

ARIZONA SUPREME COURT

STATE OF ARIZONA,
Plaintiff/Appellee,
v.
RODNEY CHRISTOPHER JONES,
Defendant/Appellant.

Supreme Court
No. CR-18-0370-PR
Court of Appeals, Division One
No. 1 CA-CR 16-0703
Yavapai County
Superior Court
No. P1300CR201400328

**BRIEF OF AMICUS CURIAE: RECEIVER FOR GREEN HILLS
PATIENT CENTER IN SUPPORT OF APPELLANT**

Kathi Mann Sandweiss (011078)

kms@jaburgwilk.com

Lawrence E. Wilk (006510)

lew@jaburgwilk.com

Thomas S. Moring (021247)

tsm@jaburgwilk.com

Jaburg & Wilk, P.C. (00096400)

3200 N Central Avenue, Suite 2000

Phoenix, Arizona 85012

(602) 248-1000 (602) 248-0522 Fax

Attorneys for Kevin Singer, Superior Court Receiver, Receivership Specialists:
Receiver for Green Hills Patient Center, Inc.

TABLE OF CONTENTS

INTEREST OF AMICUS CURIAE1

 A. Dispensary is Operated in Accordance with ADHS Law
 and Serves Patients in a ADHS Designated Area.....1

 B. The Receivership was Appointed in Accordance With
 Arizona Law and Serves as a “Ministerial Officer of the
 Court” Under Arizona Law.....2

 C. Impact of *Jones* on Receivership of Green Hills3

ARGUMENT6

 I. THE *JONES* DECISION ADVERSELY IMPACTS THE
 CHAA SYSTEM AND PARTICULARLY CHAA 21,
 LIMITING PATIENT ACCESSIBILITY TO THERAPEUTIC
 PRODUCTS.6

 II. THE *JONES* DECISION ADVERSELY IMPACTS THE
 ABILITY OF DISPENSARIES TO FULFILL PATIENT
 NEEDS10

CONCLUSION14

TABLE OF CITATIONS

Cases

<i>Mashni v. Foster ex rel. County of Maricopa</i> , 234 Ariz. 522, 323 P.3d 1173 (App. 2014).....	2, 5
<i>State v. Jones</i> , 245 Ariz. 46, 424 P.3d 447 (App. 2018).....	3, 14
<i>White Mountain Health Ctr., Inc. v. Maricopa County</i> , 241 Ariz. 230, 386 P.3d 416 (App. 2016).....	7

Statutes

A.R.S. § 12-1241.....	2
A.R.S. § 36-136.....	6
A.R.S. § 36-2801.....	3
A.R.S. § 36-2803.....	6
A.R.S. § 36-2804.....	7
A.R.S. § 36-2806.....	7

Other Authorities

Arizona Administrative Code § R9-17-310.....	1
Arizona Administrative Code § R9-17-101.....	7
Arizona Administrative Code § R9-17-303.....	8
Arizona Administrative Code § R9-17-304.....	8
Arizona Administrative Code §§ R9-17-101 to R9-17-323	6

Rules

Ariz.R.Civ.P., Rule 66	2
------------------------------	---

INTEREST OF AMICUS CURIAE

This Brief is submitted by a court-appointed receiver (the “Receiver”) for a licensed medical marijuana dispensary in Show Low, Navajo County, Arizona. Certain products were pulled from the shelves of the dispensary following the *State v. Jones* decision; patients of the dispensary rely on these products for pain control and quality of life.

A. Dispensary is Operated in Accordance with ADHS Law and Serves Patients in a ADHS Designated Area.

Green Hills Patient Center, Inc. is located at 3191 S. White Mountain Road, Show Low. It was selected in an Arizona Department of Health Services (“ADHS”) lottery and awarded a dispensary registration certificate for the Community Health Analysis Area (“CHAA”) that encompasses Show Low and is designated by ADHS as CHAA 21. Under that designation, Green Hills is permitted to operate a medical marijuana dispensary for CHAA 21.

In July, 2015, ADHS issued a Notice of Intent to Revoke Dispensary Registration Certificate and Notice of Right to Request Administrative Hearing, after Green Hills had been closed following a robbery in June, 2015 and it was unknown when it would reopen. Pursuant to Arizona Administrative Code § R9-17-310(A)(1), a nonprofit medical marijuana dispensary such as Green Hills must be “operating and available to dispense medical marijuana to qualifying patients and caregivers at least 30 hours weekly,” or ADHS may revoke its dispensary’s

certificate. Ultimately, Green Hills and ADHS entered into a Consent Agreement; among the terms was that Green Hills would reopen and operate for a minimum of 30 hours per week beginning no later than October 30, 2015.

B. The Receivership was Appointed in Accordance With Arizona Law and Serves as a “Ministerial Officer of the Court” Under Arizona Law.

In March, 2016, the Receiver was appointed as receiver of Green Hills following a dispute over ownership and control of the dispensary. *Bernard Cantor v. Green Hills Patient Center*, Maricopa County Superior Court Case No. CV2015-005815 (“Cantor Litigation”). The appointing order directed the Receiver to take immediate and exclusive possession, custody, and control of all property owned or controlled by Green Hills and requires that the Receiver take all steps necessary and advisable to preserve the value of the assets in order to prevent loss, injury or damage to consumers or creditors of Green Hills.

The Receiver was appointed under Rule 66(a), Ariz.R.Civ.P. and A.R.S. § 12-1241. The Receiver was appointed “to protect and preserve property or the rights of parties therein. . .” and is a ministerial officer of the court who acts under the appointing court's authority. *Id.*; see also *Mashni v. Foster ex rel. County of Maricopa*, 234 Ariz. 522, 527, ¶ 19, 323 P.3d 1173, 1178 (App. 2014). The Receiver represents the Court and acts “under its direction, for the benefit of all the

parties in interest.” *Id.* at 528, ¶ 19, 323 P.3d at 1179. The Receiver's duty is “fidelity to the court and its orders.” *Id.*

C. Impact of Jones on Receivership of Green Hills

On June 26, 2018, the Court of Appeals issued *State v. Jones*, 245 Ariz. 46, 424 P.3d 447 (App. 2018), holding that “defendant was not immune from prosecution for possession of hashish under the Arizona Medical Marijuana Act (AMMA),” A.R.S. §§ 36-2801–2819.

AMMA defines marijuana to include “*all parts of any plant* of the genus cannabis, whether growing or not, and the seeds of such plant.” A.R.S. § 36-2801(8), emphasis added.

The Court agreed with the State that, by not specifically referring to extracted resin within its description of immunized marijuana, AMMA adopts the “preexisting law distinguishing between cannabis and marijuana.” *Id.* at ¶ 9, 424 P.3d at 450. Stating that “[m]ixture or preparation’ means the combining of marijuana with non-marijuana elements to make ‘consumables’ such as brownies and the like,” A.R.S. § 36-2801(15), and that “[h]ashish, by contrast, is processed from the separated or extracted resin,” the Court concluded that “AMMA in no way immunizes the possession or use of hashish.” *Id.* at ¶ 11, 424 P.3d at 450.

In light of this ruling and out of an abundance of caution, the Receiver had the following products removed from the inventory of Green Hills: (1) Resin, (2)

Rosin, (3) Shatter, (4) Crumble, (5) RSO, (6) Edibles, (7) Crystiline, (8) Budder, (9) Sauce, (10) Vape Cartridges, (11) Distillate Pens, (12) THC infused lotions, and (13) Tictures (collectively, “Concentrate Infused Products”). (See Receiver’s Report for August 2018, attached as Ex. A). The Receiver reported that this had a significant impact on July 2018 sales, which were down over \$100,000.00, as Concentrate Infused Products are used by many of Green Hills’s patients for therapeutic purposes. Accordingly, fewer patients came to the dispensary in July 2018 as the medicines in the Concentrate Infused Products were unavailable to them. Green Hills, controlled by the Receiver, is not selling Concentrate Infused Products. (*Id.*).

Based upon discussions the Receiver had with other Arizona dispensaries, Green Hills may be one of if not the only dispensary in the State not selling Concentrate Infused Products. The Receiver understands that the other dispensaries are taking a narrower view of the Court of Appeals holding. *Id.*

In August 2018, the Receiver’s counsel circulated a letter to the parties in the Cantor Litigation formally advising them that the Receiver is not selling Concentrate Infused Products and that sales at Green Hills have significantly diminished. (*Id.*).

Noting that ADHS rules and regulations require that medical marijuana dispensaries have annual audits of their financial statements, the Receiver advised

the Court that he had engaged Sprowls and Company, P.C. certified public accountants and business consultants to prepare the 2017 audit for Green Hills. (*Id.*).

The Receiver advised the Court that, upon application and review, ADHS had renewed the Approval to Operate and Certificate for Green Hills. (*Id.*).

The Daily Cash Reconciliation for August 2018 showed gross sales of \$253,710.50, total patient count of 4,295 and new patient count of 288. (*Id.*, Ex. 1).

By contrast, the Daily Cash Reconciliation for June 2018, the last report before the *Jones* decision, showed gross sales of \$397,023.15, total patient count of 5,156 and new patient count of 399. (See Ex. B, Ex. 1).

The duty of the Receiver is to run the business as profitably as possible. The *Jones* decision impacts profitability and the Receiver's ability to effectively carry out his duties under Arizona law. See *Mashni*, 234 Ariz. at 528, ¶ 19, 323 P.3d at 1179.

Jones has severely impacted the economics of the Green Hills dispensary. This creates for the Court-appointed Receiver three unique problems: (1) inability to fulfill his duties to the Court and to parties to the Cantor Litigation; (2) inability to fulfill the medical needs prescribed by the AMMA; and (3) because other dispensaries are apparently interpreting *Jones* more narrowly, patients are being

forced to obtain their product in another, more inconvenient location, illegally or worse, not at all.

The latter two problems have statewide importance well beyond this Receiver and a single dispensary in Show Low. The mechanical interpretation of the statutes in *Jones*, without consideration of the context and actual language of the statutes, raises complex issues of medical concern and accessibility. While *Jones* arose out of the possession of hashish, the Court of Appeals appeared to criminalize the medical use of all extracted resin; but most resins, including the products used by the Receiver's patients, are not hash-based. These issues are not addressed in the Petition, and are helpful to the Court in its analysis.

ARGUMENT

I. THE *JONES* DECISION ADVERSELY IMPACTS THE CHAA SYSTEM AND PARTICULARLY CHAA 21, LIMITING PATIENT ACCESSIBILITY TO THERAPEUTIC PRODUCTS.

The AMMA grants the ADHS rulemaking authority to promulgate regulations in order to implement and administer the AMMA. See A.R.S. §§ 36-136(F) –2803. Those regulations are found in the Arizona Administrative Code (“A.A.C.”) at sections R9-17-101 to R9-17-323.

