  
19 Products or Parent Technology, and (ii) *the conduct of the Parent Business*, (1) do not,  
20 and will not infringe, misappropriate, or otherwise violate the Trademark rights of a third  
21 party, (2) to Parent’s Knowledge, the Intellectual Property Rights (other than Trademark  
22 rights) of a third party; and (3) *to Parent’s Knowledge, do not and will not constitute*  
23 *unfair competition or trade practices under the Laws of any jurisdiction.*” (emphasis  
24 added).

25           42.   “3.10(h) (h) The conduct of the Parent Business, and all collection, use, and  
26 other processing of Covered Data by the Parent, its Subsidiaries, or any Parent Products or  
27 Parent Technology, comply and at all times have complied in all material respects with all  
28 applicable bylaws, operating regulations and all other applicable rules, policies and

requirements of Payments Organizations, and with all Laws and Payments Obligations. Other than (i) limitations arising under or in relation to applicable Law, (ii) banking and payment processing restrictions and limitations endemic in the cannabis industry, (iii) lack of access to credit card processors and related services, and (iv) Parent’s and its Subsidiaries’ reliance on third parties for processing and retaining funds received or used in the operation of Parent’s and its Subsidiaries’ respective businesses, ***there are no material limitations on the ability of the Parent or its Subsidiaries to accept or retain any type or amount of any payment or other consideration paid to Parent or its Subsidiaries in the operation of their respective businesses.***” (emphasis added).

43. “3.13(a) Compliance with Laws ***Each of Parent and its Subsidiaries is, and during the three (3) years prior to the date of this Agreement has been, in compliance in all material respects with all Laws applicable to Parent, such Subsidiary and their respective businesses, properties or assets.***” (emphasis added).

44. “3.14 Permits Parent and each of its Subsidiaries have been issued all Permits that are required for the operation of the business of Parent or such Subsidiary, as applicable, as currently conducted (collectively, the “Parent Permits”), and each such Parent Permit is in full force and effect. Parent and each of its Subsidiaries is in material compliance with all such Parent Permits. As of the date of this Agreement, to Parent’s Knowledge, no suspension, cancellation, modification, revocation or nonrenewal of any Parent Permit is pending or threatened in writing or orally.”

45. “Permit” is defined to include “any permits, licenses, authorizations, consents, approvals, and franchises from Governmental Authorities.”

46. “5.3 Additional Conditions to the Obligations of the Company. The obligation of the Company to effect the Merger also shall be subject to the satisfaction at or prior to the Closing of each of the following conditions, any of which may be waived, in writing, exclusively by the Company: ... (c) No Material Adverse Effect. There shall not have occurred a Parent Material Adverse Effect.” The Merger Agreement defines “Parent Material Adverse Effect” as “any Change individually or in the aggregate, and taken

1 together with all other Changes, that has had or would reasonably be expected to have a  
2 material adverse effect on the business, operations, financial condition or results of  
3 operations of the Parent; provided, however, that no Change (by itself or when aggregated  
4 or taken together with any and all other Changes) directly or indirectly resulting from,  
5 attributable to or arising out of any of the following shall be deemed to be or constitute a  
6 “Parent Material Adverse Effect,” and no Change (by itself or when aggregated or taken  
7 together with any and all other such Changes) directly or indirectly resulting from,  
8 attributable to or arising out of any of the following shall be taken into account when  
9 determining whether a “Parent Material Adverse Effect” has occurred or may, would or  
10 could occur. ...”.

11 47. Additionally, in the in Parent Disclosure Schedules, Defendant Eaze  
12 warranted:

13 48. **“SECTION 3.13(a) Compliance With Laws** Compliance with California  
14 State Law. The Parent takes the position that it does not possess, cultivate, distribute,  
15 dispense, store, manufacture, deliver or transmit cannabis, and the Parent does not have the  
16 appropriate licenses, permits or legal defenses to do so. The Parent does have a wholly  
17 owned subsidiary that either owns, in whole or in part, cannabis retailers and a cannabis  
18 distributor and/or participates in the direction and control of cannabis retailers via master  
19 services agreements. The Parent’s subsidiaries have notified the proper regulatory agencies  
20 of their participation and have either already disclosed or are in the process of disclosing  
21 themselves as either as an owner of a cannabis license. Under the permanent regulations  
22 now in effect, the Parent is operating as a technology platform facilitating deliveries being  
23 conducted by licensed retailers and microbusinesses. There is the possibility that via an act  
24 of the California legislature or the Bureau, changes to the current regulatory structure may  
25 require that the Parent change its business practices to remain in compliance with state  
26 laws.” (emphasis added).

