

CASE NO. DO75028

**IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA
FOURTH APPELLATE DISTRICT, DIVISION 1**

**SALAM RAZUKI, an individual,
Plaintiff and Respondent,**

v.

**NINUS MALAN; MONARCH MANAGEMENT CONSULTING, INC.; SAN
DIEGO UNITED HOLDINGS GROUP, LLC; FLIP MANAGEMENT, LLC;
BALBOA AVE COOPERATIVE, a California nonprofit mutual benefit corporation;
CALIFORNIA CANNABIS GROUP, a California nonprofit mutual benefit
corporation; DEVILISH DELIGHTS, INC. a California nonprofit mutual benefit
corporation,
Defendants and Appellants.**

**CHRIS HAKIM; MIRA ESTE PROPERTIES LLC; ROSELLE PROPERTIES, LLC
Defendants and Cross-Appellants.**

**On Appeal from the Superior Court, County of San Diego,
Honorable Eddie C. Sturgeon, Department C-67; Tel. 619-450-7067
San Diego Superior Court Case No. 37-2018-00034229-CU-BC-CTL**

**VOLUME 1--CROSS-APPELLANTS' EXHIBIT INDEX IN SUPPORT OF
PETITION FOR WRIT OF SUPERSEDEAS OR OTHER APPROPRIATE STAY
ORDER; REQUEST FOR IMMEDIATE STAY;
RELATED APPEAL PENDING**

**Charles F. Gorla, Esq. (SBN68944)
GORIA, WEBER & JARVIS
1011 Camino del Rio South
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San Diego, CA 92108
Tel.: (619) 692 3555
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Attorneys for Defendants and Cross-
Appellants CHRIS HAKIM, MIRA ESTE
PROPERTIES, LLC and ROSELLE
PROPERTIES LLC**

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C	Notice of Appeal filed 11/2/2018 by Defendants and Cross-Appellants Chris Hakim, Roselle Properties LLC, and Mira Este Properties LLC
D	8/28/2018 Order Appointing Receiver
E	Notice of Motion for Order Setting Bond on Appeal of Order Appointing Receiver; Declaration of Charles F. Gorja; Points and Authorities filed 11/19/2018
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EXHIBIT A

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F I L E D
Clerk of the Superior Court

SEP 26 2018

By: I. QUIRARTE, Deputy

SUPERIOR COURT OF CALIFORNIA
FOR THE COUNTY OF SAN DIEGO

SALAM RAZUKI, an individual,
Plaintiff,

v.

NINUS MALAN, an individual; CHRIS HAKIM, an individual; MONARCH MANAGEMENT CONSULTING, INC. a California corporation; SAN DIEGO UNITED HOLDING GROUP, LLC, a California limited liability company; FLIP MANAGEMENT, LLC, a California limited liability company; MIRA ESTE PROPERTIES, LLC, a California limited liability company; ROSELLE PROPERTIES, LLC, a California limited liability company; BALBOA AVE COOPERATIVE, a California nonprofit mutual benefit corporation; CALIFORNIA CANNABIS GROUP, a California nonprofit mutual benefit corporation; DEVILISH DELIGHTS, INC., a California nonprofit mutual benefit corporation; and DOES 1-100, inclusive,
Defendants.

CASE NO.: 37-2018-00034229-CU-BC-CTL

**[PROPOSED] ORDER CONFIRMING
RECEIVER AND GRANTING
PRELIMINARY INJUNCTION**

Judge: Hon. Eddie C. Sturgeon
Dept: C-67
Date: September 7, 2018
Time: 1:30 p.m.

This matter came on for hearing on September 7, 2018 at 1:30 p.m. in Department C-67, the Honorable Judge Eddie C. Sturgeon, presiding. Upon reviewing the papers and records filed in this matter and taking into account argument by counsel at the hearing, and good cause appearing,

1 NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

2 1. Michael W. Essary is confirmed as this Court's appointed Receiver in this matter and
3 shall retain control and possession of the following business entities:

4 a. San Diego United Holdings Group, LLC;

5 b. Mira Este Properties, LLC;

6 c. Balboa Ave Cooperative;

7 d. California Cannabis Group;

8 e. Devilish Delights, Inc.;

9 f. Flip Management, LLC.

10 Collectively, these business entities will be referred to as the "Marijuana Operations."

11 2. The Court finds that Plaintiff has established a likelihood of success on the merits
12 and the probability of irreparable injury if a preliminary injunction is not issued. The Court grants
13 Plaintiff's request for the issuance of a preliminary injunction, thereby confirming the appointment
14 of Receiver.

15 3. Plaintiff shall post its injunction bond in the amount of \$350,000.00 no later than
16 September 21, 2018.

17 4. Receiver shall maintain and oversee the current management agreement in place with
18 Far West Management, LLC for the marijuana dispensary operations at the property located at 8861
19 Balboa Avenue, Suite B, San Diego, California 92123 and 8863 Balboa Avenue, Suite E, San Diego,
20 California 92123 ("Balboa Ave Dispensary"). The Court permits Receiver to pay the management
21 fee and/or minimum guarantee payments, according to the management agreement, if funds are
22 available.

23 5. Receiver shall maintain and oversee the current management agreement in place with
24 Synergy Management Partners, LLC for the production facility operations at the property located at
25 9212 Mira Este Court, San Diego, California 92126 ("Mira Este Property"). The Court permits
26 Receiver to pay the management fee and/or minimum guarantee payments, according to the
27 management agreement, if funds are available.

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1 6. Receiver shall continue to work with Certified Public Accountant Justus Henkus IV
2 to provide accounting services for the Marijuana Operations, specifically including the active
3 operations at the Balboa Ave Dispensary and the Mira Este Property. All outgoing payments made
4 in the course of business for the Marijuana Operations shall first be approved by the Receiver.

5 7. Receiver shall retain Brian Brinig of Brinig Taylor Zimmer, Inc. to conduct a
6 comprehensive forensic audit of the Marijuana Operations, as well as of all named parties in this
7 matter as it relates to financial transactions between and among such parties related to the issues in
8 dispute.

9 8. From the proceeds that shall come into Receiver's possession from the Balboa Ave
10 Dispensary, Receiver shall apply and disburse said monies in the following general order, subject to
11 Receiver's discretion:

- 12 a. To pay the expenses and charges of Receiver, and his counsel Richardson
13 Griswold of Griswold Law, APC, in the carrying out of Receiver's Court-ordered
14 duties and obligations;
- 15 b. To pay all expenses reasonably necessary or incidental to the continued operation,
16 care, preservation and maintenance of the Balboa Ave Dispensary to maintain the
17 status quo;
- 18 c. To pay all installments of principal and interest presently due or to become due
19 pursuant to notes secured against the Balboa Ave Dispensary property.

20 9. From the proceeds that shall come into Receiver's possession from the Mira Este
21 Property, Receiver shall apply and disburse said monies in the following general order, subject to
22 Receiver's discretion:

- 23 a. To pay the expenses and charges of Receiver, and his counsel Richardson
24 Griswold of Griswold Law, APC, in the carrying out of Receiver's Court-ordered
25 duties and obligations;

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1 b. To pay all expenses reasonably necessary or incidental to the continued operation,
2 care, preservation and maintenance of the Mira Este Property to maintain the
3 status quo;

4 c. To pay all installments of principal and interest presently due or to become due
5 pursuant to notes secured against the Mira Este Property.

6 10. Receiver shall hold all proceeds derived from the Marijuana Operations, less all costs,
7 expenses and payments outlined above.

8 11. To the greatest extent reasonably possible, Receiver shall ensure the Marijuana
9 Operations remain operating at status quo. All parties to this matter shall cooperate with Receiver
10 and keep the Receiver informed regarding all updates, statuses, notices or otherwise regarding the
11 Marijuana Operations.

12 12. Receiver shall take possession of all funds held for or arising out of the real property
13 owned by any of the Marijuana Operations, the operation of the Marijuana Operations, and/or on
14 deposit in any and all bank and savings demand deposit accounts, including without limitation,
15 money on deposit at any bank, or located elsewhere, certificates of deposit, warrants, Letter(s) of
16 Credit, drafts, notes, deeds of trust and other negotiable instruments, choses in action, chattel paper,
17 accounts receivable, collateral of any kind and otherwise, in the name of, or held for the benefit of
18 the Marijuana Operations. All of the foregoing shall include, without limitation, such accounts
19 and/or instruments held in the name of the Marijuana Operations for which any director, officer or
20 employee of the Marijuana Operations is a signatory or authorized agent of the Marijuana
21 Operations, notwithstanding the actual name under which the account or instrument is held. The
22 Receiver shall exercise full control over said assets and Receiver shall have the right to assume any
23 existing accounts.

24 13. Each and every banking, savings and thrift institution having funds on deposit for, or
25 held for the benefit of the Marijuana Operations, shall cede control of all of such funds and accrued
26 interest, if any, and all certificates and/or books, statements and records of account representing said
27 funds, directly to the Receiver without further inquiry or impediment to the exercise of the powers
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1 of the Receiver herein. Receiver shall have the right to establish new bank accounts and transfer
2 existing Marijuana Operations account funds from their current account locations into the new bank
3 accounts established by Receiver as he deems necessary. Receiver is empowered to establish such
4 accounts as he may deem necessary at such federally insured bank(s) as he may determine
5 appropriate. Specifically, Receiver may open and maintain separate bank accounts for the operations
6 at the Balboa Ave Dispensary and may open and maintain separate bank accounts for the operations
7 at the Mira Este Property.

8 14. All rents, issues and profits that may accrue from the Marijuana Operations,
9 Marijuana Operations Property, or any part thereof, or which may be received or receivable from
10 any hiring, operating, letting, leasing, sub-hiring, using, subletting, subleasing, renting thereof shall
11 be subject to this Order and controlled by the Receiver. Rents, issues and profits shall include,
12 without limitation, gross receipts from business operations, all rental proceeds of the Marijuana
13 Operations' premises, if any, discounts and rebates of every kind, any right arising from the
14 operation of the Marijuana Operations and/or Marijuana Operations Property and payment for
15 storage, product development and preparation of any kind, equipment rental, delivery, commercial
16 rental of any Marijuana Operations Property and any other service or rental rendered, whether or not
17 yet earned by performance including, but not limited to, accounts arising from the operations of the
18 Marijuana Operations Property, rent, security and advance deposits for use and/or hiring, in any
19 manner, of the Marijuana Operations, and to payment(s) from any consumer, credit/charge card
20 organization or entity (hereinafter collectively called "Rents and Profits").

21 15. Receiver is empowered to execute and prepare all documents and to perform all
22 necessary acts, whether in the name of the Marijuana Operations, named parties in this matter and/or
23 directors, officers, or members of the Marijuana Operations or in the Receiver's own name, that are
24 necessary and incidental to demanding, collecting and receiving said money, obligations, funds,
25 licenses, Rents and Profits and payments due the Marijuana Operations and/or named parties in this
26 matter and subject to enforcement under this Order.

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1 16. Receiver is authorized to endorse and deposit into his receiver account(s) all of said
2 funds, cash, checks, warrants, drafts and other instruments of payment payable to the Marijuana
3 Operations, named parties in this matter and/or the agents of the Marijuana Operations as such
4 payments relate to the Marijuana Operations.

5 17. Plaintiff, Plaintiffs-In-Intervention, Defendants, and members of the Marijuana
6 Operations and their servants, agents, attorneys, accountants, employees, successors-in-interest and
7 assigns, and all other persons acting under and/or in concert with any of them shall provide, turn
8 over and deliver to the Receiver within forty-eight (48) hours of entry of this Order any and all
9 instruments, profit and loss statements, income and expense statements, documents, ledgers, receipts
10 and disbursements journals, books and records of accounts, including canceled checks and bank
11 statements, for all Marijuana Operations and Marijuana Operations Property, including electronic
12 records consisting of hard and floppy disks, checking and savings records, cash register tapes and
13 sales slips and all check book disbursement registers and memoranda and savings passbooks.

14 18. Plaintiff, Plaintiffs-In-Intervention, Defendants, and/or any of the directors, officers,
15 members of the Marijuana Operations shall notify the Receiver forthwith whether there is sufficient
16 insurance coverage in force on the Marijuana Operations Property, including the Marijuana
17 Operations premises, if any. Said persons shall inform the Receiver of the name, address and
18 telephone number of all insurance agents and shall be responsible for and are ordered to cause the
19 Receiver to be named as an additional insured on such policy(ies) of liability, casualty, property loss
20 and Worker's Compensation for the period the Receiver shall be in possession of the Marijuana
21 Operations and the Marijuana Operations Property, if any such insurance exists.

22 19. If there is insufficient or no insurance, the Receiver shall have thirty (30) business
23 days from entry of this Order within which to procure such insurance, if possible, provided he has
24 funds from the business to do so. During this "procurement" period, the Receiver shall not be
25 personally liable for any and all claims arising from business operations nor for the procurement of
26 said insurance. The cost thereof shall be payable by and become an obligation of the receivership,
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1 and not at the personal expense of the Receiver. If there is insufficient operating revenue to pay for
2 such insurance, the Receiver shall apply to the Court for instructions.

3 20. Plaintiff, Plaintiffs-In-Intervention, Defendants, and their respective agents,
4 employees, servants, representatives, and all other persons and entities acting in concert with them
5 or under their direction or control, or any of them, shall be, and hereby are, enjoined and restrained
6 from engaging in or performing, directly or indirectly, any of the following acts:

7 a) Expending, disbursing, transferring, assigning, selling, conveying, devising,
8 pledging, mortgaging, creating a security interest in, encumbering, concealing, or in any
9 manner whatsoever disposing of the whole or any part of the Marijuana Operations or
10 Marijuana Operations Property, without the written consent of the Receiver first obtained;

11 b) Doing any act which will, or which will tend to impair, defeat, divert, prevent
12 or prejudice the preservation of the proceeds of the Marijuana Operations or the receivership's
13 interest in the subject Marijuana Operations Property in whatever form the interest is held or
14 used; and,

15 c) Destroying, concealing, transferring, or failing to preserve any document
16 which evidences, reflects or pertains to any aspect of the Marijuana Operations or Marijuana
17 Operations Property;

18 d) Entering into any contract, lease, or agreement with any third party in relation
19 to the Marijuana Operations without the written consent of the Receiver first obtained.

20 21. Receiver is authorized to make entry onto any and all business premises utilized by
21 the Marijuana Operations and/or the Marijuana Operations Property.

22 22. Plaintiffs-In-Intervention SoCal Building Ventures, LLC and San Diego Building
23 Ventures, LLC are authorized to retrieve its equipment from the Mira Este Property. Receiver shall
24 coordinate and attend the retrieval from the Mira Este Property.

25 23. Receiver shall attempt in good faith to coordinate Plaintiffs-In-Intervention SoCal
26 Building Ventures, LLC and San Diego Building Ventures, LLC's retrieval of any equipment or
27 personal property located at the Balboa Ave Property. Plaintiffs-In-Intervention SoCal Building
28 Ventures, LLC and San Diego Building Ventures, LLC will first be required to provide appropriate

1 documentation proving ownership of its equipment and property to Receiver for review and
2 confirmation. Receiver shall use his discretion in determining whether the removal of any such
3 equipment or property would substantially affect the Marijuana Operations.

4 24. This Court will hold a receivership status hearing on November 16, 2018 at 1:30 p.m.
5 in Department C-67 before the Honorable Judge Eddie C. Sturgeon, presiding.

6 25. Additional Orders: _____
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12 IT IS SO ORDERED.

13 Dated: September 26, 2018

Eddie C. Sturgeon

Judge Eddie C Sturgeon
Judge of the Superior Court

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EXHIBIT B

ATTORNEY OR PARTY WITHOUT ATTORNEY:	STATE BAR NO.: 277861
NAME: Daniel Watts SBN 277861 Steven Blake SBN 235502	
FIRM NAME: Galuppo & Blake	
STREET ADDRESS: 2792 Gateway Rd. Suite 102	
CITY: Carlsbad	STATE: CA ZIP CODE: 92009
TELEPHONE NO.: 760-431-4575	FAX NO.: 760-431-4579
E-MAIL ADDRESS: dwatts@galuppolaw.com	
ATTORNEY FOR (APPEAL): Appellants Ninus Malan, et. al.	
SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO	
STREET ADDRESS: 330 W Broadway	
MAILING ADDRESS: 330 W Broadway	
CITY AND ZIP CODE: San Diego 92101	
BRANCH NAME: Central	
PLAINTIFF/PETITIONER: Salam Razuki	
DEFENDANT/RESPONDENT: Ninus Malan	
<input checked="" type="checkbox"/> NOTICE OF APPEAL <input type="checkbox"/> CROSS-APPEAL (UNLIMITED CIVIL CASE)	
CASE NUMBER: 37-2018-00034229-CU-BC-CTL	

ELECTRONICALLY FILED
 Superior Court of California,
 County of San Diego
10/30/2018 at 05:02:00 PM
 Clerk of the Superior Court
 By Greg Hohman, Deputy Clerk

Notice: Please read *Information on Appeal Procedures for Unlimited Civil Cases* (Judicial Council form APP-001) before completing this form. This form must be filed in the superior court, not in the Court of Appeal. A copy of this form must also be served on the other party or parties to this appeal. You may use an applicable Judicial Council form (such as APP-009 or APP-009E) for the proof of service. When this document has been completed and a copy served, the original may then be filed with the court with proof of service.

1. NOTICE IS HEREBY GIVEN that (name): Ninus Malan, et. al. (See Exhibit A for full list of appealing parties) appeals from the following judgment or order in this case, which was entered on (date): September 26, 2018
- Judgment after jury trial
 - Judgment after court trial
 - Default judgment
 - Judgment after an order granting a summary judgment motion
 - Judgment of dismissal under Code of Civil Procedure, §§ 581d, 583.250, 583.360, or 583.430
 - Judgment of dismissal after an order sustaining a demurrer
 - An order after judgment under Code of Civil Procedure, § 904.1(a)(2)
 - An order or judgment under Code of Civil Procedure, § 904.1(a)(3)-(13)
 - Other (describe and specify code section that authorizes this appeal):
2. For cross-appeals only:
- a. Date notice of appeal was filed in original appeal:
 - b. Date superior court clerk mailed notice of original appeal:
 - c. Court of Appeal case number (if known):

Date: October 30, 2018

Daniel Watts

(TYPE OR PRINT NAME)


 (SIGNATURE OF PARTY OR ATTORNEY)

1 Steven W. Blake, Esq., SBN 235502
Andrew W. Hall, Esq., SBN 257547
2 Daniel Watts, Esq. SBN 277861
GALUPPO & BLAKE
3 A Professional Law Corporation
2792 Gateway Road, Suite 102
Carlsbad, California 92009
4 Phone: (760) 431-4575
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6 Gina M. Austin (SBN 246833)
E-mail: gaustin@austinlegalgroup.com
7 Tamara M. Leetham (SBN 234419)
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3990 Old Town Ave, Ste A-112
9 San Diego, CA 92110
Phone: (619) 924-9600
10 Facsimile: (619) 881-0045

11 Attorneys for Defendants
12

13 SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO

14 CENTRAL DIVISION

15 SALAM RAZUKI, an individual,
16 Plaintiff,
17 vs.

18 NINUS MALAN, an individual; MONARCH
19 MANAGEMENT CONSULTING, INC., a
California corporation; SAN DIEGO UNITED
20 HOLDING GROUP, LLC, a California limited
liability company; MIRA ESTE
21 PROPERTIES, LLC, a California limited
liability company; ROSELLE PROPERTIES,
22 LLC, a California limited liability company;
and DOES 1-100, inclusive,
23 Defendants.
24

Case No.: 37-2018-00034229-CU-BC-CTL

Assigned: Hon. Judge Sturgeon
Dept.: C-67

Exhibit A to Notice of Appeal

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List of Appealing Parties

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List of Appealing Parties

1. Ninus Malan
2. San Diego United Holdings Group, LLC
3. Flip Management, LLC
4. California Cannabis Group
5. Balboa Ave Cooperative
6. Devilish Delights, Inc.

List of Appealing Parties

1 Steven W. Blake, Esq., SBN 235502
2 Andrew W. Hall, Esq., SBN 257547
3 Daniel Watts, Esq. SBN 277861
4 **GALUPPO & BLAKE**
5 A Professional Law Corporation
6 2792 Gateway Road, Suite 102
7 Carlsbad, California 92009
8 Phone: (760) 431-4575
9 Fax: (760) 431-4579

10 Attorneys for Defendant Ninus Malan

11
12
13 SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO

14 CENTRAL DIVISION

15 SALAM RAZUKI, an individual,

16 Plaintiff,

17 vs.

18 NINUS MALAN, an individual; MONARCH
19 MANAGEMENT CONSULTING, INC., a
20 California corporation; SAN DIEGO
21 UNITED HOLDING GROUP, LLC, a
22 California limited liability company; MIRA
23 ESTE PROPERTIES, LLC, a California
24 limited liability company; ROSELLE
25 PROPERTIES, LLC, a California limited
26 liability company; and DOES 1-100,
27 inclusive,

Defendants.

AND ALL RELATED CROSS-ACTIONS

Case No.: 37-2018-00034229-CU-BC-CTL

PROOF OF SERVICE

I am employed in San Diego County. I am over the age of 18 and not a party to this action. My business address is 2792 Gateway Road, Suite 102, Carlsbad, California 92009.

PROOF OF SERVICE

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On October 30, 2018, I served the foregoing document(s) in this action described as:

NOTICE OF APPEAL

[X] addressed as follows:

Attorneys for Plaintiff

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Maura Griffin
James Joseph
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steve@elialaw.com

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Attorneys for Defendants and Cross-Complainants Mira Este Properties, LLC, Monarch Management Consulting, Inc. and Chris Hakim

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Attorneys for Court-Appointed Receiver

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PROOF OF SERVICE

Co-Counsel for Ninus Malan

Gina Austin

Tamara M. Leetham

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San Diego, CA 92110

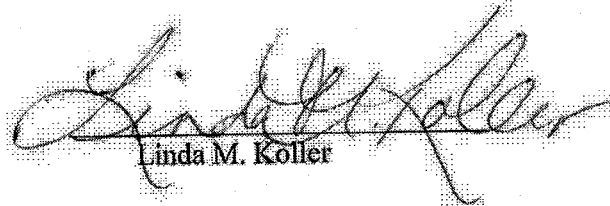
gaustin@austinlegalgroup.com

tamara@austinlegalgroup.com

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6 [X] **VIA ELECTRONIC FILING SERVICE:** Complying with Code of Civil Procedure
7 section 1010.6, my electronic business address is lkoller@galuppolaw.com and I caused
8 such document(s) to be electronically served through the e-service system for the above
9 entitled case to those parties on the Service List maintained on its website for this case.
The file transmission was reported as complete and a copy of the Filing/Service Receipt
will be maintained with the original document(s) in our office.

10 [X] **BY U.S. MAIL** I deposited such envelopes in the mail at Carlsbad, California. The
11 envelopes were mailed with postage thereon fully prepaid. I am readily familiar with
12 GALUPPO & BLAKE's practice of collection and processing correspondence for
13 mailing. Under that practice, documents are deposited with the United States Postal
14 Service on the same day which is stated in the proof of service, with postage fully prepaid
15 at Carlsbad, California in the ordinary course of business.

16 Executed on **October 30, 2018** at Carlsbad, California.

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19 Linda M. Koller
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PROOF OF SERVICE

EXHIBIT C

ATTORNEY OR PARTY WITHOUT ATTORNEY: STATE BAR NO.: SBN68944 NAME: Charles F. Gorla, Esq. FIRM NAME: Gorla, Weber & Jarvis STREET ADDRESS: 1011 Camino del Rio South, Suite 210 CITY: San Diego STATE: CA ZIP CODE: 92108 TELEPHONE NO.: 619-692-3555 FAX NO.: 619-296-5508 E-MAIL ADDRESS: chasgorla@gmail.com	FOR COURT USE ONLY FILED Clerk of the Superior Court NOV 02 2018 A. LUNA
ATTORNEY FOR (name): Defs. Chris Hakim, Roselle Properties LLC, Mira Este Properties LLC SUPERIOR COURT OF CALIFORNIA, COUNTY OF San Diego STREET ADDRESS: 330 W. Broadway MAILING ADDRESS: 330 W. Broadway CITY AND ZIP CODE: San Diego, CA 92101 BRANCH NAME: Central Division (Hall of Justice)	
PLAINTIFF/PETITIONER: SALAM RAZUKI DEFENDANT/RESPONDENT: NINUS MALAN ET AL.	
<input type="checkbox"/> NOTICE OF APPEAL <input checked="" type="checkbox"/> CROSS-APPEAL (UNLIMITED CIVIL CASE)	CASE NUMBER: 37-2018-00034229-CU=BC-CTL

Notice: Please read *Information on Appeal Procedures for Unlimited Civil Cases* (Judicial Council form APP-001) before completing this form. This form must be filed in the superior court, not in the Court of Appeal. A copy of this form must also be served on the other party or parties to this appeal. You may use an applicable Judicial Council form (such as APP-009 or APP-009E) for the proof of service. When this document has been completed and a copy served, the original may then be filed with the court with proof of service.

1. NOTICE IS HEREBY GIVEN that (name): Chris Hakim, Roselle Properties LLC, Mira Este Properties LLC appeals from the following judgment or order in this case, which was entered on (date): September 26, 2018
- Judgment after jury trial
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 - Default judgment
 - Judgment after an order granting a summary judgment motion
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 - Judgment of dismissal after an order sustaining a demurrer
 - An order after judgment under Code of Civil Procedure, § 904.1(a)(2)
 - An order or judgment under Code of Civil Procedure, § 904.1(a)(3)-(13)
 - Other. (describe and specify code section that authorizes this appeal):

2. For cross-appeals only:
- a. Date notice of appeal was filed in original appeal: October 30, 2018
 - b. Date superior court clerk mailed notice of original appeal:
 - c. Court of Appeal case number (if known):

Date: November 2, 2018

Charles F. Gorla
 (TYPE OR PRINT NAME)

Charles F. Gorla
 (SIGNATURE OF PARTY OR ATTORNEY)

Form Approved for Optional Use
 Judicial Council of California
 APP-002 (Rev. January 1, 2017)

NOTICE OF APPEAL/CROSS-APPEAL (UNLIMITED CIVIL CASE)
 (Appellate)

Page 1 of 1
 Cal. Rules of Court, rule 8.100
 www.courts.ca.gov

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COPY

1 Charles F. Gorla, Esq. (SBN68944)
2 GORIA, WEBER & JARVIS
3 1011 Camino del Rio South, Suite 210
4 San Diego, CA 92108
5 Tel.: (619) 692-3555
6 Fax: (619) 296-5508

F I L E D
Clerk of the Superior Court

NOV 02 2018

A. LUNA

7 Attorneys for Defendants
8 Chris Hakim, Mira Este Properties, LLC
9 Monarch Management Consulting, Inc.
10 Roselle Properties, LLC

11 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
12 **COUNTY OF SAN DIEGO, CENTRAL DIVISION**

13 SALAM RAZUKI, an individual
14 Plaintiff,

15 vs

16 NINUS MALAN, an individual; CHRIS
17 HAKIM, an individual; MONARCH
18 MANAGEMENT CONSULTING, INC.,
19 California corporation; SAN DIEGO
20 UNITED HOLDINGS GROUP, LLC, a
21 California limited liability company; FLIP
22 MANAGEMENT, LLC, a California limited
23 liability company; MIRA ESTE
24 PROPERTIES LLC, a California limited
25 liability company; ROSELLE PROPERTIES,
26 LLC, a California limited liability company;
27 BALBOA AVE COOPERATIVE, a
California nonprofit mutual benefit
corporation; CALIFORNIA CANNABIS
GROUP, a California nonprofit mutual
benefit corporation; DEVILISH DELIGHTS,
INC. a California nonprofit mutual benefit
corporation; and DOES 1-100, inclusive;

Defendants.

) Case No.: 37-2018-00034229-CU-BC-CTL
)
) (Unlimited Civil Action)

) **PROOF OF SERVICE**

) Dept.: C-67
) I/C Judge: Hon. Eddie C. Sturgeon

) Complaint Filed: July 10, 2018
) Trial Date: Not Set

) IMAGED FILE

28 I, Charles F. Gorla, declare that: I am, and was at the time of service of the papers herein

1 referred to, over the age of eighteen years, not a party to this action, and am employed in the County
2 of San Diego, California, in which County the within mentioned mailing occurred. My business
3 address is 1011 Camino del Rio South, Suite 210, San Diego, California 92108.

4 I served the following document(s):

- 5 • Notice of Cross-Appeal

6 on the following addressees:

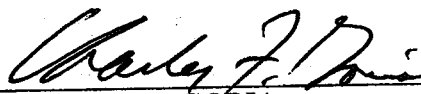
7 Steven A. Elia, Esq. (steve@elialaw.com) 8 Maura Griffin, Esq. (maura@elialaw.com) 9 James Joseph, Esq. (james@elialaw.com) 10 Law Offices of Steven Elia 11 2221 Camino del Rio S., #207 12 San Diego, CA 92108 13 Tel. (619) 444-2244 14 Fax (619) 440-2233 15 Attorneys for Plaintiff	Robert Fuller, Esq. (rfullerAnelsonhardiman.com) Salvatore J. Zimmitt, Esq. (szimmitt@nelsonhardiman.com) Nelson Hardiman LLP 11835 West Olympic Blvd., Suite 900 Los Angeles, CA 90064 Tel. (310) 203-2807 Fax (310) 203-2727 Attorneys for SoCal Building Ventures LLC
12 Gina M. Austin, Esq. (gaustin@austinlegalgroup.com) 13 Tamara M. Leetham, Esq. (tamara@austinlegalgroup.com) 14 Austin legal Group 15 3990 Old Town Avenue, Suite A-112 16 San Diego, CA 92110 17 Tel. (619) 924-9600 18 Fax. (619) 881-0045 19 Attorneys for Defendants Ninus Malan et al.	Richardson C. Griswold, Esq. (rgriswold@griswoldlawsandiego.com) Griswold Law 444 S. Cedros Avenue, Suite 250 Solana Beach, CA 92075 Tel. (858) 481-1300 Fax. (888) 624-9177 Attorney for Receiver Michael Essary
17 Daniel Watts, Esq. dwatts@galuppopolaw.com 18 Lou Galuppo, Esq. 19 lgaluppo@galuppopolaw.com 20 Galuppo & Blake 21 2792 Gateway Road, Suite 102 22 Carlsbad, CA 92009 23 Tel.No. 760-431-4575 24 Fax No. 760-431-4579 25 Attorneys for Defendants Ninus Malan et al.	

23 **XX (VIA ELECTRONIC FILING SERVICE)** Complying with Code of Civil
24 Procedure section 1010.6, my electronic business address is chasgoria@gmail.com and I caused such
25 document(s) to be electronically served through the e-service system of One Legal for the above
26 entitled case to those parties on the Service List maintained on its website for this case on November
27 2, 2018. The file transmission was reported as complete and a copy of the Filing/Service Receipt
will be maintained with the original document(s) in our office.

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XX (BY MAIL) by placing a copy thereof in a separate envelope for each said addressee, addressed to each such addressee at the address indicated above. I then sealed each envelope, and with the postage thereon fully prepaid, deposited each in the United States Mail at San Diego County, California, on November 2, 2018.

I declare under penalty of perjury that the foregoing is true and correct. Executed on November 2, 2018 at San Diego County, California.



CHARLES F. GORIA

EXHIBIT D

08/28/2018 at 12:53:00 PM

Clerk of the Superior Court
By Ines Quirarte, Deputy Clerk

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SUPERIOR COURT OF CALIFORNIA
FOR THE COUNTY OF SAN DIEGO

SALAM RAZUKI, an individual,
Plaintiff,

v.

NINUS MALAN, an individual; CHRIS HAKIM, an individual; MONARCH MANAGEMENT CONSULTING, INC. a California corporation; SAN DIEGO UNITED HOLDING GROUP, LLC, a California limited liability company; FLIP MANAGEMENT, LLC, a California limited liability company; MIRA ESTE PROPERTIES, LLC, a California limited liability company; ROSELLE PROPERTIES, LLC, a California limited liability company; BALBOA AVE COOPERATIVE, a California nonprofit mutual benefit corporation; CALIFORNIA CANNABIS GROUP, a California nonprofit mutual benefit corporation; DEVILISH DELIGHTS, INC., a California nonprofit mutual benefit corporation; and DOES 1-100, inclusive,

Defendants.

CASE NO.: 37-2018-00034229-CU-BC-CTL

[PROPOSED] ORDER APPOINTING RECEIVER

Judge: Hon. Eddie C. Sturgeon
Dept: C-67
Date: August 20, 2018
Time: 2:00 p.m.

This matter came on for hearing on August 20, 2018 at 2:00 p.m. in Department C-67, the Honorable Judge Eddie C. Sturgeon, presiding. Upon reviewing the papers and records filed in this matter and taking into account argument by counsel at the hearing, and good cause appearing,

1 NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

2 1. Michael W. Essary is hereby appointed as Receiver in this matter and shall
3 immediately take control and possession of the following business entities:

4 a. San Diego United Holdings Group, LLC;

5 b. Mira Este Properties, LLC;

6 c. Balboa Ave Cooperative;

7 d. California Cannabis Group;

8 e. Devilish Delights, Inc.;

9 f. Flip Management, LLC.

10 Collectively, these business entities will be referred to as the "Marijuana Operations."

11 2. Receiver has already filed his Oath of Receiver and proof of Receiver's Bond, in the
12 previously-ordered amount of \$10,000, with the Court.

13 3. Defendant Roselle Properties, LLC and the property located at 10685 Roselle Street,
14 San Diego, California 92121 ("Roselle Property") will not be under the Receiver's control at this
15 time. Defendant Roselle Properties, LLC and Defendant Chris Hakim are prohibited from
16 transferring or selling any portion of the Roselle Property until further order of this Court.

17 4. Receiver shall maintain and oversee the current management agreement in place with
18 Far West Management, LLC for the marijuana dispensary operations at the property located at 8861
19 Balboa Avenue, Suite B, San Diego, California 92123 and 8863 Balboa Avenue, Suite E, San Diego,
20 California 92123 ("Balboa Ave Dispensary"). The Court permits Receiver to pay the management
21 fee and/or minimum guarantee payments, according to the management agreement, if funds are
22 available.

23 5. Receiver shall maintain and oversee the current management agreement in place with
24 Synergy Management Partners, LLC for the production facility operations at the property located at
25 9212 Mira Este Court, San Diego, California 92126 ("Mira Este Property"). The Court permits
26 Receiver to pay the management fee and/or minimum guarantee payments, according to the
27 management agreement, if funds are available.

28

1 6. Plaintiff-In-Intervention SoCal Building Ventures, LLC's Management Service and
2 Option Agreement for the management of the Balboa Ave Cooperative is stayed until further order
3 of this Court. Plaintiff-In-Intervention SoCal Building Ventures, LLC's Management Service and
4 Option Agreement for the management of the production facility at the Mira Este Property is stayed
5 until further order of this Court. Plaintiff-In-Intervention SoCal Building Ventures, LLC's
6 Management Service and Option Agreement for the management of the Roselle Property is stayed
7 until further order of this Court.

8 7. Receiver shall interview and consider retaining Certified Public Accountant Justus
9 Henkus IV to provide accounting services for the Marijuana Operations, specifically including the
10 active operations at the Balboa Ave Dispensary and the Mira Este Property. In the event Receiver
11 decides against retaining Mr. Henkus, Receiver shall retain Brian Brinig of Brinig Taylor Zimmer,
12 Inc. to provide accounting services for the Balboa Ave Dispensary and the Mira Este Property.

