

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MARYLAND  
(Northern Division)**

LMS WELLNESS, BENEFIT LLC \*  
4741 Ridge Road \*  
Nottingham, Maryland 21236, \*

Plaintiff, \*

v. \*

iANTHUS CAPITAL HOLDINGS, INC. \*  
420 Lexington Avenue, Suite 414 \*  
New York, New York 10170, \*

Case No.: 1:23-cv-1644

GREENMART OF MARYLAND, LLC, \*  
d/b/a HEALTH FOR LIFE BALTIMORE \*  
6807 Rolling Mill Road \*  
Baltimore, Maryland 21224, \*

BUDDING ROSE, INC., d/b/a HEALTH \*  
FOR LIFE BETHESDA \*  
4909 Fairmont Avenue \*  
Bethesda, Maryland 20814, \*

and \*

ROSEBUD ORGANICS, INC. \*  
9409 Fox Hollow Drive \*  
Potomac, Maryland 20854 \*

Defendants. \*

\* \* \* \* \*

**COMPLAINT AND DEMAND FOR JURY TRIAL**

Since 2019, iAnthus Capital Holdings, Inc. (“iAnthus”), a Canadian cannabis conglomerate, has carried out a scheme to steal millions of dollars from LMS Wellness, Benefit LLC (“LMS”), a Maryland company that operates a cannabis dispensary in Baltimore County. The linchpin of iAnthus’s plot is a subsidiary in its corporate family, S8 Management, LLC

(“S8”), which entered into a Management Services Agreement (“MSA”) with LMS that gives S8 near total control over LMS’s finances.

iAnthus stole from LMS because it is desperate for cash. Like other cannabis businesses, iAnthus cannot sustain operations without ready access to capital. In 2022 alone, iAnthus’s net losses exceeded \$449 million, and as of December 2022, iAnthus’s accumulated deficit topped \$1.25 billion. Indeed, iAnthus’s subsidiaries are so strapped for cash that they stopped paying their taxes. As of December 2022, iAnthus’s subsidiaries owed \$55 million in unpaid taxes (plus \$6 million in interest and penalties). Over the past few years, iAnthus’s stock has lost almost all of its value. In light of these troubles, earlier this year iAnthus publicly reported there was “substantial doubt” it would be able to continue as a going concern.

iAnthus was able to steal from LMS (and continues to steal from LMS to this day) because S8 has virtually unfettered access to LMS’s bank account and iAnthus controls and directs S8. Under the guise of fulfilling S8’s obligations pursuant to the MSA, iAnthus directed S8 to funnel millions of dollars from LMS’s bank account to three other, less profitable, cannabis businesses that iAnthus now owns: Defendants Greenmart of Maryland, LLC (“Greenmart”), Budding Rose, Inc. (“Budding Rose”), and Rosebud Organics, Inc. (“Rosebud”). iAnthus then tried to cover its tracks by directing S8 to falsely claim the transfers were legitimate LMS expenses and to manipulate LMS’s financial records to falsely show that LMS owed iAnthus money pursuant to a promissory note that iAnthus, S8, and LMS signed in 2020.

In fact, LMS does not owe iAnthus and S8 any money on that note—just the opposite. Not only has any debt that LMS owed to iAnthus and S8 been fully repaid, but through August 2022, in light of all the money it has stolen, iAnthus owes LMS more than \$4 million.

LMS brings this lawsuit to recover those stolen funds.

**PARTIES**

1. LMS Wellness, Benefit LLC is a Maryland limited liability company. It operates a medical cannabis dispensary at 4741 Ridge Road, Nottingham, Maryland, 21236, under the brand name Health for Life White Marsh. William Huber is LMS's managing member.

2. Defendant iAnthus Capital Holdings, Inc. is a Canadian corporation that is traded on the Canadian Securities Exchange under the symbol IAN and on the OTC Pink Tier, of the OTC Markets Group, Inc., under the symbol "ITHUF." iAnthus's principal executive offices are located at 420 Lexington Avenue, Suite 414, New York, NY, 10170. Its registered office is located at 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, V6E 4N7, Canada. iAnthus is a multi-state owner and operator of licensed cannabis cultivation, processing, and dispensary facilities. Through its subsidiaries, iAnthus owns or operates approximately 35 dispensaries and 11 cultivation and/or processing facilities in nine states.

