Damages Framework — Panda / GFOX Crop-Loss & Production-Interruption Claim

Panda Solutions, LLC v. Pro Mechanical Services Inc., et al. · Monterey Co. Super. Ct. 25CV001352 · Rev. Aug 2, 2026 · CONFIDENTIAL — attorney work product / FRE 408 settlement analysis for review with counsel (Fox Rothschild; Molly & Young) and a retained damages expert. Figures are a model, not an adjudicated loss.

> **What changed in this revision.** The loss is now grounded in two produced records: (1) GFOX's controlled-document **"Greenfield Strain Yield Chart"** (actual per-room, per-strain harvest weights), and (2) the **Young FRE 408 demand** to Pro Mechanical's insurer. The theory has broadened from "two crops destroyed" to an **ongoing production interruption**: following PMS's **Oct 25, 2024** direction to suspend planting of flower rooms 1–4, the 102-day harvest cycle stopped, producing a **daily-accruing** revenue loss. This framework separates the hard, sourced inputs from the one assumption (recoverable margin) an expert must still prove.

1. Yield basis — GFOX's own harvest records

The four flower rooms are identical: **2,300 sq ft** room / **1,760 sq ft** canopy / **91** fixtures / ~1,000 plants each. The controlled yield chart records actual dry, usable weights across the four completed harvests before the interruption:

ROOM / PRIOR HARVEST	DRY USABLE (LB)
Room harvest A	279.78
Room harvest B	270.96
Room harvest C	308.68
Room harvest D	280.86
Average yield per room / cycle	**285.07**

Source: Greenfield Strain Yield Chart, REV 0.0 (produced). Monthly dry totals on the same chart — Jun 423.11 lb, Jul 217.66 lb, Aug 280.86 lb — then no recorded harvest Sept–Dec 2024, corroborating the production stop.

Full-cycle output across all four rooms: **4 × 285 lb = 1,140 lb** of dry, usable flower per 102-day cycle.

2. Price basis — realized $/gram by channel

GFOX sells through two channels: its own **retail** stores and **wholesale** to third-party dispensaries (Nabis). Prices are GFOX's realized figures:

CHANNEL	$ / 1/8 OZ	$ / GRAM	$ / LB	MIX
Retail (owned stores)	$30.00	$8.57	$3,891.42	30%
Wholesale (Nabis)	$14.00	$4.00	$1,816.00	70%

Blended realization per lb = 30% × $3,891.42 + 70% × $1,816.00 = **$2,438.63/lb**.

3. Revenue per harvest cycle (4 rooms)

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Cycle revenue = 1,140 lb × (30% × $3,891.42 + 70% × $1,816.00)
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CHANNEL	POUNDS	$ / LB	REVENUE
Retail (30%)	342	$3,891.42	$1,330,865.64
Wholesale (70%)	798	$1,816.00	$1,449,168.00
Total revenue per full 4-room cycle	**1,140**		**$2,780,033.64**

4. Daily loss — the production-interruption clock

The harvest cycle is **102 days**. Dividing cycle revenue by cycle length yields the daily rate at which revenue is lost while planting is suspended:

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Daily loss = $2,780,033.64 ÷ 102 days = $27,255.23 / day
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The clock starts on the **Oct 25, 2024** planting stoppage. This is sourced to PMS's own president: when Panda moved to replant rooms 1–4, **Jon Vanos (President, Pro Mechanical)** emailed that Panda **"can't touch it yet"** and that PMS must **"find the cause before proceeding"** (Oct 25, 2024) — corroborated by McKinley's Oct 28 email to Travelers and the Young FRE 408 demand. Young's demand documented **17 days = $463,338.91** as of its date; the figure accrues until the system is remediated and planting resumes.

Note: the same Vanos email also seeds PMS's "no service contract / no warranty" and "did the ISP change?" defenses.

INTERRUPTION DURATION	DAYS	LOST REVENUE @ $27,255.23/DAY
As demanded (Young letter)	17	$463,338.91
One full cycle	102	$2,780,033.64
Six months	182	$4,960,452
One year	365	$9,948,159

5. Revenue vs. recoverable profit — the critical adjustment

Young's demand is stated in gross revenue. Recoverable interruption damages are lost *profit* — revenue net of the variable costs GFOX avoided by not growing (nutrients, some labor, packaging, distribution, excise/wholesale fees).

The destroyed/standing-crop loss is valued closer to gross realized value (the plants were grown; the cost was already sunk), but the forward-cycle interruption should be netted to a gross-margin basis. Illustration at three margin assumptions on a one-year interruption:

RECOVERABLE MARGIN ON LOST REVENUE	GROSS REVENUE (1 YR)	RECOVERABLE
100% (as-demanded, gross)	$9,948,159	$9,948,159
65% gross margin	$9,948,159	$6,466,303
45% gross margin (conservative)	$9,948,159	$4,476,672

The correct margin is an expert opinion built from the Modern Leaf / GFOX P&L. Present the gross figure as the demand and a margin-adjusted figure as the defensible floor.