27 49. “Compliance with California Local Law. The Parent takes the position that it  
28 does not possess, cultivate, distribute, manufacture, dispense, store, deliver or transmit

1 cannabis, and the Parent does not have licenses, permits, or legal defenses to do so;  
2 however, the Parent is disclosed as an owner on commercial cannabis licenses (see Section  
3 3.14 of this Parent Disclosure Schedule). Stachs LLC has notified the proper regulatory  
4 agencies of their participation and either has disclosed or is in the process of disclosing  
5 itself as either an owner of cannabis retailers or a distributor. The Parent provides services  
6 and technology to licensed retailers and microbusinesses that, to the Parent's knowledge,  
7 do not violate applicable local municipal California ordinances regulating cannabis. The  
8 Parent does have a wholly owned subsidiary—Stachs LLC—that either owns and/or  
9 participates in the direction and control of cannabis retailers and/or microbusinesses via  
10 master services agreements.”

11 50. Additionally, the Merger Agreement states in Section 4.12(f): “Any Tax  
12 refund (including a Tax credit, or offset against Taxes, in each case in lieu of a Tax refund,  
13 and including any interest paid or credited by a taxing authority with respect thereto)  
14 relating to Taxes paid by the Company or any Subsidiary of the Company prior to the  
15 Closing for any Pre-Closing Tax Period shall be the property of the Holders, and if received  
16 by the Parent, Surviving Company or any Affiliate thereof shall be paid over promptly to  
17 the Holders in accordance with their Pro Rata Portion; provided, however, that the Parent  
18 shall be entitled to, and the Holders shall not be entitled to, any Tax refund (or credit or  
19 offset in lieu of a refund) (i) resulting from the carryback or utilization of any net operating  
20 loss or other Tax attribute from a tax period other than a Pre-Closing Tax Period (including  
21 the portion of any Straddle Tax Period beginning after the Closing Date), (ii) that is required  
22 to be paid over to any third party pursuant to any Contract (other than this Agreement) in  
23 existence prior to the Closing or (iii) that was taken into account in, and that actually  
24 reduced the Merger Consideration, as finally determined.”

25 51. Unbeknownst to Plaintiffs, these representations and warranties were false  
26 when made for all of the reasons set forth below.  
27  
28

1           **B.     Eaze’s Fraud and Illegal Activities.**

2                   1.     Plaintiffs Discover That Defendants Lied to Them About Eaze’s  
3                             Capital and Business Operations.

4           52.     After the Eaze / Green Dragon merger closed, Plaintiffs gained access to  
5 Eaze’s financial operations and discovered, for the first time, that Eaze’s financial position  
6 was substantially worse than represented to Plaintiffs prior to closure.

7           53.     In or around February 2022, members of Eaze’s legal and public policy teams  
8 left the company. On information and belief, Eaze deleted and willfully spoliated these  
9 attorneys’ and other employee’s email accounts in an attempt to hide and destroy  
10 information related to Eaze’s fraud and illegal activities set forth below.

11           54.     At all times prior to the Merger, Defendant Eaze held itself out to the public  
12 and Plaintiffs as a technology company that operates under a “Doordash-like” model with  
13 respect to cannabis distribution. Specifically, Eaze, and its subsidiaries, entered into  
14 Management Agreements (“MSAs”) with licensed cannabis holders whereby Defendant  
15 Eaze would deliver the licensed cannabis holders’ product.

