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12 *Cookies Retail Products, LLC*

13 **SUPERIOR COURT OF CALIFORNIA**
14 **FOR THE COUNTY OF LOS ANGELES**

15 Cookies Retail Products, LLC, a
16 Florida limited liability company,

17 Plaintiff,

18 vs.

19 Cookies SF LLC, a California limited
20 liability company; GMLC WLNS,
21 LLC, a California limited liability
22 company; Cookies Creative Consulting
23 & Promotions, Inc., a California
24 corporation; Michael Roberts, an
25 individual; Parker Berling, an
26 individual; London Van Der Camp, an
27 individual; Ian Habenicht, an individual;
28 Matt Barron, an individual; Omar
Flamenco, an individual; Chris
Holsten, an individual; and DOES 1
through 10, inclusive,

Defendant.

CASE NO. 23STCV00185

VERIFIED COMPLAINT FOR:

- 1) **BREACH OF CONTRACT**
- 2) **FRAUD IN THE INDUCEMENT OF CONTRACT**
- 3) **STATE STATUTORY UNFAIR COMPETITION UNDER CAL. BUS. & PROF. CODE § 17200**
- 4) **STATE COMMON LAW UNFAIR COMPETITION**
- 5) **TORTIOUS INTERFERENCE OF BUSINESS RELATION**
- 6) **BREACH OF COVENANT OF GOOD FAITH AND FAIR DEALING**
- 7) **TRADE LIBEL**
- 8) **SPECIFIC PERFORMANCE OF CONTRACT**
- 9) **UNJUST ENRICHMENT**

DEMAND FOR JURY TRIAL

LEECH TISHMAN FUSCALDO & LAMPL, INC.
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1 1. Plaintiff Cookies Retail Products, LLC (“CRP”) brings this action
 2 against Cookies SF LLC, GMLC WLNS, LLC, Cookies Creative Consulting &
 3 Promotions, Inc., Michael Roberts, Parker Berling, London Van Der Camp; Ian
 4 Habenicht, Matt Barron, and Omar Flamenco (collectively “CSF” or “Defendants”)
 5 for breach of contract, fraud in the inducement of contract, state statutory unfair
 6 competition under Cal. Bus. & Prof. Code § 17200, state common law unfair
 7 competition, tortious interference of business relation, breach of covenant of good
 8 faith and fair dealing, trade libel, specific performance of contract and unjust
 9 enrichment.

10 **NATURE OF THE ACTION**

11 2. Plaintiff Cookies Retail Products, LLC (“CRP”) brings this action
 12 against Cookies SF LLC, GMLC WLNS, LLC, Cookies Creative Consulting &
 13 Promotions, Inc., Michael Roberts, Parker Berling, London Van Der Camp, an
 14 individual; Ian Habenicht, Matt Barron, and Omar Flamenco (collectively “CSF”
 15 or “Defendants”) for breach of contract, fraud in the inducement of contract, state
 16 statutory unfair competition under Cal. Bus. & Prof. Code § 17200, state common
 17 law unfair competition, tortious interference of business relation, breach of
 18 covenant of good faith and fair dealing, trade libel, specific performance of contract
 19 and unjust enrichment.

20 3. On December 30, 2021, CRP and CSF entered into License
 21 Agreement (the “CRP-CSF Agreement” or "Agreement"), which is currently still
 22 in place as of the date of filing of this Complaint, under which millions of units of
 23 CBD delta-8 products were ordered by CRP for sale or production, which were not
 24 delivered to CRP at the time of signing of the Agreement. Among other terms of
 25 the Agreement, CRP holds the sole and exclusive rights to distribution of,
 26 Mushroom Caps, delta-8 and, inclusive of but without limitation, other similar
 27 CBD Derivative products in the entire United States and its territories.

28 4. As part of the CSF-CRP License Agreement, CRP has the sole and

1 exclusive right during the term of its license to manufacture the Approved Licensor
2 Products and package them in Branded Packaging. However, CSF suggested that
3 approval of CRP's own manufactured products would take longer than 30 days so
4 CRP was instructed by CSF initially to use CSF's suppliers to get to market faster.
5 CSF claimed all such suppliers were affiliates of and had already worked with CSF
6 and would immediately be ready to provide packaged products to CRP as time was
7 of the essence to fulfill orders. CSF also alleged that its suppliers produce the best
8 quality products and they would be the most cost-effective. CSF also assured CRP
9 that it had extensive product and sell-through knowledge due to their own retail
10 stores and consumer purchase behavior data from their own similar products such
11 as two (2) gram hand-rolled flower infused products known as "blunts." With
12 CSF's assurances that its suppliers were ready, willing and able to produce
13 hundreds of thousands of units monthly and that the costs and demand were both
14 in line with early success, CRP was shoehorned into using CSF's existing affiliates
15 believing that CSF's intent for mutual success in the relationship to be genuine due
16 to the royalties CSF was set to receive. CRP was never made aware of a grave
17 conflict of interest in which CSF and such individuals were being personally
18 compensated and incentivized to artificially increase CRP's minimum ordering
19 quantities and subsequently coercing CRP to pay for goods even after such goods
20 became late or after orders were cancelled due to such delays so that such bad actors
21 may receive their ill-gotten gains ahead of CRP's own recovery or taking delivery
22 of such pre-paid goods.

23 5. CRP expressed on multiple occasions to CSF a need for redundancy
24 in suppliers in case CSF suppliers were not able to timely deliver or fulfill orders.
25 CSF mandated that CRP stay the course and CSF would assist as necessary to
26 insure their suppliers delivered timely, and that should such suppliers fail in quality,
27 delivery times, or cost efficiencies, that CRP would easily be able to replace such
28 suppliers accordingly. CRP conveyed these promises to buyers and CRP also raised

1 and deployed millions of dollars to ensure proper orders based upon CSF's
2 assurances of product quality and alleged consumer market demand. Deposits and
3 orders for products went far above and beyond the founders' own investments.
4 Quickly, CSF mandated that CRP would be required to start ordering even much
5 more inventory than what CRP believed was marketable at the time.

