

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

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NAP IV, LLC, <i>d/b/a</i> STS MCM,	:	Index No. 651937/2024
	:	
<i>Plaintiff,</i>	:	Mot. Seq. No. 1
	:	
- against -	:	AFFIRMATION OF
	:	GEORGE VLAMIS IN
QUBE USA LLC, GEORGE VLAMIS AND	:	OPPOSITION TO
QUINE LIDDELL,	:	PLAINTIFF'S ORDER TO
	:	<u>SHOW CAUSE</u>
<i>Defendants.</i>	:	
-----X	:	

George Vlamis, being duly sworn, deposes and states as follows under the penalties of perjury:

1. I am a principal of Qube USA, LLC (“Qube” or the “Company”) and a Defendant in this action.
2. I make this affirmation based on my personal knowledge in Opposition to the Order to Show Cause by NAP IV LLC, *d/b/a* STS MCM (“STS” or “Plaintiff”) for a temporary restraining order and preliminary injunction (Mot. Seq. No. 1, the “Order to Show Cause”).
3. Unless otherwise stated, I am fully familiar with the facts and circumstances set forth herein.
4. As set forth in greater detail below, Qube is the holder of a of State-issued, social equity CAURD license permitting it to operate an adult-use cannabis dispensary at 1412 Broadway in Manhattan (the “Property”), and is majority owned by me and my partner Quine Liddell (“Liddell”).
5. Liddell and I are both “justice involved individuals” that have invested hundreds of thousands of dollars in an attempt to take advantage of the unique opportunity afforded to us by the passage of the Marihuana Regulation and Taxation Act or “MRTA”.

6. After failing to deliver anything of value to the Company, it is my understanding that STS now seeks an order enjoining Qube from opening its dispensary based on false claims that (i) the location of the Property was “confidential”, and (ii) STS is owed a 49% interest in the Company.

7. Both of STS’ claims are unequivocally false.

8. Even worse, STS’ requested injunctive relief would be catastrophic for Qube, me, and Liddell – as it would prevent the Company from generating any revenue at a critical juncture, lead to a ripple effect of breaches and defaults, and put the Company, me, and Liddell into bankruptcy.

9. For these and other reasons, I ask that STS’ baseless Order to Show Cause be denied in its entirety.

Qube’s CAURD License

10. Following the passage of the MRTA, the Office of Cannabis Management (“OCM”) issued regulations allowing justice involved individuals – defined by OCM as individuals who had been adversely affected by a history of unjust criminal drug laws – to apply for licenses to operate an adult-use cannabis dispensary through the OCM’s CAURD program.

11. Liddell and I both qualified as justice involved individuals and so we applied for an adult-use conditional retail dispensary license, through our entity Qube.

12. In May 2023, the OCM granted Qube provisional approval for a license.

13. However, in order to perfect and ultimately operate the license, the Company had to meet a number of critical milestones.

14. For example, the Company had to secure site control over a property that met the OCM's (as well as state and local) requirements for the operation of an adult-use cannabis dispensary.

15. In order to do so, Qube had to, among other things, raise a substantial amount of capital that would allow it to pay the costs required to secure site control of a suitable property (e.g., a security deposit, down payment, first months' rent, etc.).

16. Additionally, Qube needed to raise sufficient capital to pay for the substantial construction and vendor costs required to build out the space and actually operate the license.

STS Claims it Can Help Qube Secure Site Control and Capital

17. In mid-2023, I was introduced to Michael Korytny, the principal of STS ("Korytny").

18. Korytny told me that STS could help deliver a viable lease for property where Qube could operate its dispensary and raise funding of at least \$500,000 for the Company's buildout and operational costs.

19. Liddell and I agreed that, if STS were able to deliver on both of these promises, we would agree to make STS a minority owner in Qube (while Liddell and I retained majority ownership in compliance with the OCM's regulatory requirements).

20. On June 1, 2023, Qube and STS signed a Non-Disclosure Agreement ("NDA"), a copy of which is attached as **Exhibit 1** hereto.

21. The NDA referred to "a business opportunity" relating to a "location in Times Square" that STS would supposedly provide.

22. In August 2023, the Company issued a resolution (the "Resolution"), a copy of which is attached as **Exhibit 2** hereto.

23. The Resolution stated that, among other things, (i) STS “offered both a viable lease and funding of at least \$500,000 for the Company’s build-out and operations (the “Offer”), and (ii) “the Company shall issue . . . 4,900,000 . . . Units [] to STS . . . subject to their provision of the Offer.”

STS Repeatedly Fails to Deliver on its Promises to the Company

24. Despite months of opportunity, STS and Korytny repeatedly failed to deliver either a viable lease for the Property or a single dollar of capital for Qube.

25. When the Company issued the Resolution and signed the NDA, Korytny claimed that the Property was being leased by StubHub, and that he would be able to structure a transaction whereby StubHub would sublease the Property to Qube and provide Qube with \$100,000 in tenant improvement funds.

