

**THE THIRTY-FIFTH ANNUAL  
IOWA HIGH SCHOOL  
MOCK TRIAL TOURNAMENT  
2017**

**COBRA KAI INVESTMENTS**

**V.**

**DANNI RUSSO**

**A program of  
The Iowa State Bar Association  
Center for Law & Civic Education**

**In cooperation with the  
Young Lawyer's Division  
Of The Iowa State Bar Association**

**With generous financial support from  
The Iowa State Bar Foundation**

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MOCK TRIAL TOURNAMENT  
2017**

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**V.**

**DANNI RUSSO**

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Original Case Materials Developed for

*Idaho High School Mock Trial Program*

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Case Adapted For Iowa High School Competition Use By:

The Iowa State Bar Association  
Center for Law & Civic Education  
625 East Court Avenue  
Des Moines, Iowa 50309

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# CASE MATERIALS

## Table of Contents

### THE PROBLEM

Case Background .....	4
Complaint .....	5
Answer .....	11
Stipulations .....	14

### WITNESS STATEMENTS

#### For the Plaintiff

Terry Kreese .....	16
Gia/o Lawrence.....	22
Bobbie Brown.....	26

#### For the Defense

Danni Russo.....	32
Aleja/o Mills .....	39
Nikko Miyagi.....	46

### EXHIBITS ..... 52

<u>Exhibit No.</u>	<u>Exhibit Description</u>
1	Reddit Thread with Information about the Ninja
2	Teacher's Pet, LLC Registration Papers
3	Teacher's Pet Marketing Slides
4	Due Diligence Letter to Cobra Kai Investments
5	Bobbie Brown's Judgement
6	First Email Exchange between Miyagi and Mills
7	Second Email Exchange between Miyagi and Mills
8	Letter from the Iowa Securities and Regulated Industries Bureau of the Iowa Insurance Division to Cobra Kai Investments

### IOWA CODE STATUTE ..... 68

### JURY INSTRUCTIONS ..... 69

## Case Background

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In the fall of 2014, then high school sophomore, Danni Russo, began developing an app with the stated purpose to serve as a study aid for students. The app, named Teacher's Pet, was developed as part of a computer science class taught by Nikko Miyagi at Kenyon High School in rural Polk County, Iowa, where Danni is a student.

After the class ended, Danni continued to develop the app and began offering a small version of it for use by other students at Danni's high school. By Danni's senior year, Cobra Kai Investments decided to invest money in the Teacher's Pet app to help bring it to market.

As the app was in the final stages of development, preparing for its big launch on iTunes, rumors began to swirl that the app was being used to help students cheat. Because of these rumors, the iTunes App Store pulled Teacher's Pet from its site. With the app off the market, Cobra Kai lost money on their investment and now is suing Danni Russo for securities fraud.

## Disclaimer

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This is a work of fiction. The names, characters, businesses, organizations, places, events, and incidents herein are the product of the authors' very vivid imaginations.

***This Case Background may not be used as evidence in the case.***

IN THE IOWA DISTRICT COURT OF POLK COUNTY

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COBRA KAI INVESTMENTS	)	
	)	<b>CIVIL ACTION</b>
	)	IAHSMT - 2017
Plaintiff,	)	
	)	
vs.	)	PETITION AT LAW
	)	
DANNI RUSSO	)	
	)	
Defendant.	)	

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Plaintiff, Cobra Kai Investments, by and through its attorneys, files this Complaint against Defendant, Danni Russo (“Russo”), and states and alleges as follows:

**JURISDICTION AND VENUE**

1. Plaintiff, Cobra Kai Investments, is a for-profit investment company, incorporated in Iowa and with a principal place of business in Polk County, Iowa.
2. Defendant, Russo, is a resident of Polk County, Iowa.
3. This Court has jurisdiction over the parties as Cobra Kai Investments is incorporated in Iowa and Russo is a resident of Iowa.

**GENERAL ALLEGATIONS**

**Plaintiff – Cobra Kai Investments**

4. Cobra Kai Investments is one of the largest investment companies in the state of Iowa. Its primary business is building and managing investment portfolios, across a broad range of asset types, depending on the needs and objectives of its clients.
5. In exchange for a fee, Cobra Kai Investments makes diversified investment decisions on behalf of its clients who, in turn, share in the profits and losses resulting from those investment decisions.

6. Cobra Kai Investments owes its clients a fiduciary duty to make sound financial investments. To that end, Cora Kai Investments makes every effort to diligently research potential investments, and to assess the relative risks and benefits of investment opportunities, before investing in any security, commodity, or other type of asset.
7. Because Cobra Kai Investments invests in only those assets it deems an acceptable risk, its clients generally enjoy a steady rate of return on their investments, and Cobra Kai Investments, in turn, enjoys a reputation in the community as a successful and dependable investment firm.

**Defendant – Danni Russo**

8. Danni Russo (“Russo”) is an individual who is approximately eighteen (18) years of age.
9. Russo is currently a senior at Kenyon High School in Polk County, Iowa. Russo’s anticipated date of graduation is May 2017.
10. When Russo was a sophomore at Kenyon High School, s/he enrolled in a computer programming class taught by Nikko Miyagi. As part of that class, Russo developed an application for mobile devices (“mobile app” or “app”) called “Teacher’s Pet.” Russo later marketed “Teacher’s Pet” as a study-aid app, the purpose of which was to allow teachers to set up class discussion boards and post assignments, and to allow students to participate in class discussions and turn in completed work.
11. Russo’s “Teacher’s Pet” app was wildly popular at Kenyon High School. In January 2016, approximately one year after s/he developed it, Russo began selling the “Teacher’s Pet” app on iTunes.

**The Investment Contract**

12. Plaintiff incorporates and re-alleges the allegations contained in paragraphs 1 through 11.

13. Terry Kreese (“Kreese”) is a certified investment manager and Vice-President of Cobra Kai Investments. Specifically managing StL Venture, a subsidiary of Cobra Kai Investments.
14. In June 2016, Kreese learned about Russo’s “Teacher’s Pet” app and the fact that it was successfully being marketed on iTunes. Kreese considered the app a potential investment opportunity but neither s/he nor any other Cobra Kai Investments employee pursued the opportunity at that time.
15. In September 2016, Russo contacted Kreese at Cobra Kai Investments and asked her/him to consider investing in the “Teacher’s Pet” app. Kreese permitted Russo to make a presentation, during which Russo represented that “Teacher’s Pet” was a study-aid app, designed solely to allow teachers and students to interface in a secure, virtual classroom.
16. After Russo presented the “Teacher’s Pet” app, Kreese and other employees at StL Venture and Cobra Kai Investments made diligent efforts to investigate the function and utility of the app and to assess potential risks and benefits of investing clients’ money in it. As part of these efforts, Kreese had multiple conversations with Russo and his/her mentor, Nikko Miyagi. During these conversations, Russo repeatedly made assurances that “Teacher’s Pet” was a secure study-aid app, the utility of which would transcend high school classrooms and reach into graduate and post-graduate programs.
17. Based on Russo’s representations and its own independent investigation, Cobra Kai Investments determined the potential benefits of investing in Russo’s “Teacher’s Pet” app outweighed the potential risks.
18. On or about October 5, 2016, Cobra Kai Investments contracted with Russo to invest (i.e., buy a security) in the “Teacher’s Pet” app. Pursuant to the contract, Cobra Kai

Investments invested over \$700,000.00 of its clients' money in the "Teacher's Pet" app; in return, Cobra Kai Investments and its clients were to receive seventy percent (70%) of the profits derived from the success of the app.

**The Misrepresentation and/or Omission**

19. Plaintiff incorporates and re-alleges the allegations contained in paragraphs 1 through 18.

20. Within weeks of investing its clients' money in the "Teacher's Pet" app, Cobra Kai Investments learned the app was not what Russo purported it to be. Instead of being a secure study-aid app, "Teacher's Pet" actually had a feature—an "AutoGrade" button—that allowed students to cheat.

21. In persuading Cobra Kai Investments to invest in the "Teacher's Pet" app, Russo explained that the "AutoGrade" button was a feature that allowed teachers to correct tests and quizzes instantly with a push of the button, and s/he represented that the feature only appeared on the teacher's version of the app. In actuality, the feature was hidden in the version of the app designed for student use, and it enabled students, with a push of that same button, to auto-fill the correct answers to any tests or quizzes that were open in the app.

22. When word spread that "Teacher's Pet" was not a true study-aid app but, instead, an app that enabled students to cheat, iTunes pulled the app from its online store and there was no longer any market for it. As a result, Cobra Kai Investments lost the money it invested in the "Teacher's Pet" app on behalf of its clients, and its clients lost trust in Cobra Kai Investments.

**COUNT I – SECURITIES FRAUD**

23. Plaintiff incorporates and re-alleges the allegations contained in paragraphs 1 through 22.



24. On or about October 5, 2016, Russo entered into an investment contract with Cobra Kai Investments, whereby Cobra Kai Investments invested (i.e., bought a security in) Russo's "Teacher's Pet" app with the expectation that Cobra Kai Investments and its clients would receive a share of the profits derived from the sale of the app.
25. In selling Cobra Kai Investments a security in the Teacher's Pet app, Russo violated Iowa Code § 502.501 because Russo made an untrue statement of material fact or omitted to state a material fact that was necessary, under the circumstances to make the statement not misleading, to wit: Russo explained that the "AutoGrade" button on the "Teacher's Pet" app was a feature that allowed teachers to correct tests and quizzes instantly with a push of the button, and s/he represented the feature only appeared on the teacher's version of the app. In actuality, the feature also appeared in the version of the app designed for student use, and it enabled students, with a push of a button in the help menu, to auto-fill the correct answers to any tests or quizzes that were open in the app.
26. Had Russo not made the untrue statement or omission, Cobra Kai Investments would not have made the decision to invest in the "Teacher's Pet" app.
27. Cobra Kai Investments was unaware, and in the exercise of reasonable care could not have been aware, of the untruth or omission regarding the existence and true purpose of the "AutoGrade" feature of the "Teacher's Pet" app.
28. As the developer of the app, Russo knew, or in the exercise of reasonable care should have known, of the untruth or omission regarding the existence and true purpose of the "AutoGrade" feature of the "Teacher's Pet" app.
29. As a direct result of Russo's fraudulent representations or omissions, Cobra Kai Investments has been damaged in an amount to be proven at trial.

### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff Cobra Kai Investments requests and prays that judgment be entered against Defendant Russo as follows:

- A. That Cobra Kai Investments be awarded compensation for all damages caused by Defendant's fraudulent conduct;
- B. That Cobra Kai Investments be awarded attorney fees and costs;
- C. That Cobra Kai Investments be awarded post-judgment interest on the amount of judgment; and
- D. That Cobra Kai Investments be awarded attorney fees and costs incurred in attempting to collect on the judgment, if any.

DATED this 25<sup>th</sup> day of November, 2016.

Respectfully submitted,

*/s/ Carey Shoufler*

Attorney for Plaintiff  
Cobra Kai Investments

IN THE IOWA DISTRICT COURT OF POLK COUNTY

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COBRA KAI INVESTMENTS	)	
	)	<b>CIVIL ACTION</b>
	)	IAHSMT - 2017
Plaintiff,	)	
	)	
vs.	)	<b>ANSWER</b>
	)	
DANNI RUSSO	)	
	)	
Defendant.	)	

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COMES NOW Defendant Danni Russo (“Russo”) by and through his/her attorneys of record and hereby submits this Answer to the complaint filed by Cobra Kai Investments:

**JURISDICTION AND VENUE**

1. Defendant admits Paragraph 1 of the Petition.
2. Defendant admits Paragraph 2 of the Petition.
3. Defendant admits Paragraph 3 of the Petition.

**GENERAL ALLEGATIONS**

**Plaintiff – Cobra Kai Investments**

4. Defendant neither admits nor denies paragraph 4 of the Petition, having no basis upon which to form an opinion.
5. Defendant neither admits nor denies paragraph 5 of the Petition, having no basis upon which to form an opinion.
6. Defendant neither admits nor denies paragraph 6 of the Petition, having no basis upon which to form an opinion.
7. Defendant neither admits nor denies paragraph 7 of the Petition, having no basis upon which to form an opinion.

**Defendant – Danni Russo**

8. Defendant admits paragraph 8 of the Petition.

9. Defendant admits paragraph 9 of the Petition.
10. Defendant admits paragraph 10 of the Petition.
11. Defendant admits paragraph 11 of the Petition.

**The Investment Contract**

12. Defendant reasserts their answer to paragraphs 1 through 11 as if each were fully set forth herein.
13. Defendant admits paragraph 13 of the Petition
14. Defendant neither admits nor denies paragraph 14 of the Petition, having no basis upon which to form an opinion.
15. Defendant denies paragraph 15 of the Petition.
16. Defendant neither admits nor denies paragraph 16 of the Petition, having no basis upon which to form an opinion.
17. Defendant neither admits nor denies paragraph 17 of the Petition, having no basis upon which to form an opinion.
18. Defendant admits paragraph 18 of the Petition.

**The Misrepresentation and/or Omission**

19. Defendant reasserts their answer to paragraphs 1 through 18 as if each were fully set forth herein
20. Defendant denies paragraph 20 of the Petition.
21. Defendant denies paragraph 21 of the Petition.
22. Defendant denies paragraph 22 of the Petition.

**COUNT I – SECURITIES FRAUD**

23. Defendant reasserts their answer to paragraphs 1 through 22 as if each were fully set forth herein.
24. Plaintiff admits paragraph 24 of the Petition.
25. Plaintiff denies paragraph 25 of the Petition.

26. Plaintiff denies paragraph 26 of the Petition.

27. Plaintiff denies paragraph 27 of the Petition.

28. Plaintiff denies paragraph 28 of the Petition.

29. Plaintiff denies paragraph 29 of the Petition.

WHEREFORE, the Defendant prays for judgment as follows:

- a. A judgment in favor of the Defendant and that the Plaintiff shall recover nothing;
- b. An award of the costs of defense of this action from the Plaintiff; and,
- c. Any other relief the court deems proper.