16           55.     Unbeknownst to Plaintiffs at the time of the Merger Agreement, however, the  
17 majority of Defendant Eaze’s and Stachs’s actual operations, were not in compliance with  
18 the law. Defendants Eaze and Stachs purchase their own inventory, hire and manage their  
19 own employees/delivery drivers, and capture 100% of the proceeds from sale of  
20 merchandise and delivery fees. Only a flat fee is paid to the MSA licensees, monthly.  
21 Defendants Eaze and Stachs are essentially “renting” multiple cannabis licenses and  
22 operating their own business at the licensed premises (in some instances, alongside the  
23 actual license holders) in violation of California law. On information and belief,  
24 Defendants Eaze’s and Stachs’s MSAs are structured so that the license holder relinquishes  
25 control over the delivery operations, inventory, employees, and the revenue to Defendants  
26 Eaze and Stachs, thereby unlawfully using the licensee’s name and license to run its  
27 delivery business from the licensed premises. By way of example only, Defendant Eaze  
28 and Defendant Stachs’s MSAs:

- state that the licensee company shall not engage any third party or permit any third party other than Defendants Eaze and Stachs to operate a cannabis product delivery service at the Depot;
- state that Defendants Eazes and Stachs will have control over all inventory and employees and that the licensee company cannot hire/fire employees without Defendants' approval;
- refer to the products sold as "Stachs" products;
- state that all revenue derived from the Delivery Business will be paid to one or more bank accounts held by a bank selected by Defendants that is held in Defendants name;
- treat expenses associated with the Delivery Business as Defendants'; and
- contemplate that Defendants will keep the entirety of the revenue generated from the delivery operations less a flat fee that is paid to the license holder, including requiring Defendants to maintain books and accounts of such revenue.

56. As set forth above and unbeknownst to Plaintiffs at the time of the Merger, Defendants actual operations were far more extensive than described in the MSAs. Defendants purchase their own inventory, hire and manage their own employees/delivery drivers, and capture 100% of the proceeds from delivery sales. The conduct set forth above violates, *inter alia*, Title 4 of the California Code of Regulations sections 15000.4 and 15415.1. On information and belief, Defendants have received pushback from California cannabis regulatory agencies and California tax authorities with regard to their business operations. Unbeknownst to Plaintiffs at the time of the Merger, Eaze had also been knowingly misreporting its taxes and over-collecting sales tax, but hid those facts from Plaintiffs.

57. On information and belief, Defendants knowingly conducted their business operations in violation of California law and knowingly and falsely misrepresented their business operations to representatives of the State of California.



2. Defendants Unlawfully Retaliate Against Plaintiffs And Cut Them Out of Eaze's Business Dealings.

58. In January 20, 2023, Plaintiffs sent letters to Eaze's HR Department complaining of, *inter alia*: (1) a hostile work environment; (2) gender discrimination against Plaintiff Leder; (3) intimidation; and (4) failure to pay Plaintiff Leder's salary. Upon information and belief, Defendant Eaze's Human Resources Department did not conduct a proper investigation.

59. On January 25, 2023, Defendant Eaze placed Plaintiffs on "paid administrative leave" via text message. Defendant Eaze then cut off Plaintiffs' access to their company emails.

60. On February 12, 2023, Defendant Eaze terminated Plaintiffs' employment. Defendant Eaze did not provide Plaintiffs any basis for the termination. Instead, Defendant Eaze stated only as follows: *You will receive your final paycheck tomorrow via UPS. The tracking number is.... I wish you the best in your future endeavors. Please let me know if you have questions.*"

61. Presently, Defendants have cut Plaintiffs out of all operational decisions relating to the company.

62. Upon uncovering Defendants' fraud and illegal conduct, Plaintiffs attempted to remedy and discuss the issues with Defendant Eaze's controlling board members. In response, however, Defendants unlawfully retaliated against Plaintiffs.