The AMMA also empowers ADHS to establish the system to register medical marijuana dispensaries (MMDs) throughout the state and track compliance with statutory requirements. A.R.S. § 36-2803. ADHS may approve at least one

MMD per county, but no more than one MMD for every ten pharmacies in an area. A.R.S. § 36-2804(C). The AMMA authorizes cities, towns, and counties to “enact reasonable zoning regulations that limit the use of land for [MMDs] to specified areas in the manner provided in title 9, chapter 4, article 6.1, and title 11, chapter 6, article 2.” A.R.S. § 36-2806.01. The registration and application process are described in detail in *White Mountain Health Ctr., Inc. v. Maricopa County*, 241 Ariz. 230, 234, ¶ 6, 386 P.3d 416, 420 (App. 2016), review denied (Sept. 12, 2017).

To allocate MMD certificates, ADHS utilizes the preexisting CHAA system. *Id.*, citing A.A.C. R9-17-101(7). Arizona contains 126 CHAAs, and some CHAAs are in overlapping local jurisdictions such as cities and unincorporated portions of counties. *Id.*

“CHAA” means a Community Health Analysis Area, a geographic area based on population, established by ADHS for use by public health programs. A.A.C R9-17-101. The CHAA system was developed by the ADHS to analyze data for various disease monitoring programs, initially triggered by a 1988 law that directed ADHS to use the data in a cancer registry to identify areas and populations that need investigation. The CHAAs are now used to characterize the various health needs of communities. Each of the 126 CHAAs is built from the U.S. 2000 Census Block Groups. Because of the scattered pattern of development in

Arizona, the CHAAs in our State range widely in population, from 5,000 to 21,500 people. <https://directorsblog.health.azdhs.gov/the-abcs-of-our-community-health-analysis-areas/>.

The CHAA system for MMDs precludes an individual from applying for more than one dispensary certificate in a single CHAA or more than five dispensary certificates in different CHAAs. R9-17-304. If there are additional registration certificates available after certificates are otherwise allocated, ADHS is required to prioritize and assign certificate allocation to CHAA based on which CHAA has the most registry identification cards issued to qualifying patients who reside within the CHAA. R9-17-303.

An interactive map allows patients to enter their addresses to determine which CHAAs they are in and how many MMDs are in their CHAAs. <https://azdhs.gov/gis/index.php>.

In other words, CHAAs are an integral part of AMMA and are fundamental to patient access. The CHAAs are effectively sales areas in which licenses to run dispensaries are granted, in large part to ensure accessibility of medical marijuana to patients receiving treatment in a geographically convenient area. The goal of ADHS, with respect to utilizing the CHAA system, was to ensure a fairly even spread of locations to purchase medical marijuana state-wide; licenses are apportioned accordingly.

The *Jones* decision effectively creates a two tier system among CHAAs: there are those with only one or two MMDs, whose owners will refuse to sell Concentrate Infused Products, and those CHAAs with multiple MMDs, some of which may interpret *Jones* more narrowly and continue to sell Concentrate Infused Products. Those MMDs operated by a receiver, such as Green Hills, are at a particular disadvantage because the receiver is an officer of the Court and will not sell products he understands to be illegal.

CHAA 21 has only one dispensary - Green Hills. Accordingly, access to therapeutic products under the AMMA has been limited for patients in CHAA 21 in a way that has not occurred for patients in other CHAAs.

And there is a particular conundrum facing patients: With a ruling prohibiting sale of derivatives and extracts, patients needing Concentrate Infused Products may not have access to a dispensary that will or can sell derivatives or extracts without the additional burden of travel. Those patients will be forced to choose whether to travel outside their CHAAs, use a less functional product or, in the case of those unable to smoke marijuana, such as children or lung cancer patients, simply forego a medical therapy granted to them by the voters. The Receiver's sharp decrease in sales from June to August, 2018, in the immediate period after *Jones*, suggests that patients in CHAA 21 are either enduring the

greater burden of travel outside their CHAA or foregoing their therapeutic product altogether.

II. THE *JONES* DECISION ADVERSELY IMPACTS THE ABILITY OF DISPENSARIES TO FULFILL PATIENT NEEDS

On a broader and more fundamental level, *Jones* fails to fulfill patient medical needs, as authorized by the 2010 voter mandate. The Petition raises this issue, in a series of footnotes citing scientific papers and studies; it is appropriate and necessary to the discussion to more fully explore the science behind the AMMA.

As Appellant points out, it was the voters' intent to "maximize patient access to the plant's medicines." The stated purpose of the AMMA was to allow marijuana use "in treating or alleviating the pain, nausea and other symptoms associated with a variety of debilitating medical conditions, including cancer, multiple sclerosis and HIV/AIDS." (Proposition 203, Petition, APPX030). "Marijuana has many currently accepted medical uses in the United States, having been recommended by thousands of licensed physicians to at least 260,000 patients in the states with medical marijuana laws. Marijuana's medical utility has been recognized by a wide range of medical and public health organizations, including the American Academy of HIV Medicine, American College of Physicians, American Nurses Association, American Public Health Association, Leukemia & Lymphoma Society and many others." (*Id.*).

This Brief, on behalf of a court-appointed Receiver, is not submitted to glorify or excuse recreational drug use. The express purpose of the AMMA was to decriminalize the *medical* use of marijuana and, because the Receiver is an officer of the Court, and will meticulously follow the law, the Receiver is concerned about his ability to meet the medical needs of patients of Green Hills while complying with *Jones*. Again, the Receiver's patients rely on the Concentrate Infused Products for pain control and quality of life.

Cannabis is a flowering plant; once mature, the plant is covered with trichomes, tiny glands of resinous oil containing cannabinoids and terpenes that provide physical and psychoactive effects. https://www.safeaccessnow.org/using_medical_cannabis. There are over 100 different types of cannabinoids and terpenes. The best known cannabinoid is THC (delta-9-tetrahydrocannabinol); this is the cannabinoid with the most significant psychoactive effect. Americans for Safe Access lists some of the non-psychoactive cannabinoids and their therapeutic physiologic effects:

- Cannabidiol (CBD) relieves convulsions, inflammation, anxiety and nausea—many of the same therapeutic qualities as THC but without psychoactive effects. It is the main cannabinoid in low-THC cannabis strains, and modern breeders have been developing strains with greater CBD content for medical use.

- Cannabinol (CBN) is mildly psychoactive, decreases intraocular pressure, and seizure occurrence.
- Cannabichromene (CBC) promotes the analgesic effects (pain relief) of THC and has sedative (calming) effects.
- Cannabigerol (CBG) has sedative effects and antimicrobial properties, as well as lowers intraocular pressure.
- Tetrahydrocannabivarin (THCV) is showing promise for type 2 diabetes and related metabolic disorders.

Concentrates are made from cannabinoid-rich glandular trichomes. *Id.*

Hashish is a collection of compressed or concentrated resin glands (trichomes). *Id.*

Let's look at how one of these non-psychoactive cannabinoids is consumed by a patient. CBD – the cannabinoid that relieves convulsions - is an extract, that can be ingested in tinctures, drops, encapsulated oil, dissolvable powders, edibles, and topical patches and lotions. It can also be smoked. *Id.* The Mayo Clinic provides specific dosage recommendations for CBD for various illnesses, such as “Cannabis plant extracts containing 2.5-120 milligrams of a THC/CBD combination daily” for MS, and 200-300 mg of CBD orally for epilepsy. *Id.* The Mayo Clinic in Rochester, Minnesota tested CBD on children with Dravet syndrome and Lennox-Gastaut syndrome, both severe childhood onset epilepsies that are “generally refractory to medication.” Preliminary studies found that

seizures were reduced by 39 percent in children treated with CBD.

<https://www.mayoclinic.org/medical-professionals/neurology-neurosurgery/news/clinical-trials-of-cannabidiol-for-epilepsy/mac-20429606>

Dr. William Troutt has been studying scientific literature on medical cannabis for two decades. (See Petition, APPX064). He was the medical director for the first state-licensed MMD in Arizona and has acted as a consultant for other dispensary medical directors and physicians. Dr. Troutt explains in detail the extraction methods to create edible preparations of cannabinoids. Significantly, as Dr. Troutt explains, extractions are important for patients because they enable medical cannabis producers to create products tailored to different types of patients' specific needs. Extractions increase delivery options for patients who cannot inhale or eat bulky and fibrous dried plant material to get the medicine they need. For example, patients suffering from advanced stage amyotrophic lateral sclerosis (ALS or Lou Gehrig's Disease) have difficulty breathing and swallowing. For these patients, eating raw plant material, or smoking or inhaling marijuana is "physically impossible." However, these patients can "consume an extract from medical marijuana." (*Id.*, APPX066).

Similarly, a child with seizures, or any one of the illnesses for which medical marijuana is prescribed, would not be able to smoke or eat fibrous plant material, but could be provided an tincture or oil produced from an extract.

The Court of Appeals held that because hashish is “processed from the separated or extracted resin,” it is not protected under the AMMA. *Jones*, 245 Ariz. at ¶ 12, 424 P.3d at 450. This conclusion undercuts the benefits intended by the voters and contravenes the intent of the statute in providing a therapeutic product to patients who would benefit from the AMMA. Accordingly, the interpretation proffered by Appellant is consistent with the language of the statute, voter intent, and the policies and medical goals of the AMMA.

CONCLUSION

For the reasons above, and as set forth in further detail in the Petition, it is requested that the Court reverse and determine that the AMMA protects the sale and purchase of Concentrate Infused Products under the terms and conditions of the statutes.

RESPECTFULLY SUBMITTED this 31st day of October, 2018.

Jaburg & Wilk, P.C.

/s/ Kathi M. Sandweiss

Kathi Mann Sandweiss (011078)

Lawrence E. Wilk (006510)

Thomas S. Moring (021247)

Attorneys for Receiver

EXHIBIT A

1 Kevin Singer
2 Superior Court Receiver
3 Receivership Specialists
4 2 N. Central Avenue, Suite 1800
5 Phoenix, Arizona 85004
6 Telephone: (602) 343-1889
7 Facsimile (602) 343-1801
8 E-Mail: Kevin@ReceivershipSpecialists.com

9 Receivership Business:
10 Green Hills Patient Center, Inc.
11 3191 S. White Mountain Road
12 Show Low, Arizona 85901

13 **SUPERIOR COURT FOR THE STATE OF ARIZONA**

14 **COUNTY OF MARICOPA**

15	BERNARD CANTOR; J.T. BELL; NICK)	Case No. CV2015-005815
16	BOMPEZZI; MICHELLE BUTTERI-)	
17	BOMPEZZI; JEFF COHEN; HARLA)	SUPERIOR COURT RECEIVER'S
18	COHEN; JASON GIGLIOTTI; KATIE)	REPORT FOR AUGUST 2018 AND
19	GILSON; BOBBIE GOREWITZ; SUSAN)	NOTICE OF INTENT TO PAY
20	MILLER; BRAD WEINSTOCK; JASON)	RECEIVER'S FEES AND EXPENSES
21	MCDADE; JAMIE MCDADE; BARBARA)	
22	MELAMED; DIANNE MILLER;)	(Assigned to Honorable Margaret R. Mahoney)
23	ROBERTA PEDERSON; AURELIA)	
24	PEREZ; REID PHIFER; ANTHONY REIN;)	
25	DANNY REIN; ERIC SPITZER; GARY)	
26	TANNER; REX WEBB; RANDALL)	
27	WEBB; RICHARD FISHER; ALLISON)	
28	O'CONNOR; NICOLE GRIEGO; and)	
	BRANDON MORK,)	
)	
	Plaintiffs,)	
)	
	v.)	
)	
	GREEN HILLS PATIENT CENTER, INC.,)	
	an Arizona corporation; MICHAEL EARLE,)	
	an Arizona resident; TARA HASLOCK and)	
	SCOTT HASLOCK, Arizona residents and)	
	husband and wife; JOHN and JANE DOES I-)	
	X, ABC CORPORATIONS; and XYZ)	
	PARTNERSHIPS,)	
)	
	Defendants.)	