DATED this 9<sup>th</sup> day of December, 2016

Respectfully submitted,

*/s/ Michael Fica*

Attorney for Defendant Danni Russo

IN THE IOWA DISTRICT COURT OF POLK COUNTY

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COBRA KAI INVESTMENTS	)	
	)	<b>CIVIL ACTION</b>
	)	IAHSMT - 2017
Plaintiff,	)	
	)	
vs.	)	<b>STIPULATIONS</b>
	)	
DANNI RUSSO	)	
	)	
Defendant.	)	

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1. This action has been separated into two trials—a trial to determine if the defendant is liable for securities fraud, and, if necessary, a trial to determine damages. You are only to address the issue of securities fraud. The issue of damages will be addressed in a subsequent trial, if necessary.
2. All exhibits included in the case materials are authentic and accurate representations and the proper chain of custody with regard to the exhibits has been maintained, teams must still use the proper procedures for admitting exhibits into evidence.
3. The signatures and signature representations on the witness statements and all other documents are authentic. No challenges based on the authenticity of witness signed documents will be entertained.
4. The dates of witness statements are not relevant and therefore not included. No challenges based on the dates of the witness statements will be entertained. All statements were taken after the alleged incident but before trial.
5. The jurisdiction and venue for this mock trial case have been previously established and are proper.
6. All parties have agreed to the jury instructions.
7. All of the witnesses can be portrayed by students of either gender. Any instances where a witness is only referred to as on him or her or only he or she is inadvertent.

8. Trial time may not permit the use of all the exhibits provided in the following materials. Each party must select and use only those exhibits that best support and illustrate that party's theory of the case.
9. No objection or defense may be made based on Danni Russo's age, the statute of limitations, jurisdiction, or venue.
10. Terry Kreese received the letter referred to in these case materials as Exhibit 4.
11. Exhibit 3 represents the slides used during the presentation that was given by Danni Russo to Cobra Kai Investments.
12. Danni Russo created the presentation referred to in these case materials as Exhibit 3.
13. For purposes of this trial, Teacher's Pet, LLC is a legal entity that has been registered with the Iowa Secretary of State. The legal relationship between Teacher's Pet, LLC, the Teacher's Pet app, and the parties is not relevant to any issue in this case. No claims or defenses may be brought based on the existence of the LLC, but Exhibit 2 in these case materials may be used for any other relevant purpose.

## Statement of Terry Kreese

1 My name is Terry Kreese. I am a 46-year-old Vice-President in an investment  
2 company here in Des Moines, Iowa. The investment company is called Cobra Kai  
3 Investments. The company started out small more than 30 years ago, but has grown  
4 into one of the largest investment companies in the Midwest. The way my company  
5 works is simple. Our clients are just your Average Joes who want to invest their money  
6 and watch it grow into a nice nest egg for when they retire. But they do not have the  
7 time, or maybe the inclination, to educate themselves about the market or what may or  
8 may not be a good investment. That's where my company comes in.

9 We pool everyone's money and make diversified investment decisions on their  
10 behalf. Our clients share equally in the profits and losses. We are very good at what we  
11 do and our clients see a steady rate of return. Though privacy and business  
12 considerations prevent me from going into too much detail, our investment portfolio is  
13 quite large. We are very well known in the Midwest as successful and dependable  
14 investors.

15 That is why it is no surprise that anytime we turn our attention to a new investment  
16 opportunity, people take notice. Like I said, we diversify. Our portfolio consists of both  
17 stable steady investments, companies that have been around forever and will continue  
18 to make dependable—if smaller—returns into the foreseeable future, and a few higher  
19 risk—but higher reward—investments, like start-up companies. We have a specialized  
20 unit within Cobra Kai to aggressively identify potential windfalls. StL Venture seeks  
21 opportunities to get in on the ground floor and ride great ideas all the way to the top.  
22 Often times we are approached by entrepreneurs who want us to give them seed money  
23 for this or that idea. I think budding entrepreneurs watch way too much Shark Tank on  
24 TV. We must hear five or six dozen pitches for every start-up we decide to back. It's just  
25 too risky a proposition. So you know that when we do take someone up on that, it is an  
26 excellent opportunity; something you just cannot pass up. We do our due diligence, we  
27 are the best at what we do, so clearly if we invested in something it was airtight based  
28 on what we were told. It is not our fault if people lie to us.

29 I'm sure you've seen all of the TV commercials for various investment opportunities.  
30 There is always the disclaimer that every investment carries risks and that there is no  
31 guarantee of profit or income. That's a very true statement. Like every venture



capitalist, Cobra Kai has had our ups and downs. We were original investors in the revolutionary Blast Master Ultimate Launcher, and things looked very promising in this market until that lawsuit against the Des Moines Dinosaurs. We made a lot of money on the redesign of the Winkies coffee cup. Some investments just take time. We've backed the SiLa cancer drug research, but know that any profits from that will be well down the road. So there are definitely positive and negatives. Most investors get that. We make sure that our investors are fully apprised of standard market risks. What we cannot account for, however, is downright lying. Especially by some punk high school kid.

That takes us to why we are here right? I wish we had never heard about Danni Russo's study aid app. It was one of the most popular start-up apps we have seen in a long time. That's really the only reason I took Danni's call. Actually, it was probably the fifth or sixth call that I took. Danni was very persistent. When I saw how successful Teacher's Pet was I let Danni make a presentation. Danni's first one was not very good, honestly, but s/he showed a willingness to learn. We met at a Venture Capital event in Des Moines at the Hotel LeRoche Resort. Danni has a quick mind and is good at picking up the subtleties and nuances of business. I never saw him/her miss a detail once s/he knew its importance. After her/his first presentation and then sitting in on other presentations s/he quickly adjusted her/his pitch to hit the really important aspects. That's one reason I find it so hard to believe Danni when s/he said the ninja was a mistake, or that s/he forgot about it.

We thought Teacher's Pet could really take off. Depending on the details, this could have been the replacement for traditional SAT/ACT study aids in future applications. In fact, the ease and understandability of this app and the way it conveyed the information had so many applications into the future. We saw not just the SAT/ACT study aid market, but on into the MCAT and LSAT study-aid arenas as well. We honestly saw a Facebook-esque train coming our way and we wanted to be on board when it hit full steam. And like I said when we take an interest in an investment opportunity, we do our due diligence to protect our investors.

Remember, we are dealing with a high school student here, we were going to make sure every "t" was crossed and every "i" was dotted before we actually committed to investing. To that end, we had multiple conversations with Danni, and his/her teacher, Nikko Miyagi. They explained to us the way the app worked, they pitched us their

65 marketing plan, they provided us with details on how they would use investor money;  
66 all the general information we require before making an investment was provided in  
67 these conversations.

68 Danni explained to me that there were two versions of Teacher's Pet—a student  
69 version and a teacher version. The teacher version added functions to allow teachers to  
70 upload assignments, tests, and quizzes, and to upload the answers to work with the  
71 AutoGrade feature. Danni assured me that the two apps could only share certain  
72 information, and that the teacher version was completely secure. Danni emphasized  
73 there was no way for the student version to access the information uploaded by  
74 teachers. Of course, I wanted to be very clear about that. An app that let students peek  
75 at the answers would be totally unmarketable to schools.

76 We are conscientious investors and owe a fiduciary duty to our clients to make sure  
77 we are handling their money wisely. Everything seemed to be favorable; while this was  
78 a “startup” situation where a higher degree of risk is expected, we saw only the  
79 appropriate amount of risk for an opportunity like this. Unfortunately, the reason why  
80 we saw that was because Danni Russo was adept at hiding the true purpose of the app  
81 from us. S/he presented Teacher’s Pet as a study-aid app, and from everything Danni  
82 showed us that’s exactly what it was. In fact, Danni was secretly developing an internal  
83 program called a ninja that allowed the user to cheat. Whatever study-aid interface it  
84 was working with, the local high school, the specific classroom, whatever outside source  
85 was supplying the information that made the study-aid so effective, the app was not just  
86 taking the information from that host, but also was hacking into that host’s mainframe.

87 Think about it: if the questions on the upcoming test were being saved in files on  
88 that host’s system, now the app had those and it disseminated that information to its  
89 users through the AutoGrade function that was only supposed to be available to  
90 teachers. Cheating was Teacher’s Pet’s true purpose and that purpose was concealed  
91 from us.

92 Yes, I’ve heard WoWo Capital’s claim that our due diligence was not sufficient. I  
93 have two words for you: Sour. Grapes. Let me fill you in on the background. Danni was  
94 pursuing both WoWo Capital and Cobra Kai Investments as his/her ground-floor start-  
95 up investor. Obviously, we accepted Danni’s proposal and WoWo lost out. I think WoWo  
96 still invested, but they were not the main investor with all the rights that go along with  
97 that position. WoWo Capital is haphazard with their investment money because their

98 portfolio is so large—they can cover individual poor decisions up due to overall portfolio  
99 growth. On the other hand, Cobra Kai Investments, as a company that isn't just  
100 investing its own money, doesn't play those games and never will no matter how large  
101 our portfolio gets in the future.

102 We make sure every investment is sound. WoWo Capital's suggestion that this was a  
103 normal amount of risk and that it wasn't Danni's fault our investment went bad; well,  
104 like I said, you have to consider the source. It is clear that WoWo sees us as a legitimate  
105 threat to their profits and is using this as an opportunity to take out the competition. Of  
106 course they want to discredit us and cast us as some inexperienced investment firm that  
107 clients cannot trust because we don't know what we are doing. It makes them look  
108 better. Believe me, there is something in it for them when they testify against us. Cobra  
109 Kai and StL have been around for a long time (since 1984). We've succeeded through  
110 conservative strategies and careful research and vetting of potential investments.

111 And isn't it interesting that Danni chose our company to invest with; clearly an  
112 indication that s/he felt our judgment on these issues was sounder than WoWo Capital.  
113 But now that Danni needs someone to be in his/her corner s/he calls the "runner up" as  
114 a witness? We can't be accused of failing to exercise due diligence to find something that  
115 Danni was so expertly hiding from us. Point blank, Danni lied to us about the intention  
116 of the app and we relied on his/her representation in making our decision to invest.

117 And invest we did. We invested our clients' money in this scheme thinking it was a  
118 sound investment with the normal amount of risk for a start-up that was outweighed by  
119 its great potential. Our clients lost a lot of money, our business lost a lot of money. And  
120 worse, our business lost the trust of our clients and future clients. Many of our clients  
121 understood and are still faithful to us, allowing us to correct this over time. But some of  
122 our clients took their business elsewhere. Yes, this has significantly hurt our company  
123 and our reputation. Not that we could have known.

124 How did we find out? I got a call from Bobbie Brown, who we've worked with on  
125 occasion; really good person. Anyway, Bobbie told me a kid from Danni's school told  
126 Bobbie about the ninja and the real purpose of the application. There was some kind of  
127 message board where Danni had been boasting about what s/he was going to get away  
128 with. Anyway, the kid, I think his/her name is Gio or Gia, knew for a long time but  
129 never said anything apparently. Gia/o's parents had invested in this application. I think  
130 Gia/o came clean to his/her parents; they in turn got in contact with the other investors.

131 But apparently Gio/a was also talking about it at school. You know how kids are. It  
132 became a topic of the rumor mill, everyone using social media to trade stories, one thing  
133 led to another.

134 I confronted Danni about the ninja. I told Danni that my company could not invest  
135 with anyone who might do something unethical. Danni fell all over him/herself  
136 apologizing, and swore it was just a bug. S/he promised to remove the ninja code and  
137 submit an update to the app store right away. I was ready to pull the plug right then,  
138 but we'd already invested a significant amount and I was worried that pulling out might  
139 signal to the market that we had no confidence and then we'd lose everything. I decided  
140 to give Danni one chance to make it right. I mean, I guess apps can be buggy, after all.  
141 Even though Danni acted sorry, it still took a couple of weeks to get the updated version  
142 released. By then, it was too late. iTunes pulled the application, which is what  
143 ultimately tanked the endeavor and lost our clients their money; their nest eggs.

144 And now, Danni is trying to pretend like s/he had no idea the app had this  
145 capability. Danni is just trying to escape responsibility. I mean, if Danni is the  
146 technological wunderkind everyone is claiming s/he is, how could s/he not know about  
147 this ninja? Bobbie Brown is an expert in this area and s/he will tell you that there is no  
148 way Danni didn't know this was part of the app.

149 In fact, Bobbie can tell you that Danni was the one who put it there. Yes, Bobbie has  
150 worked for us in the past. So what? That doesn't affect his/her knowledge in this area? I  
151 didn't hire Bobbie to do the initial due diligence because, frankly, s/he's very expensive  
152 and a little temperamental. I did bring Bobbie on after s/he found the ninja, but by then  
153 Danni had already ripped me off.

154 Danni and his/her attorneys are just trying to smear a good person's name and  
155 reputation by stooping to the suggestion that Bobbie's opinion would be affected by  
156 his/her relationship to Cobra Kai Investments. Would I go as far as to say Bobbie and I  
157 are friends? Well I like Bobbie; we have gone to working lunches on occasion in the past  
158 and maybe to a few concerts, sporting events and culture activities. So, sure, maybe  
159 work friends? But you know what? Who cares? That is a total side-line to the real issue  
160 here. Let's stop getting off track. Danni is the person in the wrong here, let's keep our  
161 focus where it should be, shall we?

162 I've worked my way up through the sales ranks from selling pharmaceuticals and  
163 medical supplies to this, and the last thing I want is a bad reputation. I know real well

164 how one false move can ruin people and businesses. Remember the situation some years  
165 ago with Tussionex and that little girl who died? I was a sales rep to the Dove &  
166 Schmitz Clinic. They've never recovered from that tragedy. At Cobra Kai Investments,  
167 we've never had these kinds of issues before, and now we have to put up with an  
168 investigation by the Securities and Regulated Industry Bureau of the Iowa Insurance  
169 Division because we were dumb enough to trust a high school kid. Our clients didn't  
170 deserve to have their retirements put at risk because of this irresponsible child that  
171 unfortunately can put on a really good show when s/he needs to.

172 Danni told us this application was for the purpose of helping his/her fellow students  
173 study, and increasing the learning opportunities for many. It had a great future for  
174 doing so. But Danni had to ruin it, and his/her future, just to play games and cheat. I  
175 hope Danni learns his/her lesson that cheating in life will not lead to good results. In  
176 fact, that is the main reason we are bringing this lawsuit. I don't just HOPE Danni  
177 learns his/her lesson. We will do everything we CAN to ensure that s/he learns his/her  
178 lesson. That is what this lawsuit is about. It is just tragic that Danni's dishonesty made  
179 other people have to pay for this lesson as well, and Danni needs to compensate those  
180 people.