63. Additionally, on information and belief, the Individual Defendants and Defendants Eaze and Defendant Stachs routinely disregarded corporate formalities in an effort to cut Plaintiffs out of decision-making at Eaze. By way of example only, the Individual Defendants, including Defendant Clark would have secret meetings with other board members, at which no minutes were taken, to decide on a course of conduct only to then rubberstamp the decision at Defendant Eaze's board meetings without discussion or consideration in which Plaintiffs could participate. These actions violated Defendant Eaze's Amended and Restated Bylaws. On at least one instance, the Individual Defendants

1 had these secret meetings specifically to avoid providing Plaintiffs the opportunity to object  
2 to the misconduct set forth in this litigation. For that reason, Plaintiffs were powerless to  
3 stop Defendant Eaze's illegal and fraudulent conduct set forth herein.

4 3. The FoundersJT Loan

5 64. In June 2022, Plaintiff Leder and Defendant Clark were discussing providing  
6 an additional loan to Eaze that was to be funded equally by Plaintiff Leder and Defendant  
7 Clark. A term sheet reflecting this loan was executed on June 8, 2022. The Eaze Board of  
8 Directors approved this loan on June 15, 2022. At Defendant Eaze's request, Plaintiff Leder  
9 subsequently funded the company \$2.5 million. These funds were sent directly to Eaze's  
10 bank account. Defendant Eaze's counsel placed Defendant Clark's funds into escrow.  
11 Ultimately, Plaintiff Leder and Defendant Clark were unable to finalize the terms of this  
12 loan because Defendant Clark insisted: (a) Plaintiff Leder's original loan must be  
13 subordinated to the FoundersJT loan; (b) that certain protective provisions at the Eaze  
14 board level must be removed; and (c) on refusing to allow Plaintiffs Leder and Levine to  
15 take control of Defendant Eaze's cash burn. Between June 2022 and September 23, 2022,  
16 Defendant Eaze refused to return Plaintiff Leder's \$2.5 million, which it only eventually  
17 returned after Plaintiff Leder hired counsel.

18 65. On or about August 17, 2022, Defendant FoundersJT entered into a Note  
19 Purchase and Security Agreement and Secured Note with Defendant Eaze (the  
20 "FoundersJT Note") which allowed FoundersJT to loan to Eaze approximately \$36.9  
21 million in installments through Secured Notes. FoundersJT is the Collateral Agent on the  
22 collateral. FoundersJT loaned the first installment of \$10,350,000.00 the week of August  
23 17, 2022, following execution of the FoundersJT Note. Under the FoundersJT Note,  
24 Defendant Eaze promised to satisfy defined financial covenants such as minimum monthly  
25 revenue requirements. The FoundersJT Note establishes a series of minimum revenue and  
26 earnings requirements on a monthly basis starting in January 2023 and continuing through  
27 December 31, 2023. If Defendant Eaze fails to satisfy the performance milestones, it risks  
28 default under the FoundersJT Note. In particular, the FoundersJT Note provides that if

1 Defendant Eaze shall fail to perform or observe (i) certain covenants or agreements  
2 contained in the FoundersJT Note or (ii) any other covenant, or agreement contained in any  
3 Transaction Document and such failure remain unremedied for thirty days, then Defendant  
4 Eaze is in default of the Note Agreement. Upon the occurrence of an Event of Default, the  
5 FoundersJT note purports to allow FoundersJT to declare all outstanding obligations and  
6 repayment of the loan to be immediately due and payable and to provide FoundersJT with  
7 the “rights, options, duties and remedies of a secured party as permitted by law.” The  
8 FoundersJT Note also purports to allow FoundersJT to exercise certain remedies, including  
9 FoundersJT taking “immediate possession of the Collateral, or any portion thereof,” and  
10 entering “any premises of [Defendant Eaze], with or without notice, demand, process of  
11 law or legal procedure, [] and search for, take possession of, remove, keep and store” the  
12 “Collateral”. Moreover, the FoundersJT Note purports to allow FoundersJT to “sell and  
13 dispose of the Collateral, or any part thereof, at a private sale or at public auction, to the  
14 highest bidder” and contained a 3.5x change of control premium and/or 3.5x liquidation  
15 preference.