5b. Characterization strategy — direct vs. consequential (maximize defensibly)

How each item is labeled changes both its size and whether it survives. The goal: move as much as possible into **direct** loss, press the tort claims, and stack — without double counting.

LOSS ITEM	DEFAULT LABEL	BETTER CHARACTERIZATION
Destroyed / damaged standing crop	Direct (property damage)	Keep direct — gross realized value; cost already sunk.
Idle-facility carrying costs (lease, utilities, security, insurance)	Consequential / incidental	**Direct loss-of-use.** The defect deprived GFOX of the facility's use; the holding cost during that period is a direct measure of lost use. Recover on the **tort** claim against PMS.
Lost production / profit on interrupted cycles	Consequential (lost profits)	Recoverable in tort if foreseeable; net to a margin basis (§5).
Cover — higher external supply cost	Incidental	Recover the **delta** over internal cost to fill orders.
Brand / shelf-space / defection	Consequential	Foreseeable market harm; Young's ≥100% uplift.

> **Two levers that raise the number cleanly. (1) Stack, don't bury.** Lost *net* profit already nets out avoided variable costs; the **fixed** carrying costs kept running regardless, so they are recoverable *on top* of lost profit (recover the unavoided fixed costs only — not full rent *and* full profit for the same days). **(2) Plead alternative measures.** Because PMS's conduct **put GFOX out of business**, plead lost **enterprise / going-concern value** in the alternative and argue toward the greater of that or the income measure — they are alternatives, not a sum.

> **Watch the AIA waiver.** The RSP General Contract is an AIA A101/A201 form, which commonly carries a **mutual waiver of consequential damages** (A201 §15.1.7). If present, RSP can argue lost profits and carrying costs are waived *as to the contract claim*. That waiver does **not** bind the **negligence claim against PMS** (not a party to it) — another reason to seat loss-of-use and lost profits in tort, and to confirm the exact waiver language in the executed contract.

6. Additional & consequential heads of loss

- **Destroyed / damaged October crop.** The Oct 15–19 harvests (F3#2, F4#2, F1#3, F2#3) show sharply depressed dry weights vs. norm on the yield chart (e.g., Room 1 Zue Bird 7.32 lb vs. typical) — a direct loss on top of the interruption.
- **Plant removal & destruction.** Cost to remove and destroy the affected rooms — GFOX to provide (was "by EOW" in the demand).
- **Higher external supply cost.** GFOX must buy finished product from outside growers at higher prices to fill store and wholesale orders during the outage — the delta is recoverable.
- **Shelf-space / brand impairment.** Loss of third-party dispensary shelf space from supply shortage; brand re-introduction at a discount. Young estimates a **≥100% multiplier** on the

interruption loss for customer defection + reintroduction = **+$2,780,033.64**.

- **Carrying cost of the idle facility.** Building lease / utilities / security while non-producing (the $1,000/day figure from the sworn ex-parte declaration in the crop-loss case).
- **Going-concern threat.** The demand states the compounding loss "threatens GFOX's ability to remain a going concern" — supports a business-valuation measure if the operation is permanently impaired.

7. Summary — modeled exposure (one-year interruption illustration)

COMPONENT	AS DEMANDED (GROSS)	DEFENSIBLE (45% MARGIN)
Production interruption (365 days × $27,255.23)	$9,948,159	$4,476,672
Destroyed/damaged October crop	incl. above	[value separately]
Future defection / brand reintroduction (≥100%)	$2,780,034	[expert]
Plant removal & destruction	TBD	TBD
Higher external supply cost	as incurred	as incurred
Modeled exposure (illustrative)	**$12,728,193 +**	**$4.5M – $7M**

Interactive version (adjust interruption days, prices, mix, margin, and future multiplier) is on the case dashboard → "Case Timeline & Facts" tab → Damages model.

8. Proof checklist

- **Yield:** Greenfield Strain Yield Chart (controlled document) + harvest/METRC logs. Have ✓
- **Price:** Nabis wholesale reports + owned-retail POS. Have ✓ / assemble retail POS
- **Interruption start:** HAVE ✓ — Jon Vanos's Oct 25, 2024 email ("can't touch it yet ... find the cause before proceeding"), plus McKinley's Oct 28 email to Travelers and the Young demand. **Still pin the replanting / end date.**
- **Recoverable margin:** GFOX/Modern Leaf monthly P&L + lost-profits expert. **Retain expert.**
- **Removal/destruction:** the disposal invoice/estimate. **Obtain.**
- **Supply-cost delta:** external purchase invoices vs. internal cost. **Assemble.**

> This framework is a modeling and settlement-analysis tool for counsel and a retained damages expert, prepared under FRE 408. Yield and price are sourced to produced records; the recoverable-margin, future-loss, and removal figures are illustrative pending records and expert opinion. Not an appraisal, a filing, or legal advice. Fox Rothschild and Molly & Young direct all strategy and expert retention.