## Statement of Gia/o Lawrence

1 My name is Gia/o Lawrence. I guess you could say I'm right in the middle of this  
2 Teacher's Pet app mess. I've been friends with Danni Russo—we all call him/her The Kid—  
3 since kindergarten and I hate that I had to cause trouble for him/her. I still consider Danni  
4 to be a friend, but I can understand why s/he might have some resentment towards me. But  
5 I was just caught between a rock and a hard place. I really want to go out of state for  
6 college, so my family couldn't just eat the loss of my college fund. But with my grades and  
7 financial situation, I'll be lucky to go to a community college at this point.

8 It may come as a surprise to Cobra Kai Investments and iTunes, but The Kid started  
9 this app as a class project. S/he didn't have any bad intent—it's not like s/he wears a Guy  
10 Fawkes mask and rolls with Anonymous—Danni was just messing around with coding.  
11 S/he's really good at coding; not a prodigy or anything but out of our posse, far and away the  
12 best. Coding is like a language, and Danni writes novels and poetry while the rest of us are  
13 still stuck on the five paragraph essay.

14 Teacher's Pet started out as an app that allowed teachers and students to communicate  
15 with each other through closed chatrooms that teachers set up. The idea was to provide a  
16 forum for class discussions and a place for teachers to post assignments. Eventually,  
17 though, we started to use it so teachers could post, and students could take, multiple choice  
18 tests. When a student took a test in first period he or she could keep track of the answers  
19 and then enter them into the app. Other students who then had the same test later in the  
20 day could access the answers and memorize them. From then on it just developed  
21 organically into slightly more sophisticated cheating.

22 We set up the app so teachers could create tests and kids could take them right in  
23 Teacher's Pet. We had a teacher's version and a student version of the app, so that teachers  
24 could think they were in control. We created a feature called AutoGrade that the teachers  
25 could use to grade quizzes and tests instantly just by pushing a button. The app would  
26 compare the student's answers with the answers on the server, and automatically enter a  
27 grade.

28 Well, the hidden feature—we called it the ninja—gave students a similar button on  
29 their version of the app. You had to pull down a menu to see it, and unless you knew about  
30 it you wouldn't think to look for it. If you pushed the AutoGrade button on the student

version, the app would access the server and fill in the test with all the right answers. We didn't tell everyone about it, just some of our posse.

That didn't last long, though. As soon as Terry Kreese found out about it The Kid got keel-hauled. Danni was really afraid Kreese would pull the funding—we all were, for that matter; none of us wanted to get in trouble. The Kid said we had to release an update pronto. I said I'd take care of it, and I did. It only took me a couple of days of code slamming to get it done. I don't know why it took Danni so long to submit it. And I swear I didn't hide the ninja. I took it completely out. Honest.

So, what's a ninja? A ninja is stealth code—it's when you put in your own code that matches the style of the initial programmer so that it's hard to tell you were there. Of course, this wasn't a real ninja because we all knew about it. It's just a hidden feature, and we thought the name was cool.

Because the app started out as The Kid's project in coding class, Nikko Miyagi knew about it. Nikko is our computer science teacher. Everybody thinks s/he's super cool, but I'm not convinced. Mr./Ms. Miyagi used to work at some big Silicon Valley firm and made stacks of money. I guess s/he got sick of the culture or something, though, and so bailed to slum it with us and become a teacher. S/he's gotta be the only teacher in the universe who drives a Tesla. What kind of teacher drives into a high school parking lot with a Tesla? I guess since the wannabe Steve Jobs gig didn't work out s/he decided to be a big fish in a little pond. I guess s/he wasn't that big, though, since s/he let The Kid fake him/her out.

So, Mr./Ms. Miyagi knew about the app because it started out as a class project. But s/he only knew about part of the app—the legit part. We hid the features that people eventually started using to cheat.

But The Kid, being the code poet laureate that s/he is, made Teacher's Pet a redonkulus app that was actually super useful for legit purposes—for teachers and students. It gave teachers and students a way to communicate during the learning process and essentially track and test learning. Miyagi loved it and really encouraged The Kid. In fact, Mr./Ms. Miyagi talked about how this was a good way for him/her to get back in the coding game, being able to champion a good cause as well as make a ton of money. Miyagi wanted to ride The Kid's coattails back into coding glory, so I doubt s/he would have cared, even if s/he did know the ninja was in the app.

The Kid got Teacher's Pet on the iTunes app store, and it went nuts. Danni started talking about getting investors and going public, and really making Teacher's Pet solid. So

64 there were two tracks going on with this thing—the ninja that only our coding posse knew  
65 about and the legit features that Nikko Miyagi and everyone else saw. It was stupid of The  
66 Kid—and all us really who knew about the ninja—to think s/he could maintain both facets  
67 as the thing grew in popularity. It should have been obvious that this thing was gonna  
68 come off the rails. But we're teenagers, man. Our brains won't be fully developed for years  
69 (at least that's what I remember our Biology teacher, Ms. Thompson saying); certainly not  
70 developed enough to see that far down the road. And now we've got this mess.

71 The mess started when The Kid convinced him/herself that s/he could Facebook this app  
72 and end up like Mark Zuckerberg. The Kid said Mr./Ms. Miyagi told some friend at WoWo  
73 Capital about the app and then everyone went nuts over it. The Kid told us that his/her  
74 family decided to work with another investor that had been going after him/her from Cobra  
75 Kai Investments. The plan was that they were gonna give him/her money for the app and  
76 soon we'd all be driving Teslas.

77 The Kid billed the app to Cobra Kai Investments as the legit learning tool, and didn't  
78 tell them about the ninja. Danni didn't think it was a big deal because once Cobra Kai  
79 payed up s/he'd eventually just remove the ninja and all would be well. Danni told me to  
80 leave the ninja in at first and that s/he'd take care of it him/herself. It made sense at the  
81 time. I have no idea if the ninja was in the version Danni gave to Cobra Kai.

82 So once Cobra Kai Investments backed Teacher's Pet the whole thing went viral and  
83 everyone's friends and families started investing their life savings. Everyone at school—  
84 teachers, students, administration—everyone was using the app. It spread to other schools  
85 all over the state and even to other states. It got amazing reviews on the app store. It blew  
86 up on reddit; teachers, students, colleges, universities all over the world were talking about  
87 it and downloading it and using it. Engadget and Gizmodo had posts on it, all the big tech  
88 blogs. It was amazing and The Kid was totally chuffed.

89 But then it all blew up and we should have seen it coming. Sure, everyone started using  
90 the app for legit purposes but word of the ninja got out beyond our posse when someone  
91 who had access to our posse's private subreddit found threads discussing the ninja and  
92 started pasting the information on public subreddits. Unfortunately, The Kid didn't remove  
93 the ninja code fast enough—s/he just masked it. People started stripping the updates and  
94 reverted to the prior version of the app that had the ninja on it. Then those same subreddits  
95 got leaked to the tech blogs and Apple removed it from their app store.



I had no idea who Bobbie Brown was before s/he confronted me at the Winkies. I should have just kept my mouth shut, since I know The Kid would've fixed Teacher's Pet before it got out of hand. But what could I do? I was chillin with my homies, Lande and White, when this old dude I'd never seen before walks up and starts telling me all about stuff s/he had no business knowing, like s/he was some Sherlock or something, and telling me I was going to prison. I guess I panicked. I told him/her The Kid didn't mean any harm, and that I'd make it right.

First, I went straight to The Kid. I told him/her what happened, that someone in law enforcement was on to us. But when I couldn't even tell Danni the person's name, s/he just laughed at me. I had to admit, it did seem pretty silly. Brown never did tell me his/her name, or show me a badge, or anything. In fact, s/he just let me walk right out of the Winkies. Still, Bobbie had a lot of information, and I was worried. The Kid told me to relax, and that as soon as Cobra Kai Investments committed s/he'd make sure the code was clean. S/he said s/he would have done it already, but had gotten busy and just forgotten about it. That sounded plausible, as The Kid could be pretty forgetful when s/he was focused on something.

Just to make sure, I did drop a hint to Apple about the app. I didn't give my name, just said that I wanted to stay anonymous. I said I was a user and that they should check the code in that app, and contact the creator to make sure it got cleaned up. I thought that's all they'd do, and that would make The Kid focus on fixing it, and all would be good. Instead, Apple pulled the app altogether and made a big fuss.

Boom goes the dynamite. Everyone wanted their money back. But it was all gone. My dad was torqued and when that happens he goes aggro. I'm out my college money and going to community college and my dad's talking with lawyers. Now good luck getting that plum Apple job I've dreamed of for years. I'll be lucky to get a job on the geek squad at Best Buy. And that's how we got here.

I had to tell my dad what I knew. I hated diming The Kid and would never purposely sabotage Teacher's Pet, but I had to. I told my dad and the lawyers everything. I'll probably never drive a Ford Tempo beater let alone a Tesla. Sorry, Danni, it just had to be that way. I have to worry about my own future now. I still think of Danni Russo as a friend and have mad respect for his/her programming skills. But family and future come first.

## Statement of Bobbie Brown

1 My name is Bobbie Brown. I'm 34 years old, although I'm only telling you that because I  
2 have to. I really, really don't like having to tell you anything, but the investigators said I  
3 could go back to jail if I didn't tell you what I know about Dannie Russo and Teacher's Pet.  
4 I'm pretty sure I could find my way out of a jail, but it's just not worth the hassle.

5 Am I a "hacker"? That's such an ugly word. I mean, one person's hacker is another  
6 person's freedom fighter, or security architect, or intrusion analyst, right? Let's just say I  
7 know a few black hats, but I'm strictly a white hat these days. I've heard of Anonymous—  
8 what hacker hasn't? If I was ever involved with it, I wouldn't tell you; it's like Fight Club:  
9 the first rule is that you don't talk about Fight Club. I could deny I was ever involved, but  
10 that's just what someone in Anonymous would say, isn't it? I do know computers, that's for  
11 sure, and I could use my powers for evil, but I only use my powers for good. Not like those  
12 Russian Bozos who created havoc with the presidential election.

13 I suppose some people might call me a hacker, but I prefer the term "consultant." That's  
14 how I make my living, anyway. I've never been to college or computer school. I graduated  
15 from high school, but only because my mom would never leave me alone until I did. That  
16 was it, though. No college for me. What would have been the point? College computer  
17 departments are so far behind the technological curve, you can't even see them in the rear  
18 view mirror. Everything I know I learned on my own or from other "consultants" like me.  
19 I'm not picky about who I work for—anyone who has a computer problem and has the cash  
20 to pay me is my friend.

21 Yeah, I've worked for Cobra Kai. Professional discretion keeps me from telling you why,  
22 so if you want to know that you'll have to ask them. They did not initially hire me to  
23 investigate Russo and Teacher's Pet. Terry fancies s/he is more computer savvy than s/he  
24 is, so I guess s/he figured s/he could handle the due diligence on his/her own. Terry did hire  
25 a guy, who I will say is good—a really thorough code slammer. Maybe they should have  
26 hired me earlier this time so they wouldn't be in this mess. I'm pretty sure I would have  
27 caught the ninja earlier in the process.

28 I know Nikko Miyagi, too. I've never actually met Nikko—I guess I'm a little too  
29 intimidated. Nikko is a god when it comes to code. Anything s/he writes is holy writ. I think  
30 it's really cool that Miyagi's teaching high school kids. I mean, s/he made enough money to

live on any beach in the world and have natives bringing umbrella drinks for breakfast, lunch, and dinner, but instead s/he decides to pay it forward. I admire that.

It's true that I had a little brush with the law when I was younger. It was no big deal, just a youthful indiscretion—not that I was doing anything wrong, anyway. I was just looking around, testing the fences as it were. Like I say, I'm a white hat. It turned out to be a boon for me. As soon as the FBI realized my skills, they figured I could be a valuable asset. Word gets around, so I've worked for lots of law enforcement agencies, including the Gotham City Police Department last year with that case involving Detective Wayne. Even though I never attended a day of college, the nerds at Kingswood College brought me in to investigate that “Charlie, Charlie, Charlie” cyberstalking thing a few years back. I guess my rep gets around. Now, the Iowa Securities and Regulated Industries Bureau has asked for my opinion in this case, so I'm doing double duty, you might say.

So, you want to know all about Danni Russo's little project? It was actually pretty cool, even if it was done by a high school student. I will say the kid has chops. Too bad s/he wasn't more careful.

I didn't know Gia/o Lawrence or Russo before all this. A hobby I have, just to keep my skills sharp, is to surf the coffee shops. See, coffee shop networks are really insecure—you usually don't need a password, and even if you do everyone in the shop has the password and all their machines are on the same network. Even if you check the box to make your computer invisible to other users on the network, someone like me can take over the system and control all the traffic, which means that I see everything that comes in or out. The wrong person could sit in a Winkies and steal enough identities to ruin a lot of lives.

Well, I decided to hack into the system at the new place in town, and guess what I found? A lot of traffic about Teacher's Pet, Cobra Kai Investments, and the ninja. I'd done enough investigations to recognize something was up. No fire, if you understand, but lots of smoke—like they were trying to be careful. I started looking around to see if I could scope where it was coming from. It didn't take me long to spot Lawrence. We computer geeks just know.

Remember, no one had hired me to do anything. I was just working out, if you will, and this ninja thing pops up. I could have left it alone, but like I said, since I was working on my computer skills I thought I'd hone my investigative skills, too. I didn't make a plan. I just went over to Lawrence's table and sat down like I owned the place. I started telling Gia/o everything I saw in the traffic, then just shut up to see what s/he'd say. At first Lawrence

64 looked at me like I was something on the bottom of a shoe and told me I didn't know what I  
65 was talking about. Then I explained how I hacked the café net and could tell Gia/o a lot  
66 more about him/herself. Lawrence got this wide-eyed deer-in-the-headlights look on his/her  
67 face and said, "Danni's going to take it out! I swear! We just have to get the money first!"

68 I had no idea what Gia/o was talking about, but now I was starting to have fun. It was  
69 the first "cold" day in October—you know, about mid-October I think—it'd been really warm  
70 just a few days before, but then we got the cold snap. Anyway, since it was chilly, I had  
71 decided to wear my new trench coat and hat, so it made me look sort of like a police  
72 detective. I decided I'd go with it and I told Lawrence s/he had to think long and hard about  
73 the future, and whether it included the view from a prison window. Basically just cop trash  
74 talk I'd seen on TV. Gia/o said, "I'll make it right." And then s/he and her/his little friends  
75 cleared out.

76 I decided to call Terry at Cobra Kai Investments just to let him/her know what  
77 happened. Terry told me about Danni Russo and Teacher's Pet. At that point Terry decided  
78 to bring me into it to conduct the due diligence that should have been completed in the first  
79 place. It didn't take me long to take Russo's plan apart.

