



LAW OFFICES
TAFT STETTINIUS & HOLLISTER LLP
2555 EAST CAMELBACK ROAD, SUITE 1050,
PHOENIX, ARIZONA 85016-4258
TELEPHONE: 602.240.3000
FACSIMILE: 602.240.6600

Craig A. Morgan (AZ Bar No. 023373)
(CMorgan@TaftLaw.com)
Attorneys for Plaintiff

**IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF MARICOPA**

Data Sales Co. Inc., a Minnesota
corporation,

Plaintiff/Counter-defendant,

v.

Path Networks, Inc., a Delaware
corporation,

Defendant/Counterclaimant.

Case No. CV2025-027770

ANSWER TO COUNTERCLAIMS

Before the Hon. Joseph Kreamer

Plaintiff Data Sales Co, Inc. (“Data Sales”) responds to defendant Path Networks, Inc.’s (“Path”) Counterclaims as follows:

1. Upon information and belief, Data Sales admits the allegations in Paragraph 1 of the Counterclaims.
2. Answering Paragraph 2 of the Counterclaims, Data Sales admits that it is a Minnesota corporation.
3. Data Sales denies the allegations in Paragraph 3 of the Counterclaims.
4. Answering Paragraph 4 of the Counterclaims, Data Sales admits that the Court has jurisdiction over this action.
5. Answering Paragraph 5 of the Counterclaims, Data Sales admits that this Court is the proper venue for this action.
6. Answering Paragraph 6 of the Counterclaims, upon information and belief, Data Sales admits that Path purports to be in the business asserted.
7. Answering Paragraph 7 of the Counterclaims, upon information and belief,

1 Data Sales admits that Path purports to deploy servers as alleged.

2 8. Data Sales admits the allegations in Paragraph 8 of the Counterclaims.

3 9. Data Sales admits the allegations in Paragraph 9 of the Counterclaims.

4 10. Data Sales admits the allegations in Paragraph 10 of the Counterclaims.

5 11. Answering Paragraph 11 of the Counterclaims, Data Sales (a) admits that
6 the Lease Schedules contain a provision that permits Path to buyout items listed on a Lease
7 Schedule for fair market value (“FMV”), and FMV is not defined in the Lease Schedules,
8 but (b) denies that the buyout is an unconditional right because to exercise the buyout
9 option Path must provide 90 days advance written notice of an intent to exercise the buyout
10 option and cannot be in default under any other provision of the Master Lease or Lease
11 Schedules.

12 12. Answering Paragraph 12 of the Counterclaims, Data Sales admits that the
13 Lease Schedules have an initial term of 36 months, at the end of which, the equipment can
14 be returned, renewed, or purchased for FMW provided proper notice is given and there is
15 no other default under the Master Lease or Lease Schedules.

16 13. Answering Paragraph 13 of the Counterclaims, Data Sales admits that *on*
17 *October 15, 2024* Path sent an email to Data Sales’ representatives Jack Guild, Dylan
18 Kraklan, and Marshall Webb, regarding overdue A/R and the upcoming end of lease:

19 Jack,

20 As a follow-up to our call today here are the takeaways:

- 21 1. Path Networks will wire to Data Sales \$67,991.36 by EOD Friday
22 October 18, 2024
- 23 2. Path Networks will wire to Data Sales \$72,537.58 by EOD Thursday
24 October 31, 2024
- 25 3. Data Sales will review the end of lease schedule and provide options
26 after receipt of item No. 1 above
- 27 4. Data Sales will discuss the late fee issue after receipt of item No. 2
28 above

1 5. Path Networks will confirm they have all wire information and
2 connect with Rachel for any questions

3 Please advise ASAP if anyone understands anything different.

4 Thank you.

5 Bob Breckner|Vice President

6 Path, however, did none of the things Path committed to do as reflected in that email.

7 14. Answering Paragraph 14 of the Counterclaims, Data Sales (a) admits no
8 response to a buyout request was made because no request was made at that time, but (b)
9 denies that Path was entitled to exercise a buyout option in any event, because Path was in
10 default under the Master Lease and Lease Schedules.

11 15. Answering Paragraph 15 of the Counterclaims, Data Sales (a) admits no
12 buyout quote was presented because no buyout request was made at that time, but (b)
13 denies that Path was entitled to exercise a buyout option, because Path was in default under
14 the Master Lease and Lease Schedules.