RECEIVERSHIP SPECIALISTS
STATE AND U.S. FEDERAL COURT RECEIVERS/REFEREES/TRUSTEES

SUPERIOR COURT RECEIVER'S REPORT FOR AUGUST 2018
AND NOTICE OF INTENT TO PAY RECEIVER'S FEES AND EXPENSES

Presented By:
Kevin Singer, Superior Court Receiver

BERNARD CANTOR, ET AL.

vs.

GREEN HILLS PATIENT CENTER, INC., ET AL.

Maricopa County Superior Court Case No CV2015-005815

Presiding Judge: Hon. Margaret R. Mahoney

Business Address:

3191 S. White Mountain Road, Show Low, Arizona 85901

Corporate Headquarters
Los Angeles
11150 W. Olympic Blvd.
Suite 810
Los Angeles, CA 90064
Tel: (310) 552-9064
Fax: (310) 552-9066

San Francisco
795 Folsom Street
1st Floor
San Francisco, CA 94107
Tel: (415) 848-2984
Fax: (415) 848-2301

San Diego
4660 La Jolla Village Drive
Suite 100
San Diego, CA 92122
Tel: (858) 546-4815
Fax: (858) 646-3097

Ventura/Santa Barbara
1500 Palma Drive
2nd Floor
Ventura, CA 93003
Tel: (805) 267-1283
Fax: (805) 654-0080

Sacramento
980 9th Street
16th Floor
Sacramento, CA 95814
Tel: (916) 449-9655
Fax: (916) 446-7104

Las Vegas
7251 W. Lake Mead Blvd.
Suite 300
Las Vegas, NV 89128
Tel: (702) 562-4230
Fax: (702) 562-4001

Reno
200 S. Virginia Street
Suite 800
Reno, NV 89501
Tel: (775) 398-3103
Fax: (775) 686-2401

Phoenix
2 N. Central Avenue
Suite 1800
Phoenix, AZ 85004
Tel: (602) 343-1889
Fax: (602) 343-1801

October 2, 2018

Dear Vested Parties:

On or about April 15, 2015, Plaintiffs Bernard Cantor (“Cantor”), J.T. Bellj, Nick Bompezzi, Michelle Butteri-Bompezzi, Jeff Cohen, Harla Cohen, Jason Gigliotti, Katie Gilson, Bobbie Gorewitz, Susan Miller, Brad Weinstock, Jason McDade, Jamie McDade, Barbara Melamed, Dianne Miller, Roberta Pederson, Aurelia Perez, Reid Phifer, Anthony Rein, Danny Rein, Eric Spitzer, Gary Tanner, Rex Webb, Randall Webb, Richard Fisher, Allison O’Connor, Nicole Griego, and Brandon Mork (collectively, “Plaintiffs”) brought their *Verified Complaint for Declaratory Judgment and Injunctive Relief* (the “Complaint”) against named defendants Green Hills Patient Center, Inc. (“Green Hills”), Michael Earle (“Earle”), Tara Haslock, and Scott Haslock (collectively, “Defendants”). Tara Haslock and Scott Haslock are referred to herein collectively as the “Haslocks.” Plaintiffs and Defendants are referred to herein collectively as the “Parties” and individually as a “Party.” Earle and the Haslocks are referred to herein collectively as the “Individual Defendants.”

The following summary of Green Hills, its organization, the relationships among the Parties, and the dispute in this matter is drawn from the allegations contained in the Complaint. I do not attest to the veracity of the allegations or the summary drawn therefrom. I provide them for background informational purposes only.

Green Hills is a duly formed Arizona corporation doing business as a non-profit entity formed to operate, and operating as, a licensed medical marijuana dispensary in Navajo County, Arizona. FYOR Holdings, LLC, a Delaware limited liability company (“FYOR DE”)¹ allegedly was formed as the manager of Green Hills pursuant to a written and signed a management services agreement (the “Management Services Agreement”). Plaintiffs and the Individual Defendants each are members of FYOR DE and invested substantial money into a common fund to prepare and submit an application to the Arizona Department of Health Services (the “AZDHS”) for a license to operate a medical marijuana dispensary with the hope that their application would be selected during the AZDHS’ lottery to determine dispensary license certificate holders.

As alleged in the Complaint, Plaintiffs and the Individual Defendants’ plan and intent was that each member of FYOR DE and Green Hills would have an ownership, control, and voting interest in the dispensary and management company, if their application was accepted and selected during the lottery. Their

¹ Subsequent to the creation of FYOR DE, Scott Haslock allegedly created an identical entity named FYOR Holdings, LLC in Arizona (“FYOR AZ”).

application was accepted and selected during the lottery and they were awarded a dispensary registration certificate (No. 0000051DCYH00987523) (the “Certificate”) for the Community Health Analysis Area (“CHAA”) that encompasses Show Low, Arizona and is designated by the AZDHS as CHAA 21, which would permit Green Hills to operate a medical marijuana dispensary for that area.

Subsequently, the members of FYOR DE allegedly voted via a super majority to assign its interest in the Management Services Agreement to a third-party. As part of the assignment the members of FYOR DE and Green Hills would receive a return of their initial financial investments. Plaintiffs complain that the Individual Defendants are obstructing this from happening. Among their allegations are that the Individual Defendants have refused to provide documents related to the financial operations of FYOR DE and Green Hills to Plaintiffs, that the Individual Defendants have made numerous business decisions without Plaintiffs’ knowledge or authorization, that Scott Haslock unilaterally and without authorization appointed himself the manager of FYOR DE, that Scott Haslock unilaterally and without authorization entered into a sales contract of FYOR DE and its interest in the Management Services Agreement with Green Hills, and that without Plaintiffs’ approval or authorization, Scott Haslock has made loans and expended FYOR DE’s money for his own personal benefit.

Tara Haslock entered into another management services contract on behalf of Green Hills with Murphy Kittrell of MKHS GH LLC (“MKHS”). We have not been provided any documentation or specific information regarding that purported agreement other than it was allegedly broken by Tara Haslock.

There is currently pending another lawsuit against Green Hills, this one brought by a company named Canna-Do, LLC (“Canna-Do”) on January 27, 2016. Attached as an exhibit to the Canna-Do complaint was an agreement entitled *Consent Agreement by and between the Arizona Department of Health Services and Green Hills Patient Center, Inc.* (the “AZDHS Consent Agreement”).

According to the AZDHS Consent Agreement, on June 8, 2015, the AZDHS received an email from Tara Haslock stating that Green Hills was closed following a robbery and that it was unknown when Green Hills would reopen. Pursuant to Arizona Administrative Code section R9-17-310(A)(1), a nonprofit medical marijuana dispensary, such as Green Hills, must be “operating and available to dispense medical marijuana to qualifying patients and caregivers at least 30 hours weekly ...,” otherwise the AZDHS may revoke the dispensary’s certificate. On July 22, 2015, the AZDHS issued a *Notice of Intent to Revoke Dispensary Registration Certificate and Notice of Right to Request Administrative Hearing*. Ultimately, following an Informal Settlement Conference, Green Hills and AZDHS entered into the AZDHS Consent Agreement. One of the terms of the AZDHS Consent Agreement was that Green Hills would reopen and operate for a minimum of thirty hours per week beginning no later than October 30, 2015.

According to the Canna-Do complaint (the “Canna-Do Complaint”), on or about November 22, 2015, Tara Haslock, acting on behalf of Green Hills, entered into a *Memorandum of Understanding* (“Canna-Do MOU”) with Canna-Do, a copy of which was attached to the Canna-Do Complaint as an exhibit. The Canna-Do MOU provided that Canna-Do would provide financial and management resources to operate Green Hills, specifically, Canna-Do would provide \$185,000.00 as follows: (i) \$100,000.00 to Tara Haslock; (ii) \$10,000.00 to Green Hills for legal fees; and (iii) \$75,000.00 for Green Hills’ operating expenses, renovation and construction expenses, monies necessary for an infusion kitchen, and necessary fees to the AZDHS. Canna-Do alleges it provided the money to Green Hills and Tara Haslock as well as the management resources called for in the Canna-Do MOU.

The Canna-Do Complaint states, upon information and belief that without the financial and management assistance provided by Canna-Do, Green Hills would have been unable to comply with the terms of the AZDHS Consent Agreement, thereby jeopardizing the Certificate. According to the allegations of the Canna-Do Complaint, in return for its financial and management resources, Green Hills agreed to provide Canna-Do fifty percent of all funds generated by Green Hills. The Canna-Do Complaint continues to allege that shortly over a month after having entered into the Canna-Do MOU, beginning on December 27, 2015, Green Hills and Tara Haslock refused to communicate with Canna-Do, failed to remit any repayment of the \$185,000.00, and did not respond to Canna-Do’s demands to return its property and equipment. Canna-Do’s authorized agent is Ingrid Joiya-Warrick.

On June 16, 2015, the Court entered an order entitled *Order Granting Temporary Restraining Order, with Notice* (the “Green Hills TRO”), which provides, in pertinent part, that Defendants shall not “make any changes to the composition or day-to-day management of [Green Hills] without a properly-noticed meeting of the members and a membership vote, as stated in the Bylaws of [Green Hills].” Plaintiffs allege that the Canna-Do MOU runs contrary to the Green Hills TRO.

On or about December 11, 2015, the Court ordered that a receiver (“Receiver”) be appointed and requested the Parties submit names of potential receivers. Pursuant to the Court’s order dated January 20, 2016, entitled *Order Appointing Receiver*, Trevor Smith (“Smith”) from DKI Management, LLC was appointed as the Receiver for Green Hills and all of its assets. Subsequently, on or about February 3, 2016, Smith filed a *Motion to Remove Receiver* requesting the Court remove him as Receiver and appoint a new receiver. On or about March 6, 2016, the Court entered a second appointing order entitled *Order Appointing Receiver* wherein it terminated Smith as Receiver and appointed Kevin Singer as Receiver over Green Hills and all of its current assets (the “Appointing Order”).

The Appointing Order directed me to take immediate and exclusive possession, custody, and control of all property owned by, controlled by, or in the name of Green Hills, including all contracts, monies, securities, inventory, and properties, real or personal, tangible or intangible, of whatever kind and description, and wherever situated (the “Receivership Assets”) as well as all documents and other records belonging to Green Hills (the “Receivership Records”). The Appointing Order further provides that I am to conserve, hold, and manage the Receivership Assets and to perform all necessary and advisable acts to preserve the value of those assets in order to prevent any irreparable loss, damage, or injury to consumers or creditors of Green Hills and to continue to conduct Green Hills’ business in such a manner and for such duration as I may in good faith deem to be necessary or appropriate to operate the business lawfully. Green Hills’ main operations are conducted at 3191 S. White Mountain Road, Show Low, Arizona 85901 (the “Property”).