3. Defendant Greenmart of Maryland, LLC is a Maryland limited liability company. It is wholly owned by iAnthus through iAnthus's subsidiary, CGX Life Sciences, Inc. ("CGX"). Greenmart operates a medical cannabis dispensary at 6807 Rolling Mill Road, Baltimore, Maryland 21224, under the brand name Health for Life Baltimore.

4. Defendant Budding Rose, Inc., is a corporation formed and existing under the laws of the State of Maryland. It is wholly owned by iAnthus through iAnthus's subsidiary, CGX. It operates a medical cannabis dispensary at 4909 Fairmont Avenue, Bethesda, Maryland 20814, under the trade name Health for Life Bethesda.

5. Defendant Rosebud Organics, Inc., is a corporation formed and existing under the laws of the State of Maryland. It is wholly owned by iAnthus through iAnthus's subsidiary,

CGX. It operates a cannabis processing business at 9404 Fox Hollow Drive, Potomac, Maryland, 20854.

### **JURISDICTION AND VENUE**

6. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 (federal question) because Plaintiff alleges a violation of 18 U.S.C. § 1962. It has jurisdiction over the remaining state law claims pursuant to 28 U.S.C. § 1367.

7. This Court has personal jurisdiction over all Defendants because the actions that give rise to Plaintiff's claims occurred in Maryland and each Defendant has purposefully availed themselves of the privilege of conducting business activities in Maryland by participating in the regulated Maryland retail cannabis market. Plaintiffs' claims arise out of those activities by Defendants.

8. Because the events giving rise to this lawsuit occurred in Maryland, venue is proper under 28 U.S.C. § 1391.

### **FACTUAL ALLEGATIONS**

#### **iAnthus's Business Model**

9. iAnthus devised and carried out an illegal scheme that was as brazen as it was straightforward. First, iAnthus used S8's contractual relationship with LMS to funnel money out of LMS's bank account to iAnthus's other business interests (*i.e.*, Greenmart, Budding Rose, and Rosebud). Then, to cover its tracks, iAnthus directed S8 to make false claims about how those funds were used and attempted to use another one of its other subsidiaries, CGX Life Sciences, Inc. ("CGX"), as a getaway car by directing CGX to exercise CGX's option to acquire LMS before LMS could investigate iAnthus's misdeeds.

10. Hadley Ford (iAnthus's former CEO) and Randy Maslow (iAnthus's former interim CEO and President) co-founded iAnthus around 2014 to take advantage of various states' efforts to introduce medical and general recreational cannabis use to a broader population.

11. At that time, many states, including Maryland, began making a limited number of licenses available to local businesses that wanted to grow, process, and sell cannabis products. By limiting the number of licenses, these states hoped to regulate the introduction of a legitimate cannabis industry.

12. To level the playing field and ensure that small businesses could compete in the burgeoning industry, many states, including Maryland, also introduced other restrictions, such as barring publicly-traded companies from applying for licenses and limiting the number of licenses any one company could hold. In Maryland, for instance, one company cannot own or control more than four cannabis dispensary licenses.

13. For iAnthus, these well-intended restrictions presented a golden opportunity. Because the legal cannabis market was new and because states were limiting competition to develop the market in an orderly fashion, iAnthus knew it could reap huge profits if it acquired as many licenses as possible. Doing so would enable iAnthus to become a dominant player in an oligopoly market.

14. But iAnthus faced a problem: it could not directly apply for licenses across the many states making them available. Doing so was not practical, and some states, including Maryland, did not allow large, publicly traded companies like iAnthus to bid for them.

15. To get around those types of restrictions, iAnthus waited for smaller, local companies to receive cannabis licenses and then aggressively sought to acquire those companies. Mr. Ford, iAnthus's former CEO, described iAnthus's quest to obtain as many cannabis licenses

as possible as akin to “digging up gold coins.” He argued to potential investors that even if iAnthus mishandled operations, it would nevertheless enrich itself with this asset accretion.