80 Danni designed an app—more of a platform, really—called Teacher's Pet. It was  
81 designed to allow teachers to create assignments and tests online, and administer them  
82 through an app that could be loaded on Macs, PCs, iOS, and Android devices. That's really  
83 nothing new, other tech companies had already done that. Danni's idea was to strip away  
84 all the bloatware that had grown on to the competition and bring it down to some easy to  
85 use basics. Teachers would give assignments or tests, and students could complete them on  
86 the app. The app would score and grade the work, and keep track of all kinds of stats  
87 related to the assignment.

88 Some of Danni's really good work was in how the app could have an impact on the  
89 method of teaching, not just the process. Historically, students gather in the classroom on  
90 test day, take the test during class, and either pass it or not. You either knew it or you  
91 didn't, and there were no second chances. Teacher's Pet was going to change that. Teachers  
92 could allow students to keep answering until they got the answer right (and the app would  
93 track how many tries it took), or try only once. The app could be configured to show the  
94 answer after a certain number of tries, and then allow the student to retake the test after a  
95 certain amount of time went by. The emphasis was on learning, even if it took a little

longer, rather than the one-and-done testing methodology. With all the talk about Standards Reference Grading and Mastery learning, this thing could really hit it big.

Something really innovative about Teacher's Pet was that the app was designed to give teachers the option to cut off access to all other apps while it was operating. If a student was taking a test, for example, the teacher could set the test so that no other app could be run until the test was completed. If a student tried to leave the app or open another app, it was tracked. It prevented a student from looking up answers on their device. Obviously, they could still look at handwritten notes or the book if they're taking the test somewhere other than the classroom, but the teacher could set a timer on the questions so that if a student took too long to answer, the question would time out. Getting a test reset required a login by the teacher, so teachers could meet with students to discuss problems. Of course a teacher could allow taking of a test at any time, but that was meant for assignments. The tests were to be taken during class from the app so the teacher would be able to monitor.

But the innovation was also where Russo messed up. And by “messed up” I mean completely tanked the company's credibility and set a course for a major fail. Buried in the app there was a section of code that allowed students to use the AutoGrade feature—something that was only supposed to be on the teacher's version—to cheat. All they had to do was look up AutoGrade in the help menu, press the “See AutoGrade in Action” button, and the app—you could say the teacher—would take the test for them by filling in all the correct answers. It wasn't overt—not something a student would likely stumble upon accidentally—but a gold mine if you can alert users to it under the radar.

Danni says it was a bug, that it was only by chance that you could discover it, that you had to press a particular sequence of buttons to make it work, which was unlikely, and that as soon as it was discovered it was fixed. An update supposedly removed the code from already downloaded versions, and the new version didn't include it. Unfortunately, the update didn't really remove the ninja code—it just hid it in the help files. It was still there all the time. All you had to do to keep cheating was be in the know and keep using the ninja feature.

That's why iTunes shut it down. I can't say for sure who alerted iTunes to what was going on, but I've a pretty good idea it was that Lawrence kid. I'm quite certain that after our little tête-à-tête, Gia/o was scared straight. The stats showed that far more apps were already installed than updates were being downloaded. So, lots of students can to this day still cheat on tests—at least if there are any teachers still dumb enough to use the platform.

No way it was a bug; it was a feature. Of course, now that it's been discovered they could remove it and try again, but their reputation is shot. No one will buy the app from them, no matter how good or clean it is. The best they can hope to do is sell off the patents and copyrights and salvage what they can from the wreckage.

How do I know it was intentionally put in the app? Easy, at least if you know anything about code. See, people think code is all ones and zeros, and that it basically follows rigid mathematical formulas. But code is much more like a language (which is why they're called computer languages, duh!). Real code pounders read it, write it, and speak it like you would English. That's how you can tell. If you read Hamlet knowing it was written by William Shakespeare, and then you read Macbeth without knowing who wrote it, you could still make a very educated guess that it was also by Shakespeare.

Great code writers, like Nikko Miyabi, for example, are just like authors of great literature. They have their own voice, and you can hear it when you read their code. They use a particular grammar, a particular syntax, a particular phrasing. I know that Danni Russo was coding this project, and had three or four other coders working on it, too. When you look at the code, you can pick out the differences between each author, and tell pretty clearly which author wrote what section. Of course, I can't tell which particular person wrote what, but I can see patterns.

This so-called bug exhibits the same literary style that appears in the majority of the app. If it were a mistake, you'd expect it to look like a mistake, just like you can tell when a writer made a mistake in a sentence in the middle of a paragraph. This doesn't look like that. It just flows in with all the code around it.

That's how I know this was intentional. And there is no way that Russo could not have known about it. In fact, it's pretty clear that this was part of the design from early on, if not from the beginning. As part of my investigation, I had access to some earlier versions of the code. All through development revisions were being made. Part of the purpose of revisions is to find bugs and fix them. But this section of code was never fixed. It wasn't in the first draft, but it did show up in later drafts. In fact, not only did the "bug" not get fixed, it got revised. You don't revise bugs. You take them out.

There's more. To make the app work, you needed a student version and a teacher version. The teacher version had the features to create and administer tests, and the student version was only for taking tests. There are obviously some differences in coding

161 | between the two, but one notable difference is that the ninja code does not show up in the  
162 | teacher version. You wouldn't need it there, and you wouldn't want it discovered.

163 |       Bottom line, there's no way this was a "bug" that showed up unintentionally. Code isn't  
164 | biological. It doesn't just spontaneously generate. This was a feature. Sure, it might not  
165 | have been advertised or obvious, but once you knew it was there anyone could take  
166 | advantage of it.

## Statement of Danni Russo

1 My name is Danni Russo. I am 18 years old. I'm a senior at Kenyon High School in rural  
2 Polk County, Iowa and am getting ready to graduate and go to college next year. I got  
3 accepted to a whole bunch of really good engineering schools, but in the end I decided to go  
4 to Tabard University. Tabard's Engineering Program may not be mentioned in the same  
5 sentence as MIT or Cal Tech, but it's a really quality program that focuses on practical  
6 experience. And with all my practical experience as an app developer, that's the kind of  
7 program I need.

8 Tabard was really excited to take me into the program, because having the developer of  
9 the Teacher's Pet App could get them some national recognition. Besides, my parents are  
10 both former track stars at the university (Go Pilgrims!) so it's important to them to keep  
11 with the family tradition. Really, it's not so much about where you go to school but what  
12 you do with the opportunities once you're there. At least that's what Mr./Ms. Miyagi told  
13 me.

14 You could say that I've always been curious about technology, which I have to tell you  
15 can be a little difficult in a family like mine. Like I said, both of my parents were track  
16 stars at Tabard University and all my brothers and sisters have gone to college on athletic  
17 scholarships. And then there's me: the family geek; not an ounce of athletic ability in me.  
18 When I was little, my brothers and sisters used to call me FedEx. The joke was that I was  
19 not a real Russo; that the FedEx delivery man had dropped me off on the front porch one  
20 day. But, hey, I'm pretty sure I bring up the overall family IQ.

21 I'm kind of the poster child for STEM. When other kids were learning how to read on  
22 their LeapFrog, I was already taking it apart to figure out how it worked. When my  
23 brothers and sisters were playing Pickle Ball, I was learning to build Battlebots at the  
24 YMCA Engineering & Robotics Club. The Robotics Club is also where I met Gia/o, though to  
25 this day, I'm still not sure why Gia/o wanted to be part of that group; s/he has never been  
26 that strong at technology; if it weren't for me, Gia/o would have no skills at all. I taught  
27 him/her everything s/he knows. Still though; to this day, I'm pretty sure Gia/o would be lost  
28 without my input. At the time we met, I think Gia/o just needed a place to fit in and s/he's  
29 been tagging along with the smarter kids ever since.



Or, you might say buying his/her way along. Gia/o Lawrence is one of those people who was born into a family that always had a lot of money. Gia/o's mom is, or I should say was, one of the biggest building contractors in the Midwest. When the housing bubble burst, I know Gia/o's mom spent several years trying to hold the company together, but in the end, they lost pretty much everything and had to come off of Mt. Olympus and live among us mere mortals. For Gia/o, whose family had instilled in him/her the worship of the almighty dollar above everything else, having to live like the rest of us was rough on him/her.

I'm sure that's why s/he's trying to make me into the villain in all of this. I guess misery really does love company, especially misery who is facing the possibility of flunking some classes and not being able to walk with the rest of us at graduation. Gia/o is jealous that I have had success because of my own skills and abilities; really, s/he always has been.

It probably goes without saying, but after all that's gone down, Gia/o and I aren't really friends anymore, which is too bad. We were pretty much inseparable since that day when s/he offered to share his/her Legos with me at the Y. But Gia/o is just filled with so much bitterness now. S/he's not the rich kid anymore. S/he never had what it took to do what I do with technology and so I guess s/he's just getting notoriety in any way s/he can—no matter who it hurts. Regardless of the truth.

So back to my app: Teacher's Pet. Gia/o and I were so excited when we found out about Mr./Ms. Miyagi's programming class in my sophomore year. In most computer science classes, students learn theory and might get to do some coding exercises, but that's just not how Miyagi rolls. In our class, we worked in teams to create mobile apps from the ground up—from concept to product. This wasn't just a bunch of theory; we were digging in and doing the work. I wonder if this was how Mr. Hewlett and Mr. Packard felt all those years ago in that garage in Palo Alto.

At first, we learned about some basic tools, like Adobe Flash, Photoshop, and Action Script, that let us test what we were building. So, we were learning coding, but we were learning it in a practical way that we could use to actually make things. It was awesome. After a few weeks, everyone in the class sort of knew what part of the process they were best at and most interested in. We were then split into groups and assigned duties based on what we liked—things like information architect, graphic designer, and bug tester. Gia/o

was on my team. S/he was the bug tester, and I was the main coder and information architect.

By the end of the semester we had a prototype and that's where Teacher's Pet was born. Unless you've been living under a rock, you probably know what Teacher's Pet is by now. Teacher's Pet started as an app that would be a place where teachers could post assignments and chat with students; kind of like a classroom in cyberspace. And all of this because of a high school class. How awesome is that?

To this day, I still claim that my coding class was the best class I ever had in high school—the most fun, the most interesting, and the most important for my future. Since this class Mr./Ms. Miyagi has been my mentor. S/he made high school a great experience for me. In a perfect world, Mr./Mrs. Miyagi would have been my parent. In a way, s/he's been more than a parent to me than my own have been, even helping me turn Teacher's Pet into a company and laying all the groundwork for getting this app developed and to market.

I don't know what it would have been like for me without him/her. I listen to what s/he has to say because s/he never steers me wrong. I know some people act like s/he's flaky or maybe manipulating me, but most people just aren't on his/her level. When you're that much smarter than everyone around you, you can often be misunderstood. But Mr./Ms. Miyagi is a very decent human being and an even better educator. A little unorthodox perhaps, but very effective. Schools need more people like him/her.

Like I said, Mr./Ms. Miyagi was really excited about the potential of Teacher's Pet and really encouraged me to continue working on it. So, with the permission and support of the other people on my team, I took the class project and turned it into something that was market ready. Other people from the class worked on it as they could, including Gia/o, but it was clear that Teacher's Pet was my thing.

I spent a lot of my spare time fine tuning Teacher's Pet. I knew that, in order to make this app something special, we'd have to add some more bells and whistles to it. That's how the AutoGrade feature was born. This part of the app allowed teachers to post tests and quizzes and for students to take the tests and quizzes and then submit them for grading. AutoGrade is only part of the teacher version of the app, which was only made available through a key code given to schools that purchased the app.

Teachers could load an answer key into their version of Teacher's Pet and when a student submitted a test, it would automatically be graded and returned to the student who submitted it. It's a really slick system and worked really well until someone went into the app and created a back door. What this so-called ninja did was allow students who knew where to find it to push a button and the test would be automatically filled out with all the right answers. That was never my intent for how this was supposed to work. That was never how I made Teacher's Pet. I did not add the ninja and I really don't know who did.

But I do have my suspicions that it could be Gia/o. It would definitely have to be someone who knows my coding style or has figured out how to copy my style. The thing is, it could have been anyone on our team of developers, but you have to ask yourself: who had the most motive to do something like this? Not me. I didn't add it and I never told Gia/o to add it either.

I definitely spent a lot of time on some of the Reddit threads where coders hang out. Developers are a chill community; it's not really about competition; it's about making cool stuff and getting support and using our big brains to solve problems. So, I definitely spent time on the Reddit thread where information about the ninja was posted, but it was not me who clued people in that there was a glitch in Teacher's Pet that let people use it to cheat. All the people on my team were familiar with the site; any one of them could have gone on there, including Gia/o.

I have to say, this whole thing is really Gia/o Lawrence's M.O. It's just like him/her to try to find the easy way out. It's just like him/her to try to put the blame on someone else and not take responsibility for him/herself. I mean, here we all were with the Golden Ticket to Willy Wonka's Chocolate Factory and Gia/o stamping his/her feet like Verruca Salt, talking about how s/he wants it all now or else!

You know how the Internet works. By the time it went to market, word of the glitch had spread. People started calling it Cheater's Pet. As soon as I found out what was going on, I removed the bug and made the program legit, but it was too late. iTunes had already pulled it from the site and banned us from putting it back up again until they were sure there was no way that people could use it for illegal or unethical purposes. So, I guess at that point some people lost money. I'm not really sure how all that works. Mr./Ms. Miyagi and that investor person from Cobra Kai Investments were taking care of all of that.

At first, I didn't really care that I was making something I could sell. I mean, I was just a 16 year old kid at the time; it wasn't really on my radar that I could make the big bucks with this thing. I just wanted to see how I could get it to work. It was the LeapFrog all over again. But then all the grown-ups around me started seeing dollar signs. Mr./Ms. Miyagi convinced my parents that I was really on to something. My parents were relieved that I could have a path to college, since it was clear I wasn't going to get an athletic scholarship. Gia/o and his/her parents saw a way to get back on their feet again. The only one who didn't really care about the money side of this whole thing was me. I just wanted see if my experiment would work.

Everything seemed to be on track. The app was developed and working great. We were starting to sell it on iTunes. It looked like our ship had come in as my grandmother would say. And then all of the sudden, everything fell to pieces. I found out later that Gia/o had leaked news to Terry Kreese about the app having a back door that people could use for cheating. Then iTunes found out and pulled the app. Terry Kreese started making all these angry, threatening calls to my parents. It was just not a good situation.