15 16. Answering Paragraph 16 of the Counterclaims, Data Sales (a) admits the
16 allegations to the extent they allege that the formal quote was requested, but (b) denies that
17 Path was entitled to exercise a buyout option, because Path was in default under the Master
18 Lease and Lease Schedules.

19 17. Answering Paragraph 17 of the Counterclaims, Data Sales admits no quote
20 was presented because Path was in default under the Master Lease and Lease Schedules,
21 and thus not entitled to exercise a buyout option.

22 18. Answering Paragraph 18 of the Counterclaims, Data Sales (a) admits that
23 Path could have made additional buyout requests in November 2024, but (b) denies that
24 Path was entitled to exercise a buyout option, because Path was in default under the Master
25 Lease and Lease Schedules.

26 19. Answering Paragraph 19 of the Counterclaims, Data Sales denies the
27 allegations.

28

1 20. Data Sales admits the allegations in Paragraph 20 of the Counterclaims but
2 denies that, at that time, Path was entitled to exercise a buyout option, because Path was
3 in default under the Master Lease and Lease Schedules.

4 21. Data Sales admits the allegations in Paragraph 21 of the Counterclaims.

5 22. Data Sales admits the allegations in Paragraph 22 of the Counterclaims.

6 23. Data Sales admits the allegations in Paragraph 23 of the Counterclaims, and
7 in fact, lease-related payments were severely past due, the lease was expiring, and to
8 exercise a buyout option, Path has to pay those overdue amounts – which, again, Path has
9 failed to do.

10 24. Data Sales admits the allegations in Paragraph 24 of the Counterclaims, and
11 in fact, Path had many opportunities to pay timely the amounts due to Data Sales before
12 the expiration of the Master Lease and repeatedly failed to do so.

13 25. Data Sales admits the allegations in Paragraph 25 of the Counterclaims, but
14 notes that the amount pled is in addition to any buyout quote Data Sales may have
15 provided, which again was only valid in the event Path paid all past due amounts owing
16 under the Master Lease.

17 26. Answering Paragraph 26 of the Counterclaims, Data Sales (a) admits that
18 Path failed to make substantial payments due and owing under the Master Lease, (b) denies
19 providing any conflicting information, but (c) lacks knowledge or information sufficient
20 to form a belief about why Path did or did not do anything Path has alleged in Paragraph
21 26 of the Counterclaims.

22 27. Answering Paragraph 27 of the Counterclaims, Data Sales (a) admits that
23 Path could have sent the email referenced, but (b) denies that Path was entitled to exercise
24 a buyout option, because Path was in default under the Master Lease and Lease Schedules.
25 In fact, on December 16, 2024, Data Sales sent an email to Path noting a lack of
26 communication and that payment for past due amounts remained unpaid.

27 28. Data Sales admits the allegations in Paragraph 28 of the Counterclaims, and
28

1 notes that the meeting was requested because of Path’s persistent failure to pay all amounts
2 due and owing pursuant to the Master Lease.

3 29. Data Sales admits the allegations in Paragraph 29 of the Counterclaims, and
4 notes that Data Sales had no other choice given Path’s substantial defaults.

5 30. Answering Paragraph 30 of the Counterclaims, Data Sales (a) admits that
6 Path made the so-called partial payment, but (b) denies that Path was entitled to exercise
7 a buyout option, because Path was in default under the Master Lease and Lease Schedules,
8 and a mere partial payment for the purported purpose of “appeasing Data Sales” does not
9 entitle Path or exercise the buyout option.

10 31. Data Sales admits the allegations in Paragraph 31 of the Counterclaims.

11 32. Answering Paragraph 32 of the Counterclaims, Data Sales (a) admits that
12 the list was sent on December 19, 2024, but (b) lacks knowledge or information sufficient
13 to form a belief about the remaining allegations in Paragraph 32 of the Counterclaims.

14 33. Data Sales denies the allegations in Paragraph 33 of the Counterclaims.

15 34. Data Sales denies the allegations in Paragraph 34 of the Counterclaims;
16 Path at most made minimal and sporadic payments after repeated follow up and, upon
17 information and belief, for the sole purpose of perpetuating delay and the transfer of assets
18 to hinder, delay, or defraud creditors like Data Sales.