16. iAnthus also saw a second opportunity. It knew that because cannabis sales were illegal under federal law, many banks were reluctant to lend to cannabis dispensaries, and iAnthus believed that the best tax experts, accountants, lawyers, and other service professionals were not yet operating in the cannabis industry. Therefore, if iAnthus could not immediately acquire a company holding a cannabis license, iAnthus decided that it would market its “expertise” and sell its professional services to the local license holders. Through subsidiaries like S8, iAnthus would gain access to these companies’ finances and exercise complete control over their operations with an eye towards acquiring them in the near future.

**LMS obtains a license to operate a dispensary in Baltimore County and signs agreements with the Canadian Bioceutical Corporation and S8 to fund and manage its business.**

17. On November 6, 2015, LMS, a small Maryland company, applied for a cannabis dispensary license with the Maryland Medical Cannabis Commission (“MMCC”). After receiving Phase One approval to operate a dispensary in White Marsh, LMS began the process of securing funding to build out the dispensary and start operations.

18. In October 2017, William Huber (one of LMS’s members) signed a \$1.46 million Promissory Note with the Canadian Bioceutical Corporation (“CBC”) (the “Original Note”) to fund the construction of LMS’s dispensary and its early operations. CBC later changed its name to MPX Bioceutical ULC (“MPX”).

19. Two months later, in December 2017, LMS signed the MSA with MPX’s subsidiary, S8. Under that management agreement (which has since been amended, but remains in place today), S8 is responsible for all of LMS’s day-to-day operations, including managing LMS’s finances and maintaining LMS’s financial records.

20. Finally, LMS and Mr. Huber signed option agreements with another MPX subsidiary, CGX. The option agreements provided that CGX could acquire LMS (and its dispensary license) if certain conditions were met, but not before November 2021, pursuant to restrictions imposed by Maryland law.

21. With help from MPX and S8, LMS began building out its new business. It opened to patients registered with the MMCC in October 2018.

**iAnthus acquires MPX, CGX, and S8—and then begins to spiral downwards amidst financial mismanagement and scandal.**

22. In or around February 2019, iAnthus acquired MPX, CGX, and S8 in a hostile takeover. As a result, MPX, CGX, and S8 became iAnthus subsidiaries and iAnthus effectively purchased the Original Note, CGX's options to purchase LMS, and the MSA pursuant to which S8 manages LMS's finances. At the time, iAnthus touted the merger as a landmark deal that would give iAnthus a presence in eleven U.S. states and the ability to operate 63 dispensaries.

23. iAnthus, however, was cash-strapped and plagued by mismanagement and escalating debt. In the second half of 2019 and into the first quarter of 2020, iAnthus was unable to find enough money to fund its operations. In a little over one year, its stock price plummeted by approximately 97 percent. As of today, iAnthus's stock is valued at less than 1 cent per share.

24. iAnthus was so cash-strapped that, in March 2020, it defaulted on its obligation to pay \$4.4 million in interest to Gotham Green Partners, its principal debt holder. Days later, on April 6, 2020, iAnthus publicly announced it had formed a special committee (composed of iAnthus directors) that would explore the renegotiation of existing financing arrangements and other contracts of both iAnthus and its subsidiaries. The committee would “implement[] the operational and financial restructuring of [iAnthus] and its subsidiaries and their respective businesses, assets and licensure and other rights.”

25. At the same time, iAnthus announced it was investigating alleged financial misconduct by its CEO, Mr. Ford. Weeks later, iAnthus announced Mr. Ford had entered into undisclosed personal loans with an iAnthus lender and was resigning effective immediately—although that did not stop him from receiving more than \$1 million in compensation for the year.

26. As stakeholders learned more about iAnthus’s questionable business practices, lawsuits concerning iAnthus’s financial mismanagement began to pile up. For instance:

- In April 2020, a shareholder filed a class action lawsuit alleging iAnthus had provided false and misleading statements with respect to its ability to make interest payments through the use of escrowed funds.
- In May 2020, an equity holder filed a complaint against iAnthus alleging common law fraud relating to alleged false and misleading statements, breach of contract, and violation of U.S. federal securities laws.
- In July 2020, an amended complaint filed in a lawsuit in Florida alleged that iAnthus was liable for conversion, breach of contract, and civil theft.

27. Meanwhile, iAnthus employees expressed their distrust and lack of faith in the company by quitting in droves. On July 31, 2020, iAnthus had about 800 employees. By August 31, 2021—a mere 13 months later—over 400 of those employees had left the company.