The money stuff that Terry Kreese is all amped up about started when Mr./Ms. Miyagi brought in Aleja/o Mills to talk to me about how s/he could invest some money in my app and get other people to invest so that I could make something really special. I guess s/he saw a lot of potential in what I was doing. And then Aleja/o met with my parents to tell them about it. You could tell at first they weren't buying it. I heard my dad say it was like talking to a Carpetbagger. Then Terry Kreese found out about all of this and started pressuring me to meet with him/her. I'm not sure how s/he knew about all of this. It could have been Gia/o's parents or it could even have been my parents since Terry is known to be a really big Tabard sports booster. But I want to be clear that Terry wanted me to invest with him/her.

I was invited to a real chichi investor's conference to pitch my app and answer questions about its' uses and about the finances. There were inventors and investors there from all over the Midwest. I confess that I didn't understand any of the lingo they were throwing around about the money. I hung out for a while and kind of picked up the jargon so I could fake my way through a presentation. Mostly I know that we were under a lot of pressure to have a prototype up and running and quick. We burned a lot of midnight oil on the nights leading up to that investor's meeting.

I remember thinking that this must have been what my brothers and sisters felt like when all the college recruiters were courting them. I have to admit that I felt a little like a rock star. I mean, these adults were in a bidding war on who could make me more money. It was a little hard to wrap my head around. In the end, my parents decided to let Terry Kreese and Cobra Kai Investments handle the investing for the Teacher's Pet App. They said that they didn't have a great feeling about Alja/o Mills; I guess s/he just skeezed my parents out. They also thought it was better to go with someone local. Iowa people do better by other Iowa people. It's kind of the Iowa Way.

At the time that I made the pitch to Cobra Kai and others at that investors' conference, I did not know that the ninja was there. In fact, I know it wasn't there because I did a test drive for everyone assembled. As soon as I found out what was going on, I debugged the program completely. I did a thorough review of all of the coding and fixed it right away.

In September, I turned 18. By October, we had made our agreement with Cobra Kai Investments. A week or two later, the ninja was found and, by the end of the month, iTunes had pulled my app. Then, right around Thanksgiving, some dude shows up at my house and serves me with these papers saying I was being sued for securities fraud. Welcome to adulthood! I didn't even know what that was.

But I do know this. I didn't do anything wrong. I did not make Teacher's Pet so people could cheat. I didn't even add the back door that allowed people to use it that way. I know there were people who lost a lot of money, including Terry Kreese and Gia/o's parents, but that has nothing to do with me. I was not trying to trick anyone. I was just trying to make something cool and useful. That's really all I've ever cared about.

I mean, why would I want to cheat when, from all reports, I had a money-making app? Sure, I suppose I could help a few struggling friends get slightly better grades, but at what risk? Teacher's Pet was primed to make at least \$1 million! And my name would be out there as a coder and app designer for future projects. It just doesn't make any sense. Until you look at Gia/o.

The only thing that I can think of is that Gia/o went back in and either reinstalled the ninja or rewrote it in some way to hide it better. And clearly, the entirely clean version that I had painstakingly pored over was not the version shipped to Apple. They must have

183 | gotten an old Beta version with the original ninja, some draft version with the bug, or a  
184 | newly created ninja dropped in without my knowledge and definitely without my approval.

185 | I'm proud of my work. I would never send that kind of shoddy product out with my  
186 | name on it. Sure we were under massive time pressure to get the app done and released,  
187 | but I did take the time to review all of it. I know that I did nothing wrong.

188 | I hope someone gives me another chance to move forward with Teacher's Pet. I've  
189 | already removed the bad code and disabled the older versions with the ninja. This is not  
190 | just something that would be great for me; it's something that could help a lot of teachers  
191 | and students. I don't understand why everyone is making such a big deal out of all of this. I  
192 | can fix this for everyone if I could just get the chance.

193 | And this is just the beginning. I've got tons more great ideas to share with the world.  
194 | I'm just getting started.

## Statement of Aleja/o Mills

1 My name is Aleja/o Mills and I'm a sixty-five-year-old veteran in the venture capital  
2 world. I was born on July 4, 1951—all-American. I got my chops during the '70s and '80s  
3 before “junk bond” was a dirty word. Mike Milken sure got a bad deal out of that. Great  
4 man. I learned a lot from him when I worked at Drexel Burnham. He got a bad rap in '89,  
5 but he made the best of it and now he's a better man for it. In fact, if it wasn't for Mike I  
6 wouldn't be here today. He became a philanthropist, focusing on improving education. I  
7 decided to do the same, and that's how I got involved with Danni Russo and the Teacher's  
8 Pet app.

9 I am currently the sole owner and investor at WoWo Capital. Really, that's just the  
10 name I gave to my personal investment company. Since I've been banned by the Securities  
11 and Exchange Commission from having anything to do with other people's money, all the  
12 money I invest is my own. I'm not allowed to touch anyone else's. I've been helping up-and-  
13 coming companies with start-up funds for their businesses for nearly 25 years; that is,  
14 when it's a good investment. I'm very passionate about my job and, I must say, I'm very  
15 good at it, too! I have a Bachelor's degree from Stanford and an advanced degree from the  
16 Sloan School of Management at MIT. I've been invited to speak at the annual MIT Venture  
17 Capital and Innovation Conference for the last ten years in Boston; like I said, I'm very  
18 good at what I do.

19 Because I'm good at what I do, I've testified as an expert before, although I'm not being  
20 paid for this case. I've testified for the plaintiffs in 8 cases and for the defendants in another  
21 12. I get lots of offers and turn most of them down. People like me to testify, not only  
22 because of my vast experience, but because I'm a straight shooter. I tell it like it is.

23 Yes, my job can be stressful. And, yes, sometimes you lose money. That's where  
24 expertise comes in to play. You have to make calculated risks. But, even calculated, it's still  
25 a risk. That's just the nature of the business. You always do your “due diligence,” but there  
26 are always some unknowns. Sometimes the chips fall in your favor and you make A LOT of  
27 money. Sometimes they don't and you can lose a lot of money. I suppose that's why I'm here  
28 today.

I've known Nikko Miyagi for about twenty years. We met at one of the annual Allen & Company Conference in Sun Valley. You know, the annual business event that all the big swells come to: François-Henri, Bill, Mark, Cheryl, Marissa; the whole gang. Nikko was still running the company s/he started back when we first met. After s/he had that bad fall in the Himalayas and his/her company forced Nikko out, I encouraged him/her to move to Iowa. I thought it would be good for Nikko to get as far away from Silicon Valley as s/he could, both physically and culturally. (Hey, it works for Warren Buffett in Omaha and Everett Eckley in Dinkla, North Dakota, so it could work for Nikko in rural Iowa as well!) People didn't know Nikko as well here, and they were perfectly willing to believe him/her when s/he claimed to have left California on his/her own terms because s/he was tired of the rat race. Hey, it worked for me when I needed a new address after I got out of prison. Nikko turned out to be a great teacher, not that I'm surprised, as well as a heck of a venture capitalist! S/he has incredibly good instincts when it comes to promising investment opportunities.

Nikko is the one who introduced me to Danni Russo. Nikko was really just smitten with Danni. Couldn't say enough good things about him/her. Went on and on about what a promising genius Danni was. I really think Nikko saw a lot of Nikko in Danni, and, to be frank, a way home. It always stung Nikko that his/her own company thought of him/her as incompetent and had kicked him/her out. If Danni's app was successful, it would be a way for Nikko to shove it back in their faces and maybe even get back into the business.

Nikko told me Danni had created an app called Teacher's Pet. I must admit that the way Nikko described it, I really did think this Russo kid was worth looking at. Since Nikko was so emotionally invested in Danni, I honestly wasn't sure at first who was the coding genius—Danni or Nikko—so I wanted to check Russo out for myself. I'm used to working with kid geniuses in this industry. They have some of the greatest ideas and innovations, but generally, not much common or business sense. It's a good thing that Danni had Nikko to mentor her/him.

I had Morgan over to my place, Pond Sea, so I could meet him/her and see Teacher's Pet. I must say I was impressed. I think Danni was 17 by then, or close to 17, and really did know what s/he was talking about. Sure, I could see a huge Nikko influence, but I could also see that Danni had an aesthetic and business sense all his/her own. Danni had lots of questions, mostly about business, investing, and how the education technology investment



61 world works. S/he was particularly interested in how the due diligence process worked, like  
62 s/he really wanted to get it right. I could tell Danni really wanted to make Teacher's Pet  
63 work, and that s/he wanted to do it smart. Danni had a keen sense of the business side, of  
64 the need to monetize Teacher's Pet, and have a good growth strategy.

65 Danni and I met several times over the course of a few weeks, and I decided I wanted to  
66 back Teacher's Pet. Unlike Cobra Kai Investments, WoWo Capital specializes in funding  
67 start-up companies like Danni's. I believe the app has incredible potential. The market is  
68 almost unlimited and the app revolutionizes teaching and learning. I think there are  
69 possibilities for the SAT, ACT, MCAT, LSAT, GRE, and beyond.

70 I offered Danni a lot of money—far more than the paltry amount Cobra Kai Investments  
71 was willing to put up. Unfortunately, it was not to be. Apparently Danni's folks didn't like  
72 me—not Iowa enough for them, I guess. Danni ended up going with Cobra Kai. That ended  
73 up being a huge mistake for everyone involved.

74 Not that I'm bitter about it. Really, I'm not. I did end up investing in Teacher's Pet—not  
75 the amount I was hoping, only \$150,000, and I had to take a subordinate position to Cobra  
76 Kai Investments, but I still thought it was worth backing such a promising kid.

77 Cobra Kai Investments is much more conservative than WoWo Capital, and therefore  
78 much less profitable. Then again, I suppose the risk only has rewards if you choose wisely.  
79 In this case, I think Cobra Kai Investments stepped out of its comfort zone. It likely saw the  
80 same potential and future implications I did. However, this type of investment is not their  
81 specialty. Cobra Kai has been stung by startups before or, I should say, by their own  
82 ignorance of startups. They don't typically fund start-ups because they consider those types  
83 of investments too risky. For example, both Cobra Kai and WoWo invested heavily in  
84 PrairieZephyr Corp a few years back. PrairieZephyr was making mini wind turbines for 3<sup>rd</sup>  
85 world nations and were a real hot commodity for a spell – until they get caught polluting  
86 the water supply during the manufacturing process. I stuck with them and the investment  
87 has paid off. Cobra Kai jumped ship at the first hint of a problem and lost some money and  
88 a great opportunity. I think at that point, Cobra Kai realized that they just weren't  
89 equipped to properly evaluate innovative start-up ideas. So they created a special division  
90 of the company, StL Venture, with the express purpose of ramping up their work in start-

91 ups. But from an outsider's perspective, I haven't seen much evidence of any improvement,  
92 only window dressing.

93 Listen, start-ups are risky. A startup is really a special breed of business entity. It's not  
94 much different than people—you wouldn't treat an infant the same way you'd treat an  
95 adult, and unless you understand that you can get in very serious trouble without even  
96 knowing it. Consequently, Cobra Kai and StL were in way over their heads when it came to  
97 Teacher's Pet.

98 For example, take this "ninja" thing. You can't do your due diligence on a startup the  
99 same way you'd do it for a seasoned company. You have to dig a lot deeper since you're  
100 dealing with someone without a track record. At the same time, you can't always dig as  
101 deep as you'd like, because you're dealing with someone without a track record. You have to  
102 be comfortable with ambiguity, with uncertainty, with a certain amount of "wheeee!" If you  
103 don't like roller coasters, then you shouldn't ride them. You can't freak out at the first sign  
104 of trouble because there are a lot more signs coming right behind it. You just have to work  
105 things out and keep going.

106 I think the ninja could have been discovered if Cobra Kai really knew what they were  
107 doing. How can you not click everything clickable in a brand new app? How could you miss  
108 a link like that? I don't care that it was buried in the help menu. You check it all, not just  
109 the surface features. And, really, if you're going to drop that kind of cash into this idea, it  
110 might make sense to have a whole team of experts vet the product, not just one dude with  
111 computer science B.S. I'll never understand why businesses nickel and dime deals that  
112 could be worth millions. You've got to spend money to make money. That's one of the  
113 cardinal rules of venture capitalism.

114 That's why this whole debacle is more Cobra Kai Investments' fault than anyone's. At  
115 the first whiff of the ninja, Terry Kreese had kittens. And when an investment company  
116 has kittens, people take notice, and they start having kittens, too. Next thing you know, you  
117 have a whole litter! Really, what Terry should have done is just what I did when I heard  
118 about the ninja a week earlier—just shut up, relax, take a deep breath, and then start  
119 doing damage control. A simple press release saying they'd found a minor glitch and that it  
120 would be fixed immediately would have gone a long way toward solving the problem.  
121 Instead they acted like they wanted to flush money down the toilet.

122 Like I said, I did find out about this so-called ninja. That might make you wonder about  
123 my own investment smarts, but you have to consider how a lot of these tech deals are done.  
124 Investors in tech startups have tons of money, and to drop a million here or a million there  
125 is nothing to people like me. Some investments pay off, others don't. You play the averages,  
126 and over time you'll make a killing. Most of the "due diligence" tech investors conduct  
127 involves playing with the app or looking at the website and saying, "Hey, cool!" We are far  
128 more interested in the people than the product. Why do you think Y Combinator does its  
129 camp? They could care less about the app. Those investors are backing the people. If they  
130 see someone smart, with a good idea, who can make things happen, they'll put money on  
131 the line. This particular whiz-bang idea might tank, but if the person is right then another  
132 good idea won't be far behind.

133 And Danni is that kind of person. Teacher's Pet may or may not be salvageable, but  
134 even if it's not, Danni Russo will come up with something else. S/he's a smart kid. Even if  
135 I'd found out about the ninja before spending a dime I still would have written the check.  
136 See, code can be fixed—re-written, if necessary, and most apps go through tons of revisions.  
137 If tech investors are one thing, it is patient. Stuff happens, but it gets worked out. If Terry  
138 is saying Cobra Kai wouldn't have invested if s/he'd known about the ninja, that just shows  
139 how naïve Terry is. No savvy tech investor would have ever let something like that scare  
140 them away. Like I said, if you don't like roller coasters, then stick to the merry-go-round.