19 35. Answering Paragraph 35 of the Counterclaims, Data Sales (a) admits that
20 Path informed Data Sales that Path was trying to raise equity capital to satisfy the past due
21 amounts, but (b) lacks knowledge or information sufficient to form a belief about whether
22 Path was in fact actually doing so as opposed to perpetuating delay to permit the transfer
23 of assets to hinder, delay, or defraud creditors like Data Sales.

24 36. Answering Paragraph 36 of the Counterclaims, Data Sales admits that it
25 sent Path such an inquiry.

26 37. Answering Paragraph 37 of the Counterclaims, Data Sales (a) denies a
27 “demand” was made, but (b) admits that an update was requested.

28

1 38. Answering Paragraph 38 of the Counterclaims, Data Sales (a) denies the
2 allegations to the extent they state or imply an interim payment schedule was agreed, that
3 Path had the right to exercise the buyout option, or that Data Sales waived any of its rights
4 and remedies against Path at law or in equity, but (b) admits that there were constant
5 discussions among the parties about when Path was going to pay Data Sales all past due
6 amounts due under the Master Lease.

7 39. Answering Paragraph 39 of the Counterclaims, Data Sales (a) denies that
8 there was ever a claim that \$3 million was due, threats of any kind were made, or that any
9 “demand” was made, but (b) admits that Data Sales frequently requested payment-related
10 updates, requested investor verification, and that the parties likely discussed that Path’s
11 default and any replevin of Data Sales’ equipment may negatively effect Path’s business.

12 40. Data Sales admits the allegations in Paragraph 40.

13 41. Answering Paragraph 41 of the Counterclaims, Data Sales admits that it (a)
14 may have conveyed to Path that a payment to Data Sales of \$500,000 would not satisfy
15 Path’s indebtedness to Data Sales or cure Path’s contractual defaults, and (b) sent Path a
16 Default Notice.

17 42. Answering Paragraph 42 of the Counterclaims, Data Sales (a) admits that it
18 conveyed to Path that a payment to Data Sales of \$500,000 would not enable Path to
19 continue to honor its contractual obligations to Data Sales, (b) admits that it sent Path a
20 Default Notice, but (c) has no recollection of having made the remaining statements
21 alleged, and on that basis, denies those allegations.

22 43. Answering Paragraph 43 of the Counterclaims, Data Sales (a) denies acting
23 improperly or with hostility notwithstanding Path’s conduct and substantial indebtedness,
24 (b) admits that communications were directed at Path contacts utilizing Path-provided
25 contact information and that some of those communications may have occurred before
26 8:00am or after 5:00pm as a result of differing time zones among the parties.

27 44. Answering Paragraph 44 of the Counterclaims, Data Sales (a) admits that
28

1 the interim payments were made, but (b) denies that those payments were anywhere close
2 to bringing Path current on its indebtedness to Data Sales, that Path had the right to
3 exercise the buyout option, or that Data Sales waived any of its rights and remedies against
4 Path at law or in equity.

5 45. Answering Paragraph 45 of the Counterclaims, Data Sales admits that Path
6 purports to incorporate into Paragraph 45 the paragraphs in Path's Counterclaims.

7 46. Data Sales admits the allegations in Paragraph 46 of the Counterclaims.

8 47. Data Sales admits the allegations in Paragraph 47 of the Counterclaims.

9 48. Data Sales admits the allegations in Paragraph 48 of the Counterclaims.

10 49. Data Sales denies the allegations in Paragraph 49 of the Counterclaims and
11 affirmatively asserts that this allegation lacks substantial justification as defined in A.R.S.
12 § 12-349(F) ("For the purposes of this section, 'without substantial justification' means
13 that the claim or defense is groundless and is not made in good faith.").

14 50. Data Sales denies the allegations in Paragraph 50 of the Counterclaims.

15 51. Data Sales denies the allegations in Paragraph 51 of the Counterclaims and
16 affirmatively asserts that these allegations lack substantial justification as defined in
17 A.R.S. § 12-349(F) ("For the purposes of this section, 'without substantial justification'
18 means that the claim or defense is groundless and is not made in good faith.").

19 52. Answering Paragraph 52, Data Sales (a) admits this action arises out of
20 contract, but (b) denies the remaining allegations in Paragraph 52.