26. However, Korytny’s transaction never came to be, because StubHub did not want to remain liable on its own lease with the Property’s owner and, as a result, ultimately refused to sublease the Property to Qube.

27. When the transaction proposed by Korytny fell apart, I engaged in direct negotiations with the Property’s owner, who was still willing to rent the Property to Qube directly but only if it were able to pay a \$1.25 million deposit.

28. At the time, Qube was utterly unable to pay such an enormous deposit, as it had nowhere near \$1.25 million cash on hand.

29. But, in order to show the OCM that we were attempting to secure site control (and preserve Qube’s license), in August 2023, Qube signed a conditional lease for the Property (the “Conditional Lease”). A copy of the Conditional Lease is attached as **Exhibit 3** hereto.

30. Qube signed the Conditional Lease – agreeing pay the \$1.25 million deposit – based in part on Korytny’s representations that STS could raise the necessary funds for Qube to pay the deposit and change the Conditional Lease to a binding lease.

31. However, just like the sublease from StubHub, Korytny failed to deliver.

32. For months Korytny represented to me and Liddell that STS could raise money for the Company.

33. However, despite ample opportunity, STS failed to raise a *single dollar of debt or equity investment* for the Company.

34. In fact, in the months that followed my introduction to Korytny, he failed to identify or introduce me to a single potential investor or lender, let alone raise the \$500,000 in capital required by the Resolution.

Liddell’s Statements in the Fiore Litigation

35. It is my understanding that STS has cited certain statements made by Liddell in connection with the litigation that resulted in a State-wide injunction of the OCM’s CAURD Program as some kind of proof that it is entitled to 49 percent of Qube.

36. Of course, STS cherry-picks selective portions of Liddell’s statements and takes them entirely out of context.

37. In fact, Liddell’s statements (i) reiterate the conditions of the Resolution, (ii) were made before the Conditional Lease fell apart, and (iii) did not (and could not) account for STS ensuing failures to deliver on its promises to the Company.

38. In other words, Liddell’s statements do not substantiate STS’ false claims in any way.

39. If anything, they confirm that STS promised to deliver a viable lease for the Property, and more than \$500,000 of necessary capital for Qube, and failed to do either.

**Following STS' Failure to Deliver, Qube
Negotiates its own Transaction with the Owner**

40. When the Conditional Lease lapsed and did not become binding because Qube was unable to pay the \$1.25 million security deposit, I had no choice but to engage in new negotiations with the Property's owner.

41. In the course of these negotiations, the owner's representative repeatedly told me that he did not want to deal with Korytny.

42. In fact, following STS' failure to deliver the sublease from StubHub, the owner repeatedly told me that any involvement from STS or Korytny would be a "deal breaker" because he viewed STS as an unreliable partner.

43. After months of negotiations, Qube was able to reach a new agreement with the Owner, that would allow it to secure the Property with a new binding lease requiring the payment of a \$420,000 security deposit and the first months' rent of \$70,000 up front.

44. In February 2024, Qube agreed and entered into a fully binding lease for the Property (the "Lease"). A copy of the Lease is attached as **Exhibit 4** hereto.

45. In order to convince the Property's owner to rent the Property to Qube directly, Liddell and I signed personal guarantees – agreeing to be personally liable for \$1.26 million worth of lease payments.

46. STS and Korytny had absolutely nothing to do with the negotiation of the Lease or its terms.

47. To the contrary, the Property owner did not want them involved and, given their repeated failure to deliver capital or a viable lease, they were of no value to Qube, whatsoever.

The Catastrophic Consequences of Granting an Injunction

48. On April 12, 2024 – the day STS’ Order to Show Cause was filed – Qube received its certificate of licensure from the State and took possession of the Property. A copy of Qube’s certificate is attached as **Exhibit 5** hereto.

49. As a result, the Lease (and me and Liddell’s personal guarantees of \$1.26 million in rent owed thereunder) are fully binding.

50. In order to generate the revenues required to pay the rent owed under the Lease, Qube must become operational in 60 days or less.

51. As a result, Qube has already entered into numerous contracts, and paid tens of thousands of dollars to vendors, to prepare for this expedited buildout.

52. For example, Qube has signed contracts to pay vendors (i) \$195,000 for mill and design work, (ii) \$50,000 for security and alarm installation, (iii) \$10,000 for digital renderings of the space, and (iv) \$80,000 in general construction costs.

53. In order to pay these and other expenses (including the rent owed under the Lease), the Company has to open its doors by the first week in June.

54. Any delay or interruption of this timeline would almost certainly trigger a default under the Lease and breaches of the various contracts referenced above, because Qube will be left in limbo, with no revenues and no cash on hand.

55. Liddell and I have put everything that we have into the Company, because we believe that the opportunity afforded to us by the MRTA is a chance to create generational wealth for our families.

56. If the Court were to grant STS’ requested injunction, it would be catastrophic for the Company, as well as me and Liddell personally.