28. In its annual report for fiscal year 2020, iAnthus conceded it did not have adequate internal financial controls in place. iAnthus publicly reported it had identified “material weaknesses, in the design or operation of internal controls” over financial data, including with respect to “sales and expense cutoff for certain subsidiaries.”

29. Despite iAnthus’s abysmal performance, Randy Maslow, iAnthus’s co-founder, received \$675,000 in compensation in 2020 and \$1 million in 2021. In 2022, when he left the



company, Maslow received about \$12 million, notwithstanding iAnthus' ongoing failures. Other iAnthus executives continued to give themselves large raises year after year, despite iAnthus's awful financial position and its plummeting stock price.

**iAnthus fraudulently inflates LMS's promissory note balance.**

30. In 2017, iAnthus's CEO Hadley Ford stated that cannabis dispensaries with which iAnthus was partnering would be profitable 12 to 16 months after commencing operations. LMS began operations in October 2018.

31. After iAnthus acquired MPX, CGX, and S8 in February 2019, iAnthus employees assumed control of S8 and S8's duties to LMS under the MSA. To this day, iAnthus employees in Toronto direct how S8 uses LMS's funds.

32. In or around September 2019, S8 informed LMS's managing member, Mr. Huber, that LMS would be cash-flow positive by the beginning of the fourth quarter of 2019, a date that aligned with Mr. Ford's general expectation that dispensaries like LMS would be profitable within 12 to 16 months of beginning operations.

33. Mr. Huber e-mailed iAnthus's general counsel, Andrew Ryan, who also served as general counsel for S8, and told him that if LMS was going to be cash-flow positive, iAnthus should prepare for potential cash distributions to LMS and other companies that S8 was managing like Greenmart, Budding Rose, and Rosebud.

34. Those preparations never occurred. Instead, in or around December 2019, just as iAnthus's stock price was crashing and its finances were falling into further disarray, Mr. Ryan conveyed a very different message to Mr. Huber.

35. According to Mr. Ryan, not only was LMS not profitable, but LMS was suffering from runaway expenses and was therefore increasingly indebted to iAnthus. Mr. Ryan stated that

although the Original Note (which iAnthus acquired when it purchased MPX) was capped at \$1.46 million, iAnthus had spent \$2.3 million building out LMS's operations and would need even more money to continue.

36. Mr. Ryan told Mr. Huber that iAnthus needed to amend the promissory note and increase the loan amount from \$1,460,500 to \$3 million. Mr. Huber had no idea iAnthus was spending that much money and was skeptical that any such expenditures—far exceeding the amount of the Original Note—were legitimate.

37. Over the next several months, Mr. Huber, on behalf of LMS, asked iAnthus representatives, including Mr. Ryan and Colin Felleman (who worked in iAnthus's accounting department) to produce detailed financial data justifying the expenditures, but iAnthus refused Mr. Huber's requests. In or around March 2020, Mr. Felleman even admitted that Mr. Ryan had instructed him not to provide Mr. Huber with the information he was seeking.

38. Mr. Ryan's actions surprised Mr. Huber because they were colleagues. At the time, Mr. Huber worked at iAnthus as in-house counsel and Mr. Ryan was his boss. After Mr. Huber continued to press for information, Mr. Ryan told Mr. Huber that if he did not sign an amended note increasing the loan amount, iAnthus would fire him and begin collecting on the Original Note, which Mr. Huber had signed personally.

39. Mr. Ryan instructed Mr. Huber to sign an amended promissory note, which stated that iAnthus had already spent \$2.3 million on LMS as of the end of 2019. Mr. Ryan told Mr. Huber to sign the amendment and to send an e-mail indicating that everything concerning LMS's finances looked fine.

40. Driven by the fear of losing his job at a time of enormous uncertainty given the COVID-19 pandemic, Mr. Huber did as Mr. Ryan told him to and signed an Amended and

Restated Promissory Note (“Amended Note”) on behalf of LMS in March 2020. The Amended Note was between iAnthus Capital Management LLC (another iAnthus subsidiary), S8, and LMS. In addition to stating that iAnthus had already provided \$2.3 million in funding for LMS (despite no evidence that it had, in fact, done so), the Amended Note increased the amount LMS could borrow from iAnthus from \$1.46 million to \$3 million. As Mr. Ryan had demanded, Mr. Huber e-mailed Mr. Ryan stating that everything looked fine.