141 Hey, I lost money in this, too, but you don't hear me crying about it. It's my own dumb  
142 fault for putting money in a startup that Cobra Kai Investments was backing. I should have  
143 known better. But that's the nature of risk. You pay your money and take your chances. I've  
144 got plenty of money to risk, so I can live with it. If you can't risk it, don't invest it. A good  
145 rule for anyone in this business is never to invest more than you're willing to lose. I'm  
146 willing to lose it because I see the bigger picture. Teacher's Pet could revolutionize  
147 education. I want to be part of that. It's not just about the money.

148 Not only could this have been fixed at the time, in my opinion it's still salvageable. Take  
149 out the ninja, refocus, rebrand, relaunch, and we've still got a winner on our hands. At  
150 least, we do if this lawsuit ends like it should. Danni could start over with an investor who  
151 knows what's what.

152       No way do I blame Danni for this. Russo's too smart. There was too much at stake. I  
153       can't believe s/he'd intentionally put a stupid cheat feature in there and risk everything. I  
154       still consider Danni Russo and Teacher's Pet a horse worth backing.

155       Now Cobra Kai Investments is embarrassed and is scrambling to save face with its  
156       investors. It overextended and got caught. It's bad. It's a sad commentary on society when  
157       you get right down to it—find a scapegoat and blame someone else when you can. Then, file  
158       a lawsuit!

## Statement of Nikko Miyagi

1        Make the world a better place. That is my personal motto. My *raison d'être* in  
2 everything I've done and everything I will ever do. I have always been and will always be  
3 dedicated to high-grading the lives of others.

4        My name is Nikko Miyagi and I came of age in Silicon Valley in late 1980s; a time of  
5 unrivaled digital movement. Actually, I'm from above Silicon Valley, surrounded and  
6 molded by the Digerati. I was destined to become a thought leader; to disrupt paradigms.  
7 With all of that innovation leaning into me, I developed three passions: calligraphy, digital  
8 compression, and making the world a better place. I've succeeded in all of those fields. Font  
9 compression, specifically, became my platform. And now I am a farmer of sorts, planting  
10 and raising digital kernels in young minds.

11        After high school, I went to Reed College in Portland for two years. I loved Portland and  
12 I loved Reed, but I had an epiphany that I needed to go someplace quiet and find my bliss,  
13 so I dropped out of college. I became energized by a quiet period in which I studied  
14 calligraphy with the single-mindedness of a monk. I merged my interests in calligraphy,  
15 compression, and public service into a direction that would come to delight consumers of  
16 digital media on a global scale. I felt the compression of variable spacing between different  
17 letter combinations; about what makes beautiful and historical typography artistically  
18 subtle in a way that pure scientists can't emulate.

19        After iterating for 18 months, I developed my own typographic voice—Purity. It was  
20 simple and elegant and made the consumer intuitively feel the prose from the display. I  
21 created digital harmonic peace. And it caught on. Within a year, my Purity platform was  
22 branded and monetized with representation in all of the major operating systems, in both  
23 enterprise and personal spaces.

24        To this day, Purity is still the most licensed font in the world in every e-sector. In fact,  
25 the text you are reading this very moment grew from Purity. Purity fulfills basic human  
26 needs—simplicity, usability, and soul-satisfying elegance. And that's why I named my  
27 company after the font I had developed: Purity Technology. We really were on the cutting  
28 edge of digital typography.

29        I also became a one dollar millionaire, if you know what I mean. I took a \$1 a year  
30 salary because it's all about learning and positioning, not money. Really, who cares about  
31 salary when you already have millions? And the \$1 salary had tax benefits. But, let's just

say that money will never be an issue, except when it opens me and my protégés up to frivolous lawsuits of circling vultures like Terry Kreese and Cobra Kai Investments.

I'm not part of my company any longer. I thought I'd stay with Purity for the remainder of my career; really for the remainder of my life, but I got pushed out of the nest after my accident. About 10 years ago, I was in Tibet, hiking in the Himalayas to have an audience with the Dalai Lama and I had a terrible climbing accident. I had severe head trauma and it took me almost a year to recover.

During the time when I was working to heal, the Purity Board of Directors let some shady elements crawl into our Board like spiders building a web. They claimed that my brain injury was affecting my ability to run the company and that I had become a liability. The new Board bought enough shares to have a majority stake and they forced me out of my own company.

There was really no legitimacy to their accusation that I was incapable of running the company that I had started and I suppose I could have fought to keep it, but sometimes the universe just sends you a sign that you need to let go and move on. So I did; with a very generous golden parachute that gives me enough money to do whatever I want with my life.

Like the Dalai Lama says, our primary purpose is to help each other and make the world a better place. What better way is there to make the world better than to educate young people? So, to regroup after losing my company, I went back to Reed and finished my degree in computer science and also got my secondary teaching certificate. But Portland wasn't the same as it had been in the early 80's when I was there. It had gotten too big and maybe a little too hip for its own good, even for a cool cat like me. I mean, I'm a laid back person, but I'll be OK if I never see another ironically waxed mustache again in this lifetime.

Every year I go to the Allen & Company Conference in Sun Valley to reconnect with other people like me. A couple of years ago, I remember someone telling me that the Des Moines of today is like the Portland from 30 years ago; still with a hip vibe, but not as big as Portland had become. Then I read in a newspaper that rural Iowa was having a teacher shortage and I just put the two of them together: a community that would be great to live in that had a need for dedicated teachers. It turned out to be the perfect opportunity for me. I know some people say I came to Iowa to hide out and lick my wounds after getting forced out of Purity, but that's just not the case. I was ready for a change and I'm really happy to be here.

65 I've found my bliss in Iowa. As the great Iowa philosopher and poet, Beatty Wiese, once  
66 said, "To be is to do; to do is to be; do be do be do."

67 I'm in the perfect position to be a teacher. I don't have to worry about money. I get to  
68 give back to my community. And I get to share and cultivate digital beauty in young minds;  
69 to help prefrontal cortexes develop to express themselves in zeroes and ones. But, that's  
70 enough about me. Now it's time for the present issue of the day: Teacher's Pet. I think it's  
71 important to get it out there that Danni Russo is being pushed out of something that  
72 rightfully belongs to him/her, just like I was at Purity.

73 I see myself in Danni Russo. S/he is like I was as a young person; not a prodigy, but  
74 possessed of all the raw material necessary to speak in a beautiful digital voice. But that  
75 voice would not be heard without a shaman to enlighten it. That is my role. With subtle  
76 coaxing, Danni developed an incredible coding voice. Certainly the voice is still raw, but  
77 Danni is firmly on the path towards genius.

78 Danni initially developed Teacher's Pet as an app in my coding class, along with some  
79 other students, including Gia/o Lawrence. It started as a horizontal knowledge distribution  
80 solution—a communication tool in lay speak. I incited Danni to see where s/he could take  
81 it—you know; think globally, act locally—start with your classmates but nurture a broader  
82 vision of adoption. Sure, that's ambitious, but that is the nexus from which the voice  
83 speaks.

84 Teacher's Pet was a very well written app. Incredible, actually; I'd never seen anything  
85 like it. It was structurally refined. Almost elegant. Danni and his/her classmates exchanged  
86 messages on a platform that worked with extreme efficiency. But as we all say, content is  
87 king. Once Danni's concept began to germinate, with my mentoring, the content appeared  
88 to him/her: expanding the horizontal distribution vertically as well. The idea was to include  
89 teachers in this digital community, so they could participate as well. It became a fully  
90 integrated student-based knowledge development and maintenance solution. Students  
91 would interact with each other and their teachers, who could monitor the app and respond  
92 in real time.

93 Danni's development, though, was not without its troughs. As much as I like working  
94 with students, there's just some students you connect with on a deeper level. Danni's group  
95 of friends was not yet capable of understanding what it means to speak with a graceful  
96 digital voice. Danni is a person who can sing a beautiful aria, but in our class, s/he was

being forced to sing that lovely song while being backed up by a heavy metal band; so much dissonance.

To use a common Silicon Valley expression, some of Danni's friends were "brogrammers"—which is really kind of a sexist term, since there are a lot of women programmers in this day and age. Anyway, brogrammers are the type of people who you can't tell whether they are part of your engineering team or your sales team. A little short on RAM, if you will. They talk code but are the types who are all flash and no substance. And really, unfortunately, I am speaking of the Gia/o Lawrence type.

I remember Gia/o's main interest at first was what their coder nicknames would be, like that somehow was the most important task; and I just couldn't relate. S/he named him/herself The Exterminator; I guess since s/he was the person in charge of taking care of any bugs in Teacher's Pet. In retrospect, it was probably the perfect nickname for Gia/o, since s/he is not really a developer but someone who kills creativity, and likely the person who committed an act of murder on Teacher's Pet.

At first, I thought Gia/o was a very warm person; someone who is likable and moves easily between groups. It's my job as a teacher to try to find the light in all my students. But after watching him/her for a while, I realized that s/he doesn't so much move between groups as slither.

I really hate to have to say this, but Gia/o definitely has a dark side; surrounded by a lot of negative chi. And it really breaks my heart to see this in someone who could be so capable of being a good student, but is just too enmeshed in laziness and entitlement to put in the work. This, of course, means s/he was always on the verge of flunking. Gia/o just doesn't have that spark inside like Danni has. I knew Danni should be cautious of Gia/o and I told him/her so.

I had some major concerns about letting Gia/o serve in the role of debugging the app because I knew it would make it too easy for Gia/o to sabotage Danni's great work—out of lack of programming sophistication or out of spite. It was clear that just beneath that cool Gia/o exterior, s/he was seething with jealousy over Danni's talents and academic success. But, this was a class and everyone needed a job on the project and better to have Gia/o in the background than be forced into a creative role that was just not fitting with his/her abilities.

I once overheard Gia/o talking to some of the other people on the Teacher's Pet development team when Danni wasn't around. Gia/o said something about how it would be



so easy to go in and mess with the app to help other students out. Gia/o indicated that s/he and Danni had been programming together practically their whole lives and that Gia/o knew Danni's programming style inside and out. But, if you really look at the code inside the ninja, it's more resembles Gia/o's clumsy style than Danni's elegant code prose.

I know Bobbie Brown thinks the ninja was Danni's doing. Like I said, I am one who tries to see the good in everyone, but let's face it: Brown couldn't distinguish Atari 2600 code from Assassin's Creed. Back in the day I turned Bobbie down for coding positions every six months. Her/his work was rubbish then and it still belongs in the compost bin now. The only reason Brown still does this programming work is that s/he works for people who don't know the difference between well written code and a fortune cookie.

And for Bobbie to say that the ninja had to be added to the app by Danni just proves Brown doesn't know what s/he's talking about. By its very nature, ninja coding is meant to match the style of another coder with no traces left behind. There was a whole team of people who had access to the Teacher's Pet platform, including Gia/o Lawrence.

With my influence, Danni was able to develop Teacher's Pet into an extraordinary and useful app. The seed had bloomed into a lovely lotus flower, just as I'd hoped it would. I saw genuine promise in it. Although I am loathe to exaggerate, I thought Teacher's Pet just might make it commercially and Danni deserved an opportunity to globalize. I helped Danni register Teacher's Pet, LLC and introduced Danni to my investment contacts.

One of the primary people who had talked me into moving to Iowa was my longtime friend Aleja/o Mills. Aleja/o and I met each other at the Allen & Company Conference. We are very different types of people but we understand each other. Aleja/o and I developed our very different voices at the same time in the same "village" so we have an eternal bond. I learned to digitally express prose as Aleja/o learned to monetize the voices of others. And we both believe in making investments in education; me through teaching and Aleja/o through investing private equity into ventures that further education, especially education technology.

When I shared Teacher's Pet with Aleja/o, his/her interest was piqued. S/he agreed to take a pitch from Danni and it went really well. Aleja/o really wanted to invest in Teacher's Pet; in fact I think s/he still does. And I really encouraged Danni to go with Aleja/o's company. I don't think we'd be in this mess if Danni had. In retrospect, I regret that I had Danni do a formal pitch at the venture capital conference at LeRoche Resort. I thought it would be good for Danni to get practice in this type of environment. Creative idea people

and money people willing to take risks need to be able to speak a common language and be able to connect. I wanted Danni to experience this world and what it takes to make a pitch – to see what it’s like to get up front and sell an idea. And, frankly, Danni wasn’t very good. The pitch wasn’t that polished, not specific, not up on all of the financial terminology. But Danni did showcase the app and demonstrated how it worked. There was a raw genius to that part of the presentation. Unfortunately for Danni, her/his pitch really seemed to capture the imagination of Terry Kreese, Cobra Kai Investments and StL Venture.

It’s kind of strange. Terry didn’t really ask the type of questions you would expect from an interested investor. But when Danni referenced the breadth of educational uses that might be possible from the app, I think Terry just saw dollar signs and that was that.

I tried to explain to Danni’s folks that WoWo was a known quantity in this field of technology and that I knew Aleja/o Mills personally and felt very comfortable working the money part of the deal with her/him. But Cobra Kai offered more money than we were even asking. And that was the kicker.

Honestly, Terry Kreese is out of her/his depth. S/he should probably stick to selling soap or whatever it was s/he was doing before the venture capital thing. In a world of killer sharks, Terry is a squid – there to be eaten, not to eat. Sure, Terry’s gotten lucky with investments a few times – and maybe in the world of venture capital a few home runs justify all of the strike outs, but in the world of hi tech and coding and apps, you’re so much better to be good than lucky. I know that WoWo is good. It seems like Cobra Kai is lucky.

In the end Danni’s parents felt more comfortable with Terry Kreese so that’s the direction they went. Clearly Terry doesn’t know what s/he’s doing. I am the kind of person who can recognize a confident and competent person when I meet them and that is not the sense I got from Terry. Instead of standing behind the client and trying to get the situation turned around, Terry jumped ship at the first sign of difficulty and look where we are now. I can tell you that this was not necessary and so easily fixable. I can also tell you that nobody should be taking Gia/o’s word in all of this seriously; s/he’s not a serious person.

Terry Kreese and Gia/o messed up this ride for all of us. We could all be making a lot of money and doing something good for education right now, but instead we are here. Certainly, this had nothing to do with my mentoring. But it’s been quite a ride for Danni, no doubt. Hopefully, s/he’ll have other opportunities.

Here’s the bottom line in all of this. I have been working with Danni Russo for going on three years now and I know Danni is not the kind of person to have planted a seed that

196 would allow other people to cheat. Danni's too ethical to do something like that or allow  
197 anyone to get away with adding something that had the potential to hurt the success of our  
198 app.