6 6. CRP expressed product sales concerns and initially provided a
7 conservative estimate of sales to CSF for the year. CSF immediately requested that
8 CRP increase such estimates and projections drastically so that their board could
9 be impressed. CSF claimed that if CRP did not place this unilaterally required
10 increased volume of orders, then CSF's board would lose faith in the CRP-CSF
11 deal and CSF stated that the license "would be at risk." With the proverbial gun to
12 CRP's head under fear of threatened premature termination (even if unwarranted),
13 CRP had no choice but to continuously increase its orders of unproven items and
14 eventually fall into a pattern of being coerced to move out any and all such items
15 that manufacturers produced, regardless of the actual orders or interests of the
16 market. Such actions led later to massive returns, chargebacks, cancelled orders,
17 non-payments from buyers, and ongoing product quality issues causing a
18 reconciliation nightmare which plagued CRP's operations and ability to provide
19 timely reporting. Although CSF's own actions led to such fall out, its executives
20 continued to harass CRP regarding unreasonable expectations under the licensing
21 relationship, despite the absence of a required quota. CRP continued to operate in
22 good faith and belief that CSF's COOKIES-branded items would bring the demand
23 in the market of which CSF had repeatedly assured CRP.

24 7. Having already raised millions from investors, and placed several
25 more millions of dollars-worth of orders and deposits, CRP increased its volume
26 of orders under the assurances that the suppliers that CSF forced CRP to use had
27 been vetted by CSF and would deliver products timely with acceptable quality.
28 However, after continued CSF affiliate supplier mishaps and ongoing delays

1 stretching several months, it became evident that delays in design, development,
2 and production were further issues. When CRP intervened to request that CRP
3 would need to source and have its own products produced to fill in the gaps from
4 such delays, CSF alleged that CRP would not be allowed to do so since CSF had
5 “lost faith” in CRP’s chosen manufacturers and CSF had a unilateral right to
6 “approve any and all manufacturers”. CSF stated that under no circumstances
7 would CSF approve any alternatives to CSF’s recommended suppliers, which
8 clearly violates the License Agreement’s expressed terms. CRP reminded CSF that
9 CRP retained the sole and exclusive right to manufacture and produce its own
10 products to meet market demand and must at least have “redundancy” due to
11 ongoing failures and delays and cost inefficiencies. CSF refused to bend, but
12 promised that if CSF’s own suppliers fell short or didn’t deliver by June of 2022
13 that CRP would be able to use all of their own suppliers.

14 8. Only after months of delays, and millions of dollars of deposits by
15 CRP to CSF suppliers did CRP begin to receive adequate product quantities from
16 these suppliers to be able to sell to distributors and retailers, but extremely late. By
17 that time, key buyers had cancelled their orders due to the long delays, and many
18 others complained that the initial products had leakage issues and other
19 manufacturing defects and would no longer place reorders of such products. More
20 alarmingly, the pricing in the market dropped drastically during this long hiatus
21 from order to delivery while CSF continued to maintain that "anything authentic
22 COOKIES will command a premium”, instructing CRP to maintain the ongoing
23 higher than market pricing until finally agreeing to lower pricing to consumer,
24 however also too late.

25 9. As CRP continued through 2022 to bring these issues up to CSF and
26 requested mediation or formal resolution, CSF showed no quarter, ignored the
27 issues, and demanded that CRP place even larger orders from their suppliers or,
28 again, the license “would be at risk.”

1 10. Around mid-year, CSF started demanding additional payments and
2 collections to their affiliate suppliers, even though CSF was not supposed to be
3 involved in the supplier arrangements nor any collections. For example, CRP
4 became suspicious and inquired to CSF’s CFO Ian Habenicht as to why CSF was
5 so controlling over collections allegedly due to the suppliers. CSF is not a collection
6 agent for the suppliers and it presented a clear conflict of interest, as the suppliers
7 are supposedly third-parties upon whom the agreement required CSF to obtain true
8 at cost and best cost pricing for CRP. This was in light of CSF’s repeated
9 harassment to pay CSF’s recommended suppliers.

10 11. . After receiving some frustrating calls from suppliers claiming they
11 would not be able to complete orders timely due to “the Cookies piece,” CRP
12 investigated with suppliers, tracked payments and discovered that, on information
13 and belief, certain employees at CSF had been collecting “kickbacks” and other
14 additional “fees” that were passed-through as inflated costs to CRP, leading to
15 higher costs to CRP and less funds for the suppliers to secure materials and deliver
16 goods timely– this appeared to be a hidden forced private tax by individuals of CSF
17 on CRP that CSF never informed CRP of, and which the agreement expressly
18 prohibits. Apparently, on information and belief, these kickbacks had been
19 arranged or occurred even before the CSF-CRP License Agreement, and, on further
20 information and belief, those CSF employees did not want to lose their kickbacks
21 by operation of CRP using alternative suppliers. Therefore, on information and
22 belief, CRP was severely disadvantaged and handcuffed to use only suppliers that
23 would provide the highest kickbacks to those individuals and not necessarily the
24 best pricing, quality, nor timely deliveries to CRP.