Following is a summary of what has transpired in this matter through the end of August 2018:

- 1) On August 28, 2018, my Project Manager for this matter, Scott Yahraus (“Yahraus”), visited Green Hills. In addition to observing and inspecting Green Hills’ operations and staff (which all appeared to be in order), Yahraus met with local management to discuss purchasing, sales, operations, marketing, and management matters.
- 2) On January 31, 2017, we forwarded to Cantor’s attorney, Jeffrey Matura, Esq. (“Matura”), a letter of intent from Green Seed Investments (“Green Seed”) for an offer to purchase the FYOR Management contract for \$3 million, for Matura to determine whether his clients have interest in the offer. Matura responded that Cantor was interested.

It was subsequently reported to me that Cantor and Green Seed reached an agreement for Cantor to sell and Green Seed to purchase the FYOR Management contract for \$3,300,000.00. Green Seed formed an Arizona limited liability company named *GSI FUND I, LLC* for its purchase of the FYOR Management contract. On or about March 8, 2017, Imran Mirza, the Managing Partner for Green Seed, provided a draft purchase and sale agreement to Cantor. We were subsequently advised that Green Seed had deposited \$300,000.00 into a trust account for the sale.

However, because MKHS already has a *Letter of Intent* pending for approval before the Court, the deal with Green Seed is being kept as a back-up offer to be addressed by the Court.

- 3) I have previously reported that Green Hills was not “attached” to an external grow. Over the past months, we investigated and/or attached to different grows but, for various reasons, needed to terminate the

relationships with them. In May 2018, I reported that due to delays in building out a kitchen as well as what appeared to be in-fighting with our last grow, we entered into a mutual agreement to terminate our kitchen agreement with that grow. We continue in our search for a grow as it is a potential source of revenue for Green Hills. As of the end of July 2018, we began discussions with two individuals who are developing a cultivation and looking for a license with which to attach. In August 2018, Donner met with the two individuals and continued discussions/negotiations with regard to attaching to their grow. After having met with and spoke not the two individuals on multiple occasions, we determined that they have not proceeded far enough in readying their kitchen for us to attach to. We are open to continuing discussions when they have progressed further in their efforts.

- 4) In late June 2018, the Arizona Court of Appeals affirmed a Yavapai County Superior Court ruling in *State v. Jones*, wherein the lower court ruled that while marijuana products are legal under the *Arizona Medical Marijuana Act*, Ariz. Rev. Stat. (A.R.S.) §§ 36-2801–2819 (2014) (the “AMMA”), products derived from cannabis (specifically, hashish) are not. In light of this ruling and out of an abundance of caution, we had all such products removed from Green Hills’ inventory. This had a significant impact on Green Hills’ sales for July 2018 (down over \$100,000.00) as such products are extremely popular with Green Hills’ patients and fewer patients came to the dispensary in July 2018 as these medicines were unavailable to them. As of the end of August 2018, we still are not selling products derived from cannabis. Based upon discussions we have had with other Arizona dispensaries, we may be one of if not the only dispensary in the state not selling these products. It would appear that the other dispensaries are taking a narrower view of the Appellate Court holding.

In August 2018, Wilk circulated a letter among the Parties formally informing them that we are not selling products derived from cannabis as well as confirming to them that Green Hills’ sales have significantly diminished. Wilk reported to us that the Parties approved of our business decision not to sell these products.

As discussed in prior reports, I receive daily reports of sales activities at Green Hills. Attached hereto as “**Exhibit 1**” is a true and correct copy of Green Hills’ *Daily Cash Reconciliation Report* for August 2018, which includes a breakdown of gross and net sale as well as new and total patient counts among other information. In addition, our bookkeeper enters Green Hills’ financial records into QuickBooks Online. This permits us to generate certain financial reports for Green Hills which are referenced below at the end of this report.

As may be seen in the *Daily Cash Reconciliation Report* referenced above, gross sales for August 2018 were \$253,710.50. The total patient count for August 2018 was 4,295 with 288 of those being new patients. As discussed above, the Appellate Court's ruling in *State v. Jones* continues to have a detrimental effect on Green Hills' sales and profitability.

- 5) In accord with *Receivership Duties* Item 8 of the Accounting Order, I engaged the law firm of Jaburg & Wilk, P.C. ("Jaburg") to represent Green Hills' interests in this matter. Attached hereto as "**Exhibit 2**" is a true and correct copy of Jaburg's invoice summary for services rendered for the month of August 2018.
- 6) On November 30, 2016, Larry Wilk, Esq. ("Wilk") of Jaburg advised me that MKHS filed a motion entitled *Motion to Enforce Agreement* (the "MKHS Motion to Enforce") with the Court wherein MKHS asked the Court to enter an order requiring Plaintiffs to comply with a written agreement referred to by the Parties as the *Letter of Intent*, signed March 31, 2016 (the "MKHS Letter of Intent"), whereby Plaintiffs would execute a purchase agreement to transfer to MKHS control of the dispensary and all management rights to the dispensary in exchange for funds.

On or about December 20, 2016, plaintiffs responded that they did not contest the MKHS Motion to Enforce and that they are willing to execute all necessary documents to effectuate the proposed transition, but that MKHS has repeatedly failed to provide sufficient funds to close the transaction. On January 3, 2017, MKHS replied, providing the Court an outline of how it believed closing of the transaction should proceed. A status conference was held on January 26, 2017. At the hearing, the Court instructed the Haslocks to file a response to the MKHS Motion to Enforce by March 24, 2017, at which point the Court would rule on the MKHS Motion to Enforce. On or about March 27, 2017, the Haslocks filed their response in opposition to the MKHS Motion to Enforce, arguing that it should be denied as the parties to the agreement have neither the power nor right to perform essential actions under the terms of the agreement (the "Haslock Opposition"). On April 13, 2017, MKHS replied to the Haslock Opposition, disputing the arguments therein. On or about April 14, 2017, Plaintiffs filed their reply to the Haslock Opposition, also disputing the Haslocks' arguments therein. A hearing was set for June 2017. However, at the Parties request, the Court pushed back the hearing so that the Parties could submit additional briefings. Thereafter, a new judge rotated in to the case and, *sua sponte*, set the hearing for March 2, 2018. It was subsequently continued to and took place on April 19, 2018. The outcome of the April 19, 2018, hearing is discussed in greater detail at the end of this section.

Previously, on or about May 12, 2017, the Court set an evidentiary hearing for June 13–14, 2017 (the “Evidentiary Hearing”), with respect to the MKHS Motion to Enforce as well as three other fully-briefed motions pending before the Court: (i) the Haslocks’ *Motion to Dissolve Injunction*, filed March 27, 2017; (ii) the Haslocks’ *Motion to Terminate Receivership*, also filed March 27, 2017; and (iii) the Haslocks’ *Motion to Dismiss*, filed April 12, 2017 (collectively, the “Haslock Motions”). In June 2017, the Evidentiary Hearing was taken off-calendar. The Court since reset the Evidentiary Hearing with respect to the Haslock Motions for January 8, 2018. At that hearing, the Haslocks’ *Motion to Dissolve Injunction*, the Haslocks’ *Motion to Terminate Receivership*, and the Haslocks’ *Motion to Dismiss* were all denied. As such, I remain in place as Receiver. A hearing on the Haslocks’ *Motion for Summary Judgment* (the “Haslock MSJ”) was heard on April 18, 2018. The outcome of the April 18, 2018, hearing is also discussed in greater detail at the end of this section.

In January 2018, Jaburg informed us that on January 26, 2018, a company named GHPC Management LP, an Arizona limited partnership (“GHPC Management”), had filed a *Motion to Intervene and for Expedited Hearing* and a *Verified Complaint in Intervention* (collectively, the “GHPC Motion to Intervene”) in this action, claiming to have entered into a purchase and sale agreement with FYOR AZ that includes a management agreement between FYOR AZ and Green Hills that permits GHPC Management to remove me as Receiver and manage Green Hills itself. The GHPC Motion to Intervene was fully briefed and also set to be heard on April 19, 2018.

As discussed above, in April 2018, the Court held two days of hearings with respect to the various above-referenced motions that lasted for a combined duration of approximately four to five hours. As a result, Judge Mahoney denied the Haslock MSJ.

During the first hearing, Judge Mahoney noted that MKHS had filed a *Motion to Intervene* in December 2015 (the “MKHS Motion to Intervene”) and, although it was never granted, MKHS has been participating in this litigation since that time. While MKHS was prepared to argue the MKHS Motion to Enforce, Judge Mahoney stated that she did not believe MKHS had standing to argue that motion as the MKHS Motion to Intervene was never heard, much less granted. Despite that, Judge Mahoney did not vacate the second hearing. According to Thomas Moring, Esq. (“Moring”) of Jaburg, when the attorneys showed up the next day, Judge Mahoney stated that she did not believe MKHS could argue the MKHS Motion to Enforce. Regardless, Judge Mahoney proceeded to conduct a two-hour hearing covering various topics.

Moring summarized the two hearings as follows: Judge Mahoney believes she first needs to make a determination as to the underlying issue of the ownership interests held by Plaintiffs and Defendants before she can rule on who has the right to sell their interests. For example, if each and every plaintiff holds an equal membership, then the sale would go to Murphy Kittrell, because a majority of the members sold their interests to him. However, if the Haslocks hold one-hundred percent of the membership, then the majority had nothing to sell and ownership would remain with the Haslocks.

On April 19, 2018, the Court issued a *Minute Entry* setting forth a revised briefing schedule for the MKHS Motion to Intervene and the GHPC Motion to Intervene and anticipates ruling on the motions without the need for further argument. On or about July 15, 2018, the Court granted both the MKHS Motion to Intervene and the GHPC Motion to Intervene. Moring advised us that this means that the MKHS pleadings are now accepted as of record and that this is not a real change as MKHS has been an active participant in the case for years. On July 18, 2018, GHPC filed a *Verified Complaint in Intervention* seeking, among other relief, to have its purchase agreement for \$3,300,000.00 upheld and the MKHS agreement thrown out.

- 7) As reported above, Canna-Do brought a separate lawsuit against Green Hills on January 27, 2016. Pursuant to an agreement among the parties, Green Hills had not taken any activity in the matter and was provided an open extension to respond to the Canna-Do Complaint. In July 2017, Wilk informed us that the case recently began moving forward. Wilk also advised us that in July 2017, Walker filed an answer on behalf of the Haslocks *and* Green Hills. My position is that Walker did not have my authority to file an answer on behalf of Green Hills since it is in Receivership.

On or about August 10, 2017, Wilk filed a position statement (the "Position Statement") on my behalf with the Canna-Do court. An important issue in the Canna-Do case is whether the actions complained of were taken in the course and scope of Haslocks' employment, and/or whether those actions were in violation of any orders of this Court at the time the transactions were completed.

On August 18, 2017, the Court entered a *Scheduling Order*. Among the dates set forth therein was a deadline for the parties to complete the depositions of parties and lay witnesses (May 25, 2018). In addition, the parties are to participate in and complete a mediation with a Court-appointed mediator by October 26, 2018. A trial setting conference for the matter is set for February 21, 2019.