41. After signing the Amended Note, Mr. Huber told Mr. Ryan he should not have forced him to sign the amended note and that Mr. Ryan should have allowed him to review LMS’s detailed financial data before agreeing to any note increase.

42. In the weeks and months that followed, Mr. Ryan retaliated against Mr. Huber by directing Mr. Huber’s work to other iAnthus employees and excluding Mr. Huber from meetings with other iAnthus lawyers. In or around October 2020, Mr. Huber submitted a claim of workplace harassment and retaliation to iAnthus’s Human Resources Department.

43. In response, Robert Galvin, who served as iAnthus’s Chief Administrative Officer at the time, called Mr. Huber on the telephone and confirmed that Mr. Ryan had indeed shut him out of work. Mr. Galvin further informed Mr. Huber that the only way he could get back in Mr. Ryan’s good graces was if he dropped his workplace harassment and retaliation claim.

44. After LMS identified additional financial irregularities later on in 2020 and again demanded access to LMS’s finances (*see infra* ¶¶ 46–53), Mr. Galvin also demanded that Mr. Huber sign a document certifying that he had received all relevant financial information concerning LMS, or else his employment would be terminated.

45. When Mr. Huber informed Mr. Galvin he would not sign such a statement, because it was not true, Mr. Galvin fired Mr. Huber on December 2, 2020.

**LMS Identifies Additional Financial Irregularities.**

46. After signing the Amended Note, LMS identified additional irregularities in its finances—specifically, significant transfers from LMS’s bank account to Defendants Greenmart, Budding Rose, and Rosebud Organics. In 2020, iAnthus (through CGX) held options to buy Greenmart, Budding Rose, and Rosebud Organics. S8 was responsible for managing their finances as well. Today, iAnthus (through CGX) owns all three entities.

47. Because neither iAnthus nor S8 had previously disclosed these transfers or explained why they were occurring, LMS immediately identified them to S8 and requested an explanation. LMS explained its concern with the transfers in a series of e-mails and letters through the summer of 2020.

48. In a July 27, 2020 letter written by Mr. Maslow (iAnthus’s CEO at the time) on behalf of S8, S8 summarily rejected LMS’s claim that something was amiss. S8 also refused to provide the financial data that LMS requested.

49. Fortunately, the MSA anticipates such a scenario and allows LMS to audit its finances as maintained by S8. On September 25, 2020, after S8 continued to refuse to provide LMS with LMS’s own financial information, LMS invoked its audit right.

**iAnthus and S8 block LMS’s audit and arbitration begins.**

50. Despite the plain and unambiguous language of the MSA, iAnthus employees used S8 to block LMS’s audit. In a series of e-mails and phone calls in the fall 2020 and the first half of 2021, iAnthus’s lawyers and employees, acting on S8’s behalf, refused to provide LMS full access to LMS’s own financial records.

51. iAnthus employees, on behalf of S8, blocked LMS’s efforts to unmask the true uses of LMS’s money even though there was no legitimate basis for doing so. Then, in

November 2021, Randy Maslow (who at the time was iAnthus's CEO) sent a letter on behalf of CGX attempting to exercise CGX's option to purchase LMS outright.

52. In mid-2022, LMS filed a demand for arbitration against S8 to (in part) force S8 to provide LMS with LMS's own financial records. CGX also filed an arbitration demand against LMS and Mr. Huber to force them to sell LMS to CGX. CGX made no secret that its goal was to complete its purchase of LMS before the audit was complete, which would mean that any wrongdoing uncovered by the audit would never see the light of day.

53. In August 2022, over CGX's objection, an arbitrator ordered LMS's audit to go forward and directed that it conclude by January 5, 2023.

**LMS's auditors uncover a long-running and brazen scheme to defraud LMS.**

54. LMS's auditors completed the audit on January 5, 2023, as ordered, and summarized their findings in a written report dated March 1, 2023. The report confirmed LMS's suspicion that iAnthus was using S8 as a vehicle to steal from LMS's accounts to support its own need for cash.

55. The auditors found that since 2019, S8 has transferred more than \$5.6 million from LMS's bank account to Greenmart, Budding Rose, and Rosebud—the three other cannabis businesses in Maryland that iAnthus now owns. The transfers were not for LMS's benefit and were not for the purchase of goods or services that LMS needed for its operations.

