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MedMen Settles Investor Suit As Co-Founder Departs Board

By **Jack Queen**

Law360 (June 18, 2020, 7:47 PM EDT) -- Embattled cannabis giant MedMen said it settled an investor lawsuit claiming the company's now-former leaders enriched themselves at the expense of other shareholders, an announcement that coincided with co-founder Adam Bierman's resignation from the board of directors.

MedMen said Wednesday that it reached a 24 million-share settlement with investors who alleged the founders of the onetime industry darling lined their pockets through "brazen self-dealing." Co-founder Andrew Modlin also stepped down as an observing member of the board, the company said.

The announcement is a coda to Bierman and Modlin's gradual withdrawal from decision-making roles at MedMen Enterprises Inc., which announced Bierman's **resignation as CEO** in January amid a severe cash crunch at the company. Modlin surrendered his supervoting shares a month earlier.

"Although MedMen denies any wrongdoing, the company believes its contribution to the settlement is in the best interest of its shareholders," MedMen said Wednesday.

The suit was filed by investor Brent Cox, a company known as MMMG-MC Inc., and derivatively on behalf of MMMG LLC.

The deal, struck privately but stemming from Cox's January 2019 lawsuit in California state court, seals one of several bitter court fights that engulfed the multistate dispensary operator after an ill-fated initial public offering in May 2018, which drew scrutiny of Bierman and Modlin's compensation.

The investors described the IPO as a complex roll-up of various MedMen entities that froze them out of selling stock to prop up the value of entities controlled by MedMen's founders.

"Beneath the MedMen veneer is a complex web of interconnected subsidiary entities, virtually all of which are directly managed, directed, controlled, and owned by Bierman and Modlin, and all of which always pursue the best interests of Bierman and Modlin," the suit said.

The suit describes a tense board meeting in March 2017 when Bierman allegedly threatened to dilute the value of the investors' equity if they followed through on their contractual rights to buy up an interest in a MedMen entity at an advantageous price.

Bierman did just that, the suit alleged, locking up MMMG-held shares so investors in other MedMen entities including himself could "get into the black" and "play with house money," according to the complaint. Bierman and Modlin also gave themselves generous bonuses and compensation as the company's fortunes declined, according to the complaint.

A spokesman for the investors told Law360 Thursday that the settlement vindicated their decision to litigate.

"We have always fought for good corporate governance," the spokesman said. "In the wake of this battle and the changes at the company, we are positive supporters of the future of MedMen and the industry at large."

MedMen did not immediately respond to requests for comment Thursday.

The boardroom drama unfolded over a backdrop of negative press, lawsuits and a 90% drop in MedMen's share price as it struggled with cash flow problems, regulatory setbacks and the **collapse** of a landmark \$622 million acquisition of Chicago-based medical marijuana company PharmaCann last October.

In January 2019, former MedMen CFO James Parker filed an explosive lawsuit against the company and its executives in California state court, alleging he was subjected to a humiliating ouster for trying to rein in Bierman and Modlin's alleged excesses. Those included lavish spending on luxury cars, homes and salaries for friends and associates, according to the complaint.

Parker also alleged Bierman sought to evade campaign finance laws by pressing him to donate to a Nevada politician after Bierman maxed out his contributions. Those claims, which according to Politico concerned contributions to Nevada Gov. Steve Sisolak's campaign, **prompted an investigation** by the secretary of state's office last month.

A hearing for a motion on summary adjudication in Parker's suit is currently slated for July 7.

A proposed class action by former MedMen employees is also pending in California state court, with a hearing on preliminary approval of a settlement scheduled for July 14. The employees in that case allege MedMen stiffed them on overtime and denied meal and rest breaks, among other claims.

Cox and MMMG-MC are represented by Daniel M. Petrocelli and David L. Kirman of O'Melveny & Myers LLP and Michael V. Mancini and John W. Shenk of Mancini Shenk LLP.

Bierman and Modlin are represented by Robert J. Becher of Quinn Emanuel Urquhart & Sullivan LLP.

MedMen is represented by William Dugan and James Ward of Baker McKenzie and Miles J. Feldman of Raines Feldman LLP.

The case is MedMen Enterprises Inc. et al. vs. Brent Cox et al., case number 19SMCP00522 in the Superior Court of the State of California, County of Los Angeles.

--Editing by John Campbell.

Correction: A previous version of this article incorrectly described MMMG LLC's role in the suit. The error has been corrected.

Update: This article has been updated with additional counsel information.

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