13 8. From the proceeds that shall come into Receiver's possession from the Balboa Ave
14 Dispensary, Receiver shall apply and disburse said monies in the following general order, subject to
15 Receiver's discretion:

- 16 a. To pay the expenses and charges of Receiver, and his counsel Richardson
17 Griswold of Griswold Law, APC, in the carrying out of Receiver's Court-ordered
18 duties and obligations;
- 19 b. To pay all expenses reasonably necessary or incidental to the continued operation,
20 care, preservation and maintenance of the Balboa Ave Dispensary to maintain the
21 status quo;
- 22 c. To pay all installments of principal and interest presently due or to become due
23 pursuant to notes secured against the Balboa Ave Dispensary property.

24 9. From the proceeds that shall come into Receiver's possession from the Mira Este
25 Property, Receiver shall apply and disburse said monies in the following general order, subject to
26 Receiver's discretion:

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- a. To pay the expenses and charges of Receiver, and his counsel Richardson Griswold of Griswold Law, APC, in the carrying out of Receiver's Court-ordered duties and obligations;
- b. To pay all expenses reasonably necessary or incidental to the continued operation, care, preservation and maintenance of the Mira Este Property to maintain the status quo;
- c. To pay all installments of principal and interest presently due or to become due pursuant to notes secured against the Mira Este Property.

10. Receiver shall hold all proceeds derived from the Marijuana Operations, less all costs, expenses and payments outlined above.

11. To the greatest extent reasonably possible, Receiver shall ensure the Marijuana Operations remain operating at status quo until the hearing in this matter on September 7, 2018. All parties to this matter shall cooperate with Receiver and keep the Receiver informed regarding all updates, statuses, notices or otherwise regarding the Marijuana Operations.

12. Receiver shall take possession of all funds held for or arising out of the real property owned by any of the Marijuana Operations, the operation of the Marijuana Operations, and/or on deposit in any and all bank and savings demand deposit accounts, including without limitation, money on deposit at any bank, or located elsewhere, certificates of deposit, warrants, Letter(s) of Credit, drafts, notes, deeds of trust and other negotiable instruments, choses in action, chattel paper, accounts receivable, collateral of any kind and otherwise, in the name of, or held for the benefit of the Marijuana Operations. All of the foregoing shall include, without limitation, such accounts and/or instruments held in the name of the Marijuana Operations for which any director, officer or employee of the Marijuana Operations is a signatory or authorized agent of the Marijuana Operations, notwithstanding the actual name under which the account or instrument is held. The Receiver shall exercise full control over said assets and Receiver shall have the right to assume any existing accounts.

1 13. Each and every banking, savings and thrift institution having funds on deposit for, or
2 held for the benefit of the Marijuana Operations, shall deliver all of such funds and accrued interest,
3 if any, and all certificates and/or books, statements and records of account representing said funds,
4 directly to the Receiver without further inquiry or impediment to the exercise of the powers of the
5 Receiver herein. Receiver shall establish new bank accounts and transfer existing Marijuana
6 Operations account funds from their current account locations into the new bank accounts
7 established by Receiver. Receiver is empowered to establish such accounts as he may deem
8 necessary at such federally insured bank(s) as he may determine appropriate. Specifically, Receiver
9 shall open and maintain one bank account for the operations at the Balboa Ave Dispensary and shall
10 open and maintain one bank account for the operations at the Mira Este Property.

11 14. All rents, issues and profits that may accrue from the Marijuana Operations,
12 Marijuana Operations Property, or any part thereof, or which may be received or receivable from
13 any hiring, operating, letting, leasing, sub-hiring, using, subletting, subleasing, renting thereof shall
14 be subject to this Order and controlled by the Receiver. Rents, issues and profits shall include,
15 without limitation, gross receipts from business operations, all rental proceeds of the Marijuana
16 Operations' premises, if any, discounts and rebates of every kind, any right arising from the
17 operation of the Marijuana Operations and/or Marijuana Operations Property and payment for
18 storage, product development and preparation of any kind, equipment rental, delivery, commercial
19 rental of any Marijuana Operations Property and any other service or rental rendered, whether or not
20 yet earned by performance including, but not limited to, accounts arising from the operations of the
21 Marijuana Operations Property, rent, security and advance deposits for use and/or hiring, in any
22 manner, of the Marijuana Operations, and to payment(s) from any consumer, credit/charge card
23 organization or entity (hereinafter collectively called "Rents and Profits").

24 15. Receiver is empowered to execute and prepare all documents and to perform all
25 necessary acts, whether in the name of the Marijuana Operations, named parties in this matter and/or
26 directors, officers, or members of the Marijuana Operations or in the Receiver's own name, that are
27 necessary and incidental to demanding, collecting and receiving said money, obligations, funds,
28

1 licenses, Rents and Profits and payments due the Marijuana Operations and/or named parties in this
2 matter and subject to enforcement under this Order.

3 16. Receiver is authorized to endorse and deposit into his receiver account(s) all of said
4 funds, cash, checks, warrants, drafts and other instruments of payment payable to the Marijuana
5 Operations, named parties in this matter and/or the agents of the Marijuana Operations as such
6 payments relate to the Marijuana Operations.

7 17. Plaintiff, Plaintiff-In-Intervention, Defendants, and members of the Marijuana
8 Operations and their servants, agents, attorneys, accountants, employees, successors-in-interest and
9 assigns, and all other persons acting under and/or in concert with any of them shall provide, turn
10 over and deliver to the Receiver within forty-eight (48) hours of entry of this Order any and all
11 instruments, profit and loss statements, income and expense statements, documents, ledgers, receipts
12 and disbursements journals, books and records of accounts, including canceled checks and bank
13 statements, for all Marijuana Operations and Marijuana Operations Property, including electronic
14 records consisting of hard and floppy disks, checking and savings records, cash register tapes and
15 sales slips and all check book disbursement registers and memoranda and savings passbooks.

16 18. Plaintiff, Plaintiff-In-Intervention, Defendants, and/or any of the directors, officers,
17 members of the Marijuana Operations shall notify the Receiver forthwith whether there is sufficient
18 insurance coverage in force on the Marijuana Operations Property, including the Marijuana
19 Operations premises, if any. Said persons shall inform the Receiver of the name, address and
20 telephone number of all insurance agents and shall be responsible for and are ordered to cause the
21 Receiver to be named as an additional insured on such policy(ies) of liability, casualty, property loss
22 and Worker's Compensation for the period the Receiver shall be in possession of the Marijuana
23 Operations and the Marijuana Operations Property, if any such insurance exists.

24 19. If there is insufficient or no insurance, the Receiver shall have thirty (30) business
25 days from entry of this Order within which to procure such insurance, if possible, provided he has
26 funds from the business to do so. During this "procurement" period, the Receiver shall not be
27 personally liable for any and all claims arising from business operations nor for the procurement of
28

1 said insurance. The cost thereof shall be payable by and become an obligation of the receivership,
2 and not at the personal expense of the Receiver. If there is insufficient operating revenue to pay for
3 such insurance, the Receiver shall apply to the Court for instructions.

4 20. Plaintiff, Plaintiff-In-Intervention, Defendants, and their respective agents,
5 employees, servants, representatives, and all other persons and entities acting in concert with them
6 or under their direction or control, or any of them, shall be, and hereby are, enjoined and restrained
7 from engaging in or performing, directly or indirectly, any of the following acts:

8 a) Expending, disbursing, transferring, assigning, selling, conveying, devising,
9 pledging, mortgaging, creating a security interest in, encumbering, concealing, or in any manner
10 whatsoever disposing of the whole or any part of the Marijuana Operations or Marijuana Operations
11 Property, without the written consent of the Receiver first obtained;

12 b) Doing any act which will, or which will tend to impair, defeat, divert, prevent
13 or prejudice the preservation of the proceeds of the Marijuana Operations or the receivership's
14 interest in the subject Marijuana Operations Property in whatever form the interest is held or used;
15 and,

16 c) Destroying, concealing, transferring, or failing to preserve any document
17 which evidences, reflects or pertains to any aspect of the Marijuana Operations or Marijuana
18 Operations Property.

19 21. Receiver is authorized to make entry onto any and all business premises utilized by
20 the Marijuana Operations and/or the Marijuana Operations Property.

21 22. This Court will hold a hearing regarding an Order To Show Cause why the
22 Appointment of Receiver should not be confirmed and an Order To Show Cause why a preliminary
23 injunction should not be granted on September 7, 2018 at 1:30 p.m. in Department C-67 before the
24 Honorable Judge Eddie C. Sturgeon, presiding.

25 23. The parties, if they choose to, are required to file and serve additional briefing,
26 including briefing on the amount required for Plaintiff's bond in the event this Court grants a
27 preliminary injunction, on or before September 4, 2018.
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24. Receiver shall file and serve his Receiver's Report on or before September 5, 2018.

25. Additional Orders: _____

IT IS SO ORDERED.

Dated: August 28, 2018

Eddie C. Sturgeon

Judge Eddie C Sturgeon

Judge of the Superior Court

SERVICE LIST

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Counsel for Plaintiff Salam Razuki

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Maura Griffin, Esq.
LAW OFFICES OF STEVEN A. ELIA, APC
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Email: rfuller@nelsonhardiman.com; szimmitti@nelsonhardiman.com

EXHIBIT E

1 Charles F. Goria, Esq. (SBN68944)
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4 San Diego, CA 92108
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6 Fax: (619) 296-5508

7 Attorneys for Defendants CHRIS HAKIM,
8 MIRA ESTE PROPERTIES LLC, and
9 ROSELLE PROPERTIES LLC

FILED
BUSINESS OFFICE 21
CENTRAL DIVISION

2018 NOV 19 PM 4:15

CLERK-SUPERIOR COURT
SAN DIEGO COUNTY, CA

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF SAN DIEGO, CENTRAL DIVISION

12 SALAM RAZUKI, an individual
13 Plaintiff

14 vs

15 NINUS MALAN, an individual; CHRIS
16 HAKIM, an individual; MONARCH
17 MANAGEMENT CONSULTING, INC.,
18 California corporation; SAN DIEGO
19 UNITED HOLDINGS GROUP, LLC, a
20 California limited liability company; FLIP
21 MANAGEMENT, LLC, a California limited
22 liability company; MIRA ESTE
23 PROPERTIES LLC, a California limited
24 liability company; ROSELLE PROPERTIES,
25 LLC, a California limited liability company;
26 BALBOA AVE COOPERATIVE, a
27 California nonprofit mutual benefit
corporation; CALIFORNIA CANNABIS
GROUP, a California nonprofit mutual
benefit corporation; DEVILISH DELIGHTS,
INC. a California nonprofit mutual benefit
corporation; and DOES 1-100, inclusive;

Defendants

) Case No.: 37-2018-00034229-CU-BC-CTL

) (Unlimited Civil Action)

) NOTICE OF MOTION FOR ORDER
) SETTING BOND ON APPEAL OF
) ORDER APPOINTING
) RECEIVER; DECLARATION OF
) CHARLES F. GORIA; POINTS AND
) AUTHORITIES

) Hearing Date: December 14, 2018

) Time: 1:30 PM

) Dept.: C-67

) I/C Judge: Hon. Eddie C. Sturgeon

) Complaint Filed: July 10, 2018

) Trial Date: Not Set

) IMAGED FILE

1 TO: ALL PARTIES AND THEIR ATTORNEYS OF RECORD HEREIN:

2 PLEASE TAKE NOTICE that on December 14, 2018, at 1:30 PM, or as soon thereafter
3 as the matter can be heard in Department C-67 of the Superior Court in and for the County of
4 San Diego, Central Division, located at 330 West Broadway, San Diego, California, 92101,
5 defendants CHRIS HAKIM, MIRA ESTE PROPERTIES LLC, and ROSELLE
6 PROPERTIES LLC ("Moving Defendants") will and do hereby move
7 the Court for an order setting the amount of bond pursuant to Code of Civil
8 Procedure Section 917.5 on the appeal of this Court's Order of September 26, 2018 appointing a
9 receiver.
10

11 This motion is brought on the grounds that a Notice of Cross-Appeal of said September
12 26, 2018 order has been filed by Moving Defendants, and good cause exists for the setting of the
13 amount of the appeal bond in that Moving Defendants are entitled to post a bond to vacate the
14 appointment of the receiver during the pendency of the appeal and so that the rights of the parties
15 and the receiver can be settled during the pendency of the appeal.
16

17
18 This motion is based upon this notice, the accompanying declaration of Chris Hakim, the
19 following declaration of Charles F. Gorja, the following points and authorities, on the pleadings,
20 records and documents on file with the Court herein, and on such other documents and evidence
21 submitted hereafter and prior to the hearing, including any reply papers.
22

23 This court issues tentative rulings in conformance with the tentative ruling procedures set
24 forth in the California Rules of Court. Counsel may obtain tentative rulings by calling (619)
25 450-7381 after 4:00 p.m. on the day immediately preceding the noticed hearing date. The
26 tentative rulings are also available on the internet at: www.sdcourt.ca.gov. If neither party
27

1 appears on the date and at the time noticed for the hearing, the tentative ruling will be adopted as
2 the final ruling of the Court. Parties wishing to argue before the Court must appear on the date
3 and at the time noticed for the hearing. Failure to file timely motion and/or opposition papers
4 may constitute a waiver of the right to orally argue.
5

6
7 Dated: 11/17/18

Goria, Weber & Jarvis

8
9 By: Charles F. Goria
10 Charles F. Goria, Esq.
11 Attorneys for Moving Defendants

12 **DECLARATION OF CHARLES F. GORIA**

13 I, Charles F. Goria, declare:

14 1. I am an attorney at law duly licensed to practice before the courts of the State of
15 California and am a partner in the law firm of Goria, Weber & Jarvis, retained by Moving
16 Defendants Chris Hakim, Mira Este Properties LLC, and Roselle Properties LLC to represent
17 them in the above entitled action.

18 2. On or about Tuesday, October 30, 2018, I received a Notice of Appeal of the
19 September 26, 2018 Order Appointing Receiver filed by defendants Ninus Malan, San Diego
20 United Holdings Group, LLC, Flip Management, LLC, California Cannabis Group, Balboa Ave
21 Cooperative, and Devilish Delights, Inc. A true and correct copy of said Notice of Appeal is
22 attached hereto as Exhibit 1 and, by this reference, made a part hereof.

23 3. On or about November 2, 2018, I filed a Notice of Cross-Appeal relative to said
24 September 26, 2018 Order appointing Receiver. A true and correct copy of said Notice of Cross-
25 Appeal is attached hereto as Exhibit 2 and, by this reference, made a part hereof.
26

1 I declare under penalty of perjury under the laws of the State of California that the
2 foregoing is true and correct and that this declaration was executed at San Diego County,
3 California, this 17 day of November 2018.
4

5 
6 Charles F. Gorla

7 **POINTS AND AUTHORITIES**
8

9 **1. INTRODUCTION**

10 The court's re-appointment of the receiver at the ex parte hearing on August 20,
11 2018, has had dire consequences for the cannabis manufacturing and production facility at
12 9212 Mira Este, San Diego, California ("Mira Este Facility" or "Facility"). As made clear
13 by the Receiver's Amended Second Report, the Facility has operated at a substantial loss
14 since at least July 2018. **It will continue to do so because the Facility has been unable to**
15 **license or subcontract out its ample warehouse space to other manufacturers or**
16 **producers because of the very existence of the receivership at the Facility.**
17

18 Because the Facility will continue to operate at a loss due to the existence of the
19 receivership, **Plaintiff will suffer no damage whatsoever from the removal of the**
20 **receiver during the pendency of the appeal.** Therefore, the amount of the bond – which
21 must be predicated on the likely damages that will be suffered from the removal of the
22 receiver – should be minimal. Moving Defendants request that the minimal bond in the
23 amount of \$10,000 be set, because it cannot be established that plaintiff will suffer any
24 greater damages due to the removal of the receiver. **Indeed, an amount in excess of**
25

1 **\$10,000, given the peculiar circumstances of this case, would be nothing more than**
2 **punitive.**

3 A brief review of the pertinent background matters in this litigation, with particular
4 attention to the events happening since the appointment of the receiver on or about August
5 20, 2018, shows the following:

6 1. MEP acquired the property and improvements commonly described as 9212
7 Mira Este Court, San Diego, California ("Mira Este Property") in August 2016 for the
8 purchase price of approximately \$2,625,000.00. The purchase price consisted of a down
9 payment of approximately \$637,500.00, and a new loan in the approximate amount of
10 \$1,987,500.00. Chris Hakim ("Hakim"), one of the owners of MEP and the managing
11 member of MEP, paid from his own personal funds the amount of \$420,000.00 towards
12 the down payment of \$637,500.00. Plaintiff Salam Razuki and Defendant Ninus Malan
13 paid the rest of the down payment.
14

15 2. The operating agreement of MEP provided that Hakim would receive one-half
16 of the profits, and the other one half would be distributed to Malan. Plaintiff has never
17 made any claim or contention that Hakim was not entitled to one-half of the net profits of
18 the Mira Este Facility. When the Mira Este Property was acquired, Plaintiff did not want to
19 be part of the management or operation of Mira Este, but only wanted to share in the profits
20 that Malan was to receive pursuant to an alleged agreement that he had with Malan. The
21 Razuki-Malan agreement claimed by Razuki was in the form of an agreement creating a
22 holding company, RM Holdings, for properties and other assets owned by Malan and
23 Razuki. The RM Holdings agreement provided that Razuki was to receive three-fourths of
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1 the one-half of any net profits received by Malan from MEP, and Malan was to receive the
2 other one-fourth of the one-half distributed to him by MEP. Hakim had no involvement with
3 RM Holdings.

4 3. Malan is the sole record owner of the Balboa Dispensary, subject to Plaintiff's
5 similar claim pursuant to the RM Holdings agreement. The receiver presently oversees both
6 the Balboa Dispensary and the Mira Este Facility. Hakim has never had any ownership
7 interest in the Balboa Dispensary. In that regard, the Balboa Dispensary is a completely
8 different business operation and consists of a retail facility that sells cannabis products to the
9 public. By contrast, the Mira Este Facility is a manufacturing and production facility that
10 does not sell to the public. The business model of MEP is therefore completely separate and
11 different from that of the Balboa dispensary.
12

13 4. As MEP's managing member, Hakim negotiated the management agreement
14 between MEP and SoCal. In or about May 2018, however, SoCal stopped making its
15 required payments under its management agreement with MEP. As a result of that as well
16 as other defaults and breaches, SoCal was terminated in July 2018.
17

18 5. In early August 2018 (before the receivership was put in place at the Facility),
19 Hakim on behalf of MEP and Jerry Baca ("Baca") on behalf of Synergy Management
20 Partners, LLC ("Synergy") agreed to a management agreement whereby Synergy would
21 manage the Facility. Almost immediately, and in sharp contrast to SoCal, Synergy opened
22 the Facility and contracted with a sub licensee, Edipure, for its use of the Facility. As soon
23 as the sub license agreement with Edipure was made, Edipure invested between \$50,000 and
24 \$100,000 in equipping its space at the Mira Este Facility. Under its sub license agreement,
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1 Edipure is paying \$30,000 per month or 10% of its revenues, whichever is greater for its use
2 of the Facility. Since it had initial sales or "pre-orders" of \$200,000, Edipure is obligated to
3 pay the sum of \$30,000 for its first month of occupancy. Also, the license agreement
4 entitles Edipure to occupy approximately 4000 square feet of space at the Mira Este Facility.
5 It also specifies that the Facility will provide security, staffing, testing, and other overhead.
6 **The license agreement with Edipure was entered into before the current appointment**
7 **of the receiver was made on or about August 20, 2018.**

9 6. Over the years, both Baca and Hakim have developed a number of contacts
10 among producers and manufacturers in the cannabis industry. In addition to Edipure, they
11 also had a number of other contacts who communicated a strong interest in locating their
12 production and manufacturing activities at the Mira Este Facility. Many of these producers
13 and manufacturers were very close to reaching an agreement for a sub license agreement
14 with MEP similar to Edipure's sub license agreement before the receiver was appointed on
15 August 20, 2018. **As a result of the appointment of the receiver on August 20, 2018, not**
16 **one of these producers and manufacturers with whom Baca and Hakim were**
17 **negotiating continued negotiations.**

19 7. Because there is only one sub licensee at the Mira Este Property, Edipure, the
20 operation of the Facility cannot be sustained for very long. The debt service and overhead
21 of the Mira Este Facility cannot be maintained if the receiver remains in place, since no sub
22 licensees will commit to locating at the Facility with a receiver involved in any way. Debt
23 service on the loans encumbering the Mira Este property are approximately \$25,000 per
24 month. There is also additional and extensive overhead for the Mira Este Property beyond
25
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1 debt service. Overhead expenses include staffing, security, and services that are required to
2 be provided to sub licensees regardless of the number of sub licensees at the Facility.

3 If the receiver is left in place during the pendency of this action, all indications
4 suggest that the facility will continue to operate at a loss. Therefore, the removal of the
5 receiver will not result in any damage or loss of profits to plaintiff even if plaintiff is able to
6 prevail on his claim. Since the court is obliged to fix the amount of the bond based on the
7 probable damage to be suffered if the receiver is removed, the amount of the bond in this
8 case should be minimal. There simply will be no probable damage suffered by plaintiff if
9 the receiver is removed, since the facility is operating at a substantial loss at this time while
10 the receiver is in place.
11

12 **2. SINCE THE MIRA ESTE FACILITY HAS BEEN LOSING**
13 **SUBSTANTIAL MONIES UNDER THE RECEIVERSHIP AND PLAINTIFF WILL NOT**
14 **BE PREJUDICED OR DAMAGED BY HAVING THE RECEIVER REMOVED, THE**
15 **COURT SHOULD REQUIRE ONLY THE MINIMUM BOND AMOUNT OF \$10,000;**
16 **THE COURT SHOULD ALSO FOCUS ONLY ON THE MIRA ESTE FACILITY IN**
17 **SETTING THE BOND AND NOT CONSIDER THE BALBOA FACILITY, SINCE**
18 **THERE ARE DIFFERENT OWNERS AND DIFFERENT BUSINESSES INVOLVED IN**
19 **THE TWO LOCATIONS.**

20 Under Code of Civil Procedure section 917.5, the court is empowered to set the amount
21 of bond on appeal of an order appointing a receiver. The fixing of the amount of the bond may be
22 undertaken on ex parte application. (See, e.g., McClintock v. Powley, 210 Cal. 333, 337: "An
23 order fixing the amount of a stay bond may be made *ex parte*.").

24 Significantly, where a receiver is appointed over more than one property or more than
25 one business, and where there are multiple defendants appealing from the order, the court should
26 set bond amounts for each appealing party. Stated otherwise, where two defendants file separate
27

1 notices of appeal from an order appointing a receiver, and only one of said defendants files a stay
2 bond, said bond does not stay the order appointing the receiver and suspend his powers in so far
3 as the property of the other defendant is concerned. This particular point was addressed by the
4 Fourth District Court of Appeal in Highland Sec. Co. v. Superior Court of Orange County, 119
5 Cal. App. 107, 111-112. In that case, as in the present case, there were two separate businesses
6 run by two separate defendants, all of which were in the hands of a receiver. As in this case, both
7 defendants appealed the order appointing the receiver but only one of said defendants filed a stay
8 bond. The court discussed whether or not the receiver's powers over one business was stayed by
9 the other business posting a bond, as follows:
10

11 "The first question presenting itself is whether or not the *supersedeas* bond of the
12 People's Finance and Thrift Company stayed the order appointing the receiver and
13 suspended his powers in so far as the property of the Highland Securities Company was
14 concerned. This company having failed to file any bond on appeal, the following
15 authorities require us to answer this question in the negative: *Zane v. de Onativia*, 135
16 Cal. 440 [67 P. 685]; *Halsted v. First Sav. Bank*, 173 Cal. 605 [160 P. 1075]; *Bolles v.*
17 *Hilton & Paley*, 101 Cal. App. 92 [281 P. 73]. As we have remarked before, we cannot
18 determine what portion, if any, of the assets in the hands of the receiver belonged to the
19 Highland Securities Company and what portion belonged to the People's Finance and
20 Thrift Company. Even though we should agree with the contention of the People's
21 Finance and Thrift Company that their stay bond on appeal suspended the jurisdiction of
22 the court over the receivership proceedings against this corporation, we would be unable
23 to determine what portion of the assets formerly held by the receiver belonged to this
24 corporation to be returned, and what portion, if any, belonged to the Highland Securities
25 Company to be retained by the receiver."
26

27 In the present case, Moving Defendants are appealing from the order in so far as it
established the receivership over the Mira Este Facility. Once Moving Defendants post the stay
bond, then the jurisdiction of the court over the receivership proceedings *against Moving*
Defendants is stayed. Since the Mira Este Facility is a separate business with separate
ownership from that of the Balboa Dispensary, and since the Mira Este Facility is owned

1 exclusively by Moving Defendant Mira Este Properties LLC, the bond amount should be fixed
2 only with reference to the Mira Este Facility. Whether or not a bond is posted relative to the
3 Balboa Dispensary should not be considered by the court in fixing the bond for the Mira Este
4 Facility. As such, the court should only direct its attention to the profitability (or lack thereof) of
5 the Mira Este Facility in setting the amount of the bond that Moving Defendants need to post in
6 order to stay the receivership at the Mira Este Facility.
7

8 **CONCLUSION**

9 For all of the foregoing reasons, it is requested that the Court grant Moving Defendants'
10 ex parte application to fix the minimum bond amount on appeal of the order appointing the
11 receiver for the Mira Este Facility. Plaintiff will not suffer any damages by the removal of the
12 Receiver, since no profits are being generated at this point in time and none are foreseeable so
13 long as the receiver remains in place.
14

15 Respectfully submitted,

16 **GORIA, WEBER & JARVIS**

17
18
19 Dated: 11/17/18

By: 

Charles F. Gorla
Attorneys for Moving Defendants

EXHIBIT 1

ATTORNEY OR PARTY WITHOUT ATTORNEY: NAME: Daniel Watts SBN 277861 Seven Oaks SBN 235912 FIRM NAME: Galoppo & Blake STREET ADDRESS: 2792 Gateway Rd, Suite 102 CITY: Carlsbad STATE: CA ZIP CODE: 92009 TELEPHONE NO: 760-431-4575 FAX NO: 760-431-4575 E-MAIL ADDRESS: dwatts@galoppoblaw.com ATTORNEY FOR: Appellate Nixus Malan, et al.	FOR COURT USE ONLY
SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO STREET ADDRESS: 330 W Broadway MAILING ADDRESS: 330 W Broadway CITY AND ZIP CODE: San Diego 92101 BRANCH NAME: Central	
PLAINTIFF/PETITIONER: Sabir Razik DEFENDANT/RESPONDENT: Nixus Malan	
<input checked="" type="checkbox"/> NOTICE OF APPEAL <input type="checkbox"/> CROSS-APPEAL (UNLIMITED CIVIL CASE)	CASE NUMBER: 37-2018-00034229-CJ-BC-CTL

Notice: Please read *Information on Appeal Procedures for Unlimited Civil Cases* (Judicial Council form APP-004) before completing this form. This form must be filed in the superior court, not in the Court of Appeal. A copy of this form must also be served on the other party or parties to this appeal. You may use an applicable Judicial Council form (such as APP-009 or APP-009E) for the proof of service. When this document has been completed and a copy served, the original may then be filed with the court with proof of service.

1. NOTICE IS HEREBY GIVEN that (name): Nixus Malan, et al. (See Exhibit A for full list of appealing parties) appeals from the following judgment or order in this case, which was entered on (date): September 28, 2018.
- Judgment after jury trial
 - Judgment after court trial
 - Default judgment
 - Judgment after an order granting a summary judgment motion
 - Judgment of dismissal under Code of Civil Procedure, §§ 590, 593.260, 593.267, or 593.430
 - Judgment of dismissal after an order establishing a summary
 - An order after judgment under Code of Civil Procedure, § 504.1(a)(2)
 - An order or judgment under Code of Civil Procedure, § 504.1(a)(3) - (4)
 - Other (describe and specify code section that authorizes this appeal)

2. For cross appeals only:
- a. Date notice of appeal was filed in original appeal:
 - b. Date superior court clerk filed notice of original appeal:
 - c. Court of Appeal case number (if known):

Date: October 30, 2018

Daniel Watts

(TYPE OR PRINT NAME)



(SIGNATURE OF PARTY OR ATTORNEY)

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Andrew W. Hall, Esq., SBN 257547
2 Daniel Watts, Esq. SBN 277861
GALUPPO & BLAKE
3 A Professional Law Corporation
2792 Gateway Road, Suite 102
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8 **AUSTIN LEGAL GROUP, APC**
3990 Old Town Ave, Ste A-112
9 San Diego, CA 92110
Phone: (619) 924-9600
10 Facsimile: (619) 881-0045

11 Attorneys for Defendants
12

13 **SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO**

14 **CENTRAL DIVISION**

15 **SALAM RAZUKI, an individual,**

16 **Plaintiff,**

17 **vs.**

18 **NINUS MALAN, an individual; MONARCH**
19 **MANAGEMENT CONSULTING, INC., a**
20 **California corporation; SAN DIEGO UNITED**
21 **HOLDING GROUP, LLC, a California limited**
22 **liability company; MIRA ESTE**
23 **PROPERTIES, LLC, a California limited**
24 **liability company; ROSELLE PROPERTIES,**
25 **LLC, a California limited liability company;**
and DOES 1-100, inclusive,

Defendants.

Case No.: 37-2018-00034229-CU-BC-CTL

Assigned: Hon. Judge Sturgeon
Dept.: C-67

Exhibit A to Notice of Appeal

List of Appealing Parties

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List of Appealing Parties

1. Ninus Malan
2. San Diego United Holdings Group, LLC
3. Flip Management, LLC
4. California Cannabis Group
5. Balboa Ave Cooperative
6. Devilish Delights, Inc.

List of Appealing Parties

EXHIBIT 2

ATTORNEY OR PARTY WITHOUT ATTORNEY NAME: Charles F. Goria, Esq. FIRM NAME: Goria, Wiber & Jarvis STREET ADDRESS: 1011 Camino del Rio South, Suite 210 CITY: San Diego STATE: CA ZIP CODE: 92108 TELEPHONE NO.: 619-802-3555 FAX NO.: 619-296-5506 EMAIL ADDRESS: chasgoria@gmail.com ATTORNEY FOR (name): Defs. Chris Hakim, Rosella Properties LLC, Mira Este Properties LLC	FOR COURT USE ONLY
SUPERIOR COURT OF CALIFORNIA, COUNTY OF San Diego STREET ADDRESS: 330 W. Broadway MAILING ADDRESS: 330 W. Broadway CITY AND ZIP CODE: San Diego, CA 92101 BRANCH NAME: Central Division (Hall of Justice)	
PLAINTIFF/PETITIONER: SALAM RAZUKI DEFENDANT/RESPONDENT: NINUS MALAN ET AL.	
<input type="checkbox"/> NOTICE OF APPEAL <input checked="" type="checkbox"/> CROSS-APPEAL (UNLIMITED CIVIL CASE)	CASE NUMBER: 37-2018-00834229-CJ-EC-CTL

Notice: Please read information on Appeal Procedures for Unlimited Civil Cases (Judicial Council form APP-001) before completing this form. This form must be filed in the superior court, not in the Court of Appeal. A copy of this form must also be served on the other party or parties to this appeal. You may use an applicable Judicial Council form (such as APP-089 or APP-090E) for the proof of service. When this document has been completed and a copy served, the original may then be filed with the court with proof of service.

1. NOTICE IS HEREBY GIVEN that (name): Chris Hakim, Rosella Properties LLC, Mira Este Properties LLC appeals from the following judgment or order in this case, which was entered on (date): September 28, 2018
- Judgment after jury trial
 - Judgment after court trial
 - Default judgment
 - Judgment after an order granting a summary judgment motion
 - Judgment of dismissal under Code of Civil Procedure, §§ 581d, 583.250, 583.360, or 583.430
 - Judgment of dismissal after an order sustaining a demurrer
 - An order after judgment under Code of Civil Procedure, § 904.1(a)(2)
 - An order or judgment under Code of Civil Procedure, § 904.1(a)(3)-(4)
 - Other (describe and specify code section that authorizes this appeal):

2. For cross-appeals only:
- a. Date notice of appeal was filed in original appeal: October 30, 2018
 - b. Date superior court clerk mailed notice of original appeal:
 - c. Court of Appeal case number (if known):

Date: November 2, 2018

Charles F. Goria
(TYPE OR PRINT NAME)


(SIGNATURE OF PARTY OR ATTORNEY)

Form Approved for Optional Use
 Judicial Council of California
 APP-002 (Rev. January 1, 2017)

NOTICE OF APPEAL/CROSS-APPEAL (UNLIMITED CIVIL CASE)
 (Appellate)

Page 1 of 1
 Cal. Rules of Court, rule 8.100
 www.courtinfo.ca.gov

For your protection and privacy, please press the Clear This Form button after you have printed this form.

EXHIBIT F

1 Charles F. Gorla, Esq. (SBN68944)
2 GORLA, WEBER & JARVIS
3 1011 Camino del Rio South, Suite 210
4 San Diego, CA 92108
5 Tel.: (619) 692-3555
6 Fax: (619) 296-5508

7 Attorneys for Defendants CHRIS HAKIM,
8 MIRA ESTE PROPERTIES LLC, and
9 ROSELLE PROPERTEIS LLC

FILED
Clark of the Superior Court
NOV 19 2018
By: R. DAY, Deputy

10 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
11 **COUNTY OF SAN DIEGO, CENTRAL DIVISION**

12 SALAM RAZUKI, an individual
13 Plaintiff

14 vs

15 NINUS MALAN, an individual; CHRIS
16 HAKIM, an individual; MONARCH
17 MANAGEMENT CONSULTING, INC.,
18 California corporation; SAN DIEGO
19 UNITED HOLDINGS GROUP, LLC, a
20 California limited liability company; FLIP
21 MANAGEMENT, LLC, a California limited
22 liability company; MIRA ESTE
23 PROPERTIES LLC, a California limited
24 liability company; ROSELLE PROPERTIES,
25 LLC, a California limited liability company;
26 BALBOA AVE COOPERATIVE, a
27 California nonprofit mutual benefit
corporation; CALIFORNIA CANNABIS
GROUP, a California nonprofit mutual
benefit corporation; DEVILISH DELIGHTS,
INC. a California nonprofit mutual benefit
corporation; and DOES 1-100, inclusive;

Defendants.

) Case No.: 37-2018-00034229-CU-BC-CTL
)
) (Unlimited Civil Action)
)

) **DECLARATION OF DEFENDANT**
) **CHRIS HAKIM IN SUPPORT OF**
) **MOTION FOR ORDER SETTING BOND**
) **ON APPEAL OF ORDER APPOINTING**
) **RECEIVER**

) Hearing Date: December 14, 2018
) Time: 1:30 PM
) Dept.: C-67
) I/C Judge: Hon. Eddie C. Sturgeon

) Complaint Filed: July 10, 2018
) Trial Date: Not Set

) **IMAGED FILE**
)
)

1 I, Chris Hakim, declare:

2 1. I am one of the defendants in the above-referenced matter, and I am over the
3 age of 18.