We were informed by Jaburg that on or about May 28, 2018, the parties to the Canna-Do litigation filed a stipulation and proposed order to extend the date to complete lay witness depositions by an additional six weeks from May 25, 2018, to July 7, 2018, as the defendants had been unable to locate all the parties for service of *Notices of Deposition*. I continue to receive updates on this matter from Jaburg and monitor the status of the litigation. In August 2018, there was nothing of significance to report as pertains to this matter.

- 8) On or about June 21, 2018, the Haslocks filed a *Petition for Special Action* (the “Haslock Petition”) seeking to have the Arizona Court of Appeals overturn Judge Mahoney’s denial of their summary judgment motion, related particularly to the idea advanced by the Haslocks that Plaintiffs have no membership interest in Green Hills.

As explain by Moring, a *Special Action* is a creature of Arizona law and is used in rare instances to prepare an interlocutory appeal, while a case is still ongoing but there is an important issue that needs to be decided. Unlike an appeal after a case, a *Special Action* is not always considered and may not even be considered at all. The Court of Appeals has to review the Haslock Petition and decide whether to allow it to proceed. The Appeals Court can accept jurisdiction and deny relief, accept jurisdiction and grant relief, or simply reject jurisdiction and thereby end the *Special Action* process.

Unless the Court of Appeals accepts jurisdiction and grants relief, the case will keep going on the trial track. This may complicate the upcoming mediation that has been set, but it may be a non-issue if the Appeals Court acts quickly and denies jurisdiction. As Receiver, I intend to take no position on this as it is a matter of law.

On or about June 25, 2018, the Court of Appeals declined to accept special action jurisdiction. On or about July 24, 2018, the Haslocks filed a *Petition for Review* with the Arizona Supreme Court seeking the same relief they sought from the Court of Appeals.

- 9) ADHS rules and regulations require medical marijuana dispensaries have annual audits of their financial statements. I engaged Sprowls and Company P.C. (“Sprowls”), certified public accountants and business consultants, to prepare the 2017 audit for Green Hills (the “Green Hills’ 2017 Audit”). Sprowls completed their review and provided us the Green Hills’ 2017 Audit, which was provided to the ADHS.
- 10) On July 10, 2018, we submitted a renewal application to the ADHS to continue Green Hills’ Approval to Operate (“ATO”). ADHS responded, requesting changes to the application. We complied and by the end of July 2018, the ADHS had informed us that our application was

administratively complete and that the substantive review of our application would begin. On August 7, 2018, we received Green Hills' renewed ATO and certificate. Attached hereto as "**Exhibits 3 and 4**" are true and correct copies of Green Hills' ATO and certificate, respectively.

- 11) Please find the following additional documents attached hereto:
 - (i) **Exhibit 5:** Receiver's financials for August 2018; and
 - (ii) **Exhibit 6:** Receiver's billings for August 2018.

- 12) As always, I encourage input from all of the parties and strive to obtain mutually acceptable and beneficial solutions to the issues before the Receivership estate.

Respectfully submitted,


Kevin Singer
Superior Court Receiver

ORIGINAL of the foregoing e-filed this
2nd day of October 2018 to:

Clerk of the Court
Maricopa County Superior Court
201 West Jefferson Street
Phoenix, AZ 85003

COPY of the foregoing **AUTOMATICALLY PROVIDED**
through the Court's e-filing system this
2nd day of October 2018 to:

The Honorable Margaret R. Mahoney`
East Court Building
101 West Jefferson Street, Courtroom 411
Phoenix, AZ 85003

COPY of the foregoing **MAILED** and **E-MAILED**
2nd day of October 2018 to:

Jeffrey C. Matura, Esq.
Melissa J. England, Esq.
Barrett | Matura
8925 East Pima Center Parkway, Suite 100
Scottsdale, AZ 85258
JMatura@BarrettMatura.com
MEngland@BarrettMatura.com
Attorneys for Plaintiffs

Gregorio M. Garcia, Esq.
Gregorio M. Garcia, PC
4635 S. Lakeshore Drive, Suite 130
Tempe, AZ 85282-7127
GG@GMGLawOffice.com
Attorneys for Intervenor

Lawrence E. Wilk, Esq.
Thomas S. Moring, Esq.
Nichole H. Wilk, Esq.
Jaburg & Wilk, P.C.
3200 N. Central Avenue, 20th Floor
Phoenix, AZ 85012
LEW@JaburgWilk.com
TSM@JaburgWilk.com
NHW@JaburgWilk.com
Attorneys for Receiver Kevin Singer


William G. Walker, Esq.
William G. Walker, P.C.
177 N. Church Avenue, Suite 807
Tucson, AZ 85701
WGWPC@aol.com
Attorneys for Defendants Tara and Scott Haslock

Peter Timoleon Limperis, Esq.
Timothy P. Stackhouse, Esq.
Miller, Pitt, Feldman & McAnally, P.C.
One South Church Avenue, Suite 900
Tucson, AZ 85701
PLimperis@MPFMLaw.com
TStackhouse@MPFMLaw.com
Attorneys for Defendants Tara and Scott Haslock

Sal J. Rivera, Esq.
Rivera Law Group
1440 E. Missouri Avenue, Suite C115
Phoenix, AZ 85014
Sal@RiveraLawGroup.com
Attorneys for Intervenor GHPC Management LP

Scott Haslock
P.O. Box 75596
Phoenix, AZ 85087
Haslock1@yahoo.com
Defendant

Tara Haslock
P.O. Box 75596
Phoenix, AZ 85087
THaslock@gmail.com
Defendant



Jeffrey Engerman

EXHIBIT 1

Green Hills Patient Center
Daily Cash Reconciliation
August 2018

Day	Date	Gross Sales	Sales Tax	Net Sales	Patient Count	New Patient Count	Average Sale	Safe Drops
Wednesday	1-Aug	\$ 11,524.53	\$ 863.59	\$ 10,660.94	215	8	\$ 53.60	\$ 11,524.53
Thursday	2-Aug	\$ 6,738.33	\$ 504.92	\$ 6,233.41	129	8	\$ 52.24	\$ 6,738.33
Friday	3-Aug	\$ 13,744.15	\$ 1,027.18	\$ 12,716.97	204	13	\$ 67.37	\$ 13,744.15
Saturday	4-Aug	\$ 8,556.65	\$ 641.14	\$ 7,915.51	164	19	\$ 52.17	\$ 8,537.91
Sunday	5-Aug	\$ -	\$ -	\$ -	0	0	\$ -	\$ -
Monday	6-Aug	\$ 9,328.84	\$ 696.73	\$ 8,632.11	178	9	\$ 52.41	\$ 9,317.93
Tuesday	7-Aug	\$ 7,015.54	\$ 525.73	\$ 6,489.81	135	14	\$ 51.97	\$ 7,049.43
Wednesday	8-Aug	\$ 9,891.66	\$ 741.17	\$ 9,150.49	195	8	\$ 50.73	\$ 9,922.04
Thursday	9-Aug	\$ 8,161.58	\$ 611.52	\$ 7,550.06	131	9	\$ 62.30	\$ 8,161.93
Friday	10-Aug	\$ 12,874.83	\$ 959.65	\$ 11,915.18	185	14	\$ 69.59	\$ 12,855.03
Saturday	11-Aug	\$ 7,977.80	\$ 597.81	\$ 7,379.99	147	9	\$ 54.27	\$ 7,938.70
Sunday	12-Aug	\$ -	\$ -	\$ -	0	0	\$ -	\$ -
Monday	13-Aug	\$ 9,657.14	\$ 723.62	\$ 8,933.52	163	6	\$ 59.25	\$ 9,659.73
Tuesday	14-Aug	\$ 7,811.45	\$ 582.95	\$ 7,228.50	139	13	\$ 56.20	\$ 7,811.48
Wednesday	15-Aug	\$ 10,636.38	\$ 794.69	\$ 9,841.69	223	23	\$ 47.70	\$ 10,675.88
Thursday	16-Aug	\$ 10,372.17	\$ 777.20	\$ 9,594.97	153	9	\$ 67.79	\$ 10,391.39
Friday	17-Aug	\$ 10,969.24	\$ 822.02	\$ 10,147.22	185	7	\$ 59.29	\$ 10,944.20
Saturday	18-Aug	\$ 9,585.64	\$ 718.22	\$ 8,867.42	159	16	\$ 60.29	\$ 9,587.65
Sunday	19-Aug	\$ -	\$ -	\$ -	0	0	\$ -	\$ -
Monday	20-Aug	\$ 6,852.91	\$ 513.49	\$ 6,339.42	136	10	\$ 50.39	\$ 6,833.53
Tuesday	21-Aug	\$ 8,587.44	\$ 638.15	\$ 7,949.29	164	10	\$ 52.36	\$ 8,610.35
Wednesday	22-Aug	\$ 10,063.33	\$ 754.11	\$ 9,309.22	198	10	\$ 50.82	\$ 10,025.85
Thursday	23-Aug	\$ 7,394.19	\$ 554.08	\$ 6,840.11	138	4	\$ 53.58	\$ 7,365.19
Friday	24-Aug	\$ 12,038.86	\$ 902.04	\$ 11,136.82	186	14	\$ 64.73	\$ 11,954.78
Saturday	25-Aug	\$ 7,082.46	\$ 530.70	\$ 6,551.76	141	15	\$ 50.23	\$ 7,065.87
Sunday	26-Aug	\$ -	\$ -	\$ -	0	0	\$ -	\$ -
Monday	27-Aug	\$ 8,689.14	\$ 651.15	\$ 8,037.99	157	10	\$ 55.34	\$ 8,699.62
Tuesday	28-Aug	\$ 6,909.44	\$ 517.71	\$ 6,391.73	128	4	\$ 53.98	\$ 6,901.32
Wednesday	29-Aug	\$ 7,842.25	\$ 587.66	\$ 7,254.59	196	10	\$ 40.01	\$ 7,820.58
Thursday	30-Aug	\$ 8,155.53	\$ 611.17	\$ 7,544.36	140	13	\$ 58.25	\$ 8,171.06
Friday	31-Aug	\$ 15,249.02	\$ 1,142.62	\$ 14,106.40	221	11	\$ 69.00	\$ 15,251.32
TOTALS		\$ 253,710.50	\$ 18,127.43	\$ 224,058.54	4,295	288	\$ 48.90	\$ 253,559.78

EXHIBIT B

RECEIVERSHIP SPECIALISTS

STATE AND U.S. FEDERAL COURT RECEIVERS/REFEREES/TRUSTEES

Corporate Headquarters
Los Angeles
11150 W. Olympic Blvd.
Suite 810
Los Angeles, CA 90064
Tel: (310) 552-9064
Fax: (310) 552-9066

San Francisco
795 Folsom Street
1st Floor
San Francisco, CA 94107
Tel: (415) 848-2984
Fax: (415) 848-2301

San Diego
4660 La Jolla Village Drive
Suite 100
San Diego, CA 92122
Tel: (858) 546-4815
Fax: (858) 646-3097

Sacramento
980 9th Street
16th Floor
Sacramento, CA 95814
Tel: (916) 449-9655
Fax: (916) 446-7104

Las Vegas
7251 W. Lake Mead Blvd.
Suite 300
Las Vegas, NV 89128
Tel: (702) 562-4230
Fax: (702) 562-4001

Reno
200 S. Virginia Street
Suite 800
Reno, NV 89501
Tel: (775) 398-3103
Fax: (775) 686-2401

Phoenix
2 N. Central Avenue
Suite 1800
Phoenix, AZ 85004
Tel: (602) 343-1889
Fax: (602) 343-1801

SUPERIOR COURT RECEIVER'S REPORT FOR JUNE 2018 **AND NOTICE OF INTENT TO PAY RECEIVER'S FEES AND EXPENSES**

Presented By:
Kevin Singer, Superior Court Receiver

BERNARD CANTOR, ET AL.

vs.