25 12. CRP informed CSF of this fraudulent activity by CSF employees.
26 After addressing this with the CSF’s management team, CRP was told that these
27 employees were fired, and it was “handled”. CRP asked how is it that CSF did not
28 know about this and that CRP expects for costs to decrease accordingly. CRP

1 further told CSF that this confirms that CRP needs to use its own suppliers and
2 manufacture its own products as allowed by the License Agreement. CSF primary
3 point of contact, Michael Roberts, doubled down, denied CRP, flat out, without
4 reason, any use of CRP's own suppliers, and CSF stated that CSF, from that point
5 forward, would now design and source and develop all items, dictate CRP pricing,
6 and how much volume of product CRP should buy or CRP would, again, be at risk
7 of losing the license. Additionally, no costs were reduced as a result of the firing
8 of those individuals and no explanation was provided of where those additional
9 costs are going. Recently, Mr. Roberts even contacted CRP's partner and
10 shareholder who had invested millions separately into machinery and equipment in
11 anticipation of the manufacturing right CRP was to utilize, and falsely claimed to
12 him that CRP had no right to manufacture its own goods and CSF would not
13 approve any other suppliers. Such inflammatory statements by Defendant Roberts
14 created shareholder discord and investor concerns for CRP causing a scaling back
15 of additional investments into CRP. This is completely inconsistent with the CSF-
16 CRP License Agreement. Further, this arrangement would only lead to several
17 months more of CRP's power struggle with CSF while the products would continue
18 to arrive late, continue to have repeated quality issues, were too expensive as
19 market pricing continued to plummet, and utilized technology that was quickly
20 becoming aged and obsolete in the marketplace.

21 13. CRP was forced by CSF to participate in a second CHAMPS show in
22 Summer of 2022 to which CSF initially stated it would share in costs and ultimately
23 did not. CRP was saddled with exorbitant costs and providing over \$60,000 of its
24 product inventory, which was controlled by CSF. Thousands of dollars in theft or
25 losses occurred while Defendant Roberts expressly prevented authorized buyers
26 and distributors of CRP from accessing those products, which were meant for
27 display to collect orders at the show. CSF assured CRP that the CHAMPS show
28 was intended to create marketing and promotional videos in connection with CRP,

1 appointed distributors, and products, featuring CRP and its personnel prominently.
2 CSF was supposed to collect and provide all leads from show to CRP, immediately.
3 However, CSF created self-promoting videos, music videos and product plugs,
4 without CRP included or promoted. CSF retained the leads for itself and provided
5 them only weeks later after the show ended, well after those leads had cooled down.

6 14. Recently CRP became aware that, on information and belief, CSF has
7 used the leads themselves to directly market and sell to customers without CRP's
8 knowledge or authorization in violation of the license. Additionally, on information
9 and belief, CSF has used such promotional videos and products to solicit other third
10 parties for them to assume CRP's license, which would be in bad faith on CSF's
11 part, and would violate confidentiality terms of the Agreement. Following the
12 tradeshow, on information and belief, much of the CRP's sample products were
13 shipped directly to CSF by CSF employees and thousands of dollars were lost or
14 stolen while in the possession of CSF. Although the agreement expressly permits
15 CSF only a maximum of \$3,000 in total samples, on information and belief, CSF
16 has used CRP's inventory as a personal piggy bank of products.

17 15. Apart from the tradeshow, on information and belief, CSF has
18 conducted private parties and events with their suppliers, of which CRP was not
19 aware, for which products were brazenly taken from CRP's inventory for these
20 events from supplier warehouses, for which CRP was never compensated. On
21 information and belief, these were both domestic and international events.

22 16. Further, CRP also invested in legal personnel and resources to enforce
23 CRP's exclusive use of the license and protect CSF's brand including serving
24 notice on infringers at the show.

25 17. On or around Fall of 2022 CRP informed CSF that it would no longer
26 be forced to order more products from CSF affiliate suppliers that weren't selling
27 due to these aforementioned problems and that millions of dollars of laggard and
28 expiring inventory continued to pile up, and that CRP would use its own suppliers

1 at this point or need to enforce its position. By this time the majority of CRP's
2 distributors and retailers had cancelled over \$200M in orders, demanded refunds,
3 and returned or refused to pay for tens of thousands of defective items. It became
4 evident that CSF-designed and recommended product lines were clearly failing as
5 product lines and millions of dollars of CRP capital were tied up in products forced
6 on CRP by CSF that most buyers were not reordering as promised by CSF.
7 Meanwhile, CSF kept demanding that CRP pay off all of CSF's suppliers very
8 quickly or CSF would claim a violation of the License Agreement and attempt to
9 default CRP. Nothing in the CSF-CRP License Agreement forced CRP to rush to
10 pay suppliers who had delayed delivery and provided defective products. As an
11 example, suppliers were over 6 months delayed for delivery for products for which
12 orders had dried up after the promised 60 days delivery window. In fact, the
13 License Agreement allows CRP to negotiate payment terms, discounts, and all
14 other provisions to operate CRP's business as it sees fit. However, CSF inserted
15 itself into every single aspect of CRP's business beyond that of a simple licensor
16 and ongoing calls and instructions became hostile, harassing, and degrading as if
17 CRP had merely become a contractor or low-level vendor of CSF. It has recently
18 come to light that, on information and belief, Mr. Roberts conveyed to CRP
19 executives and other third parties that CRP's CEO should just "just write checks
20 and get out of our way."

21 18. Much worse, on information and belief, CSF became a pseudo-
22 management company that was directing all the suppliers it forced CRP to use,
23 dictating what CRP was to order, the price charged to CRP, and even how CRP
24 sells the product or to whom it would sell. On information and belief, CSF also
25 instructed such suppliers as ABSTRAX, who control key ingredients such as
26 flavoring terpenes, to prevent direct ordering or delivery to CRP itself without
27 CSF's approval thereby preventing CRP from producing or finishing any goods in
28 its own capacity or possession. Such flavoring compounds are being mandated by

1 CSF to be used in 100% of all finished goods and is akin to sugar being used for
2 baked sweets. This has effectively stripped CRP of its ability to manufacture
3 products. CSF further demanded that products from CRP's inventory were sent to
4 CSF to market online as a priority over other paying buyers while delaying or
5 refusing to timely pay CRP for such products, who was forced to pay the suppliers
6 of such goods and for the actual costs. The License Agreement provides for all
7 CRP's costs of such goods to be recovered in first position, but CSF has refused to
8 follow the Agreement in this regard. Even such items as CBD and Mushroom Caps
9 sold online have been kept from CRP's participation, although the agreement
10 expressly provides for CRP's participation. Additionally, marketing and
11 promotional support promised to CRP from CSF as a condition of this licensing
12 agreement and in exchange for royalties have been very limited and virtually non-
13 existent.