4 2. At all times herein mentioned, I have been and still am one of the owners of
5 Mira Este Properties LLC (MEP). At all times since MEP was formed, I have been and still
6 am the managing Member of MEP. A true and correct copy of the Operating Agreement for
7 MEP executed on or about July 8, 2016, is attached hereto as Exhibit 1 and by this
8 reference, made a part hereof. As indicated at paragraph 8.8 of the Operating Agreement (at
9 page 21) and long before there was any dispute between Mr. Malan and Plaintiff Salam
10 Razuki, provision was made for claims made by Plaintiff. In particular, provision was made
11 that any claim that Plaintiff asserted would be handled exclusively by Mr. Ninus Malan
12 from his interest, and neither MEP nor I would have any responsibility for such claim.

13 Section 8.8 of the Operating Agreement reads as follows:
14

15
16 "8.8. Transfer of Economic Interest From Member Ninus Malan to Salam
17 Razuki. Notwithstanding anything in this Agreement to the contrary, by signing this
18 Agreement, the Manager, and each Member approves the absolute right to the
19 Transfer of a Membership Interest, Transferable Interest, and/or the Economic
20 Interest held by Member Ninus Malan, as Assigning Member, to Salam Razuki or his
21 designee, as Assignee, on terms agreed upon between them at any time from and
22 after the date of this Agreement. Such Transfer shall be on terms agreed upon
23 between them, and the Manager and each Member further approve the terms and
24 conditions of such Transfer, and waive all rights, prohibitions and procedures
25 otherwise set forth in this Article 8 to that Transfer. Provided, however, such
26 Transfer between Member Ninus Malan and Salam Razuki shall not materially affect
27 the ownership interest of the other Member(s), increase, or materially alter the
Manager's duties and obligations, and Member Ninus Malan and Salam Razuki
agree to release the Manager and the other Member(s) from any liabilities relating
to such Transfer. On behalf of the Company, the Manager agrees to acknowledge
receipt of a copy of the agreement between Member Ninus Malan and Salam Razuki,
and agrees that the Company shall be bound by and comply with the provisions
contained therein, including, but not limited to, those regarding distributions to

1 Member Ninus Malan or his successor in interest. Any new Member of the
2 Company further agrees to execute a consent to be bound to the terms and conditions
3 of this Agreement as a condition to becoming a Member of the Company.”
(Emphasis added).

4 3. The assets of MEP consist of certain real estate located at 9212 Mira Este
5 Court, San Diego, California 92126 (“Mira Este Facility”). The real estate is improved with
6 a structure in the nature of a warehouse. MEP acquired the Mira Este Property in August
7 2016 for the purchase price of approximately \$2,625,000.00. The purchase price consisted
8 of a down payment of approximately \$637,500.00, and a new loan in the approximate
9 amount of \$1,987,500.00. I paid \$420,000.00 from my own personal towards the down
10 payment of \$637,500.00. Plaintiff and Defendant Ninus Malan paid the rest of the down
11 payment.
12

13 4. The operating Agreement of MEP provides that I would receive one-half of
14 the net profits, and the other one half would be distributed to Mr. Malan, the other Member
15 of MEP.
16

17 5. As previously stated in my prior declarations in this proceeding, I negotiated
18 the management Agreements with SoCal Building Ventures, LLC (“SoCal”). The SoCal
19 Management Agreement relative to the Mira Este Facility was operating relatively
20 successfully although SoCal was dilatory in opening the Facility and contracting with other
21 producers and manufacturers. SoCal was required under the management agreement to
22 pay MEP rent in the amount of \$55,000.00 per month and also pay a minimum guarantee
23 payment of \$50,000.00 per month. Curiously, in the Second Report, these required
24 payments by SoCal are listed as SoCal’s “contributions”.
25
26

1 6. SoCal stopped making its required payments under its management agreement
2 with MEP in or about May 2018, and largely as a result of that as well as other defaults and
3 breaches, SoCal was terminated in July 2018.

4 7. After SoCal was terminated in early July 2018, I negotiated a new and
5 different management agreement with Synergy Management Company. Unlike the SoCal
6 Management Agreement, the Synergy Management Agreement does not require Synergy to
7 pay a minimum guaranteed payment. However, the Synergy Management Agreement
8 provides for MEP to share in a greater amount of the profits than was the case with the
9 SoCal Management Agreement.
10

11 8. Almost immediately after Synergy was employed as Manager in early August
12 2018, and in sharp contrast to SoCal, Synergy opened the Facility and contracted with a sub
13 licensee, Edipure, for its use of the Facility. As soon as the sub license agreement with
14 Edipure was made, Edipure invested between \$50,000 and \$100,000 in equipping its space
15 at the Mira Este Facility. Under its sub license agreement, Edipure is paying approximately
16 \$30,000 per month or 10% of its revenues, whichever is greater for its use of the Facility.
17 Since it had initial sales or "pre-orders" of \$200,000, Edipure is obligated to pay the sum of
18 \$30,000 for its first month of occupancy. Also, the sublicense Agreement entitles Edipure
19 to occupy approximately 4000 square feet of space at the Mira Este Facility. It also specifies
20 that the Facility will provide security, staffing, testing, and other overhead as outlined in the
21 Declaration of Jerry Baca. The sub license agreement with Edipure was entered into during
22 the time that there was no receiver at the Mira Este Facility. However, within a week or two
23 after the Edipure sublicense was made and on or about August 20, 2018, the current receiver
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1 was appointed on an ex parte basis. The appointment was made into a preliminary
2 injunctive order on or about September 26, 2018.

3 9. In addition to Edipure, Synergy and MEP also had a number of other contacts
4 who communicated to MEP a strong interest in locating their production and manufacturing
5 activities to the Mira Este Facility. Many of these producers and manufacturers were very
6 close to reaching an Agreement for a sub license Agreement with MEP similar to Edipure's
7 sub license Agreement before the receiver was appointed on August 20, 2018. As a result of
8 the appointment of the receiver on August 20, 2018, not one of following companies were
9 willing to negotiate further or to enter into a subcontract agreement similar to Edipure's
10 once it was made known that the Facility was under a receivership:

- 12 A. Conscious Flowers;
- 13 B. Eureka Oil (Vape Cartridges);
- 14 C. Bomb Xtracts (Vape Cartridges, Pre Rolls, Flower, Moonrocks, Candy,
15 Concentrates, Drinks, Edibles and chip);
- 16 D. 10X (Cannabis infused drinks);
- 17 E. Cannabis PROS (Candy Company);
- 18 F. Royal Vape (Vape Cartridges, Pre Rolls, Edibles);
- 19 G. LOL Edibles (Candy, Chips, etc.);
- 20 H. Xtreme Vape (Vape Oil manufacturing and Vape Cartridges);
- 21 I. Bloom Farms (Vape Cartridges);
- 22 J. Cannabis Presidentials (Premium Pre Rolls, Vape Cartridges, Flower, Moonrocks,
23 Candies);
- 24 K. Cream of the Crop.

24 Based on my communications with the prospective sub licensees who have expressed an interest
25 in the Facility, it is my belief that so long as there is a receiver overseeing the Facility, I will be
26

1 unable to procure new subleases for the Facility, which will cause the Facility to continue to
2 operate at a negative cash flow.

3 10. Since Edipure has been the only sublicensee to contract with the Mira Este
4 Facility to date, the Mira Este Facility has been losing money each and every day it is open.
5 There have been no net profits since SoCal stopped payments in or about May 2018. Debt
6 service and overhead of the Mira Este Facility exceed the amount that Edipure is paying.
7 The debt service alone, including taxes and insurance, is approximately \$30,000 per month.
8 There is also additional and extensive overhead for the Mira Este Property beyond debt
9 service. Overhead expenses include staffing, security, maintenance, and testing services that
10 are required to be provided to sub licensees regardless of the number of sub licensees at the
11 Facility.
12

13 11. I have reviewed the Receiver's Amended Second Report ("Second Report").
14 While there are a number of discrepancies and items in the Second Report with which I disagree,
15 the overall poor financial condition of the Mira Este Facility reflected in the Second Report is
16 accurate. Attached hereto as Exhibit 2 and, by this reference, made a part hereof is the Amended
17 Schedule 5 from the Second Report, consisting of the Mira Este Operation Statement of Cash
18 Received and Disbursed from Operations from inception to the present. As indicated in the
19 Second Report, the only income since July 2018 has been from the Edipure sub-license fee of
20

21 ///

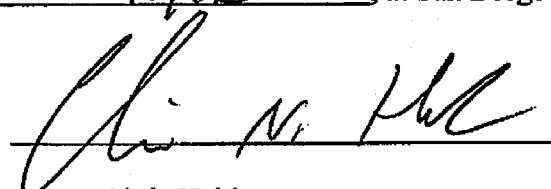
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1 \$90,000. Even with that income, the net operations for the period from July 2018 to October
2 2018 show a loss of \$132,097.60.

3 I declare under penalty of perjury that the foregoing is true and correct except as to
4 those matters stated on information and belief and as to those matters I believe it to be true.

5 This declaration was executed on 11/16/18, at San Diego County,
6 California.
7

8 
9 Chris Hakim

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EXHIBIT 1

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SECURITIES HAVE NOT BEEN REGISTERED OR QUALIFIED PURSUANT TO THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE AND MAY BE OFFERED AND SOLD ONLY IF SO REGISTERED AND QUALIFIED OR IF AN EXEMPTION FROM SUCH REGISTRATION AND QUALIFICATION EXISTS.

**OPERATING AGREEMENT FOR
MIRA ESTE PROPERTIES, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY**

This Amended and Restated Operating Agreement is entered into as of the 8th day of July, 2016 by Ninas Malan, an individual, and Chris N. Hakim, an individual (referred to individually as a Member and collectively as the Members) with reference to the following:

WHEREAS, the Members desire to form a limited liability company (Company) under the California Revised Limited Liability Company Act.

WHEREAS, the Members enter into this Operating Agreement in order to form and provide for the governance of the Company and the conduct of its business and to specify the Members' relative rights and obligations.

NOW, THEREFORE, for valuable consideration, receipt of which is hereby acknowledged by the Members, the Members hereby agree as follows:

ARTICLE I. DEFINITIONS

The following capitalized terms used in this Agreement have the meanings specified in this Article or elsewhere in the Agreement and when not so defined shall have the meanings set forth in California Corporations Code section 17001.

1.1 "Act" means the California Revised Uniform Limited Liability Company Act (Corporations Code sections 17701.01-17713.13), including amendments from time to time.

1.2 "Agreement" means this operating agreement, as originally executed and as amended from time to time.

1.3 "Articles of Organization" is defined in California Corporations Code section 17701.02(b), as applied to this Company.

1.4 "Assignee" means a person who has acquired a Member's Economic Interest in the Company, by way of a Transfer in accordance with the terms of this Agreement, but who has not become a Member.

1.5 "Assigning Member" means a Member who by means of a Transfer has transferred

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an Economic Interest in the Company to an Assignee.

1.6 "Bankruptcy" shall mean, and a Member shall be deemed a "Bankrupt Member," on: (i) the filing of an application by a Member for relief by a Member, or that Member's consent to the appointment of a trustee, receiver, or custodian of the Member's other assets; (ii) the entry of a decree or order for relief against the Member by a court of competent jurisdiction in any involuntary case brought against the Member under any bankruptcy, insolvency, or other similar law (collectively, "debtor relief laws") generally affecting the rights of creditors and relief of debtors now or hereafter in effect; (iii) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or other similar agent under applicable debtor relief laws for the Member or for any substantial part of that Member's assets or property; (iv) the ordering of the winding up or liquidation of the Member's affairs; (v) the filing of a petition in any such involuntary Bankruptcy case, which petition is not dismissed within 180 days of filing or which is not dismissed or suspended pursuant to Section 305 of the Federal Bankruptcy Code (or any corresponding provision of future United States debtor relief law now or hereafter in effect); (vi) the consent by the Member to the entry of an order for relief in an involuntary case under any such law or the appointment of or the taking of possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, or other similar agent under any applicable debtor relief law for the Member or for any substantial part of that Member's assets or property, or (vii) the making by a Member of any general assignment for the benefit of creditors.

1.7 "Capital Account" means, as to any Member, a separate account maintained and adjusted in accordance with Article III, Section 3.3 of this Agreement.

1.8 "Capital Contribution" means, with respect to any Member, the amount of money, services, and the fair market value of any property (other than money) contributed to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take "subject to" under IRC section 752) in consideration of a Percentage Interest held by such Member. A Capital Contribution shall not be deemed a loan. The value of all services rendered must be agreed upon by all Members and the Manager in writing.

1.9 "Capital Event" shall mean and include all receipts from a sale, mortgage, or refinancing of a mortgage, foreclosure, abandonment, condemnation (other than a temporary taking) or other disposition or encumbrance of all or substantially all of the Company's real and/or personal property (including sales of easements, rights of way or other interest in the Company's real estate), and any insurance proceeds for reimbursement of a loss (other than a temporary loss) as a result of fire, flood, or other casualty to all or substantially all of the Company's property, less all expenses and losses attributable to such Capital Events, any mortgage or other indebtedness or portion thereof satisfied out of proceeds from such Capital Events, the cost of any improvement, repair or replacement of such property, and any Capital Contributions or other contributions made to the Company by its Members. Any item included or deducted in determining the proceeds of a Capital Event shall not be included or deducted in determining net cash flow. In the event property is distributed to a Member in kind, the Member shall be deemed to have received a distribution of an amount equal to the fair market value of the property and the unrealized appreciation or

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unrecorded depreciation in value shall be treated as part of proceeds from a Capital Event realized or incurred by the Company at the time of distribution.

1.10 "Code" or "IRC" means the Internal Revenue Code of 1986, as amended, and any successor provision.

1.11 "Company" means the company named in Article II, Section 2.1 of this Agreement.

1.12 "Economic Interest" means a Person's right to share in the income, gains, losses, deductions, credit or similar items of, and to receive distributions from, the Company, but does not include any other rights of a Member, including the right to Vote or to participate in management.

1.13 "Encumber" means the acts of creating or purporting to create an Encumbrance, whether or not perfected under applicable law.

1.14 "Encumbrance" means, with respect to any Membership Interest, or any element thereof, a mortgage, pledge, security interest, lien, proxy coupled with an interest (other than as contemplated in this Agreement), option, or preferential right to purchase.

1.15 "Gross Asset Value" means, with respect to any item of property of the Company, the item's adjusted basis for federal income tax purposes, except as follows:

(a) The Gross Asset Value of any item of property contributed by a Member to the Company shall be the fair market value of such property, as mutually agreed by the contributing Member and the Company; and

(b) The Gross Asset Value of any item of Company property distributed to any Member shall be the fair market value of such item of property on the date of distribution, as mutually agreed upon by the distributee Member and the Company.

1.16 "Initial Members" means those Members first referenced above in this Agreement. Reference to an "Initial Member" means any of the Initial Members.

1.17 "Involuntary Transfer" means, with respect to any Membership Interest, or any element thereof, any Transfer or Encumbrance, whether by operation of law, pursuant to court order, foreclosure of a security interest, execution of a judgment or other legal process, or otherwise, including a purported transfer to or from a trustee in bankruptcy, receiver, or assignee for the benefit of creditors.

1.18 "Losses." See "Profits and Losses."

1.19 "Majority of Members" means a Member or Members whose Percentage Interest represent more than 50 percent of the Percentage Interests of all the Members.

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1.20 "Manager" or "Managers" shall mean the Person or Persons named as such in Article II, Section 2.6 of this Agreement or a Person who from time to time shall succeed a Person as the Managers and who, in either case, is serving at the relevant time as a Manager.

1.21 "Member" means an Initial Member or Person who otherwise acquires a Membership Interest, as permitted under this Agreement, and who remains a Member.

1.22 "Membership Interest" as used in this Agreement means a Member's entire, rights, title, interest, and all other rights in the Company, collectively, including the Member's Transferable Interest, any right to Vote or participate in management, and any right to information concerning the business and affairs of the Company.

1.22 "Notice" means a written notice required or permitted under this Agreement. A notice shall be deemed given or sent when deposited, as certified mail or for overnight delivery, postage and fees prepaid, in the United States mails; when delivered to Federal Express, United Parcel Service, DHL, WorldWide Express, Airborne Express or other overnight delivery or courier service for overnight delivery, charges prepaid or charged to the sender's account; when personally delivered to the recipient; when transmitted by electronic means, and such transmission is electronically confirmed as having been successfully transmitted; or when delivered to the home or office of a recipient in the care of a person whom the sender has reason to believe will promptly communicate the notice to the recipient.

1.23 "Percentage Interest" means a fraction, expressed as a percentage, the numerator of which is the total of a Member's Capital Account and the denominator of which is the total of all Capital Accounts of all Members as described on Exhibit "A" attached hereto.

1.24 "Person" means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

1.25 "Profits and Losses" means, for each fiscal year or other period specified in the Agreement, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with IRC section 703(a).

1.26 "Proxy" means a written authorization signed or an electronic transmission authorized by a member or the Member's attorney-in-fact giving another Person the power to exercise the voting rights of that Member. A Proxy may not be transmitted orally.

1.27 "Regulations" or "Reg" means the income tax regulations promulgated by the United States Department of the Treasury and published in the Federal Register for the purpose of interpreting and applying the provisions of the Code, as such Regulations may be amended from time to time, including corresponding provisions of applicable successor regulations.

1.28 "Substituted Member" is defined in Article VIII, Section 8.4 of this Agreement.

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1.29 "Successor in Interest" means an Assignee, a successor of a Person by merger or otherwise by operation of law, or a transferee of all or substantially all of the business or assets of a Person.

1.30 "Transfer" means, with respect to a Membership Interest, or any element of a Membership Interest, any sales, assignment, gift, Involuntary Transfer, or other disposition of a Membership Interest or any element of such a Membership Interest, directly or indirectly, other than an Encumbrance that is expressly permitted under this Agreement.

1.31 "Transferable Interest" means the right, as originally associated with a Person's capacity as a Member, to receive distributions from the Company in accordance with the terms of this Agreement, whether or not the Person remains a Member or continues to own any equity or other rights in the Company. For purposes of this Agreement, and to the extent permitted by law, the term "Transferable Interest" shall not be distinguished from Membership Interest as used in this Agreement as to the agreements of the Members contained herein, regardless of whether there is a separate definition for this term in the Act.

1.31 "Triggering Event" is defined in Article VIII, Section 8.6 of this Agreement.

1.32 "Vote" means a written consent or approval, a ballot cast at a Meeting, or a voice vote.

1.33 "Voting Interest" means, with respect to a Member, the right to Vote or participate in management and any right to information concerning the business and affairs of the Company provided under the Act, except as limited by the provisions of this Agreement. The Members' Voting Interest shall be directly proportional to the Members' Percentage Interest.

ARTICLE II: ARTICLES OF ORGANIZATION

2.1 The name of the Company shall be **MIRA ESTE PROPERTIES, LLC**.

2.2 The initial principal executive office of the Company shall be at 1011 Camino del Rio South, Suite 210, San Diego, CA 92108, or such other place or as may be determined by the Manager from time to time. The mailing address for the Company shall be the same as above.

2.3 The agent for service of process of the Company shall be David C. Jarvis, located at 1011 Camino del Rio South, Suite 210, San Diego, CA 92108. The Manager or all the Members may from time to time change the Company's agent for service of process.

2.4 The Company shall be formed for the purposes of real estate ownership of the specific piece of real property already owned by the Company, or to be acquired by the Company, commonly known as 9212 Mira Este Court, #B, San Diego, CA 92126 (the "Property"). It is not the purpose or intention of the Members that the Company participate in any other business activities other than ownership of the above-referenced Property; provided, however, the Company

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may also engage in any other lawful purpose as may from time to time be determined by the Manager and the Members.

2.5 The term of existence of the Company shall commence on the effective date of filing the Articles of Organization with the California Secretary of State, and shall continue until December 31, 2056, unless sooner terminated by the provisions of this Agreement, or as provided by law.

2.6 Chris N. Hakim shall be the manager (the "Manager") of the Company. No other person or Member shall act as Manager, or have any management or agency role, with or on behalf of the Company.

ARTICLE III: CAPITALIZATION

3.1 The Members' Capital Contributions to the Company is as outlined in Exhibit "A" of this Agreement. The Members shall receive a credit to their Capital Accounts equal to the value of their capital contribution to the Company. The Members' Membership Interest in the Company shall be as stated in Exhibit "A" of this Agreement. In order to obtain additional funds or for other business purposes, Members may contribute additional capital to the Company, but only upon the written consent of the Manager and the other Members.

3.2 The Manager may determine from time to time that additional Capital Contributions in addition to the Members' Initial Capital Contributions are needed to enable the Company to conduct its business. In the event of such a determination, the Manager shall give notice to all Members in writing at least ninety (90) days before the date on which such additional Capital Contribution is due. The Notice shall set forth the amount of additional Capital Contribution needed, the purpose for which it is needed, and the date by which the Members shall contribute. Each Member shall be required to make an additional Capital Contribution in an amount that bears the same proportion to the total additional Capital Contribution that such Member's Capital Account balance bears to the total Capital Account balances of all Members. No Member may voluntarily make any additional Capital Contributions except with the written consent of the Manager.

3.3 If a Member fails to make an Initial Capital Contribution or additional Capital Contribution required under Article III of this Agreement within thirty (30) days after such Capital Contribution is due, the Manager shall within ten (10) days after said failure notify all other Members in writing of the total amount of Capital Contributions not made by the defaulting Member, and shall specify a number of days within which each non-defaulting Member may make a supplemental Capital Contribution. Such supplemental Capital Contribution shall not be more than the amount of the Capital shortfall not so contributed by the defaulting Member. The Manager may use any reasonable method to provide non-defaulting Members the opportunity to make supplemental Capital Contributions in an amount that bears the same ratio to their Percentage Interest until the Capital shortfall is as fully contributed as possible. Following the supplemental Capital Contribution by the non-defaulting Members, each Members' Percentage Interest shall be

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adjusted to reflect the ratio that the Members' Capital Account bears to the total Capital Accounts of all the Members. The foregoing option shall be in addition to, and not in lieu of, any other rights, including the right to specific performance, that the Company may have against the defaulting Member.

3.4 An individual Capital Account shall be maintained for each Member consisting of that Member's Capital Contribution, (1) increased by that Member's share of Profits, (2) decreased by the Member's share of Losses, and (3) adjusted as required in accordance with applicable provisions of the Code and Regulations.

3.5 A Member shall not be entitled to withdraw any part of the Member's Capital Contribution or to receive any distributions, whether of money or property, from the Company except as provided for in this Agreement.

3.6 No interest shall be paid on funds or property contributed to the capital of the Company or on the balance of a Member's Capital Account.

3.7 A Member shall not be bound by, or be personally liable for, the expenses, liabilities, or obligations of the Company except as otherwise provided in the Act or in this Agreement.

3.8 Except as provided in Article IV below, no Member shall have priority over any other Member with respect to the return of a Capital Contribution, or distributions or allocations of income, gain, losses, deductions, credits, or items thereof.

3.9 In the event a Member has incurred any indebtedness or obligation before the date of this Agreement that relates to or otherwise affects the Company, neither the Company nor any other Member has any liability or responsibility with respect to the indebtedness or obligation unless the indebtedness or obligation is assumed by the Company pursuant to a written instrument signed by all Members. Furthermore, neither the Company nor any Member is responsible or liable for any indebtedness or obligation that is subsequently incurred by any other Member. In the event that a Member, whether before or after the date of this Agreement, incurs any debt or obligation that neither the Company nor any of the other Members is to have any responsibility or liability for, the liable Member must indemnify and hold harmless the Company and the other Members from any liability or obligation they may incur in respect of the debt or obligation.

3.10 Further provided, Exhibit "A" shall further include funds contributed by either or both Members in furtherance of the purchase of the real property referenced in Section 2.4 above, and upon verification by the Manager such funds shall be part of that Member's Capital Contribution.

ARTICLE IV: ALLOCATIONS AND DISTRIBUTIONS

4.1 Except as provided herein, the Profits and Losses of the Company, as well as all

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items of Company income, gain, loss, deduction, distributions, or credit shall be allocated, for Company book purposes and for tax purposes, to a Member in accordance with the Member's Percentage Interest.

4.2 If any Member unexpectedly receives any adjustment allocation, or distribution described in Reg sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Company gross income and gain shall be specifically allocated to that Member in an amount and manner sufficient to eliminate any deficit balance in the Member's Capital Account created by such adjustment, allocation, or distribution as quickly as possible. Any special allocation under this Section 4.2 shall be taken into account in computing subsequent allocations of Profits and Losses so that the net amount of allocations of income and loss and all other items shall, to the extent possible, be equal to the net amount that would have been allocated if the unexpected adjustment, allocation, or distribution had not occurred. The provisions of this Section 4.2 and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Reg sections 1.704-1(b) and 1.704-2 and shall be interpreted and applied in a manner consistent with such Regulations.

4.3 Any unrealized appreciation or unrealized depreciation in the values of Company property distributed in kind to all the Members shall be deemed to be Profits or Losses realized by the Company immediately prior to the distribution of the property and such Profits or Losses shall be allocated to the Members' Capital Accounts in the same proportions as Profits are allocated under Section 4.1. Any property so distributed shall be treated as a distribution to the Members to the extent of the Fair Market Value of the property less the amount of any liability secured by and related to the property. Nothing contained in this agreement is intended to treat or cause such distributions to be treated as sales for value. For the purposes of this Section 4.3, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the Fair Market Value of such property and the Company's basis for such property.

4.4 In the case of a Transfer of an Economic Interest during any fiscal year, the Assigning Member and Assignee shall each be allocated this Economic Interest's share of Profits and Losses based on the number of days each held the Economic Interest during that fiscal year.

4.5 All cash resulting from the normal business operations of the Company and from a Capital Event shall be distributed among the Members in proportion to their Percentage Interests in the timeframe determined by the Manager.

4.6 If the proceeds from a sale or other disposition of a Company asset consist of property other than cash, the value of such property shall be as determined by the Members. Such non-cash proceeds shall then be allocated among all the Members in proportion to the Percentage Interest. If such non-cash proceeds are subsequently reduced to cash, such cash shall be distributed to each Member in accordance with Section 4.5.

4.7 Notwithstanding any other provisions of this Agreement to the contrary, when there is a distribution in liquidation of the Company, or when any Member's interest is liquidated, all

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items of income and loss first shall be allocated to the Members' Capital Accounts under this Article IV, and other credits and deductions to the Members shall be made to the Members to the extent of and in proportion to their positive Capital Account balances.

4.8 Notwithstanding any provision of this Agreement to the contrary, all distributions of taxable income, net income, net cash flow, net capital proceeds, cash from any Capital Events, or any other distributions or items outlined in Section 4.1 above (collectively, a "Distribution") to the Members of the Company described above shall first be distributed to the Members in satisfaction of all Capital Contributions made to the Company, along with an amount equal to ten percent (10%) annual interest of such Capital Contribution amount as determined by the Company's accountant. Upon satisfaction of the return of the Members' Capital Contributions (plus the 10% annual rate of return on such Capital Contributions), all Distributions shall be made to the Members as provided in Section 4.1 above.

ARTICLE V: MANAGEMENT

5.1 The business of the Company shall be solely managed by the Manager named in Article II, Section 2.6 of this Agreement, or a successor Manager selected in the manner provided in Section 5.3 of this Agreement. The Members shall not have any management role in the Company.

5.2 Unless a Manager resigns or is removed, the Manager shall hold office until a successor is elected and qualified. The Manager need not be a Member, an individual, a resident of the State of California, or a citizen of the United States.

(a) A Manager may resign at any time by giving written notice to the Members without prejudice to the rights, if any, of the Company under any contract to which a Manager is a party. The resignation of a Manager shall take effect upon receipt of that notice or at such later time as shall be specified in the notice. Unless otherwise specified in the notice, the acceptance of the resignation shall not be necessary to make it effective. The resignation of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a dissociation of a Member.

(b) A Manager may be removed at any time, with cause, by the Vote of a Majority of Members at a meeting called expressly for that purpose, or by the written consent of all Members. Any removal shall be without prejudice to the rights, if any, of a Manager under any employment contract and, if the Manager is also a Member, shall not affect the Manager's rights as a Member or constitute a dissociation of the Manager as a Member. For purposes of this Section, "cause" shall mean fraud, gross negligence, willful misconduct, embezzlement or a breach of such Manager's obligations under this Agreement or any employment contract with the Company.

5.3 The appointment of a successor Manager shall be made by a Majority of Members for (a) a term expiring with the appointment of a successor, or (b) a term expiring at a definite time specified by a Majority of Members in connection with such an appointment. A successor Manager who is not also a Member may be removed with or without cause at any time by action of a

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Majority of Members. A successor Manager who is a Member may be removed only on the Vote of a Majority of Members and the execution and filing of a Certificate of Amendment of the Article of Organization of the Company in conformity with California Corporations Code Section 17054, if necessary, to provide that the Company is to be managed by Manager.

5.4 The day-to-day business, property and affairs of the Company shall be managed exclusively by the Manager. Except for situations in which the approval of the Members is expressly required by this Agreement or by law, the Manager shall have complete and exclusive authority, power, and discretion to manage and control the day-to-day business, property and affairs of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the day-to-day management of the Company's business, property and affairs. Notwithstanding the foregoing, the Manager shall not take any of the following actions on behalf of the Company unless a Majority of Members has consented to the taking of such action:

- (a) Any amendment to the Articles of Organization of the Company;
- (b) The dissolution of the Company;
- (c) The disposition of all or a substantial part of the Company's assets not in the ordinary course of business;
- (d) The entering into, on behalf of the Company, of any transaction constituting a "reorganization" within the meaning of California Corporations Code Section 17600;
- (e) The Company entering into any single transaction or series of transactions, which obligate the Company in excess of \$20,000, including but not limited to any real property financing or lease arrangements;
- (f) The borrowing of funds by the Company in excess of \$20,000, including but not limited to any loans or other financing obtained by the Company and secured by the Property; and
- (g) The termination, assignment, subletting, or modification of any lease or occupancy between the Company, on the one hand, and third party tenants or occupants, on the other hand, regarding the Property; provided, however, the Manager may terminate any lease that is in default for more than six (6) months, and the Members further release Manager from any liability for not exercising a Company right or remedy available to Company relating to such tenancies or occupancy.

5.5 It is acknowledged that the Manager may have other business interests which the Manager devotes part of his or her time. The Manager shall devote such time to the conduct of the business of the Company as the Manager, in his or her own good faith and discretion, deems necessary. Limitations on the Manager's duties to the Company are further subject to the following so long as such limitations are not manifestly unreasonable:

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(a) A Manager is not obligated to commit a specific portion of his or her time to the business of the Company;

(b) A Manager is free to engage in other business activities in which the Company and the other Member(s) have no direct interest;

(c) A Manager is free to engage in business activities that compete with the Company, including but in no way limited to the ownership of investment real property.

(d) A Manager need not offer business opportunities to the Company or the other Member(s), and may take advantage of those other unrelated business opportunities for his or her own account, and neither the Company nor any other Member has a right to any income or equity opportunities derived by the Manager from those other unrelated business activities.

5.6 The Manager may further, after full disclosure to all Members of all material facts and the Vote of a Majority of Members, the Manager may enter into the following acts even though it would violate the Manager's duty of loyalty to the Company and to the Members:

(a) Enter into a transaction for the purchase of other commercial or residential real property for the purpose of Manager's personal investment in which the Manager takes direct or indirect ownership interest in any such real property without the participation of the Company or the other Member(s).

(b) Own, manage, control, operate, or otherwise participate in any business activities similar or dissimilar to the business of the Company without the participation of the Company or the other Member(s).

It is the specific intention of the Members to grant the Manager authority to engage in business opportunities, competing activities, and otherwise devote time to such other business activities in addition to, and potentially in direct competition with, the business activities of the Company.

5.7 The Manager shall be entitled to reimbursement for all expenses reasonably incurred by the Manager in the performance of the Manager's duties. In addition, in the event the fiduciary duties of the Manager require the Manager to bring any business opportunity to the Company pursuant to, or as required by, applicable California law, then the Manager shall further be entitled to reasonable compensation and reimbursement for arranging, developing, or finding such other business opportunity in addition to any other reimbursement or compensation the Manager is otherwise entitled to receive by law, including but not limited to brokers fees or finders fees.

5.8 Subject to Section 5.4 of this Agreement, the Manager shall have all necessary powers to carry out the purposes, business, and objectives of the Company, including, but not limited to, the right to enter into and carry out contracts of all kinds; to employ employees, agents,

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consultants and advisors on behalf of the Company; to lend or borrow money and to issue evidences of indebtedness; to bring and defend actions in law or at equity; to buy, own, manage, sell, lease, mortgage, pledge or otherwise acquire or dispose of Company property. The Manager may also deal with any related person, firm or corporation on terms and conditions that would be available from an independent responsible third party that is willing to perform. Subject to Section 5.4 of this Agreement, the Manager shall have the authority to sign agreements and other documents on behalf of the Company provided that the Manager act within the customary scope of authority of a manager of a limited liability company.

Without limiting the generality of this Section 5.8, the Manager shall have the power and authority to act on behalf of the Company in executing all loan documents, escrow instructions, purchase and sale documents, and all other documents necessary or advisable relating to real property, leasehold interest, or personal property acquired by the Company. The Manager shall also have the power and authority to act on behalf of the Company to the extent permitted by the law and this Agreement to do the following:

- (a) To acquire property from any Person as the Manager may determine. The fact that a Member is directly or indirectly affiliated or connected with any such Person shall not prohibit the Manager from dealing with that Person or Entity;
- (b) To borrow money for the Company from banks, other lending institutions, the Members, or Affiliates of the Members or the Manager on such terms as he deems appropriate, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums. Except as otherwise provided in the act, no debt shall be contracted or liability incurred by or on behalf of the Company, except by the Manager, and the terms of which will be subject to approval by a Majority of the Members;
- (c) To purchase liability and other insurance to protect the property and business of the Company;
- (d) To hold and own any Company real and personal properties in the name of the Company;
- (e) To invest any funds of the Company temporarily (by way of example but no limitation) in time deposits, short-term governmental obligations, commercial papers or other investments;
- (f) To execute on behalf of the Company all instruments and documents, including, without limitation, checks, drafts, notes and other negotiable instruments, mortgages or deeds of trust, security agreements, financing statements, documents providing for the acquisition, mortgage or disposition of property of the Company, assignments, bills of sale, leases, partnership agreements and any other instruments or documents necessary, in the opinion of the Manager, to the business of the Company;

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- (g) To employ accountants, legal counsel, managing agents or other experts to perform services for the Company and to compensate them from Company funds;
- (h) To retain and compensate employees and agents generally, and to define their duties;
- (i) To enter into any and all other agreements on behalf of the Company, with any Person for any purpose necessary or appropriate to the conduct of the business of the Company;
- (j) To pay reimbursement from the Company of all expenses of the Company reasonably incurred and paid by the Manager on behalf of the Company; and
- (k) To do and perform all other acts as may be necessary or appropriate to the conduct of the business of the Company.

5.8 The Manager shall cause all assets of the Company (excepting the Company's funds which are held in Trust) to be held in the name of the Company, whether such assets are real or personal.

5.9 All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions at such locations as shall be determined by the Manager.