56. The audit also revealed that iAnthus has used S8 to hide its embezzlement from LMS. Summary-level financial documents maintained by S8 in its capacity as LMS's manager (but provided to LMS by iAnthus employees in Toronto as part of the audit) reflect only a fraction of the bank transfers that actually occurred. From October 2018 to August 2022, for instance, LMS's bank records reveal more than \$7.1 million in transfers from LMS's account to

S8, iAnthus, Greenmart, Budding Rose, and Rosebud, just \$1.9 million of which S8 disclosed—a difference of approximately \$5.2 million.

57. The auditors also found that S8 (at iAnthus’s direction) significantly inflated the Management Fee that S8 claims LMS owes under the Amended Note as compensation for the management services S8 provides. S8 did so by charging LMS a 10 percent “handling charge” on expenses that LMS paid using its own money, despite language in the MSA that limits that handling charge to expenses paid for by S8 as LMS’s manager. These “handling charges” added up significantly and led to LMS being overcharged by more than \$1.4 million.

58. The phony financial documents that S8 provided to LMS and inflated fees that it assessed were intended to reinforce the lie that LMS for years has been, and today remains, deeply in debt under the Amended Note. In reality, because iAnthus used S8 to funnel LMS’s excess cash to iAnthus’s other interests (Greenmart, Rosebud and Budding Rose), LMS was deprived of the opportunity to pay down the Amended Note. Had LMS been given full credit for the transfers against the balance of the Amended Note, it would have repaid its debt in August 2020 and enjoyed its profits from that point forward. LMS’s accountants determined that as of August 2022, LMS had overpaid on the Amended Note by at least \$4.5 million.

**iAnthus’s Internal Financial Mismanagement Continues.**

59. At the same time that iAnthus was using S8 to execute illicit transfers and generate phony financial records to line its pockets with LMS’s money, iAnthus was under increasing pressure to admit that its own policies and procedures for handling its financial matters were grossly inadequate.

60. In November 2022, iAnthus announced that its CFO, Julius Kalcevich, was stepping down. Then, in March 2023, iAnthus conceded in its annual filing with the United

States Securities and Exchange Commission that it “did not have written documentation of internal control policies and procedures,” and that the internal controls it did have for financial reporting “were, and continue to be, ineffective.”

61. The “material weaknesses” that iAnthus identified included “expense cutoff for certain subsidiaries.” iAnthus reported it “did not perform an effective risk assessment or monitor internal controls over financial reporting” and “lacked sufficient resources to adequately perform and monitor account reconciliation and review controls.”

62. In April 2023, iAnthus dismissed its auditor, who had reported on the company’s financial statements from 2021 and 2022. In a press release, iAnthus stated the change was made “after careful consideration and evaluation,” but did not provide any further explanation.

## **CAUSES OF ACTION**

### **COUNT I: CONVERSION (Against iAnthus)**

63. Plaintiff incorporates each of the foregoing allegations as if fully set forth herein.

64. Since at least January 2020, and possibly as early as February 2019, iAnthus has used S8 to funnel millions of dollars out of LMS’s bank account and into accounts for iAnthus, S8, and three other Maryland entities (Greenmart, Rosebud, and Budding Rose) that iAnthus’s subsidiary, CGX, was poised to acquire and that CGX now owns. None of the transfers were approved by LMS, or for its benefit.

65. Even though the funds in LMS’s account belonged to LMS, iAnthus unlawfully exerted dominion and control over them. iAnthus used S8’s control over LMS’s finances pursuant to the MSA to withdraw funds from LMS’s bank account and use them for iAnthus’s own purposes.

66. The funds stolen from LMS's bank account were specific, segregated, and identifiable. The specific outgoing transfers are memorialized in LMS's bank statements, which establish how much money was taken and the accounts into which the funds were deposited.

67. The contents of LMS's bank account belonged to LMS alone. The funds in LMS's bank account were not commingled with funds belonging to S8, iAnthus, or any other entity.