21 53. Answering Paragraph 53 of the Counterclaims, Data Sales admits that Path
22 purports to incorporate into Paragraph 53 the paragraphs in Path's Counterclaims.

23 54. Data Sales admits the allegations in Paragraph 54 of the Counterclaims.

24 55. Data Sales denies the allegations in Paragraph 55 of the Counterclaims, and
25 to the extent it asserts a breach based on any alleged disparagement, business operation
26 disruption, or harassment, those allegations lack substantial justification as defined in
27 A.R.S. § 12-349(F) ("For the purposes of this section, 'without substantial justification'
28

1 means that the claim or defense is groundless and is not made in good faith.”).

2 56. Data Sales denies the allegations in Paragraph 56 of the Counterclaims.

3 57. Data Sales denies the allegations in Paragraph 57 of the Counterclaims.

4 58. Data Sales denies the allegations in Paragraph 58 of the Counterclaims.

5 59. Answering Paragraph 59 of the Counterclaims, Data Sales (a) admits this
6 action arises out of contract, but (b) denies the remaining allegations in Paragraph 59 of
7 the Counterclaims.

8 60. Answering Paragraph 60 of the Counterclaims, Data Sales admits that Path
9 purports to incorporate into Paragraph 60 the paragraphs in Path’s Counterclaims.

10 61. Data Sales denies the allegations in Paragraph 61 of the Counterclaims.

11 62. Answering Paragraph 62 of the Counterclaims, Data Sales (a) admits this
12 action arises out of contract, but (b) denies the remaining allegations in Paragraph 62 of
13 the Counterclaims.

14 63. Data Sales denies that Path is entitled to any of the relief it seeks in the
15 “wherefore” clause and its sub-paragraphs on pages 12 and 13 of the Counterclaims.

16 64. Data Sales denies all allegations asserted in the Counterclaims not expressly
17 denies in this pleading.

18 65. Because this action arises out of contract, Data Sales is entitled to and seeks
19 an award of its attorneys’ fees, costs, and expenses as permitted by the Master Lease, Lease
20 Schedules, any other applicable contract, A.R.S. §§ 12-341, -341.01, and any other
21 applicable statute or procedural rule.

22 **AFFIRMATIVE DEFENSES**

23 1. Path fails to state a claim against Data Sales upon which relief can be
24 granted.

25 2. Path’s Specific Performance claim fails because it fails to state the equitable
26 principle permitting it to recover so-called “equitable damages.”

27 3. Path’s Specific Performance claim fails because Path, itself, is in material
28

1 breach of the Lease and Lease Schedules.

2 4. Path's contract-related claims fail because of Path's own prior material
3 breaches of the Lease and Lease Schedules.

4 5. To the extent Path seeks equitable relief, the doctrine of unclean hands
5 precludes Path from obtaining the equitable relief sought.

6 WHEREFORE, Data Sales ask this Court to enter a Judgment in Data Sales' favor, and
7 against Path

8 A. Dismissing the Counterclaims with prejudice with Path to take nothing;

9 B. Awarding Data Sales the relief requested in its Complaint;

10 C. Awarding Data Sales its attorneys' fees, costs, and expenses as permitted
11 by the Master Lease, Lease Schedules, any other applicable contract, A.R.S. §§ 12-341, -
12 341.01, and any other applicable statute or procedural rule; and

13 D. Any other relief in Data Sales' favor this Court deems just and appropriate.

14 RESPECTFULLY SUBMITTED: October 6, 2025.

15 TAFT STETTINIUS & HOLLISTER LLP

16 By /s/ Craig Morgan

17 Craig A. Morgan
18 2555 East Camelback Road, Suite 1050
19 Phoenix, Arizona 85016
20 Attorneys for Plaintiff Data Sales, Inc.

21

22

23

24

25

26

27

28

1 **ORIGINAL** of the foregoing electronically
filed via TurboCourt and COPY sent via
2 email and mail on October 6, 2025 to:

3 Bradley D. Pack
Michael P. Rolland
4 Andrew O'Keeffe
ENGELMAN BERGER, P.C.
5 2800 North Central Avenue, Suite 1200
Phoenix, Arizona 85004
6 bdp@eblawyers.com
mpr@eblawyers.com
7 aro@eblawyers.com
Counsel for Defendant

8
9 /s/ Ella Meshke

10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28