5.10 Each Member, by execution of this Agreement, irrevocably constitutes and appoints the Manager as such Member's true and lawful attorney-in-fact and agent, with full power and authority in such Member's name, place, and stead to execute, acknowledge, and deliver, and to file or record in any appropriate public office: (a) any certificate or other instrument that may be necessary, desirable, or appropriate to qualify the Company as a limited liability company or to transact business as such in any jurisdiction in which the Company conducts business; (b) any certificate or amendment to the Company's Articles of Organization or to any certificate or other instrument that may be necessary, desirable, or appropriate to reflect an amendment approved by the Members in accordance with the provisions of this Agreement; (c) any certificates or instruments that may be necessary, desirable, or appropriate to reflect the dissolution and winding up of the Company; and (d) any certificates necessary to comply with the provisions of this Agreement. This power of attorney will be deemed to be coupled with an interest and will survive the Transfer of the Member's Economic Interest. Notwithstanding the existence of this power of attorney, each Member agrees to join in the execution, acknowledgement, and delivery of the instruments referred to above if requested to do so by the Manager. This power of attorney is a limited power of attorney and does not authorize the Manager to act on behalf of a Member except as described in this Section 5.10.

5.9 Management responsibilities and fiduciary duties of the Manager may not be materially altered except by the unanimous written consent of all Members and the Manager.

5.10 Except as specified in this Agreement, no Manager or affiliate of a Manager is

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entitled to remuneration for services rendered or goods provided to the Company. The Manager and his affiliate shall receive only the following payments:

(a) The Company shall pay a Manager or the Manager's affiliate for services rendered or goods provided to the Company to the extent that the Manager is not required to render such services or goods themselves without charge to the Company, and to the extent that the fees paid to such Manager or the Manager's affiliate does not exceed the fees that would be payable to an independent responsible third party that is willing to perform such services or provide such goods.

(b) The Company shall reimburse a Manager or a Manager's affiliate for the actual cost of materials used for or by the Company. The Company shall also pay or reimburse the Manager or the Manager's affiliate for organizational expenses (including, without limitation, legal and accounting fees and costs) incurred to form the Company and prepare and file the Articles and this Agreement. Except as otherwise provided herein, a Manager and a Manager's affiliate shall not be reimbursed by the Company for the following expenses: (1) salaries, compensation or fringe benefits of directors, officers or employees of a Manager or a Manager's affiliate; (2) overhead expenses of a Manager or a Manager's affiliate, including, without limitation, rent and general office expenses; and (3) the cost of providing any service or goods for which a Manager or a Manager's affiliate are entitled to received compensation from the Company.

ARTICLE VI: ACCOUNTS AND RECORDS

6.1 The Tax Matters Partner shall be the Manager, as defined for federal income tax purposes, and shall be solely responsible for representing the Company in all dealings with the U.S. Internal Revenue Service and any state, local, and foreign tax authorities. The Tax Matters Partner shall keep the other Members reasonably informed of any Company dealings with any tax agency.

6.2 Complete books of account of the Company's business in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office and shall be open to inspection and copying by each Member or the Member's authorized representatives on reasonable Notice during normal business hours. The costs of such inspection and copying shall be borne by the requesting Member.

6.3 Financial books and records of the Company shall be kept on the cash method of accounting, which shall be method of accounting followed by the Company for federal income tax purposes. A balance sheet and income statement of the Company shall be prepared promptly following the close of each fiscal year in a manner appropriate to and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

6.4 At all times during the term of existence of the Company, and beyond that term if a Majority of Members deem it necessary, the Manager shall keep or cause to be kept the books of account referred to in Section 6.2, and the following:

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- (a) A current list of the full name and last known business or residence address of each Member, together with the Capital Contribution and the share in Profits and Losses of each Member;
- (b) A copy of the Articles of Organization, as amended;
- (c) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six (6) most recent taxable years;
- (d) Executed counterparts of this Agreement, as amended;
- (e) Any powers of attorney under which the Articles of Organization or any amendments thereto were executed;
- (f) Financial statements of the Company for the six most recent fiscal years; and
- (g) The Books and Records of the Company as they relate to the Company's internal affairs for the current and past four fiscal years.

If a Majority of Members deem that any of the foregoing items shall be kept beyond the term of existence of the Company, the repository of said items shall be as designated by the Manager.

6.5 Within ninety (90) days after the end of each taxable year of the Company the Company shall send to each Member all information necessary for the Members to complete their federal and state income tax or information returns, and a copy of the Company's federal, state, and local income tax or information returns for such year.

ARTICLE VII: MEMBERS AND VOTING

7.1 There shall be only one class of membership and no Member shall have any rights or preferences in addition to or different from those possessed by any other Member. Each Member shall Vote in proportion to the Member's Percentage Interest as of the governing record date, determined in accordance with Section 7.2. Unless otherwise provided in this Agreement or required by applicable laws, any action that may or must be taken by the Members shall be by a Vote of a Majority of Members.

7.2 The Manager may call a Meeting of the Members when the Manager determines that such a Meeting is necessary or in the best interest of the Company. The record date for determining the Members entitled to Notice of any Meeting, to vote, to receive any distribution, or to exercise any right with respect to any other lawful action, shall be the date and at a location set by the Manager, provided that such record shall not be more than sixty (60) nor less than ten (10) days prior to the date of the Meeting, nor more than sixty (60) days prior to any other action.

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(a) In the absence of any action setting a record date, the record date shall be determined in accordance with the Act.

7.3 At all Meetings of Members, a Member may Vote in person or by Proxy. Such proxy shall be filed with the Manager or the Company before or at the time of the Meeting, and may be filed by facsimile transmission to the Manager or the Company at the principal executive office of the Company or such other address as may be determined by a Majority of Members for such purposes.

7.4 Any action that may be taken at any meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by Members having not less than the minimum number of Votes that would be necessary to authorize or take that action at a meeting at which all Members entitled to Vote thereon were present and Voted. If the Members are requested to consent to a matter without a meeting, each Member shall be given Notice of the matter to be Voted upon in the manner described in Section 7.3 of this Agreement. Any action taken without a meeting shall be effective when the required minimum number of Votes have been received. Prompt Notice of the action shall be given to all Members who have not consented to the action.

7.5 No Member acting solely in the capacity of a Member is an agent of the Company, nor can any Member acting solely in the capacity of a Member bind the Company or execute any instrument on behalf of the Company. Accordingly, each Member shall indemnify, defend, and hold harmless each other Member and the Company from and against any and all loss, cost, expense, liability, or damage arising from or out of any claim based on any action by the Member in contravention of the terms of this Section 7.5.

7.6 To the maximum extent permitted, the Members are further entitled to the rights and privileges granted to the Manager that are outlined in Sections 5.5, 5.6, and other provisions of this Agreement with respect to outside business activities that may be engaged in by the Members which are unrelated to the Company without participation by the Company or the other Members.

ARTICLE VIII: TRANSFERS OF MEMBERSHIP INTERESTS

8.1 A Member may dissociate from the Company at any time by giving Notice of Dissociation to all other Members at least one hundred eighty (180) calendar days before the effective date of dissociation. Dissociation shall not release a Member from any obligations and liabilities under this Agreement accrued or incurred before the effective date of dissociation, nor shall such dissociation affect the rights, duties, or responsibilities of the Manager or the other Member(s) in any way. A withdrawing Member shall divest the Member's entire Membership Interest before the effective date of dissociation in accordance with the transfer restrictions and option rights set forth below.

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8.2 Except as expressly provided in this Agreement, a Member shall not Transfer any part of the Member's Membership Interest in the Company, whether now owned or hereafter acquired unless the other Members unanimously approve the transferee's admission to the Company as a Substituted Member upon such Transfer. A Member shall not transfer the Member's Membership Interest in the Company if the Membership Interest to be transferred, when added to the total of all other Membership Interest transferred in the preceding 12 months, causes the termination of the Company under Section 708 of other provision of the Code. No Member may Encumber or permit or suffer any Encumbrance of all or any part of the Member's Membership Interest in the Company unless such Encumbrance has been approved in writing by all other Members. A Member shall not transfer the Member's Membership Interest in the Company without compliance with all federal and state securities laws. Unless otherwise provided for in this Agreement, any Transfer or Encumbrance of a Membership Interest without such approval shall be void. Unless otherwise provided for in this Agreement, upon (i) any attempt by a Member to transfer of the Member's Membership Interest in violation of this Agreement, (ii) the occurrence of a Dissolution Event as stated in Section 9.1 or a Triggering Event as outlined in Section 8.6, or (iii) the dissociation or resignation of a Member as stated in 8.1, the Membership Interest of a Member shall be terminated by the Manager and thereafter that Member shall hold only an Economic Interest, unless such Membership Interest is purchased by the Company and/or remaining Members as provided in this Article VIII. Each Member acknowledges and agrees that such termination or purchase of a Membership Interest upon the occurrence of any of the foregoing events is not unreasonable under the circumstances existing as of the date hereof.

(a) Notwithstanding any other provision of this Agreement to the contrary, a Member who is a natural person may transfer all or any portion of his or her Membership Interest to or from any revocable trust created for the benefit of the Member, or any combination between or among the Member, the Member's spouse, the Member's siblings or the Member's issue, provided that the Member retains a beneficial interest in the trust and all of the Voting Interest included in such Membership Interest. A transfer of a Member's entire beneficial interest in such trust or failure to retain such Voting Interest shall be deemed a Transfer of a Membership Interest. No transfer in this paragraph shall be effective if the Membership Interest to be transferred, when added to the total of all other Membership Interest transferred in the preceding 12 months, causes the termination of the Company under the Code. Further provided, for purposes of this Agreement the death of such initial Member shall cause the Company and/or the other Members the right to purchase the Membership Interest of a Member who died or became disabled as provided in Section 8.8 below notwithstanding that such dead or disabled Member held all or a portion of their Membership Interest in trust.

(b) Notwithstanding any other provision of this Agreement to the contrary, a Member may transfer his or her Membership Interest to another Member unless the Membership Interest to be transferred, when added to the total of all other Membership Interest transferred in the preceding 12 months, causes the termination of the Company under the Code.

(c) Notwithstanding any other provision of this Agreement to the contrary, a Member may transfer his or her Membership Interest to his or her issue and lineal descendants, unless the

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Membership Interest to be transferred, when added to the total of all other Membership Interest transferred in the preceding 12 months, causes the termination of the Company under the Code.

(d) Notwithstanding any other provision of this Agreement to the contrary, a Member may transfer his or her Membership Interest such Member's spouse, either during their life or after their death, unless the Membership Interest to be transferred, when added to the total of all other Membership Interest transferred in the preceding 12 months, causes the termination of the Company under the Code.

8.3 No Member shall participate in any Vote or decision in any matter pertaining to the disposition of that Member's Membership Interest in the Company under this Agreement.

8.4 Except as expressly permitted under Section 8.2, a prospective transferee (other than an existing Member) of a Membership Interest may be admitted as a Member with respect to such Membership Interest (a "Substituted Member") only (1) on the unanimous Vote of the Members, and (2) on such prospective transferee's executing a counterpart of this Agreement as a party hereto. To the extent permitted by this Article VIII, any prospective transferee of a Membership Interest shall be deemed an Assignee, and, therefore, the owner of only an Economic Interest until such prospective transferee has been admitted as a Substituted Member. Any person admitted to the Company as a Substituted Member shall be subject to all provisions of this Agreement.

8.5 The initial sale of Membership Interests in the Company to the Initial Members has not been qualified or registered under the securities laws of any state, or registered under the Securities Act of 1933, as amended, in reliance upon exemptions from the registration provisions of those laws. No attempt has been made to qualify the offering and sale of Membership Interest to Members under the California Corporate Securities Law of 1968, as amended, also in reliance upon an exemption from the requirement that a permit for issuance of securities be procured. Notwithstanding any other provision of this Agreement, Membership Interests may not be Transferred or Encumbered unless registered or qualified under applicable state and federal securities law or unless, in the opinion of legal counsel satisfactory to the Company, such qualification is not required. The Member who desires to Transfer a Membership Interest shall be responsible for all legal fees incurred in connection with said opinion.

8.6 Subject to the provisions above, upon the death of a Member, the Company shall have the option, for a period ending sixty (60) calendar days following the determination of the fair market value of the Membership Interest via an appraisal of the Company and its assets by a licensed appraiser, to purchase the Membership Interest in the Company held by the deceased Member at the fair market value of such Membership Interest unless such Membership Interest will be transferred to a permitted transferee outlined above. The other Members, pro rata in accordance with their Membership Interests in the Company, shall then have the option, for a period of sixty (60) days thereafter with regard to any Membership Interest of the deceased Member not acquired by the Company, to purchase the Membership Interest in the Company held by the deceased Member on the same terms and conditions as apply to the Company. If all Members do not elect to purchase the entire remaining Membership Interest in the Company of the deceased Member, then

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the Members electing to purchase shall have the right, pro rata in accordance with their prior Membership Interest in the Company, to purchase the additional Membership Interest in the Company that is not purchased and shall hold such Membership Interest in the Company subject to all of the provisions of this Agreement:

(a) Payment of the purchase price will be made over a period of five (5) years from the date the elections to purchase referenced in this Section 8.8 are finalized. The Company and/or the remaining Member(s) will execute a promissory note made payable to the successor and/or legal representative of the deceased Member's estate, or to their successors or assigns. Said promissory note shall bear an interest rate of the prime rate as published in the Wall Street Journal during the month in which the elections to purchase referenced in this Section are finalized, plus two percent (2%). The promissory note shall be fully amortized over five (5) years, with payments to the lender of said promissory note(s) made monthly. There shall further be no penalty for the prepayment of the principal balance and accrued interest under the promissory note(s). The promissory note shall provide that, in case of default, at the election of the holder, the entire sum of principal and interest immediately will be due and payable, and that the maker shall pay reasonable attorney's fees to the holder in the event suit is commenced because of default. As long as no default occurs in payments on the note, the purchaser(s) shall be entitled to vote the Membership Interest of the dead or disabled Member.

8.7 Transfers Upon Insolvency, Judicial Order Etc.

(a) Occurrence of any of the following events shall constitute an irrevocable offer (an "Irrevocable Offer"), which shall be irrevocable as long as any of the above conditions or events exist, by the Member to whom the event applies (the "Insolvent Participant") to sell all or part of the Insolvent Participant's Membership Interest in the Membership to the Company and/or the other Members:

(1) filing of voluntary or involuntary petition in bankruptcy by a Member, unless the petition is dismissed within sixty (60) days;

(2) a Member's or (1) insolvency; (2) assignment for the benefit of creditors; or (3) entering into any composition agreement with his creditors;

(3) the attempted involuntary transfer or passage of ownership of all or part of a Member's Membership Interest including without limitation, transfer pursuant to charging or other judicial order, legal process, execution, attachment, enforcement of pledge, trust, encumbrance or sale;

(4) the attempted transfer or passage of ownership of all or part of a Member's Membership Interest resulting from, or relating to, the dissolution or annulment of a Member's marriage to such Member's spouse or former spouse; provided, however, this provision does not apply to any Members married as of the date of this Agreement;

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(5) the withdrawal of a Member; and

(6) any transfer of a Membership Interest in violation of this Agreement.

(b) Within fifteen (15) days after occurrence of any event or condition constituting an Irrevocable Offer, the Insolvent Participant shall deliver to the Company and the other Members a written Notice of Irrevocable Offer which contains a description of the condition or event giving rise to the Irrevocable Offer. The Notice of Irrevocable Offer shall state the Membership Interest subject to the Irrevocable Offer, any charges to which the Membership Interests are subject and the identity of any party which has obtained possession of the Membership Interests by legal process or otherwise. Notwithstanding any independent knowledge attributable to the Company or the other Members, failure to provide a Notice of Irrevocable Offer shall not give rise to a waiver or estoppel on the part of the Company or the other Members. Further, the options set forth herein may be exercised despite the failure to provide the Notice of Irrevocable Offer, and the time limitations set forth herein shall commence when the Company and the other Members actually receive the Notice of Irrevocable Offer.

(c) First Option. The Company shall have the first option to accept the Irrevocable Offer and to purchase all or part of the Insolvent Participant's Membership Interest identified therein for a thirty (30) day period following receipt of the Notice of Irrevocable Offer.

(d) Second Option. If the Company does not exercise its option for all of the Insolvent Participant's Membership Interest, the Other Members shall have the pro rata option to accept the Irrevocable Offer and to purchase all or part of the available Membership Interest for a thirty (30) day period commencing on the expiration of the first option granted.

(e) Any option to accept the Irrevocable Offer and purchase the Membership Interest subject thereto, shall be exercised by the timely delivery of written notice to the Insolvent Participant and any person who has obtained possession of the Units or Economic Interest as identified in the Notice of Irrevocable Offer.

(f) Purchase Price. Parties electing to exercise options pursuant to this subsection may elect to purchase the Insolvent Participant's Membership Interest at seventy percent (70%) of the fair market value of the subject Membership Interest, payable on the terms set forth in Section 8.6(a) above. The Company and each Member acknowledges that the foregoing terms and purchase price for an Insolvent Participant's Membership Interest is fair and reasonable under circumstances existing as of the date hereof given the significant inconvenience to the Company and the other Members resulting from the occurrence of any event or condition constituting an Irrevocable Offer by a Member, and to retain the continuity of the Company without interference or interruption from third parties.

(g) For purposes of this Agreement, "Membership Interest" includes any economic or other interest in a Member's Membership Interest, or a Transferable Interest.

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8.8 Transfer of Economic Interest From Member Niaus Malan to Salam Razuki. Notwithstanding anything in this Agreement to the contrary, by signing this Agreement the Manager and each Member approves the absolute right to the Transfer of a Membership Interest, Transferable Interest, and/or the Economic Interest held by Member Niaus Malan, as Assigning Member, to Salam Razuki or his designee, as Assignee, on terms agreed upon between them at any time from and after the date of this Agreement. Such Transfer shall be on terms agreed upon between them, and the Manager and each Member further approve the terms and conditions of such Transfer and waive all rights, prohibitions and procedures otherwise set forth in this Article 8 to that Transfer. Provided, however, such Transfer between Member Niaus Malan and Salam Razuki shall not materially affect the ownership interest of the other Member(s), increase or materially alter the Manager's duties and obligations, and Member Niaus Malan and Salam Razuki agree to release the Manager and the other Member(s) from any liabilities relating to such Transfer. On behalf of the Company, the Manager agrees to acknowledge receipt of a copy of the agreement between Member Niaus Malan and Salam Razuki, and agrees that the Company shall be bound by and comply with the provisions contained therein including, but not limited to, those regarding distributions to Member Niaus Malan or his successor in interest. Any new Member of the Company further agrees to execute a consent to be bound to the terms and conditions of this Agreement as a condition to becoming a Member of the Company.

ARTICLE IX: DISSOLUTION AND WINDING UP

9.1 The Company shall be dissolved on the first to occur of the following events:

(a) The death, incapacity, dissociation, bankruptcy, or corporate dissolution of a Member; provided, however, that the remaining Members may, by the Vote of a Majority of Members within 90 days of the happening of that event, decide to continue the Company, in which case the Company shall not dissolve. If the remaining Members fail to so Vote, the Manager shall wind up the Company. For purposes of this Paragraph (a), in determining a Majority of Members, the Percentage Interest of the Member who has died, become incapacitated, withdrawn, become bankrupt, or dissolved shall not be taken into account.

(b) The expiration of the term of existence of the Company;

(c) The written agreement of all Members to dissolve the Company;

(d) The sale or other disposition of substantially all of the Company's assets;

(e) Entry of a decree of judicial dissolution pursuant to California Corporations Code section 27351; or

(f) At any earlier time at which dissolution may be required under any applicable law.

9.2 On the dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The

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Members who have not wrongfully dissolved the Company shall wind up the affairs of the Company. The Persons winding up the affairs of the Company shall give written Notice of the commencement of winding up by mail to all known creditors and claimants against the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to Members) the remaining assets of the Company shall be distributed or applied in the following order of priority:

(a) To pay the expenses of liquidation.

(b) To repay outstanding loans to Members. If there are insufficient funds to pay such loans in full, each Member shall be repaid in the ratio that the Member's respective loan, together with interest accrued and unpaid thereon, bears to the total of all such loans from Members, including all interest accrued and unpaid on those loans. Such repayment shall first be credited to unpaid principal and the remainder shall be credited to accrued and unpaid interest.

(c) Among the Members in accordance with the provisions of Article IV, Section 4.7 of this Agreement.

9.3 Each Member shall look solely to the assets of the Company for the return of the Member's investment, and if the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the investment of any Member, such Member shall have no recourse against any other Members for indemnification, contribution, or reimbursement.

ARTICLE X: DISPUTE RESOLUTION AND INDEMNIFICATION

10.1 Except as otherwise provided in this Agreement, any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be attempted to be settled by mediation before a single mediator, unless otherwise agreed, in San Diego, California.

(a) The mediation shall be administered by and held in accordance with the Commercial Mediation Rules of the American Arbitration Association.

(b) The parties shall, before the commencement of any proceedings, attempt in good faith to settle their dispute by mediation.

(c) The mediator shall be a retired Judge, familiar with the laws regarding the type of dispute to be mediated.

10.2 The substantive law of the State of California shall be applied to the resolution of this dispute.

10.3 The prevailing party shall be entitled to reimbursement of attorney's fees, costs, and expenses incurred in connection with any litigation.

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10.4 Mediation shall not be the exclusive remedy of a Member or the Company. A Member or the Company may institute legal proceedings in a court of competent jurisdiction only after such party has attempted to resolve any controversy or claim arising out of or relating to this Agreement or the breach thereof through the use of mediation.

10.5 The Company shall indemnify the Manager or any officer of the Company who was or is a party or is threatened to be made a party to, or otherwise becomes involved in, any action not proceeding to the maximum extent permitted by law.

ARTICLE XI: GENERAL PROVISIONS

11.1 This Agreement constitutes the whole and entire agreement between the parties with respect to the subject matter of this Agreement. This Agreement replaces and supersedes all prior written and oral agreements by and among the Members or any of them.

11.2 This Agreement may be executed in one or more counterparts, each shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.3 This Agreement shall be construed and enforced in accordance with the internal laws of the State of California. If any provision of the Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn if a narrower construction would avoid such invalidity, illegality, or unenforceability or, if that is not possible, such provision shall, to the extent of such invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

11.4 This Agreement shall be binding on and inure to the benefit of the parties and their heirs, personal representatives, and permitted successors and assigns.

11.5 Whenever used in this Agreement, the singular shall include the plural, the plural shall include the singular, and the neuter gender shall include the male and female as well as a trust, firm, company, or corporation, all as the context and meaning of this Agreement may require.

11.6 The parties to this Agreement shall promptly execute and deliver any and all additional documents, instruments, notices, and other assurances, and shall do any and all other acts and things, reasonably necessary in connection with the performance of their respective obligations under this Agreement and to carry out the intent of the parties. In the event there is any dispute between the parties that should result in litigation or arbitration, the prevailing party in such dispute shall be entitled to recover from the other party all reasonable fees, costs and expenses of enforcing any right of the prevailing party, including without limitation, reasonable attorneys' fees and expenses.

11.7 Except as provided in this Agreement, no provision of this Agreement shall be

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construed to limit in any manner the Members rights in carrying on his, her or its own respective businesses or activities.

11.8 Except as provided in this Agreement, no provision of this Agreement shall be construed to authorize a Member, in the Member's capacity as such, as an agent of any other Member.

11.9 Each Member represents and warrants to the other Members that the Member has the capacity and authority to enter into this Agreement.

11.10 Article titles, sections and headings contained in this Agreement are inserted as a matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

11.11 The power to adopt, alter, amend, or repeal this Agreement or the Articles of Organization is vested entirely in the Manager of the Company, unless otherwise provided for in this Agreement or required by law.

11.12 Time is of the essence in every provision of this Agreement that specifies a time for performance.

11.13 This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

11.14 The Members intend the Company to be a limited liability company under the Act. No Member shall take any action inconsistent with the express intent of the parties to this Agreement. The Members further agree that no Member shall petition any Court for an action for partition, pursue any judicial or governmental dissolution of the Company, or otherwise take action intended to force the sale of the assets of the Company under any circumstance except as expressly provided for in this Agreement.

11.15 The Members acknowledge that the tax consequences of each Member's investment in the Company is dependent of each Member's particular financial circumstances. Each Member will rely solely on the Member's financial advisors and not the Company. The Company makes no warranties as to the tax benefits that the Members receive or will receive as a result of the Member's investment in the Company. The parties hereto, and all of them, represent and declare that in executing this Agreement, they rely solely upon their own judgment, belief, and knowledge, and the advice and recommendations of their own independently selected legal and tax counsel, concerning the nature, extent, and duration of their rights and claims, and that they have not been influenced to any extent whatsoever in executing the same by any representations or statements covering any matters made by the other party hereto or by any person representing him or it.

11.16 In the event a Member is not a natural person, neither the Company nor any Member

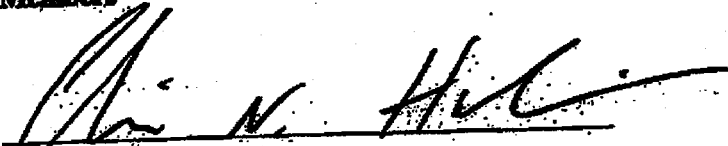
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will (1) be required to determine the authority of the individual signing this Agreement to make any commitment or undertaking on behalf of the entity or to determine any fact or circumstance bearing on the existence of the authority of the individual, or (2) be required to see to the application or distribution of proceeds paid or credited to individuals signing this Agreement on behalf of the entity.

11.17 One or more attorneys at law may be selected from time to time by the parties to prepare the documentation for the Company, and to perform such other services as may be required. Counsel to a party may also be counsel to one or more other parties, and in accordance with the California Rules of Professional Conduct or similar rules in any other jurisdiction (the "Rules") this constitutes multiple representation. The Members, Manager, and the Company anticipate selecting the Law Offices of Gorla, Weber & Jarvis ("Company Counsel") as legal counsel to the Company. The parties further acknowledge that while communications by the parties with Company Counsel concerning any and matters relating to the business of the Company may be confidential with respect to third parties, no party has any expectation that such communications with Company Counsel are confidential with respect to disputes among or between the parties. The parties further agree and consent to the use of Company Counsel, and understand that Company Counsel has represented one or more of the matters is prior legal matters.

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Agreement on the day and year first above written.

Members



Chris N. Hakim

By signing this Agreement, the above Member further acknowledges review of Sections 5.5, 5.6, 5.7, and 7.6 of this Agreement, agrees that the Member is informed of these provisions, and consents to the terms of Sections 5.5, 5.6, 5.7, and 7.6 of this Agreement.

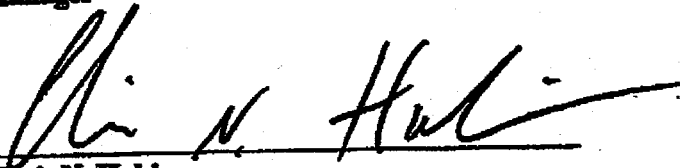


Nihar Mahesh

By signing this Agreement, the above Member further acknowledges review of Sections 5.5, 5.6, 5.7, and 7.6 of this Agreement, agrees that the Member is informed of these provisions, and consents to the terms of Sections 5.5, 5.6, 5.7, and 7.6 of this Agreement.

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Manager

A handwritten signature in black ink, appearing to read "Chris N. Hakim", written over a horizontal line.

Chris N. Hakim

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Exhibit "A"

Membership Interest of Members

Name and Address of Members/Membership Interest/Capital Contribution

Member #1

Ninus Malan

5065 Logan Ave Suite 101

San Diego CA 92113

Membership Interest: 50%

Capital Contribution:

\$ 325,000 contributed as follows: 1) Cash

2) _____

3) _____

4) Assignment of Contract Rights to Purchase the
Property Described in Section 2.4

Member #2

Chris N. Hakim

1545 Hotel Circle South, Suite 145

San Diego, CA 92108

Membership Interest: 50%

Capital Contribution:

\$ 450,000 contributed as follows: 1) Cash

2) _____

3) _____

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EXHIBIT 2

**AMENDED SCHEDULE 5
MIRA ESTE OPERATION
STATEMENT OF CASH RECEIVED AND DISBURSED FROM OPERATIONS
From Inception to the Present**

Note 1

Summary of Mira Este Operations

	Mira Este 2016 [A]	Mira Este 2017 [A]	Mira Este 2018 (Thru June) [A]	Mira Este 2018 July-Oct [B]
Operating Receipts & Disbursements				
Sublease Income				\$ 90,000.00
Mira Este Loan Payment	\$ (44,245.00)	\$ (240,415.10)	\$ (240,736.51)	\$ (92,327.50)
Legal Fees		\$ (35,796.00)	\$ (20,000.00)	\$ (64,161.00)
TRH (CUP - Mira)		\$ (10,000.00)	\$ (56,479.50)	\$ -
Mira Este Improvements		\$ (46,358.00)		\$ -
Unknown		\$ (860.00)	\$ (40,000.00)	\$ -
Property Tax		\$ (24,917.35)	\$ (15,369.46)	\$ -
Conditional Use Permit-ME		\$ (23,399.00)	\$ (10,815.50)	\$ -
Cash		\$ (23,500.00)		\$ -
Security				\$ (22,848.00)
Cleaning & Maintenance				\$ (14,958.95)
Sales Tax		\$ (12,471.07)	\$ (123.00)	\$ (1,047.17)
Insurance		\$ (3,895.34)	\$ (1,262.00)	\$ (7,675.57)
Utilities		\$ (4,795.71)	\$ (2,059.77)	\$ (2,879.50)
Outside Services				\$ (6,094.00)
Office Supplies & Software				\$ (3,397.63)
License & Permits				\$ (3,224.90)
Income Tax		\$ (1,652.19)	\$ (800.00)	\$ -
Salaries & Wages				\$ (2,282.48)
Accounting		\$ (450.00)	\$ (1,450.00)	\$ -
Bank Fee	\$ (162.43)	\$ (529.00)	\$ (320.00)	\$ -
Misc				\$ (1,200.90)
Total Expenses	\$ (44,407.43)	\$ (429,038.76)	\$ (389,415.74)	\$ (222,097.60)
Net Operations	\$ (44,407.43)	\$ (429,038.76)	\$ (389,415.74)	\$ (132,097.60)
		\$ (994,959.53)		

[1] This cash received and cash disbursed summary is prepared from the best records available from different managing entities during the relevant periods of time. The summaries are not audited; they are a compilation of the available receipts and disbursements data.

[A] Computed from Mira Este Bank Activity

[B] Computed from Mira Este Bank Activity and California Cannabis Group Profit and Loss provided by Far West Management

2018 NOV 19 PM 1:51

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FILED
Clerk of the Superior Court

NOV 19 2018

By: ~~R. DAY~~ R. DAY, Deputy

7 Attorneys for Defendants
8 Chris Hakim, Mira Este Properties, LLC
9 Monarch Management Consulting, Inc.
10 Roselle Properties, LLC

11 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
12 **COUNTY OF SAN DIEGO, CENTRAL DIVISION**

10	SALAM RAZUKI, an individual)	Case No.: 37-2018-00034229-CU-BC-CTL
11	Plaintiff,)	(Unlimited Civil Action)
12	vs.)	PROOF OF SERVICE
13)	
14	NINUS MALAN, an individual; CHRIS)	
15	HAKIM, an individual; MONARCH)	
16	MANAGEMENT CONSULTING, INC.,)	
17	California corporation; SAN DIEGO)	
18	UNITED HOLDINGS GROUP, LLC, a)	
19	California limited liability company; FLIP)	Dept.: C-67
20	MANAGEMENT, LLC, a California limited)	I/C Judge: Hon. Eddie C. Sturgeon
21	liability company; MIRA ESTE)	
22	PROPERTIES LLC, a California limited)	
23	liability company; ROSELLE PROPERTIES,)	Complaint Filed: July 10, 2018
24	LLC, a California limited liability company;)	Trial Date: Not Set
25	BALBOA AVE COOPERATIVE, a)	
26	California nonprofit mutual benefit)	
27	corporation; CALIFORNIA CANNABIS)	
	GROUP, a California nonprofit mutual)	
	benefit corporation; DEVILISH DELIGHTS,)	
	INC. a California nonprofit mutual benefit)	
	corporation; and DOES 1-100, inclusive;)	IMAGED FILE
	Defendants.)	

26 I, Charles F. Gorla, declare that: I am, and was at the time of service of the papers herein

1 referred to, over the age of eighteen years, not a party to this action, and am employed in the County
2 of San Diego, California, in which County the within mentioned mailing occurred. My business
3 address is 1011 Camino del Rio South, Suite 210, San Diego, California 92108.

4 I served the following document(s):

- 5 • Notice of Motion for Order Setting Appeal Bond on Appeal of Order Appointing Receiver;
6 Declaration of Charles F. Gorja; Points and Authorities;
- 7 • Declaration of Chris Hakim in Support of Motion for Order Setting Bond on Appeal of
8 Order Appointing Receiver;

9 on the following addressees:

10 Steven A. Elia, Esq. (steve@elialaw.com) 11 Maura Griffin, Esq. (maura@elialaw.com) 12 James Joseph, Esq. (james@elialaw.com) 13 Law Offices of Steven Elia 2221 Camino del Rio S., #207 14 San Diego, CA 92108 15 Tel. (619) 444-2244 16 Fax (619) 440-2233 17 Attorneys for Plaintiff	18 Robert Fuller, Esq. (rfullerAnelsonhardirman.com) 19 Salvatore J. Zimmitt, Esq. (szimmitt@nelsonhardiman.com) 20 Nelson Hardirman LLP 11835 West Olympic Blvd., Suite 900 21 Los Angeles, CA 90064 22 Tel. (310) 203-2807 23 Fax (310) 203-2727 24 Attorneys for SoCal Building Ventures LLC
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25 **XX (VIA ELECTRONIC FILING SERVICE)** Complying with Code of Civil
26 Procedure section 1010.6, my electronic business address is chasgoria@gmail.com and I caused such
27 document(s) to be electronically served through the e-service system of One Legal for the above

1 entitled case to those parties on the Service List maintained on its website for this case on November
2 17, 2018. The file transmission was reported as complete and a copy of the Filing/Service Receipt
3 will be maintained with the original document(s) in our office.

4 (BY MAIL) by placing a copy thereof in a separate envelope for each said addressee,
5 addressed to each such addressee at the address indicated above. I then sealed each envelope, and
6 with the postage thereon fully prepaid, deposited each in the United States Mail at San Diego
7 County, California, on

8 I declare under penalty of perjury that the foregoing is true and correct. Executed on
9 November 17, 2018 at San Diego County, California.

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CHARLES F. GORIA

EXHIBIT G

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8
9 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
10 **COUNTY OF SAN DIEGO, CENTRAL DIVISION**

11 SALAM RAZUKI, an individual,

12 Plaintiff,

13 v.