16         66. On information and belief, this loan was negotiated and executed while  
17 Defendants Clark and Jermoluk were both members of FoundersJT and sat on Defendant  
18 Eaze’s Board of Directors. On information and belief, the FoundersJT Loan contains  
19 covenants that Defendants Eaze, FoundersJT, and the Individual Defendants knew were  
20 not obtainable. The FoundersJT Note was a breach of fiduciary duty by Defendants Clark  
21 and Jermoluk and Defendant Eaze. Defendant Clark and Defendant Jermoluk serve as Eaze  
22 directors and they own and control FoundersJT – the entity that loaned Eaze funds under  
23 the Note Agreement. This is a classic example of a “standing on both sides” conflict of  
24 interest. Nonetheless, Defendants Clark and Jermoluk remained on the board of Defendant  
25 Eaze and stayed there until after the company, due to their actions, defaulted on the  
26 FoundersJT loan.

1 **FIRST CAUSE OF ACTION**

2 **BREACH OF CONTRACT**

3 (By Plaintiffs Against All Defendants)

4 67. Plaintiffs incorporate by reference each and every allegation contained in each  
5 paragraph above as though the same were set forth in full herein.

6 68. Plaintiffs and Defendant entered into a valid contract, the Merger Agreement.

7 69. Plaintiffs have performed all covenants, conditions, and promises required on  
8 their part to be performed in accordance with the Merger Agreement, except to the extent  
9 that such performance was prevented or excused from performing.

10 70. By their actions set forth in detail above, Defendants materially breached their  
11 representations and warranties under the Merger Agreement, including but not limited to  
12 Sections 3.1, 3.10(f)(i), 3.10(h), 3.13(a), 3.14, 4.12(f), 5.3, and Parent Disclosure Schedule  
13 3.13(a). Defendants did so by, *inter alia*: (a) unlawfully operating their business in  
14 violation of, *inter alia*, Title 4 of the California Code of Regulations sections 15000.4 and  
15 15415.1; (b) wrongfully withholding monies owed to Green Dragon under the Merger  
16 Agreement Section 4.12(f); and (c) unlawfully retaliating against Plaintiffs when they  
17 complained of Defendants' malfeasance. The Individual Defendants conspired with, aided,  
18 or abetted Defendant Eaze to breach the Merger Agreement and/or are the alter egos of  
19 each other.

20 71. As a result of Defendants' breaches, Plaintiffs have sustained substantial harm  
21 in an amount to be proven at trial.

22 72. Defendants' breaches were a substantial factor in causing Plaintiffs' harm.

23 73. Defendants' ongoing breaches of the Merger Agreement set forth above pose  
24 a serious and immediate threat to Plaintiffs and entitle Plaintiffs to injunctive relief.

25 74. Should Defendants and their co-conspirators be permitted to pursue the course  
26 of conduct described above, the damage to Plaintiffs would be irreparable and any later  
27 judgment would be rendered ineffectual. Thus, injunctive relief is appropriate to prevent  
28 the continuing breach of these obligations by Defendants.

## BREACH OF THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING

75. Plaintiffs incorporate by reference each and every allegation contained in each paragraph above as though the same were set forth in full herein.

77. Plaintiffs have performed all of their obligations under the Merger Agreement.

79. As a direct and proximate result of Defendants' breach of this covenant, Plaintiffs have been harmed by Defendants' conduct.

81. Should Defendants and their co-conspirators be permitted to pursue the course of conduct described above, the damage to Plaintiffs would be irreparable and any later judgment would be rendered ineffectual. Thus, injunctive relief is appropriate to prevent the continuing breach of these obligations by Defendants.

1 **THIRD CAUSE OF ACTION**

2 **FRAUDULENT INDUCEMENT**

3 (By Plaintiffs Against All Defendants)

4 82. Plaintiffs incorporate by reference each and every allegation contained in each  
5 paragraph above as though the same were set forth in full herein.

6 83. In the course of negotiating the Merger Agreement, Defendants made the false  
7 representations set forth in detail above.