14 19. In a nutshell, CSF has forced CRP into impossible goals for products
15 that were late from CSF's suppliers, defective and not selling, CSF refuses to let
16 CRP use alternative suppliers or create its own completely finished goods through
17 its sole and exclusive manufacturing rights. CRP has no obligation to meet any
18 annual or monthly goal as no such goals are present in the agreement. On
19 information and belief, CSF refuses to prevent the continuing problem regarding
20 kickbacks (the unfair private tax), which caused the products at issue to become
21 more expensive than the market could bear. CSF demanded that CRP participate
22 in many expensive and fruitless ventures, such as the tradeshow, legal shell games,
23 and unauthorized sampling and theft of CRP products.

24 20. Further, at key buying gatherings sponsored by CRP and its
25 distributors, newly showcased products of CSF's suppliers were found to be
26 defective, leaking and improperly packaged leading to cancellations of the majority
27 of pending interest and orders. Concern over ongoing product quality issues of
28 CSF supplier licensed products were prominent.

1 21. After initial interest and subsequent cancellations, in mid-Fall 2022,
2 CRP was approached by CSF’s Parker Berling stating that their board would be
3 trying to terminate the license for non-performance of a “sales quota.” CRP
4 reminded Mr. Berling that there is no “sales quota” in the CRP-CSF License
5 Agreement and that if CSF kept holding CRP back through ordering laggard
6 products and preventing CRP’s own manufacturing and governance of its
7 operations, low profitability and low sales were inevitable and shall continue.

8 22. Furthermore, CRP informed Mr. Berling of Mr. Roberts’
9 interference and his failure to provide support or competence in the retail
10 recommendations for ongoing products. Mr. Berling assured CRP that Mr. Roberts
11 would be replaced, and that any and all support for CRP would be provided. Mr.
12 Berling asked CRP what the main issue was that prevented higher sales. CRP
13 demonstrated that, for example, a CSF-promised custom vaporizer, being
14 developed by Mr. Roberts and a supplier, for which CRP had been waiting, would
15 be almost 75% of sales (as discussed from the start of the relationship). This new
16 “coming-soon” item was promoted from early Spring 2022 to buyers to entice them
17 to buy the obsolete vaporizer provided by Mr. Roberts and the design team. The
18 ultimate response was that the vaporizer wouldn’t be ready until 2023 now (almost
19 a year late). CRP argued it could produce a viable vaporizer built around market
20 demand and have it on shelves to launch for holidays by Halloween 2022. Although
21 Roberts disagreed personally, and tried to prevent CRP from being able to produce
22 its own products, Mr. Berling ultimately agreed and CRP rushed to create a
23 replacement vaporizer and delivered it within less than 45 days from approval of
24 the designs provided CRP.

25 23. Although designs were continuously delayed and amended, CRP
26 spared no expense and worked day and night shifts with manufacturers, domestic
27 and international, until it finally delivered the vaporizer products and sold them
28 into stores during October, 2022. It was a great success with many new orders and

1 great interest. However, production shutdowns in China for manufacturing made it
2 impossible to deliver millions of units and CRP informed CSF it would be
3 logistically and physically impossible for the factory to deliver more units than they
4 can make and ship due to mold integrity, production and labor issues occurring in
5 China. In good faith, CRP ordered and paid deposits for 500,000 initial units to get
6 demand going based upon CSF's demand that CRP order large quantities or the
7 board would be disappointed. Of those, despite CRP's efforts to expedite any and
8 all units available, only approximately 40,000 units were able to be delivered, due
9 to the China production and delivery delays outside of the control of CRP. Upon
10 delivery, it was discovered that Mr. Roberts had ordered testing of each and every
11 flavor of twenty flavors at a cost of \$575 each vs. the \$75 standard testing costs
12 that CRP had budgeted. CRP requested that Mr. Roberts conduct more simple
13 testing that was faster and more cost efficient, but still qualified by state and federal
14 law. Mr. Roberts refused the request and threatened to intentionally delay the
15 process further so that CRP would miss the Halloween launch timeline. Such
16 additional testing costs, delay and resulting necessity of rush shipping costs, made
17 the entire batch non-profitable for CRP. CRP soon discovered that, on information
18 and belief, Mr. Roberts had performed similar unauthorized delay tactics for
19 Gummies, Dabs, and other product lines, causing CRP to suddenly be saddled with
20 tens of thousands of additional unnecessary dollars for testing costs and weeks of
21 delays. These tests could have been done for merely hundreds of dollars in only a
22 matter of days. These unnecessary delays caused lost months of sales while
23 products, such as Gummies and Dabs remained idle at suppliers and beginning to
24 stale.

25 24. CRP sales increased with real revenue projections increasing after
26 CRP was able to secure and produce its own products as originally envisioned.
27 However, at this point, CRP found that many products from CSF suppliers, and the
28 new vaporizers, were still being delayed by CSF's Michael Roberts for continued

1 expensive testing and other changes to form factor or design, which CRP did not
2 authorize or agree with. When confronting Mr. Roberts, he deflected, stating that
3 CSF will make all the decisions and that CRP cannot make changes. CRP again
4 reminded CSF that the License agreement awards CRP certain rights and CRP has
5 an obligation to shareholders to try and make the company profitable. Mr. Roberts'
6 response was that "everyone enters into business knowing they can lose money,
7 and these are all big guys so I'm certain they knew they could lose money." CRP
8 refused to agree with Mr. Roberts and pleaded with Berling to allow CRP to
9 continue to produce and fill vape orders with redundant suppliers, if required.