14 NINUS MALAN, an individual; CHRIS
HAKIM, an individual; MONARCH
15 MANAGEMENT CONSULTING, INC. a
California corporation; SAN DIEGO
16 UNITED HOLDING GROUP, LLC, a
California limited liability company; FLIP
17 MANAGEMENT, LLC, a California limited
liability company; MIRA ESTE
18 PROPERTIES, LLC, a California limited
liability company; ROSELLE PROPERTIES,
19 LLC, a California limited liability company;
BALBOA AVE COOPERATIVE, a
20 California nonprofit mutual benefit
corporation; CALIFORNIA CANNABIS
21 GROUP, a California nonprofit mutual
benefit corporation; DEVILISH DELIGHTS,
22 INC., a California nonprofit mutual benefit
corporation; and DOES 1-100, inclusive,

23 Defendants.
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ELECTRONICALLY FILED
Superior Court of California,
County of San Diego

12/03/2018 at 08:04:00 PM

Clerk of the Superior Court
By E-Filing, Deputy Clerk

CASE NO. 37-2018-00034229-CU-BC-CTL

**PLAINTIFF SALAM RAZUKI'S
OPPOSITION TO MALAN'S AND
HAKIM'S MOTION FOR ORDER
SETTING APPELLATE BOND**

Date: December 14, 2018
Time: 1:30 p.m.
Dept: C-67
Judge: Hon. Eddie C. Sturgeon

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1 Plaintiff SALAM RAZUKI (“Plaintiff” or “Razuki”), by and through his counsel, hereby submits
2 the following Opposition to Defendant NINUS MALAN (“Malan”), MONARCH MANAGEMENT
3 CONSULTING, INC. (“Monarch”), SAN DIEGO UNITED HOLDINGS GROUP, LLC (“SD United”),
4 BALBOA AVE COOPERATIVE (“Balboa Ave”), DEVILISH DELIGHTS, INC. (“Devilish”), and
5 CALIFORNIA CANNABIS GROUP (“CCG”)’s Motion for Order Setting Appellate Bond Amount (the
6 “Malan Motion”) and Defendant CHRIS HAKIM (“Hakim”), MIRA ESTE PROPERTIES, LLC (“Mira
7 Este”), and ROSELLE PROPERTIES, LLC (“Roselle”)’s Motion for Order Setting the Amount of Bond
8 Pursuant to Code of Civil Procedure §917.5 (the “Hakim Motion”)

9
10 **I.**
INTRODUCTION

11 Defendants have attempted to vacate the receivership by any and all means. Now, they are
12 attempting to pay an insignificant amount of money in order to vacate the receivership by procedural fiat.

13 To ensure Razuki’s concrete and proven interests are protected, the bond regarding the Balboa
14 Properties must be set at \$9,000,000 and the bond regarding the Mira Este Facility must be set at
15 \$3,750,000 for the following reasons:

- 16 • **There is a high risk that the businesses will be sold or fail if the receivership order is stayed.**

17 If the Court’s appointment of the Mike Essary (the “Receiver”) as receiver is stayed, Defendants
18 will have unbridled control over the businesses without any oversight by Razuki or the Court.
19 Malan has already attempted to sell the businesses during the short time the Receivership was
20 temporarily vacated in this matter. As of the time of this filing, the Balboa Facility has been shut
21 down because Far West terminated their relationship with the business. Malan and Hakim’s
22 current mismanagement of the Mira Este Facility is leading to its insolvency as they have been
23 unable to make it profitable despite the fact that it was profitable when SoCal was managing it
24 *EVEN THOUGH IT WAS NOT YET OPERATING.* If anything, the Receiver needs more power,
25 not less. If the businesses are left to Defendants management during a stay, there will surely be
26 nothing left when the appeal is ultimately denied.

- 27 • **Razuki’s requested bond amount is not arbitrary; it is based off the valuations Malan and**
28 **Hakim themselves negotiated with SoCal Building Ventures, LLC (“SoCal”).** These

1 valuations were determined by sophisticated parties and provide the clearest and best possible
2 evidence to determine Razuki's potential damages. Defendants' arguments against these
3 valuations are disingenuous given their prior litigation position as well.

4 • **The Court has already determined that Razuki has a likelihood of success on the merits.**

5 Defendants attempt to use the instance motion as a quasi-motion for reconsideration regarding the
6 merits of the receivership. However, the Court has repeatedly ruled in favor of Razuki based on
7 his actual property interest in the businesses in question, as well as the risk of irreparable harm.
8 Defendants do not cite to new case law or facts that would alter the Court's previous rulings.

9 • **Defendants are not entitled to indigent person's status.** Defendants have not provided any
10 evidence that demonstrates they are entitled to a waiver of the bond pursuant to Code of Civil
11 Procedure §995.240. Rather, the only evidence before the Court demonstrates these are million-
12 dollar businesses with substantial assets. To afford a bond waiver to Defendants would be a
13 misuse and misapplication of CCP §995.240.

14 Finally, the Court should not alter the injunction bond already posted by Razuki. The injunction
15 bond for \$350,000 will more than adequately protect Defendants for potential damages caused as a result
16 of the Receiver. Plaintiff's bond and the appellate bond amount standards require a completely different
17 analysis. There is no new evidence or law that would justify raising Plaintiff's bond amount.

18 **II.**

19 **THE APPELLATE BOND SHOULD BE \$9,000,000 FOR THE BALBOA**
20 **FACILITY & \$3,750,000 FOR THE MIRA ESTE FACILITY**

21 **A. Legal Standard**

22 The posting of a bond is necessary to stay the proceedings in the trial court. *See* CCP §917.5.
23 Without such a bond or undertaking, the proceedings cannot be stayed. *Wilson v. Johnson* (1934) 1 Cal.2d
24 288, 288-289 [in order to effect a stay of proceedings, compliance with statute requiring undertaking is
25 required.] In setting the amount of that bond, the trial court is directed by CCP §917.5 to require bonding
26 in an amount that "if the judgment or order is affirmed or the appeal is withdrawn, or dismissed, the
27 appellant will pay *all* damages which the respondent *may sustain* by reason of the stay in the enforcement
28 of the judgment." [Emphasis added.] CCP §917.5.

1 The bond amount is in the trial court's discretion. *Williams v. Freedomcard, Inc.* (2004) 123
2 Cal.App.4th 609, 614. When evaluating the bond amount, the court should look to: (1) the character of
3 the action or proceeding; (2) the nature of the beneficiary; (3) whether public or private; and, (4) the
4 potential harm to the beneficiary if the provision for the bond is waived or insignificant. *Id.* citing CCP §
5 995.240. the burden rests on the defendant/appellate to make a showing justifying a waiver of the bond
6 amount. *Id.* citing *Ferguson v. Keays* (1971) 4 Cal.3d 649, 658–659.

7 **B. The Character and Nature of the Proceedings Favor Razuki as the Court Has Already**
8 **Found Razuki Has A Strong Likelihood Of Success On The Merits**

9 **1. Razuki Has a Clear Interest in the Marijuana Operations Under Both the Written**
10 **Settlement Agreement and the Oral Agreement**

11 Defendants continue to misread the language of the Settlement Agreement between Razuki and
12 Malan. Section 1.2 of the Settlement Agreement¹ states that Malan and Razuki entered into an oral
13 agreement where:

14 *“...regardless of which Party or entity holds title and ownership to the*
15 *Partnership Assets, RAZUKI is entitled to a seventy-five percent (75%)*
16 *interest in the capital, profit, and losses of each Partnership Asset and*
17 *MALAN is entitled to a twenty five percent (25%) interest, and no Party is*
18 *entitled to receive any profits whatsoever until, and unless the Parties have*
19 *first been repaid their investment in full (hereinafter referred to as the*
20 *“Partnership Agreement”). [Emphasis added.] See the Settlement*
21 *Agreement at §1.2.*

22 The Settlement Agreement clarifies that the Oral Agreement governs the relationship between Malan
23 and Razuki until the Parties perform the terms of the Settlement Agreement. As stated in Section 2.3
24 of the Settlement Agreement:

25 *“ . . . It is the Parties’ intention that once the Partnership Assets have been*
26 *transferred to the Company and the Accounting has been agreed upon, then*
27 *all other business matters shall be governed and controlled by the terms of*
28 *the Operating Agreement and the Parties shall thereafter be released from*
all further liability to each other arising under their Partnership
Agreement as set forth below. [Emphasis added.] See the Settlement

¹ A complete copy of the Settlement Agreement can be found attached with the Declaration of James Joseph [“Joseph Decl.”], Ex A.

1 Agreement at §2.3.

2 Section 3.1 entitled "General Release" further clarifies that claims related to the oral agreement shall
3 only been released:

4 "... upon (i) the transfer to the Company of the Partnership Assets pursuant
5 to section 2.1 above, and (ii) execution of an amendment or exhibit related,
6 to the Accounting, ***Thereafter, the Parties shall forever be barred from
bringing any claims related to the Partnership Agreement as set forth
herein.***" [Emphasis added.] See the Settlement Agreement at §3.1.

7 Defendants have repeatedly argued that the Settlement Agreement is void because Razuki failed to
8 perform conditions precedent. This ignores the expressed language of the Settlement Agreement that
9 states the Oral Agreement shall govern until all terms are performed. Razuki was not required to
10 perform any additional tasks to ensure his rights under the oral agreement. Rather, Razuki was only
11 required to transfer assets into RM Holdings concurrently with Malan to effectuate the Settlement
12 Agreement. Only then would Razuki's rights under the oral agreement be released and waived.

13 Defendants incorrectly rely on *Rondos v. Superior Court, Solano County* (1957) 151 Cal.App.2d
14 190, 194. In *Rondos*, the parties attempted to transfer title of a business but failed to complete the deal.
15 The plaintiff sought a receivership over the business assets in order to protect his alleged interests.
16 However, the Court denied the receivership because the plaintiff did not have an actual property interest
17 in the business. The Court noted that under the terms of the agreement, "title to [the plaintiff]'s interest
18 in the business and its assets *was not to pass until the on-sale liquor license under which the business
19 was operated had been transferred to the new partnership.*" [Emphasis added.] *Id.* at 194. In the
20 instant case, the Settlement Agreement contains the ***exact opposite provision.*** Section 1.2 of the
21 Settlement Agreement expressly states that regardless of who owns title, Razuki is entitled to 75% of
22 the capital, profits, and losses of the Partnership Assets and that the oral agreement would only
23 extinguish once the terms of the Settlement Agreement were completed. Razuki's interest in the
24 Marijuana Operations is not his indirect interest through RM Holdings but rather his ***direct*** interest
25 secured by the oral agreement that currently controls.

26 Finally, the evidence produced in this matter further proves Razuki's equitable interest in the
27
28

1 Marijuana Operations. This Court ordered the parties to submit to a forensic accounting by Brinig
2 Taylor Zimmer, Inc. (“Brinig”) under the authority of the Receivership to determine how much money
3 each party invested into the businesses (referred to herein as the “Brinig Report”). The Brinig Report
4 confirmed that Razuki has invested \$3,727,075.87 into just the Balboa and Mira Este Facilities alone.
5 Joseph Decl., Ex. B, Schedule 1. It is absurd to think that Razuki would gift this substantial sum of
6 money. Malan, on the other hand, has *profited* \$469,791.34 collectively from the Balboa and Mira Este
7 Facilities. *Id.* Even if Malan can show he made additional investments into the businesses, that does
8 not take away from Razuki’s verified investment of \$3.7 million plus. The substantial sum of money
9 corroborates that the oral agreement is real and Razuki is a legitimate investor and owner of these
10 businesses.

11 It should be noted that the Court has already found that Razuki has a likelihood of success on
12 the merits (even before the Brinig Report) and granted the preliminary injunction. The Brinig Report
13 merely provides *independent confirmation of Razuki’s allegations*. Defendants’ moving papers
14 merely repeat their previously argued points and do not cite to any new law or provide any new facts
15 that would decrease Razuki’s likelihood of success.

16 **2. The Contract is Valid and Not Against Public Policy**

17 Defendants have already argued that the Settlement Agreement and the oral Agreement are
18 voided as contrary to public policy and Razuki provided an extensive response to this argument in his
19 briefing ahead of the August 20, 2018 hearing. In summary, (1) California law for the past twenty years
20 shows marijuana operations are not prohibited by the law; (2) Even if it is illegal, the Court should still
21 enforce the contract to prevent Malan from reaping the benefit of his breach; and, (3) the Court should
22 only sever out portions of the contract instead of deeming the only contract illegal. For the sake of
23 brevity, Razuki would refer the court to its earlier pleading that already addressed this argument in full.
24 Joseph Decl., Ex. C. The Court has already considered this argument and rejected Defendants’ position.
25 Defendants do not raise any new facts or law that would justify the Court reversing its decision.

26 Defendants also argues that the contract is illegal because Razuki has not performed the
27 requirements of an “owner” pursuant to Business and Professions Code §26051.5. However,
28

1 Defendants misapply the law. B&P Code §26051.5 only applies to owners of the state license for the
2 marijuana operations. In this case, Balboa Ave, CCG, and Devilish are the state license holders and
3 director/manager of these entities is required to go through all procedures under B&P Code §26051.5.
4 Because the contract did not transfer ownership of Balboa Ave, CCG, and Devilish, B&P Code
5 §26051.5 does not apply. Furthermore, the Settlement Agreement anticipated and required the parties
6 to “execute any and all further documents as may be necessary to carry out [the terms of the
7 agreement].” Joseph Decl., Ex. A, Section 2.1. Any additional approvals or background checks that
8 needed to be performed would have been performed if Malan did not sabotage the agreement and refuse
9 to transfer assets into RM Holdings.

10 **C. Razuki’s Will Suffer Substantial Harm without the Requested Bond as His Potential**
11 **Damages Are in the Millions**

12 Without the Receiver, Malan and Hakim can sell the businesses, the business’ assets (including,
13 but not limited to, the CUPs and marijuana related licensing) and the real property owned by the Defendant
14 entities and claim all proceeds for themselves. Razuki stands to lose his interest in the real property and
15 all other assets (including the CUPs, etc.) and will likely never see any money from the proceeds of the
16 sale even if he is successful at trial. Therefore, the only way to calculate the bond is to calculate the
17 amount of proceeds Razuki would be entitled to if 8861/8863 Balboa Ave (the “8861/8863 Properties”),
18 the 8859 Balboa Ave. (the “8859 Property”) and the 9212 Mira Este Ct. (the “Mira Este Facility”) were
19 sold plus the other monetary damages he would incur (for example, the value of his monetary contribution
20 to the businesses).

21 **1. According To Defendants Own Agreement, the Marijuana Operations Are Worth**
22 **Millions**

23 The oral agreement between Malan and Razuki entitles Razuki to 75% of everything Malan
24 owns after Razuki recoups his investments. See FAC at ¶1. Specifically, this include a 75% interest
25 SD United which owns 8861/8863 Balboa Ave (the “8861/8863 Properties) and 8859 Balboa Ave. (the
26 “8859 Properties”) and a 37.5%² interest in Mira Este, which owns 9212 Mira Este Ct. (the “Mira Este

27 ² Razuki is entitled to 75% of Malan’s 50% interest in the Mira Este Facility. 75% of 50% equals
28 37.5%.

1 Facility”).

2 The 8861/8863 Properties and the Mira Este Facility have already been appraised by Defendants.
3 According to the Management Agreement with SoCal with respect to the 8861/8863 Properties, Malan
4 and Hakim both agreed to sell 50% options in the business for \$3,000,000. Joseph Decl., Ex. D. This
5 would value the 8861/8863 Properties at \$6,000,000 total. According to the Management Agreement
6 with SoCal with respect to the Mira Este Facility, Malan and Hakim agreed to sell 50% options in the
7 business for \$5,000,000. Joseph Decl., Ex. E. This would value the Mira Este Facility at \$10,000,000.

8 It is important to note that it was the *Defendants* who negotiated this valuation. Malan and Hakim
9 signed the management agreements with SoCal without any input from Razuki. When Defendants
10 demanded a bond for the appointment of the receiver, they again relied on these calculations to demand a
11 \$6,000,000 bond for the Balboa Properties and a \$10,000,000 bond for the Mira Este Facility. Joseph
12 Decl., Ex. F and G. Defendants already concede to these valuations are appropriate and the Court should
13 hold them to those numbers. The only reason the Court did not apply them to determine Plaintiff’s bond
14 for the Receiver was because the different standard of damages used in comparison to that required for
15 the appellate bond.

16 Additionally, Razuki also has an ownership interest in and to the 8859 Properties. These units are
17 not operating as marijuana businesses at this time so there is no current appraisal for their value. However,
18 considering the 8861/8863 Properties were appraised at \$6,000,000, it is reasonable to assume the 8859
19 Properties should be also valued at \$6,000,000.

20 Razuki is entitled to 75% of the 8861/8863 Properties, 75% of the 8859 Properties, and 37.5% of
21 the Mira Este Facility. This means he is entitled to at least, \$4,500,000 (8861/8863 Balboa), \$4,500,000
22 (8859 Balboa) and \$3,750,000 (Mira Este) respectively for his interests in the Marijuana Operations. In
23 total, Razuki has potentially ***\$12,750,000 in damages.***

24 These numbers are high because the potential damages to Razuki are high. CCP §917.5 doesn’t
25 ask the Court to determine the actual or likely damages the plaintiff may sustain if the order is stayed; it
26 specifically asks to evaluate the damages the plaintiff “*may* sustain.” The bond amount must be high
27 enough to ensure Defendants can’t just steal/waste Razuki’s property by merely filing an appeal.
28 Otherwise, an appeal would be filed by every Defendant where a receiver has been granted.

1 The threat of Malan and Hakim selling these properties once the Receiver is removed is highly
2 likely as well. As the Court knows, the receivership was already vacated once during this case. During
3 that time, Malan immediately hired Far West as the operator at the 8861/8863 Property. The agreement
4 with Far West contained a promise to complete a long-term deal that would allow the new operators to
5 acquire an interest in the dispensary. Joseph Decl., Ex. H. Defendants have already shown their intention
6 to sell these assets once the Receiver is removed; the Court must act to adequately protect Razuki's interest
7 and should not forget why the Receiver was appointed in the first place.

8 The Malan Motion argues that the valuations in the SoCal Management Agreements are just "pipe
9 dream" valuations. First, there is no evidence to suggest SoCal intentionally overestimated the value of
10 these businesses. The management agreements were negotiated at arm's length between sophisticated
11 parties and Defendants themselves. Second, this argument is belied by the \$2,090,520.84 investment
12 made by SoCal as confirmed by the Brinig Report. SoCal was only willing to make such an investment
13 given the potential value of the businesses. Furthermore, if Malan argues that these businesses were never
14 properly appraised, then the Court should continue the hearing and allow the parties to obtain current
15 appraisals for the businesses in order to accurately determine Razuki's potential damages. Otherwise, the
16 valuation provided in the management agreements is the best and most accurate valuation available to the
17 Court.

18 The Hakim Motion argues that the Receiver is preventing the Mira Este Facility from making
19 money because tenants are not willing to work with the Receiver. However, this is belied by recent
20 evidence showing that one such tenant, Cream of the Crop, is willing to work with the Receiver. Joseph
21 Decl., Ex. I. Furthermore, according to representations made by counsel for Defendants, Synergy itself
22 will start operating as a tenant at the Mira Este Facility as well. Joseph Decl., ¶ 12. Hakim's concerns
23 with the Receiver are no longer true given the current arrangements being negotiated. Finally, these recent
24 problems with profitability at the facilities began *only* once the SoCal agreement was wrongfully
25 terminated. Malan and Hakim's own mismanagement is the cause of these current lost profits, not the
26 Receiver.

26 **2. Razuki and SoCal, the Two Plaintiffs in This Matter, Have Already Invested
27 Millions of Dollars into the Marijuana Operations**

28 In addition to the actual value of the properties, the Court should also consider how much money

1 Plaintiff and Plaintiffs-in-Limitation have already invested in the Marijuana Operations based on the
2 Brinig Report. Razuki has already invested over **\$3,727,075.87** cash into the operations and put up
3 millions of dollars of properties for collateral for the businesses. SoCal has already invested
4 **\$2,090,520.84**. Neither has seen any return on these investments. The bond must ensure Razuki and
5 SoCal are permitted to recoup their initial investment in case the businesses fail during the pending appeal
6 which, by Defendants' own admissions, seems to be only a matter of time.

7 **D. Given the Unfavorable Standard of Review Defendants Have on Appeal, the Court Error**
8 **on the Side of Caution and Set a High Bond to Protect Razuki's Interests**

9 Defendants are seeking the appeal of an order appointing a receiver. Appellate Courts routinely
10 hold that the appointment of a receiver rests within the discretion of the trial court and the trial court's
11 authority is broad. *See Goes v. Perry* (1941) 18 Cal.2d 373, 38; *Alderson v. Alderson* (1986) 180
12 Cal.App.3d 450, 467. Therefore, the appellate court will only reverse a trial court's order if there is a
13 clear showing of an abuse of discretion. *In re Marriage of Economou* (1990) 224 Cal.App.3d 1466, 1484;
14 *Sibert v. Shaver* (1952) 113 Cal.App.2d 19, 21. Even on appeal, "[T]he availability of other remedies
15 does not, in and of itself, preclude the use of a receivership. [Citation.] Rather, a trial court must consider
16 the availability and efficacy of other remedies in determining whether to employ the extraordinary remedy
17 of a receivership." *Gold v. Gold* (2003) 114 Cal.App.4th 791, 807.

18 Razuki is not asking this Court to judge the merits of Defendants' appeal in this motion. Rather,
19 the Court should recognize that Defendants have an uphill battle on appeal to overturn the Court's decision
20 purely based on the applicable standard of review. Any bond that could stay the receiver for a year
21 presents a clear danger to Razuki's interest. The bond must be sufficiently high to protect said interests
22 because there is a real risk Defendants will fail in their appeal. An appeal should not be allowed to be
23 used by a defendant to beat a receivership.

24 **E. Section 995.240 Is Not Applicable As Defendant Are Not Eligible For Indigent Status**
25 **And Have Failed To Make the Required Showing of Indigency**

26 Malan asks the Court to waive the bond requirement on the basis of Defendants' indigent status
27 pursuant to CCP §995.240. Even if the Court finds that Defendants are indigent, the Court is not required
28 to waive the bond requirement; it is still within the Court's discretion to set a bond for indigent persons.
Venice Canals Resident Home Owners Assn. v. Superior Court (1977) 72 Cal.App.3d 675, 684.

1 Regardless, Defendants are not eligible for relief from the bond requirement pursuant to CCP §995.240.

2 First, the Defendant entities are not “persons” for the purposes of establishing indigency under
3 CCP §995.240. *Williams, supra* 123 Cal.App.4th at p. 615. Regardless of the current cash flow or their
4 non-profit status, the entities are not eligible for a waiver.

5 Second, all Defendants have failed to make a showing that they cannot obtain a bond. Defendants
6 only argument is that the businesses are not profitable and are not currently making any money. This is
7 irrelevant, as Defendants are required to show they have attempted to secure a bond and were rejected.
8 *Venice Canals, supra* 72 Cal.App.3d at p. 684 [“Petitioner Pearl made no showing that he cannot obtain
9 a stay bond. *He has not even made a showing that he made any attempt to obtain a bond.* Under such
10 circumstances it cannot be said that as a matter of law the trial court abused its discretion in denying
11 petitioner Pearl’s application for a waiver of the stay bond”] [Emphasis added.]; *see also Williams, supra*
12 123 Cal.App.4th at p. 615 [“[the appellate] never showed *even any attempt to contact a bonding or surety*
13 *company.* Absent a showing of an unsuccessful effort to obtain a bond or surety, [the appellate], like
14 Buford, has failed to meet the preliminary prerequisite for relief under Code of Civil Procedure section
15 995.240”] [Emphasis added.]. Because none of the Defendants provided any evidence that they were
16 unable to acquire any bond amount, or any other evidence to demonstrate their inability to secure sufficient
17 funds, CCP §995.240 is not applicable.

18 Finally, as demonstrated by Razuki’s investment and the valuation of the Marijuana Operations,
19 the businesses are worth *millions*. Even if they do not have substantial cash flow at the moment, the
20 businesses can secure a bond with real property or other business assets. However, instead of attempting
21 to secure a bond, Defendants have decided to merely claim poverty without proof. They are not entitled
22 to any waiver pursuant to CCP §995.240.

23 **III.**
THE COURT SHOULD NOT ALTER RAZUKI’S BOND FOR THE RECEIVERSHIP

24 Previously, Razuki secured a \$350,000 Plaintiff’s bond pursuant to this Court’s order. This bond
25 was required under CCP §529 that requires a bond to cover *damages “the party may sustain by reason*
26 *of the injunction.”* See CCP §529. The \$350,000 is designed to cover any expenses or damages caused
27 by the Receiver himself. This would be limited to any excessive costs of the receiver and the (very
28 unlikely) possibility that the Receiver would cause the businesses to shut down or lose their licenses

1 (which, of course, would be entirely contrary to his purpose). These potential costs and damages are
2 significantly lower as a receiver is duty bound to act in the best interests of the business and ensure there
3 is no waste during his appointment.

4 The Appellate Bond is entirely different. The Appellate bond must secure and protect Razuki's
5 interests in the subject property while *Defendants have complete control over said property*. Unlike the
6 Receiver, who swore an oath and is an officer of this Court, Defendants have no duty nor any obligation
7 to protect Razuki's interests and, in fact, have a motive to obfuscate the businesses profits especially in
8 this all cash business. While the provisional remedy of a receiver has inherent protections for Defendants,
9 staying the Receivership now completely destroys any security Razuki has. The Receivership was granted
10 for a reason-the serious and real threat of irreparable harm to Razuki. The Court has already ruled Razuki
11 has a likelihood of success on the merits. Razuki's concern is not illusory; Malan has already attempted
12 to sell the dispensary to a third party when the Receiver was previously vacated for approximately thirty
13 (30) days. Without a substantial bond, the Court will be giving a green light for Malan and Hakim to sell
14 the properties and pocket the proceeds while the appeal and litigation drag on at Plaintiff's expense.


15 **IV.**
CONCLUSION

16 Defendants should not be permitted to use a motion for an appellate bond as a quasi-motion for
17 reconsideration on the merits of the receivership. For the reasons stated above, the Court should require
18 no less than a \$9,000,000 appellate bond for the Balboa Properties and a \$3,750,000 appellate bond for
19 the Mira Este Facility.

20 Dated: December 3, 2018

LAW OFFICES OF STEVEN A. ELIA,
APC

21
22 By:


Maura Griffin, Attorneys for Plaintiff
Salam Razuki

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7 Attorneys for Plaintiff
SALAM RAZUKI

8
9 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
10 **COUNTY OF SAN DIEGO, CENTRAL DIVISION**

11 SALAM RAZUKI, an individual,
12 Plaintiff,
13 v.
14 NINUS MALAN, an individual; CHRIS
HAKIM, an individual; MONARCH
15 MANAGEMENT CONSULTING, INC. a
California corporation; SAN DIEGO
16 UNITED HOLDING GROUP, LLC, a
California limited liability company; FLIP
17 MANAGEMENT, LLC, a California limited
liability company; MIRA ESTE
18 PROPERTIES, LLC, a California limited
liability company; ROSELLE PROPERTIES,
19 LLC, a California limited liability company;
BALBOA AVE COOPERATIVE, a
20 California nonprofit mutual benefit
corporation; CALIFORNIA CANNABIS
21 GROUP, a California nonprofit mutual
benefit corporation; DEVILISH DELIGHTS,
22 INC., a California nonprofit mutual benefit
corporation; and DOES 1-100, inclusive,
23 Defendants.

ELECTRONICALLY FILED
Superior Court of California,
County of San Diego
12/03/2018 at 09:04:00 PM
Clerk of the Superior Court
By E-Filing, Deputy Clerk

CASE NO. 37-2018-00034229-CU-BC-CTL

**DECLARATION OF JAMES JOSEPH,
ESQ. IN SUPPORT OF PLAINTIFF
SALAM RAZUKI'S OPPOSITION TO
MALAN'S AND HAKIM'S MOTION FOR
ORDER SETTING APPELLATE BOND**

Date: December 14, 2018
Time: 1:30 p.m.
Dept: C-67
Judge: Hon. Eddie C. Sturgeon

1 I, James Joseph, declare:

2 1. I am an associate of the ELIA LAW FIRM, APC, which represents Plaintiff Salam
3 Razuki in this instant litigation. All facts stated within the Declaration are within my personal
4 knowledge or based upon information and belief if so stated. If necessary I could and would
5 competently testify to these facts.

6 2. Attached as **Exhibit A** is a true and correct copy of the Settlement Agreement between
7 Razuki and Malan that was attached to the Original Complaint.

8 3. Attached as **Exhibit B** is a true and correct copy of the Report prepared by Brinig
9 Taylor Zimmer, Inc. regarding the investments made by all parties.

10 4. Attached as **Exhibit C** is a true and correct copy of Razuki's Supplemental briefing
11 that fully briefed the argument that the Court should not hold that the Settlement Agreement is void as
12 a matter of public policy.

13 5. Attached as **Exhibit D** is a true and correct copy of a portion of the Management
14 Agreement between SoCal Building Ventures, LLC ("SoCal"), Malan and Hakim with respect to the
15 Balboa Properties that includes the valuation of the Balboa Properties.

16 6. Attached as **Exhibit E** is a true and correct copy of a portion of the Management
17 Agreement between SoCal Building Ventures, Malan and Hakim with respect to the Mira Este
18 Facility that includes the valuation of the Mira Este Facility.

19 7. Attached as **Exhibit F** is a true and correct copy of a portion of Defendant Hakim's
20 brief ahead of the September 7, 2018 hearing regarding the confirmation of the appointment of the
21 receiver. In this portion of the brief, Hakim argues that the Court should determine the value of the
22 Mira Este Facility based on the options in the SoCal Management Agreement.


23 8. Attached as **Exhibit G** is a true and correct copy of a portion of Defendant Malan's
24 brief ahead of the September 7, 2018 hearing regarding the confirmation of the appointment of the
25 receiver. In this portion of the brief, Malan argues that the Court should determine the value of the
26 Balboa Dispensary based on the options in the SoCal Management Agreement.

1 9. Attached as **Exhibit H** is a true and correct copy of a portion of the Management
2 Agreement between Balboa Ave Cooperative and Far West Management, LLC. The portion of the
3 agreement shows the specific clause where Balboa Ave Cooperative agreed to negotiate a long term
4 deal and allow Far West to acquire interests in the Balboa Ave Dispensary.

5 10. On November 29, 2018, the Receiver forwarded Maura Griffin, Esq. an email chain
6 with Ms. Austin, Mr. Gorla, and the Receiver regarding the status of the Mira Este Facility. From the
7 context of the email, Synergy has been negotiating a deal with Cream of the Crop for a space at the
8 facility and Mr. Gorla emailed his objections to the deal. Attached as **Exhibit I** is a true and correct
9 copy of the email exchange.

10 11. On November 30, 2018, the Court held a hearing regarding the status of the Receiver.
11 At the hearing, Ms. Austin confirmed that Synergy, the current operator at the Mira Este Facility
12 would be serving as a tenant and manufacturing its own product at the facility. At this time, Razuki's
13 counsel is unable to obtain the reporter's transcript from the hearing because the transcript is still be
14 finalized.

15 I declare under penalty of perjury under the laws of the State of California that the foregoing is
16 true and correct, and that this declaration is executed on December 3, 2018, at San Diego, California.

17
18 

19 _____
James Joseph

Exhibit A

**AGREEMENT OF COMPROMISE, SETTLEMENT,
AND MUTUAL GENERAL RELEASE**

This AGREEMENT OF COMPROMISE, SETTLEMENT, AND MUTUAL GENERAL RELEASE ("Agreement") is entered into by and between SALAM RAZUKI (hereinafter collectively "RAZUKI"), on the one hand, and and NINUS MALAN (hereinafter "MALAN"), on the other. The persons to this Agreement may sometimes be referred to collectively as the "Parties" or separately as "Party". This Agreement is entered into with reference to the recitals set forth in the Article titled "Recitals" below and constitutes (i) a settlement agreement between the Parties and (ii) a mutual release of all liabilities of the Parties arising out of the matters described below and except as expressly otherwise noted herein.

**ARTICLE I.
RECITALS**

This Agreement is entered into with reference to the following facts:

1.1 RAZUKI and MALAN have engaged in several business transactions, dealings, agreements (oral and written), promises, loans, payments, related to the acquisition of real property and interests in various medical marijuana businesses. Specifically, RAZUKI and MALAN have each invested certain sums of capital for the acquisition of the following assets (collectively hereinafter referred to as the "Partnership Assets"):

(a) MALAN'S one hundred percent (100%) membership interest in SAN DIEGO UNITED HOLDING GROUP LLC, a California Limited Liability Company, and record owner of the following properties:

- i. The real property commonly known as 8859 BALBOA AVE., STE. A, SAN DIEGO, CA 92123.
- ii. The real property commonly known as 8859 BALBOA AVE., STE. B, SAN DIEGO, CA 92123.
- iii. The real property commonly known as 8859 BALBOA AVE., STE. C, SAN DIEGO, CA 92123.
- iv. The real property commonly known as 8859 BALBOA AVE., STE. D, SAN DIEGO, CA 92123.
- v. The real property commonly known as 8859 BALBOA AVE., STE. E, SAN DIEGO, CA 92123.
- vi. The real property commonly known as 8861 BALBOA, STE. B, SAN DIEGO, CA 92123.
- vii. The real property commonly known as 8863 BALBOA, STE. E,

SAN DIEGO, CA 92123.

(b) One hundred percent (100%) membership interest in FLIP MANAGEMENT LLC, a California Limited Liability Company.

(c) MALAN'S fifty percent (50%) membership interest in MIRA ESTE PROPERTIES LLC, a California Limited Liability Company, and record owner of the real property commonly known as 9212 MIRA ESTE CT., SAN DIEGO, CA 92126.

(d) MALAN'S Fifty percent (50%) membership interest in ROSELLE PROPERTIES, LLC, a California Limited Liability Company, and record owner of the real property commonly known as 10685 ROSELLE ST., SAN DIEGO, CA 92121.

(e) RAZUKI'S twenty percent (20%) membership interest in SUNRISE PROPERTY INVESTMENTS, LLC, a California Limited Liability Company, the record owner of the real property located 3385 SUNRISE STREET, SAN DIEGO, CA 92012.

(f) RAZUKI'S twenty seven percent (27%) membership interest in SUPER 5 CONSULTING GROUP, LLC, a California Limited Liability Company, which is the operator of a medical marijuana dispensary located at 3385 SUNRISE STREET, SAN DIEGO, CA 92012.

1.2 RAZUKI and MALAN have an understanding such that regardless of which Party or entity holds title and ownership to the Partnership Assets, RAZUKI is entitled to a seventy-five percent (75%) interest in the capital, profits, and losses of each Partnership Asset and MALAN is entitled to a twenty five percent (25%) interest, and no Party is entitled to receive any profits whatsoever until, and unless the Parties have first been repaid their investment in full (hereinafter referred to as the "Partnership Agreement").

1.3 RAZUKI and MALAN have now formed RM PROPERTY HOLDINGS, LLC, a California Limited Liability Company (the "Company"), whereby RAZUKI and MALAN have agreed to transfer title to the Partnership Assets to the Company, and forever resolve any and all matters, claims or controversies that each Party may have against each other related to the Partnership Agreement as stated in this Agreement.

1.4 RAZUKI and MALAN have not recouped their financial investments in the Partnership Assets.

1.5 The Parties consider it to be in their best interests, in light of the cost of litigation, and to their best advantage, to forever dismiss, settle, adjust and compromise all claims and defenses which have been, or could have been asserted relative to their Partnership Agreement.

1.6 All claims are denied and contested, and nothing contained herein should be construed as an admission by any Party hereto of any liability of any kind to any other Party hereto or to any other person.

1.7 The Parties now wish to settle the dispute between them and forever release.

AGREEMENT OF COMPROMISE, SETTLEMENT, AND MUTUAL GENERAL RELEASE

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discharge, and terminate any and all liabilities arising out of, or existing or emanating from their Partnership Agreement, including all demands and causes of action, whether state, federal, or administrative, and whether actually raised or could have been raised by way of complaint, supplemental complaint, or cross-complaint except as expressly otherwise set forth within this Agreement. In order to effectuate this release, the Parties hereto enter into this Agreement.