199       Gia/o on the other hand? This disaster has his/her signature all over it. I'm sure you've  
200 heard the story of the scorpion and the frog. A scorpion asks a frog to carry it across a river.  
201 The frog hesitates, afraid of being stung, but the scorpion argues that if it did so, they  
202 would both drown. Considering this, the frog agrees, but midway across the river the  
203 scorpion does indeed sting the frog, dooming them both. When the frog asks the scorpion  
204 why, the scorpion replies that it was in its nature to do so. I don't think I need to tell you  
205 who the scorpion is in this situation.

206       But, in the end, it doesn't really matter who added the ninja to Teacher's Pet. Danni can  
207 easily remove the glitch and we can all get this back on track, if only everyone would calm  
208 down and take a deep, cleansing breath.

## Exhibits

The subsequent pages of this section include the following exhibits:

**Exhibit 1: Reddit Thread with Information about the Ninja**

**Exhibit 2: Teacher's Pet, LLC Registration Papers**

**Exhibit 3: Teacher's Pet Marketing Slides**

**Exhibit 4: Due Diligence Letter to Cobra Kai Investments**

**Exhibit 5: Bobbie Brown's Judgement**


**Exhibit 6: First E-Mail Exchange between Nikko Miyagi and Aleja/o Mills**

**Exhibit 7: Second E-Mail Exchange between Nikko Miyagi and Aleja/o Mills**

**Exhibit 8: Letter from the Iowa Securities and Regulated Industries Bureau of the Iowa Insurance Division to Cobra Kai Investments**

## Exhibit 1: Reddit Thread with Information about the Ninja

The Reddit Thread that appears on this and the next page are part of one exhibit.



reddit

Codetry

- comments
- related

subscribeunsubscribe 113 readers

2 users here now

**The unofficial subreddit of the Code Poets**

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[message the moderators](#)

**SUBJECT: TPet Ninja Real?!?!?!? (self.codetry)** submitted 9/17/16 CodeWoman

Commenters at CodeCrash are talking about a previous version of tpet with a ninja. Anyone know what they're talking about?!?!?!Bottom of Form

[–]Codeboba\_ 2 points3 points4 points 78 hours ago (1 child)

Link, please

[–]Codewoman[S] 0 points1 point2 points 78 days ago (0 children)

Link right here. Sorry for leaving it out. Ooops.

[–]PoolPoet 0 points1 point2 points 78 days ago (0 children)

Ninja doeses wat?

[–]VRNerd 0 points1 point2 points 78 hours ago (0 children)

I have it. Works for sure. MIT scholie here I come.

[–]Exterminator 0 points1 point2 points 77 days ago (0 children)

What's it do?!?!?!? Echo, echo, echo . . .

[–]VRNerd 0 points1 point2 points 77 days ago (1 child)

Access to Autograde.

[–]Exterminator [S] 0 points1 point2 points 77 days ago (0 children)

How, please?!?!?!?

[–]techone 0 points1 point2 points 77 days ago (1 child)

1/2

Strip post-itunes updates and it's there.

[–] Exterminator 1 point2 points3 points 77 days ago (0 children)

Vaporware. Does not work.

[–] GameFace 0 points1 point2 points 76 days ago (0 children)

Does too work. You have to get the right version, tho.

[–] Exterminator 0 points1 point2 points 76 days ago (0 children)

Which version? I stripped to immediate pre-itunes version and I got nothing.

[–] Mr10101010 -1 points0 points1 point 76 days ago (4 children)

You got the right one.

[–] Exterminator [S] 0 points1 point2 points 76 days ago (3 children)

I can't find it.

[–] Mr10101010 [S] 2 points3 points4 points 72 days ago (1 child)

Where is it?!?!?!?!?

[–] Mr10101010 0 points1 point2 points 61 days ago (0 children)

Please help. I wanna go to MIT, too.

[–] ANewHope -2 points-1 points0 points 61 days ago (1 child)

Search within yourself. Or at least the right menu.

[–] Exterminator [S] 11 points1 point2 points 61 days ago (0 children)

GOT IT11!!!!!!!

[–] ANewHope 5 points 1 points0 points 61 days ago (1 child)

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## Exhibit 2: Teacher's Pet, LLC Registration Papers

State of Iowa • Secretary of State

### Certificate of Organization of Teacher's Pet, LLC

Pursuant to the Revised Uniform Limited Liability Company Act, Chapter 489 of the Code of Iowa, the undersigned Organizer does hereby adopt the following Certificate of Organization for the company.

**Article 1.** The name of the limited liability company is:

Teacher's Pet, LLC

- Must contain the words "Limited Liability Company" or "Limited Company", or the abbreviation "L.L.C.", "LLC", "L.C.", or "LC".
- "Limited" may be abbreviated as "Ltd.", and "Company" may be abbreviated as "Co."

**Article 2.** The street address of the company's initial Registered Office and the name of the company's initial Registered Agent at that office is:

Danni Russo

(Name of initial registered agent)

302 Oaklyn Lane

(Street address of initial registered office. Must be a physical street address located in Iowa. PO Boxes are not allowed.)

Kenyon

(City)

Iowa

(State)

50221

(Zip)

**Article 3.** The street address of the company's Initial Principal Business Office is:

10444 NE 150th Street

(Street address of initial principal business office)

Kenyon

(City)

Iowa

(State)

50221

(Zip)

**Article 4.** This limited liability company shall be (check one):

- ☒ Member-managed  
☐ Manager-managed

**Article 5. Duration** (optional)

The duration of this limited liability company is perpetual unless a dissolution date is stated here:

\_\_\_\_\_  
(If applicable, enter month, day, and year of dissolution)

IN WITNESS WHEREOF, the undersigned Organizer has executed this Certificate of Organization on the date below.

Date: 1 April 2016

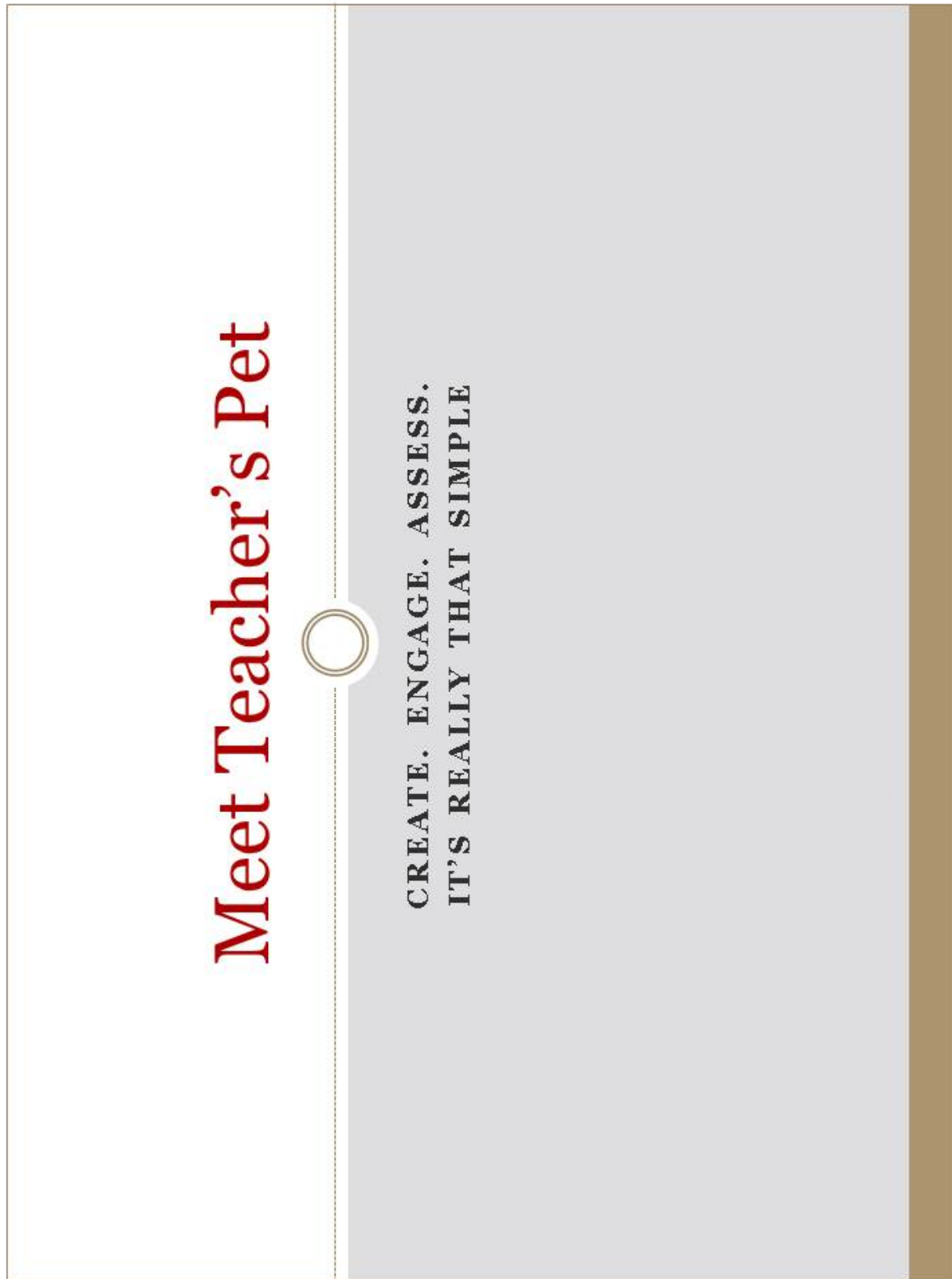
\_\_\_\_\_  
(Signature)

Nikko Miyagi, CFO

(Name and Title)

### Exhibit 3: Teacher's Pet Marketing Slides

The slides that appear on this and the next three pages are part of one exhibit.





## The Dynamics of Teacher's Pet



### Create

- Teachers post assignments and tests for students

### Engage

- Students chat about assignments and prep for tests with each other or with their teachers

### Assess

- Students take and submit tests which are instantaneously graded using the AutoGrade feature.

## Versions of Teacher's Pet



### Teacher Version

- Teachers create content and answer questions regarding content
- Teachers can communicate with students in real time
- Teachers can post tests in a secure environment and set the app to automatically grade student work

### Student Version

- Students receive content and post questions regarding content
- Students can communicate with teachers in the evening, during homework time
- Students can take and retake tests online

## Why You Should Invest

- Teacher's Pet will be an innovative and useful tool for schools all over the world
- Teacher's Pet has room to be expanded for other uses in the future
- Teacher's Pet has been thoroughly tested and is market ready
- Teacher's Pet relies on the highest security protocols to avoid abuse
- Teacher's Pet is good for education and great for your investors

## Exhibit 4: Due Diligence Letter to Cobra Kai Investments



**LEVIS McMANIGAL**  
**Programming Consultant**  
**627 East Court Avenue**  
**Des Moines, Iowa 50309**  
[L.McManigal@yeehaw.com](mailto:L.McManigal@yeehaw.com)  
**515/697-7883**

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Terry Kreese  
Vice President  
StL Venture/Cobra Kai Investments

Re: Integrity of Teacher's Pet Application

Dear Ms./Mr. Kreese:

On September 14, 2016, Cobra Kai Investments retained me to examine the integrity of the Teacher's Pet Application developed by Danni Russo. On that same date, and at your request, Ms./Mr. Lee provided me with a printout of the operating code for the Teacher's Pet Application. I have thoroughly examined the code and based on that examination, offer the following observations and opinions regarding the integrity of the application.

As represented to me by your firm and by Ms./Mr. Russo, the intended purpose of the Teacher's Pet application is to allow teachers and students to interface in a secure, virtual classroom. The code I examined appears to be consistent with that purpose. The developer(s) of the application used standard coding methodologies, including the use of secure socket layer 128 bit encryption to ensure secure network communications. Because there are two versions of the application – one for student use and one for teacher use – the developer(s) used modular code and dynamic link libraries to ensure that each version is secure and operates only as intended. Such is standard coding practice. All of the code appears to be free of any back door access points or accounts to circumvent security. There also appears to be no Trojan virus delivery mechanisms or generally malicious code. Overall, the code operates as represented and appears to be free of any bugs or defects.

Assuming the code provided to me is the same code that was actually put into production, it is my opinion that the Teacher's Pet Application is what it has been purported to be and that its integrity is sound.

Thank you for allowing me to examine and evaluate the Teacher's Pet Application. Please feel free to contact me should you have any questions.

Sincerely,

Levis McManigal, M.S.C.S.  
SAS Certified Base Programmer

## Exhibit 5: Bobbie Brown's Judgment

The Judgment that appears on this and the next two pages are part of one exhibit.

IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT OF  
THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

THE STATE OF IDAHO,	)	
	)	
Plaintiff,	)	Case No. CR-2007-99999
	)	
vs.	)	<b>JUDGMENT AND COMMITMENT</b>
	)	<b>and ORDER OF PROBATION ON</b>
BOBBIE BROWN,	)	<b>SUSPENDED SENTENCE</b>
	)	
Defendant.	)	
	)	

WHEREAS, on this 3rd day of March, 2008; this being the time fixed by the Court for pronouncing sentence upon the Defendant, the Court noted the presence of the Prosecuting Attorney, or his deputy, and the Defendant, represented by counsel, in court.

The Defendant was duly informed of the Information filed, and the Defendant having entered a guilty plea on January 31, 2008, to the crime(s) of I: COMPUTER CRIME, FELONY, I.C. § 18-2202(1), committed on or about July 17, 2007.

The Defendant, and Defendant's counsel, were then asked if they had any legal cause or reason to offer why judgment and sentence should not be pronounced against the Defendant, and if the Defendant, or Defendant's counsel, wished to make a statement on behalf of the Defendant, or to present any information to the Court in mitigation of punishment; and the Court, having accepted such statement, and having found no legal cause or reason why judgment and sentence should not be pronounced

JUDGMENT AND COMMITMENT and ORDER OF PROBATION ON SUSPENDED SENTENCE  
PAGE 1



against the Defendant at this time; does render its judgment of conviction as follows, to-wit:

That, whereas, the Defendant having pled guilty to the crime(s) of I: COMPUTER CRIME, FELONY, I.C. § 18-2202(1);

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED that the Defendant is guilty of the crime(s) of I: COMPUTER CRIME, FELONY, I.C. § 18-2202(1), and that the Defendant be sentenced as follows:

**COUNT I** – The Defendant is hereby sentenced to the Idaho State Board of Correction, under the Unified Sentence Law of the State of Idaho, for an aggregate term of three (3) years, to be served as follows: a minimum period of confinement of one (1) year, followed by a subsequent indeterminate period of custody not to exceed two (2) years. The Defendant is to receive credit for two (2) days previously served.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this judgment shall be, and is hereby suspended, and the Defendant is placed on probation for three (3) years beginning March 3, 2008, or as stated by the Court, under the conditions accepted by the Defendant in a separate probation agreement, the terms of which are hereby incorporated and made part of this Judgment.