10 25. At this point CRP had millions of dollars in spoiling vape cartridges,
11 blunts, hemp smokes, 1gram Vaporizers, Gummies, and Dab Liquids. CRP needs
12 immediate relief to sell the spoiling products before they become worthless, and
13 before their value drops below the cost of the goods. Nevertheless, Mr. Roberts and
14 CSF continues to inexplicably delay delivery of multiple product lines by refusing
15 to authorize certain approvals, return timely communications from the CRP
16 executives, or work in good faith to allow CRP to source and arrange redundancy
17 as originally promised by CSF. CRP implored CSF and key suppliers to reduce
18 costs by removing any improper kickbacks and to help reduce costs and guarantee
19 timing so that CRP may still finish the year with increasing sales numbers to
20 provide CSF's board and CRP's shareholders. CSF's recommended suppliers
21 stated they would not be willing to cooperate, at which time CRP requested Mr.
22 Berling to intervene. Mr. Berling stated that CSF would not allow CRP to do so
23 and that CRP would "grossly miss all quotas" and "the board will want to terminate
24 for this" or find a new partner who will spend more money than CRP to order more
25 of the same underperforming goods and provide CSF with greater royalties and
26 most likely, kickbacks through ordering.

27 26. It was at such point that CRP requested a mediation to address clarify
28 the rights and obligations under the CRP-CSF Agreement License, which was

1 ultimately ignored by CSF. However, Mr. Berling contacted CRP principal, Paul
2 Rock, and stated that he would present Mr. Rock with a solution to all the joint
3 problems and would insure his team at CSF would provide CRP with full support
4 to end the year strong. As CRP continued to operate in good faith, shortly
5 thereafter, the relationship deteriorated even further. Mr. Roberts started to
6 completely ignore CRP’s communications, became hostile and made clearly
7 intentional “mistakes,” which cost CRP tens of thousands of dollars and additional
8 weeks of delays.

9 27. In Nov of 2022 CRP’s principal again pleaded with Mr. Berling to
10 intervene, while CRP was producing the highest sales possible given the
11 circumstances. In response, Mr. Berling requested, in writing, for CRP to order 1.7
12 million vaporizers “as soon as possible.” Again, in good faith, CRP committed and
13 obligated itself to pay for, fill, package, and sell these 1.7 million vaporizers to
14 consumers as quickly as possible ahead of the “Chinese new year shut down” of
15 several weeks. CSF conducted calls with CRP’s manufacturer alongside CRP
16 stating CRP must order these units as quickly as possible. CRP agreed and placed
17 the orders.

18 28. Simultaneously, at this time, the demands to payoff CSF suppliers
19 were still coming from CSF. CRP approached these CSF suppliers to find out what
20 was truly going on, and CRP discovered that there were still ongoing kickbacks to
21 CSF employees, which forced cost increases and delays to CRP. CRP approached
22 CSF, stating that it was improper to continue to receive kickbacks from the
23 suppliers forced upon CRP. At this point, CRP was fed up with this, and informed
24 CSF that CRP would enforce the License Agreement and CSF’s response was to
25 allege that CRP was “not a good partner” who “doesn’t pay their bills to suppliers”
26 CSF continued by stating that, since CRP’s primary funds were tied up in
27 inventory, that it would be powerless to prevent CSF’s board from seeking
28 termination when the year ended due to missing its supposed (non-existent)

1 “quota.”

2 29. Meanwhile, Mr. Roberts continued his sabotage of CRP. CRP
3 discovered that almost a million dollars of products had required UPC barcodes
4 stripped off by, on information and belief, Mr. Roberts and his design team. Upon
5 asking Mr. Roberts if he would please fix the issue, or split the costs to do so with
6 CRP, Mr. Roberts responded by telling CRP’s CEO to “eat a bowl of dicks” in a
7 group text message, copying CRP employees.

8 30. Shortly after Mr. Roberts unprofessional behavior, CRP received
9 communications from the suppliers and buyers stating that Mr. Roberts was
10 informing them not to deliver goods to CRP, alleging that CRP had “defaulted” for
11 not paying their vendors, and that CRP had lost the license from CSF, and to be
12 careful about doing more business with CRP. The suppliers stated, in writing,
13 notice that CRP was still obligated to provide full payment, but that ongoing
14 delivery of products would now be adversely affected due to the alarming
15 allegations told to them by CSF regarding CRP’s alleged ability to pay or maintain
16 its license. Most alarming, Mr. Roberts had made these allegations a week prior to
17 the aforementioned threats of termination from CSF, and CRP further discovered
18 that some of CSF’s recommended suppliers were attempting to obtain CRP’s
19 exclusive license by intentionally delaying or preventing CRP from performing,
20 including failing to allow delivery of product and goods for CRP to make sales. At
21 this point CRP had never received a single notice or default or even an allegation
22 of breach. When confronted, Mr. Berling alleged, again, that CRP missed its
23 “quota”. CRP reminded him, again, that CRP has no quota to miss and requested
24 of Mr. Berling to show the evidence behind the baseless statements by CSF
25 representatives to CRP’s suppliers and buyers who owed products and payments to
26 CRP. CRP also informed Mr. Berling of Mr. Roberts’ actions and asked how CRP
27 could perform under the agreement if the suppliers are now being instructed not to
28 deliver to CRP. Mr. Berling was asked, at this point, if these actions were being

1 done by CSF intentionally and maliciously so that CRP would appear to have poor
2 performance under the Agreement. Mr. Berling responded by stating that, whether
3 warranted or not, the board and CSF intend to find a way to take CRP’s benefit of
4 the License (regardless of cause) and CRP can “make something and lose millions”,
5 or “make nothing and deal with what that means after we do what we want.” It is
6 clear that CSF has no good faith intention to provide CRP ability to perform, and,
7 on information and belief, has the intention to steal its business and license.