NOW THEREFORE, in consideration of the mutual promises and covenants, and upon the conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE II TERMS OF SETTLEMENT

2.1 Transfer of Partnership Assets to the Company. The Parties shall use their best efforts to effectuate the transfer of the Partnership Assets to the Company within thirty (30) days, and shall execute any and all further documents as may be necessary to carry out the same.

2.2 Financial Accounting. The Parties agree to work in good faith to calculate each of their respective cash investment amounts in the Partnership Assets within thirty (30) days and shall execute an amendment or exhibit to this Agreement to memorialize the same. Once executed, the exhibit or amendment shall be incorporated and become a part of this Agreement as though set forth originally (the "Accounting"). For avoidance of doubt, the amount agreed to in the Accounting shall be the amount of cash capital investment that must be first repaid to the Parties by the Company before either Party receives any profits therein (each referred to as the "Partners' Cash Investment").

2.3 The Company's Operating Agreement. The Parties hereby reaffirm and acknowledge the terms of the Operating Agreement provide for repayment of the Partners' Cash Investment prior to any distribution of profits and losses. The Parties further reaffirm that once the Partners' Cash Contribution has been repaid by the Company, then RAZUKI shall receive seventy five percent (75%) of the profits and losses of the Company and MALAN shall receive twenty five percent (25%), all as set forth under the terms of the Operating Agreement. It is the Parties' intention that once the Partnership Assets have been transferred to the Company and the Accounting has been agreed upon, then all other business matters shall be governed and controlled by the terms of the Operating Agreement and the Parties shall thereafter be released from all further liability to each other arising under their Partnership Agreement as set forth below.

ARTICLE III MUTUAL GENERAL RELEASE OF ALL CLAIMS

3.1 General Release. In consideration of the terms and provisions of this Agreement, the Parties hereto, on behalf of themselves, successors, and assigns, hereby forever relieve, release, and discharge each other, and their respective successors and assigns, and all of their respective present and former attorneys, accountants, agents, employees, representatives,

AGREEMENT OF COMPROMISE, SETTLEMENT, AND MUTUAL GENERAL RELEASE

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administrators, insurers, partners, directors, officers, shareholders, and heirs of and from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs, and expenses, including but not limited to attorney's fees, damages, actions, and causes of action of whatsoever kind or nature, specifically including those related to in any way, directly or indirectly, to any alleged past, present, or future claims for violations of any state, federal, or administrative code or statute, or any type of tort or conversion, or indemnification, contribution, or declaratory relief based on any type of allocation of fault, whether now known or unknown, suspected or unsuspected, based on, arising out of, or in connection with anything whatsoever done, omitted, or suffered to be done at any time, relating to, or in any matter connected with, directly or indirectly, the matters, facts or claims related to their Partnership Agreement as set forth in the Article of this Agreement titled "Recitals". This Agreement shall not be interpreted to bar any claims for the enforcement of the provisions of this Agreement or any provision of the Company's Operating Agreement. Furthermore, this release and settlement shall only be effective upon (i) the transfer to the Company of the Partnership Assets pursuant to section 2.1 above, and (ii) execution of an amendment or exhibit related to the Accounting. Thereafter, the Parties shall forever be barred from bringing any claims related to the Partnership Agreement as set forth herein, and all claims or controversies shall be governed by the terms of the Company's Operating Agreement.

3.2 Waiver under Section 1542 of the California Civil Code. The Parties hereto expressly waive any and all rights under Section 1542 of the Civil Code of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

In connection with such waiver and relinquishment, the Parties acknowledge that it may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true. Nevertheless, it is the intention of the Parties, through this Agreement, and with the advice of counsel, if any, to fully, finally, and forever settle this dispute. Pursuant to that intention, the Parties expressly consent that this release shall have the same full force and effect as to unknown and unsuspected claims, demands, and causes of action, if any, as to those terms and provisions relating to claims, demands, and causes of action hereinabove specified.

3.3 Representations and Warranties. The Parties hereby represent and warrant to, and agree with each other as follows:

(a) The Parties hereto, and each of them, represent and declare that in executing this Agreement they have relied solely upon their own judgment, belief and knowledge, and the advice and recommendations of their own independently selected counsel, if any, concerning the nature, extent, and duration of their rights and claims, and that they have not been influenced to any extent whatsoever in executing the same by any representations or statements covering any matters made by the other party hereto or by any person representing him or it.

(b) Except as expressly stated in this Agreement, neither of the Parties have made any statements or representations regarding any fact relied upon in entering into this Agreement, and the Parties specifically do not rely on any statements, representations, or promises in executing this Agreement, or in making the settlement provided for herein, except as expressly stated in this Agreement;

(c) The Parties, and their attorneys, if desired, have made such investigation of the facts pertaining to this Agreement and all of the matters pertaining thereto, as they deem necessary;

(d) The terms of this Agreement are contractual, not a mere recital, and are the result of negotiations between the Parties;

(e) The Recitals to this Agreement are expressly made a part hereof;

(f) This Agreement has been carefully read by the Parties hereto, and if they choose, by their attorneys; it is signed freely by each person executing this Agreement and each person executing this Agreement is empowered to do so.

(g) In entering into this Agreement, the Parties recognize that no facts or representations are absolutely certain. The Parties acknowledge that they are aware that they may, after execution of this Agreement, discover facts different from or in addition to those they now know or believe to be true with respect to the liabilities, actions or causes of action to be released. Accordingly, the Parties each assume their own risk of any incomplete disclosure or mistake. If the Parties, or each of them, should subsequently discover that any fact it relied upon in entering into this Agreement was untrue, or that any understanding of the facts or of the law was incorrect, such party shall not be entitled to set aside this Agreement by reason thereof. This Agreement is intended to be final and binding between the Parties hereto, and is further intended to be effective as a final accord and satisfaction between the Parties. The Parties are relying on the finality of this Agreement as a material factor inducing the Parties' execution of this Agreement.

(h) The consideration specified herein is given for the purpose of (i) settling and compromising all claims and disputes which have arisen between the Parties, and (ii) releasing the Parties by operation of this Agreement from any and all claims and liabilities, past, present, and future, that have or may arise out of the matters described in the Article titled "Recitals". Neither the payment nor tender of consideration, nor anything herein, shall be construed as an admission by any of the Parties, their agents, servants or employees, of any liability of any kind to the other.

(i) The Parties represent and warrant that they have not heretofore transferred or assigned or purported to transfer or assign to any person, firm, or corporation any claim, demand, damage, debt, liability, account, action or cause of action herein to be released.

(j) The Parties acknowledge the adequacy of the consideration given for the release

AGREEMENT OF COMPROMISE, SETTLEMENT, AND MUTUAL GENERAL RELEASE.

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of all Parties in this Agreement and understands that irrespective of whether the consideration is expressly described herein, adequate consideration exists for the release of all Parties under this Agreement.

3.4 Non-Disparagement. The Parties further agrees not to make any statement or take any action, directly or indirectly, that harms, or could harm, the other Party's business interests, reputation or good will, including any statements that may be made to any past, current, or prospective employees, vendors, or any other third parties whatsoever. Accordingly, the Parties shall not make any statements, written or oral, which disparage the other; however, this provision shall not prevent the any Party from truthfully responding to any inquiry required by law or pursuant to a court order.

ARTICLE IV GENERAL PROVISIONS

4.1 Integration. This Agreement constitutes a single, integrated, written contract expressing the entire Agreement of the Parties hereto relative to the subject matter hereof. No covenants, agreements, representations, or warranties of any kind whatsoever have been made by any Party hereto, except as specifically set forth in this Agreement. All prior discussions and negotiations, if any, are superseded by this Agreement.

4.2 No Construction Against Drafter. Each party to this Agreement and its legal counsel have reviewed and revised this Agreement. The rule of construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or of any amendments or exhibits to this Agreement. This Agreement shall not be deemed prepared or drafted by one party or another, or its attorneys, and will be construed accordingly.

4.3 Modification. No modification, waiver, amendment, discharge, or any change of this Agreement shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment, discharge, or change is or may be sought.

4.4 Heirs, Successors, and Assigns. This Agreement shall inure to the benefit of, and shall be binding upon, the heirs, successors, and assigns of the Parties hereto, and each of them.

4.5 Severability. In the event that any term, covenant, condition, or provision of this Agreement should be held to be void, voidable, or unenforceable, the remaining portions hereof shall remain in full force and effect.

4.6 Governing Law. This Agreement shall be construed in accordance with, and be governed by the laws of California.

4.7 Venue and Jurisdiction. In the event that any action, suit, or other proceeding arising from this Agreement is instituted, the parties agree that venue for such action shall be in San Diego County, and that personal jurisdiction and subject matter jurisdiction shall be

AGREEMENT OF COMPROMISE, SETTLEMENT, AND MUTUAL GENERAL RELEASE

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exercised by the Superior Court of the State of California, in and for the County of San Diego, Central Division.

4.8 Execution in Counterparts. This Agreement may be executed and delivered in two or more counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same Agreement. This Agreement shall be deemed to be executed on the last date any such counterpart is executed.

4.9 Facsimile Signatures. This Agreement may be executed and a copy of such executed Agreement transmitted by facsimile, which when received can be used as an original of the Agreement for all purposes.

4.10 Costs and Attorney's Fees. The Parties hereto agree to bear his or its own costs and attorney's fees, and each party hereby waives any statute, rule of court, or other law, awarding costs, fees, or expenses relating to any litigation. Said waiver shall be effective with respect to the statutes, rules of court, or other laws or provisions of the United States and/or of each state, including, without limitation, the State of California. However, in the event that any action, suit, or other proceeding is instituted to interpret and/or enforce this Agreement, or arising out of a breach of this Agreement, the prevailing party shall recover all of such party's reasonable attorney's fees and costs incurred in each and every action, suit, or other proceeding, including any and all appeals or petitions therefrom.

4.11 Waiver. Any waiver of a default under this Agreement must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement. No delay or omission in the exercise of any right or remedy shall impair such right or remedy or be construed as a waiver. Consent to or approval of any act shall not be deemed to waive or render unnecessary consent to or approval of any other or a subsequent act.

4.12 Confidentiality. The terms of this Agreement are confidential. The Parties expressly understand and agree that it shall constitute a breach of this Agreement to disclose or communicate the terms of this settlement or to disseminate this Agreement to any third party (unless required by Court order or operation of law or to the Parties' respective attorneys, accountants or tax advisers).

4.13 Time of Essence. The Parties hereto agree and confirm that time is of the essence for execution, completion, and full performance of the terms and conditions of this agreement.

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IN WITNESS WHEREOF, the Parties hereto have each approved and executed this Agreement on the dates set forth opposite their respective signatures.

Dated: 11/9/17

RAZUKI

By: 
SALAM RAZUKI

Dated: 11/9/17

MALAN

By: 
NINUS MALAN

Exhibit B

BRINIG TAYLOR ZIMMER
INCORPORATED
FORENSIC ACCOUNTING AND BUSINESS VALUATION
401 B STREET, SUITE 2150
SAN DIEGO, CALIFORNIA 92101
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November 13, 2018

BY E-MAIL ONLY

Honorable Eddie C. Sturgeon
Judge of the Superior Court
Department C-67
330 West Broadway
San Diego, CA 92101

Mr. Michael Essary
Court-Appointed Receiver
Calsur Property Management
8304 Clairemont Mesa Blvd., St. 207
San Diego, CA 92111

Re: Razuki v. Malan, et al.
Case No.: 37-2018-00034229-CU-BC-CTL
AMENDED REPORT – NOVEMBER 13, 2018

Judge Sturgeon, Mr. Essary, Parties and Counsel:

This Amended Report updates my previous report dated November 12, 2018. I have been court appointed by the Honorable Eddie C. Sturgeon to provide a forensic accounting analysis of financial issues related to two business operations: the “Balboa Operations” and the “Mira Este Operation.” This report presents my findings as of November 13, 2018. The parties continue to provide information that they believe is relevant to my analysis and I reserve the right to update and augment this report based on additional information provided to me.

BACKGROUND FACTS

A dispute exists between Mr. Salam Razuki (Plaintiff) and Mr. Ninus Malan (one of the Defendants) regarding their respective ownership interests in various business entities comprising two separate, licensed cannabis operations. In short,¹ Razuki claims that he and Malan are 75% / 25% owners of the entities involved in the Balboa Operations. Razuki also claims that he and Malan are 75% / 25% owners in any interest that Malan has in the Mira Este

¹ The parties have complex claims in this matter and my summary of those claims is not intended to be complete. My summary is only intended to introduce the forensic accounting analysis that I have undertaken.

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Operation. This report addresses the Balboa Operations separately from the Mira Este Operation.

SCOPE OF THE FORENSIC ACCOUNTING ASSIGNMENT

In this report, the following financial issues are addressed:

The Balboa Operations:

1. Razuki's contributions made into the Balboa Operations.
2. Distributions received by Razuki from the Balboa Operations.
3. Malan's contributions made into the Balboa Operations;
4. Distributions received by Malan from the Balboa Operations;
5. Contributions made by others into the Balboa Operations;
6. Distributions received by others from the Balboa Operations;
7. A summary of the financial operating activity of the Balboa Operations from inception to approximately the end of October 2018.

The Mira Este Operation:

1. Razuki's contributions made into the Mira Este Operation;
2. Distributions received by Razuki from the Mira Este Operation;
3. Malan's contributions made into the Mira Este Operation;
4. Distributions received by Malan from the Mira Este Operation;
5. Contributions made by Hakim into the Mira Este Operation;
6. Distributions received by Hakim from the Mira Este Operation;
7. Contributions made by others into the Mira Este Operation;
8. Distributions received by others from the Mira Este Operation;
9. A summary of the financial operating activity of the Mira Este Operation from inception to approximately the end of October 2018.

Other Contributions Claimed by the Parties:

1. Each party claims that he has made contributions to the business in the form of direct payments to the other party or payments of expenses related to the business entities. In Schedule 1, I have identified the respective "Other Possible Contributions" claimed by each party. Further investigation is necessary to verify the "Other Possible Contributions" in both the amounts and the propriety of allowing credit to the contributing party.

The summary of the analysis is set forth in Schedule 1 to this report and Schedules 2 through 7 provide more detailed analysis. My firm can provide very detailed schedules to the parties showing the composition of the amounts of contributions, distributions and expenses, but these detailed schedules are not included in this report.

THE "BALBOA OPERATIONS"

The "Balboa Operations" are several business entities that combine to operate a retail cannabis dispensary from premises located at 8863 Balboa Avenue, Suite E, San Diego, California. The Balboa Operations are composed of the following entities:

Entities OWNED (OR CLAIMED TO BE OWNED) by Malan and Razuki:

1. **Balboa Avenue Cooperative** (a licensed, California nonprofit mutual benefit corporation that operates the cannabis dispensary, referred to as the "Balboa Dispensary" or the "Dispensary");
2. **San Diego United Holdings Group, LLC** (a California limited liability company that owns the premises of the Dispensary and six other individual units in the same commercial/industrial complex as the Dispensary);
3. **Flip Management, LLC** (a California limited liability company that has operated as a related management entity for the Dispensary);

Entities NOT OWNED by Malan and/or Razuki, but relevant to the discussion:

4. **San Diego Building Ventures** (a third-party management company that was formerly contracted to the Dispensary to provide management services; this entity is also referred to as SoCal Building Ventures, but it appears to be the same entity);
5. **Far West Management, LLC** (a management company that is presently contracted to the Dispensary to provide management services);

Ultimately, the Balboa Operations exist to run the Balboa Dispensary, a retail store that is licensed to sell cannabis products to the public. There are extensive regulations governing the operations of a cannabis business and reluctance (or possibly outright prohibition) on the part of federally-chartered banking institutions to grant banking privileges to cannabis-related businesses. Consequently, the Balboa Dispensary is an entirely cash business. As a result of the "cash only" operating situation, the Dispensary is related to other entities to which it transfers the majority of its revenue and through which it pays many of its expenses. The related entities are able to operate with checking accounts through normal banking institutions. The Balboa Dispensary also has a management contract with Far West Management, LLC, a company that provides management services and employee leasing services to the Balboa Dispensary.

Summary of Contributions and Distributions by Razuki and Malan to the Balboa Operations

Schedule 2 sets forth a summary of the contributions to and distributions from the Balboa Operations by Mr. Razuki and Mr. Malan from inception to the present. Schedule 2 also shows contributions from San Diego Business Ventures (former management company) and other transfers in and out of the Balboa Operations. The references on Schedule 2 identify the

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 Mr. Michael Essary
 November 13, 2018
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supporting schedules that present the details of the summary amounts on Schedule 2. The result of the analysis of the contributions and distributions related to the Balboa Operations is set forth in the following duplication of Schedule 2:

**AMENDED SCHEDULE 2
 BALBOA OPERATIONS
 AMOUNTS CONTRIBUTED INTO AND DISTRIBUTED FROM**

		Contributions to and Distributions from				
<i>Ref.</i>	Razuki	Malan	Hakim	S.D. Bldg. Vent.	Total	
Contributions into:						
8859 Balboa A-E	\$ 527,312.99	\$ 53,524.85			\$ 580,837.84	
8861 B & 8863 E	433,312.50	4,198.50			437,511.00	
S.D. Building Ventures	-	-		\$ 1,555,892.34	1,555,892.34	
S.D. United Holdings, LLC		107,031.45	12,500.00		119,531.45	
Total Contributions Into Balboa Operations	\$ 960,625.49	\$ 164,754.80	\$ 12,500.00	\$ 1,555,892.34	\$ 2,693,772.63	
(Distributions From)						
Daily Cash Sheets (Jan - Jun 2018)		(182,680.00)	(30,000.00)		(212,680.00)	
Flip Management, LLC	(229.67)	(5,644.00)	(5,000.00)		(10,873.67)	
S.D. United Holdings, LLC	(26,994.97)				(26,994.97)	
Total Distributions From Balboa Operations	\$ (27,224.64)	\$ (188,324.00)	\$ (35,000.00)	\$ -	\$ (250,548.64)	
Net Contributions (Distributions)	\$ 933,400.86	\$ (23,569.21)	\$ (22,500.00)	\$ 1,555,892.34	\$ 2,443,223.99	

Summary of Financial Operating Activity of the Balboa Operations

The operations of the Balboa Dispensary are a consolidation of the revenues and expenses from several entities. Because of the practical restriction of banking facilities available to the Balboa Dispensary, it can only operate on a cash basis by itself. Consequently, any expenses that cannot be paid in cash (payroll, taxes, insurance, etc.) have to be paid by a related entity or an unrelated management company. It is therefore necessary to transfer cash revenues from the Balboa Dispensary to other entities for the payment of some of the Dispensary's expenses. Therefore, the complete picture of the operations of the Dispensary (revenues, expenses and net income) requires a consolidation of expenses paid by various entities. Schedule 3 to this report presents the Statement of Cash Received and Disbursed from Operations for the Balboa Operations from inception through the present date. It should be noted that Schedule 3 is compiled from the best accounting data available from the management sources that were in place during different periods of historical operation and the Schedule is prepared without audit.

Schedule 3 identifies a cumulative operating deficit of the Balboa Operations of (\$1,564,712). This deficit has been funded by contributions as identified in Schedule 2 to this report

THE "MIRA ESTE OPERATION"

The Mira Este Operation is completely separate from the Balboa Operations, except for some common ownership and some occasional funds transferring between the two groups of entities. The Mira Este Operation involves one additional investor, Mr. Chris Hakim. The Mira Este operation is composed of the following entities:

Entities OWNED by Malan and Hakim (AND IN WHICH RAZUKI CLAIMS AN INTEREST):

1. **California Cannabis Group** (a licensed, California nonprofit mutual benefit corporation that operates the facility referred to as the Mira Este location);
2. **Mira Este Properties, LLC** (an entity that owns the premises located at 9212 Mira Este Court, San Diego, California);

Entities NOT OWNED by Malan, Hakim and/or Razuki, but relevant to the discussion:

3. **Far West Management, LLC** (a management company that is presently contracted to the California Cannabis Group to provide management services);
4. **San Diego Building Ventures** (a third-party management company that was formerly contracted to California Cannabis Group to provide management services; also referred to as SoCal Building Ventures);
5. **Synergy Management Partners, LLC** (a management company that is presently contracted to the California Cannabis Group to provide management services.)

The Mira Este Operation is not a retail cannabis dispensary. It is a 16,000 square foot building located at 9212 Mira Este Court that is licensed to effectively be a landlord to various cannabis operations that are owned by unrelated third parties, considered to be tenants in this accounting analysis. Presently there is one manufacturing company – EdiPure – that is a tenant at the Mira Este facility. It is Mira Este's intention to have more tenants at its facility who pay rent to the non-profit, cannabis-licensed entity, California Cannabis Group. Because of complex cannabis regulations, the present and future tenants of Mira Este operate under the license of California Cannabis Group and California Cannabis Group is subject to the same banking restrictions as other cannabis operations.

Summary of Contributions and Distributions by Razuki, Malan and Hakim to the Mira Este Operation

Schedule 4 sets forth a summary of the contributions to and distributions from the Mira Este Operation by Mr. Razuki, Mr. Malan and Mr. Hakim from inception to the present time. Schedule 4 also shows contributions from San Diego Business Ventures (former management

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company) and other transfers in and out of the Mira Este Operation. The references on Schedule 4 identify the supporting schedules that present the details of the summary amounts on Schedule 4. The result of the analysis of the contributions and distributions related to the Mira Este Operation is set forth in the following duplication of Schedule 4:

**AMENDED SCHEDULE 4
 MIRA ESTE OPERATION
 AMOUNTS CONTRIBUTED INTO AND DISTRIBUTED FROM**

	Ref.	Contributions to and Distributions from					Total
		Razuki	Malan	Hakim	S.D. Bldg. Vent.		
Contributions into:							
Mira Este Property Purchase	Sched 4.1	\$ 542,455.94	\$ 65,490.00	\$ 420,000.00			\$ 1,027,945.94
From S.D. Building Ventures	Sched 4.2				\$ 534,628.50		\$ 534,628.50
Total Contributions Into		542,455.94	65,490.00	420,000.00	534,628.50		1,562,574.44
(Distributions From)							
Mira Este Refinance	Sched 4.1	(72,000.00)	(518,000.00)	(590,000.00)			(1,180,000.00)
Net Money disbursed	Sched 4.3	-	(152,877.00)	(70,926.10)			(223,803.10)
Total Distributions From		(72,000.00)	(670,877.00)	(660,926.10)	-		(1,403,803.10)
Net Contributions (Distributions)		\$ 470,455.94	\$ (605,387.00)	\$ (240,926.10)	\$ 534,628.50		\$ 158,771.34

Summary of Financial Operating Activity of the Mira Este Operation

The operations of the Mira Este facility are a consolidation of the revenues and expenses of Mira Este Properties, LLC and California Cannabis Group that were recorded by different management companies since the inception of activity. Again, because of the practical restriction of banking facilities to California Cannabis Group, it can only operate on a cash basis by itself. Consequently, any expenses that cannot be paid in cash (payroll, taxes, insurance, etc.) have to be paid by a related entity or an unrelated management company. To date, the only revenues of the combined entities have been three months' rent paid by EdiPure, the only tenant presently occupying the premises. The consolidation of California Cannabis Group's financial statements is presented on Schedule 5 to this report. The cumulative operating cash deficit of the Mira Este Operation is \$994,959.53.

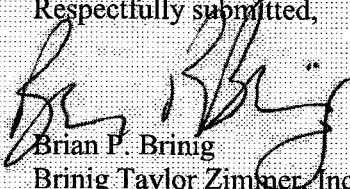
OTHER POSSIBLE CLAIMED CONTRIBUTIONS

Each party claims that he has made contributions to the business in the form of direct payments to the other party or payments of expenses related to the business entities. In Schedule 1, I have identified the respective "Other Possible Contributions" claimed by each party. Further investigation is necessary to verify the "Other Possible Contributions" in both the amounts and the propriety of allowing credit to the contributing party.

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I am issuing this report with the intention that the parties will have numerous comments and questions about the data summaries contained herein. Many documents have been provided to me at the last minute or other information provided with inadequate substantiation. I reserve the right to update and augment this report based on additional information provided to me.

Respectfully submitted,



Brian P. Brinig
Brinig Taylor Zimmer, Inc.

BRINIG TAYLOR ZIMMER
INCORPORATED

**AMENDED SCHEDULE 1
SUMMARY OF BALBOA COOPERATIVE OPERATIONS AND MIRA ESTE OPERATION**

	Razuki	Malan	Hakim	SDBV	Operations	Total
Balboa Ave Cooperative Operations:						
Net Contributions	Schedule 2 \$ 960,625.49	\$ 164,754.80	\$ 12,500.00	\$ 1,555,892.34		\$ 2,693,772.63
Net Distributions	Schedule 2 (27,224.64)	(188,324.00)	(35,000.00)			(250,548.64)
Net Deficit from Operations	Schedule 3				\$ (1,564,712.25)	(1,564,712.25)
Mira Este Operation:						
Net Contributions	Schedule 4 542,455.94	65,490.00	420,000.00	534,628.50		1,562,574.44
Net Distributions	Schedule 4 (72,000.00)	(670,877.00)	(660,926.10)			(1,403,803.10)
Net Deficit from Operations	Schedule 5				\$ (994,959.53)	(994,959.53)
Total Before Other Possible Contributions	\$ 1,403,856.80	\$ (628,956.21)	\$ (263,426.10)	\$ 2,090,520.84	\$ (2,559,671.78)	\$ 42,323.55
Other Possible Contributions						
Operating Payments From Personal Accounts	Schedule 6	\$ 159,164.87				159,164.87
Operating Payments From Personal Accounts	Schedule 7		\$ 205,187.74			205,187.74
Transfers to NM Investments		\$ 498,219.07				\$ 498,219.07
Sale of Dispensary Business		\$ 1,575,000.00				1,575,000.00
Purchase Mira Este Business Tax Certificate ("BTC")		\$ 200,000.00				200,000.00
Purchase of Balboa 8863E & 8861B BTC		\$ 50,000.00				50,000.00
Totals Including Other Possible Contributions	\$ 3,727,075.87	\$ (469,791.34)	\$ (58,238.36)	\$ 2,090,520.84	\$ (2,559,671.78)	\$ 2,729,895.23

**AMENDED SCHEDULE 2
BALBOA OPERATIONS
AMOUNTS CONTRIBUTED INTO AND DISTRIBUTED FROM**

		Contributions to and Distributions from					
	Ref.	Razuki	Malan	Hakim	S.D. Bldg. Vent.	Total	
Contributions into:							
8859 Balboa A-E	Sched 2.1	\$ 527,312.99	\$ 53,524.85			\$ 580,837.84	
8861 B & 8863 E	Sched 2.2	433,312.50	4,198.50			437,511.00	
S.D. Building Ventures	Sched 2.3	-	-		\$ 1,555,892.34	1,555,892.34	
S.D. United Holdings, LLC	Sched 2.4		107,031.45	12,500.00		119,531.45	
<hr/>							
Total Contributions Into Balboa Operations		\$ 960,625.49	\$ 164,754.80	\$ 12,500.00	\$ 1,555,892.34	\$ 2,693,772.63	
<hr/>							
(Distributions From)							
Daily Cash Sheets (Jan - Jun 2018)	Sched 2.5		(182,680.00)	(30,000.00)		(212,680.00)	
Flip Management, LLC	Sched 2.6	(229.67)	(5,644.00)	(5,000.00)		(10,873.67)	
S.D. United Holdings, LLC	Sched 2.4	(26,994.97)				(26,994.97)	
<hr/>							
Total Distributions From Balboa Operations		\$ (27,224.64)	\$ (188,324.00)	\$ (35,000.00)	\$ -	\$ (250,548.64)	
<hr/>							
Net Contributions (Distributions)		\$ 933,400.86	\$ (23,569.21)	\$ (22,500.00)	\$ 1,555,892.34	\$ 2,443,223.99	

**AMENDED SCHEDULE 2.1
BALBOA OPERATIONS
AMOUNTS CONTRIBUTED TO 8859 BALBOA**

Investment in 8859 Balboa Ave Units A-E

	Total (Escrow Stmt.)	Razuki	Malan
SDUH	\$ 25,000.00		\$ 25,000.00
SDUH	\$ 420,000.00 [A]	\$ 327,312.99	\$ 92,687.01
SDUH	\$ (64,162.16)		\$ (64,162.16)
Razuki	\$ 200,000.00	\$ 200,000.00	
	<hr/>	<hr/>	<hr/>
Subtotal	\$ 580,837.84	\$ 527,312.99	\$ 53,524.85
First Trust Deed	\$ 1,088,000.00	-----[to Schedule 2] -----	
Other Costs	\$ (68,837.84)		
Total Consideration	<u>\$ 1,600,000.00</u>		

[A] SDUH received \$327,312.99 from El Cajon Investment Group, LLC (Razuki) to fund this transfer. Razuki represents that El Cajon Investment is his company.

**AMENDED SCHEDULE 2.2
BALBOA OPERATIONS
AMOUNTS CONTRIBUTED TO 8861 B and 8863 E**

Razuki originally purchased the properties in 2016

Sale to SDUH 3/2/2017 (Razuki sells to SDUH):

1st Trust Deed	\$ 475,000.00 [A]
2nd Trust Deed to Razuki Investments	\$ 275,000.00 [B]
Cash from SDUH	\$ 4,198.50 [C]
Other Costs	<u>\$ (4,198.50)</u>
Total Consideration	<u>\$ 750,000.00</u>

[A] Refinanced to \$500,000 in May 2017 through Salas Financial, borrowers are Razuki, American Lending & SDUH

[B] Razuki reconveys the 2nd trust deed to SDUH and forgives this debt (5/12/2017)

Summary of Financial Activity:

	<u>Razuki</u>	<u>Malan</u>
Contribution to Escrow		\$ 4,198.50
1st Trust Deed Paydowns:		
Two monthly payments by Razuki	\$ 8,312.50 [D]	
From Arroyo Hondo sale (Razuki)	50,000.00 [D]	
From Loch Lomond sale (Razuki)	50,000.00 [D]	
Relief of 2nd Trust Deed	<u>275,000.00 [D]</u>	
Subtotal	\$ 383,312.50	
Razuki purchase of Cond. Use Permit	<u>50,000.00 [E]</u>	
Total contribution	<u>\$ 433,312.50</u>	<u>\$ 4,198.50</u>

-----[to Schedule 2] -----

[C] Contribution by SDUH attributed to Malan

[D] Amount of transaction is documented

[E] Based on Razuki's representation only; no documentation yet provided.

**AMENDED SCHEDULE 2.3
BALBOA OPERATIONS
AMOUNTS CONTRIBUTED BY S.D. BUILDING VENTURES**

	2017	2018	Total Contribution
Cash Contributed	\$ 739,300.00	\$ 1,748,276.84	\$ 2,487,576.84
Transfer to Mira Este	(177,658.00)	(612,806.00)	(790,464.00)
Transfer to Mira Este	(55,500.00)	(85,720.50)	<u>(141,220.50)</u>
Net Amount Contributed to Balboa Operations			<u>\$ 1,555,892.34</u>

[to Schedule 2]

**AMENDED SCHEDULE 2.4
BALBOA OPERATIONS
NET AMOUNTS CONTRIBUTED BY RAZUKI, MALAN & HAKIM**

	2017		2018		Total	Recorded in Property Transactions	Net Contribution (Distribution)	Razuki	Malan	Hakim
Razuki Investment	\$ 327,317.99				\$ 327,317.99	\$ (327,317.99)	\$ -			
Salam Razuki	\$ 25,000.00				\$ 25,000.00		\$ 25,000.00			
Chris Hakim		\$ 10,000.00			\$ 10,000.00				\$ 10,000.00	
Ninus Malan/Chris Hakim		\$ 5,000.00			\$ 5,000.00			\$ 2,500.00		\$ 2,500.00
Ninus Malan	\$ 285,545.82	\$ (111,236.41)			\$ 174,309.41		\$ 174,309.41			
NM Investments	\$ (1,620.00)	\$ (16,163.00)			\$ (17,783.00)		\$ (17,783.00)			
SR/NM Property Investment	\$ (103,989.93)				\$ (103,989.93)		\$ (103,989.93)			
							\$ (51,994.97)	\$ (51,994.97)		
							\$ (26,994.97)	\$ 107,031.45	\$ 12,500.00	

Net Amounts Contributed (Distributed)

-----[to Schedule 2] -----

**AMENDED SCHEDULE 2.5
BALBOA OPERATIONS
NET AMOUNTS DISTRIBUTED TO MALAN & HAKIM JAN. - JUNE, 2018**

	Total	Malan	Hakim
Ninus Milan	\$ 152,680.00	\$ 152,680.00	
Ninus Milan/Chris Hakim	60,000.00	30,000.00	\$ 30,000.00
	\$ 212,680.00	\$ 182,680.00	\$ 30,000.00

-----[to Schedule 2] -----

AMENDED SCHEDULE 2.6
BALBOA OPERATIONS
AMOUNTS DISTRIBUTED FROM FLIP MANAGEMENT, LLC

	2017	2018	Grand Total	Razuki	Milan	Hakim
Partner Investments (Distributions)						
Salam Razuki	\$ (229.67)		\$ (229.67)	\$ (229.67)		
Chris Hakim		\$ (5,000.00)	\$ (5,000.00)			\$ (5,000.00)
Ninus Milan	\$ 8,000.00	\$ (13,644.00)	\$ (5,644.00)		\$ (5,644.00)	
				<u>\$ (229.67)</u>	<u>\$ (5,644.00)</u>	<u>\$ (5,000.00)</u>

-----[to Schedule 2] -----

**AMENDED SCHEDULE 3
BALBOA OPERATIONS
STATEMENT OF CASH RECEIVED AND DISBURSED FROM OPERATIONS
From Inception to the Present
Note 1**

"Balboa Operations" - Balboa Cooperative, SD United Holdings, LLC and Flip Management, LLC

	Total 2017 [A]	Total Jan - June 2018 [B]	Total July - Oct 2018[C]
Sales	\$ (8,566.00)	1,729,846.86	\$ 624,760.94
Switch Reimb of ATM Draws	\$ 204,620.25	-	\$ 96,233.00
Balboa 8855 Rent	\$ 12,842.38	23,000.00	\$ 11,000.00
Unknown	\$ (415.50)	16,797.14	\$ 3,600.00
	<u>\$ 208,481.13</u>	<u>\$ 1,769,644.00</u>	<u>\$ 735,593.94</u>
Accounting	\$ (22,260.00)	(22,000.00)	\$ (5,450.00)
Advertising/Promotion	\$ (81,250.40)	(76,164.87)	\$ (61,492.49)
Alarm	\$ -	(787.54)	\$ (49.99)
Balboa Tenant Improvements	\$ (90,950.00)	(208,617.75)	\$ (73,600.00)
Bank Fee	\$ (1,333.06)	(1,223.27)	\$ 2,607.69
Chris Berman	\$ -	(93,000.00)	\$ -
Cable	\$ (3,727.52)	(3,586.28)	\$ (359.92)
Cal City Management	\$ (150,000.00)	-	\$ -
Charitable Contribution	\$ -	(18,565.00)	\$ -
Computer	\$ -	(1,900.00)	\$ -
CUP - Balboa	\$ (7,244.00)	(7,461.00)	\$ -
HOA	\$ (9,440.92)	(42,530.58)	\$ -
Income Tax	\$ (800.00)	(4,359.18)	\$ -
Insurance	\$ (8,445.29)	(32,095.45)	\$ (8,543.86)
Inventory	\$ (37,329.95)	(839,333.01)	\$ (378,186.13)
Legal Fees	\$ (107,063.42)	(115,606.18)	\$ (296,388.94)
Loan Payments	\$ (100,307.75)	(88,181.60)	\$ (24,478.42)
Management/Consultant	\$ (75,788.10)	(116,500.00)	\$ (125,404.68)
Misc	\$ (5,272.66)	(1,488.51)	\$ (5,471.19)
Outside Services	\$ -	-	\$ (7,941.65)
Payroll	\$ (1,121.04)	(98,777.55)	\$ (381.85)
Payroll Fees	\$ (890.65)	(2,320.90)	\$ (118,112.24)
Payroll Tax	\$ (345.00)	(36,216.97)	\$ (7,752.96)
Phone	\$ -	(474.00)	\$ -
Point of Sale System	\$ -	(140.00)	\$ -
Printing	\$ (758.55)	-	\$ -
Property Tax	\$ -	(8,555.70)	\$ -
Reimbursements	\$ -	(1,699.29)	\$ -
Rent	\$ -	(21,200.00)	\$ (6,000.00)
Repairs & Maintenance	\$ -	-	\$ (26,181.20)
Sales Tax	\$ (32,829.03)	(218.00)	\$ -
Security	\$ (11,612.00)	(81,479.70)	\$ (76,495.18)
SoCal Employee Rent	\$ -	(22,672.45)	\$ (4,500.00)
SoCal Manager	\$ (30,000.00)	(30,000.00)	\$ (20,000.00)
Software	\$ -	(10,139.10)	\$ -
Storage	\$ -	(1,400.00)	\$ (700.00)
Supplies	\$ (11,080.55)	(8,196.66)	\$ (4,739.21)
Tax	\$ -	(31,751.05)	\$ (7,489.78)
Travel	\$ (1,346.85)	(10.00)	\$ -
Unknown	\$ (151,806.13)	(29,611.34)	\$ (9,147.79)
Utilities	\$ (3,598.46)	(3,715.48)	\$ (3,591.79)
Total Expenses	<u>(946,601.33)</u>	<u>(2,061,978.41)</u>	<u>(1,269,851.58)</u>
Net Operating Income/(Loss)	<u>(738,120.20)</u>	<u>(292,334.41)</u>	<u>(534,257.64)</u>
Net Operating Deficit		<u>\$ (1,564,712.25)</u>	

[1] This cash received and cash disbursed summary is prepared from the best records available from different managing entities during the relevant periods of time. The summaries are not audited; they are a compilation of the available receipts and disbursements data.