GREEN HILLS PATIENT CENTER, INC., ET AL.

Maricopa County Superior Court Case No CV2015-005815

Presiding Judge: Hon. Margaret R. Mahoney

Business Address:

3191 S. White Mountain Road, Show Low, Arizona 85901

August 6, 2018

Dear Vested Parties:

On or about April 15, 2015, Plaintiffs Bernard Cantor (“Cantor”), J.T. Bellj, Nick Bompezzi, Michelle Butteri-Bompezzi, Jeff Cohen, Harla Cohen, Jason Gigliotti, Katie Gilson, Bobbie Gorewitz, Susan Miller, Brad Weinstock, Jason McDade, Jamie McDade, Barbara Melamed, Dianne Miller, Roberta Pederson, Aurelia Perez, Reid Phifer, Anthony Rein, Danny Rein, Eric Spitzer, Gary Tanner, Rex Webb, Randall Webb, Richard Fisher, Allison O’Connor, Nicole Griego, and Brandon Mork (collectively, “Plaintiffs”) brought their *Verified Complaint for Declaratory Judgment and Injunctive Relief* (the “Complaint”) against named defendants Green Hills Patient Center, Inc. (“Green Hills”), Michael Earle (“Earle”), Tara Haslock, and Scott Haslock (collectively, “Defendants”). Tara Haslock and Scott Haslock are referred to herein collectively as the “Haslocks.” Plaintiffs and Defendants are referred to herein collectively as the “Parties” and individually as a “Party.” Earle and the Haslocks are referred to herein collectively as the “Individual Defendants.”

The following summary of Green Hills, its organization, the relationships among the Parties, and the dispute in this matter is drawn from the allegations contained in the Complaint. I do not attest to the veracity of the allegations or the summary drawn therefrom. I provide them for background informational purposes only.

Green Hills is a duly formed Arizona corporation doing business as a non-profit entity formed to operate, and operating as, a licensed medical marijuana dispensary in Navajo County, Arizona. FYOR Holdings, LLC, a Delaware limited liability company (“FYOR DE”)¹ allegedly was formed as the manager of Green Hills pursuant to a written and signed a management services agreement (the “Management Services Agreement”). Plaintiffs and the Individual Defendants each are members of FYOR DE and invested substantial money into a common fund to prepare and submit an application to the Arizona Department of Health Services (the “AZDHS”) for a license to operate a medical marijuana dispensary with the hope that their application would be selected during the AZDHS’ lottery to determine dispensary license certificate holders.

As alleged in the Complaint, Plaintiffs and the Individual Defendants’ plan and intent was that each member of FYOR DE and Green Hills would have an ownership, control, and voting interest in the dispensary and management company, if their application was accepted and selected during the lottery. Their

¹ Subsequent to the creation of FYOR DE, Scott Haslock allegedly created an identical entity named FYOR Holdings, LLC in Arizona (“FYOR AZ”).

application was accepted and selected during the lottery and they were awarded a dispensary registration certificate (No. 0000051DCYH00987523) (the “Certificate”) for the Community Health Analysis Area (“CHAA”) that encompasses Show Low, Arizona and is designated by the AZDHS as CHAA 21, which would permit Green Hills to operate a medical marijuana dispensary for that area.

Subsequently, the members of FYOR DE allegedly voted via a super majority to assign its interest in the Management Services Agreement to a third-party. As part of the assignment the members of FYOR DE and Green Hills would receive a return of their initial financial investments. Plaintiffs complain that the Individual Defendants are obstructing this from happening. Among their allegations are that the Individual Defendants have refused to provide documents related to the financial operations of FYOR DE and Green Hills to Plaintiffs, that the Individual Defendants have made numerous business decisions without Plaintiffs’ knowledge or authorization, that Scott Haslock unilaterally and without authorization appointed himself the manager of FYOR DE, that Scott Haslock unilaterally and without authorization entered into a sales contract of FYOR DE and its interest in the Management Services Agreement with Green Hills, and that without Plaintiffs’ approval or authorization, Scott Haslock has made loans and expended FYOR DE’s money for his own personal benefit.

Tara Haslock entered into another management services contract on behalf of Green Hills with Murphy Kittrell of MKHS GH LLC (“MKHS”). We have not been provided any documentation or specific information regarding that purported agreement other than it was allegedly broken by Tara Haslock.

There is currently pending another lawsuit against Green Hills, this one brought by a company named Canna-Do, LLC (“Canna-Do”) on January 27, 2016. Attached as an exhibit to the Canna-Do complaint was an agreement entitled *Consent Agreement by and between the Arizona Department of Health Services and Green Hills Patient Center, Inc.* (the “AZDHS Consent Agreement”).

According to the AZDHS Consent Agreement, on June 8, 2015, the AZDHS received an email from Tara Haslock stating that Green Hills was closed following a robbery and that it was unknown when Green Hills would reopen. Pursuant to Arizona Administrative Code section R9-17-310(A)(1), a nonprofit medical marijuana dispensary, such as Green Hills, must be “operating and available to dispense medical marijuana to qualifying patients and caregivers at least 30 hours weekly ...,” otherwise the AZDHS may revoke the dispensary’s certificate. On July 22, 2015, the AZDHS issued a *Notice of Intent to Revoke Dispensary Registration Certificate and Notice of Right to Request Administrative Hearing*. Ultimately, following an Informal Settlement Conference, Green Hills and AZDHS entered into the AZDHS Consent Agreement. One of the terms of the AZDHS Consent Agreement was that Green Hills would reopen and operate for a minimum of thirty hours per week beginning no later than October 30, 2015.

According to the Canna-Do complaint (the “Canna-Do Complaint”), on or about November 22, 2015, Tara Haslock, acting on behalf of Green Hills, entered into a *Memorandum of Understanding* (“Canna-Do MOU”) with Canna-Do, a copy of which was attached to the Canna-Do Complaint as an exhibit. The Canna-Do MOU provided that Canna-Do would provide financial and management resources to operate Green Hills, specifically, Canna-Do would provide \$185,000.00 as follows: (i) \$100,000.00 to Tara Haslock; (ii) \$10,000.00 to Green Hills for legal fees; and (iii) \$75,000.00 for Green Hills’ operating expenses, renovation and construction expenses, monies necessary for an infusion kitchen, and necessary fees to the AZDHS. Canna-Do alleges it provided the money to Green Hills and Tara Haslock as well as the management resources called for in the Canna-Do MOU.

The Canna-Do Complaint states, upon information and belief that without the financial and management assistance provided by Canna-Do, Green Hills would have been unable to comply with the terms of the AZDHS Consent Agreement, thereby jeopardizing the Certificate. According to the allegations of the Canna-Do Complaint, in return for its financial and management resources, Green Hills agreed to provide Canna-Do fifty percent of all funds generated by Green Hills. The Canna-Do Complaint continues to allege that shortly over a month after having entered into the Canna-Do MOU, beginning on December 27, 2015, Green Hills and Tara Haslock refused to communicate with Canna-Do, failed to remit any repayment of the \$185,000.00, and did not respond to Canna-Do’s demands to return its property and equipment. Canna-Do’s authorized agent is Ingrid Joiya-Warrick.

On June 16, 2015, the Court entered an order entitled *Order Granting Temporary Restraining Order, with Notice* (the “Green Hills TRO”), which provides, in pertinent part, that Defendants shall not “make any changes to the composition or day-to-day management of [Green Hills] without a properly-noticed meeting of the members and a membership vote, as stated in the Bylaws of [Green Hills].” Plaintiffs allege that the Canna-Do MOU runs contrary to the Green Hills TRO.

On or about December 11, 2015, the Court ordered that a receiver (“Receiver”) be appointed and requested the Parties submit names of potential receivers. Pursuant to the Court’s order dated January 20, 2016, entitled *Order Appointing Receiver*, Trevor Smith (“Smith”) from DKI Management, LLC was appointed as the Receiver for Green Hills and all of its assets. Subsequently, on or about February 3, 2016, Smith filed a *Motion to Remove Receiver* requesting the Court remove him as Receiver and appoint a new receiver. On or about March 6, 2016, the Court entered a second appointing order entitled *Order Appointing Receiver* wherein it terminated Smith as Receiver and appointed Kevin Singer as Receiver over Green Hills and all of its current assets (the “Appointing Order”).

The Appointing Order directed me to take immediate and exclusive possession, custody, and control of all property owned by, controlled by, or in the name of Green Hills, including all contracts, monies, securities, inventory, and properties, real or personal, tangible or intangible, of whatever kind and description, and wherever situated (the “Receivership Assets”) as well as all documents and other records belonging to Green Hills (the “Receivership Records”). The Appointing Order further provides that I am to conserve, hold, and manage the Receivership Assets and to perform all necessary and advisable acts to preserve the value of those assets in order to prevent any irreparable loss, damage, or injury to consumers or creditors of Green Hills and to continue to conduct Green Hills’ business in such a manner and for such duration as I may in good faith deem to be necessary or appropriate to operate the business lawfully. Green Hills’ main operations are conducted at 3191 S. White Mountain Road, Show Low, Arizona 85901 (the “Property”).

Following is a summary of what has transpired in this matter through the end of June 2018:

- 1) On June 26, 2018, my Project Manager for this matter, Scott Yahraus (“Yahraus”), visited Green Hills. In addition to observing and inspecting Green Hills’ operations and staff (which all appeared to be in order), Yahraus met with local management to discuss purchasing, sales, operations, marketing, and management matters.
- 2) On January 31, 2017, we forwarded to Cantor’s attorney, Jeffrey Matura, Esq. (“Matura”), a letter of intent from Green Seed Investments (“Green Seed”) for an offer to purchase the FYOR Management contract for \$3 million, for Matura to determine whether his clients have interest in the offer. Matura responded that Cantor was interested.

It was subsequently reported to me that Cantor and Green Seed reached an agreement for Cantor to sell and Green Seed to purchase the FYOR Management contract for \$3,300,000.00. Green Seed formed an Arizona limited liability company named *GSI FUND I, LLC* for its purchase of the FYOR Management contract. On or about March 8, 2017, Imran Mirza, the Managing Partner for Green Seed, provided a draft purchase and sale agreement to Cantor. We were subsequently advised that Green Seed had deposited \$300,000.00 into a trust account for the sale.