8 31. After CRP let Mr. Berling know that the Agreement provides
9 injunctive relief to prevent CSF from “stealing” the business CRP had created at
10 great expense and investment, Mr. Berling further claimed that CRP was not in
11 good standing with its vendors due to lack of payment, and that they allegedly
12 would not do business with CSF because of this. In response, CRP decided to seek,
13 and CRP received, letters of good standing for such vendors, proving Mr. Berling
14 wrong, and proving trade libel committed by CSF.

15 32. Most recently, CSF has now instructed CRP’s customers not to pay
16 CRP, and the suppliers not to provide the products that CRP has paid for,
17 essentially, denying CRP any benefit of the bargain of the CRP-CSF License
18 Agreement, causing tens of millions of dollars of damages to CRP in terms of costs
19 in products and promotions, actual sales and third-party commitments CRP has
20 incurred.

21 33. On information and belief, CSF has orchestrated this plan in order to
22 further the interests of their largest supplier who has promised to provide larger
23 kickbacks if CSF were to (improperly) terminate the license to CRP to have this
24 large supplier take over the license. On information and belief, CSF may have a
25 larger pre-existing or pending relationship which is wholly dependent on CRP’s
26 loss of its license. CRP will provide the evidence, witnesses, and expert testimony
27 to clearly prove all the allegations within this complaint but must be able to
28 preserve the status quo to sell and convert this trapped and at-risk inventory and

1 resources in order to prevent further and immediate damages. This is why Plaintiff
2 has simultaneously moved for a TRO with the filing of this complaint.

3 34. Further, although CRP has demonstrated it has been willing to
4 cooperate with CSF in finding any amicable resolution in good faith, CRP has
5 recently discovered that CSF, or a party directed by CSF, has already registered a
6 booth at CRP's next national CHAMPS exposition for Delta8 and CBD products
7 in advance while CRP still retains its exclusive license to present and offer for sale
8 such products, and has never received a single default or breach notice nor valid
9 notice of termination. This is yet another clear violation of the exclusive License
10 Agreement and indication that CSF has acted in bad faith for the majority of the
11 license term while instructing CRP to expend millions of dollars to collect supplier
12 kickbacks. CRP has already presented at two (2) Champs shows and expended
13 almost \$200,000 to do so. CRP's buyers and distributors reasonably expect to see
14 CRP displaying and representing the CSF licensed products exclusively at these
15 shows. On information and belief, CSF's acts were done intentionally to confuse
16 and steal CRP's existing buyers and distributors without benefit to CRP. On
17 information and belief, CSF was working with, and planning, to terminate the CSF-
18 CRP License Agreement since before, after and during, the execution of the
19 License, without cause.

20 35. Trade secrets of CRP are at risk as CSF has sought to collect and
21 provide all of CRP's ordering, financial, and development information from
22 suppliers to, on information and belief, provide it to other third parties with which
23 CSF intends to replace CRP, effectively putting CRP out of business. As an
24 example, CSF is soliciting CRP's supplier for proprietary developed packaging
25 (FLY FRESH Corp) to do a "side-order" for Cookies and its third-party supplier.
26 On information and belief, CSF has also obtained, illegally through threats and
27 coercion, CRP's confidential costing models and economies of scale, and, on
28 information and belief, CSF is providing this information to CRP's competitors.

1 CRP's financial information provided to CSF during regular reporting, and buyer
2 information, on information and belief, have been provided by CSF to new
3 prospective licensees seeking to acquire CRP's license in direct violation of the
4 Agreement. Defendants have also threatened to disclose CRP employee personal
5 information to third parties.

6 36. Additionally, on information and belief, CSF is attempting to hire
7 away CRP employees and CSF has informed suppliers and buyers that CRP's key
8 executives have already accepted "other employment," and CRP would no longer
9 be in business soon.

10 37. On information and belief, CRP's trade secret information being
11 collected by CSF is being provided to potential licensees, such as GVB Pharma,
12 Swisher Sweets, Final Bell, Cirona Labs, and others. For example, on September
13 15, 2022, a press release was issued stating: "Cookies Partners with Cirona Labs
14 on New Products". The release states that the company plans to launch a range of
15 infused products "this fall" (of 2022) including beverages, capsules, tinctures,
16 topicals derived from Hemp. As CBD is derived from hemp products, it clearly
17 falls with CRP's exclusive license from CSF, which includes non-regulated
18 products containing under 0.3 THC for federally legal products. The Cirona labs
19 release states that it will develop and manufacture new products for Cookies in
20 hemp-derived Cannabinoids. However all Cannabinoids resulting from Hemp
21 would fall directly into CRP's control under the license, and CRP's Agreement
22 awards it the exclusive and sole rights to manufacture and distribute such products.
23 Defendant Berling is quoted as stating "...we know our customers will be impressed
24 by the taste and efficacy of its creations." To date, CRP has been told that Cirona
25 labs was merely an in-development project for their own Cannabis THC-infused
26 products and potential partner that CRP could review in the future for approval.
27 The timing is extremely troubling given that Defendant CSF simultaneously
28 instructed CRP to order millions of dollars of additional new products. This public

1 release clearly demonstrates bad faith on Defendants' part warranting injunctive
2 relief to allow CRP to perform for the benefit of both parties.

3 38. To make matters worse, Defendants issued a cease and desist demand
4 to valid buyers of CRP's products, thereby giving the market the message that CRP
5 had no approved products. This resulted in catastrophic lowering of sales and order
6 cancellations. Upon requesting Defendants to correct it and inform the retailer,
7 Defendants stated they would correct the issue. However, the retailer was never
8 informed and returned thousands of dollars of inventory to the distributor who then
9 cancelled millions of dollars of pending orders with CRP. Additional buyers have
10 recently complained.