8 84. Defendants knew that these statements were false and fraudulent at the time  
9 that they made them to Plaintiffs and/or recklessly made these false and fraudulent  
10 statements to Plaintiffs without regard for their truth. The Individual Defendants conspired  
11 with, aided, or abetted the Defendant Eaze to make these fraudulent statements and/or are  
12 the alter egos of Defendant Eaze and each other.

13 85. Defendants intended that Plaintiffs would rely on these false and fraudulent  
14 statements and Plaintiffs reasonably relied on these false and fraudulent financial  
15 statements.

16 86. Moreover, Defendant Eaze and Defendants Clark and Jermoluk (by their roles  
17 as board members of Eaze), had exclusive control of the CEO, and thus, the day-to-day  
18 operation of Eaze and intentionally failed to disclose to Plaintiffs the true nature of Eaze's  
19 illegal business operations. These facts were known only to Defendants and which  
20 Plaintiffs could not have discovered. Nonetheless, Defendants failed to disclose that Eaze  
21 was operating illegally in an effort to unjustly enrich themselves and close the Green  
22 Dragon merger. The Individual Defendants conspired with, aided, or abetted Defendant  
23 Eaze to conceal these facts and/or are the alter egos of Defendant Eaze.

24 87. Moreover, Defendants disclosed some facts as to Eaze's operations and  
25 financial condition, but intentionally failed to disclose the true nature of Eaze's illegal  
26 operations and pending insolvency, making the disclosure deceptive. In addition, through  
27 their conduct set forth in detail above, Managing Defendants prevented Plaintiffs from  
28 knowing the true nature of Eaze's illegal operations and pending insolvency. The

Individual Defendants conspired with, aided, or abetted Defendant Eaze to conceal these facts and/or is the alter ego of Defendant Eaze.

88. Due to Defendants' fraud, Plaintiffs did not know the true nature of Eaze's illegal operations and pending insolvency. The Individual Defendants conspired with, aided, or abetted Defendant Eaze to conceal these facts and/or are the alter ego of Defendant Eaze.

89. Defendants intended to conceal the true nature of Eaze's illegal operations and pending insolvency from Plaintiffs in an effort to unjustly enrich themselves. The Individual Defendants conspired with, aided, or abetted Defendant Eaze to conceal these facts and/or are the alter ego of Defendant Eaze.

90. Had Defendants disclosed the true nature of Eaze's illegal operations and pending insolvency, Plaintiffs would not have entered into the Merger Agreement and would not have provided loans or funding to Eaze.

91. Defendants' fraud was a substantial factor in causing Plaintiffs' harm.

92. The above-described acts were done willfully and maliciously, with the deliberate intent to injure Plaintiffs and, on information and belief, for Defendants' benefit and financial gain, as well as the benefit and financial gain of their co-conspirators, thereby entitling Plaintiffs to exemplary damages pursuant to California Civil Code § 3294 and/or attorneys' fees to be proven at trial.

#### **FOURTH CAUSE OF ACTION**

#### **BREACH OF FIDUCIARY DUTY**

(By Plaintiffs Against All Defendants)

93. Plaintiffs incorporate by reference each and every allegation contained in each paragraph above as though the same were set forth in full herein.

94. As directors and board members of Eaze, the Individual Defendants owed Plaintiffs fiduciary duties, including strict duties of loyalty, good faith, and fair dealing.

95. Plaintiffs were entitled to place their trust and confidence in the Individual Defendants and to expect them to act with the utmost good faith toward it in carrying out

1 the business of Eaze. The Individual Defendants breached this duty of loyalty by acting in  
2 their own self-interests at the expense of Eaze as set forth above.

3 96. As a direct and proximate result of the Individual Defendants' breach of their  
4 fiduciary duties, Plaintiffs have been and are being irreparably harmed.

5 97. Plaintiffs are entitled to damages, in an amount to be determined at trial, as  
6 well as disgorgement from Defendants, and the forfeiture and return of all monies,  
7 compensation, and property paid to or transferred to Defendants.

8 98. The above-described acts were done willfully and maliciously, with the  
9 deliberate intent to injure Plaintiffs and for Defendants' benefit and financial gain, as well  
10 as the benefit and financial gain of their co-conspirators, thereby entitling Plaintiffs to  
11 exemplary damages pursuant to California Civil Code § 3294 and/or attorneys' fees to be  
12 proven at trial.