IT IS FURTHER ORDERED that upon satisfactory showing by or on behalf of the Defendant that s/he has fully complied with the terms of her/his probation, the Court may, if convinced by the showing made that there is no longer cause of continuing the period of probation, and if it is compatible with the public interest, grant the Defendant an early termination of her/his probation.

JUDGMENT AND COMMITMENT and ORDER OF PROBATION ON SUSPENDED SENTENCE  
PAGE 2

**NOTICE OF RIGHT TO APPEAL**

THE DEFENDANT IS HEREBY NOTIFIED that s/he has the right to appeal this order to the Idaho Supreme Court. Any notice of appeal must be filed within forty-two (42) days of the entry of the written order in this matter.

DATED THIS 3rd day of March, 2008.

  
Pat Jones  
District Judge

**ORDER GRANTING EARLY TERMINATION OF PROBATION**

WHEREAS on this 16th day of February, 2010; the Defendant having appeared with counsel and having made a satisfactory showing that s/he has fully complied with the terms of her/his probation; and the Court having been convinced by the showing made that there is no longer cause of continuing the period of probation; and the Court having found that it is compatible with the public interest to grant the Defendant's request for early termination of her/his probation, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that the Defendant's probation, which commenced on March 3, 2008, is HEREBY TERMINATED.

DATED THIS 16th day of February, 2010.

  
Pat Jones  
District Judge

## Exhibit 6: First E-Mail Exchange between Nikko Miyagi & Aleja/o Mills



Nikko Miyagi <[nikkocodejammer@gmail.com](mailto:nikkocodejammer@gmail.com)>

To: Aleja/o Mills <[newmoneymills@gmail.com](mailto:newmoneymills@gmail.com)>

Wed, Aug. 10, 2016 @ 10:43 AM

Danni is fantastic – the kind of kid who really makes me glad I got into this teaching gig!

On Wed, Aug 10 @ 10:40 AM, Aleja/o Mills <[newmoneymills@gmail.com](mailto:newmoneymills@gmail.com)> wrote:

I'm traveling for the rest of the week, but call my office on Monday and let's see what we can schedule. Looking forward to meeting this genius of yours.

On Wed, Aug 10 @ 10:37 AM, Nikko Miyagi<[nikkocodejammer@gmail.com](mailto:nikkocodejammer@gmail.com)> wrote:

Right now I'm not putting in any capital. We're trying to get other people to invest but I thought of you first.

I'm sure we can make it happen. Danni Russo and Teacher's Pet could be a gravy train for all of us

On Wed, Aug 10 @ 10:29 AM, Aleja/o Mills <[newmoneymills@gmail.com](mailto:newmoneymills@gmail.com)> wrote:

I could do that. Are you sure this kid has it together enough to make this happen? How much money are you putting in?

On Wed, Aug 10 @ 10:20 AM, Nikko Miyagi<[nikkocodejammer@gmail.com](mailto:nikkocodejammer@gmail.com)> wrote:

It definitely did. Hey, I wanted to follow up with you about that app that I was telling you about. Teacher's Pet. I just spoke with my student, Danni Russo, and Danni said that the trial run on iTunes has been going great. It looks like this app is going to be the next big thing, but we really need an infusion of cash to take it over the top. Any interest in taking a meeting with me and Danni to learn more about it?

On Wed, Aug 10 @ 10:11 AM, Aleja/o Mills <[newmoneymills@gmail.com](mailto:newmoneymills@gmail.com)> wrote:

Good. I thought talking to some of the old hands might help.

On Wed, Aug 10 @ 9:51 AM, Nikko Miyagi<[nikkocodejammer@gmail.com](mailto:nikkocodejammer@gmail.com)> wrote:

Great to see you too. I'm doing alright. Much better since the conference.

On Wed, Aug 10 @ 8:47 AM, Aleja/o Mills <[newmoneymills@gmail.com](mailto:newmoneymills@gmail.com)> wrote:

Good to see you at the conference in Sun Valley. How you holding up?



## Exhibit 7: Second E-Mail Exchange between Nikko Miyagi & Aleja/o Mills



Aleja/o Mills <[newmoneymills@gmail.com](mailto:newmoneymills@gmail.com)>

To: Nikko Miyagi <[nikkocodejammer@gmail.com](mailto:nikkocodejammer@gmail.com)>

Mon, Nov. 21, 2016 @ 5:02 PM

Just keep playing that Toby Keith song, so you can sing "How Do You Like Me Now" when you get back on top! Keep me posted and let me know what I can do to help make this right.

On Mon, Nov 21 @ 4:51 PM, Nikko Miyagi<[nikkocodejammer@gmail.com](mailto:nikkocodejammer@gmail.com)> wrote:

It's just so stressful. I got out of the corporate world so I didn't have to go through all of this kind of nonsense. But I guess it comes with the territory.

On Mon., Nov 21 @ 4:45 PM, Aleja/o Mills <[newmoneymills@gmail.com](mailto:newmoneymills@gmail.com)> wrote:

Are you kidding? I've made lemonade out of worse lemons than this. Besides, after all our talks in SV, I know you want to get back into the game and this may be the perfect opportunity.

On Mon, Nov 21 @ 4:41 PM, Nikko Miyagi<[nikkocodejammer@gmail.com](mailto:nikkocodejammer@gmail.com)> wrote:

So you really think we should push ahead?

On Mon, Nov 21 @ 4:33 PM, Aleja/o Mills <[newmoneymills@gmail.com](mailto:newmoneymills@gmail.com)> wrote:

Who cares? Maybe a lawsuit wouldn't be such a bad thing. It would allow us to get Cobra Kai out of the way. Win or lose, it's our opportunity.

On Mon, Nov 21 @ 4:27 PM, Nikko Miyagi<[nikkocodejammer@gmail.com](mailto:nikkocodejammer@gmail.com)> wrote:

Ok, I think. S/he's up and then down. I think Danni is still a little naïve about how all of this works. To Danni, this is all just another puzzle s/he's trying to figure out, but it's pretty hard on her/him that people will think s/he had something to do with all of this. Danni swears that s/he knows nothing about the ninja. What do you think?

On Mon, Nov 21 @ 4:15 PM, Aleja/o Mills <[newmoneymills@gmail.com](mailto:newmoneymills@gmail.com)> wrote:

Don't worry. I've got enough experience with confrontation for all of us. How's Danni been holding up since news of the ninja went public?

On Mon, Nov 21 @ 4:08 PM, Nikko Miyagi<[nikkocodejammer@gmail.com](mailto:nikkocodejammer@gmail.com)> wrote:

I haven't said anything about the lawsuit to Danni yet – I don't want her/him to get nervous about all of this. I just told Danni to do her/his best to fix all this ninja and hopefully we can turn it around and avoid a lawsuit. I really don't like this kind of confrontation.

On Mon, Nov 21 @ 3:59 PM, Aleja/o Mills <[newmoneymills@gmail.com](mailto:newmoneymills@gmail.com)> wrote:

Yeah. Terry Kreese is out of her/his depth with this. I knew it from the beginning. Then again, I'm pretty sure that Terry would be out of her/his depth in a puddle

On Mon, Nov 21 @ 3:35 PM, Nikko Miyagi<[nikkocodejammer@gmail.com](mailto:nikkocodejammer@gmail.com)> wrote:

Hey Aleja/o. Wanted to give you a heads up. It looks like Terry Kreese is making noise about suing us over that little issue with our app. I know Danni shouldn't have gone with Cobra Kai.

## Exhibit 8: Letter from Iowa Securities and Regulated Industries Bureau to Cobra Kai Investments



Iowa Insurance Division  
Securities and Regulated Industries Bureau  
Des Moines, Iowa 50319

November 18, 2016

Terry Kreese  
Vice President  
StL Venture/Cobra Kai Investments

Re: Notice of Investigation, Case No. 867-5309

Mr./Ms. Kreese:

I am writing to provide you with notice that the Iowa Securities and Regulated Industries Bureau of the Iowa Insurance Division (the "IID") has recently opened an investigation into allegations of negligent investment practices by StL Venture and Cobra Kai Investments ("Cobra Kai") pursuant to Iowa Code, Title XII, Chapter 502, Uniform Securities Act. The IID's investigation in this matter is made in connection with Cobra Kai's due diligence and promotion in a series of emerging technology transactions including the Teacher's Pet mobile application. Based upon the Uniform Securities Act you are required to maintain and preserve all documentation in any way related to this matter. Failure to do so may result in both civil and criminal sanctions, including the revocation of relevant licensing.

The IID appreciates your cooperation in this matter and will very shortly serve upon you requests for statements and documentation.

Sincerely,

Thomas Hillers  
Senior Investigator  
Iowa Securities and Regulated Industries Bureau



# STATUTES AND JURY INSTRUCTIONS

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**2014 Iowa Code**  
**TITLE XII - BUSINESS ENTITIES**  
**SUBTITLE 4 - SECURITIES**  
**CHAPTER 502 – UNIFORM SECURITIES ACT**  
**(Blue Sky Law)**  
**SECTION 502.501 - General fraud.**

**502.501 General fraud.**

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

1. To employ a device, scheme, or artifice to defraud;
2. To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
3. To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

# Jury Instructions

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## Instruction No. 1

These instructions explain the duties of jurors and define the law that applies to this case. It is the jury's duty to determine the facts, to apply the law set forth in these instructions to those facts, and in this way to decide the case. The jury's decision should be based upon a rational and objective assessment of the evidence. It should not be based on sympathy or prejudice.

## Instruction No. 2

It is the judge's duty to instruct the jury on the points of law necessary to decide the case, and it is the jury's duty to follow the law as the judge instructs. The jury must consider these instructions as a whole, not picking out one and disregarding others. The order in which these instructions are given or the manner in which they are numbered has no significance as to the importance of any of them.

## Instruction No. 3

In determining the facts, the jury may consider only the evidence admitted in this trial. This evidence consists of the testimony of the witnesses, the exhibits admitted into evidence, and any stipulated or admitted facts. While the arguments and remarks of the attorneys may help the jury understand the evidence and apply the instructions, what they say is not evidence. If an attorney's argument or remark has no basis in the evidence, the jury should disregard it.

The production of evidence in court is governed by rule of law. At times during the trial, the judge sustained an objection to a question without permitting the witness to answer it, or to an offered exhibit without receiving it into evidence. Some evidence may have been admitted for a limited purpose. If so, the judge called your attention to this when the evidence was admitted. Remember that whenever evidence was admitted for a limited purpose, the jury must not consider such evidence for any purpose other than the limited purpose for which it was admitted – the judge's rulings are legal matters, and are solely the judge's responsibility. The jury must not speculate as to the reason for any objection, which was made, or the judge's ruling thereon, and in reaching its decision the jury may not consider such a question or exhibit or speculate as to what the answer or exhibit would

have shown. Remember, a question is not evidence and should be considered only as it gives meaning to the answer.

The law does not require the jury to believe all of the evidence admitted in the course of the trial. As the sole judge of the facts, the jury must determine what evidence to believe and what weight to attach to it. In so doing, the jury brings to this courtroom all of the experience and background of the jurors' lives. There is no magical formula for evaluating testimony. In their everyday affairs, the jurors must determine for themselves whom they believe, what they believe and how much weight they attach to what they are told. The considerations the jurors use in making the more important decisions in their everyday dealings are the same considerations they should apply in their deliberations in this case.

#### Instruction No. 4

The Plaintiff, Cobra Kai Investments, claims that the Defendant, Danni Russo, committed securities fraud in connection with the investment contract in which Cobra Kai Investments through its sub-agency, StL Venture, bought a security in Russo's Teacher's Pet application (hereinafter "Teacher's Pet app" or "app"). The Plaintiff has the burden of proof on each of the following propositions:

- 1) Plaintiff invested (i.e., bought a security) in Defendant's Teacher's Pet app with the expectation that Plaintiff and its clients would receive a share of the profits derived from the sale of the app;
- 2) In selling Plaintiff a security in the Teacher's Pet app, Defendant made an untrue statement of material fact or omitted to state a material fact that was necessary, under the circumstances, to make the statement not misleading;
- 3) Had Defendant not made the untrue statement or omission, Plaintiff would not have made the decision to invest in the Teacher's Pet app;
- 4) Plaintiff was unaware, and in the exercise of reasonable care could not have been aware, of the untruth or omission; and
- 5) Defendant knew, or in the exercise of reasonable care should have known, of the untruth or omission.
- 6) Plaintiff suffered injury or loss as a result of the untruth or omission.

If the jury finds from its consideration of all the evidence that each of these elements has been proven, its verdict should be for the Plaintiff. However, if the jury finds that one or more of these elements has not been proven, then the Plaintiff has not met the burden of proof required and the jury's verdict should be for the Defendant.

#### Instruction No. 5

As used in these instructions a fact is "material" if such information may have resulted in the alteration of Plaintiff's decision to purchase the security.

#### Instruction No. 6

When the judge says that a party has the burden of proof on a proposition, or uses the expression "if you find" or "if you decide," the judge means that the jury must be persuaded by a preponderance of evidence. This means that the proposition is more probably true than not true.

#### Instruction No. 7

In this case the parties have stipulated or agreed that the amount of damages that should be awarded, if any, will be the subject of a separate trial.

#### Instruction No. 8

Evidence may be either direct or circumstantial. Direct evidence is evidence that directly proves a fact. Circumstantial evidence is evidence that indirectly proves the fact, by proving one or more facts from which the fact at issue may be inferred.

The law makes no distinction between direct and circumstantial evidence as to the degree of proof required; each is accepted as a reasonable method of proof and each is respected for such convincing force as it may carry.

In this case, certain evidence may be admitted for a limited purpose. The judge will call the jury's attention to this when this evidence is admitted. The judge will remind the jury that whenever evidence is admitted for a limited purpose, the jury must not consider such evidence for any purpose other than the limited purpose for which it is admitted.

You have now heard all the evidence in the case. My duty is to instruct you as to the law. You must follow all the rules as I explain them to you. You may not follow some and ignore others. Even if you disagree or don't understand the reasons for some of the rules,

you are bound to follow them. If anyone states a rule of law different from any I tell you, it is my instruction that you must follow.