11 39. CSF's ongoing interference prevents CRP from liquidating the
12 existing stockpiles of expiring products resulting in millions of dollars of missed
13 revenue for CRP and hundreds of thousands of dollars in royalties for COOKIES.

14 **COUNT I**

15 **BREACH OF CONTRACT**

16 40. CRP incorporates by reference the averments of Paragraphs 1 through
17 39 above as though fully set forth herein.

18 41. CRP has fully performed its obligations under the CRP-CSF License
19 Agreement, or otherwise such performance has been waived by CSF's failures.

20 42. Defendants have breached the CRP-CSF License Agreement by the
21 above stated actions and inactions.

22 43. As a direct and foreseeable result of Defendants' Breach, CRP has
23 suffered damages in an amount not less than \$ 38,575,000

24 44. The CRP-CSF License Agreement, in a dispute connected with any
25 CRP-CSF License, the prevailing party shall be awarded attorneys' fees, costs, and
26 expenses.
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COUNT II

FRAUD IN THE INDUCEMENT OF CONTRACT

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3 45. CRP incorporates by reference the averments of Paragraphs 1 through
4 44 above as though fully set forth herein.

5 46. CRP has fully performed its obligations under the CRP-CSF License
6 Agreement, or otherwise such performance has been waived by CSF's failures.

7 47. On information and belief, Defendants' intentions to enter into the
8 CRP-CSF License Agreement with CRP, force CRP to promote and market
9 products under the COOKIES branding, all the time while planning to terminate
10 the arrangement in favor of another licensee, is a material fact that was withheld
11 from CRP before the execution of the Agreement.

12 48. Ongoing kickbacks awarded to Defendants from suppliers that CSF
13 would force CRP to use to provide products to CRP that artificially keep the costs
14 of those products higher than they otherwise would be is a material fact that was
15 withheld from CRP before the execution of the Agreement.

16 49. Defendants' representations to CRP that it was providing CRP with
17 exclusive rights in the Agreement was a misrepresentation by Defendants while,
18 on information and belief, Defendants continued to negotiate with one or more
19 alternative licensees and sell directly to retailers outside of CRP's distribution so it
20 could terminate CRP.

21 50. CRP reasonably relied on Defendants' misrepresentations to be
22 induced into entering the CRP-CSF License Agreement and Defendants made
23 those misrepresentations to persuade CRP to enter into the Agreement.

24 51. The CRP-CSF License Agreement states that, in a dispute connected
25 with any CRP-CSF License, the prevailing party shall be awarded attorneys' fees,
26 costs, and expenses.
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COUNT III
UNFAIR COMPETITION UNDER
CAL. BUS. & PROF. CODE § 17200, et seq.

52. CRP incorporates by reference the averments of Paragraphs 1 through 51 above as though fully set forth herein.

53. The foregoing acts of Defendants constitute unfair Competition under California Business and Professions Code § 17200, et seq.

54. CRP is informed and believes, and thereon alleges, that Defendants have derived and received, and will continue to derive and receive, gains, profits, and advantages from Defendants' unfair competition in an amount that is not presently known to CSF. By reason of Defendants' wrongful acts as alleged in this Complaint, CSF has been damaged and is entitled to monetary relief in an amount to be determined at trial.

55. By their actions, Defendants have injured and violated CRP rights and has irreparably injured CRP, and such irreparable injury will continue unless Defendants are enjoined by this Court.

COUNT IV
CALIFORNIA STATE COMMON LAW UNFAIR COMPETITION

56. CRP incorporates by reference the averments of Paragraphs 1 through 55 above as though fully set forth herein.

57. The foregoing acts of Defendants constitute unfair Competition under California Common Law.

58. CRP is informed and believes, and thereon alleges, that Defendants have derived and received, and will continue to derive and receive, gains, profits, and advantages from Defendants' unfair competition in an amount that is not presently known to CRP. By reason of Defendants' wrongful acts as alleged in this Complaint, CRP has been damaged and is entitled to monetary relief in an amount to be determined at trial.

1 has been damaged and is entitled to monetary relief in an amount to be determined
2 at trial.

3 67. By their actions, Defendants have injured and violated CRP's rights
4 and has irreparably injured CRP, and such irreparable injury will continue unless
5 Defendants are enjoined by this Court.

6 **COUNT VII**

7 **TRADE LIBEL**

8 68. CRP incorporates by reference the averments of Paragraphs 1 through
9 67 above as though fully set forth herein.

10 69. The foregoing acts of Defendants constitute trade libel.

11 70. The multiple false and malicious statements by Defendants made to
12 venders, distributors, retailers, and others directly injured and continue to injure
13 CRP with respect to its reputation, trade, and business, which, by natural
14 consequences, caused actual damages to CRP.

15 71. There were intentional statements of false and misleading facts and
16 there were no privileges to uphold those statements. Thus, Defendants acted with a
17 degree of legal culpability such that the CRP is entitled to damages and injunctive
18 relief.

19 72. By their actions, Defendants have injured and violated CRP's rights
20 and have irreparably injured CRP, and such irreparable injury will continue unless
21 Defendants are enjoined by this Court.

22 **COUNT VIII**

23 **SPECIFIC PERFORMANCE OF CONTRACT**

24 73. CRP incorporates by reference the averments of Paragraphs 1 through
25 72 above as though fully set forth herein.

26 74. The CRP-CSF Agreement entitles, by its own language, each party to
27 move for specific performance, including preliminary and permanent injunctive
28 relief, without the need to show special damages or to post a bond.