However, because MKHS already has a *Letter of Intent* pending for approval before the Court, the deal with Green Seed is being kept as a back-up offer to be addressed by the Court.

- 3) I have previously reported that Green Hills was not “attached” to an external grow. Over the past months, we investigated and/or attached to different grows but, for various reasons, needed to terminate the

relationships with them. In May 2018, I reported that due to delays in building out a kitchen as well as what appeared to be in-fighting with our last grow, we entered into a mutual agreement to terminate our kitchen agreement with that grow. We continue in our search for a grow as it is a potential source of revenue. As of the end of June 2018, there was nothing new to report on this.

- 4) As discussed in prior reports, I receive daily reports of sales activities at Green Hills. Attached hereto as “**Exhibit 1**” is a true and correct copy of Green Hills’ *Daily Cash Reconciliation Report* for June 2018, which includes a breakdown of gross and net sale as well as new and total patient counts among other information. In addition, our bookkeeper enters Green Hills’ financial records into QuickBooks Online. This permits us to generate certain financial reports for Green Hills which are referenced below at the end of this report.

As may be seen in the *Daily Cash Reconciliation Report* referenced above, gross sales for June 2018 were \$397,023.15. The total patient count for June 2018 was 5,156 with 399 of those being new patients. As reported in my April 2018 Receiver’s Report, it was anticipated that sales for the summer months would increase as the population of Show Low expands greatly during this time due to the influx of tourists and residents escaping the heat from the valley. We anticipate sales will diminish as the summer season comes to its end.

- 5) In accord with *Receivership Duties* Item 8 of the Accounting Order, I engaged the law firm of Jaburg & Wilk, P.C. (“Jaburg”) to represent Green Hills’ interests in this matter. Attached hereto as “**Exhibit 2**” is a true and correct copy of Jaburg’s invoice summary for services rendered for the month of June 2018.
- 6) On November 30, 2016, Larry Wilk, Esq. (“Wilk”) of Jaburg advised me that MKHS filed a motion entitled *Motion to Enforce Agreement* (the “MKHS Motion to Enforce”) with the Court wherein MKHS asked the Court to enter an order requiring Plaintiffs to comply with a written agreement referred to by the Parties as the *Letter of Intent*, signed March 31, 2016 (the “MKHS Letter of Intent”), whereby Plaintiffs would execute a purchase agreement to transfer to MKHS control of the dispensary and all management rights to the dispensary in exchange for funds.

On or about December 20, 2016, plaintiffs responded that they did not contest the MKHS Motion to Enforce and that they are willing to execute all necessary documents to effectuate the proposed transition, but that MKHS has repeatedly failed to provide sufficient funds to close the transaction. On January 3, 2017, MKHS replied, providing the Court an outline of how it believed closing of the transaction should proceed. A

status conference was held on January 26, 2017. At the hearing, the Court instructed the Haslocks to file a response to the MKHS Motion to Enforce by March 24, 2017, at which point the Court would rule on the MKHS Motion to Enforce. On or about March 27, 2017, the Haslocks filed their response in opposition to the MKHS Motion to Enforce, arguing that it should be denied as the parties to the agreement have neither the power nor right to perform essential actions under the terms of the agreement (the “Haslock Opposition”). On April 13, 2017, MKHS replied to the Haslock Opposition, disputing the arguments therein. On or about April 14, 2017, Plaintiffs filed their reply to the Haslock Opposition, also disputing the Haslocks’ arguments therein. A hearing was set for June 2017. However, at the Parties request, the Court pushed back the hearing so that the Parties could submit additional briefings. Thereafter, a new judge rotated in to the case and, *sua sponte*, set the hearing for March 2, 2018. It was subsequently continued to and took place on April 19, 2018. The outcome of the April 19, 2018, hearing is discussed in greater detail at the end of this section.

Previously, on or about May 12, 2017, the Court set an evidentiary hearing for June 13–14, 2017 (the “Evidentiary Hearing”), with respect to the MKHS Motion to Enforce as well as three other fully-briefed motions pending before the Court: (i) the Haslocks’ *Motion to Dissolve Injunction*, filed March 27, 2017; (ii) the Haslocks’ *Motion to Terminate Receivership*, also filed March 27, 2017; and (iii) the Haslocks’ *Motion to Dismiss*, filed April 12, 2017 (collectively, the “Haslock Motions”). In June 2017, the Evidentiary Hearing was taken off-calendar. The Court since reset the Evidentiary Hearing with respect to the Haslock Motions for January 8, 2018. At that hearing, the Haslocks’ *Motion to Dissolve Injunction*, the Haslocks’ *Motion to Terminate Receivership*, and the Haslocks’ *Motion to Dismiss* were all denied. As such, I remain in place as Receiver. A hearing on the Haslocks’ *Motion for Summary Judgment* (the “Haslock MSJ”) was heard on April 18, 2018. The outcome of the April 18, 2018, hearing is also discussed in greater detail at the end of this section.

In January 2018, Jaburg informed us that on January 26, 2018, a company named GHPC Management LP, an Arizona limited partnership (“GHPC Management”), had filed a *Motion to Intervene and for Expedited Hearing* and a *Verified Complaint in Intervention* (collectively, the “GHPC Motion to Intervene”) in this action, claiming to have entered into a purchase and sale agreement with FYOR AZ that includes a management agreement between FYOR AZ and Green Hills that permits GHPC Management to remove me as Receiver and manage Green Hills itself. The GHPC Motion to Intervene was fully briefed and also set to be heard on April 19, 2018.

As discussed above, in April 2018, the Court held two days of hearings with respect to the various above-referenced motions that lasted for a combined duration of approximately four to five hours. As a result, Judge Mahoney denied the Haslock MSJ.

During the first hearing, Judge Mahoney noted that MKHS had filed a *Motion to Intervene* in December 2015 (the “MKHS Motion to Intervene”) and, although it was never granted, MKHS has been participating in this litigation since that time. While MKHS was prepared to argue the MKHS Motion to Enforce, Judge Mahoney stated that she did not believe MKHS had standing to argue that motion as the MKHS Motion to Intervene was never heard, much less granted. Despite that, Judge Mahoney did not vacate the second hearing. According to Thomas Moring, Esq. (“Moring”) of Jaburg, when the attorneys showed up the next day, Judge Mahoney stated that she did not believe MKHS could argue the MKHS Motion to Enforce. Regardless, Judge Mahoney proceeded to conduct a two-hour hearing covering various topics.

Moring summarized the two hearings as follows: Judge Mahoney believes she first needs to make a determination as to the underlying issue of the ownership interests held by Plaintiffs and Defendants before she can rule on who has the right to sell their interests. For example, if each and every plaintiff holds an equal membership, then the sale would go to Murphy Kittrell, because a majority of the members sold their interests to him. However, if the Haslocks hold one-hundred percent of the membership, then the majority had nothing to sell and ownership would remain with the Haslocks.

On April 19, 2018, the Court issued a *Minute Entry* setting forth a revised briefing schedule for the MKHS Motion to Intervene and the GHPC Motion to Intervene and anticipates ruling on the motions without the need for further argument. As of the end of June 2018, no decision had been rendered.

- 7) As reported above, Canna-Do brought a separate lawsuit against Green Hills on January 27, 2016. Pursuant to an agreement among the parties, Green Hills had not taken any activity in the matter and was provided an open extension to respond to the Canna-Do Complaint. In July 2017, Wilk informed us that the case recently began moving forward. Wilk also advised us that in July 2017, Walker filed an answer on behalf of the Haslocks *and* Green Hills. My position is that Walker did not have my authority to file an answer on behalf of Green Hills since it is in Receivership.

On or about August 10, 2017, Wilk filed a position statement (the “Position Statement”) on my behalf with the Canna-Do court. An important issue in the Canna-Do case is whether the actions complained of

were taken in the course and scope of Haslocks' employment, and/or whether those actions were in violation of any orders of this Court at the time the transactions were completed.

On August 18, 2017, the Court entered a *Scheduling Order*. Among the dates set forth therein was a deadline for the parties to complete the depositions of parties and lay witnesses (May 25, 2018). In addition, the parties are to participate in and complete a mediation with a Court-appointed mediator by October 26, 2018. A trial setting conference for the matter is set for February 21, 2019.

We were informed by Jaburg that on or about May 28, 2018, the parties to the Canna-Do litigation filed a stipulation and proposed order to extend the date to complete lay witness depositions by an additional six weeks from May 25, 2018, to July 7, 2018, as the defendants had been unable to locate all the parties for service of *Notices of Deposition*. I continue to receive updates on this matter from Jaburg and monitor the status of the litigation. In June 2018, there was nothing of significance to report.

- 8) On or about June 21, 2018, the Haslocks filed a *Petition for Special Action* (the "Haslock Petition") seeking to have the Arizona Court of Appeals overturn Judge Mahoney's denial of their summary judgment motion, related particularly to the idea advanced by the Haslocks that Plaintiffs have no membership interest in Green Hills. Attached hereto as "**Exhibit 3**" is a true and correct copy of the Haslock Petition without its voluminous appendices.

As explain by Moring, a *Special Action* is a creature of Arizona law and is used in rare instances to prepare an interlocutory appeal, while a case is still ongoing but there is an important issue that needs to be decided. Unlike an appeal after a case, a *Special Action* is not always considered and may not even be considered at all. The Court of Appeals has to review the Haslock Petition and decide whether to allow it to proceed. The Appeals Court can accept jurisdiction and deny relief, accept jurisdiction and grant relief, or simply reject jurisdiction and thereby end the *Special Action* process.

Unless the Court of Appeals accepts jurisdiction and grants relief, the case will keep going on the trial track. This may complicate the upcoming mediation that has been set, but it may be a non-issue if the Appeals Court acts quickly and denies jurisdiction. As Receiver, I intend to take no position on this as it is a matter of law.

On or about June 25, 2018, the Court of Appeals declined to accept special action jurisdiction. Attached hereto as "**Exhibit 4**" is a true and correct copy of the Court of Appeals' order declining jurisdiction. As

such, the Haslocks have the right to petition the Arizona Supreme Court for similar relief.

- 9) Green Hills' 2017 federal and state tax returns were due in April 2018. Luigi Zamarra ("Zamarra") of Luigi CPA, whom we previously engaged to prepare Green Hills' prior tax returns, filed extensions for the returns and will subsequently prepare and file them. In the interim, Zamarra has provided us a draft *Federal Income Tax Summary*, comparing Green Hills' income from 2016 to 2017 (the "Tax Summary"). According to the Tax Summary, *Gross Receipts Less Returns/Allowance* increased from \$967,047.00 in 2016 to \$2,061,077.00 in 2017, an increase of \$1,094,030.00. For the same years, *Gross Profit* increased from \$109,917.00 to \$295,398.00, an increase of \$185,481.00. Finally, *Total Income* increased by \$192,901.00 from \$104,029.00 in 2016 to \$296,930.00 in 2017. As anticipated, in June 2018, Zamarra had completed the returns. After filing the returns, we set up an appointment with and paid the taxes due in cash.
- 10) Please find the following additional documents attached hereto:
 - (i) **Exhibit 5:** Receiver's financials for June 2018; and
 - (ii) **Exhibit 6:** Receiver's billings for June 2018.
- 11) As always, I encourage input from all of the parties and strive to obtain mutually acceptable and beneficial solutions to the issues before the Receivership estate.