[A] Computed from Flip Management, San Diego Building Ventures and San Diego United Holdings

[B] Computed from Flip Managements, San Diego United Holdings, San Diego Building Ventures and the Dispensary Daily Cash Summaries.

[C] Computed from Flip Management, San Diego Building Ventures and the Financial Statements provided by Far West Management

**AMENDED SCHEDULE 4
MIRA ESTE OPERATION
AMOUNTS CONTRIBUTED INTO AND DISTRIBUTED FROM**

		Contributions to and Distributions from					
	<u>Ref.</u>	Razuki	Malan	Hakim	S.D. Bldg. Vent.	Total	
Contributions into:							
Mira Este Property Purchase	Sched 4.1	\$ 542,455.94	\$ 65,490.00	\$ 420,000.00		\$ 1,027,945.94	
From S.D. Building Ventures	Sched 4.2		\$ 534,628.50		\$ 534,628.50	\$ 534,628.50	
Total Contributions Into		542,455.94	65,490.00	420,000.00	534,628.50	1,562,574.44	
(Distributions From)							
Mira Este Refinance	Sched 4.1	(72,000.00)	(518,000.00)	(590,000.00)		(1,180,000.00)	
Net Money disbursed	Sched 4.3	-	(152,877.00)	(70,926.10)		(223,803.10)	
Total Distributions From		(72,000.00)	(670,877.00)	(660,926.10)	-	(1,403,803.10)	
Net Contributions (Distributions)		\$ 470,455.94	\$ (605,387.00)	\$ (240,926.10)	\$ 534,628.50	\$ 158,771.34	

**AMENDED SCHEDULE 4.1
MIRA ESTE OPERATION
AMOUNTS CONTRIBUTED (AND WITHDRAWN) - PROPERTY PURCHASE AND REFINANCE**

Investment in Mira Este

Payments/(Refunds) For Escrow

	<u>Original Purchase</u>	<u>Razuki</u>	<u>Malan</u>	<u>Hakim</u>
Razuki	\$ 254,780.94	\$ 254,780.94		
Malan	65,490.00		\$ 65,490.00	
Hakim	420,000.00			\$ 420,000.00
ME Properties	<u>(1,482.00)</u>			
Subtotal	738,788.94			
First Trust Deed	1,987,500.00			
Other Costs	<u>(101,288.94)</u>			
Total Consideration	<u>\$ 2,625,000.00</u>			
	Refinancing			
	<u>2nd TD (\$600,000)</u>			
Withdrawn	\$ (72,000.00)	\$ (72,000.00)		
Withdrawn	\$ (72,000.00)			\$ (72,000.00)
ME Properties	\$ (1,380.00)			
Roselle transfer	<u>\$ (415,000.00)</u>			
	\$ (560,380.00)			
Other costs	<u>\$ (39,620.00)</u>			
	<u>\$ (600,000.00)</u>			
Loan paydowns:				
Razuki	\$ 39,000.00	\$ 39,000.00		
Razuki	<u>\$ 248,675.00</u>	<u>\$ 248,675.00</u>		
	<u>\$ 287,675.00</u>			
	<u>2nd TD (\$1,100,000)</u>			
Withdrawn	\$ (518,000.00)		\$ (518,000.00)	
Withdrawn	\$ (518,000.00)			\$ (518,000.00)
Costs	<u>\$ (136.04)</u>			
Total Withdrawn	\$ (1,036,136.04)			
Other costs	<u>\$ (63,863.96)</u>			
	<u>\$ (1,100,000.00)</u>			
Total Outstanding Loan	<u>\$ 3,687,500.00</u>	<u>\$ 470,455.94</u>	<u>\$ (452,510.00)</u>	<u>\$ (170,000.00)</u>
	Contributed	Withdrawn	Net	
Razuki	\$ 542,455.94	\$ (72,000.00)	\$ 470,455.94	
Malan	\$ 65,490.00	\$ (518,000.00)	\$ (452,510.00)	
Hakim	\$ 420,000.00	\$ (590,000.00)	\$ (170,000.00)	
	<u>\$ 1,027,945.94</u>	<u>\$ (1,180,000.00)</u>	<u>\$ (152,054.06)</u>	

-----[to Schedule 4]-----

**AMENDED SCHEDULE 4.2
MIRA ESTE OPERATION
AMOUNTS CONTRIBUTED BY S.D. BUILDING VENTURES**

	Total Contribution	
	2017	2018
Transfer to Mira Este	\$ 177,658.00	\$ 612,806.00
Transfer to Mira Este	\$ 64,000.00	\$ 64,000.00
Paid on behalf of Mira Este	77,220.50	77,220.50
Equipment Returned to SDBV		<u>\$ (397,056.00)</u>
Net Amount Contributed to Mira Este Operations		<u><u>\$ 534,628.50</u></u>

[to Schedule 4]

**AMENDED SCHEDULE 4.3
MIRA ESTES OPERATION
NET AMOUNTS DISTRIBUTED FROM**

	<u>Malan</u>	<u>Hakim</u>	<u>Total</u>
2016		\$ 11,000.00	\$ 11,000.00
2017	\$ (26,500.00)	\$ 62,050.00	\$ 35,550.00
2018	<u>\$ (126,377.00)</u>	<u>\$ (143,976.10)</u>	<u>\$ (270,353.10)</u>
	<u>\$ (152,877.00)</u>	<u>\$ (70,926.10)</u>	<u>\$ (223,803.10)</u>

-----[to Schedule 4]-----

**AMENDED SCHEDULE 5
MIRA ESTE OPERATION
STATEMENT OF CASH RECEIVED AND DISBURSED FROM OPERATIONS
From Inception to the Present**

Note 1

Summary of Mira Este Operations

	Mira Este 2016 [A]	Mira Este 2017 [A]	Mira Este 2018 (Thru June) [A]	Mira Este 2018 July-Oct [B]
Operating Receipts & Disbursements				
Sublease Income				\$ 90,000.00
Mira Este Loan Payment	\$ (44,245.00)	\$ (240,415.10)	\$ (240,736.51)	\$ (92,327.50)
Legal Fees		\$ (35,796.00)	\$ (20,000.00)	\$ (64,161.00)
TRH (CUP - Mira)		\$ (10,000.00)	\$ (56,479.50)	\$ -
Mira Este Improvements		\$ (46,358.00)		\$ -
Unknown		\$ (860.00)	\$ (40,000.00)	\$ -
Property Tax		\$ (24,917.35)	\$ (15,369.46)	\$ -
Conditional Use Permit-ME		\$ (23,399.00)	\$ (10,815.50)	\$ -
Cash		\$ (23,500.00)		\$ -
Security				\$ (22,848.00)
Cleaning & Maintenance				\$ (14,958.95)
Sales Tax		\$ (12,471.07)	\$ (123.00)	\$ (1,047.17)
Insurance		\$ (3,895.34)	\$ (1,262.00)	\$ (7,675.57)
Utilities		\$ (4,795.71)	\$ (2,059.77)	\$ (2,879.50)
Outside Services				\$ (6,094.00)
Office Supplies & Software				\$ (3,397.63)
License & Permits				\$ (3,224.90)
Income Tax		\$ (1,652.19)	\$ (800.00)	\$ -
Salaries & Wages				\$ (2,282.48)
Accounting		\$ (450.00)	\$ (1,450.00)	\$ -
Bank Fee	\$ (162.43)	\$ (529.00)	\$ (320.00)	\$ -
Misc			\$ -	\$ (1,200.90)
Total Expenses	\$ (44,407.43)	\$ (429,038.76)	\$ (389,415.74)	\$ (222,097.60)
Net Operations	\$ (44,407.43)	\$ (429,038.76)	\$ (389,415.74)	\$ (132,097.60)
		\$ (994,959.53)		

[1] This cash received and cash disbursed summary is prepared from the best records available from different managing entities during the relevant periods of time. The summaries are not audited; they are a compilation of the available receipts and disbursements data.

[A] Computed from Mira Este Bank Activity

[B] Computed from Mira Este Bank Activity and California Cannabis Group Profit and Loss provided by Far West Management

SCHEDULE 6
SUMMARY OF OPERATING PAYMENTS FROM PERSONAL ACCOUNTS - NINUS MALAN

Date	Entity	Amount	Paid To	On Behalf Of	Notes
4/25/2016	American Lending & Holdings	\$ 4,500.00	Justis Warhurst	CCG	
12/20/2016	American Lending & Holdings	\$ 6,500.00	Techne	Mira Este	Permit
1/16/2017	NM Investments	\$ 15,000.00	Element Builders	Balboa Ave Coop	
2/18/2017	NM Investments	\$ 10,000.00	Element Builders	Balboa Ave Coop	
3/6/2017	American Lending & Holdings	\$ 6,457.81	Allison McCloskey Escrow	Balboa	Deposit for Purchase
3/9/2017	American Lending & Holdings	\$ 23,500.00	Balboa Ave Coop	Balboa Ave Coop	
3/14/2017	American Lending & Holdings	\$ 30,000.00	Element Builders	Balboa	Tenant Improvements
3/14/2017	American Lending & Holdings	\$ 5,273.00	Allison McCloskey Escrow	Balboa Ave Coop	Purchase
3/15/2017	American Lending & Holdings	\$ 6,000.00	Keith Henderson	Balboa	Tenant Improvements
3/17/2017	American Lending & Holdings	\$ 8,100.00	Danny Guerrero	Balboa	Tenant Improvements
4/21/2017	NM Investments	\$ 3,208.00	Techne	Balboa Ave Coop	Row Permit
4/21/2017	NM Investments	\$ 3,000.00	Bartell & Assoc	Balboa Ave Coop	Consultant
4/28/2017	NM Investments	\$ 14,000.00	Element Builders	Balboa Ave Coop	Final Payment
6/29/2017	NM Investments	\$ 7,000.00	Weedmaps	Balboa Ave Coop	
7/11/2017	Ninus Malan	\$ 2,100.00	Sunbelt Rentals	Mira Este	Generator
8/10/2018	Ninus Malan	\$ 4,573.70	The Loan Company	Balboa Ave Coop	Loan 1826
8/10/2018	Ninus Malan	\$ 9,952.36	The Loan Company	Balboa Ave Coop	Loan 1831
Total		\$ 159,164.87			

[to Schedule 1]

SCHEDULE 7
SUMMARY OF OPERATING PAYMENTS FROM PERSONAL ACCOUNTS - CHRIS HAKIM

Date	Entity	Amount	Paid To	On Behalf Of	Notes
7/20/2018	Chris Hakim	\$ 10,000.00	Fleming PC		Legal Fees
7/20/2018	Chris Hakim	\$ 10,000.00	Grant, Kesler APM		Legal Fees
7/27/2018	Chris Hakim	\$ 10,000.00	Grant, Kesler APM		Legal Fees
8/8/2018	Chris Hakim	\$ 3,000.00	Charles Gorla		Legal Fees
8/8/2018	Chris Hakim	\$ 7,000.00	Grant, Kesler APM		Legal Fees
8/13/2018	Chris Hakim	\$ 6,625.00	The Loan Company	Mira Este	1/2 Mira Este 1st Loan
8/13/2018	Chris Hakim	\$ 4,915.75	The Loan Company	Mira Este	1/2 Mira Este 2nd Loan
8/28/2018	Chris Hakim	\$ 2,330.00	Fleming PC		Legal Fees
9/12/2018	Chris Hakim	\$ 6,625.00	The Loan Company	Mira Este	1/2 Mira Este 1st Loan
9/12/2018	Chris Hakim	\$ 4,915.75	The Loan Company	Mira Este	1/2 Mira Este 2nd Loan
8/30/2016	Symbolic	\$ 10,000.00	Juvenile Aguilar	Mira Este	Demo & Haul Away
9/16/2016	Symbolic	\$ 5,500.00	Juvenile Aguilar	Mira Este	Demo & Haul Away
7/15/2017	Chris Hakim	\$ 4,789.08	Dixieline	Mira Este	Framing
8/24/2017	Chris Hakim	\$ 3,996.07	Dixieline	Mira Este	Framing
9/11/2017	Chris Hakim	\$ 2,550.00	Daryl Griffiths	Mira Este	Acoustic Ceiling
var	Chris Hakim	\$ 55,323.65	JT Electric	Mira Este	Light Fixture Package
var	Chris Hakim	\$ 28,500.00	EH Mechanical	Mira Este	HVAC System
12/31/2017	Chris Hakim	\$ 13,000.00	Gligoric & Assoc	Mira Este	Project Mgmt, City Inspector Meeting
6/7/2018	Chris Hakim	\$ 5,500.00	Juvenile Aguilar	Mira Este	Hauling Trash
12/6/2017	Chris Hakim	\$ 3,100.00	Oros Ornamental	Mira Este	Trash
7/6/2017	Chris Hakim	\$ 4,950.65	WFI	Mira Este	Fence
7/6/2017	Chris Hakim	\$ 1,994.13	Indust Mtl Sply	Mira Este	Metals & Services
7/10/2017	Chris Hakim	\$ 218.94	FSI	Mira Este	Rock
7/3/2017	Chris Hakim	\$ 102.58	FSI	Mira Este	Flanges
7/19/2017	Chris Hakim	\$ 251.14	FSI	Mira Este	Windscreen

Total
\$ 205,187.74
[to Schedule 1]

Exhibit C

1 Steven A. Elia (State Bar No. 217200)
Maura Griffin, *Of Counsel* (State Bar No. 264461)
2 James Joseph (State Bar No. 309883)
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7 Attorneys for Plaintiff
SALAM RAZUKI

8
9 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
10 **COUNTY OF SAN DIEGO, CENTRAL DIVISION**

11 SALAM RAZUKI, an individual,
12 Plaintiff,

13 v.

14 NINUS MALAN, an individual; CHRIS
HAKIM, an individual; MONARCH
15 MANAGEMENT CONSULTING, INC. a
California corporation; SAN DIEGO
16 UNITED HOLDING GROUP, LLC, a
California limited liability company; FLIP
17 MANAGEMENT, LLC, a California limited
liability company; MIRA ESTE
18 PROPERTIES, LLC, a California limited
liability company; ROSELLE PROPERTIES,
19 LLC, a California limited liability company;
BALBOA AVE COOPERATIVE, a
20 California nonprofit mutual benefit
corporation; CALIFORNIA CANNABIS
21 GROUP, a California nonprofit mutual
benefit corporation; DEVILISH DELIGHTS,
22 INC., a California nonprofit mutual benefit
corporation; and DOES 1-100, inclusive,

23 Defendants.
24
25

CASE NO. 37-2018-00034229-CU-BC-CTL

**PLAINTIFF SALAM RAZUKI'S
SUPPLEMENTAL BRIEFING FOR THE
AUGUST 20, 2018 HEARING;
SUPPLEMENTAL DECLARATION OF
MAURA GRIFFIN, ESQ. DATED
AUGUST 17, 2018; SUPPLEMENTAL
DECLARATION OF SALAM RAZUKI
DATED AUGUST 17, 2018;
DECLARATION OF JOE BANOS;
REQUEST FOR JUDICIAL NOTICE**

Date: August 20, 2018
Time: 2:00 p.m.
Dept: C-67
Judge: Hon. Eddie C. Sturgeon

26 Plaintiff SALAM RAZUKI ("Plaintiff" or "Razuki"), by and through his counsel, hereby submits
27 the following supplemental briefing in support of the appointment of receiver and opposition to Ninus
28

1 Malan's Ex Parte Application to Vacate Receivership Order.

2 I.

3 **ADDITIONAL FACTS AND ARGUMENTS IN**
4 **SUPPORT OF APPOINTMENT OF RECEIVER**

5 A. **Hours after Judge Sturgeon Ordered All Bank Accounts Frozen, Defendant Ninus Malan**
6 **Attempted to Trick BBVA Compass Bank Into Unfreezing the Flip Management, LLC**
7 **Account with Approximately \$26,000 By Showing Them Judge Strauss Minute Order.**

8 On August 14, 2018, the parties appeared in front of Judge Sturgeon who had set an ex parte
9 hearing sua sponte regarding the status of the receivership. See the Supplemental Declaration of Maura
10 Griffin dated August 16, 2018 ("Suppl. Griffin Dec.") at ¶2. **Also present in the Court was Defendant**
11 **Ninus Malan** ("Malan"). *Id.* Judge Sturgeon ultimately ordered that all bank accounts of the entity
12 defendants be frozen pending a full hearing re: determination of appointment of receiver which he set for
13 Monday, August 20, 2018 at 2:00 P.M. (the "August 20th Hearing"). *Id.* The only caveat to that was that,
14 after hearing counsel for Malan and Defendant Chris Hakim ("Hakim") argue that the Balboa dispensary
15 (the "Balboa Dispensary") and the Mira Este marijuana manufacturing operation (the "Mira Este
16 Operation") needed \$80,000 each to replenish inventory pending the August 20th Hearing, Judge Sturgeon
17 ordered that each of the Balboa Dispensary and the Mira Este Operation could use up to \$80,000 to
18 purchase additional product. *Id.* Judge Sturgeon issued a Minute Order which constitutes the final order
19 as no order after hearing was required to be prepared by counsel. *Id.* A true and correct copy of the
20 August 14, 2018 Minute Order ("August 14th Minute Order") is attached to the Suppl. Griffin Dec. as
21 **Exhibit 1.** The Minute Order, in no uncertain terms, that "As to all parties, no money is to be exchanged
22 [sic] – all accounts are frozen until further order of the Court." See Griffin Dec. at **Exhibit 1.**

23 In the afternoon of August 14, 2018, **ONLY A FEW HOURS AFTER JUDGE STURGEON**
24 **ISSUED HIS ORDER FREEZING ALL ACCOUNTS,** Malan sent an e-mail to BBVA Compass
25 ("Compass Bank") attaching the Court's Minute Order dated July 31, 2018 ("July 31st Minute Order"), as
26 follows: "Please see attached Minute Order **Vacating the Receivership for Flip Management Acc**
27 **XXXXXX7151. Can you please remove the Hold on the Account.**" [Emphasis Added.] Suppl. Griffin
28 Dec. at ¶3. A true and correct copy of Malan's August 14, 2018 e-mail, as well as subsequent e-mails
related thereto and a copy of the Court's July 31st Minute Order, are attached to the Suppl. Griffin Dec.
collectively as **Exhibit 2.** **THIS IS IN BLATANT DEFIANCE OF THIS COURT'S ORDER OF AUGUST**

1 14. 2018 THAT ALL ACCOUNTS ARE FROZEN PENDING THE AUGUST 20, 2018 HEARING. This is
2 exactly why a receiver needs to be appointed because this is the **second** instance where Defendant Ninus
3 Malan has violated a court order hours after it was issued. The first instance, as more fully discussed in
4 our supplemental briefing submitted to the Court for the August 14th ex parte, involved Gina Austin, Ms.
5 Malan's attorney who two hours after arguing before Judge Medel on July 17, 2018, told the receiver she
6 would not abide by Judge Medel's order, that she would instruct her client not to abide by the order and
7 drove the getaway Range Rover as her clients stole over \$65,000 in cash from the dispensary. This
8 incident was captured on video which will be made available for the Court to view at Monday's hearing.

9 Although the Court was convinced by Malan's counsel to allow the Balboa Dispensary and the
10 Mira Este Operations to each use up to \$80,000 to replenish product so that they may successfully conduct
11 business until the August 20th Hearing, neither this Court nor the August 14th Minute Order made any
12 mention of the use of funds in the Flip Management, LLC ("Flip") account for this purpose. Suppl. Griffin
13 Dec. at ¶3 and **Exhibit 1**. Furthermore, having been at the hearing himself, Malan was well aware that (i)
14 Plaintiffs contend that Judge Strauss's oral order and/or minute order vacating the receiver was never
15 effectuated because the July 31st Minute Order provides, after stating the Court's decision to grant the
16 request to vacate the receivership order, provided that counsel was to prepare a proposed order for the
17 Court's review and approval"; (ii) That this Court indicated it was aware of our arguments regarding the
18 same and that they would be addressed at the August 20th Hearing; and, (iii) That all accounts were frozen
19 but for the monies the Balboa Dispensary and the Mira Este Operations could use to purchase product.

20 Compass Bank forwarded Malan's e-mail to attorney Richardson Griswold, counsel for Mike
21 Essary, the court-appointed Receiver (the "Receiver") in this case. Suppl. Griffin Dec. at ¶2 and **Exhibit**
22 **2**. Mr. Griswold then forwarded the e-mail exchange to Malan's attorneys, with a copy to counsel for
23 Plaintiff, Defendant Chris Hakim and Plaintiff-in-Intervention SoCal Building Ventures, LLC ("SoCal"),
24 reminding them that the Court had ordered that all bank accounts should remain frozen until the August
25 20th hearing and requesting that they contact Malan and reiterate to him this Court's order regarding bank
26 accounts. *Id.*

27 In response, on August 14, 2018, attorney Daniel Watts, counsel for Malan, e-mailed Mr. Griswold
28 as follows:

1 “The judge told Mira Este and Balboa to spend money only to replenish
2 product and limited the amount they can spend. He told the other businesses
3 not to spend money. He did not order their bank accounts “frozen” or
4 restrict access to their bank accounts, and he certainly did not reinstate the
5 receiver or give the receiver authority to intervene with access to the bank
6 account.” *Id.* at ¶6.

7 Clearly, this is a case of selective hearing on the part of Malan’s counsel as the Court did, in fact,
8 order the bank accounts of all defendants including, but not limited to, Flip, to “frozen until further order
9 of the Court” as reflected in the Court’s August 14th Minute Order. *Id.* at ¶7 and **Exhibit 1**.

10 On August 15, 2018, Mr. Griswold responded to Mr. Watt’s August 14, 2018 e-mail by forwarding
11 a copy of the August 14th Minute Order and reiterated that “[t]he Court ordered ‘all accounts are frozen.’”
12 *Id.* at **Exhibit 2**.

13 After receiving a copy of Mr. Griswold’s e-mail response to Mr. Watts, Plaintiff’s counsel called
14 and left a message for Patrice Perkins-McShan, the Compass Bank representative that Malan had sent his
15 initial e-mail to, stating that the Court had ordered the bank accounts of all defendants to be frozen
16 including, but not limited to, Flip’s Compass Bank account. *Id.* at ¶9. Plaintiff’s counsel followed that
17 up on August 16, 2018, with an e-mail to Ms. Perkins-McShan which attached a copy of the Court’s
18 August 14th order that all bank accounts were frozen and requesting that the approximately \$26,000 in
19 funds in Flip’s Compass Bank account not be released to Malan pending the August 20th hearing. *Id.* A
20 true and correct copy of the August 16, 2018 e-mail from Plaintiff’s counsel to Ms. Perkins-McShan, as
21 well as additional related e-mails that followed, is attached to the Suppl. Griffin Dec. as **Exhibit 3**. Ms.
22 Austin, one of the attorneys for Malan, immediately e-mailed Plaintiff’s counsel in response trying to
23 convince counsel, and apparently Ms. Perkins-McShan, that Malan simply “needed information about the
24 contents of the account that neither So[C]al nor Mr. Essary were willing to provide.” *Id.* This is a
25 ridiculous contention considering Receiver Michael Essary’s Interim Receiver’s Report (the “Interim
26 Report”), which was served on all parties on August 10, 2018, clearly states that Flip’s Compass Bank
27 account “was frozen and there is approximately \$26,457.09 in the account.” *See* the Interim Report at
28 3:21-23; *see also* the Declaration of Court Appointed Receiver Michael Essary In Support of His Interim
Receiver’s Report at ¶5. Moreover, in a subsequent e-mail from Ms. Austin, she admits that Malan was
trying to “unfreeze” the bank account. Suppl. Griffin Dec. at **Exhibit 3**.

 On August 16, 2018, Ms. Perkins-McShan confirmed by e-mail that Flip’s Compass Bank account

1 remained frozen and no funds had been released. *Id.* at ¶10 and **Exhibit 4**.

2 This is just another example of Malan and his counsel's attempt to circumvent and/or outright defy
3 the Court's orders and this type of blatant disregard for the Court's orders should not continue to be
4 tolerated.

5 **B. Plaintiff's Counsel Did Not Mislead Judge Medel During the July 17, 2018 Ex Parte Hearing
6 Regarding the Appointment of Receiver.**

7 Malan has repeatedly, both in oral argument and in their papers, accused Plaintiff's counsel of
8 having misled the Court at the ex parte hearing on July 17, 2018. *See* Defendant Malan's Ex Parte
9 Application to Vacate Receivership ("Malan's Ex Parte Application") at 3:7-9. This is also an unabashed
10 falsehood, as the record reflects.

11 At the July 17th hearing, Plaintiff's counsel states, as follows:

12 "Now, we're asking for a receiver because these are extraordinary
13 circumstances and conduct by the defendants. All we're asking for is to
14 preserve the status quo that we've had the last ten months with the
15 defendants. We're just asking for the appointment of a receiver that would
16 take over the marijuana operations, temporary restraining order so they
17 don't commit waste." [Emphasis Added.] *See* a true and correct copy of
18 the transcript from the July 17th Hearing, which is attached to the Suppl.
19 Griffin Dec. at **Exhibit 5**, 3:27-4:5.

20 Plaintiff's counsel later states:

21 "We're not asking for harm to anybody. We just want a receiver to take
22 over so that we can stop the wasting. We need some internal controls so
23 that [Ms. Austin's] clients don't continue to steal and put in a new operator
24 that is eventually going to end up joining this complaint, and then we have
25 a multiplicity of lawsuits... [The injunction is to] [m]aintain the status quo,
26 to not waste." *Id.* at 4:22-27.

27 While the [*Proposed*] Order submitted to the Court contains provisions for sale, counsel for
28 defendants act as though it authorizes the Receiver to sell the receivership assets out from under them.
This is not true. The original [*Proposed*] Order submitted the Court specifically requires court approval
before any sale takes place. Suppl. Griffin Dec. at ¶12. Meanwhile, the First Amended Complaint
includes a cause of action for dissolution which may ultimately require a sale of receivership assets by the
receiver, so the sale provisions in the original [*Proposed*] Order are reasonable. *Id.* However, along with
their supplemental briefing, Plaintiffs have submitted a [*Proposed*] Amended Order which excludes

1 provisions related to the sale of the receivership assets and the Receiver can simply request to be
2 authorized with the power to sell in the event it becomes necessary in the future in order to avoid further
3 concern regarding this issue. *Id.*

4 **C. Plaintiff Has More Than an “Imaginary” Interest in the Partnership Assets as He**
5 **Contributed All of the Financial Backing While Malan Put In No Money.**

6 **1. The Oral Agreement Gives Razuki a Current Interest in the Partnership Assets.**

7 Malan dedicates a substantial part of his papers arguing that the Agreement of Compromise,
8 Settlement, and Mutual General Release (the “Settlement Agreement”) does not give Razuki an
9 ownership interest in the marijuana operations at the Balboa Dispensary, Mira Este and Roselle
10 (collectively, the “Marijuana Operations”). He argues that RM Holdings is the only entity that can
11 enforce these rights. However, Malan repeatedly ignores the oral agreement that continues to exist
12 between Razuki and Malan. This oral agreement governed their business relationship from its inception.
13 As discussed at length in Plaintiff’s Ex Parte Application and supplemental briefing filed with the Court
14 on August 13, 2018, Razuki would finance the business and, once Razuki recuperated his entire initial
15 investment, Razuki and Malan would split the profits from the businesses 75%/25% respectively. This
16 oral agreement *was memorialized in writing* in Section 1.2 of the Settlement Agreement, as follows:

17 “RAZUKI and MALAN have an understanding such that *regardless*
18 *of which Party or entity holds title and ownership to the*
19 *Partnership Assets, RAZUKI is entitled to a seventy five percent*
20 *(75%) interest in the capital, profits, and losses of each Partnership*
21 *Asset and MALAN is entitled to a twenty five percent (25%)*
22 *interest, and no Party is entitled to receive any profits whatsoever*
23 *until, and unless the Parties have first been repaid their investment*
24 *in full (hereinafter referred to as the "Partnership Agreement").”*
25 *See the Settlement Agreement, which is attached to the Suppl.*
26 *Griffin Dec. as Exhibit 6, at ¶1.2.*

27 This recital confirms the existence of Razuki’s *current* ownership in the marijuana operations.
28 Specifically, Razuki *currently* owns a 75% interest in SD United Holding Group, LLC (“SD United”) and Flip and he owns a 37.5% (equivalent to 75% of Malan’s 50% interest) interest in Mira Este Properties, LLC (“Mira Este”) and Roselle Properties, LLC (“Roselle”). Unlike the Settlement Agreement, which required the parties to transfer the ownership into RM Holdings, the oral agreement governs the current ownership of the entities. Therefore, Razuki has standing to protect these interests.

1 **2. The Money Invested By Razuki Demonstrates his Equitable Interest In the**
2 **Partnership Assets and the Marijuana Operations.**

3 As set forth in the Supplemental Declaration of Salam Razuki dated August 13, 2018 (“Razuki
4 August 13th Supplemental Dec.”), which is supported by the attachments thereto, Razuki invested
5 approximately **FIVE MILLION DOLLARS** into the Marijuana Operations through cash down payments
6 and providing collateral for financing for the business.

7 **3. Razuki Was Intimately Involved in the Marijuana Businesses Further Supporting His**
8 **Equitable Interest in Them.**

9 Prior to approximately June of 2018, Razuki was intimately involved in every business decision
10 related to the legal Marijuana Operations. His involvement is confirmed by a sampling of texts and e-
11 mails which are attached to the Supplemental Declaration of Salam Razuki dated August 17, 2018
12 (“Razuki August 17th Dec.”) as **Exhibit 1** and **2**. These are but a fraction of the communications
13 demonstrating his involvement in all decisions related to the businesses over the course of the last few
14 years. *Id.* at ¶ 3.

15 **D. The Marijuana Operations Generate Enough Capital to Support the Receivership.**

16 At the August 14th Hearing, after the Court indicated that it would freeze all of Defendants’ assets
17 pending the August 20th Hearing, counsel for Malan and Hakim argued that the Balboa Dispensary and
18 the Mira Este marijuana manufacturing operation (the “Mira Este Operation”) each needed a substantial
19 amount of funds to resupply product in order to continue conducting business pending the August 20th
20 Hearing, which was only six (6) days away. Suppl. Griffin Dec. at ¶13. Counsel for Hakim represented
21 that the Mira Este Operation had generated approximately \$200,000 in the one week since it had been in
22 operation.¹ *Id.*; see also the Declaration of Chris Hakim Re Ex Parte Hearing on Order Vacating
23 Appointment of Receiver (“Hakim Dec.”), a copy of which is attached to the Suppl. Griffin Dec. as
24 **Exhibit 7** for the convenience of the Court, at ¶10. Counsel for Maian and SD United represented that
25 the Balboa Dispensary could sell \$100,000 in product over one weekend. *Id.* Therefore, it is clear that
26 the Marijuana Operations generate more than sufficient funds to pay for the cost of the Receiver.

27 ¹ Unfortunately, Plaintiff’s counsel was unable to obtain a copy of the Court Reporter’s transcript from the August 4, 2018
28 hearing prior to the filing deadline for submitting supplemental briefing and is therefore unable to provide said copy to the
Court confirming the representations of counsel for Malan and Hakim regarding sales and/or revenue generated at the
Balboa Dispensary and the Mira Este Operation. Suppl. Griffin Dec. at ¶14.

1 **E. The Court Should Not Void the Settlement Agreement for Being Contrary to Public Policy.**

2 **1. Recent Changes in California Law Explicitly Demonstrate the Settlement**
3 **Agreement and the Oral Agreement Between the Parties Are Legal and Protected.**

4 In Defendant Ninus Malan's Supplemental Briefing ISO Ex Parte Application to Dissolve
5 Receivership ("Malan's Suppl. Brief"), Malan cites to *Bovard v. American Horse Enterprises, Inc.*
6 (1988) 201 Cal.App.3d 832, 838 in support of his argument that the Settlement Agreement is illegal.
7 See Malan's Suppl. Brief at Section II(b). However, the Court in *Bovard* also stated that "[t]he question
8 whether a contract violates public policy necessarily involves a degree of subjectivity. Therefore, '...
9 courts have been cautious in blithely applying public policy reasons to nullify otherwise enforceable
10 contracts.'" *Bovard, supra*, at 838 quoting *Moran v. Harris* (1982) 131 Cal.App.3d 913, 919-920. "The
11 power of the courts to declare a contract void for being in contravention of sound public policy is a very
12 delicate and undefined power, and. . . . should be exercised only in cases free from doubt." *Moran,*
13 *supra*, at 919-920. Whether a contract is illegal or contrary to public policy is a question of law to be
14 determined from the circumstances of each particular case. *Jackson v. Rogers & Wells* (1989) 210
15 Cal.App.3d 336, 349-350. Before labeling a contract as being contrary to public policy, courts must
16 carefully inquire into the nature of the conduct, the extent of public harm which may be involved, and
17 the moral quality of the conduct of the parties in light of the prevailing standards of the community.
18 *Dunkin v. Boskey* (2000) 82 Cal.App.4th 171, 183.