1 75. The CRP-CSF License Agreement contains a non-disparagement
2 provision that prevents each party from expressing, or cause to be expressed, orally
3 or in writing, any remarks, statements, comments, or criticisms that disparage, call
4 into disrepute, defame, slander, or which can be reasonably be construed to be
5 derogatory, critical of, or negative toward the other party.

6 76. Defendants continue to prevent delivery from suppliers for products
7 that are spoiling in the warehouse, telling retailers not to purchase products from
8 CRP, delaying reasonable approval of products, demanding kickbacks from
9 suppliers selling products to CRP, to stop unreasonably disapproving products from
10 alternative suppliers other than those who provide kickbacks to Defendants, and
11 telling suppliers, retailers and other business contacts that the CRP's license is
12 terminated, and threatening to terminate the CRP-CSF License Agreement.

13 77. If Defendants are not ordered to stop committing acts that prevent
14 inventory to be delivered from suppliers for products that are spoiling in the
15 warehouse, to stop telling retailers not to purchase products from CRP, to stop
16 delaying reasonable approval of products, to stop demanding kickbacks from
17 suppliers selling products to CRP, to stop unreasonably disapproving products from
18 alternative suppliers other than those demanded by Defendants for CRP to use who
19 provide kickbacks to Defendants, to stop telling suppliers, retailers and other
20 business contacts that the CRP's license is terminated, and to stop threatening to
21 the CRP-CSF License Agreement, then CRP will continue to suffer immediate and
22 significant damages due to Defendants' actions and inactions unless Defendants
23 are enjoined.

24 78. CRP is entitled to specific performance under the terms of CRP-CSF
25 Agreement, and CRP merely requests an order requiring that Defendants cease and
26 desist from preventing CRP from performing under the Agreement, or purposefully
27 making it difficult for it to do so, without the threat of termination without cause.

COUNT IX

UNJUST ENRICHMENT

79. CRP incorporates by reference the averments of Paragraphs 1 through 78 above as though fully set forth herein.

80. CRP is informed and believes, and on that basis alleges, that Defendants took kickbacks which caused the suppliers to improperly overcharge Plaintiff under the Agreement.

81. Moreover, CRP is informed and believes, and on that basis alleges, that the Defendants used their positions to obtain a secret profit and/or commission by collecting these kickbacks from suppliers that Defendants forced Plaintiff to deal with, as they improperly withheld reasonable approval of alternative suppliers.

82. As a result of Defendants' wrongful conduct, Defendants have been unjustly enriched at the expense of CRP and have unjustly retained the benefits of their wrongful conduct.

83. Any profits or ill-gotten revenue gained by any Defendant resulting from from sales directly to retailers in violation of the Agreement, sales to unauthorized third parties, side deals conducted outside of the Agreement between the parties, collection of kickbacks from suppliers of CRP, and/or any unauthorized or illegal acts, should be disgorged and paid to Plaintiff.

84. As a direct and proximate result of Defendants' fraud and deceit, CRP has suffered, damages, including overcharged premiums, attorneys' fees, costs, and expenses. CRP is entitled to a constructive trust and restitution of the amounts wrongfully taken and retained by Defendants at Plaintiff's expense.

PRAYER FOR RELIEF

WHEREFORE, CRP prays that the Court enter Orders in its favor and against Defendants as follows:

- A. For damages in an amount not less than \$38,575,000.00;
- B. For interest on the damages at the legal rate;

- 1 C. For reasonable attorneys' fees and costs according to the CRP-CSF
2 License Agreement's terms;
- 3 D. Entering a judgment in favor of CRP and against Defendants on CRP's
4 California state and common law unfair competition claims, as well as
5 CRP's tortious interference claim, and that Defendants' acts of unfair
6 competition were intentional, willful and done knowingly;
- 7 E. Entering a temporary, preliminary and permanent injunction against
8 Defendants, their officers, agents, employees, parent, and subsidiary
9 corporations, assigns, successors in interest, and all those persons in
10 active concert or participation with them, enjoining them from continuing
11 said acts of unfair competition, tortious interference and trade libel;
- 12 F. Awarding damages, directly and indirectly, caused by said acts of breach
13 of contract, unfair competition, tortious interference, trade libel, and for
14 attorneys' fees and costs of suit;
- 15 G. Awarding costs and expenses; and
- 16 H. Enforcing the parties' agreed-upon remedy of specific performance and
17 preliminary injunctive relief to maintain the status quo and prevent
18 Defendant from prematurely terminating the agreement until declaratory
19 relief or the merits of the case may be adjudicated so that CRP may
20 obtain, sell, and otherwise convert all expiring and spoiling goods, so that
21 both parties can avoid irreparable injury.
- 22 I. Enforcing the parties agreed-upon remedy of preliminary injunctive relief
23 to prevent any third party from assuming CRP's identity within the
24 license to advertise, display or exhibit at tradeshow until and unless
25 CRP's license is adjudicated to have been terminated.
- 26 J. Enforcing a constructive trust and restitution of the amounts wrongfully
27 taken and retained by Defendants at Plaintiff's expense.
- 28 K. Awarding any and all such other relief as the Court determines to be just

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and proper.

January 4, 2023



Fadi K. Rasheed
Ivan Posey
LEECH TISHMAN FUSCALDO & LAMPL, INC.

*Attorneys for Plaintiffs,
Cookies Retail Products, LLC*

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VERIFICATION

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I, Paul Rock, if called upon to testify as a witness, would and could competently do so of my own personal knowledge and do now declare as follows:

I am CEO of a party to this action. I have read the foregoing document, entitled VERIFIED COMPLAINT and know its contents. The matters stated in it are true of my own knowledge, except for those stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this verification was executed at Los Angeles, California.

Date: 12/30/2022 | 2:39 PM PST

DocuSigned by:
PAUL ROCK
C6B1C76398DF44F
Paul Rock, CEO
Cookies Retail Products, LLC