68. iAnthus knew the money it was taking belonged to LMS and that LMS would not receive any benefit if it was transferred to Greenmart, Rosebud, and Budding Rose. iAnthus also knew that the transfers kept LMS artificially in debt to iAnthus and S8, by impeding LMS ability to pay down the Original Note and the Amended Note and to recognize any profit from its lucrative business.

69. As a direct, proximate, and consequential result of iAnthus's unlawful conduct, LMS has suffered damages in an amount yet to be precisely determined but reasonably believed to be in excess of \$4.5 million.

70. In addition to compensatory damages, Plaintiff seeks punitive damages for iAnthus's intentional and malicious conduct.

**COUNT II: RICO – 18 U.S.C § 1962(c)  
(Against iAnthus)**

71. Plaintiff incorporates the foregoing allegations as if fully set forth herein.

72. 18 U.S.C. § 1962(c) makes it unlawful for “any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity or collection of unlawful debt.”

73. iAnthus is a “person” within the meaning of § 1962(c). *See* 18 U.S.C. § 1961(3).



74. S8 is an “enterprise” within the meaning of § 1962(c). *See* 18 U.S.C. § 1961(4).

75. iAnthus is “associated with” S8, because S8 is an indirect subsidiary of iAnthus.

In particular, iAnthus wholly owns MPX Bioceutical ULC. MPX wholly owns CGX Life Sciences, Inc., and CGX wholly owns S8.

76. iAnthus is also associated with S8 because iAnthus’s senior executives simultaneously serve as officers and directors of S8. For example, from April 2020 until May 2022, Randy Maslow served as interim CEO of iAnthus and President of S8. Until he resigned in November 2022, Julius Kalcevich served as CFO of both iAnthus and S8.

77. S8’s activities affect interstate commerce. S8 is an Arizona company whose principal executive office is located at 420 Lexington Avenue, Suite 414, New York, NY, 10170. S8 provides management services in Maryland and S8 affects interstate commerce by, *inter alia*, ordering goods and services and making payments for the same.

78. iAnthus and S8 have distinct corporate functions. S8 provides management services to Maryland-based entities, including LMS. In its role as manager of retail businesses, S8 is responsible for running the day-to-day affairs of LMS and other companies that it manages. This includes managing their finances and maintaining their books and records. iAnthus, by contrast, is a holding company.

79. iAnthus participates in and directs S8’s affairs. In addition to iAnthus executives serving as S8’s officers and directors, iAnthus’s officers and employees make decisions for S8 with respect to the management services that S8 provides to LMS.

80. For example, iAnthus executives (including, before his departure, former iAnthus CFO Julius Kalcevich) decide whether and when S8 will transfer money from LMS’s bank

account, as well as the amounts that will be transferred and which bank accounts will receive those funds. iAnthus also established policies and procedures for S8 governing such transfers.

81. iAnthus's close control over S8's business is no secret. In its latest 10-K public filing, iAnthus stated that it "conduct[s] substantially all of [its] business through [its] subsidiaries, which generate substantially all of our revenues."

82. iAnthus participated in the conduct of S8's affairs through a pattern of racketeering activity. Specifically, iAnthus has directed S8 to steal millions of dollars from LMS because only S8 (not iAnthus) has access to LMS's bank account. iAnthus directed S8 to steal from LMS because iAnthus knew that LMS was more profitable than other entities in Maryland (Greenmart, Budding Rose, Rosebud) that CGX (iAnthus's subsidiary) was poised to acquire, and iAnthus needed cash to keep those companies operational and wanted to bolster their value before acquiring them.

83. iAnthus used interstate wires to execute its scheme, which consisted of: (1) lying to LMS about the amount of money it owed under the Original Note and the Amended Note, (2) directing S8 to illegally take money from LMS's account and transfer it to iAnthus's other business interests (particularly Greenmart, Budding Rose, and Rosebud), which (3) ensured LMS could not enjoy its own profits before iAnthus purchased LMS through its other subsidiary, CGX.

84. In early 2020, iAnthus's general counsel Andrew Ryan coerced LMS's managing member, Mr. Huber, to sign the Amended Note even though iAnthus knew that it contained inflated expenses that neither iAnthus, nor S8, had in fact incurred on behalf of LMS.

85. Mr. Ryan communicated with Mr. Huber by e-mail from January to April 2020 regarding LMS's finances and the purported need to execute the Amended Note. In phone calls

with Mr. Huber, Mr. Ryan lied about costs that iAnthus had incurred when building out LMS's operations and lied about why iAnthus could not provide more detailed documentation regarding those costs.