57. An order indefinitely preventing Qube from “opening a cannabis dispensary” at the Property is essentially a death sentence for the Company.

58. There is simply no way that Qube can ever be a viable business without opening its dispensary and generating revenue.

59. STS and Korytny know this, which is why they are trying to exert leverage on the Company by asking this Court to prevent Defendants from “opening a cannabis dispensary” at the Property – even though the injunction would destroy the Company that STS (wrongly) claims to be a 49% owner of.

60. In fact, Korytny has been threatening to file a “TRO” since December, and has waited until now to file his baseless Order to Show Cause in a transparent attempt to exert improper leverage over Defendants when the Company is at its most vulnerable.

STS’ False Claim that the “Identity” of the Property was a Trade Secret

61. In support of their Order to Show Cause, STS claims that the NDA somehow protects the “identity of the” Property, and this qualifies it as a trade secret of some kind.

62. This is pure fiction.

63. When Korytny said that he would be able to negotiate a sublease from StubHub (the prior tenant at the Property), I went to look at the Property in person.

64. When I arrived, I saw that there was an enormous sign saying “Retail Space for Lease” hanging in the window. I took a picture of the sign and attach a copy of that picture as **Exhibit 6** hereto.

65. The sign identified three listing brokers, along with phone numbers to contact them directly if someone were interested in leasing the space.

66. I was surprised to see that the Property was being publicly marketed in this way because Korytny had led me to believe that no one else knew that StubHub might be willing to sublease the Property to another tenant.

67. Obviously, that was false.

68. When I told Korytny that the Property was being marketed for rent in such a public fashion – with tens of thousands of New York City pedestrians seeing it every day – he asked me to send him a picture of the sign. A copy of my text message to Korytny (including a picture of the sign) is attached as **Exhibit 7** hereto.

69. In other words, the identity of the Property, and the fact that it was available to rent, was public knowledge.

70. As a result, STS' claim that it is "confidential" and protected by the NDA is nonsense.

71. In fact, the NDA specifically provides that "Confidential information shall not include . . . information which is publicly known." (*See, e.g.*, Ex. 1 § 1.)

72. The Property's availability was clearly public knowledge.

Korytny's False Claim that STS "Secured Funding" of \$1,250,000

73. It is my understanding that Korytny has claimed that STS secured "funding from a third party in excess of \$1,250,000."

74. This is utterly false.

75. While Korytny repeatedly claimed to have access to millions of dollars in investment capital, he repeatedly failed to deliver that capital to the Company.

76. In fact, I find it incredibly telling that Korytny fails to provide any documentation showing an injection of capital into the Company.

77. That's because there was none.

78. The closest Korytny comes to supporting his false claim of "funding" is "a copy of bank statements showing available funds."

79. Of course, the fact that funds might be "available" is not the same as an actual investment into the Company.

80. The fact is, STS and Korytny never invested a dollar of capital into the Company, nor did they secure a single dollar of investment from any third party.

81. In fact, on December 12, 2023, Korytny send me an email *confirming* this fact, (i) stating "we can provide \$500k in cash [for] the lease" (they did not), and (ii) tacitly conceding STS had failed to provide any funding to that point. A copy of this email is attached as **Exhibit 8** hereto.

82. In this same email, Korytny proposes a structure whereby STS would take more than 70% of Qube's economics, in a blatant (and knowing) violation of the OCM's requirements for a CAURD licensee like Qube. When Liddell and I informed Korytny that his proposal would violate OCM rules, he tried to bribe us to look the other way and comply with his unlawful proposal by proposing a payment of \$50,000 (which we refused). A copy of Korytny's text message making this proposal is attached as **Exhibit 9** hereto.

83. In sum, STS failed to deliver on any of its false promises of capital or a viable lease for the Property and have no legitimate claim to owning any portion of the Company.

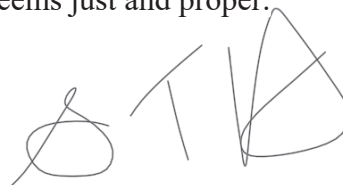
84. STS' current attempt to enjoin Qube from opening would do nothing but destroy the Company and me and Liddell as owners.

85. We therefore ask that the Court deny the Order to Show Cause in its entirety.

86. I declare under penalty of perjury that the foregoing is true and correct.

WHEREFORE, for the reasons set forth herein, STS' Order to Show Cause should be denied, together with such other relief as the Court deems just and proper.

_____, New York
April 15, 2024

A handwritten signature in black ink, appearing to read 'GTVB', written over a horizontal line.

George Vlamis

STATEMENT OF COMPLIANCE

I, Richard Trotter, hereby certify that the above affirmation complies with the word limit set by the Uniform Rules of this Court. I hereby further certify that, according to the word count feature of Microsoft Word, this document is 2,663 words, excluding the caption, table of contents, table of authorities and signature block.

/s/ Richard Trotter

Richard Trotter