19 Confusion regarding California's movement to legalize marijuana use and sale has existed for
20 decades as it has navigated through conflict with federal laws. California adopted Proposition 215,
21 the Compassionate Use Act of 1996 (CUA), which provided the right to obtain and use marijuana for
22 medical purposes. See Plaintiff's Request for Judicial Notice ("RJN"), filed herewith, at **Exhibit A** and
23 **Exhibit B**. California's medical marijuana law was expanded by SB 420, the Medical Marijuana
24 Protection Act, on January 1, 2004. See RJN at **Exhibit C**. In 2008, the California Attorney General's
25 office issued additional guidelines for medical marijuana enforcement and explaining explained its
26 interpretation of SB 420 and Prop 215. See RJN at **Exhibit D**. The guidelines noted that storefront
27 "dispensaries" were not explicitly recognized by state law, but that a "properly organized collective or
28 cooperative" may legally dispense medical marijuana through a storefront provided it complied with
certain conditions. *Id.* In 2015, California's legislature enacted the Medical Cannabis Regulation and

1 Safety Act (“MCRSA”), which provided a licensing and regulatory system for medical marijuana
2 businesses and established permitting for marijuana cultivation and dispensaries. *See* RJN at **Exhibit**
3 **E**. The Adult Use of Marijuana Act (“AUMA” or “Prop 64”) was passed in 2016 and, among other
4 things, provided that retail recreational marijuana would become legal beginning on January 1, 2018.
5 *See* RJN at **Exhibit F**. On June 17, 2017, SB 94, entitled the Medical and Adult-Use Cannabis
6 Regulation and Safety Act (“MAUCRSA”), was approved providing additional regulations regarding
7 the cultivation, distribution, transport, storage, manufacturing, processing and sale of non-medical
8 marijuana and marijuana products for adults over the age of 21. *See* RJN at **Exhibit G**. California Civil
9 Code §1550.5 became effective on January 1, 2018. *See* RJN at **Exhibit H** and **Exhibit I**.

10 With the progression of legislation ultimately leading to the legalization of recreational cannabis
11 in California, the legislation must have intended that parties could engage in enforceable contractual
12 relations regarding marijuana, otherwise the above legislation would be rendered meaningless. For
13 example, how would medical marijuana and/or recreational marijuana businesses including, but not
14 limited to, cooperatives, be able to enforce contracts with legal vendors for the purchase of product to
15 sell to the public if the contracts were unenforceable. Unfortunately, the legislation did not adapt its
16 contract laws at the same pace as it enacted the cannabis laws.

17 While the lack of legal clarity at the federal level causes some confusion to the issue, Civil Code
18 §1550.5(b) expressly states that “[n]otwithstanding any law, including, . . . federal law, commercial
19 activity relating to medicinal cannabis or adult-use cannabis . . . shall be deemed to be all of the
20 following: (1) A lawful object of a contract. (2) Not contrary to, an express provision of law, any policy
21 of express law, or good morals. (3) Not against public policy.” This is an explicit endorsement by the
22 Legislature that ownership and transfer of that ownership is permitted and encouraged in the state,
23 regardless of federal law. There can be no clearer sign that the Settlement Agreement should not be
24 voided.

25 Malan’s only counter is that Civil Code §1550.5(b) was only effective January 1, 2018, before
26 the Settlement Agreement was signed. However, the law that created Civil Code §1550.5(b) was passed
27 by the Legislature in A.B. 1159 (2017-2018) and was chaptered by the Secretary of State on October 6,
28 2017. *See* RJN at **Exhibit H**. Even if the law may only been effective on January 1, 2018, the law
confirming the legislative intent to specifically provide that contracts related to legal cannabis

1 operations are not deemed illegal in California was fundamentally changed one month *before* the
2 signing of the Settlement Agreement. Attempting to negate this contract because it was two months too
3 early ignores the changing circumstances in California and the direct intent of the Legislature to catch
4 contract law up with the continued legalization of cannabis. This also distinguishes the instant case
5 from *Bovard, supra*, which was decided in 1988, before California permitted even medical marijuana
6 use. Here, Razuki and Malan entered into this agreement as soon as the Legislature declared its intent
7 confirming that cannabis related contracts are legal and enforceable. Voiding the contract now would
8 be contrary to the legislative intent. Of note, there is not a single case yet decided interpreting Civil
9 Code §1550.5(b).

10 Malan also contends that the agreement is illegal because it allows the parties to collect profits
11 from the entities. First, none of the Partnership Assets listed in the Settlement Agreement are non-profit
12 entities. Rather, the entities are management companies and property owners, all of which are legally
13 permitted or licensed to make profits from the sale of cannabis. Second, this language does not make
14 the businesses illegal. The agreement just uses “catch-all” language that clarifies how any potential
15 profits would be distributed. Merely stating that the parties will split profits does not magically
16 transform a non-profit company into a for-profit company.

17 **2. Even If the Court Finds the Contract Is Contrary to Public Policy, the Court**
18 **Should Still Enforce It.**

19 The rule that illegal contracts must be voided is the general rule with multiple exceptions. The
20 exceptions to the general rule “are intended to prevent the guilty party from reaping the benefit of his
21 wrongful conduct, or to protect the public from the future consequences of an illegal contract.” *Tri-Q,*
22 *Inc. v. Sta-Hi Corp.* (1965) 63 Cal.2d 199, 218. The Court should look to (1) whether the public would
23 be protected if the contract is terminated, (2) whether there is serious moral turpitude, (3) whether the
24 defendant is more at fault, and (4) where the defendant would be unjustly enriched if the contract is
25 voided. *Id.*; see also *Asdourian v. Araj* (1985) 38 Cal.3d 276, 292 and *Southfield v. Barrett* (1970) 13
26 Cal.App.3d 290, 294.

27 First, the public will not be “protected” if the contract is voided. This case presents the unique
28 situation where the contract became expressly legal just two months after signing. Any legal issues that
may have existed with the marijuana business no longer exist.

1 Second, there is no serious moral turpitude involved. The entities involved in the Settlement
2 Agreement have not been accused of any crimes or morally questionable behavior. The Legislature has
3 actually declared that this activity is “not contrary to, an express provision of law, any policy of express
4 law, or good morals.” Civil Code §1550.5(b). Furthermore, the Settlement Agreement is just a
5 reorganization of partnership assets. If anything, the Settlement Agreement promoted more
6 transparency by formalizing Razuki and Malan’s oral agreement.

7 Third, Malan is the party more at fault. Both parties acquired their interests in the assets over
8 the years of their partnership. The Settlement Agreement merely attempted to put structure to the
9 multiple partnership assets of the parties. However, Malan intentionally delayed performance to stop
10 any entities from being in Razuki or RM Holdings’ name. Malan is also the party ignoring the oral
11 agreement in order to steal these assets from Razuki.

12 Finally, Malan will undoubtedly be unjustly enriched if the agreement is voided. As Razuki has
13 explained, he has invested roughly \$5 million into this business. See Suppl. Razuki Decl. dated August
14 12, 2018 at ¶¶ 27-73. Voiding this agreement would be essentially gifting Malan these assets and not
15 in the interests of justice and equity.

16 **3. Alternatively, the Court Can Simply Sever Out Portions of the Contract it Deems**
17 **To Be Illegal.**

18 If the court deems that a portion of the contract is illegal, then the court can elect to sever only
19 the illegal portions of the contract. *Armendariz v. Foundation Health Psychcare Services, Inc.* (2000)
20 24 Cal.4th 83, 123–124. The California Supreme Court has stated there are two reason for severing out
21 the illegal portions of a contract instead of deciding to void the entire contract. The first “is to prevent
22 parties from gaining undeserved benefit or suffering undeserved detriment as a result of voiding the
23 entire agreement.” *Id.* citing *Birbrower, Montalbano, Condon & Frank v. Superior Court* (1998) 17
24 Cal.4th 119, 137, as modified (Feb. 25, 1998). Second, the Court should always attempt to conserve a
25 contractual relationship when possible. *Id.* citing *Werner v. Knoll* (1948) 89 Cal.App.2d 474, 476–477.
26 Moreover, courts have the capacity to cure the unlawful contract through severance or restriction of the
27 offending clause. *Id.* Whether a contract is entire or separable depends upon its language and subject
28 matter, and this question is one of construction to be determined by the court according to the intention
of the parties. If the contract is divisible, the first part may stand, although the latter is illegal. *Id.* citing

1 *Keene v. Harling* (1964) 61 Cal.2d 318, 320–321, 38 Cal.Rptr. 513, 392 P.2d 273

2 Here, the Settlement Agreement requires the parties to transfer ownership in four LLCs holding
3 title to real property (SD United, Mira Este, Roselle, and Sunrise Property Investments, LLC
4 (“Sunrise”)), one management company (Flip) and one operator of a medical marijuana dispensary
5 (Super 5 Consulting Group, LLC (“Super 5”)). The assets and their functions are clearly defined in the
6 recitals of the Settlement Agreement. If the Court finds that transferring ownership of a marijuana
7 dispensary in November 2017 is illegal, the most appropriate action would be to strike any mention of
8 Super 5 from the Settlement Agreement. There is nothing illegal/wrong with owning or transferring an
9 interest in an LLC that owns real property or provides management services.

10 Furthermore, just severing a portion of the contract would serve the interests of justice by
11 prevent Malan from receiving an undeserved benefit. As explained in the Suppl. Razuki Decl. dated
12 August 12, 2018 at ¶¶ 27-73, Razuki provided all the money for all of the Partnership Assets. He was
13 the one who either provided the cash down payments or had the credit/assets to secure additional loans.
14 The Declaration of Joseph Salas, which was filed with Razuki’s supplemental briefing on August 13,
15 2018, confirm that Razuki was the reason they were willing to lend money to these entities. Voiding
16 the entire contract would allow Malan to essentially steal roughly \$5 million from Razuki.

17 **F. Neither Plaintiff Nor SoCal Has Any “Illegal Arrangement” With Receiver Mike Essary.**

18 Malan accuses Plaintiff of having an “illegal arrangement” with the Receiver. *See* Malan’s Ex
19 Parte Application at 10:7-10. This is a red-herring and an attempt to deflect the Court from Defendants’
20 bad acts. In fact, nothing could be farther from the truth and Malan presents not a single shred of evidence
21 to support this. At the July 17th Ex Parte and in their supporting papers, Plaintiff’s counsel made it clear
22 to the Court, as stated above, that it wanted the receiver, in part, so that that he could return the businesses
23 to the pre-July 10th status quo by reinstating SoCal as the operator of the Marijuana Operations pursuant
24 to the three management service and option agreements that SoCal had entered into for each of the Balboa
25 Dispensary, the Mira Este Operations and the Roselle Operation (collectively, the “Management
26 Agreements”). Suppl. Griffin Dec. at ¶15. **The Receiver was not entering into an illegal arrangement
27 with Plaintiff but simply honoring the pre-Receivership Management Agreements that had been
28 entered into between Defendants Malan and Chris Hakim and SoCal.** *Id.* Moreover, the Receiver has

1 every right to terminate SoCal as operator in the future so long as SoCal is truly in default of the
2 Management Agreements and he conforms to the termination requirements of each of the Management
3 Agreements which Plaintiff is informed and believes Defendants never did despite their assertions
4 otherwise. *Id.*

5 **G. Defendants Continue to Enter Into Additional Management Agreements Related to the**
6 **Marijuana Operations Despite Prior Management Agreements with SoCal.**

7 One of the main issues in this case is whether Defendants were authorized and/or properly
8 terminated the Management Agreements with SoCal. Despite this, on July 31, 2018, **THE VERY SAME**
9 **DAY** that Defendants argue the receivership was vacate, Hakim negotiated an agreement with another
10 manager, Synergy Management Partners, LLC (“Synergy”), which began managing the Mira Este
11 Operation on August 3, 2018. See Suppl. Griffin Dec. at **Exhibit 7** (the Hakim Dec.), ¶10. The
12 management agreement was reduced to writing on August 10, 2018. *Id.*; see also Hakim Dec. at Exhibit
13 2. What Hakim’s Dec. fails to mention is that the Synergy management agreement also includes the intent
14 of Defendants to “negotiate a definitive” long-term agreement within the management agreement’s term
15 of ninety (90) days. See Griffin Dec. at **Exhibit 7** (Hakim Dec.), Exhibit 2, Sections 1.7 and 2.1. The
16 existence of two conflicting contracts for the same purpose and during the same time period, one of which
17 is already at issue in this lawsuit by way of SoCal’s Complaint-In-Intervention, obviously exposes Plaintiff
18 and Defendants to liability and a risk of additional lawsuits.

18 **II.**
19 **CONCLUSION**

20 Based on the foregoing and its previously submitted papers, Plaintiff respectfully requests that
21 the Court (i) confirm Mr. Essary as the Receiver over the defendant entities, (ii) grant a preliminary
22 injunction in furtherance of the receivership or, alternatively, maintain the TRO and set an OSC as to
23 why a preliminary injunction should not be granted; and, (iii) deny Malan’s Ex Parte Application to
24 Vacate the Receivership.

25 Dated: August 17, 2018

LAW OFFICES OF STEVEN A. ELIA,
APC

26 By:



Maura Griffin, Attorneys for Plaintiff
Salam Razuki

Exhibit D

MANAGEMENT SERVICES AND OPTION AGREEMENT

This MANAGEMENT SERVICES AND OPTION AGREEMENT (the "Agreement") is made, entered into and effective as of January 2, 2018 (the "Effective Date") by and among **SoCal Building Ventures, LLC** ("Manager" and "Optionee" as context requires), and **Balboa Ave Cooperative**, a California nonprofit mutual benefit corporation, and **San Diego United Holdings Group, LLC**, a California limited liability company (collectively, the "Company" and "Optionor" as context requires), **Monarch Management Consulting, Inc.**, a California corporation (individually referred to herein as "Monarch"), **Chris Hakim**, an individual, and **Ninus Malan**, an individual (together, the "Old Operators") (collectively, the "Parties").

RECITALS

WHEREAS,

A. Company is a California mutual benefit corporation (which may also be referred to herein as the "Nonprofit") which operates a medical marijuana dispensary for the benefit of its members (the "Operations"), and is in need of business consulting, accounting, administrative, technological, managerial, human resources, financial, intellectual property, and related services in order to provide services to its patients. The Company operates its dispensary at 8863 Balboa Avenue, Suite E., San Diego CA 92123 and 8861 Balboa Avenue, Suite B, San Diego, CA 92123 (collectively, the "Facility"), for which a CUP has been submitted with the City of San Diego for such purposes. San Diego United Holdings Group, LLC owns the Facility in fee simple, as well five (5) other parcels within the HOA where the Facility is located. The Facility needs to receive HOA approval before commencing Operations at the site.

B. Manager is engaged in the business of providing administrative and management services to health care entities and has the capacity to manage and administer the operations of Company and to furnish Company with appropriate managerial, administrative, financial, and technological support (the "Administrative Services"). Manager may assign its obligations hereunder to an affiliate, San Diego Building Ventures, LLC, which shall also be "Manager" hereunder as if an initial party hereto.

C. Company desires management assistance in the Operations. To accomplish this goal, Company desires to engage Manager to provide Administrative Services as are necessary and appropriate for the day-to-day administration and management of the Operations, and Manager desires to provide Administrative Services to Company, all upon the terms and subject to the conditions set forth in this Agreement.

D. Manager is also seeking an option to acquire a 50% ownership interest in the Facility, and Company is willing to grant such an option as provided herein.

obligation of the Parties following the termination of this Agreement to the extent needed to implement the terms contained herein.

8. OPTION TO PURCHASE

8.1 Grant of Option. Company hereby grants Manager an option to acquire a 50% interest in the Facility, as well as a 50% interest in all applicable permits and rights thereto, that constitutes the land, buildings and improvements owned by the Company at and for the Facility location ("Option"). The Option is granted for and in consideration of Manager's payment of a non-refundable Option fee towards the Option Exercise Price of Seventy Five Thousand Dollars (\$75,000.00), which \$75,000 shall be paid to Old Operators on March 15, 2018, regardless of whether Option has been exercised.

8.2 Option Exercise Price. The Option for this 50% interest shall be exercised by the Manager sending notice of exercise to the Company. Thereafter, before the Closing Date, Manager shall deposit into Escrow the following amounts (each an independent "Option Exercise Price") depending upon the date of the notice of exercise as follows:

<u>Date of Option Exercise:</u>	<u>Option Exercise Price of 50% Interest in Facility:</u>
December 31, 2017 (or prior)	\$2,700,000 (50% of \$5,400,000 Facility valuation)
March 31, 2018 (or prior)	\$2,850,000 (50% of \$5,700,000 Facility valuation)
June 30, 2018 (or prior)	\$3,000,000 (50% of \$6,000,000 Facility valuation)

8.3 Closing of Escrow. Escrow shall close on the Date of the Option Exercise, at the mutual direction of the Parties, with a qualified escrow company located in San Diego County. The Parties shall cooperate and execute such documents as are required to transfer the 50% interest in the land, building, and improvements to the Manager at the time of Closing. San Diego United Holdings Group, LLC owns other real property in addition to the Facility also located within the HOA where the Facility is located. As such, the Parties agree to cooperate in holding title to the Facility separate from the other real property owned by San Diego United Holdings Group, LLC consistent with the terms of this Agreement.

8.4 Expiration of Option. If Manager does not exercise the Option prior to July 1, 2018, all of Manager's rights to exercise the Option shall expire. The expiration of the Option shall not affect or alter the non-Option related terms of this Agreement.

8.5 Manager's Operating Agreement – Old Operator's Ownership in Manager. It is the intent of the Parties to, upon exercise of the option hereunder at Section 8.1, grant Old Operators, or their designee, a 33% ownership interest in the Series applicable to the Balboa

Exhibit E

MANAGEMENT SERVICES AND OPTION AGREEMENT

This MANAGEMENT SERVICES AND OPTION AGREEMENT (the "Agreement") is made, entered into and effective as of January 2, 2018 (the "Effective Date") by and among **SoCal Building Ventures, LLC** ("Manager" and "Optionee" as context requires), and **California Cannabis Group**, a California nonprofit mutual benefit corporation, **Devilish Delights, Inc.**, a California nonprofit mutual benefit corporation, and **Mira Este Properties, LLC**, a California limited liability company (collectively the "Company" and "Optionor" as context requires), and **Chris Hakim**, an individual, and **Ninus Malan**, an individual (together who may also be referred to as the "Old Operators") (collectively, the "Parties").

RECITALS

WHEREAS,

A. Company consists of the real property owner as well as two California mutual benefit corporations (which may also be referred to herein as the "Nonprofits") which operate a medical marijuana manufacturing operation (the "Operations"), and which are in need of business consulting, accounting, administrative, technological, managerial, human resources, financial, intellectual property, and related services in order to conduct Operations. The Company's Operations are located at 9212 Mira Este Court, San Diego, CA 92126 (the "Facility"), for which a CUP has been submitted with the City of San Diego for such purposes. Mira Este Properties, LLC (which may also be referred to herein as the "Mira Este LLC") owns the Facility in fee simple. The Facility also includes one of the downstairs suites of approximately 1,200 sf for a manufacturing room. The Facility Operations has an existing manager hired by the Nonprofits, namely Monarch Management Consulting, Inc. (which may also be referred to herein as "Monarch") which as part of this Agreement is assigning its management rights and entering into the Assignment and Release appearing as Exhibit A to this Agreement. Chris Hakim and Ninus Malan co-own Monarch and Mira Este LLC, and are also the sole members of the Board of Directors of the Nonprofits.

B. Manager is engaged in the business of providing administrative and management services to health care entities and has the capacity to manage and administer the operations of Company and to furnish Company with appropriate managerial, administrative, financial, and technological support (the "Administrative Services") for the Operations. Manager may assign its obligations hereunder to an affiliate, San Diego Building Ventures, LLC, which shall also be "Manager" hereunder as if an initial party hereto.

C. Company desires management assistance in the Operations. To accomplish this goal, Company desires to (i) ensure Old Operators are compensated to retain their expertise and continued support of the Operations, and (ii) engage Manager to provide Administrative Services as are necessary and appropriate for the day-to-day administration and management of the Operations, and Manager desires to (i) assist Company in retaining the expertise of Monarch, and (ii) provide Administrative Services to Company, all upon the terms and subject to the conditions set forth in this Agreement.

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obligation of the Parties following the termination of this Agreement to the extent needed to implement the terms contained herein.

8. OPTION TO PURCHASE

8.1 Grant of Option. Company hereby grants Manager an option to acquire a 50% interest in the Facility, as well as 50% of all applicable permits and rights thereto, that constitutes the land, buildings and improvements owned by the Company at and for the Facility location ("Option"). The Option is granted for and in consideration of Manager's payment of a non-refundable Option fee towards the Option Exercise Price of Seventy Five Thousand Dollars (\$75,000.00), which \$75,000 shall be paid to Old Operators on March 15, 2018, regardless of whether Option has been exercised.

- a. The Old Operators and Manager acknowledge that the real estate interest shall not be conveyed free and clear of all liens, but that existing liens on the real estate will remain in effect. The Old Operators agree that they will be personally responsible for the existing at the time of Closing of Escrow as follows:
 - i. The Old Operators will cause the property owner to satisfy, pay, and discharge, within ten days of Closing of Escrow, the second lien of approximately \$1.4 million
 - ii. The Old Operators will be solely and personally responsible for paying in a timely fashion and ultimately paying off, the first lien of approximately \$1.975 million. They hereby indemnify Manager and its successors from and against any and all claims, damages, or payments that the lien holder or its successor may seek in enforcing its security interest and lien rights with respect to the property.

8.2 Option Exercise Price. The Option for this 50% interest shall be exercised by the Manager sending notice of exercise to the Company. Thereafter, before the Closing Date, Manager shall deposit into Escrow the following amounts (each an independent "Option Exercise Price") depending upon the date of the notice of exercise as follows:

<u>Date of Option Exercise:</u>	<u>Option Exercise Price for 50% of Facility:</u>
December 31, 2017 (or prior)	\$4,500,000
March 31, 2018 (or prior)	\$4,750,000
June 30, 2018 (or prior)	\$5,000,000

8.3 Closing of Escrow. Escrow shall close on the Date of the Option Exercise, at the mutual direction of the Parties, with a qualified escrow company located in San Diego County. The Parties shall cooperate and execute such documents as are required to transfer the

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Exhibit F

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7 Attorneys for Defendant CHRIS HAKIM

8
9 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
10 **COUNTY OF SAN DIEGO, CENTRAL DIVISION**

11 **SALAM RAZUKI, an individual**
12 **Plaintiff**

13 vs

14 **NINUS MALAN, an individual; CHRIS**
15 **HAKIM, an individual; MONARCH**
16 **MANAGEMENT CONSULTING, INC.,**
17 **California corporation; SAN DIEGO**
18 **UNITED HOLDINGS GROUP, LLC, a**
19 **California limited liability company; FLIP**
20 **MANAGEMENT, LLC, a California limited**
21 **liability company; MIRA ESTE**
22 **PROPERTIES LLC, a California limited**
23 **liability company; ROSELLE PROPERTIES,**
24 **LLC, a California limited liability company;**
25 **BALBOA AVE COOPERATIVE, a**
26 **California nonprofit mutual benefit**
27 **corporation; CALIFORNIA CANNABIS**
GROUP, a California nonprofit mutual
benefit corporation; DEVILISH DELIGHTS,
INC. a California nonprofit mutual benefit
corporation; and DOES 1-100, inclusive;

28 **Defendants.**

) **Case No.: 37-2018-00034229-CU-BC-CTL**

) **(Unlimited Civil Action)**

) **DEFENDANT CHRIS HAKIM'S**
) **MEMORANDUM OF POINTS AND**
) **AUTHORITIES IN OPPOSITION TO**
) **APPLICATION FOR PRELIMINARY**
) **INJUNCTION FOR APPOINTMENT OF**
) **RECEIVER**

) **Hearing Date: September 7, 2018**

) **Time: 1:30 PM**

) **Dept.: C-67**

) **I/C Judge: Hon. Eddie C. Sturgeon**

) **Complaint Filed: July 10, 2018**

) **Trial Date: Not Set**

) **IMAGED FILE**

1 See, also, *Russell v. United Pacific Ins. Co.* 214 Cal.App.2d 78 (In determining the
2 amount of damages to be allowed on dissolution of an injunction restraining one from exercising
3 acts ownership over his real property, the parties are entitled to such damages as are the necessary
4 and proximate result of such deprivation.); and *Surety Sav. & Loan Assn. v. National Automobile
5 & Cas. Ins. Co.* (Cal. App. 4th Dist. June 12, 1970) 8 Cal. App. 3d 752 (The damage recoverable
6 under an injunction bond is for all loss proximately resulting from the injunction; although often
7 difficult to measure accurately, it should furnish just and reasonable compensation for the loss
8 sustained.)

9 In the present case, it is probable that the Mira Este Facility will become insolvent if the
10 receivership is continued over it. In particular, under the sublicense agreement between MEP and
11 Edipure, MEP is required to provide certain services as outlined in the declaration of Jerry Baca,
12 including security, staffing, testing, maintenance, and the like. This overhead is in addition to the
13 debt service, which, together with property taxes and insurance alone, consume all of Edipure's
14 monthly payment of \$30,000. Simply put, it is likely that the Mira Este Facility will soon become
15 insolvent if a receiver remains in place. Given that likely result, a bond commensurate with the
16 value of the Mira Este Facility is appropriate.

17 An "arm's-length" valuation of the Mira Este Facility is found in the management
18 agreement between MEP and SoCal. That management agreement at Section 8.2 provides SoCal
19 with an option to purchase a 50% interest in the Mira Este facility for \$5 million after June 1,
20 2018. That translates into a valuation of \$10 million for a 100% interest in the Mira Este Facility.
21 As such, a bond in the amount of \$10 million should be the minimum amount set for a bond in
22 connection with the Mira Este Facility.

23 CONCLUSION

24 It is respectfully requested that the foregoing points and authorities mandate the denial of
25 plaintiff's request for a preliminary injunction for the appointment of a receiver in that:

26 (1) The court should not appoint a receiver in this action because an appointment would
27 be an abuse of discretion in that the Mira Este Facility is likely to be irreparably damaged if the
receiver remains in place, and injunctive relief in the form of orders to protect plaintiff's interest

Exhibit G

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12 Balboa Ave Cooperative, California Cannabis Group

13 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
14 **COUNTY OF SAN DIEGO- CENTRAL DIVISION**
15

16 SALAM RAZUKI, an individual,

17 Plaintiff,

18 vs.

19 NINUS MALAN, an individual; CHRIS
20 HAKIM, an individual; MONARCH
MANAGEMENT CONSULTING, INC., a
California corporation; SAN DIEGO
21 UNITED HOLDINGS GROUP, LLC, a
California limited liability company; FLIP
22 MANAGEMENT, LLC, a California
limited liability company; ROSELLE
23 PROPERTIES, LLC, a California limited
liability company; BALBOA AVE
24 COOPERATIVE, a California nonprofit
mutual benefit corporation; CALIFORNIA
25 CANNABIS GROUP, a California
nonprofit mutual benefit corporation;
26 DEVILISH DELIGHTS, INC. a California
nonprofit mutual benefit corporation; and
27 DOES 1-100, inclusive;

28 Defendants.

CASE NO. 37-2018-00034229-CU-BC-CTL

**DEFENDANTS NINUS MALAN, SAN
DIEGO UNITED HOLDINGS GROUP,
BALBOA AVE COOPERATIVE,
CALIFORNIA CANNABIS GROUP, AND
FLIP MANagements SUPPLEMENTAL
MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF ORDER
VACATING RECEIVERSHIP**

[IMAGED FILE]

Judge: Hon. Eddie C. Sturgeon

Date: September 7, 2018

Dept.: C-67

Time: 1:30 p.m.

Trial Date: Not Set

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V. BOND SHOULD BE SET AT THE VALUE SOCIAL ASCRIBED TO THE OPTION

The bond should be set at the value SoCal set at the option for the Balboa Dispensary and should be doubled for the Balboa Manufacturing. In no event should the bond be less than \$6 million dollars.

VI. CONCLUSION

As the Court can see from the reams of paper and multiple hearings, there are serious contested issues of material fact. The volume of paper and evidence presented is akin to a motion for summary judgment or even a trial. The Malan Defendants have attempted to focus their arguments on the lack of merit to the receivership argument and the extreme harm SoCal had already caused, which was compounded by the receiver. This matter is wholly inappropriate for a receiver. Plaintiff and the Intervenor have an adequate remedy at law. Plaintiff has no urgency and no right to the money. The Intervenor have unclean hands and breached three contracts. They do not like the consequence and have colluded with Plaintiff to put themselves in a better position to the extreme harm of the Malan Defendants. The evidence shows a negligent and wasteful operation by SoCal. SoCal cannot and should be let back in. Razuki has no right to be let in and the Malan Defendants strenuously object to any equitable relief. To the extent the Court contemplates a remedy, an accounting would accomplish transparency. For all of the foregoing, the Malan Defendants respectfully request the Court affirm Judge Strauss' decision to vacate the receivership on July 31, 2018.

Dated: September 4, 2018

AUSTIN LEGAL GROUP, APC



Gina Austin/Tamara Leetham
Attorneys for Defendants Ninus Malan, San Diego United Holdings Group, LLC, Flip Management, LLC, Balboa Ave Cooperative, California Cannabis Group, Devilish Delights, Inc.

Exhibit H

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT (the "Agreement") is entered into as of July 10, 2018 (the "Effective Date") in San Diego, California by and between Balboa Ave. Cooperative, a California nonprofit consumer cooperative (herein the "Cooperative") on the one hand and Far West Management, LLC, a California limited liability company (herein "Manager") on the other hand. Each may be referred to herein individually as "Party" or collectively as "Parties."

RECITALS

WHEREAS, the Cooperative has been issued a conditional use permit ("CUP") by the city of San Diego to operate a retail cannabis dispensary (the "Dispensary") at 8861 Balboa Ave., Suite B and 8863 Balboa Ave., Suite E, San Diego (the "Location") and a license from the state of California ("State") to sell medical and adult use cannabis products at the Location ("State License");

WHEREAS, Manager has expertise managing and operating retail cannabis dispensaries; and

WHEREAS, the Cooperative desires to engage Manager to provide the Services as more fully defined herein, and Manager desires to provide such Services to the Cooperative based upon the terms as set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and conditions set forth below, the Parties hereto enter this Agreement as follows:

ARTICLE 1.

DUTIES AND RESPONSIBILITIES

Section 1.1: Services. The Cooperative hereby engages Manager to provide the following services (collectively, the "Services"), and Manager hereby accepts such appointment:

- a. Manage the day-to-day operations of the Dispensary.
- b. Provide all staff necessary to operate the Dispensary.
- c. Maintain all accounts and ledgers of the Dispensary, including accounts payable and receivable.

shall be the responsibility of Manager.

Section 1.7: Long-Term Agreement. The Parties acknowledge and agree that it is the Parties' intent to, during the Term of this Agreement, negotiate a definitive agreement whereby Manager would continue to operate the Dispensary and acquire an interest therein, if the Parties can come to mutually agreed upon terms. The Parties agree to negotiate such agreement in good faith.

ARTICLE 2.

TERM OF AGREEMENT; TERMINATION

Section 2.1: Term. This Agreement is entered into on the Effective Date hereof, shall take effect immediately, and shall remain in effect for a period of sixty (60) days (the "Term"), unless earlier terminated by the Parties.

Section 2.2: Termination. This Agreement may be terminated by either Party with fifteen (15) days' prior written notice to the other Party or immediately upon the material breach of this Agreement by providing the breaching Party written notice of the termination and reason therefor.

Section 2.3: Effect of Termination. Upon termination of this Agreement, Manager shall promptly return all documents and information of the Cooperative or relating to the Dispensary to the Cooperative. The provisions of this Agreement relating to confidential information and indemnity shall survive termination of this Agreement.

ARTICLE 3.

COMPENSATION AND EXPENSES

Section 3.1: Compensation. The Cooperative shall pay for the Services provided by Manager as follows:

a. After all other costs and expenses of the Dispensary each month have been paid, Manager shall be entitled to receive a flat fee of \$25,000.00 per month ("Base Fee"). If the income of the Dispensary for any given month is insufficient to pay the Base Fee, the unpaid portion of the Base Fee will be deferred until the Dispensary has sufficient income to pay the deferred Base Fee. For the purposes of this Agreement, a month shall be treated as beginning on the 10th day of the applicable month and ending on the 9th day of the following month.

b. Once the Base Fee has been paid to Manager, the Cooperative shall be entitled to retain \$25,000.00 in profits from the Dispensary ("Retention Amount"), with remaining profits of the Dispensary after Retention Amount each month being referred to herein as the "Residual."

c. After payment of the Retention Amount to the Cooperative, all remaining monthly profits from operation of the Dispensary will be split between the Cooperative and

Exhibit I

From: calsur@aol.com
To: Maura Griffin
Subject: Fwd: Your 11/28 correspondence to receiver
Date: Thursday, November 29, 2018 1:11:31 PM

From: gaustin@austinlegalgroup.com
To: calsur@aol.com, chasgoria@gmail.com, mahoney@wmalawfirm.com
Cc: rgriswold@griswoldlawsandiego.com, tamara@austinlegalgroup.com
Sent: 11/29/2018 10:45:30 AM Pacific Standard Time
Subject: RE: Your 11/28 correspondence to receiver

Good morning,

We are looking into the suspension. It appears to be a very recent suspension based upon failure to pay state taxes. However, we have a call into the state to determine the amount needed for re-instatement.

Gina

From: calsur@aol.com [mailto:calsur@aol.com]
Sent: Thursday, November 29, 2018 9:13 AM
To: chasgoria@gmail.com; mahoney@wmalawfirm.com
Cc: rgriswold@griswoldlawsandiego.com; Austin, Gina
Subject: Re: Your 11/28 correspondence to receiver

Chuck,

Red and I are reviewing both emails. However, I've copied Gina on this since your statement about the suspended status of CCG really concerns me! This is the first I have heard anything about this - Gina, can you investigate and elaborate asap please?

Thank you

Mike

In a message dated 11/29/2018 8:09:20 AM Pacific Standard Time, chasgoria@gmail.com writes:

Dear Mr. Mahoney:

I am in receipt of your November 28, 2018 email to Mike Essary and Richardson Griswold. You copied Ms. Austin and Ms. Latham, but you did not send a copy to me. I suspect the reason is that you knew I would have objections to the Cream of the Crop agreement.

The proposed agreement that you presented to the receiver does not even include Mira Este as a party, even though Mira Este is the owner of the facility and must agree on any type of lease, assignment, or sublease to allow Cream of the Crop to access the premises. Secondly, and more importantly, the deal is a "far cry" from the earlier deal negotiated between the parties. That deal called for the payment of \$50,000 per month as against 10% of the net profits. The deal that you are presenting calls for only \$30,000 per month as against 5% of the profits.

Finally, I might add that it appears that California Cannabis Group is now in a suspended status, and as such, is not allowed to transact business or enter into agreements such as the one you are proposing.

In any event, please include me on any further emails that in any way involve Mira Este Properties LLC or the facility.

Sincerely,

Chuck Goria

--

Charles F. Goria, Esq.

Goria, Weber & Jarvis

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