86. Mr. Ryan sent a falsified financial document to LMS via e-mail during this same time period, which overstated the amount that iAnthus and S8 had spent on LMS's buildout and early operations.

87. Between February 2019 and August 2022, iAnthus also directed S8 to funnel millions of dollars from LMS's bank account to Greenmart, Budding Rose, and Rosebud. S8 did so via regularly-occurring bank-to-bank electronic transfers that were either disguised (in records that S8 maintained as LMS's manager) as legitimate LMS business expenses or that were not recorded at all.

88. By using e-mail communications to make false representations to LMS and by directing S8 to steal millions of dollars from LMS's account for iAnthus's benefit and then trying to cover it up, iAnthus used the wires to execute a series of frauds that had the same purpose (theft), the same victim (LMS), and the same methods of commission in violation of federal and state law. *See* 18 U.S.C. § 1343; Md. Code Ann. Crim. Law § 7-104.

89. iAnthus committed these actions willfully and with actual knowledge because iAnthus knew that it did not own LMS (nor did any of its subsidiaries), could not own LMS under Maryland law, and had no right to use LMS's accounts as its piggy bank.

90. As a direct, proximate, and consequential result of iAnthus's unlawful conduct, LMS has suffered damages in excess of \$4.5 million.

91. LMS seeks compensatory damages, treble damages pursuant to 18 U.S.C. § 1964(c), and its reasonable attorney's fees, and costs.

**COUNT III: UNJUST ENRICHMENT  
(Against iAnthus, Greenmart, Budding Rose, and Rosebud)**

92. Plaintiff incorporates the foregoing allegations as if set forth fully herein.

93. Between February 2019 and August 2022, iAnthus directed S8 to transfer millions of dollars to Greenmart, Budding Rose, and Rosebud. iAnthus and S8 did so without consulting LMS, and LMS received no benefit from the transfers. Indeed, LMS did not learn about the full scope of the transfers until early 2023, when the arbitrator-ordered audit concluded. On information and belief, these illicit transfers continue to this day.

94. iAnthus benefitted from the transfers because its subsidiary, CGX, had options to purchase Greenmart, Budding Rose, and Rosebud. Today, CGX owns all three. By directing S8 to funnel millions of dollars from LMS's account to Greenmart, Budding Rose, and Rosebud, iAnthus was able to enrich them and itself by inflating Greenmart's, Budding Rose's, and Rosebud's value before iAnthus's subsidiary, CGX, acquired them.

95. Equity demands that the funds that were unlawfully transferred from LMS's account to Greenmart, Budding Rose, and Rosebud (for iAnthus's ultimate benefit) be returned to LMS (with interest), and LMS respectfully requests that the Court enter an Order to that effect.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff respectfully prays that this Court:

**A. With regard to Count I – Conversion:**

1. Award Plaintiff compensatory damages against iAnthus, in an amount yet to be precisely determined but reasonably believed to be in excess of \$4.5 million;

2. Award Plaintiff punitive damages for iAnthus's intentional and malicious conduct.

**B. With regard to Count II – RICO 18 U.S.C. § 1962(c):**

1. Declare that iAnthus violated 18 U.S.C. § 1962(c) by conducting or participating in the affairs of S8 through a pattern of racketeering activity;

2. Award Plaintiff compensatory damages in an amount yet to be precisely determined but reasonably believed to be in excess of \$4.5 million, treble damages, and its reasonable attorney's fees and costs pursuant to 18 U.S.C. § 1964(c).

**C. With regard to Count III – Unjust Enrichment:**

1. Order that iAnthus, Greenmart, Budding Rose, and Rosebud repay the funds they received as a result of the unlawful transfers they received from LMS's account—an amount yet to be precisely determined, but reasonably believed to be in excess of \$4.5 million, and award such other and further relief as the court deems necessary, just and proper.

**D. Award Plaintiff any such other and further relief as the Court deems just and proper.**



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Dated: June 20, 2023

*Attorneys for LMS Wellness, Benefit LLC*

**DEMAND FOR A JURY TRIAL**

Plaintiff hereby demands a jury trial.

  
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Kevin D. Docherty