13 99. Defendants' ongoing breaches of their fiduciary duties set forth above pose a  
14 serious and immediate threat to Plaintiffs and entitle Plaintiffs to injunctive relief.

15 100. Should Defendants and their co-conspirators be permitted to pursue the course  
16 of conduct described above, the damage to Plaintiffs would be irreparable and any later  
17 judgment would be rendered ineffectual. Thus, injunctive relief is appropriate to prevent  
18 the continuing breach of these obligations by Defendants.

## 19 **FIFTH CAUSE OF ACTION**

### 20 **CONVERSION**

21 (By Plaintiffs Against All Defendants)

22 101. Plaintiffs incorporate by reference each and every allegation contained in each  
23 paragraph above as though the same were set forth in full herein.

24 102. By engaging in the acts above, Defendants wrongfully took possession of  
25 property belonging to Plaintiffs, without permission or authorization, and retained, altered,  
26 damaged and/or destroyed some or all of said property.



1           103. As a proximate result of Defendants' decision to retain property belonging to  
2 Plaintiffs, and to convert it for their own use, benefit, and financial gain, Defendants have  
3 caused Plaintiffs to suffer damages in an amount to be proven at trial.

4           104. Defendants continue to retain some or all of said property of Plaintiffs, thereby  
5 entitling Plaintiffs to injunctive relief.

6           105. The above-described acts were done willfully and maliciously, with the  
7 deliberate intent to injure Plaintiffs and, on information and belief, for Defendants' benefit  
8 and financial gain, as well as the benefit and financial gain of their co-conspirators, thereby  
9 entitling Plaintiffs to exemplary damages pursuant to California Civil Code § 3294 and/or  
10 attorneys' fees to be proven at trial.

11                           **SIXTH CAUSE OF ACTION FOR UNJUST ENRICHMENT**

12   (By Plaintiffs Against All Defendants)

13           106. Plaintiffs incorporate by reference each and every allegation contained in each  
14 paragraph above as though the same were set forth in full herein.

15           107. By their wrongful acts and omissions set forth above, Defendants, and each  
16 of them, were unjustly enriched at the expense of, and to the detriment of Plaintiffs.

17           108. As set forth above, Defendants have unjustly retained the benefits received  
18 from Plaintiffs.

19           109. Plaintiffs seek restitution from Defendants, and each of them, and seek an  
20 order of this Court disgorging all profits, benefits, and other compensation obtained by  
21 Defendants, and each of them, accruing to them from their wrongful conduct.

22   **PRAYER FOR RELIEF**

23           WHEREFORE, Plaintiffs pray that the Court:

24           1. Enter judgment in favor of Plaintiffs and against Defendants on all Claims for  
25 Relief;

26           2. Order Defendants to pay Plaintiffs the damages they sustained as a result of  
27 Defendants' unlawful acts;

28           3. Order Defendants to account for and pay to Plaintiffs all gains, profits, and

1 savings derived from their wrongful conduct;

2 4. For restitution and disgorgement according to proof;

3 5. Order Defendants to pay Plaintiffs punitive damages for all other claims for  
4 which relief for such damages are authorized;

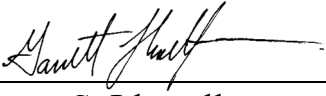
5 6. Order Defendants to pay pre- and post-judgment interest at the maximum  
6 legal rate, as provided by California law, as applicable, as an element of damages that  
7 Plaintiffs have suffered as a result of Defendants' wrongful and illegal acts;

8 7. For an award of attorneys' fees and costs pursuant to law; and

9 8. Order such other and further relief as this Court deems just and proper.  
10

11 Dated: July 18, 2023

**BARNES & THORNBURG LLP**

12  
13 By:   
14 Garrett S. Llewellyn

15 Attorneys for Plaintiffs,  
16 Lisa Leder, Andrew Levine, and  
17 Alexander Levine  
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