Respectfully submitted,


Kevin Singer
Superior Court Receiver

ORIGINAL of the foregoing e-filed this
6th day of August 2018 to:

Clerk of the Court
Maricopa County Superior Court
201 West Jefferson Street
Phoenix, AZ 85003

COPY of the foregoing **AUTOMATICALLY PROVIDED**
through the Court's e-filing system this
6th day of August 2018 to:

The Honorable Margaret R. Mahoney`
East Court Building
101 West Jefferson Street, Courtroom 411
Phoenix, AZ 85003

COPY of the foregoing **MAILED** and **E-MAILED**
6th day of August 2018 to:

Jeffrey C. Matura, Esq.
Melissa J. England, Esq.
Barrett | Matura
8925 East Pima Center Parkway, Suite 100
Scottsdale, AZ 85258
JMatura@BarrettMatura.com
MEngland@BarrettMatura.com
Attorneys for Plaintiffs

Gregorio M. Garcia, Esq.
Gregorio M. Garcia, PC
4635 S. Lakeshore Drive, Suite 130
Tempe, AZ 85282-7127
GG@GMGLawOffice.com
Attorneys for Intervenor

Lawrence E. Wilk, Esq.
Thomas S. Moring, Esq.
Nichole H. Wilk, Esq.
Jaburg & Wilk, P.C.
3200 N. Central Avenue, 20th Floor
Phoenix, AZ 85012
LEW@JaburgWilk.com
TSM@JaburgWilk.com
NHW@JaburgWilk.com
Attorneys for Receiver Kevin Singer


William G. Walker, Esq.
William G. Walker, P.C.
177 N. Church Avenue, Suite 807
Tucson, AZ 85701
WGWPC@aol.com
Attorneys for Defendants Tara and Scott Haslock

Peter Timoleon Limperis, Esq.
Timothy P. Stackhouse, Esq.
Miller, Pitt, Feldman & McAnally, P.C.
One South Church Avenue, Suite 900
Tucson, AZ 85701
PLimperis@MPFMLaw.com
TStackhouse@MPFMLaw.com
Attorneys for Defendants Tara and Scott Haslock

Sal J. Rivera, Esq.
Rivera Law Group
1440 E. Missouri Avenue, Suite C115
Phoenix, AZ 85014
Sal@RiveraLawGroup.com
Attorneys for Intervenor GHPC Management LP

Scott Haslock
P.O. Box 75596
Phoenix, AZ 85087
Haslock1@yahoo.com
Defendant

Tara Haslock
P.O. Box 75596
Phoenix, AZ 85087
THaslock@gmail.com
Defendant



Jeffrey Engerman

EXHIBIT 1

Green Hills Patient Center
Daily Cash Reconciliation
June 2018

Day	Date	Gross Sales	Sales Tax	Net Sales	Patient Count	New Patient Count	Average Sale	Safe Drops
Friday	1-Jun	\$ 23,350.18	\$ 1,747.05	\$ 21,603.13	280	18	\$ 83.39	\$ 23,350.18
Saturday	2-Jun	\$ 13,230.24	\$ 991.45	\$ 12,238.79	192	22	\$ 68.91	\$ 13,230.24
Sunday	3-Jun	\$ -	\$ -	\$ -	0	0	\$ -	\$ -
Monday	4-Jun	\$ 11,706.35	\$ 877.24	\$ 10,829.11	177	13	\$ 66.13	\$ 11,706.35
Tuesday	5-Jun	\$ 10,718.29	\$ 796.05	\$ 9,922.24	161	18	\$ 66.99	\$ 10,718.29
Wednesday	6-Jun	\$ 12,489.30	\$ 930.88	\$ 11,558.42	176	6	\$ 70.96	\$ 12,489.30
Thursday	7-Jun	\$ 14,522.16	\$ 1,080.62	\$ 13,441.54	183	10	\$ 79.36	\$ 14,522.16
Friday	8-Jun	\$ 18,087.48	\$ 1,355.30	\$ 16,732.18	234	13	\$ 77.30	\$ 18,087.48
Saturday	9-Jun	\$ 14,273.93	\$ 1,066.98	\$ 13,206.95	196	20	\$ 72.83	\$ 14,273.93
Sunday	10-Jun	\$ -	\$ -	\$ -	0	0	\$ -	\$ -
Monday	11-Jun	\$ 12,050.60	\$ 902.98	\$ 11,147.62	185	14	\$ 65.14	\$ 12,050.60
Tuesday	12-Jun	\$ 9,075.71	\$ 680.08	\$ 8,395.63	142	11	\$ 63.91	\$ 9,095.16
Wednesday	13-Jun	\$ 12,694.82	\$ 951.27	\$ 11,743.55	207	15	\$ 61.33	\$ 12,694.82
Thursday	14-Jun	\$ 11,476.89	\$ 859.96	\$ 10,616.93	160	21	\$ 71.72	\$ 11,476.89
Friday	15-Jun	\$ 15,144.59	\$ 1,134.84	\$ 14,009.75	216	22	\$ 70.11	\$ 15,144.59
Saturday	16-Jun	\$ 13,829.27	\$ 1,032.89	\$ 12,796.38	197	16	\$ 70.20	\$ 13,829.27
Sunday	17-Jun	\$ -	\$ -	\$ -	0	0	\$ -	\$ -
Monday	18-Jun	\$ 10,932.24	\$ 819.22	\$ 10,113.02	157	17	\$ 69.63	\$ 10,932.24
Tuesday	19-Jun	\$ 11,088.30	\$ 830.89	\$ 10,257.41	159	14	\$ 69.74	\$ 11,088.30
Wednesday	20-Jun	\$ 14,345.54	\$ 1,074.98	\$ 13,270.56	222	13	\$ 64.62	\$ 14,345.54
Thursday	21-Jun	\$ 12,715.03	\$ 950.69	\$ 11,764.34	176	9	\$ 72.24	\$ 12,715.03
Friday	22-Jun	\$ 18,868.46	\$ 1,408.70	\$ 17,459.76	237	16	\$ 79.61	\$ 18,901.22
Saturday	23-Jun	\$ 14,562.73	\$ 1,086.31	\$ 13,476.42	198	20	\$ 73.55	\$ 14,532.73
Sunday	24-Jun	\$ -	\$ -	\$ -	0	0	\$ -	\$ -
Monday	25-Jun	\$ 12,098.39	\$ 906.57	\$ 11,191.82	170	11	\$ 71.17	\$ 12,098.39
Tuesday	26-Jun	\$ 11,244.60	\$ 842.56	\$ 10,402.04	161	16	\$ 69.84	\$ 11,244.60
Wednesday	27-Jun	\$ 14,773.49	\$ 1,107.00	\$ 13,666.49	245	16	\$ 60.30	\$ 14,773.49
Thursday	28-Jun	\$ 30,941.31	\$ 2,318.48	\$ 28,622.83	237	9	\$ 130.55	\$ 30,941.31
Friday	29-Jun	\$ 35,125.01	\$ 2,630.29	\$ 32,494.72	285	21	\$ 123.25	\$ 35,125.01
Saturday	30-Jun	\$ 17,678.24	\$ 1,324.67	\$ 16,353.57	203	18	\$ 87.08	\$ 17,678.24
TOTALS		\$397,023.15	\$29,707.95	\$367,315.20	5,156	399	\$65.33	\$397,045.36

ARIZONA SUPREME COURT

STATE OF ARIZONA,
Plaintiff/Appellee,
v.
RODNEY CHRISTOPHER JONES,
Defendant/Appellant.

Supreme Court
No. CR-18-0370-PR
Court of Appeals, Division One
No. 1 CA-CR 16-0703
Yavapai County
Superior Court
No. P1300CR201400328

CERTIFICATE OF COMPLIANCE

Kathi Mann Sandweiss (011078)

kms@jaburgwilk.com

Lawrence E. Wilk (006510)

lew@jaburgwilk.com

Thomas S. Moring (021247)

tsm@jaburgwilk.com

Jaburg & Wilk, P.C. (00096400)

3200 N Central Avenue, Suite 2000

Phoenix, Arizona 85012

(602) 248-1000 (602) 248-0522 Fax

Attorneys for Kevin Singer, Superior Court Receiver, Receivership Specialists:
Receiver for Green Hills Patient Center, Inc.

Pursuant to Rule 16 (b)(4) and Rule 23(g)(2), Ariz.R.Civ.App.P., I certify that the enclosed Brief of Amicus Curiae is produced using a proportionately spaced typeface, Times New Roman, 14 point, including footnotes. The Brief contains approximately 2,926 words, which is less than the 3,500 words permitted by this Rule. Counsel relies on the word count of the processing system used to prepare this brief.

RESPECTFULLY SUBMITTED this 31st day of October, 2018.

Jaburg & Wilk, P.C.

/s/ Kathi M. Sandweiss _____

Kathi Mann Sandweiss (011078)

Lawrence E. Wilk (006510)

Thomas S. Moring (021247)

Attorneys for Receiver

ARIZONA SUPREME COURT

STATE OF ARIZONA,
Plaintiff/Appellee,
v.
RODNEY CHRISTOPHER JONES,
Defendant/Appellant.

Supreme Court
No. CR-18-0370-PR
Court of Appeals, Division One
No. 1 CA-CR 16-0703
Yavapai County
Superior Court
No. P1300CR201400328

CERTIFICATE OF SERVICE

Kathi Mann Sandweiss (011078)

kms@jaburgwilk.com

Lawrence E. Wilk (006510)

lew@jaburgwilk.com

Thomas S. Moring (021247)

tsm@jaburgwilk.com

Jaburg & Wilk, P.C. (00096400)

3200 N Central Avenue, Suite 2000

Phoenix, Arizona 85012

(602) 248-1000 (602) 248-0522 Fax

Attorneys for Kevin Singer, Superior Court Receiver, Receivership Specialists:
Receiver for Green Hills Patient Center, Inc.

I hereby certify that on the 31st day of October, 2018, I electronically transmitted through AZ TurboCourt a Brief of Amicus Curiae: Receiver for Green Hills Patient Center in Support of Appellant with the Arizona Supreme Court, and a copy was mailed via US mail and/or emailed to the following:

Robert A. Mandel
MANDEL YOUNG, PLC
2390 E. Camelback Road, Suite 318
Phoenix, AZ 85016
Attorney for Appellant

Lee D. Stein
Anna Humphreys Finn
MITCHELL STEIN CAREY CHAPMAN
2 North Central Avenue, Suite 1450
Phoenix, AZ 85004
Attorneys for Appellant

Mark Brnovich, Attorney General
Dominic Emil Draye
Joseph T. Maziarz
Michael Valenzuela
OFFICE OF THE ATTORNEY GENERAL
2005 N. Central Avenue
Phoenix, AZ 85004
Attorneys for Appellee

Sarah L. Mayhew
PIMA COUNTY PUBLIC DEFENDER'S OFFICE
33 N. Stone Avenue, Suite 2100
Tucson, AZ 85701
Attorney for Arizona Attorneys for Criminal Justice

/s/ Ana M. Canby